

CIRCULAR DATED 11 MAY 2022

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt about the contents of this Circular or the course of action you should take, you should consult your stockbroker, bank manager, solicitor, accountant, tax adviser or professional adviser immediately.

Unless otherwise stated, capitalised terms appearing on the cover of this Circular have the same meanings as defined herein.

This Circular, together with the Notice of EGM and the accompanying Proxy Form, has been made available on SGXNet and on the Company's website at <https://www.sanli.com.sg>. A printed copy of this Circular, the Notice of EGM and the Proxy Form will NOT be despatched to Shareholders.

If you have sold or transferred all your ordinary shares in the capital of the Company, you should immediately inform the purchaser or transferee, or the bank, stockbroker or agent through whom the sale or transfer was effected for onward notification to the purchaser or transferee, that this Circular, together with the Notice of EGM and the accompanying Proxy Form, may be accessed on SGXNet and the Company's website at <https://www.sanli.com.sg>.

This Circular 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 Circular, including the correctness of any of the statements or opinions made or reports contained in this Circular. 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)

CIRCULAR TO SHAREHOLDERS

IN RELATION TO

- (1) THE PROPOSED DIVERSIFICATION OF THE CORE BUSINESS OF THE GROUP TO INCLUDE THE MANUFACTURING BUSINESS**
- (2) THE PROPOSED ADOPTION OF THE SANLI EMPLOYEE SHARE OPTION SCHEME**
- (3) THE PROPOSED GRANT OF AUTHORITY TO OFFER AND GRANT OPTIONS AT A DISCOUNT OF UP TO 20% TO MARKET PRICE UNDER THE SANLI EMPLOYEE SHARE OPTION SCHEME**

IMPORTANT DATES AND TIMES

Last date and time for lodgement of Proxy Form	:	23 May 2022 at 9.00 a.m.
Date and time of EGM	:	26 May 2022 at 9.00 a.m.
Place of EGM	:	The EGM will be held by electronic means (please refer to the Notice of EGM for information on how to participate in the EGM)

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DEFINITIONS

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

- "Act"** : The Companies Act 1967 of Singapore, as amended, modified or supplemented from time to time
- "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 for the time being
- "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
- "CDP"** : The Central Depository (Pte) Limited
- "Circular"** : This circular to Shareholders dated 11 May 2022
- "Committee"** : The committee comprising members of the remuneration committee of the Company, or such other committee comprising Directors of the Company duly authorised and appointed by the Board to administer the Sanli ESOS
- "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 total number of issued shares (excluding treasury shares and subsidiary holdings) 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
- "CPF"** : Central Provident Fund

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"Directors"	: The directors of the Company for the time being
"EGM"	: The extraordinary general meeting of the Company, notice of which is set out in this Circular
"EPS"	: Earnings per Share
"Group"	: The Company and its subsidiaries and associated company, collectively, provided that in the context of the Sanli ESOS, the term "Group" shall mean the Company and its subsidiaries, collectively
"Group Employee"	: A full-time confirmed employee of the Group (including a Group Executive Director)
"Group Executive Director"	: A director of any of the Company and its subsidiaries, as the case may be, who performs an executive function
"Group Non-Executive Director"	: A director of any of the Company and its subsidiaries (including an Independent Director), as the case may be, other than a Group Executive Director
"Incentive Option"	: The right to subscribe for and/or purchase Shares granted or to be granted pursuant to the Sanli ESOS and for the time being subsisting, and in respect of which the Subscription Price shall be a price which is set at a discount to the Market Price, provided that: (a) the maximum discount shall not exceed 20% of the Market Price; and (b) the prior approval of Shareholders in general meeting shall have been obtained for the making of offers and grants of Options under the Sanli ESOS at a discount not exceeding the maximum discount as aforesaid in a separate resolution
"Independent Director"	: An independent director of any of the Company and its subsidiaries, as the case may be
"Latest Practicable Date"	: 30 April 2022, being the latest practicable date prior to the issue of this Circular
"Manufacturing Business"	: The business comprising, but not limited to, manufacturing of magnesium hydroxide slurry, for use in various industrial applications, as more particularly described in section 2.2.1 of this Circular
"Market Day"	: A day on which the SGX-ST is open for trading in securities
"Market Price"	: The average of the last dealt prices for a Share, as determined by reference to the daily official list or other publication published by the SGX-ST, for the five consecutive Market Days immediately preceding the Offer Date on which there was trading in the Shares, rounded up to the nearest whole cent in the event of fractional prices
"Market Price Option"	: The right to subscribe for and/or purchase Shares granted or to be granted pursuant to the Sanli ESOS and for the time being

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	subsisting, and in respect of which the Subscription Price shall be the Market Price
"Notice of EGM"	: The notice of the EGM dated 11 May 2022 as set out in this Circular
"NTA"	: Net tangible assets
"Offer Date"	: In relation to an Option, the date on which the Option is granted to a Selected Person
"Option"	: A Market Price Option or an Incentive Option, as the case may be
"Option Period"	: The period for the exercise of an Option pursuant to the Sanli ESOS
"Proposed Diversification"	: The proposed diversification of the Group's business to include the Manufacturing Business as part of its core business
"Proxy Form"	: The proxy form accompanying the Notice of EGM as set out in this Circular
"Rules"	: The rules of the Sanli ESOS, as set out in Appendix A to this Circular, as amended or modified from time to time
"Sanli ESOS"	: The proposed Sanli Employee Share Option Scheme, the Rules of which are set out in Appendix A to this Circular
"Securities Account"	: A securities account maintained by a Depositor with CDP, but does not include a securities sub-account maintained with a Depository Agent
"Selected Person"	: A person who is selected by the Committee to participate in the Sanli ESOS in accordance with the Rules
"SFA"	: The Securities and Futures Act 2001 of Singapore, as amended, modified or supplemented from time to time
"SFRS(I) 2"	: Singapore Financial Reporting Standards (International) 2 <i>Share-based Payment</i>
"SGX-ST"	: Singapore Exchange Securities Trading Limited
"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 who have those Shares entered against their names in the Depository Register
"Shares"	: Ordinary shares in the capital of the Company.
"Subscription Price"	: The price at which a Selected Person shall subscribe for and/or purchase each Share upon the exercise of an Option under the Sanli ESOS, being: (a) in relation to a Market Price Option, the Market Price; and (b) in relation to an Incentive Option, a price which is set at a discount to the Market Price, provided that:

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- (i) the maximum discount shall not exceed 20% of the Market Price; and
- (ii) the prior approval of Shareholders in general meeting shall have been obtained for the making of offers and grants of Options under the Sanli ESOS at a discount not exceeding the maximum discount as aforesaid in a separate resolution

"Substantial Shareholder"	:	A person who has an interest or interests in one or more Shares (excluding treasury shares) in the Company, the total votes attached to which are not less than 5% of the total votes attached to all the voting Shares (excluding treasury shares) of the Company
"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
"\$" and "cents"	:	Singapore dollars and cents, respectively, unless otherwise stated
"%"	:	Per centum or percentage

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.

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 Circular 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 Circular 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 Circular is made by reference to Singapore time and date respectively, unless otherwise stated.

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

Any discrepancies in any table included in this Circular 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	(Chief Executive Officer and Executive Director)
Mr Sim Hock Heng	(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

11 May 2022

TO: THE SHAREHOLDERS OF SANLI ENVIRONMENTAL LIMITED

Dear Madam / Sir

- (1) THE PROPOSED DIVERSIFICATION OF THE CORE BUSINESS OF THE GROUP TO INCLUDE THE MANUFACTURING BUSINESS**
- (2) THE PROPOSED ADOPTION OF THE SANLI EMPLOYEE SHARE OPTION SCHEME**
- (3) THE PROPOSED GRANT OF AUTHORITY TO OFFER AND GRANT OPTIONS AT A DISCOUNT OF UP TO 20% TO MARKET PRICE UNDER THE SANLI EMPLOYEE SHARE OPTION SCHEME**

1. INTRODUCTION

- 1.1. The Directors are proposing to convene the EGM to be held on 26 May 2022 to seek Shareholders' approval in relation to:
 - (a) the proposed diversification of the Group's business to include the Manufacturing Business as part of its core business (Ordinary Resolution 1);
 - (b) the proposed adoption of the Sanli ESOS (Ordinary Resolution 2); and
 - (c) the proposed grant of authority to offer and grant Options at a discount of up to 20% to Market Price under the Sanli ESOS (Ordinary Resolution 3),(collectively, the "**Proposals**").
- 1.2. Shareholders should note that Ordinary Resolution 3 is conditional upon the passing of Ordinary Resolution 2. In the event that Ordinary Resolution 2 is not passed, Ordinary Resolution 3 will also not be passed. For the avoidance of doubt, Ordinary Resolution 1 is not conditional upon the passing of any other resolution.
- 1.3. The purpose of this Circular is to provide Shareholders with the relevant information relating to and to seek the approval of Shareholders for the Proposals. 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 issued by the Company) or for any other purpose.

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The SGX-ST assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Circular.

- 1.4. The Company will seek the approval of the SGX-ST for the listing of and quotation for the new Shares to be allotted and issued pursuant to the exercise of the Options granted under the Sanli ESOS. Shareholders are advised that such in-principle approval, if granted by the SGX-ST, is not to be taken as an indication of the merits of the proposed Sanli ESOS, the new Shares, the Company, its subsidiaries and their securities.
- 1.5. As at the date of this Circular, there is no certainty or assurance that the in-principle approval for the listing of and quotation for the new Shares will be granted by SGX-ST.
- 1.6. The Company has appointed Vincent Lim & Associates LLC as the legal adviser to the Company in relation to the Proposals.

2. THE PROPOSED DIVERSIFICATION

2.1 Background

The Company is an environmental engineering company with more than 15 years of experience in the field of water and waste management, with expertise in the design, supply, delivery, installation, commissioning, maintenance, repair and overhaul of mechanical and electrical equipment as well as instrumentation and control systems in wastewater treatment plants, water reclamation plants, NEWater plants, waterworks, service reservoirs, pumping stations and incineration plants. The Group's existing business includes the provision of engineering, procurement and construction services as well as operations and maintenance services to its clients (the "**Existing Business**").

As at the Latest Practicable Date, the subsidiaries and associated company of the Company which are actively involved in the Existing Business and their principal activities are as follows:-

Name	Country of Incorporation	Principal Activities	Equity Interest (%)
Sanli M&E Engineering Pte. Ltd.	Singapore	Engineering, procurement and construction solutions and services in the field of water and waste management	100%
Sanli M&E Engineering Sdn. Bhd.	Malaysia	Project management, contracting and mechanical and electrical engineering services in the water treatment industry	100%
Sanli E&C Pte. Ltd.	Singapore	Engineering, procurement and construction solutions and services in the field of water and waste management	100%

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Name	Country of Incorporation	Principal Activities	Equity Interest (%)
Enviro Plant & Engineering Pte. Ltd.	Singapore	Environmental engineering solutions for water and wastewater treatment, air pollution control and solid waste management	100%
Sanli Environmental (Myanmar) Co. Ltd.	Myanmar	Engineering, procurement and construction solutions and services in the field of water and waste management	60%
Link Control Co. Ltd.	Myanmar	Business support and administrative activities	21%

As at the Latest Practicable Date, the Existing Business was the sole revenue contributor to the Group. Subsequent to the Proposed Diversification, it is expected that the Group will continue to rely substantially on the Existing Business for the short to medium term. By leveraging the Group's core competencies, the Board is of the view that the Proposed Diversification will benefit the Group by extending its revenue base and improving its growth prospects.

2.2 Proposed Diversification

2.2.1 Scope of Manufacturing Business

Upon receipt of Shareholders' approval for the Proposed Diversification, the Group will embark upon its diversification plans to expand its core business to include the manufacturing of magnesium hydroxide slurry, for use in various industrial applications such as in the environmental protection market (the "**Manufacturing Business**"). Magnesium hydroxide slurry is used, amongst other things, as neutralising agent for wastewater treatment, as effective sorbent for removal of heavy metal in wastewater treatment and as liquid absorber for flue gas desulphurization (being the removal of unwanted sulphur dioxide from exhaust emissions).

Magnesium hydroxide is an inorganic compound which occurs in nature as the mineral, brucite. It is a white solid with low solubility in water. The Group intends to produce magnesium hydroxide slurry from brucite mineral. For this purpose, the Group intends to source for suppliers of brucite mineral. The Group intends to sell the manufactured magnesium hydroxide slurry to customers in the water and wastewater treatment and marine industries.

2.2.2 Management of the Manufacturing Business

The Company's Chief Executive Director and Executive Director, Mr Kew Boon Kee, and the Executive Directors, Mr Sim Hock Heng and Mr Lee Tien Chiat, have each been involved in the field of water and waste management for more than 20 years. It is currently envisaged that the Executive Directors will oversee the Manufacturing Business and lead a new operations team, to be put in place upon the approval of the Shareholders of the Proposed Diversification.

The Board believes that the Executive Directors will be able to advise, lead and execute the Company's expansion plans into the Manufacturing Business, ensuring that it is effectively implemented to optimise Shareholders' return on the investment through business growth and

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profitability. Any additional expertise required for the Manufacturing Business may be gained by the Executive Directors in the course of their management of the new business.

The Company has appointed a production manager with the relevant experience in the manufacturing industry to lead the setting up of the Manufacturing Business and will engage additional staff with the relevant expertise as and when the need arises.

The Group may also seek to collaborate with parties who complement its expertise, to capitalise on their capabilities and to spread the risks.

2.3 Funding for the Proposed Diversification

In the initial stage of entry into the Manufacturing Business, the Company has budgeted and intends to invest approximately \$1.0 million, which will be funded through internal resources, for the setting up of the production facility at 28 Kian Teck Drive, Singapore 628845, the current premises of the Company. The Company will be utilising in-house engineering capabilities for the design and construction of the production facility. The Directors will remain prudent and take into account the financial condition of the Group in deciding on the investment amount. As at 30 September 2021, the Group had cash and cash equivalents of approximately \$12.3 million.

Any further investments in the Manufacturing Business will depend on its performance. The Company may tap the equity market as and when more funds are needed to fuel growth and expansion of the Manufacturing Business, including but not limited to private placement or the issuance of convertible securities. Any issuances of Shares or convertible securities will be made pursuant to the general mandate granted by Shareholders at annual general meetings. In the event that the limits under the general mandate would be exceeded, Shareholders' approval would be separately sought prior to the issue of the Shares or convertible securities.

2.4 Financial Effects of the Proposed Diversification

As at the Latest Practicable Date, the Group has not made substantial affirmative and binding investments in relation to the Manufacturing Business that are expected to materially impact the net profit, EPS or NTA per Share of the Group for the current financial year ending 31 March 2023.

The Company would make the necessary announcements, where appropriate, in the event that any developments relating to the Proposed Diversification would have any material impact on the net profit, EPS or NTA per Share of the Group.

2.5 Financial Reporting

For the purposes of reporting the financial performance of the Group, in accordance with the applicable accounting standards and the Catalist Rules, where the financial result of the Manufacturing Business is material, it will be accounted for and disclosed as a separate business segment in the Group's financial statements. The Group's financial statements, which could include the financial results of the Manufacturing Business, will continue to be periodically announced in accordance with the requirements set out in Chapter 7 of the Catalist Rules.

2.6 Rationale for the Proposed Diversification

The Group intends to engage in the Manufacturing Business as one of the core businesses of the Group in addition to the current core business of the Group for the following reasons:-

(a) Leveraging the Existing Business

The Group is an established environmental engineering group in the field of water and waste management. The Company believes that the Group's track record, experience

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and expertise in the industry will put the Group in good stead to engage in the Manufacturing Business which will be targeted at the water and waste management industry. Specifically, the Group is in the process of constructing a batching plant that has been commissioned by a client for the production of magnesium hydroxide slurry. It will therefore possess the necessary experience and expertise to construct a similar plant for its own use.

Further, the Group's wide network of contacts may potentially lead to a ready customer base for the Manufacturing Business. It is intended that the magnesium hydroxide slurry be marketed to the water and wastewater treatment sector, a sector in which the Group has an extensive customer base.

(b) Diversification of the Existing Business

The Board believes that the Proposed Diversification would allow the Group to have better prospects of profitability and ensure its long-term growth. The Proposed Diversification would enable the Group to extend its revenue base so that it is not dependent entirely on projects in the water and wastewater segment. The nature of revenue generated from the Existing Business is primarily project-based, and as such, there may be a lapse of time between the completion of existing projects and the commencement of subsequent projects. Further, the availability of projects in the Existing Business is largely dependent on government sector capital expenditure. By diversifying its business to include the Manufacturing Business, the Group is expected to add stability to its revenue as the revenue of the Manufacturing Business will be based on the sale of magnesium hydroxide slurry and thus recurring in nature.

(c) Enhance Shareholders' Value

The Directors believe that the Proposed Diversification will provide Shareholders with more diversified returns and long-term growth. It may provide the Group with additional funds, which can be channelled towards the enhancement of shareholder value over the long-term. Additionally, the Board believes that the Proposed Diversification can offer new business opportunities, provide the Group with new revenue streams and improve its prospects, so as to enhance Shareholders' value for the Company.

2.7 Risk Factors Relating to the Proposed Diversification

In undertaking the Proposed Diversification, the Group could be affected by a number of risks which relate to the Manufacturing Business as well as those which may generally arise from, *inter alia*, economic, business, market and political factors, including the risks set out herein. Shareholders should carefully consider and evaluate each of the following considerations and all other information contained in this Circular.

To the best of the Directors' knowledge and belief, all risk factors which are material to Shareholders in making an informed decision on the Proposed Diversification have been set out below. If any of the factors and/or uncertainties described below develops into actual events affecting the Proposed Diversification, this may have a material and adverse impact on the overall results of operations, financial condition and prospects of the Group.

The risks described below are not intended to be exhaustive and are not presented in any particular order of importance. New risk factors may emerge from time to time, and it is not possible for the Board to predict all risk factors, nor can the Board assess the impact of all factors on the Proposed Diversification or the extent to which any factor, or combination of factors, may affect the Proposed Diversification. There may also be other risks associated with entry into the Proposed Diversification which are not presently known to the Company, or that the Company may currently deem immaterial and as such have not been included in the discussion below.

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Shareholders should carefully consider and evaluate the following risk factors and all other information contained in this Circular before deciding on whether to vote in favour of the Proposed Diversification.

(a) Lack of proven track record

As the Group does not have a proven track record in the Manufacturing Business, there is no assurance that the new business will achieve the expected level of revenue and margins. The Manufacturing Business also involves business risks including the financial costs of setting up new operations, capital investment and maintaining working capital requirements. If the Group does not derive sufficient revenue from or fails to manage costs of the Manufacturing Business effectively, the overall financial position and profitability of the Group may be adversely affected. There is no assurance that the new business will not fall short of expectations.

The Group's future plans with regard to the Manufacturing Business may not be profitable, may not achieve profitability that justify the investments made and may take a long period of time before the Group can realise any return. Further, such future plans and new initiatives could result in potentially dilutive issuances of equity securities, the incurrence of capital commitments, debts and contingent liabilities as well as increased operating expenses, all of which may materially and adversely affect the financial performance of the Group.

(b) Insufficient experience and necessary expertise

The Group's ability to successfully expand into the Manufacturing Business is dependent upon its ability to understand and navigate the Manufacturing Business. There is no assurance that the Group will be able to retain its existing employees or hire new employees with the relevant experience and knowledge to undertake the contracts coming within the Manufacturing Business. The Group may also appoint third party professionals and/or foster partnerships with various third parties to assist in managing and integrating the Manufacturing Business more effectively and efficiently. However, there is no assurance that these third parties will be able to deliver and/or that these partnerships will be successful. Accordingly, the Group may not be able to successfully implement the Manufacturing Business and this may adversely affect the Group's financial performance and profitability.

(c) Reliance on suppliers

The Group will rely on third party suppliers of brucite mineral for use in the manufacturing of magnesium hydroxide slurry. There is no assurance that the materials supplied will meet the quality requirements and specifications for the Group's contracts. In the event that there are any adverse changes in the suppliers' conditions (financial or otherwise) which affect their ability to supply the materials, and the Group is unable to find suitable alternative suppliers in a timely manner and at comparable commercial terms, it may not be able to fulfil its contractual obligations to its customers within the budget and time schedule. As a result, there may be cost overruns or liquidated damages may be incurred, and this may affect the Group's financial performance and profitability.

(d) Competition from new entrants

The Group's success in the Manufacturing Business will depend on its ability to compete effectively against potential competitors. Magnesium hydroxide slurry is not a patented product, making it easy for competitors to introduce similar products in the same markets. The success of the Group will lie in its ability to provide quality and

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reliable magnesium hydroxide slurry at competitive prices, maintaining customer loyalty and making delivery on a timely basis. There can be no assurance that the Group will be able to compete successfully in the future. In the event that competitors are able to provide magnesium hydroxide slurry of comparable or better quality at competitive prices, the Group's business and financial performance may be adversely affected.

(e) The Group may not be able to obtain sufficient insurance coverage

The Group has various insurance policies in place in connection with the Existing Business. However, the Group does not currently maintain any product liability insurance for the Manufacturing Business. In the event that it is liable for claims from customers in relation to magnesium hydroxide slurry that is of unsatisfactory quality or that is defective, the Group may be required to bear the cost of compensating such customers. If such situations arise, its financial position and operations will be adversely affected.

(f) The Manufacturing Business may be affected by various laws and government regulations

The Manufacturing Business is exposed to the risks posed by current and potential regulations and legislation that apply to the country or industry in which the Group operates and the countries or industries its clients operate. Any changes in such applicable laws and regulations may have an adverse effect on the financial performance of the Group.

The Manufacturing Business may require certain statutory and regulatory licences, permits, consents and approvals to operate such as from the National Environment Agency, Singapore Civil Defence Force and Ministry of Manpower. These licences, permits, consents and approvals may be granted for fixed periods of time and may need to be renewed after expiry from time to time. The Group may not be able to apply for and obtain the relevant licences, permits, consents and approvals required for its contracts or otherwise within the statutory time limits, and there can be no assurance that the relevant authorities will issue any such licences, permits, consents or approvals in time or at all. Failure by the Group to renew, maintain or obtain the required licences, permits, consents or approvals, or cancellation, suspension or revocation of any of its licences, permits, consents or approvals may result in the Group being unable to undertake the relevant segment of the Manufacturing Business and/or in the interruption of its operations, which may have a material adverse effect on its business.

The Group must also comply with the applicable laws and regulations in the Manufacturing Business, failing which the Group may be subject to penalties, have its licences or approvals revoked, lose its right to own or manage its contracts under the Manufacturing Business or lose its right to carry on any aspect of the Manufacturing Business in any country or jurisdiction in which the Group operates, which may have a material and adverse impact on the Group's business, financial condition, results of operations and prospects. Further, any changes in applicable laws and regulations could result in higher compliance costs and adversely affect the operations of the Group and the financial performance of the Group.

As at the Latest Practicable Date, the Group is in the process of acquiring the relevant licences and permits from the various government agencies for the Manufacturing Business and the setting up of the production facility. The Company will provide an update to Shareholders via an announcement on SGXNet when there is any material development.

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(g) Vulnerability to increase in prices or shortage of raw materials

Brucite mineral will be the main raw material used in the manufacturing of magnesium hydroxide slurry, the price of which may fluctuate due to changes in supply and demand conditions. In the event that there is a shortage or increase in price of the aforesaid material, the Group's operations may be disrupted and its business and profitability may be adversely affected.

(h) Credit risks in relation to customers

The Group's customers in the Manufacturing Business may not be able to meet their contractual payment obligations, either in a timely manner or at all. The reasons for payment delays, cancellations or default by customers may include, amongst others, insolvency or insufficient financing or working capital. In the event of default, the Group may have to write-off the entire amount owed, particularly if the customer were to run into financial difficulties or go into liquidation. There is no assurance that the Group will be able to collect trade receivables fully or within a reasonable period of time and this would adversely affect its financial position and/or results of operations.

(i) Risks associated with joint ventures or strategic alliances

The Group may seek growth opportunities in the Manufacturing Business through joint ventures or strategic alliances, which involve a certain amount of business or operating risks. In the event of any dispute with the partners on the business and day-to-day operations of the joint ventures or strategic alliances, there is no assurance that a favourable resolution will be found. In such event, contracts may not be fulfilled within the stipulated budget and time schedule and the Group's financial performance, business and reputation may be adversely affected.

(j) Risks associated with changes in social, economic or political conditions globally and in Singapore

The Manufacturing Business may be materially and adversely affected by local and global developments in relation to inflation, prices of raw materials, bank interest rates, government policies and regulations and other conditions which impact on social, economic and political stability. The Group has no control over such conditions and developments and there is no assurance that such conditions and developments will not occur and adversely affect its business operations.

2.8 Requirements Under the Catalist Rules

As the Manufacturing Business will involve a new business area which is substantially different from the Existing Business as described in Section 2.1 of this Circular, it is envisaged that entry into the Manufacturing Business will result in a change in the Group's business and change the existing risk profile of the Group. Accordingly, the Company will convene the EGM to seek the approval of Shareholders for the Proposed Diversification.

Upon approval of the Proposed Diversification, any acquisition or disposal which is in, or in connection with the Manufacturing Business, may be deemed to be in the ordinary course of business and therefore will not fall within the definition of a "transaction" under Chapter 10 of the Catalist Rules. Accordingly, the Group may, in its ordinary course of business, enter into transactions relating to the Manufacturing Business which will not change the risk profile of the Group, in an efficient and timely manner without the need to convene separate general meetings from time to time to seek Shareholders' approval as and when potential transactions relating to the Manufacturing Business arise. This will reduce substantially the administrative

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time and expenses in convening such meetings, without compromising the corporate objectives and adversely affecting the business opportunities available to the Group.

Pursuant to Rule 1014 of the Catalist Rules, a “major transaction” is a transaction where any of the relative figures as computed on the bases set out in Rule 1006 of the Catalist Rules exceeds 75% but is less than 100% (for an acquisition) or exceeds 50% (for a disposal or the provision of financial assistance) and must be made conditional upon approval by shareholders at a general meeting.

For the avoidance of doubt, notwithstanding that Shareholders’ approval of the Proposed Diversification has been obtained, in respect of transactions relating to the Manufacturing Business:

- (a) Rule 1015 of the Catalist Rules will apply to acquisitions of assets (including options to acquire assets) whether or not in the Company’s ordinary course of business (which will include the Manufacturing Business) where any of the relative figures as computed on the bases set out in Rule 1006 of the Catalist Rules exceeds 100% or results in a change in control of the Company and such acquisitions must be, amongst others, made conditional upon approval by Shareholders at a general meeting;
- (b) acquisition of assets (including an option to acquire assets) which will change the risk profile of the Company (other than as detailed in this Circular), such as where the proposed acquisition will result in an expansion into a new jurisdiction that will expose the Company to significant new risks, will be subject to the approval of Shareholders at a general meeting; and
- (c) Chapter 9 of the Catalist Rules will apply to a transaction which constitutes an “interested person transaction” as defined under the Catalist Rules and the Company will comply with the provisions of Chapter 9 of the Catalist Rules.

Pursuant to Rule 1005 of the Catalist Rules, separate transactions completed within the last 12 months may also be aggregated and treated as if they were one transaction in determining whether a transaction falls into category (a), (b), (c) or (d) of Rule 1004 of the Catalist Rules.

The Company will be required to comply with any applicable and prevailing Catalist Rules as amended or modified from time to time.

2.9 Internal Controls and Risk Management Procedures

To address the risks presented by the Manufacturing Business and the Proposed Diversification, the Company will continue to rely on the existing risk management system which the Company believes is relevant to the Manufacturing Business. Where necessary to better manage the Group’s risks arising from the Manufacturing Business, the Group will formulate and implement additional policies and procedures to mitigate such risks.

The Company will ensure that the additional policies and procedures implemented commensurate with the profile, nature, size and complexity of operations and activities of the Manufacturing Business. Such additional policies and procedures will be subject to the review of the Audit Committee, internal auditors and external auditors of the Company.

3. THE PROPOSED ADOPTION OF THE SANLI ESOS

3.1 Rationale

The Company believes that it is timely and desirable to implement a share option scheme, which will introduce an additional variable component into the remuneration packages of employees which gives recognition to corporate and individual performance and is aligned with

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the interests of shareholders and other stakeholders, thereby promoting the long-term success of the Group. Further, the Company recognises that in order to maintain the Group's competitiveness and for the Group to build sustainable businesses in the long term, the Company must be able to continue to attract, motivate, reward and maintain a core group of directors, executives and employees, and give recognition to those who have contributed significantly to the growth and performance of the Company and/or the Group. Thus, the Company is proposing to introduce the Sanli ESOS, which shall commence upon its adoption by the Shareholders at the EGM.

The proposed adoption of the Sanli ESOS is with the intention of providing eligible participants with an opportunity to participate in the equity of the Company and to motivate them towards better performance through increased dedication and loyalty. The Sanli ESOS will form an integral and important component of the Group's compensation plan and is designed primarily to reward and retain employees whose services are vital to the growth and performance of the Company and/or the Group.

3.2 Summary of the Key Terms of the Sanli ESOS

The following is a summary of the key terms of the Sanli ESOS and is qualified in its entirety by reference to the more detailed information on the Rules of the Sanli ESOS as set out in Appendix A to this Circular.

3.2.1 Eligibility

Group Employees (including Group Executive Directors) who have attained the age of 21 years on or before the Offer Date (provided that such persons are not undischarged bankrupts and have not entered into any composition with their creditors at the relevant time) shall be eligible to participate in the Sanli ESOS at the absolute discretion of the Committee, provided that Group Employees who are Controlling Shareholders or Associates of a Controlling Shareholder shall not be eligible to participate in the Sanli ESOS. For the avoidance of doubt, Group Non-Executive Directors shall not be eligible to participate in the Sanli ESOS.

There shall be no restriction on the eligibility of any Selected Person to participate in any other share option or share incentive schemes implemented by the Company or any other company within the Group.

3.2.2 Administration of the Sanli ESOS

The Sanli ESOS is administered by the Committee. Directors who are in the Committee and who are eligible to participate in the Sanli ESOS, may also participate in the Sanli ESOS but under the Rules and the Catalist Rules, a Director must not be involved in any deliberation or decision in respect of any Options granted or to be granted to him.

3.2.3 Categories of Options

The Sanli ESOS has two categories of Options, being the Market Price Option and the Incentive Option:

- (a) The Market Price Option provides for an Option holder to exercise the Option at the Market Price equal to the average of the last dealt prices for a Share, as determined by reference to the daily official list or other publication published by the SGX-ST, for the five consecutive Market Days immediately preceding the Offer Date on which there was trading in the Shares, rounded up to the nearest whole cent in the event of fractional prices.

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- (b) The Incentive Option provides for an Option holder to exercise the Option at a price which is set at a discount to the Market Price, provided that the maximum discount shall not exceed 20% of the Market Price. The prior approval of the Shareholders in general meeting must be obtained for the making of offers and grants of Options at a discount not exceeding the maximum discount as aforesaid. However, such prior approval shall be required to be obtained only once at the EGM and, once obtained, shall, unless revoked, authorise the making of offers and grants of Options at such discount for the duration of the Sanli ESOS.

3.2.4 Limitations on the size of the Sanli ESOS

The aggregate number of Shares over which Options may be granted under the Sanli ESOS, when added to the total number of new Shares issued and issuable or existing Shares delivered and deliverable in respect of all options or awards granted under any other share scheme of the Company then in force, shall not exceed 15% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) on the day preceding the Offer Date of an Option.

As at the Latest Practicable Date, the Company had 266,432,113 issued Shares (excluding 2,225,700 treasury shares and no subsidiary holdings), and hence, the aggregate number of Shares over which Options may be granted under the Sanli ESOS is 39,964,816, representing 15% of the issued share capital of the Company (excluding treasury shares and subsidiary holdings). As at the Latest Practicable Date, the Company had no existing share schemes and there were no Shares issued, issuable, delivered or deliverable under any share scheme.

The size of the Sanli ESOS is intended to support the long-term use of share options as part of the Group's overall compensation strategy. In particular, the Sanli ESOS will provide the Company with greater flexibility to use share options as a part of the Selected Person's remuneration package to acknowledge the Selected Person's achievements and provide an incentive for ongoing performance.

The number of Shares in respect of which Options may be offered to any Selected Person shall be determined at the absolute discretion of the Committee who shall take into account (where applicable) criteria such as rank, responsibilities, past performance, years of service, contributions to the Group and potential for future development of that Selected Person.

3.2.5 Grant of Options

The Committee may grant Options at any time during the period when the Sanli ESOS is in force, save that no Options shall be granted during the period commencing two weeks before the announcement of the Company's financial statements for each of the first three quarters of its financial year and one month before the announcement of the Company's full year financial statements (if the Company announces its quarterly financial statements, whether required by the SGX-ST or otherwise), or one month before the announcement of the Company's half year and full year financial statements (if the Company does not announce its quarterly financial statements).

However, in the event that an announcement on any matter of an exceptional nature involving unpublished price sensitive information is made, the Committee may only grant Options on or after the second Market Day from the date on which such announcement is released.

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3.2.6 Acceptance of Options

The grant of an Option must be accepted within 30 days from the Offer Date of that Option, and in any event, not later than 5.00 pm on the 30th day from such Offer Date. The Selected Person must return the duly completed and signed acceptance form to the Company accompanied by payment of \$1.00 as consideration.

3.2.7 Exercise of Options

A Market Price Option may be exercised during the period commencing after the first anniversary of the Offer Date and expiring on the tenth anniversary of such Offer Date. An Incentive Option may be exercised during the period commencing after the second anniversary of the Offer Date and expiring on the tenth anniversary of such Offer Date.

Options may be exercised in whole or in part, provided that Options may be exercised in part only in respect of 100 Shares or any multiples thereof. If any Option is exercised in part only, the balance of the Option shall continue to be exercisable until such time as it lapses in accordance with the Rules.

Subject to the Act and the Catalist Rules, the Company shall deliver Shares upon the exercise of an Option by a Selected Person by (i) the issue of new Shares; and/or (ii) the transfer of existing Shares, including Shares held by the Company as treasury shares.

In determining whether to issue new Shares, purchase Shares for delivery or transfer existing treasury shares, the Committee will take into account factors such as (but not limited to) the amount of cash available, the number of Shares to be delivered, the prevailing market price of the Shares and the cost to the Company of the various modes of settlement.

3.2.8 Lapse of Option

An Option shall, to the extent unexercised, immediately lapse:

- (a) upon the Selected Person ceasing to be in the full-time employment of the Group, for any reason whatsoever;
- (b) upon the bankruptcy of the Selected Person or the happening of any other event which results in his being deprived of the legal or beneficial ownership of such Option;
- (c) in the event of any misconduct on the part of the Selected Person as determined by the Committee in its sole and absolute discretion or any breach of any regulation of the Group, such breach being regarded as serious by the Committee in its absolute discretion; or
- (d) upon the company by which the Selected Person is employed ceasing to be a company within the Group, or the undertaking or part of the undertaking of such company being transferred otherwise than to another company within the Group.

A Selected Person shall be deemed to have ceased to be so employed as of the date of the notice of termination or resignation, as the case may be, unless such notice shall be withdrawn prior to its effective date.

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Notwithstanding the above, if a Selected Person ceases to be employed by the Group by reason of his:

- (a) ill health, injury or disability (in each case, evidenced to the satisfaction of the Committee);
- (b) redundancy;
- (c) retirement at or after the legal retirement age; or
- (d) retirement before the legal retirement age with the consent of the Committee,

or any other reason approved in writing by the Committee, he may, at the absolute discretion of the Committee, exercise any unexercised Option within the relevant Option Period or such Option Period that would expire on an earlier date as may be determined by the Committee, and upon the expiry of such period, the Option shall immediately lapse and become null and void.

If a Selected Person dies and at the date of his death holds any unexercised Option, such Option may, at the absolute discretion of the Committee, be exercised by the duly appointed legal personal representatives of the Selected Person within the relevant Option Period or such Option Period that would expire on an earlier date as may be determined by the Committee, and upon the expiry of such period, the Option shall immediately lapse and become null and void.

3.2.9 Rights of Options and Shares acquired

The Options do not provide the Selected Persons with any right to participate in any dividends, distributions and/or offers of further securities made by the Company and/or to attend and vote at any general meetings of the Company unless the Options have been exercised.

Shares allotted and issued and/or transferred on the exercise of an Option shall be subject to all the provisions of the Act and the Constitution, and shall rank in full for all entitlements, including dividends or other distributions declared or recommended in respect of the then existing Shares, the record date for which falls on or after the relevant exercise date of the Option, and shall in all other respects rank *pari passu* with other existing Shares then in issue. For this purpose, “**record date**” means the date fixed by the Company for the purposes of determining entitlements to dividends or other distributions to or rights of holders of Shares.

3.2.10 Duration of the Sanli ESOS

The Sanli ESOS shall continue in operation for a maximum duration of ten years commencing from the date on which it is adopted by the Company. However, the Sanli ESOS may be extended for a further period thereafter with the approval of Shareholders by way of an ordinary resolution at a general meeting and the relevant authorities.

3.2.11 Variation of capital

If a variation in the issued ordinary share capital of the Company (whether by way of bonus issue, rights issue, capital reduction, subdivision or consolidation of Shares or distribution or otherwise) shall take place:

- (a) the Subscription Price for the Shares, the class and/or number of Shares comprised in an Option to the extent unexercised, and/or

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- (b) the class and/or number of Shares over which additional Options may be granted under the Sanli ESOS,

shall be adjusted in such manner as the Committee may deem to be appropriate.

Unless the Committee considers an adjustment to be appropriate:

- (a) the issue of securities as consideration for an acquisition or a private placement of securities;
- (b) the increase in the number of issued Shares as a consequence of the exercise of options or other convertibles entitling holders of such options or convertibles to acquire Shares in the capital of the Company;
- (c) the cancellation of issued Shares purchased or acquired by the Company by way of a market purchase of such Shares undertaken by the Company on the SGX-ST during the period when a share purchase mandate granted by Shareholders (including any renewal of such mandate) is in force; and
- (d) the increase in the issued share capital of the Company as a consequence of the delivery of new Shares pursuant to the exercising of Options from time to time by the Company or through any other share-based incentive schemes implemented by the Company,

shall not normally be regarded as a circumstance requiring adjustment.

Notwithstanding the foregoing:

- (a) any adjustment (except in relation to a bonus issue) must be confirmed in writing by the Company's auditors (acting only as experts and not as arbitrators) to be in their opinion, fair and reasonable; and
- (b) no adjustment shall be made in such a way that any Selected Person receives a benefit that a Shareholder does not receive.

Upon any such adjustment being made, the Company shall notify the Selected Person (or his duly appointed personal representatives where applicable) in writing and deliver to him (or his duly appointed personal representatives where applicable) a statement setting forth the Subscription Price thereafter in effect and the class and/or number of Shares thereafter to be issued on the exercise of the Option. Any adjustment shall take effect upon such written notification being given.

3.2.12 Grant of Incentive Options and rationale therefor

In accordance with the provisions of the Catalist Rules and Rule 8.1 of the Sanli ESOS, the making of offers and grants of Incentive Options at a discount not exceeding 20% of the Market Price is subject to the approval of Shareholders in general meeting. For the avoidance of doubt, such prior approval shall be required to be obtained only once at the EGM and, once obtained, shall, unless revoked, authorise the making of offers and grants of Incentive Options at such discount for the duration of the Sanli ESOS.

The ability to offer Incentive Options to Selected Persons under the Sanli ESOS will allow flexibility in structuring the Options. Being able to offer Incentive Options is important in situations where it is more meaningful for the Company to acknowledge a Selected Person's achievement through offering Incentive Options rather than paying him a cash bonus, as these Options operate as a form of cashless reward from the

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Company, with a greater potential for capital appreciation than Market Price Options, or in situations where more compelling motivation is required in order to attract new talents into the Group and/or retain talented individuals.

The discretion to grant Incentive Options will provide the Company with a means to maintain the competitiveness of its compensation strategy. Therefore, the Company may utilise Incentive Options as a means to reward Selected Persons for their outstanding performance as well as to motivate them to continue to excel, and will be an additional method for compensating employees other than through salary, salary increments and cash bonuses. This will enable the Company to introduce an effective manner of motivating Selected Persons to maximise their performance, which will in turn create better value for Shareholders.

The Company plans to exercise this discretion judiciously and the amount of discount may vary from one offer to another from time to time depending on the circumstances and on a case-by-case basis. In determining the quantum of the discount, the Committee may take into consideration such factors as it may in its absolute discretion deem appropriate, including but not limited to (i) the performance of the Company and the Group; (ii) the individual performance of a Selected Person; and (iii) the contribution to the success of the Company and/or the Group by that Selected Person.

In circumstances where at the time of making of grants of Options to Selected Persons, the prevailing Market Price on the Shares is considered artificially high and a general discount is desirable or warranted (the rate of which will be determined by the Committee), the Committee will take into consideration factors such as the historical prices of the Shares as compared with the prevailing Market Price of the Shares during the price fixing period for the Options, the market comparatives and practices of other industry players and the value of the Options as a component of each Selected Participant's compensation package.

The Company believes that the maximum 20% discount to the Market Price of the Shares is sufficient to allow for flexibility under the Sanli ESOS while minimising the potential dilutive effect to Shareholders arising therefrom.

3.2.13 Listing of Shares

The Company will seek the approval of the SGX-ST for the listing of and quotation for the new Shares to be allotted and issued pursuant to the Sanli ESOS on the Catalyst Board.

Shareholders should take note that such in-principle approval, if granted by the SGX-ST, is not to be taken as an indication of the merits of the proposed Sanli ESOS, the new Shares, the Company, its subsidiaries and their securities.

3.3 Financial Effects of the Sanli ESOS

3.3.1 Share capital

The Sanli ESOS will result in an increase in the Company's issued share capital only if new Shares are issued to Selected Persons. The number of new Shares issued will depend on, *inter alia*, the size of the Options granted under the Sanli ESOS. However, if existing Shares held as treasury shares are delivered to Selected Persons in lieu of issuing new Shares to Selected Persons, the Sanli ESOS will have no impact on the Company's issued share capital.

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3.3.2 NTA

The issue of new Shares upon the exercise of Options granted under the Sanli ESOS will increase the Company's consolidated NTA by the aggregate exercise price of the new Shares issued. On a per Share basis, the effect on the consolidated NTA of the Company will be accretive if the exercise price is above the Company's consolidated NTA per Share, but dilutive otherwise.

3.3.3 EPS

The Sanli ESOS will have a dilutive impact on the basic EPS following the increase in the Company's number of issued new Shares to the extent that the new Shares are allotted and issued upon the exercise of the Options.

Outstanding Options that have not been exercised are dilutive to the calculation of diluted EPS when the exercise price of the issue of Shares is less than the average market price of Shares during the period.

Options have a dilutive effect only when the average market price of Shares during the period exceeds the exercise price of the Options.

3.3.4 Cost of Options

Any Options granted under the Sanli ESOS, whether such Options are Market Price Options or Incentive Options, would have a fair value. In the event that such Options are granted at prices below the fair value of the Options, there will be a cost to the Company. Such costs will be more significant in the case of Incentive Options, where such Options are granted with exercise prices set at a discount to the prevailing Market Price of the Shares. The cost to the Company of granting Options with a discounted exercise price under the Sanli ESOS would be as follows:

- (a) the exercise of an Option at a discounted exercise price would translate into a reduction of the proceeds from the exercise of such Options, as compared to the proceeds that the Company would have received from such exercise had the exercise been made at the prevailing Market Price of the Shares. Such reduction of the exercise proceeds would represent the monetary cost to the Company of granting Options with a discounted exercise price;
- (b) as the monetary cost of granting Options with a discounted exercise price is borne by the Company, the earnings of the Company would effectively be reduced by an amount corresponding to the reduced interest earnings that the Company would have received from the difference in proceeds from an exercise price with no discount versus the discounted exercise price. Such reduction would, accordingly, result in the dilution of the Company's EPS; and
- (c) the effect of the issue of new Shares upon the exercise of Options on the Company's net asset value per Share is accretive if the exercise price is above the net asset value per Share, but dilutive otherwise. The dilutive effect is greater if the exercise price is at a discount to the prevailing Market Price.

The costs as discussed above would only materialise upon the exercise of the Options.

Under SFRS(I) 2, the Options, if settled by way of the issue of new Shares or through the transfer of existing Shares (including treasury shares), would be accounted for as equity-settled share-based payment transactions, as described in the following paragraphs.

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Any Options granted under the Sanli ESOS would have a fair value. The fair value of the Options is normally estimated by applying an option pricing model at the Offer Date, taking into account the terms and conditions of the grant of the Options and recognised as a charge to the Company's income statement over the period from the Offer Date of the Options to the vesting date, with a corresponding credit to the Company's reserve account.

The amount of the charge to the income statement also depends on whether or not the performance target attached to an Option is measured by reference to the Market Price of the Shares. This is known as a market condition.

At each reporting date, the number of Options that are expected to vest by the vesting date is estimated, and the impact of the revised estimate is recognised in the income statement, with a corresponding adjustment to the Company's reserve account. No adjustment is made if the revision or actual outcome differs from the original estimate due to market conditions. No expense is recognised for Options that do not ultimately vest, except for Options where vesting is conditional upon a market condition, which are treated as vested irrespective of whether or not the market condition is satisfied, provided that all other performance and/or service conditions are satisfied.

After the vesting date, no adjustment to the charge to the income statement is made.

4. 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⁾	13,282,675	4.99%	110,288,509	41.39%
Mr Kew Boon Kee ⁽²⁾	13,282,675	4.99%	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%	-	-
Vanda 1 Investments Pte. Ltd. ⁽³⁾	21,401,689	8.03%	-	-
Heliconia Capital Management Pte. Ltd. ⁽³⁾	-	-	21,401,689	8.03%
Heliconia Holdings Pte. Ltd. ⁽³⁾	-	-	21,401,689	8.03%
65EP Investment I Pte. Ltd. ⁽³⁾	-	-	21,401,689	8.03%
65EP Investments Pte. Ltd. ⁽³⁾	-	-	21,401,689	8.03%
65 Equity Partners Group Pte. Ltd. ⁽³⁾	-	-	21,401,689	8.03%
65 Equity Partners Pte. Ltd. ⁽³⁾	-	-	21,401,689	8.03%
Thomson Capital Pte. Ltd. ⁽³⁾	-	-	21,401,689	8.03%

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Tembusu Capital Pte. Ltd. ⁽³⁾	-	-	21,401,689	8.03%
Temasek Holdings (Private) Limited ⁽³⁾	-	-	21,401,689	8.03%

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 Act.
- (3) Heliconia Capital Management Pte. Ltd. has a deemed interest in the Shares held by Vanda 1 Investments Pte. Ltd. pursuant to Section 4 of the Securities and Futures Act by virtue of its authority to dispose of, or exercise control over the disposal of the Shares held by Vanda 1 Investments Pte. Ltd.. Heliconia Capital Management Pte. Ltd. is a wholly-owned subsidiary of Heliconia Holdings Pte. Ltd.. Heliconia Holdings Pte. Ltd. is a wholly-owned subsidiary of 65EP Investment I Pte. Ltd.. 65EP Investment I Pte. Ltd. is a wholly-owned subsidiary of 65EP Investments Pte. Ltd.. 65EP Investments Pte. Ltd. is a wholly-owned subsidiary of 65 Equity Partners Group Pte. Ltd.. 65 Equity Partners Group Pte. Ltd. is a wholly-owned subsidiary of 65 Equity Partners Pte. Ltd.. 65 Equity Partners Pte. Ltd. is a wholly-owned subsidiary of Thomson Capital Pte. Ltd.. Thomson Capital Pte. Ltd. is a wholly-owned subsidiary of Tembusu Capital Pte. Ltd.. Tembusu Capital Pte. Ltd. is a wholly-owned subsidiary of Temasek Holdings (Private) Limited.

5. DIRECTORS' RECOMMENDATIONS

5.1 The Proposed Diversification

Having considered the rationale and information relating to the Proposed Diversification, the Directors are of the opinion that the Proposed Diversification is in the best interests of the Company. Accordingly, the Directors recommend that Shareholders vote in favour of Ordinary Resolution 1 to be proposed at the EGM.

5.2 The Proposed Adoption of the Sanli ESOS

All of the Directors (namely, Mr Sim Hock Heng, Mr Kew Boon Kee and Mr Lee Tien Chiat who are Controlling Shareholders, and Mr Ng Lip Chi, Lawrence, Mr Chan Hock Leong and Mr Latiff Bin Ibrahim who are Group Non-Executive Directors) are not eligible to participate in the Sanli ESOS.

Having considered the rationale and information relating to the proposed adoption of the Sanli ESOS, the Directors are of the opinion that the adoption of the Sanli ESOS is in the best interests of the Company. Accordingly, the Directors recommend that Shareholders vote in favour of Ordinary Resolutions 2 and 3 to be proposed at the EGM.

6. ABSTENTION FROM VOTING

Group Employees, who are eligible to participate in the Sanli ESOS and who are also Shareholders (provided that such Group Employees are not Controlling Shareholders or Associates of a Controlling Shareholder), shall abstain from voting in respect of their holdings of Shares (if any), and shall not accept appointments as proxies for voting at the EGM, in respect of Ordinary Resolutions 2 and 3 to be tabled at the EGM, unless specific instructions have been given in the proxy instrument on how the Shareholders wish their votes to be cast for each of such resolutions.

The Company will disregard any votes cast by the abovementioned persons who are required to abstain from voting on Ordinary Resolutions 2 and 3 to be tabled at the EGM, as well as any votes cast by persons who are required to abstain from voting on a resolution pursuant to a court order which has been served on the Company.

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7. EXTRAORDINARY GENERAL MEETING

The EGM will be held by electronic means on 26 May 2022 at 9.00 a.m. for the purpose of considering and, if thought fit, passing with or without any amendments, the resolutions set out in the Notice of EGM in this Circular.

8. ACTION TO BE TAKEN BY SHAREHOLDERS

Due to the mandatory safe distancing measures implemented in response to the COVID-19 pandemic, the Company will conduct the EGM by electronic means only and Shareholders will not be able to physically attend the EGM. Instead, alternative arrangements have been put in place to allow Shareholders to participate at the EGM by (a) watching or listening to the EGM proceedings, (b) submitting questions in advance of the EGM or at the EGM, and/or (c) live voting at the EGM or by proxy. Please refer to the Notice of EGM for further details.

9. 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 Proposals, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading.

Where information in 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.

10. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection by prior appointment 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 EGM:

- (a) the Constitution of the Company;
- (b) the Rules of the Sanli ESOS (as set out in Appendix A of this Circular); and
- (c) the Annual Report of the Company for FY2021.

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

APPENDIX A – RULES OF THE SANLI EMPLOYEE SHARE OPTION SCHEME

1. Name of the Scheme

The scheme shall be called the “Sanli Employee Share Option Scheme”.

2. Definitions

2.1 In these Rules of the Sanli ESOS, except where the context otherwise requires, the following words and expressions shall have the following meanings:

“ Acceptance Form ”	The form set out in Schedule B of the Rules
“ Acceptance Period ”	The period within which an Option may be accepted, as described in Rule 7.1
“ Act ”	The Companies Act 1967 of Singapore as amended, modified or supplemented from time to time
“ Adoption Date ”	The date on which the Sanli ESOS is adopted by the Shareholders at a general meeting
“ Aggregate Subscription Cost ”	The total amount payable for the Shares to be subscribed for on the exercise of an Option
“ Associate ”	Shall have the same meaning as defined in the Catalist Rules
“ Auditors ”	The auditors of the Company for the time being
“ Board ”	The board of directors of the Company for the time being
“ Catalist ”	The Catalist Board of the SGX-ST
“ Catalist Rules ”	The SGX-ST Listing Manual Section B: Rules of Catalist, as amended, modified or supplemented from time to time
“ CDP ”	The Central Depository (Pte) Limited
“ Committee ”	The committee comprising members of the remuneration committee of the Company, or such other committee comprising Directors of the Company duly authorised and appointed by the Board to administer the Sanli ESOS
“ Company ”	Sanli Environmental Limited
“ Controlling Shareholder ”	Shall have the same meaning as defined in the Catalist Rules
“ Constitution ”	The constitution of the Company, as amended from time to time
“ CPF ”	Central Provident Fund
“ Directors ”	The directors of the Company for the time being
“ Group ”	The Company and its Subsidiaries, collectively

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“Group Employee”	A full-time confirmed employee of the Group (including a Group Executive Director)
“Group Executive Director”	A director of any of the Company and its Subsidiaries as the case may be, who performs an executive function
“Group Non-Executive Director”	A director of any of the Company and its Subsidiaries (including an Independent Director), as the case may be, other than a Group Executive Director
“Incentive Option”	The right to subscribe for and/or purchase Shares granted or to be granted pursuant to the Sanli ESOS and for the time being subsisting, and in respect of which the Subscription Price is determined in accordance with Rule 8.1(b)
“Independent Directors”	An independent director of any of the Company and/or its Subsidiaries, as the case may be
“Market Day”	A day on which the SGX-ST is open for trading in securities
“Market Price”	The average of the last dealt prices for a Share, as determined by reference to the daily official list or other publication published by the SGX-ST, for the five consecutive Market Days immediately preceding the Offer Date on which there was trading in the Shares, rounded up to the nearest whole cent in the event of fractional prices
“Market Price Option”	The right to subscribe for and/or purchase Shares granted or to be granted pursuant to the Sanli ESOS and for the time being subsisting, and in respect of which the Subscription Price is determined in accordance with Rule 8.1(a)
“Offer Date”	The date on which an Option is granted pursuant to Rule 6.1
“Option”	A Market Price Option or an Incentive Option, as the case may be
“Option Period”	The period for the exercise of an Option as set out in Rule 9.1
“Rules”	The rules of the Sanli ESOS, as the same may be amended, modified or supplemented from time to time
“Sanli ESOS”	The Sanli Employee Share Option Scheme, as amended, modified or supplemented from time to time
“Selected Person”	A person who is selected by the Committee to participate in the Sanli ESOS in accordance with the Rules
“SGX-ST”	Singapore Exchange Securities Trading Limited
“Shareholders”	The registered holders of Shares in the register of members of the Company, except that where the registered holder is CDP, the term “Shareholders” shall, in relation to such Shares, mean the Depositors who have those Shares entered against their names in the Depository Register

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|-----------------------|--|
| “Shares” | Ordinary shares in the capital of the Company |
| “Subscription Price” | The price at which a Selected Person shall subscribe for and/or purchase each Share upon the exercise of an Option as determined in accordance with Rule 8.1(a) in relation to a Market Price Option or Rule 8.1(b) in relation to an Incentive Option, as adjusted in accordance with Rule 12 |
| “Subsidiary” | Shall have the same meaning in relation to the Company as defined in the Act |
| “subsidiary holdings” | Shall have the same meaning as defined in the Catalyst Rules |
| “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 |
| “%” | Per centum or percentage |
| “\$” and “cents” | Singapore dollars and cents, respectively |
- 2.2 The terms “**Depositor**”, “**Depository Agent**” and “**Depository Register**” shall have the meanings ascribed to them respectively by Section 81SF of the Securities and Futures Act 2001 of Singapore.
- 2.3 Any reference in the Rules to any enactment is a reference to that enactment as for the time being amended, modified, supplemented or re-enacted. Any word defined under the Act and used in these Rules shall have the meaning assigned to it under the Act.
- 2.4 Words importing the singular number shall include the plural number where the context so admits and vice versa. Words importing the masculine gender shall include the feminine and neuter genders where the context so admits.
- 2.5 Any reference to a time of day shall be a reference to Singapore time.
3. Objectives
- 3.1 The Sanli ESOS is a share incentive scheme. The purpose of the Sanli ESOS is to provide an opportunity for Group Employees (including Group Executive Directors) who have met the eligibility criteria (as set out under Rule 4) to participate in the equity of the Company so as to motivate them to greater dedication, loyalty and higher standards of performance, and to give recognition to those who have contributed to the success and development of the Company and the Group.
- Group Non-Executive Directors as well as Controlling Shareholders and Associates of a Controlling Shareholder will not be eligible to participate in the Sanli ESOS.
- The Sanli ESOS is proposed on the basis that it is important to acknowledge the contribution made by the directors and employees. The Company, by adopting the Sanli ESOS, will give Selected Persons a stake in the Company with a view to achieving the following objectives:
- (a) the motivation of Selected Persons to optimise performance standards and efficiency and to maintain a high level of contribution;

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- (b) the retention of key employees whose contributions are important to the long-term growth and profitability of the Group;
- (c) the attraction of potential employees capable of adding value to the Company;
- (d) the aligning of the interests of Selected Persons with the interests of Shareholders; and
- (e) to instil loyalty to and a stronger sense of identification with the long-term prosperity of the Group.

4. Eligibility

4.1 Subject to Rule 4.2, the following persons are eligible to participate in the Sanli ESOS at the absolute discretion of the Committee:

- (a) Group Employees who have attained the age of 21 years on or before the Offer Date; and
- (b) Group Executive Directors.

4.2 Group Non-Executive Directors as well as Controlling Shareholders and Associates of a Controlling Shareholder will not be eligible to participate in the Sanli ESOS.

4.3 For the purposes of paragraph 4.1(a) above, the secondment of a Group Employee to another company within the Group shall not be regarded as a break in his employment or his having ceased by reason only of such secondment to be a full-time employee of the Group.

4.4 There shall be no restriction on the eligibility of any Selected Person to participate in any other share option or share incentive schemes implemented by the Company or any other company within the Group.

4.5 Subject to the Act and the Catalist Rules, the terms of eligibility for participation in the Sanli ESOS may be amended, modified or supplemented from time to time at the absolute discretion of the Committee.

5. Limitations on the Size of the Sanli ESOS

5.1 The aggregate number of Shares over which Options may be granted, when added to the total number of new Shares issued and issuable or existing Shares delivered and deliverable in respect of all options or awards granted under any other share scheme of the Company then in force, shall not exceed 15% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) on the date preceding the Offer Date of an Option.

5.2 The number of Shares in respect of which Options may be offered to any Selected Person for subscription and/or purchase in accordance with the Sanli ESOS shall be determined at the absolute discretion of the Committee which shall take into account (where applicable) criteria such as rank, responsibilities, past performance, years of service, contributions to the Group and potential for future development of that Selected Person.

6. Offer Date

6.1 No offer of grant of Options shall be made during the period commencing two weeks before the announcement of the Company's financial statements for each of the first three quarters of its financial year and one month before the announcement of the Company's full year financial statements (if the Company announces its quarterly financial statements, whether required by the SGX-ST or otherwise), or one month before the announcement of the Company's half year

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and full year financial statements (if the Company does not announce its quarterly financial statements).

- 6.2 Save for the above, the Committee may, subject to Rule 4, Rule 5 and Rule 12, grant Options at any time during the period when the Sanli ESOS is in force, provided that in the event that an announcement on any matter of an exceptional nature involving unpublished price sensitive information is imminent, Options may only be granted on or after the second Market Day from the date on which such announcement is released.
- 6.3 The Letter of Offer to grant the Option shall be in, or substantially in, the form set out in Schedule A, subject to such modifications as the Committee may from time to time determine.
7. Acceptance of Options
- 7.1 The grant of an Option under this Rule 7 shall be accepted within 30 days from the Offer Date of that Option, and in any event, not later than 5.00 pm on the 30th day from such Offer Date by completing, signing and returning the Acceptance Form in, or substantially in, the form set out in Schedule B, subject to such modification as the Committee may from time to time determine, accompanied by payment of \$1.00 as consideration. The Option is deemed not accepted until actual receipt by the Company of the Acceptance Form.
- 7.2 The Company shall be entitled at its absolute discretion to reject any purported acceptance of the grant of an Option made pursuant to this Rule 7 which does not strictly comply with the terms and conditions of the Sanli ESOS.
- 7.3 An Option shall be personal to the Selected Person to whom it is granted and shall not be transferred (other than to a Selected Person's personal representative on the death of that Selected Person), charged, assigned, pledged or otherwise disposed of, in whole or in part, unless with the prior written approval of the Committee.
- 7.4 In the event that the grant of an Option results in a contravention of any applicable law, subsidiary legislation or other regulation, such grant shall be null, void and of no effect and the relevant Selected Person shall have no claim whatsoever against the Company.
- 7.5 Unless the Committee determines otherwise, the grant of an Option shall automatically lapse and become null, void and of no effect and shall not be capable of acceptance if:
- (a) it is not accepted in the manner as provided in Rule 7.1 within the Acceptance Period;
 - (b) the Selected Person dies prior to his acceptance of the Option;
 - (c) the Selected Person is adjudicated a bankrupt or enters into composition with his creditors prior to his acceptance of the Option;
 - (d) the Selected Person ceases to be in the employment of the Group or ceases to be a director of the Company or its Subsidiaries, in each case, for any reason whatsoever, prior to his acceptance of the Option;
 - (e) the Selected Person becomes a Controlling Shareholder or an Associate of a Controlling Shareholder after the Offer Date; or
 - (f) the Company is liquidated or wound up prior to the Selected Person's acceptance of the Option.

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8. Subscription Price

8.1 Subject to any adjustment pursuant to Rule 12, the Subscription Price for each Share in respect of which an Option is exercisable shall be fixed by the Committee at:

- (a) a price (the “**Market Price**”) equal to the average of the last dealt prices for a Share, as determined by reference to the daily official list or other publication published by the SGX-ST, for the five consecutive Market Days immediately preceding the Offer Date on which there was trading in the Shares, rounded up to the nearest whole cent in the event of fractional prices; or
- (b) a price which is set at a discount to the Market Price, provided that:
 - (i) the maximum discount shall not exceed 20% of the Market Price; and
 - (ii) the prior approval of the Shareholders of the Company in general meeting shall have been obtained for the making of offers and grants of Options under the Sanli ESOS at a discount not exceeding the maximum discount as aforesaid in a separate resolution.

8.2 The Committee has the discretion to grant Options at the Subscription Price which is set at a discount to the Market Price. The Committee shall be at liberty to take into consideration factors including length of service, seniority, job performance and potential contribution to our growth and profitability as well as prevailing market conditions.

9. Exercise of Options

9.1 Subject as provided in Rule 7.5(e), this Rule 9 and Rule 10 and any other conditions as may be introduced by the Committee from time to time, each Option may be exercisable, in whole or in part (provided that an Option may be exercised in part only in respect of 100 Shares or any multiples thereof), by the Selected Person giving to the Company the Exercise Notice in, or substantially in, the form set out in Schedule C, subject to such modification as the Committee may from time to time determine, as follows:

- (a) in the case of a Market Price Option, during the period commencing after the first anniversary of the Offer Date and expiring on the tenth anniversary of such Offer Date; and
- (b) in the case of an Incentive Option, during the period commencing after the second anniversary of the Offer Date and expiring on the tenth anniversary of such Offer Date.

9.2 In the event of an Option being exercised in part only, the balance of the Option not thereby exercised shall continue to be exercisable in accordance with the Sanli ESOS until such time as it shall lapse in accordance with the Sanli ESOS.

9.3 An Option shall, to the extent unexercised, immediately lapse without any claim whatsoever against the Company:

- (a) subject to Rules 9.4 and 9.5, upon the Selected Person ceasing to be in the full-time employment of the Group, for any reason whatsoever;
- (b) upon the bankruptcy of the Selected Person or the happening of any other event which results in his being deprived of the legal or beneficial ownership of such Option;
- (c) in the event of any misconduct on the part of the Selected Person as determined by the Committee in its sole and absolute discretion or any breach of any regulation of the

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Group, such breach being regarded as serious by the Committee in its absolute discretion; or

- (d) upon the company by which the Selected Person is employed ceasing to be a company within the Group, or the undertaking or part of the undertaking of such company being transferred otherwise than to another company within the Group.

For the purpose of Rule 9.3(a), the Selected Person shall be deemed to have ceased to be so employed as of the date of the notice of termination or resignation, as the case may be, unless such notice shall be withdrawn prior to its effective date.

9.4 If a Selected Person ceases to be employed by the Group by reason of his:

- (a) ill health, injury or disability (in each case, evidenced to the satisfaction of the Committee);
- (b) redundancy;
- (c) retirement at or after the legal retirement age;
- (d) retirement before the legal retirement age with the consent of the Committee; or
- (e) any other reason where the cessation of employment is approved by the Committee,

he may (notwithstanding Rule 7.5(d)), at the absolute discretion of the Committee, exercise any unexercised Option within the relevant Option Period or such Option Period that would expire on an earlier date as may be determined by the Committee (such earlier date subject to Rule 9.1), and upon the expiry of such period, the Option shall immediately lapse and become null and void.

9.5 If a Selected Person dies and at the date of his death holds any unexercised Option, such Option may, at the absolute discretion of the Committee, be exercised by the duly appointed legal personal representatives of the Selected Person within the relevant Option Period or such Option Period that would expire on an earlier date as may be determined by the Committee (such earlier date subject to Rule 9.1), and upon the expiry of such period, the Option shall immediately lapse and become null and void.

10. Take-over and winding up

10.1 Notwithstanding Rule 9 but subject to Rule 10.5, in the event of a take-over being made for the Shares, a Selected Person shall be entitled to exercise any Option held by him and as yet unexercised, in respect of such number of Shares comprised in that Option as may be determined by the Committee in its absolute discretion, in the period commencing on the date on which such offer is made or, if such offer is conditional, the date on which such offer becomes or is declared unconditional, as the case may be, and ending on the earlier of:

- (a) the expiry of six months thereafter, unless prior to the expiry of such six-month period, at the recommendation of the offeror and with the approvals of the Committee and the SGX-ST, such expiry date is extended to a later date (in either case, being a date falling not later than the expiry of the Option Period relating thereto); or
- (b) the date of expiry of the Option Period relating thereto,

whereupon any Option then remaining unexercised shall lapse and become null and void.

Provided that if during such period, the offeror becomes entitled or bound to exercise rights of compulsory acquisition under the provisions of the Act and, being entitled to do so, gives notice

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to the Selected Persons that it intends to exercise such rights on a specified date, the Option shall remain exercisable by the Selected Person until the expiry of such specified date or the expiry of the Option Period relating thereto, whichever is earlier. Any Option not so exercised shall lapse provided that the rights of acquisition or obligations to acquire shall have been exercised or performed, as the case may be. If such rights or obligations have not been exercised or performed, the Option shall, notwithstanding Rule 9, remain exercisable until the expiry of the Option Period relating thereto.

- 10.2 If under any applicable laws, the court sanctions a compromise or arrangement proposed for the purposes of, or in connection with, a scheme for the reconstruction of the Company or its amalgamation with another company or companies, each Selected Person shall be entitled, notwithstanding Rule 9 but subject to Rule 10.5, to exercise any Option then held by him, in respect of such number of Shares comprised in that Option as may be determined by the Committee in its absolute discretion, during the period commencing on the date upon which the compromise or arrangement is sanctioned by the court and ending either on the expiry of 60 days thereafter or the date upon which the compromise or arrangement becomes effective, whichever is later (but not after the expiry of the Option Period relating thereto), whereupon the Option shall lapse and become null and void.
- 10.3 If an order is made for the winding-up of the Company on the basis of its insolvency, all Options, to the extent unexercised, shall lapse and become null and void.
- 10.4 In the event that a notice is given by the Company to its members to convene a general meeting for the purposes of considering and, if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall on the same date as or soon after it dispatches such notice to each member of the Company give notice thereof to all Selected Persons (together with a notice of the existence of the provision of this Rule 10.4) and thereupon, each Selected Person (or his legal personal representative) shall be entitled to exercise all or any of his Options at any time not later than two business days prior to the proposed general meeting of the Company by giving notice in writing to the Company, accompanied by a remittance for the Aggregate Subscription Cost whereupon the Company shall as soon as possible and in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the Selected Person credited as fully paid.
- 10.5 If in connection with the making of a general offer referred to in Rule 10.1 or a scheme referred to in Rule 10.2 or a winding-up referred to in Rule 10.4, arrangements are made (which are confirmed in writing by the Auditors, acting only as experts and not as arbitrators, to be fair and reasonable) for the compensation of Selected Persons, whether by the continuation of their Options or the payment of cash or the grant of other options or otherwise, a Selected Person holding an Option, as yet not exercised, may not, at the discretion of the Committee, be permitted to exercise that Option as provided for in this Rule 10.
- 10.6 To the extent that an Option is not exercised within the periods referred to in this Rule 10, it shall lapse and become null and void.

11. Manner of Exercise

- 11.1 Subject to Rule 9.1, an Option may be exercised, in whole or in part, by a Selected Person giving notice in writing to the Company in, or substantially in, the form set out in Schedule C, subject to such modification as the Committee may from time to time determine. Such notice must be accompanied by payment in cash for the Aggregate Subscription Cost in respect of the Shares for which that Option is exercised and any other documentation the Committee may require. An Option shall be deemed to be exercised upon receipt by the Company of the said notice, duly completed, the relevant documentation required by the Committee and the Aggregate Subscription Cost.

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- 11.2 All payments shall be made by cheque, cashiers' order, banker's draft or postal order made out in favour of the Company or such other mode of payment as may be acceptable to the Company.
- 11.3 Subject to the Act and the Catalist Rules, the Company shall deliver Shares upon the exercise of an Option by a Selected Person by (i) the issue of new Shares; and/or (ii) the transfer of existing Shares, including Shares held by the Company as treasury shares.
- 11.4 Subject to such consents or other required action of any competent authority under any regulations or enactments for the time being in force as may be necessary and subject to compliance with the terms of the Sanli ESOS and the Constitution, the Company shall, within ten Market Days after the exercise of an Option, allot and issue and/or transfer the relevant Shares to the Selected Person.
- 11.5 The Company shall, as soon as practicable after the allotment and issue of new Shares, apply to the SGX-ST (and any other stock exchange on which the Shares are quoted or listed) for permission to deal in and for quotation of such new Shares, if necessary.
- 11.6 Shares which are allotted and issued and/or transferred on the exercise of an Option by a Selected Person shall be issued in the name of CDP to the credit of and/or credited to the securities account of that Selected Person maintained with CDP, the securities sub-account of that Selected Person maintained with a Depository Agent or the CPF investment account maintained with a CPF agent bank.
- 11.7 Shares allotted and issued and/or transferred on the exercise of an Option shall be subject to all the provisions of the Act and the Constitution, and shall rank in full for all entitlements, including dividends or other distributions declared or recommended in respect of the then existing Shares, the Record Date for which falls on or after the relevant exercise date of the Option, and shall in all other respects rank pari passu with other existing Shares then in issue. **"Record Date"** means the date fixed by the Company for the purposes of determining entitlements to dividends or other distributions to or rights of holders of Shares.
12. Variation of Capital
- 12.1 If a variation in the issued ordinary share capital of the Company (whether by way of bonus issue, rights issue, capital reduction, subdivision or consolidation of Shares or distribution or otherwise) shall take place:
- (a) the Subscription Price for the Shares, the class and/or number of Shares comprised in an Option to the extent unexercised; and/or
 - (b) the class and/or number of Shares over which additional Options may be granted under the Sanli ESOS,
- shall be adjusted in such manner as the Committee may deem to be appropriate.
- 12.2 Unless the Committee considers an adjustment to be appropriate:
- (a) the issue of securities as consideration for an acquisition or a private placement of securities;
 - (b) the increase in the number of issued Shares as a consequence of the exercise of options or other convertibles entitling holders of such options or convertibles to acquire Shares in the capital of the Company;
 - (c) the cancellation of issued Shares purchased or acquired by the Company by way of a market purchase of such Shares undertaken by the Company on the SGX-ST during

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the period when a share purchase mandate granted by Shareholders (including any renewal of such mandate) is in force; and

- (d) the increase in the issued share capital of the Company as a consequence of the delivery of new Shares pursuant to the exercising of Options from time to time by the Company or through any other share-based incentive schemes implemented by the Company,

shall not normally be regarded as a circumstance requiring adjustment.

12.3 Notwithstanding the provisions of Rule 12.1:

- (a) any determination by the Committee as to whether to make any adjustment and if so, the manner in which such adjustment should be made must (except in relation to a bonus issue) be confirmed in writing by the Auditors (acting only as experts and not as arbitrators) to be in their opinion, fair and reasonable; and
- (b) no adjustment shall be made if as a result, a Selected Person receives a benefit that a Shareholder does not receive.

12.4 Upon any adjustment required to be made pursuant to this Rule 12, the Company shall notify the Selected Person (or his duly appointed personal representatives where applicable) in writing and deliver to him (or his duly appointed personal representatives where applicable) a statement setting forth the Subscription Price thereafter in effect and the class and/or number of Shares thereafter to be issued on the exercise of the Option. Any adjustment shall take effect upon such written notification being given.

13. Administration

13.1 The Sanli ESOS shall be administered by the Committee in its absolute discretion with such powers and duties as are conferred on it by the Board, provided that no member of the Committee shall participate in any deliberation or decision in respect of Options granted or to be granted to him.

13.2 The Committee shall have the power, from time to time, to make and vary such regulations (not being inconsistent with the Rules) for the implementation and administration of the Sanli ESOS as they think fit. Any matter pertaining to the Sanli ESOS and any dispute and uncertainty as to the interpretation of the Sanli ESOS, any rule, regulation or procedure thereunder or any rights under the Sanli ESOS shall be determined by the Committee.

13.3 Neither the Sanli ESOS nor the grant of Options under the Sanli ESOS shall impose on the Company or the Committee any liability whatsoever in connection with:

- (a) the lapsing or early expiry of any Options pursuant to any provision of the Sanli ESOS;
- (b) the failure or refusal by the Committee to exercise, or the exercise by the Committee of, any discretion under the Sanli ESOS; and/or
- (c) any decision or determination of the Committee made pursuant to any provision of the Sanli ESOS.

13.4 Any decision or determination of the Committee made pursuant to any provision of the Sanli ESOS (other than a matter to be certified by the Auditors) shall be final, binding and conclusive.

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14. Notices and Annual Report

- 14.1 Any notice required to be given by a Selected Person to the Company shall be sent or made to the registered office of the Company or such other addresses (including electronic mail addresses) or facsimile number, and marked for the attention of the Committee, as may be notified by the Company to him in writing.
- 14.2 Any notices or documents required to be given to a Selected Person or any correspondence to be made between the Company and the Selected Person shall be given or made by the Committee (or such person(s) as it may from time to time direct) on behalf of the Company and shall be delivered to him by hand or sent to him at his home address, electronic mail address or facsimile number according to the records of the Company or the last known address, electronic mail address or facsimile number of the Selected Person.
- 14.3 Any notice or other communication from a Selected Person to the Company shall be irrevocable, and shall not be effective until received by the Company. Any other notice or communication from the Company to a Selected Person shall be deemed to be received by that Selected Person, when left at the address specified in Rule 14.2 or, if sent by post, on the day following the date of posting or, if sent by electronic mail or facsimile transmission, on the day of despatch.
- 14.4 The Company shall disclose the following (as applicable) in its annual report for so long as the Sanli ESOS continues in operation:
- (a) the names of the members of the Committee administering the Sanli ESOS;
 - (b) the information required in the table below for the following Selected Persons:
 - (i) Directors of the Company; and
 - (ii) Selected Persons who are Controlling Shareholders or Associates of a Controlling Shareholder; and
 - (iii) Selected Persons, other than those in Rule 14.4(b)(i) and (ii) above, who receive 5% or more of the total number of Shares comprised in Options available under the Sanli ESOS;

Name of Selected Person	Number of Shares comprised in Options granted during the financial year under review (including terms)	Aggregate number of Shares comprised in Options granted since commencement of Sanli ESOS to end of the financial year under review	Aggregate number of Shares comprised in Options exercised since commencement of Sanli ESOS to end of the financial year under review	Number of Shares comprised in Options outstanding as at end of the financial year under review

- (c)
 - (i) the names of and number and terms of Options granted to each director or employee of the parent company and its subsidiaries who receives 5% or more of the total number of options available to all directors and employees of the parent company and its subsidiaries under the Sanli ESOS, during the financial year under review; and
 - (ii) the aggregate number of Options granted to the directors and employees of the parent company and its subsidiaries for the financial year under review, and since the commencement of the Sanli ESOS to the end of the financial year under review;

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- (d) in respect of Incentive Options, the following disclosure shall be made:
 - (i) the number of Incentive Options granted at a discount of 10% or less and proportion to Market Price Options during the financial year under review; and
 - (ii) the number of Incentive Options granted at a discount of more than 10% and up to the maximum discount of 20%, and proportion to Market Price Options during the financial year under review;
- (e) such other information as may be required by the Catalist Rules or the Act.

If any of the disclosure above in the foregoing of this Rule 14.4 is not applicable, an appropriate negative statement shall be included in the annual report.

15. Modifications to the Sanli ESOS

15.1 Any or all the provisions of the Sanli ESOS may be modified and/or altered at any time and from time to time by resolution of the Committee, except that:

- (a) no modification or alteration shall alter adversely the rights attaching to any Option granted prior to such modification or alteration except with the written consent of such number of Selected Persons under the Sanli ESOS who, if they exercised their Options in full, would thereby become entitled to not less than three-quarters in the number of all the Shares which would fall to be allotted upon exercise in full of all outstanding Options under the Sanli ESOS;
- (b) any modification or alteration of the provisions of the Sanli ESOS relating to the matters contained in Rules 843 to 848, and Rules 852 to 853 of the Catalist Rules which would be to the advantage of Selected Persons under the Sanli ESOS shall be subject to the prior approval of the Shareholders in general meeting; and
- (c) no modification or alteration shall be made without the prior approval of such regulatory authorities as may be necessary, and any modification or alteration shall comply with the Catalist Rules.

15.2 The Committee may at any time by resolution (and without other formality, save where the prior approval of the SGX-ST is necessary) amend or alter the Sanli ESOS in any way to the extent necessary to cause the Sanli ESOS to comply with any statutory provision or the provisions or regulations of any regulatory or other relevant authority or body (including the SGX-ST).

15.3 Written notice of any modification or alteration made in accordance with this Rule 15 shall be given to all Selected Persons.

16. Terms of employment unaffected

The terms of employment of a Selected Person (who is a Group Employee) shall not be affected by his participation in the Sanli ESOS, which shall neither form part of such terms nor entitle him to take into account such participation in calculating any compensation or damages on the termination of his employment for any reason.

17. Duration of the Sanli ESOS

17.1 The Sanli ESOS shall continue to be in force at the discretion of the Committee, subject to a maximum period of ten years commencing on the Adoption Date, provided always that the Sanli ESOS may continue beyond the above stipulated period with the approval of the Shareholders

APPENDIX A – RULES OF THE SANLI EMPLOYEE SHARE OPTION SCHEME

by way of an ordinary resolution passed at a general meeting and of any relevant authorities which may then be required.

17.2 The Sanli ESOS may be terminated at any time by the Committee or, at the discretion of the Committee, by an ordinary resolution passed by the Shareholders at a general meeting, subject to all relevant approvals which may be required and if the Sanli ESOS is so terminated, no further Options shall be offered by the Company hereunder.

17.3 The termination, discontinuance or expiry of the Sanli ESOS shall not affect Options which have been granted and accepted as provided in Rule 7.1, whether such Options have been exercised (whether fully or partially) or not.

18. Taxes

All taxes (including income tax) arising from the exercise of any Option granted to any Selected Person under the Sanli ESOS shall be borne by that Selected Person.

19. Costs and expenses

19.1 Each Selected Person shall be responsible for all fees of CDP relating to or in connection with the delivery of any Shares pursuant to the exercise of any Option in CDP's name, the deposit of share certificate(s) with CDP, the Selected Person's securities account with CDP, or the Selected Person's securities sub-account with a CDP Depository Agent or CPF investment account with a CPF agent bank.

19.2 Save for the taxes referred to in Rule 18 and such other costs and expenses expressly provided in the Sanli ESOS to be payable by the Selected Persons, all fees, costs and expenses incurred by the Company in relation to the Sanli ESOS including but not limited to the fees, costs and expenses relating to the allotment and issue of Shares pursuant to the exercise of any Option shall be borne by the Company.

20. Disclaimer of liability

Notwithstanding any provisions herein contained, the Board, the Committee and the Company shall not under any circumstances be held liable for any costs, losses, expenses and damages whatsoever and howsoever arising in any event, including but not limited to the Company's delay in issuing the Shares or applying for or procuring the listing of the Shares on the SGX-ST in accordance with Rule 11.4 (and any other stock exchange on which the Shares are quoted or listed).

21. Abstention from voting

Shareholders who are eligible to participate in the Sanli ESOS shall abstain from voting on any resolution relating to the Sanli ESOS, including the implementation of the Sanli ESOS and the discount quantum of Options.

22. Disputes

Any disputes or differences of any nature arising hereunder shall be referred to the Committee and its decision shall be final and binding in all respects.

23. Condition of Option

Every Option shall be subject to the condition that no Shares shall be issued pursuant to the exercise of an Option if such issue would be contrary to any law or enactment, or any rules or regulations of any legislative or non-legislative governing body for the time being in force in

APPENDIX A – RULES OF THE SANLI EMPLOYEE SHARE OPTION SCHEME

Singapore or any other relevant country having jurisdiction in relation to the grant of Options hereto.

24. Governing law

The Sanli ESOS shall be governed by, and construed in accordance with, the laws of the Republic of Singapore. The Selected Persons, by accepting Options in accordance with the Sanli ESOS, and the Company irrevocably submit to the exclusive jurisdiction of the courts of the Republic of Singapore.

APPENDIX A – RULES OF THE SANLI EMPLOYEE SHARE OPTION SCHEME

Schedule A

SANLI EMPLOYEE SHARE OPTION SCHEME

LETTER OF OFFER

Serial No: _____

Date: _____

To: [Name]
[Designation]
[Address]

Private and Confidential

Dear Sir/Madam,

We have the pleasure of informing you that you have been nominated to participate in the Sanli Employee Share Option (the “**Sanli ESOS**”) by the Committee appointed by the Board of Directors of Sanli Environmental Limited (the “Company”) to administer the Sanli ESOS. Terms as defined in the Rules of the Sanli ESOS shall have the same meaning when used in this letter.

Accordingly, in consideration of the payment of a sum of \$1.00, an offer is hereby made to grant to you an Option to subscribe for and/or purchase _____ Shares at the price of \$_____ for each Share.

The Option is personal to you and shall not be transferred, charged, pledged, assigned or otherwise disposed off by you, in whole or in part, except with the prior approval of the Committee.

The Option shall be subject to the terms and conditions of this Letter of Offer and the Rules of the Sanli ESOS (as the same may be amended, modified or supplemented from time to time pursuant to the terms and conditions of the Sanli ESOS), a copy of which is enclosed herewith.

If you wish to accept the offer, please sign and return the enclosed Acceptance Form with a sum of \$1.00 not later than 5.00 p.m. on _____, failing which this offer will forthwith lapse.

Yours faithfully
For and on behalf of
Sanli Environmental Limited

Name:
Designation:

APPENDIX A – RULES OF THE SANLI EMPLOYEE SHARE OPTION SCHEME

Schedule B

SANLI EMPLOYEE SHARE OPTION SCHEME

ACCEPTANCE FORM

Serial No: _____

Date: _____

To: The Committee
 Sanli Employee Share Option Scheme
 Sanli Environmental Limited
 28 Kian Teck Drive
 Singapore 628845

Closing Date for Acceptance of Offer : _____

Number of Shares Offered : _____

Subscription Price for each Share : \$ _____

Total Amount Payable
(exclusive of the relevant CDP charges) : \$ _____

I have read your Letter of Offer dated _____ and agree to be bound by the terms of the Letter of Offer and the Sanli ESOS referred to therein. Terms defined in your Letter of Offer shall have the same meanings when used in this Acceptance Form.

I hereby accept the Option to subscribe for and/or purchase _____ Shares at \$ _____ for each Share and enclose cash for \$1.00 in payment for the purchase of the Option.

I understand that I am not obliged to exercise the Option.

I also understand that I shall be responsible for all the fees of CDP (if applicable) relating to or in connection with the delivery of any Shares upon the exercise of the Option in CDP's name, the deposit of share certificate(s) with CDP, my securities account with CDP, or my securities sub-account with a CDP Depository Agent or CPF investment account with a CPF agent bank (as the case may be) (collectively, the "**CDP charges**").

I confirm that my acceptance of the Option will not result in the contravention of any applicable law or regulation in relation to the ownership of the Shares or options to subscribe for such Shares.

I agree to keep all information pertaining to the grant of the Option to me strictly confidential.

I further acknowledge that you have not made any representation to induce me to accept the offer and that the terms of the Letter of Offer and this Acceptance Form constitutes the entire agreement between us relating to the offer.

APPENDIX A – RULES OF THE SANLI EMPLOYEE SHARE OPTION SCHEME

PLEASE PRINT IN BLOCK LETTERS

Name in full : _____

Designation : _____

Address : _____

Nationality : _____

*NRIC/Passport No. : _____

Signature : _____

Date : _____

* Delete accordingly

APPENDIX A – RULES OF THE SANLI EMPLOYEE SHARE OPTION SCHEME

Schedule C

SANLI EMPLOYEE SHARE OPTION SCHEME

EXERCISE NOTICE

Date: _____

To: The Committee
The Sanli Employee Share Option Scheme
Sanli Environmental Limited
28 Kian Teck Drive
Singapore 628845

Total number of Shares offered at \$_____ per Share : _____
("Subscription Price") on _____ (Date of Grant)

Number of Shares previously delivered thereunder : _____

Outstanding balance of Shares to be delivered thereunder : _____

Number of Shares now to be subscribed and/or purchased : _____

1. Pursuant to your Letter of Offer dated _____ and my acceptance thereof, I hereby exercise the Option to subscribe for and/or purchase Shares in Sanli Environmental Limited (the "**Company**") at \$_____ per Share.
2. I enclose a *cheque / cashier's order / banker's draft / postal order no. _____ for \$_____ by way of subscription for and/or purchase of the total number of the said Shares.
3. I agree to subscribe for and/or purchase the said Shares subject to the terms of the Letter of Offer, the Rules of the Sanli Employee Share Option Scheme and the Constitution of the Company.
4. I declare that I am subscribing for and/or purchasing the said Shares for myself and not as a nominee for any other person.
5. I request the Company to deliver the said Shares in the name of The Central Depository (Pte) Ltd ("**CDP**") for credit of my *Securities Account with CDP / Sub-Account with the Depository Agent specified below and I hereby agree to bear such fees or other charges as may be imposed by CDP in respect thereof.

APPENDIX A – RULES OF THE SANLI EMPLOYEE SHARE OPTION SCHEME

PLEASE PRINT IN BLOCK LETTERS

Name in full : _____

Designation : _____

Address : _____

Nationality : _____

*NRIC/Passport No. : _____

*Direct Securities Account No. : _____

OR

*Sub-Account No. : _____

*Name of Depository Agent : _____

Signature : _____

Date : _____

* Delete where inapplicable

NOTICE OF EXTRAORDINARY GENERAL MEETING

SANLI ENVIRONMENTAL LIMITED

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

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting (“**EGM**”) of Sanli Environmental Limited (the “**Company**”) will be held by electronic means on 26 May 2022 at 9.00 a.m., for the purpose of considering and, if thought fit, passing with or without any modifications the following resolutions:

ORDINARY RESOLUTION 1

THE PROPOSED DIVERSIFICATION

That:

- (a) approval be and is hereby given for the diversification of the Group’s core business to include the business comprising, but not limited to, manufacturing of magnesium hydroxide slurry, for use in various industrial applications, as more particularly described in Section 2.2.1 of the circular to shareholders dated 11 May 2022 issued by the Company (the “**Circular**”); and
- (b) any Director be and is hereby authorised to complete and do all such acts and things (including executing or amending such documents as may be required) as he may consider expedient or necessary to give effect to the above.

ORDINARY RESOLUTION 2

THE PROPOSED ADOPTION OF THE SANLI EMPLOYEE SHARE OPTION SCHEME

THAT the share option scheme to be known as the Sanli Employee Share Option Scheme (the “**Sanli ESOS**”), the details and rules of which have been set out in the Circular, be and is hereby approved and adopted substantially in the form set out in the rules of the Sanli ESOS, and the Directors of the Company be and are hereby authorised:

- (a) to establish and administer the Sanli ESOS;
- (b) to modify and/or amend the Sanli ESOS from time to time provided that such modification and/or amendment is effected in accordance with the rules of the Sanli ESOS and to do all such acts and to enter into such transactions, arrangements and agreements as may be necessary or expedient in order to give full effect to the Sanli ESOS;
- (c) to offer and grant options (“**Options**”) in accordance with the rules of the Sanli ESOS (as may be modified from time to time) and to allot and issue and/or transfer from time to time such number of shares in the capital of the Company (“**Shares**”) as may be required to be issued and/or transferred pursuant to the exercise of Options, provided that the total number of Shares over which new Options may be granted on any date, when added to (a) the total number of new Shares allotted and issued and/or to be allotted and issued and issued Shares (including treasury shares) delivered and/or to be delivered pursuant to Options already granted under the Sanli ESOS, and (b) the total number of Shares issued and issuable and/or transferred or transferable in respect of all options or awards granted under any other share schemes of the Company, shall not exceed 15% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) on the day preceding that date; and

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (d) to complete and do all such acts and things (including executing such documents as may be required) as they may consider necessary, expedient, incidental or in the interests of the Company to give effect to the transactions contemplated and authorised by this resolution.

ORDINARY RESOLUTION 3

THE PROPOSED GRANT OF AUTHORITY TO OFFER AND GRANT OPTIONS AT A DISCOUNT OF UP TO 20% TO MARKET PRICE UNDER THE SANLI EMPLOYEE SHARE OPTION SCHEME

THAT subject to and contingent upon the passing of Ordinary Resolution 2:

- (a) the Directors of the Company be and are hereby authorised to offer and grant Options in accordance with the rules of the Sanli ESOS with exercise prices set at a discount to the Market Price (as defined in the Circular); and
- (b) the maximum discount that may be given under the Sanli ESOS be up to 20% of the Market Price (as defined in the Circular) for the Shares at the time of the grant of the Option.

By Order of the Board

Ng Lip Chi, Lawrence
Non-Executive Chairman and Independent Director
11 May 2022

NOTES:

MEASURES TO MINIMISE RISK OF COVID-19 TRANSMISSION

The EGM is being convened, and will be held, by live audio-visual webcast and live audio-only stream 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. Printed copies of the Circular to Shareholders dated 11 May 2022 (the “Circular”), this Notice of EGM and the proxy form will not be despatched to shareholders of the Company (“Shareholders”). Instead, the Circular, this Notice of EGM and the proxy form will be published on SGXNet and on the Company’s website at <https://www.sanli.com.sg>.

1. Participation in the EGM via live audio-visual webcast and live audio-only stream

- (a) Shareholders will NOT be able to attend the EGM in person. All Shareholders (including investors who hold shares through the Supplementary Retirement Scheme (“SRS”)) or their appointed proxies, or their corporate representatives (in the case of Shareholders which are legal entities), will be able to participate in the EGM proceedings by accessing a live audio-visual webcast and live audio-only stream. To do so, Shareholders are required to pre-register their participation or the participation by their appointed proxies in the EGM (“Pre-registration”) at this link: <https://go.lumiengage.com/sanli2022egm> (“EGM Registration and Q&A Link”) by 9.00 a.m. on 23 May 2022 (“Registration Deadline”) for verification of their status as Shareholders (or the corporate representatives of such Shareholders).
- (b) Upon successful verification, authenticated Shareholders and their appointed proxies (if any) or their corporate representatives will receive an email by 9.00 a.m. on 25 May 2022. The email will contain instructions on how to access the live audio-visual webcast and live audio-only stream of the EGM proceedings. Shareholders and their appointed proxies or corporate representatives must not forward the

NOTICE OF EXTRAORDINARY GENERAL MEETING

email to other persons who are not Shareholders and who are not entitled to attend the EGM. This is to avoid any technical disruption or overload to the live audio-visual webcast or audio-only stream.

- (c) Investors holding shares through relevant intermediaries (as defined in Section 181 of the Companies Act 1967) (“**Investors**”) (other than SRS Investors) will not be able to pre-register to participate in the EGM. An Investor who wishes to participate in the live webcast of the EGM should approach his relevant intermediary as soon as possible in order to make the necessary arrangements.
- (d) Shareholders and Investors who have pre-registered by the Registration Deadline but do not receive the email with instructions by 9.00 a.m. on 25 May 2022, should contact the Company’s Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at Sanli2022EGM@boardroomlimited.com or at +65 6536 5355.

2. Submission of questions

Submission of questions in advance of the EGM

- (a) Shareholders may submit questions related to the resolutions to be tabled at the EGM in the following manner:
 - (i) during Pre-registration via the EGM Registration and Q&A Link;
 - (ii) by email to Sanli2022EGM@boardroomlimited.com; or
 - (iii) by post to the Company’s Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 1 Harbourfront Avenue #14-07 Keppel Bay Tower Singapore 098632,

in each case, to be received no later than 5.00 p.m. on 18 May 2022. If the questions are submitted by email or post, the Shareholder’s full name and identification/registration number must be included for verification purposes, failing which the submission will be treated as invalid.

- (b) The Company shall address relevant and substantial questions (as may be determined by the Company in its sole discretion) prior to or at the EGM. The Company will publish the response to the questions on SGXNet and on the Company’s website at <https://www.sanli.com.sg>.

Submission of questions through real-time electronic communication during the EGM

- (c) Shareholders or their appointed proxies who have access to the live webcast of the EGM will be able to ask questions relating to the resolutions to be tabled for approval at the EGM by submitting text-based questions through real-time electronic communication during the EGM within a prescribed time limit. The Company will endeavour to respond to questions as far as reasonably practicable. Where there are substantially similar questions, the Company will consolidate such questions. As such, not all questions may be individually addressed.

3. Voting at the EGM

- (a) All the resolutions proposed at the EGM will be voted on by poll.

Live voting

- (b) Shareholders (including Investors) or their appointed proxies may cast their votes for each resolution at the EGM through real-time remote electronic voting. Unique access details for live voting will be provided to Shareholders or their appointed proxies who have pre-registered and been granted access to the live webcast of the EGM.
- (c) Shareholders who have pre-registered to appoint proxies to attend and vote at the EGM via electronic means on their behalf must also submit a completed proxy form for the appointment of such proxies. The proxy need not be a member of the Company.
- (d) The proxy form for the EGM may be accessed on SGXNet or at the Company’s website at <https://www.sanli.com.sg>. The duly completed and executed proxy form must be submitted in the following manner:

NOTICE OF EXTRAORDINARY GENERAL MEETING

(i) by post to the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 1 Harbourfront Avenue #14-07 Keppel Bay Tower Singapore 098632; or

(ii) by email to Sanli2022EGM@boardroomlimited.com,

in each case, to be received not later than 9.00 a.m. on 23 May 2022, failing which the proxy form will be treated as invalid.

Voting by appointing the Chairman as proxy

(e) As an alternative to live voting, Shareholders who wish to vote on any or all of the resolutions at the EGM may appoint the Chairman of the Meeting as their proxy to do so on their behalf. The Chairman of the Meeting, as proxy, need not be a member of the Company.

(f) Where Shareholders appoint the Chairman of the Meeting as their proxy, they must give specific instructions as to voting, or abstentions from voting, in respect of each resolution in the proxy form, failing which the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid.

(g) The proxy form for the EGM may be accessed on SGXNet or at the Company's website at <https://www.sanli.com.sg>. The duly completed and executed proxy form must be submitted in the following manner:

(i) by post to the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 1 Harbourfront Avenue #14-07 Keppel Bay Tower Singapore 098632; or

(ii) by email to Sanli2022EGM@boardroomlimited.com,

in each case, to be received not later than 9.00 a.m. on 23 May 2022, failing which the proxy form will be treated as invalid.

(h) Investors (including SRS Investors) who wish to appoint the Chairman of the Meeting as their proxy should approach their relevant intermediaries (as defined in Section 181 of the Companies Act 1967) (including SRS Operators) to submit their voting instructions at least seven working days before the EGM, to enable their respective relevant intermediaries to submit proxy forms on their behalf so that they are received no later than 9.00 a.m. on 23 May 2022.

(i) For the avoidance of doubt, pre-registration is not required if a Shareholder only intends to appoint the Chairman of the Meeting as proxy and does not intend to attend the EGM.

Important reminder

Due to the constantly evolving COVID-19 situation, the Company may be required to change its EGM arrangements at short notice. Shareholders are advised to regularly check the Company's website or announcements released on SGXNet for updates on the EGM. Further, in light of the current COVID-19 measures, which may make it difficult for Shareholders to submit completed proxy forms by post, Shareholders are strongly encouraged to submit completed proxy forms electronically via email.

Personal Data Privacy

Where a member of the Company submits (a) an application to pre-register to participate in the EGM via the live audio-visual webcast and live audio-only stream, (b) questions relating to the resolutions to be tabled for approval at the EGM, and/or (c) a proxy form to vote at the EGM and/or any adjournment thereof, the member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purposes of (a) processing the member's application to pre-register to participate in the EGM via the live audio-visual webcast and live audio-only stream and providing the member with any technical assistance where possible, (b) addressing any selected questions submitted by the member and following up with the member where necessary, (c) the processing and administration by the Company (or its agents or service providers) of the proxy appointed for the EGM (including any adjournment thereof), and (d) the preparation and compilation of the attendance lists, minutes and other documents relating to the EGM (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines, and (ii) agrees that the member will indemnify the

NOTICE OF EXTRAORDINARY GENERAL MEETING

Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's action or omission. Photographic, sound and/or video recordings of the EGM may be made by the Company for record keeping and to ensure the accuracy of the minutes prepared of the EGM. Accordingly, the personal data of a member (such as his name, his presence at the EGM and any questions he may raise or motions he propose/second) may be recorded by the Company for such purpose.

*This notice has been reviewed by the Company's sponsor ("**Sponsor**"), SAC Capital Private Limited. This notice has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this notice, including the correctness of any of the statements or opinions made, or reports contained in this notice. The contact person for the Sponsor is Mr David Yeong (Tel: (65) 6232 3210) at 1 Robinson Road, #21-00 AIA Tower, Singapore 048542.*

PROXY FORM

SANLI ENVIRONMENTAL LIMITED

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

EXTRAORDINARY GENERAL MEETING

PROXY FORM

(Please see notes overleaf before
completing this Form)

IMPORTANT:

1. Members who wish to vote on any or all of the resolutions at the Extraordinary General Meeting (the "Meeting" or "EGM") may appoint the Chairman of the Meeting or other person(s) as their proxy to do so on their behalf.
2. Members can access the Notice of EGM and Proxy Form via electronic means on SGXNet and on the Company's website at <https://www.sanli.com.sg>.
3. For investors who have used their SRS monies to buy shares in the capital of Sanli Environmental Limited, this proxy form is not valid for use and shall be ineffective for all intent and purposes if used or purported to be used by them. SRS investors who wish to appoint a proxy should contact their respective SRS Operators at least seven working days before the date of the EGM to submit their votes.

I/We _____ (Name) (NRIC/Passport/Company Registration No. _____)

of _____ (Address)

being a member/members of Sanli Environmental Limited (the "Company"), hereby appoint:

Name	Address	NRIC / Passport Number	Proportion of Shareholdings (%)
and/or			

or the Chairman of the Extraordinary General Meeting (the "Meeting" or "EGM") as my/our proxy/proxies to vote for me/us on my/our behalf at the EGM of the Company to be held by electronic means on 26 May 2022 at 9.00 a.m. and at any adjournment thereof. I/We direct my/our proxy to vote for, against and/or abstain from voting on the resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given in respect of a resolution, my/our proxy/proxies (not being the Chairman of the Meeting) will vote or abstain from voting as his/her/their discretion. If no specific direction as to voting is given to the Chairman as my/our proxy in respect of a resolution, the appointment of the Chairman of the Meeting as my/our proxy for the resolution will be treated as invalid.

Unless otherwise defined, all capitalised terms herein shall bear the same meaning as used in the circular to shareholders dated 11 May 2022 issued by the Company.

The resolutions put to the vote at the EGM shall be decided by poll.

	No. of Votes For	No. of Votes Against	No. of Votes Abstain
Ordinary Resolution 1 To approve the Proposed Diversification of business to include the Manufacturing Business			
Ordinary Resolution 2 To adopt the Sanli Employee Share Option Scheme			
Ordinary Resolution 3 To authorise the grant of Options at a discount to Market Price under the Sanli Employee Share Option Scheme			

If you wish to exercise all your votes "For" or "Against" the relevant Resolution, please tick (✓) within the relevant box provided. Alternatively, if you wish to exercise some and not all of your votes "For" and "Against" the resolution and/or if you wish to abstain from voting in respect of the resolution, please indicate the number of votes "For", the number "Against" and/or the number "Abstain" in the boxes provided for the resolution.

Signed this _____ day of _____ 2022

Total Number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

Signature(s) of Member(s) / Corporation's Common Seal

IMPORTANT: PLEASE READ NOTES OVERLEAF

PROXY FORM

Notes:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register, you should insert that number. If you have shares registered in your name in the Register of Members of the Company, you should insert that number. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number. If no number is inserted, this proxy form will be deemed to relate to all the shares held by you.
2. Due to the current COVID-19 restriction orders in Singapore, a member will not be able to attend the Meeting in person. A member (whether individual or corporate) may appoint the Chairman of the Meeting or other person(s) as his/her/its proxy to attend, speak and vote on his/her/its behalf at the Meeting if such member does not wish to participate in the live webcast of the Meeting but wishes to exercise his/her/its voting rights at the Meeting. Printed copies of the proxy form will not be despatched to members. Instead, the proxy form will be published on SGXNet and on the Company's website at <https://www.sanli.com.sg>.
3. 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 each resolution in the proxy form, failing which the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid.
4. Investors who hold shares through relevant intermediaries (as defined in Section 181 of the Companies Act 1967) (including investors who hold shares through the Supplementary Retirement Scheme ("SRS") who wish to appoint the Chairman of the Meeting or other person(s) as their proxy should approach their relevant intermediaries (including SRS Operators) to submit their voting instructions at least seven working days before the Meeting, to enable their respective relevant intermediaries to submit proxy forms on their behalf so that they are received not less than 72 hours before the time appointed for the holding of the Meeting.
5. A proxy, including the Chairman of the Meeting as proxy, need not be a member of the Company.
6. The duly completed and executed proxy form must be submitted in the following manner:
 - (i) by post to the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 1 Harbourfront Avenue #14-07 Keppel Bay Tower Singapore 098632; or
 - (ii) by email to Sanli2022EGM@boardroomlimited.com,in each case, to be received not later than 9.00 a.m. on 23 May 2022, being not less than 72 hours before the time appointed for holding the Meeting, failing which the proxy form will be treated as invalid.

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.
7. The proxy form must be executed under the hand of the appointer or of his/her attorney duly authorised in writing. Where the proxy form is executed by a corporation, it must be executed under its common seal or under the hand of its officer or attorney duly authorised.
8. Where a proxy form is signed on behalf of the appointer by an attorney, the letter or the power of attorney (or other authority) or a duly certified copy thereof shall (failing previous registration with the Company) be lodged together with the proxy form, failing which the proxy form shall not be treated as valid.
9. The Company shall be entitled to reject a proxy form which is incomplete, improperly completed, illegible or where the true intentions of the appointer are not ascertainable from the instructions of the appointer specified on the proxy form. In addition, in the case of shares entered in the Depository Register, the Company may reject a proxy form if the member, being the appointer, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

PERSONAL DATA PRIVACY

By submitting an instrument appointing the Chairman of the Meeting as a proxy, the member accepts and agrees to the personal data privacy terms set out in the Notice of Extraordinary General Meeting.