

CIRCULAR DATED 11 JULY 2019

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

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

If you have sold or transferred all your shares in the capital of AnnAik Limited (the “**Company**”), you should immediately forward this Circular, the Notice of Extraordinary General Meeting and the accompanying Proxy Form to the purchaser or transferee or to the stockbroker, bank or agent through whom you effected the sale or transfer for onward transmission to the purchaser or transferee, subject to the distribution restriction set out in this Circular.

An application will be made to the SGX-ST by the Sponsor on behalf of the Company for the listing and quotation for the Rights Shares (as defined herein), the Warrants (as defined herein) and the Warrant Shares (as defined herein). The Company will make the necessary announcement on SGXNET upon the receipt of the listing and quotation notice by the SGX-ST. Any listing and quotation notice granted by the SGX-ST for the dealing in, listing of and quotation for the Rights Shares, the Warrants and the Warrant Shares is not to be taken as an indication of the merits of the Rights cum Warrants Issue (as defined herein), the Rights Shares, the Warrants, the Warrant Shares, the Group (as defined herein) and their securities.

The Rights Shares, the Warrants and the Warrant Shares will be admitted to the Catalist (as defined herein) and official quotation will commence after all conditions imposed by the SGX-ST are satisfied, all certificates relating thereto having been issued and the notification letters from CDP (as defined herein) having been despatched.

This Circular has been prepared by the Company and its contents have been reviewed by the Company’s sponsor, Hong Leong Finance Limited (the “**Sponsor**”), for compliance with the SGX-ST Listing Manual Section B: Rules of Catalist. The Sponsor has not verified the contents of this Circular.

This Circular has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this Circular, including the accuracy, completeness or correctness of any of the information, statements or opinions made or reports contained in this Circular.

The contact person for the Sponsor is Mr Tang Yeng Yuen Vice President, Head of Corporate Finance, at 16 Raffles Quay, #01-05 Hong Leong Building, Singapore 048581, telephone (65) 6415 9886.



**ANNAIK LIMITED**

(Incorporated in the Republic of Singapore)  
(Company Registration Number 197702066M)

## CIRCULAR TO SHAREHOLDERS

### IN RELATION TO THE

- (1) **PROPOSED RENOUNCEABLE NON-UNDERWRITTEN RIGHTS CUM WARRANTS ISSUE OF UP TO 63,850,725 NEW ORDINARY SHARES IN THE CAPITAL OF THE COMPANY (AS DEFINED HEREIN) AT AN ISSUE PRICE OF S\$0.065 FOR EACH RIGHTS SHARE (AS DEFINED HEREIN) AND UP TO 63,850,725 FREE DETACHABLE AND TRANSFERABLE WARRANTS (AS DEFINED HEREIN), WITH EACH WARRANT CARRYING THE RIGHT TO SUBSCRIBE FOR ONE (1) NEW ORDINARY SHARE IN THE CAPITAL OF THE COMPANY (AS DEFINED HEREIN) AT AN EXERCISE PRICE OF S\$0.200 FOR EACH WARRANT SHARE (AS DEFINED HEREIN), ON THE BASIS OF ONE (1) RIGHTS SHARE AND (1) WARRANT FOR EVERY FOUR (4) ORDINARY SHARES IN THE CAPITAL OF THE COMPANY (AS DEFINED HEREIN) HELD BY ENTITLED SHAREHOLDERS (AS DEFINED HEREIN) AS AT THE BOOKS CLOSURE DATE (AS DEFINED HEREIN), FRACTIONAL ENTITLEMENTS TO BE DISREGARDED (THE “RIGHTS CUM WARRANTS ISSUE”)**
- (2) **PROPOSED WHITEWASH RESOLUTION FOR THE WAIVER OF THE RIGHT OF THE INDEPENDENT SHAREHOLDERS OF THE COMPANY (AS DEFINED HEREIN) TO RECEIVE A MANDATORY GENERAL OFFER FROM THE CONCERT PARTY GROUP (AS DEFINED HEREIN) FOR ALL THE ISSUED SHARES IN THE CAPITAL OF THE COMPANY NOT ALREADY OWNED OR CONTROLLED BY THE CONCERT PARTY GROUP, AS A RESULT OF THE RIGHTS CUM WARRANTS ISSUE.**

**Manager of the Rights cum Warrants Issue**



**HONG LEONG FINANCE**

(Incorporated in the Republic of Singapore)  
(Company Registration Number 196100003D)

**Independent Financial Adviser in respect to the Whitewash Resolution**



**NOVUS CORPORATE FINANCE PTE. LTD.**

(Incorporated in the Republic of Singapore)  
(Company Registration Number 201723484W)

### IMPORTANT DATES AND TIMES

Last date and time for lodgement of Proxy Form	:	30 July 2019 at 10.00 a.m. (Singapore time)
Date and time of Extraordinary General Meeting	:	2 August 2019 at 10.00 a.m. (Singapore time)
Place of Extraordinary General Meeting	:	52 Tuas Avenue 9 Singapore 639193



## TABLE OF CONTENTS

	Page
LETTER TO SHAREHOLDERS .....	13
1. INTRODUCTION .....	13
2. PROPOSED RIGHTS CUM WARRANTS ISSUE. ....	14
3. FINANCIAL EFFECTS OF THE RIGHTS CUM WARRANTS ISSUE .....	32
4. REVIEW OF PAST PERFORMANCE .....	37
5. WHITEWASH RESOLUTION .....	46
6. INTERESTS OF THE DIRECTORS AND THE SUBSTANTIAL SHAREHOLDERS. .	53
7. EXTRAORDINARY GENERAL MEETING .....	53
8. BOOKS CLOSURE DATE .....	53
9. OFFER INFORMATION STATEMENT .....	54
10. ACTION TO BE TAKEN BY SHAREHOLDERS .....	54
11. ADVICE OF THE INDEPENDENT FINANCIAL ADVISER .....	55
12. DIRECTORS' RECOMMENDATION .....	55
13. DIRECTORS' RESPONSIBILITY STATEMENT .....	55
14. MANAGER'S RESPONSIBILITY STATEMENT .....	56
15. CONSENT .....	56
16. MATERIAL LITIGATION .....	56
17. MATERIAL CONTRACTS .....	56
18. DOCUMENTS AVAILABLE FOR INSPECTION.....	57
APPENDIX A – LETTER OF ADVICE FROM NOVUS CORPORATE FINANCE PTE. LTD. TO THE INDEPENDENT DIRECTORS .....	58
NOTICE OF EXTRAORDINARY GENERAL MEETING .....	99
PROXY FORM	

## DEFINITIONS

In this Circular, the following definitions shall apply throughout unless otherwise stated:–

- “Announcement”** : The announcement released by the Company on 28 December 2018, in relation to the Rights cum Warrants Issue
- “ARE”** : Application and acceptance form for Rights Shares with Warrants and Excess Rights Shares with Warrants to be issued to Entitled Depositors in respect of their provisional allotments of Rights Shares with Warrants under the Rights cum Warrants Issue
- “ARS”** : Application and acceptance form for Rights Shares with Warrants to be issued to purchasers of the provisional allotments of Rights Shares with Warrants under the Rights cum Warrants Issue traded on Catalist through the book-entry (scripless) settlement system
- “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;
- (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
- “ATM”** : Automated teller machine of a Participating Bank
- “Board of Directors” or “Board”** : The board of Directors of the Company as at the date of this Circular

<b>“Books Closure Date”</b>	:	Subject to the Shareholders’ approval for the resolution to be passed at the EGM, the time and date, to be determined by the Directors, at and on which the Register of Members and the share transfer books of the Company will be closed to determine the provisional allotments of Entitled Shareholders under the Rights cum Warrants Issue
<b>“Catalist”</b>	:	The Catalist of the SGX-ST
<b>“Catalist Rules”</b>	:	The SGX-ST Listing Manual Section B: Rules of Catalist, as amended, supplemented or revised from time to time
<b>“CDP”</b>	:	The Central Depository (Pte) Limited
<b>“Closing Date”</b>	:	The time and date to be determined by the Directors, being the last time and date for acceptance of and/or Excess Application and payment and renunciation of, the Rights Shares with Warrants under the Rights cum Warrants Issue
<b>“Circular”</b>	:	The circular addressed to the Shareholders dated 11 July 2019 in relation to the Whitewash Resolution
<b>“Code”</b>	:	The Singapore Code on Take-overs and Mergers, as amended, supplemented or revised from time to time
<b>“Companies Act”</b>	:	The Companies Act, Chapter 50 of Singapore, as amended or modified or supplemented from time to time
<b>“Company”</b>	:	AnnAik Limited
<b>“Concert Party Group”</b>	:	The Undertaking Shareholders and their concert parties, including:– <ul style="list-style-type: none"> <li>1. Koh Beng Leong</li> <li>2. Ow Eei Meng, Benjamin</li> <li>3. Elsie Low Kheng Thor</li> <li>4. Low Chuan Seng</li> <li>5. Kwek Geok Yong</li> <li>6. Low Kim Chuan</li> <li>7. Peh Choon Chieh</li> <li>8. Lee Ah Ho</li> <li>9. Lau Siew Kwan</li> <li>10. Low Kheng Huay Joanna</li> </ul>

11. Low Bee Eng
12. Phua Sin Yee
13. Heng Hui Lyn (Wang Hui Lin)
14. Koh Wee Leong, Vincent
15. Low Ann Kok
16. Koh Wee Beng
17. Lau Gee Hong<sup>1</sup>

<b>“controlling shareholder”</b>	:	a person who:–  (a) holds directly or indirectly 15% or more of the nominal amount of all voting shares in a company; or  (b) in fact exercises control over a company
<b>“CPF”</b>	:	The Central Provident Fund
<b>“CPF Funds”</b>	:	CPF Investible Savings
<b>“CPF Investment Account”</b>	:	The investment account maintained with a CPF agent bank for the purpose of investment of CPF Funds under the CPFIS-Ordinary Account
<b>“CPFIS”</b>	:	CPF Investment Scheme
<b>“CPFIS Investors”</b>	:	Shareholders who have previously purchased Shares using their CPF Funds under the CPF Investment Account
<b>“Deed Poll”</b>	:	The deed poll to be executed by the Company constituting the Warrants and containing, <i>inter alia</i> , provisions for the protection of the rights and interests of the Warrant Holders
<b>“Directors”</b>	:	The directors of the Company as at the date of this Circular
<b>“EGM”</b>	:	The extraordinary general meeting of the Company to be convened to approve the Whitewash Resolution

<sup>1</sup> The SIC provided their ruling on 4 June 2019 (as amended and supplemented by their email dated 18 June 2019) that any acquisition of shares or instruments convertible into and options in respect of shares of the Company by Mr Lau Gee Hong in the following periods, will not invalidate the Whitewash Waiver:–

- (i) during the period between the first announcement of the proposed Rights cum Warrants Issue and the date shareholders’ approval is obtained for the Whitewash Resolution; and
- (ii) in the six (6) months prior to the first announcement of the proposed Rights cum Warrants Issue but subsequent to negotiations, discussions or the reaching of understandings or agreements with the directors of the Company in relation to the proposed Rights cum Warrants Issue.

Please also refer to Section 5.2 of this Circular for more information on SIC’s ruling in relation to Mr Lau Gee Hong.

<b>“Entitled Depositors”</b>	:	Shareholders with Shares standing to the credit of their Securities Accounts and whose registered addresses with CDP are in Singapore as at the Books Closure Date or who have, at least three (3) Market Days prior to the Books Closure Date, provided CDP with addresses in Singapore for the service of notices and documents
<b>“Entitled Scripholders”</b>	:	Shareholders whose share certificates are not deposited with CDP or who have tendered to the Share Registrar valid transfers of their Shares and the certificates relating thereto for registration up to the Books Closure Date and whose registered addresses with the Company are in Singapore as at the Books Closure Date or who have, at least three (3) Market Days prior to the Books Closure Date, provided the Share Registrar with addresses in Singapore for the service of notices and documents
<b>“Entitled Shareholders”</b>	:	Entitled Depositors and Entitled Scripholders
<b>“EPS”</b>	:	Earnings per Share
<b>“ESOS 2013”</b>	:	The Company’s employee share option scheme 2013
<b>“Excess Applications”</b>	:	Applications by Entitled Shareholders of the Rights Shares with Warrants in excess of their provisional allotments of Rights Shares with Warrants
<b>“Excess Rights Shares with Warrants”</b>	:	Rights Shares with Warrants in excess of the provisional allotments of Entitled Shareholders to the extent that they are not subscribed by Entitled Shareholders
<b>“Excess Rights Shares with Warrants Scenario”</b>	:	<p>The scenario where it is assumed that the Rights cum Warrants issue is completed with only the Concert Party Group:–</p> <p>(a) subscribing for their full entitlements under the Rights cum Warrants Issue (i.e., 24,024,037 Rights Shares with Warrants, which is calculated on the basis that the Concert Party Group exercises all 4,040,000 outstanding and unexercised Share Options previously granted to the Concert Party Group under the ESOS 2013 (where applicable));</p> <p>(b) subscribing for up to an additional 4,940,000 excess Rights Shares with Warrants (if available), based on the assumptions that:–</p> <p>(i) the number of excess rights shares intended to be subscribed by the Undertaking Shareholders is an additional 4,000,000 Rights Shares with Warrants, which is equivalent to approximately 20% of the OCS Rights Shares; and</p>

- (ii) the number of excess rights shares intended to be subscribed by the Concert Party Group (excluding the Undertaking Shareholders) is an additional 940,000 Rights Shares with Warrants, which is equivalent to approximately 40% of the 2,354,566 Rights Shares with Warrants that the Concert Party Group (excluding the Undertaking Shareholders) are entitled to subscribe for pursuant to the terms and conditions of the Rights cum Warrants Issue.

<b>“Existing Share Capital”</b>	:	The issued and paid-up share capital of the Company, consisting 244,770,900 shares
<b>“Foreign Purchasers”</b>	:	Persons purchasing the provisional allotments of Rights Shares through the book-entry (scripless) settlement system and whose registered addresses with CDP are outside Singapore
<b>“Foreign Shareholders”</b>	:	Shareholders whose registered addresses are outside Singapore as at the Books Closure Date, and who have not, at least three (3) Market Days prior to the Books Closure Date, provided to the Share Registrar or CDP, as the case may be, with addresses in Singapore for the service of notices and documents
<b>“FY”</b>	:	The financial year ended or ending 31 December, as the case may be
<b>“Group”</b>	:	The Company and its subsidiaries, collectively
<b>“IFA”</b>	:	Novus Corporate Finance Pte. Ltd., the independent financial adviser to the Independent Directors in respect of the Whitewash Resolution
<b>“immediate family”</b>	:	in relation to a person, means the person’s spouse, child, adopted child, step-child, sibling and parent
<b>“Independent Directors”</b>	:	The Directors who are independent for the purpose of the proposed Whitewash Resolution
<b>“Independent Shareholders”</b>	:	The Shareholders, who are independent of the Concert Party Group and who are deemed to be independent for the purposes of the Whitewash Resolution
<b>“Irrevocable Undertakings”</b>	:	The irrevocable undertakings given by the Undertaking Shareholders to the Company dated 28 December 2018 to, <i>inter alia</i> , subscribe and pay for the OCS Rights Shares under the Rights cum Warrants Issue
<b>“Latest Practicable Date” or “LPD”</b>	:	5 July 2019, being the latest practicable date prior to the printing of this Circular



<b>“MAS” or “Authority”</b>	:	The Monetary Authority of Singapore
<b>“Manager” or “HLF”</b>	:	Hong Leong Finance Limited
<b>“Market Day”</b>	:	A day on which the SGX-ST is open for securities trading
<b>“Maximum Subscription Scenario”</b>	:	The scenario where it is assumed that the Rights cum Warrants Issue is fully subscribed and all outstanding and unexercised Share options under the ESOS 2013 are exercised prior to the Books Closure Date, and an aggregate of 63,850,725 Rights Shares with 63,850,725 Warrants are issued
<b>“Minimum Subscription Scenario”</b>	:	The scenario where it is assumed that the Rights cum Warrants issue is completed with the subscription only by the Undertaking Shareholders pursuant to the Irrevocable Undertakings for 20,659,470 Rights Shares with 20,659,470 Warrants
<b>“NTA”</b>	:	Net tangible assets
<b>“OCS Rights Shares”</b>	:	The 20,659,470 Rights Shares with 20,659,470 Warrants that the Undertaking Shareholders are entitled to subscribe for (being the total of Mr Ow Chin Seng and Mdm Low Kheng’s entitlement of Rights Shares with Warrants) pursuant to the terms and conditions of the Rights cum Warrants Issue (assuming the Undertaking Shareholders do not exercise any of their exercisable Share options under the ESOS 2013 before the Books Closure Date)
<b>“Offer Information Statement”</b>	:	The offer information statement referred to in Section 277 of the SFA, together with the PAL, the ARE, the ARS and all other accompanying documents including, where the context so admits, any supplementary or replacement document to be issued by the Company in connection with the Rights cum Warrants Issue
<b>“Participating Banks”</b>	:	The banks that will be participating in the Rights cum Warrants Issue by making available their ATMs to Entitled Depositors and Purchasers for acceptances of the Rights Shares with Warrants and applications for Excess Rights Shares with Warrants, as the case may be, to be made under the Rights cum Warrants Issue
<b>“PAL”</b>	:	The provisional allotment letter to be issued to Entitled Scripholders, setting out the provisional allotment of Rights Shares with Warrants under the Rights cum Warrants Issue
<b>“PRC”</b>	:	People’s Republic of China
<b>“Purchaser”</b>	:	A person who purchases the provisional allotments of Rights Shares through the book-entry (scripless) settlement system

<b>“Record Date”</b>	:	In relation to any dividends, rights, allotments or other distributions, the date as at the close of business (or such other time as may have been notified by the Company) on which Shareholders must be registered with the Company or the Securities Accounts of Shareholders must be credited with Shares, as the case may be, in order to participate in such dividends, rights, allotments or other distributions
<b>“Register of Members”</b>	:	Register of members of the Company
<b>“Rights”</b>	:	Rights to subscribe for one (1) Rights Share and one (1) Warrant for every four (4) existing Shares held by Entitled Shareholders as at the Books Closure Date, fractional entitlements to be disregarded
<b>“Rights cum Warrants Issue”</b>	:	Based on the issued share capital of the Company as at the Announcement of 244,770,900 Shares and also 10,632,000 outstanding and unexercised Share options under the ESOS 2013 as at the date of the Announcement, the proposed renounceable non-written rights cum warrants issue by the Company of up to 63,850,725 Rights Shares at the Rights Issue Price for each Rights Share and up to 63,850,725 Warrants, with each Warrant carrying the right to subscribe for one (1) Warrant Share at the Warrant Exercise Price, on the basis of one (1) Rights Share and one (1) Warrant for every four (4) existing Shares held by Entitled Shareholders as at the Books Closure Date, fractional entitlements to be disregarded
<b>“Rights Issue Price”</b>	:	The issue price of S\$0.065 for each Rights Share
<b>“Rights Shares”</b>	:	Up to 63,850,725 new Shares to be allotted and issued by the Company pursuant to the Rights cum Warrants Issue
<b>“Securities Account”</b>	:	A securities account maintained by a Depositor with CDP, but does not include a securities sub-account maintained with a Depository Agent
<b>“SIC”</b>	:	Securities Industry Council of Singapore
<b>“SFA”</b>	:	The Securities and Futures Act, Chapter 289 of Singapore, as amended, modified or supplemented from time to time
<b>“SGX-ST”</b>	:	The Singapore Exchange Securities Trading Limited
<b>“Share Registrar”</b>	:	RHT Corporate Advisory Pte. Ltd.

<b>“Shareholders”</b>	:	Registered holders of Shares in the Register of Members, except that where the registered holder is CDP, the term <b>“Shareholder”</b> shall, where the context admits, mean the persons named as Depositors in the Depository Register maintained by CDP and to whose Securities Accounts such Shares are credited
<b>“Shares”</b>	:	Ordinary shares in the capital of the Company and <b>“Share”</b> shall be construed accordingly
<b>“SRS”</b>	:	Supplementary Retirement Scheme
<b>“SRS Approved Banks”</b>	:	Approved banks in which SRS Investors hold their accounts under the SRS
<b>“SRS Investors”</b>	:	Investors who have previously purchased Shares under the SRS
<b>“subsidiary”</b>	:	Has the meaning ascribed to it in Section 5 of the Companies Act
<b>“Substantial Shareholder”</b>	:	A person who has an interest of 5.0% or more of the aggregate of the nominal amount of all the Shares of the Company
<b>“Undertaking Shareholders”</b>	:	Mr Ow Chin Seng, a controlling Shareholder of the Company, and Mdm Low Kheng, spouse of Mr Ow Chin Seng, who collectively hold 82,637,882 Shares, representing approximately 33.76% of the issued share capital of the Company as at the Announcement, and who have provided the Irrevocable Undertakings
<b>“Warrants”</b>	:	Up to 63,850,725 free detachable and transferable warrants in registered form to be allotted and issued by the Company together with the Rights Shares pursuant to the Rights cum Warrants Issue and (where the context so admits), such additional Warrants as may be required or permitted to be allotted and issued by the Company pursuant to the terms and conditions of the Warrants as set out in the Deed Poll (any such additional Warrants to rank <i>pari passu</i> with the Warrants to be issued together with the Rights Shares and for all purposes to form part of the same series of), subject to the terms and conditions to be set out in the Deed Poll, each Warrant entitling the holder thereof to subscribe for one (1) Warrant Share at the Warrant Exercise Price, subject to the terms and conditions as set out in the Deed Poll

<b>“Warrant Agent”</b>	:	RHT Corporate Advisory Pte. Ltd., the warrant agent to be appointed, at the discretion of the Directors, in accordance with the terms and subject to the conditions of a warrant agency agreement to be executed by the Company
<b>“Warrant Exercise Period”</b>	:	The period during which the Warrants may be exercised commencing on and including the date of the issue of the Warrants and expiring at 5.00 p.m. on the date immediately preceding the fifth (5th) anniversary of the date of issue of the Warrants, unless such date is a date on which the Register of Members and/or the Warrant Register is closed or is not a Market Day, in which event the exercise period shall end on the date prior to the closure of the Register of Members and/or the Warrant Register or the immediately preceding Market Day, as the case may be, but excluding such period(s) during which the Register of Members and/or the Warrant Register may be closed pursuant to the terms and conditions of the Warrants as set out in the Deed Poll
<b>“Warrant Exercise Price”</b>	:	The price payable for each Warrant Share upon the exercise of a Warrant which shall be S\$0.200, subject to certain adjustments in accordance with the terms and conditions of the Warrants as set out in the Deed Poll
<b>“Warrant Holders”</b>	:	Registered holders of Warrants, except that where the registered holder is CDP, the term <b>“Warrant Holders”</b> shall, in relation to such Warrants and where the context admits, mean the Entitled Depositors whose Securities Accounts are credited with such Warrants
<b>“Warrant Register”</b>	:	The register of Warrant Holders to be maintained, subject to the terms and conditions as set out in the Deed Poll
<b>“Warrant Shares”</b>	:	The new Shares to be issued by the Company, credited as fully paid, upon the exercise of the Warrants, including, where the context admits, such new Shares arising from the exercise of any additional Warrants as may be required or permitted to be issued in accordance with the terms and conditions of the Warrants to be set out in the Deed Poll
<b>“Whitewash Resolution”</b>	:	The ordinary resolution to be passed by way of poll by a majority of the Independent Shareholders present and voting at the EGM to waive their rights to receive a mandatory general offer from the Concert Party Group pursuant to Rule 14 of the Code arising from the Rights cum Warrants Issue and the Undertaking Shareholders’ obligations under the Irrevocable Undertakings

<b>“Whitewash Waiver”</b>	:	The waiver granted by the SIC on 4 June 2019 (as amended and supplemented by their email dated 18 June 2019) of the obligations of the Concert Party Group to make a mandatory general offer for the shares in the Company not already owned or controlled by them in accordance with Rule 14 of the Code arising from the Rights cum Warrants Issue and the Undertaking Shareholders’ obligations under the Irrevocable Undertakings. This waiver is subject to the satisfaction of the conditions set out in Section 5.2 of this Circular
<b>“S\$” and “cents”</b>	:	Singapore dollars and cents respectively, being the lawful currency of the Republic of Singapore
<b>“RMB”</b>	:	Chinese Yuan
<b>“%” or “per cent”</b>	:	Percentage or per centum

Except where specifically defined, the terms **“we”**, **“us”** and **“our”** in this Circular refer to the Group.

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

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 include corporations.

Any reference in this Circular to a Rule or a Chapter is a reference to the relevant rule or chapter in the Catalist Rules as for the time being amended.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act, the SFA, the Catalist Rules or the Code or any statutory modification thereof and used in this Circular shall, where applicable, have the meaning ascribed to it under the Companies Act, the Catalist Rules or the Code or any statutory modification thereof, as the case may be, unless the context requires otherwise.

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

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

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

Certain statements contained in this Circular, which are not statements of historical fact, constitute “forward-looking statements”. Some of these statements can be identified by forward-looking terms such as “expect”, “believe”, “plan”, “intend”, “estimate”, “anticipate”, “may”, “will”, “would”, “could” or similar words. However these words are not the exclusive means of identifying forward-looking statements. All statements regarding the Group’s expected financial position, business strategy, plans and prospects are forward-looking statements and accordingly involve

known and unknown risks, uncertainties and other factors that may cause the Group's actual results, performance and achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Given the risks and uncertainties which may cause the Group's actual future results, performance or achievements to be materially different from those expected, expressed or implied by forward-looking statements in this Circular, undue reliance must not be placed on those statements. The Company does not represent or warrant that the Group's actual future results, performance or achievements will be as discussed in those statements. Further, the Company disclaims any responsibility and undertakes no obligation to update or revise any forward-looking statements contained in this Circular to reflect any change in the Group's expectations with respect to such statements after the date of this Circular or to reflect any change in events, conditions or circumstances on which the Company based any such statements subject to compliance with all applicable laws and regulations and/or the rules of the SGX-ST and/or any regulatory or supervisory body or agency.

# ANNAIK LIMITED

(Incorporated in the Republic of Singapore)  
(Company Registration No. 197702066M)

## LETTER TO SHAREHOLDERS

### Directors:

Mr. Ow Chin Seng  
Mr. Ng Kim Keang  
Mr. Ow Eei Meng, Benjamin  
Mr. Lim Geok Peng  
Ms. Tan Poh Hong

### Registered Office:

52 Tuas Avenue 9  
Singapore 639193

11 July 2019

To: The Shareholders of AnnAik Limited

Dear Sir/Madam,

### (1) RIGHTS CUM WARRANTS ISSUE

### (2) WHITEWASH RESOLUTION

#### 1. INTRODUCTION

1.1 The Board is proposing to convene the EGM to be held on 2 August 2019 at 10.00 a.m. at 52 Tuas Avenue 9, Singapore 639193 to seek:—

- (a) Shareholders' approval for the Rights cum Warrants Issue; and
  - (b) Independent Shareholders' approval for the Whitewash Resolution,
- (collectively, the "**Proposed Resolutions**").

1.2 In connection therewith, this Circular has been prepared to provide Shareholders and Independent Shareholders with information pertaining to the foregoing, and to seek Shareholders' approval for the Rights cum Warrants Issue, and Independent Shareholders' approval for the Whitewash Resolution at the EGM, the notice of which is set out on pages 99 to 101 of this Circular.

1.3 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) nor for any other purpose. The SGX-ST takes no responsibility for the accuracy or correctness of any statements or opinions made, or reports contained in this Circular.

1.4 **Shareholders should note that ordinary resolutions for the matters set out in Sections 1.1(a) and (b) above are inter-conditional of each other. If any of the ordinary resolutions in Sections 1.1(a) and (b) are not passed, neither resolution in Sections 1.1(a) and (b) would be carried out.**

1.5 The terms of the Rights cum Warrants Issue do not contravene any laws and regulations governing the Company and the Constitution of the Company.

## 2. PROPOSED RIGHTS CUM WARRANTS ISSUE

### 2.1 Introduction

On 28 December 2018, the Company announced that it is proposing the Rights cum Warrants Issue to be made on a renounceable non-underwritten basis of one (1) Rights Shares and one (1) free Warrant for every four (4) Shares held by Entitled Shareholders as at the Book Closure Date, fractional entitlements to be disregarded (the “**Announcement**”). In the Announcement, the Company also stated that HLF is the manager of the Rights cum Warrants Issue, and Novus Corporate Finance Pte. Ltd. as the independent financial adviser to advise the Independent Directors in respect of the Whitewash Resolution.

**As at the date of this Circular, the Company has yet to make an application, through the Sponsor, for the admission to and the listing and quotation of the Rights Shares, the Warrants and the Warrant Shares on the Catalist. An application will be made to the SGX-ST by the Sponsor on behalf of the Company for the listing of and quotation for the Rights Shares, the Warrants and the Warrant Shares pursuant to the Rights cum Warrants Issue, upon the Shareholders approving the Proposed Resolutions. The Company will make the necessary announcement on SGXNET upon the receipt of the listing and quotation notice by the SGX-ST.**

Shareholders should note that the Warrants may not be listed and quoted on the Catalist in the event that there is an insufficient spread of holdings for the Warrants to provide for an orderly market in the trading of the Warrants.

As a guide, the SGX-ST expects at least 100 warrant holders for a class of company warrants. Shareholders should note that in the event that permission is not granted by the SGX-ST for the listing and quotation of the Warrants on the Catalist due to an insufficient spread of holdings to provide for an orderly market in the trading of the Warrants, Warrant Holders will not be able to trade their Warrants on the SGX-ST but the Company shall, nevertheless, proceed with and complete the Rights cum Warrants Issue.

### 2.2 Principal Terms of the Rights Shares

**Number of Rights Shares to be issued** : Based on the issued share capital of the Company as at the Books Closure Date of 244,770,900 Shares and also 10,632,000 outstanding and unexercised Share options under the ESOS 2013 and exercisable prior to the Books Closure Date, on the assumption that all such Share options will be exercised by the Books Closure Date, the Company will issue up to 63,850,725 Rights Shares (with up to 63,850,725 Warrants).

**Basis of Provisional Allotment** : The Rights cum Warrants Issue will be made on a renounceable basis to Entitled Shareholders on the basis of one (1) Rights Share and one (1) Warrant for every four (4) Shares standing to the credit of the Securities Account of the Entitled Depositor or held by the Entitled Scripholder, as the case may be, as at the Book Closure Date, fractional entitlements to be disregarded.



**Rights Issue Price** : S\$0.065 for each Rights Share, payable in full upon acceptance and/or application.

The Rights Issue Price represents:–

- (i) a discount of approximately 35.0% to the closing price of S\$0.100 per Share on the SGX-ST on 26 December 2018, being the last trading day prior to the Announcement;
- (ii) a discount of approximately 30.11% to the theoretical ex-rights price of S\$0.093 (being the theoretical market price of each Share assuming the completion of the Rights cum Warrants Issue based on the Maximum Subscription Scenario, and which is calculated based on the closing price of S\$0.100 per Share on the SGX-ST on 26 December 2018, being the last trading day prior to the Announcement, and the total number of Shares following the completion of the Rights cum Warrants Issue); and
- (iii) a discount of approximately 35.0% to the one-day volume weighted average price of S\$0.100 per Share on the SGX-ST on 26 December 2018, being the last trading day prior to the date of announcement of the Rights cum Warrants Issue.

**Status of the Rights Shares** : The Rights Shares are payable in full upon acceptance and/or application and will, upon allotment and issue, rank *pari passu* in all respects with the then existing Shares, save for any dividends, rights, allotments or other distributions, the Record Date for which falls before the date of allotment and issue of the Rights Shares.

**Estimated Proceeds** : Please refer to Section 2.10 of this Circular for details on the estimated proceeds.

**Eligibility to participate in the Rights cum Warrants Issue** : As there may be prohibitions or restrictions against the offering of Rights Shares with Warrants in certain jurisdictions, only Entitled Shareholders are eligible to participate in the Rights cum Warrants Issue. Please see Section 2.8 of this Circular for details on the eligibility of Shareholders to participate in the Rights cum Warrants Issue.

- Listing of the Rights Shares** : An application will be made to the SGX-ST by the Sponsor on behalf of the Company for the listing of and quotation for the Rights Shares pursuant to the Rights cum Warrants Issue, upon the Shareholders approving the Proposed Resolutions. The Company will make the necessary announcement on SGXNET upon the receipt of the listing and quotation notice by the SGX-ST.
- Trading of the Rights Shares** : Upon the listing of and quotation for the Rights Shares on the Catalist, the Rights Shares will be traded on the Catalist under the book-entry (scripless) settlement system in board lot sizes of 100 Shares.
- All dealings in, and transactions (including transfers) of the Rights Shares effected through the SGX-ST and/or CDP shall be made in accordance with CDP's "Terms and Conditions for Operation of Securities Accounts with The Central Depository (Pte) Limited", as the same may be amended from time to time, copies of which are available from CDP.
- Trading of the Rights Shares** : Entitled Depositors who wish to trade all or part of their provisional allotments of Rights Shares on the SGX-ST can do so during the trading period prescribed by the SGX-ST for the "nil-paid" Rights.
- Entitled Depositors should note that the provisional allotments of Rights Shares are expected to be tradeable in board lot sizes of 100 Shares. Entitled Depositors who wish to trade in lot sizes other than the board lot sizes, can do so on the SGX-ST's unit share market.
- All dealings in, and transactions (including transfers) of the Rights effected through the SGX-ST and/or CDP shall be made in accordance with CDP's "Terms and Conditions for Operation of Securities Accounts with The Central Depository (Pte) Limited", as the same may be amended from time to time, copies of which are available from CDP.
- Acceptance, Excess Applications and payment procedures** : Entitled Shareholders will be at liberty to accept (in full or in part), decline or otherwise renounce or, in the case of Entitled Depositors only, trade (during the provisional allotment trading period prescribed by the SGX-ST) their provisional allotments of Rights Shares and will be eligible to apply for additional Rights Shares in excess of their provisional allotments under the Rights cum Warrants Issue.

Fractional entitlements of Rights Shares with Warrants will be disregarded in arriving at Entitled Shareholders' entitlements and together with provisional allotments which are not taken up for any reason shall be aggregated and used to satisfy Excess Applications (if any) or otherwise dealt with in such manner as the Directors may, in their absolute discretion, deem fit for the benefit of the Company. In the allotment of Excess Rights Shares with Warrants, preference will be given to the rounding of odd lots, and Directors and Substantial Shareholders who have control or influence over the Company in connection with the day-to-day affairs of the Company or the terms of the Rights cum Warrants Issue, or have representation (direct or through a nominee) on the Board will rank last in priority for the rounding of odd lots and allotment of Excess Rights Shares with Warrants.

The Company will also not make any allotment and issuance of any Excess Rights Shares with Warrants that will result in a transfer of controlling interest in the Company unless otherwise approved by Shareholders in a general meeting.

The Rights Shares are payable in full upon acceptance of the provisional allotments of the Rights Shares with Warrants and/or application for the Excess Rights Shares with Warrants.

The procedures for acceptance, payment and Excess Application by Entitled Depositors and the procedures for acceptance, payment, splitting and Excess Application by Entitled Scripholders will be set out in the Offer Information Statement to be dispatched to Entitled Shareholders in due course, subject to, *inter alia*, the Rights cum Warrants Issue and the Whitewash Resolution being approved by Shareholders at the EGM.

### **Scaling Down**

: Depending on the level of subscription for the Rights Shares, the Company will, if necessary and upon approval of the Manager and/or the SGX-ST, scale down a Shareholder's application to subscribe for the Rights Shares with Warrants to:–

- (i) ensure that the Entitled Shareholder does not hold a controlling interest in the Company, which is prohibited under Rule 803 of the Catalist Rules, unless prior approval of Shareholders is obtained in a general meeting; or

- (ii) avoid placing the Entitled Shareholder and parties acting in concert with it (as defined in the Code) in the position of incurring a mandatory bid obligation under the Code as a result of other Shareholders not taking up their Rights Shares entitlements fully.

For the avoidance of doubt, the option to scale down referred to in this Section shall not apply to the Undertaking Shareholders applications to subscribe for the OCS Rights Shares under the Rights cum Warrants Issue.

**Use of CPF Funds**

: CPFIS Investors can only use, subject to applicable CPF rules and regulations, monies standing to the credit of their respective CPF Investment Accounts to pay for the acceptance of their provisional allotments of Rights Shares with Warrants and (if applicable) apply for Excess Rights Shares with Warrants.

Such CPFIS Investors who wish to accept the provisional allotments of Rights Shares with Warrants and (if applicable) apply for Excess Rights Shares with Warrants using CPF Funds must have sufficient funds in their CPF Investment Accounts and will need to instruct their respective approved CPF agent banks with whom they hold their CPF Investment Accounts, to accept the provisional allotment of Rights Shares with Warrants and (if applicable) apply for the Excess Rights Shares with Warrants on their behalf in accordance with the terms and conditions of the Offer Information Statement. In the case of insufficient CPF Funds or stock limit, CPFIS Investors could top-up cash into their CPF Investment Accounts before instructing their respective approved CPF agent banks to accept their provisional allotment of Rights Shares and (if applicable) apply for Excess Rights Shares with Warrants on their behalf.

CPF Funds may not, however, be used for the purchase of the provisional allotments of the Rights Shares with Warrants directly from the market.

Any application made by the CPFIS Investors directly to CDP or through the automated teller machines of the Participating Banks to the Rights cum Warrants Issue will be rejected. Such Shareholders should refer to the Offer Information Statement for important details relating to the offer procedure in connection with the Rights cum Warrants Issue.

**Use of SRS Funds** : SRS Investors must use, subject to applicable SRS rules and regulations, monies standing to the credit of their respective SRS accounts to pay for the acceptance of their provisional allotments of Rights Shares with Warrants and (if applicable) application for Excess Rights Shares with Warrants.

Such investors who wish to accept their provisional allotments of Rights Shares with Warrants and (if applicable) apply for Excess Rights Shares with Warrants using SRS monies, must instruct the relevant SRS Approved Banks in which they hold their SRS accounts to accept their provisional allotments of Rights Shares with Warrants and (if applicable) apply for Excess Rights Shares with Warrants on their behalf in accordance with the terms and conditions in this Offer Information Statement. Such investors who have insufficient funds in their SRS accounts may, subject to the SRS contribution cap, deposit cash into their SRS accounts with their respective SRS Approved Banks before instructing their respective SRS Approved Banks to accept their provisional allotments of Rights Shares with Warrants and (if applicable) apply for Excess Rights Shares with Warrants on their behalf.

SRS monies may not, however, be used for the purchase of the provisional allotments of the Rights Shares with Warrants directly from the market.

**Non-Underwritten basis** : The Rights cum Warrants Issue is not underwritten in view of the Irrevocable Undertakings by the Undertaking Shareholders.

**Governing Law** : Laws of the Republic of Singapore.

The terms and conditions of the Rights cum Warrants Issue are subject to such changes as the Directors, after consultation with the Manager, may deem appropriate. The final terms and conditions of the Rights cum Warrants Issue will be contained in the Offer Information Statement to be lodged with the Authority and despatched by the Company to Entitled Shareholders in due course, subject to, *inter alia*, the approval of the Shareholders for the Rights cum Warrants Issue and the approval of the Independent Shareholders for the Whitewash Resolution at the EGM.

#### **Principal Terms of the Warrants**

**Number of Warrants** : Up to 63,850,725 (convertible into 63,850,725 Warrant Shares) to be issued free together with the Rights Shares subscribed

**Basis of Allotment** : One (1) Warrant for every one (1) Rights Share subscribed, fractional entitlements to be disregarded

- Estimated Proceeds** : Please refer to Section 2.10 of this Circular for more details on the estimated proceeds.
- Detachability and Trading** : The Warrants will be detached from the Rights Shares on issue and will be listed and traded separately on the Catalist under the book-entry (scripless) settlement system upon the listing and quotation of the Warrants on the Catalist, subject to, *inter alia*, an adequate spread of holdings of the Warrants to provide for an orderly market trading of the Warrants. Each board lot of Warrants will consist of 100 Warrants or such other number as may be notified by the Company.
- Listing of the Warrants and the Warrant Shares** : An application will be made to the SGX-ST by the Sponsor on behalf of the Company for the listing of and quotation for the Warrants and the Warrant Shares pursuant to the Rights cum Warrants Issue upon the Shareholders approving the Proposed Resolutions. The Company will make the necessary announcement on SGXNET upon the receipt of the listing and quotation notice by the SGX-ST.
- Shareholders should note that the Warrants may not be listed and quoted on the Catalist in the event that there is an insufficient spread of holdings for the Warrants to provide for an orderly market in the trading of the Warrants.**
- As a guide, the SGX-ST expects at least 100 Warrant Holders for a class of company warrants. Shareholders should note that in the event that permission is not granted by the SGX-ST for the listing and quotation of the Warrants on the Catalist due to an insufficient spread of holdings to provide for an orderly market in the trading of the Warrants, Warrant Holders will not be able to trade their Warrants on the SGX-ST but the Company shall, nevertheless, proceed with and complete the Rights cum Warrants Issue.**
- Form and subscription rights** : The Warrants will be issued in registered form and will be constituted by a Deed Poll. Subject to the conditions of the Warrants as set out in the Deed Poll, each Warrant shall entitle the Warrant Holder at any time during the Warrant Exercise Period to subscribe for one (1) Warrant Share at the Warrant Exercise Price in force on the relevant date of exercise of the Warrants.

- Warrants Exercise Price** : Exercise price of S\$0.200 per Warrant Share, which price will be subject to adjustments under certain circumstances in accordance with the terms and conditions of the Warrants as set out in a Deed Poll.
- The Exercise Price of S\$0.200 per Warrant Share was determined by the Company after taking into consideration the NTA of the Company, and the length of the Warrant Exercise Period.
- Warrant Exercise Period** : The Warrants may be exercised at any time during the period commencing on and including the date of issue of the Warrants and expiring at 5.00 p.m. on the date immediately preceding the fifth (5th) anniversary of the date of issue of the Warrants, unless such date is a date on which the Register of Members and/or the Warrant Register is closed or is not a Market Day, in which event the exercise period shall end on the date prior to the closure of the Register of Members and/or the Warrant Register or the immediately preceding Market Day, as the case may be, but excluding such period(s) during which the Register of Members and/or the Warrant Register may be closed pursuant to the terms and conditions of the Warrants as set out in the Deed Poll.
- Warrants remaining unexercised at the expiry of the exercise period shall lapse and cease to be valid for any purpose.
- Notice of Expiry** : Notice of expiry of the Warrants shall be given to all Warrant Holders of the Company at least one (1) month before the expiry of the Warrant Exercise Period.
- In addition, the Company shall not later than one (1) month before the expiry date, take reasonable steps to notify the Warrant Holders in writing of the expiry date, and such notice shall be delivered by post to the registered address of the Warrant Holder. The appropriate announcement of the Expiry Date shall also be made on the SGXNET.
- Mode of payment for exercise of Warrants** : Warrant Holders who exercise their Warrants must pay the Warrant Exercise Price by way of remittance in Singapore currency by banker's draft or cashier's order drawn on a bank in Singapore in favour of the Company for the full amount of the Warrant Exercise Price payable in respect of the Warrants exercised.

- Adjustment** : The Warrant Exercise Price and/or the number of Warrants to be held by each Warrant Holder will be subject to adjustments under certain circumstances provided in the terms and conditions of the Warrants as set out in the Deed Poll. Such circumstances include, without limitation, consolidation, subdivision or reclassification of the Shares, capitalisation issues, rights issues and certain capital distributions.
- Any additional Warrants issued pursuant to such adjustments shall rank *pari passu* with the Warrants and will for all purposes form part of the same series. Any such adjustments shall (unless otherwise provided under the rules of the SGX-ST from time to time) be announced by the Company on the SGXNET.
- Status of Warrant Shares** : The Warrant Shares arising from the exercise of the Warrants will, upon allotment and issue, rank *pari passu* in all respects with the then issued Shares, save for any dividends, rights, allotments or other distributions, that may be declared or paid, the Record Date for which falls before the date of exercise of the Warrants.
- Modifications of rights of Warrant Holders** : The Company may, without the consent of the Warrant Holders but in accordance with the terms and conditions of the Deed Poll, effect modifications to the terms and conditions of the Deed Poll including, without limitation, the terms and conditions of the Warrants, which, in the opinion of the Company:–
- (a) is not materially prejudicial to the interests of the Warrant Holders;
  - (b) is of a formal, technical or minor nature or to correct a manifest error or to comply with mandatory provisions of Singapore law or the rules and regulations of the SGX-ST; or
  - (c) is to vary or replace provisions relating to the transfer or exercise of the Warrants, including the issue of Warrant Shares arising from the exercise thereof or meetings of Warrant Holders in order to facilitate trading in or the exercise of the Warrants or in connection with the implementation and operation of the book-entry (scripless) settlement system in respect of trades of the Company's securities on the Catalist.



Any such modification shall be binding on all Warrant Holders and all persons having an interest in the Warrants and shall be notified to them in accordance with the terms and conditions of the Warrants as set out in the Deed Poll, as soon as practicable thereafter.

Without prejudice to any provision of the Deed Poll, any material alteration to the terms and conditions of the Warrants to the advantage of the Warrant Holders and/or prejudicial to Shareholders is subject to the approval of Shareholders in general meeting except where the alterations are made pursuant to the terms and conditions of the Warrants as set out in the Deed Poll.

For the avoidance of doubt, the Company may not conduct the following:–

- (a) extend the Exercise Period of an existing Warrant;
- (b) issue a new Warrant to replace an existing Warrant;
- (c) change the exercise price of an existing Warrant except where alterations are made pursuant to the terms and conditions of the Warrants set out in the Deed Poll; or
- (d) change the exercise ratio of the existing Warrant.

**Transfer and  
Transmission**

: The Warrants shall be transferable in lots entitling Warrant Holders to subscribe for whole numbers of Warrant Shares. A Warrant may only be transferred in the manner prescribed in the terms and conditions of the Warrants set out in the Deed Poll including, *inter alia*, the following:–

- (a) Warrants not registered in the name of CDP – a Warrant Holder whose Warrants are registered in the name of a person other than CDP (the “**Transferor**”) shall lodge, during normal business hours on any Market Day at the specified office of the Warrant Agent, the Transferor’s warrant certificate(s) together with a transfer form as prescribed by the Company from time to time (the “**Transfer Form**”) duly completed and signed by, or on behalf of, the Transferor and the transferee and duly stamped in accordance with any law for the time being in force relating to stamp duty and accompanied by the fees and expenses set out in the Deed Poll provided that the Warrant Agent may dispense with requiring CDP to sign as transferee any Transfer Form for the transfer of Warrants to it;

- (b) Deceased Warrant Holder – the executors and administrators of a deceased Warrant Holder whose Warrants are registered otherwise than in the name of CDP (not being one of several joint holders) or, if the registered holder of the Warrants is CDP, of a deceased Depositor and, in the case of the death of one or more of several joint Warrant Holders, the survivor or survivors of such joint holders shall be the only persons recognised by the Company and the Warrant Agent as having title to Warrants. Such persons shall, on producing to the Warrant Agent such evidence as may be required by the Company to prove their title, and on the completion of a Transfer Form and the payment of the fees and expenses set out in the Deed Poll, be entitled to be registered as a holder of the Warrants and/or to make such transfer as the deceased Warrant Holder could have made;
- (c) Warrants registered in the name of CDP – where the Warrants are registered in the name of CDP and the Warrants are to be transferred between Depositors, such Warrants must be transferred in the Depository Register by CDP by way of book-entry; and
- (d) Effective Date of Transfer – a Transferor or Depositor, as the case may be, shall be deemed to remain a Warrant Holder until the name of the transferee is entered in the Warrant Register by the Warrant Agent or the Depository Register by CDP, as the case may be.

**Winding-up**

: Where there is a members' voluntary winding-up of the Company (other than a winding-up for the purpose of reconstruction or amalgamation pursuant to a scheme of arrangement approved by the Warrant Holders by way of a special resolution), the Warrant Holders may elect to be treated as if they had immediately prior to the commencement of such winding-up, exercised the Warrants and had on such date been the holders of the Shares to which they would have been entitled pursuant to such exercise, and the liquidator of the Company shall, if permitted by law, give effect to such election accordingly. The Company shall give notice to the Warrant Holders in accordance with the conditions of the Deed Poll of the passing of any such resolution within seven (7) days after the passing thereof. Where a Warrant Holder has elected to be treated as if it had exercised its Warrants as aforesaid, it shall be liable to pay the Warrant Exercise Price in relation to such exercise.

Subject to the foregoing, if the Company is wound up for any other reason, all Warrants which have not been exercised at the date of the passing of such resolution shall lapse and cease to be valid for any purpose.

- Further Issues** : Subject to the terms and conditions of the Warrants as set out in the Deed Poll, the Company shall be at liberty to issue Shares to Shareholders either for cash or as a bonus distribution and further subscription rights, upon such terms and conditions as the Company sees fit but the Warrant Holders shall not have any participating rights in such further issue unless otherwise resolved by the Company in general meeting.
- Warrant Agent** : RHT Corporate Advisory Pte. Ltd.
- Governing Law** : Laws of the Republic of Singapore.

The above terms and conditions of the Rights cum Warrants Issue are subject to such changes as the Directors may deem fit. The final terms and conditions of the Rights cum Warrants Issue will be set out in the Offer Information Statement to be lodged with the SGX-ST acting as agent on behalf of the Authority, and to be despatched to Entitled Shareholders in due course, subject to, *inter alia*, the approval of Shareholders for the Rights cum Warrants Issue and the approval of the Independent Shareholders for the Whitewash Resolution at the EGM.

### 2.3 Conditions to the Rights cum Warrants Issue

Shareholders should note that the Rights cum Warrants Issue is subject to the following:–

- (a) the Whitewash Waiver not having been withdrawn or revoked as at the date of completion of the Rights cum Warrants Issue;
- (b) the receipt of the listing and quotation notice of the SGX-ST for the dealing in, listing of and quotation of the Rights Shares, the Warrants and the Warrant Shares on the SGX-ST, and such approval not having been withdrawn or revoked prior to the completion of the Rights cum Warrants Issue, and if such approval is granted subject to conditions, such conditions being acceptable to the Company;
- (c) the approval of the Independent Shareholders for the Whitewash Resolution at the EGM;
- (d) the lodgment of the Offer Information Statement, together with all other accompanying documents (if applicable), to be issued by the Company in connection with the Rights cum Warrants Issue, with the SGX-ST acting as agent on behalf of the Authority;
- (e) the approval of the Shareholders for the Rights cum Warrants Issue and the allotment and issue of the Rights Shares, the Warrants and the Warrant Shares at the EGM; and
- (f) all other necessary consents, approvals and waivers required from any person, financial institution or regulatory body or authority of Singapore or elsewhere under any and all agreements applicable to the Company and/or applicable laws for the Rights cum Warrants Issue and to give effect to the Rights cum Warrants Issue being obtained and not having been revoked or amended before the Closing Date.

In the event that any of the above conditions are not satisfied, the Rights cum Warrants Issue will not be given effect.

Pursuant to the Catalist Rules, the SGX-ST normally requires a sufficient spread of holdings to provide an orderly market in the securities and as a guide, the SGX-ST expects at least 100 warrant holders for a class of company warrants.

## 2.4 Application to SGX-ST

An application will be made to the SGX-ST by the Sponsor on behalf of the Company for the listing of and quotation for the Rights Shares, the Warrants and the Warrant Shares pursuant to the Rights cum Warrants Issue. The Company will make the necessary announcement on SGXNET upon the receipt of the listing and quotation notice by the SGX-ST.

Any listing and quotation notice granted by the SGX-ST for the dealing in, listing of and quotation for the Rights Shares, the Warrants and the Warrant Shares is not to be taken as an indication of the merits of the Rights cum Warrants Issue, the Rights Shares, the Warrants, the Warrant Shares, the Group and their securities.

The Rights Shares, the Warrants and the Warrant Shares will be admitted to the Catalist and official quotation will commence after all conditions imposed by the SGX-ST are satisfied, all certificates relating thereto having been issued and the notification letters from CDP having been despatched.

## 2.5 SIC Approval

The SIC granted the Whitewash Waiver, subject to *inter alia*, the satisfaction of the conditions imposed by the SIC in its waiver letter, details of which are set out in Section 5.2 of this Circular.

## 2.6 Irrevocable Undertakings

### 2.6.1 Irrevocable Undertakings

As at the Latest Practicable Date, Mr. Ow Chin Seng and Mdm. Low Kheng (the Undertaking Shareholders) held 74,362,958 Shares and 8,274,924 Shares respectively, representing approximately 30.38% and 3.38% of the total number of issued Shares.

To demonstrate their commitment to the Company and their support of the Rights cum Warrants Issue, the Undertaking Shareholders, had by the Irrevocable Undertakings, irrevocably undertaken, *inter alia*, to:-

- (a) subscribe and pay for the OCS Rights Shares (assuming that none of the exercisable Share options under the ESOS 2013 are exercised before the Books Closure Date);
- (b) not sell, transfer or otherwise dispose of any of the existing Shares held by themselves or parties acting in concert with them until the Rights cum Warrants Issue is completed; and
- (c) procure confirmations from relevant financial institutions that they have sufficient financial resources to fulfil their obligations under their respective Irrevocable Undertakings.

## 2.6.2 Conditions

The Irrevocable Undertakings are subject to and conditional upon the following:–

- (a) the Whitewash Waiver not having been withdrawn or revoked as at the date of completion of the Rights cum Warrants Issue; and
- (b) the approval of the Independent Shareholders for the Whitewash Resolution at the EGM.

## 2.6.3 Settlement of the OCS Rights Shares

The subscription of the OCS Rights Shares shall be settled by way of cash.

As mentioned above, the Undertaking Shareholders have obtained a confirmation from HLF that they have the necessary financial resources to irrevocably fulfil their obligations pursuant to the Irrevocable Undertakings.

## 2.7 Non-underwritten Rights cum Warrants Issue

After taking into consideration the Irrevocable Undertakings as set out in Section 2.6 above, and the cost of engaging an underwriter and having to pay a commission in relation to such underwriting, the Company has decided to proceed with the Rights cum Warrants Issue on a non-underwritten basis.

## 2.8 Eligibility of Shareholders to Participate in the Rights cum Warrants Issue

2.8.1 Entitled Shareholders will be entitled to participate in the Rights cum Warrants Issue and to receive the Offer Information Statement together with the AREs or the PALs, as the case may be, at their respective Singapore addresses, as maintained in the records of CDP or the Company, as the case may be. Entitled Depositors who do not receive the Offer Information Statement and the AREs may obtain them from CDP for the period up to the Closing Date. Entitled Scripholders who do not receive the Offer Information Statement and the PALs may obtain them from the Share Registrar for the period up to the Closing Date.

Entitled Shareholders will be provisionally allotted the Rights Shares with Warrants under the Rights cum Warrants Issue on the basis of their shareholdings as at the Books Closure Date. Full details of the Rights cum Warrants Issue will be set out in the Offer Information Statement to be despatched to Entitled Shareholders in due course.

Entitled Scripholders are encouraged to open Securities Accounts if they have not already done so and to deposit their share certificates with CDP prior to the Books Closure Date so that their Securities Account may be credited by CDP with their Shares and the provisional allotments of Rights Shares. Entitled Scripholders should note that their Securities Accounts will only be credited with the Shares on the twelfth (12th) Market Day from the date of lodgement of the share certificates with CDP or such later date as CDP may determine.

### 2.8.2 Provisional Allotments

Entitled Shareholders will be at liberty to accept (in full or in part), decline, renounce or in the case of Entitled Depositors only, trade on the SGX-ST during the provisional allotment trading period prescribed by the SGX-ST their provisional allotments of the Rights Shares and will be eligible to apply for Rights Shares with Warrants in excess of their provisional allotments under the Rights cum Warrants Issue.

Entitled Depositors will also be able to trade on the SGX-ST during the provisional allotment trading period prescribed by the SGX-ST their provisional allotments of Rights Shares with Warrants.

Fractional entitlements to the Rights Shares with Warrants will be aggregated and used with provisional allotments which are not taken up or allotted for any reason to satisfy Excess Applications for Rights Shares with Warrants (if any) or disposed of or otherwise dealt with in such manner as the Directors may, in their absolute discretion, deem fit for the benefit of the Company.

In the allotment of Excess Rights Shares with Warrants, preference will be given to Shareholders for rounding of odd lots, and Directors and Substantial Shareholders who have control or influence over the Company in connection with the day-to-day affairs of the Company or the terms of the Rights cum Warrants Issue, or have representation (direct or through a nominee) on the Board, including the Undertaking Shareholders, will rank last in priority for the rounding of odd lots and allotment of Excess Rights Shares with Warrants.

All dealings in and transactions of the provisional allotments of Rights Shares with Warrants through the SGX-ST will be effected under the book-entry (scripless) settlement system. Accordingly, the PALs to be issued to Entitled Scripholders will not be valid for delivery pursuant to trades done on the SGX-ST.

### 2.8.3 Foreign Shareholders

The Offer Information Statement and its accompanying documents will not be registered or lodged in any jurisdiction other than in Singapore. The distribution of the Offer Information Statement and its accompanying documents may be prohibited or restricted (either absolutely or subject to various securities requirements, whether legal or administrative, being complied with) in certain jurisdictions under the relevant securities laws of those jurisdictions. For practical reasons and in order to avoid any violation of the securities legislations applicable in countries, other than in Singapore where Shareholders may have their registered addresses, the Rights cum Warrants Issue will only be made in Singapore and the Offer Information Statement and its accompanying documents will not be despatched to Foreign Shareholders or into any jurisdiction outside of Singapore.

The Rights cum Warrants Issue will NOT be offered to Foreign Shareholders. Accordingly, Foreign Shareholders will not be entitled to participate in the Rights cum Warrants Issue and no provisional allotment of the Rights Shares with Warrants will be made to Foreign Shareholders and no purported acceptance thereof or application thereof or Excess Applications by Foreign Shareholders will be valid.

The Offer Information Statement and its accompanying documents will also not be despatched to Foreign Purchasers. Foreign Purchasers who wish to accept the provisional allotment of the Rights Shares with Warrants should make the necessary arrangements with their Depository Agents or stockbrokers in Singapore.

**Depositors should note that all correspondence and notices will be sent to their last registered addresses with CDP.**

Depositors who wish to maintain a mailing address (“**Rights Mailing Address**”) with CDP for the purpose of receiving the Rights cum Warrants Issue documents should inform CDP in writing at 9 North Buona Vista Drive, #01-19/20 The Metropolis, Singapore 138588. Depositors are reminded that any request to register a Rights Mailing Address or to effect any change in address must reach CDP not later than three (3) Market Days before the Books Closure Date.

Shareholders (not being Depositors) who do not presently have an address in Singapore for the service of notices and documents and who wish to be eligible to participate in the Rights cum Warrants Issue should provide such an address in Singapore by notifying in writing the Share Registrar, RHT Corporate Advisory Pte. Ltd. at 9 Raffles Place #29-01 Republic Plaza Tower 1, Singapore 048619, not later than three (3) Market Days before the Books Closure Date.

Entitlements to Rights Shares with Warrants which would otherwise have been provisionally allotted to Foreign Shareholders will, if practicable to do so and at the absolute discretion of the Company, be sold “nil-paid” on the Catalist, as soon as practicable after dealings in the provisional allotments of Rights Shares with Warrants commence. Such sales may, however, only be effected if the Company, in its absolute discretion, determines that a premium can be obtained from such sales, after taking into account expenses to be incurred in relation thereto.

The net proceeds from all such sales, after deduction of all expenses therefrom, will be pooled and thereafter distributed to Foreign Shareholders in proportion to their respective shareholdings or, as the case may be, the number of Shares entered against their names in the Depository Register maintained by CDP as at the Books Closure Date and sent to them by means of a crossed cheque drawn on a bank in Singapore and **SENT BY ORDINARY POST AT THEIR OWN RISK** or in such other manner as the Foreign Shareholders have agreed with CDP for the payment of any cash distributions, provided that where the amount of net proceeds to be distributed to any single Foreign Shareholder is less than S\$10.00, the Company shall be entitled to retain or deal with such net proceeds as the Board may, in their absolute discretion, deem fit in the interests of the Company and no Foreign Shareholder shall have any claim whatsoever against the Company, the Directors, the Manager, CDP, the CPF Board or the Share Registrar and their respective officers in connection therewith.

Where the provisional allotments of Rights Shares with Warrants are sold “nil-paid” on the Catalist, they will be sold at such price or prices as the Company, may in its absolute discretion, decide and no Foreign Shareholder shall have any claim whatsoever against the Company, the Directors, the Manager, CDP, the CPF Board or the Share Registrar and their respective officers in connection therewith in respect of such sales or the proceeds thereof or the provisional allotments of Rights Shares with Warrants.

If such provisional allotments of Rights Shares with Warrants cannot be or are not sold on the Catalist as aforesaid for any reason by such time as the SGX-ST shall have declared to be the last day for trading in the provisional allotments of Rights Shares with Warrants, the new Shares represented by such provisional allotments will be allotted and issued to satisfy Excess Applications or disposed of or dealt with in such manner as the Board may, in their absolute discretion, deem fit in the interests of the Company and no Foreign Shareholder shall have any claim whatsoever against the Company, the Directors, the Manager, CDP, the CPF Board or the Share Registrar and their respective officers in connection therewith.



Shareholders should note that the special arrangements described above will apply only to Foreign Shareholders.

The Rights Shares with Warrants which are not otherwise taken up or allotted for any reason shall be used to satisfy Excess Applications or as the Directors may, in their absolute discretion, deem fit. In the allotment of Excess Rights Shares with Warrants, preference will be given to Shareholders for rounding of odd lots, and Directors and Substantial Shareholders who have control or influence over the Company in connection with the day-to-day affairs of the Company or the terms of the Rights cum Warrants Issue, or have representation (direct or through a nominee) on the board of the Company, including the Undertaking Shareholder, will rank last in priority for the rounding of odd lots and allotment of Excess Rights Shares.

#### **2.8.4 No Offer Outside Singapore**

Notwithstanding the above, Entitled Shareholders and any other person having possession of the Offer Information Statement and its accompanying documents are advised to keep themselves informed of and to observe any legal requirements applicable thereto at their own expense and without liability to the Company, the Manager or any other person involved in the Rights cum Warrants Issue. No person in any territory outside Singapore receiving the Offer Information Statement and/or its accompanying documents may treat the same as an offer, invitation or solicitation to subscribe for any Rights Shares with Warrants unless such offer, invitation or solicitation to subscribe for any Rights Shares with Warrants can lawfully be made without violating any regulatory or legal requirements in such territories.

#### **2.8.5 Offer Information Statement**

The procedures for, and the terms and conditions applicable to, the acceptances, renunciations and/or sales of the provisional allotments of the Rights Shares with Warrants and for the Excess Applications for the Rights Shares with Warrants pursuant to the Rights cum Warrants Issue, including the different modes of acceptance or application and payment, will be set out in the Offer Information Statement to be despatched by the Company to Entitled Shareholders in due course, subject to, *inter alia*, the Rights cum Warrants Issue and the Whitewash Resolution being passed at the EGM.

### **2.9 Rationale for the Rights cum Warrants Issue**

The Company intends to undertake the Rights cum Warrants Issue for funding the growth and expansion of the Group through investments and improving the Group's general working capital position. Part of the proceeds of the Rights cum Warrants Issue will go towards strengthening the Group's financial position, thereby increasing the Group's ability to strategise, formulate and execute its business plans, granting the Group greater financial flexibility to meet future working capital needs and allowing the Group to seize investment opportunities as well as growth and expansion in its distribution and environmental business in a timely manner.

### **2.10 Use of Proceeds**

In the Maximum Subscription Scenario, assuming that the Rights cum Warrants Issue is fully subscribed, and an aggregate of 63,850,725 Rights Shares with 63,850,725 Warrants are issued, the net proceeds of the Rights cum Warrants Issue, after deducting estimated expenses of approximately S\$165,000 is expected to be approximately S\$4.0 million;



In the Minimum Subscription Scenario, assuming that:–

- (a) none of the Shareholders (other than the Undertaking Shareholders) subscribe and pay for their entitlements for the Rights Shares with Warrants under the Rights cum Warrants Issue;
- (b) the full subscription of the OCS Rights Shares by the Undertaking Shareholders pursuant to the Irrevocable Undertakings; and
- (c) none of the exercisable Share options under the ESOS 2013 are exercised before the Books Closure Date,

and 20,659,470 Rights Shares with 20,659,470 Warrants are issued, the net proceeds of the Rights cum Warrants Issue, after deducting estimated expenses of approximately S\$165,000 is expected to be approximately S\$1.2 million.

For the avoidance of doubt, the figures presented above do not take into account any proceeds from the exercise of any Warrants.

Up to S\$12.8 million (based on 63,850,725 Warrants) and S\$4.1 million (based on 20,659,470 Warrants) may be raised from the exercise of all the Warrants under the Maximum Subscription Scenario and the Minimum Subscription Scenario respectively.

All net proceeds of the Rights cum Warrants Issue will go to the Company.

The Company intends to use the net proceeds in the Minimum Subscription Scenario and the Maximum Subscription Scenario (the “**Rights cum Warrants Issue Proceeds**”) as follows:–

<b>Intended Use of Proceeds</b>	<b>Net Proceeds from Maximum Subscription Scenario (before exercise of the Warrants) Proceeds (S\$ million)</b>	<b>For each dollar of gross proceeds of the Rights cum Warrants Issue (Maximum Subscription scenario (before exercise of the Warrants)) (cents)</b>	<b>Net Proceeds from Minimum Subscription Scenario (before exercise of the Warrants) Proceeds (S\$ million)</b>	<b>For each dollar of gross proceeds of the Rights cum Warrants Issue (Maximum Subscription scenario (before exercise of the Warrants)) (cents)</b>
Undertake potential investment in distribution and environmental business	2.4	60	0.8	67
Working capital requirement	0.8	20	0.4	33
Repayment of bank borrowings	0.8	20	–	–
<b>Total</b>	<b>4.0</b>	<b>100</b>	<b>1.2</b>	<b>100</b>

As and when the Warrants are exercised, the proceeds arising therefrom may, at the discretion of the Directors, be applied towards expanding the business of the Group, financing new business ventures through acquisitions, strategic investments and working capital, and/or such other purposes as the Directors may deem fit.

Pending the deployment of the net proceeds from the Rights cum Warrants Issue for the purposes mentioned above, such net proceeds may be deposited with banks and/or financial institutions or used for investment in short-term money markets or debt instruments or used for other purposes on a short-term basis as the Directors may deem appropriate in the interests of the Company.

The foregoing represents the Company's best estimate of its allocation of the Rights cum Warrants Issue Proceeds based on current plans and estimates regarding the anticipated expenditures. Actual expenditures may vary from these estimates and the Company may find it necessary or advisable to re-allocate the Rights cum Warrants Issue Proceeds within the categories described above or use portions of the Rights cum Warrants Issue Proceeds for other purposes. In the event that the Company decides to re-allocate the Rights cum Warrants Issue Proceeds or use portions for other purposes, the Company will publicly announce such intention to do so through an SGXNET announcement to be posted on the SGX-ST's website at <http://www.sgx.com>.

The Company will undertake to make periodic announcements via SGXNET on the utilisation of such Rights cum Warrants Issue Proceeds, as funds are materially disbursed, and whether such a use is in accordance with the proposed use and in accordance with the percentage allocated above. Where the proceeds have been used for working capital purposes, the Company will provide a breakdown with specific details on how the proceeds have been applied in the announcements and annual report. Where there is any material deviation from the proposed use of proceeds, the Company will announce the reasons for such deviation. The Company will also provide a status report on the use of the Rights cum Warrants Issue Proceeds in the Company's annual report until such time the Rights cum Warrants Issue Proceeds have been fully utilised.

As at the date of this Circular, the Directors are of the opinion that:–

- (a) after taking into consideration the present banking facilities and operating cash flows of the Group, the working capital available to the Group is sufficient to meet its present requirements; and
- (b) after taking into consideration the present banking facilities and operating cash flows of the Group as well as the net proceeds from the Minimum Subscription Scenario of the Rights cum Warrants Issue, the working capital available to the Group is sufficient to meet its present requirements.

### **3. FINANCIAL EFFECTS OF THE RIGHTS CUM WARRANTS ISSUE**

For illustrative purposes only and based on the Group's audited consolidated financial statements for FY2018, the financial effects of the Rights cum Warrants Issue on the Group are set out below. The financial effects of the Rights cum Warrants Issue have been prepared based on the assumptions that:–

- (a) for the Maximum Subscription Scenario, all outstanding and unexercised Share options under the ESOS 2013 are exercised prior to the Books Closure Date, and an aggregate of 63,850,725 Rights Shares with 63,850,725 Warrants are issued and exercised;
- (b) for the Minimum Subscription Scenario, it is assumed that the Rights cum Warrants issue is completed with the subscription only by the Undertaking Shareholders pursuant to the Irrevocable Undertakings for 20,659,470 Rights Shares with 20,659,470 Warrants will be issued and exercised;
- (c) expenses incurred in the Rights cum Warrants Issue are approximately S\$165,000;

- (d) the financial effects of the Rights cum Warrants Issue are based on the audited consolidated financial statements of the Group for the financial year ended 31 December 2018;
- (e) for calculating the financial effects on share capital as at 31 December 2018, it is assumed that the Rights cum Warrants Issue was completed on 31 December 2018;
- (f) for calculating the financial effects on gearing and NTA per Share as at 31 December 2018, it is assumed that the Rights cum Warrants Issue was completed on 31 December 2018; and
- (g) for calculating the financial effects on EPS, it is assumed that the Rights cum Warrants Issue was completed on 1 January 2018.

The analysis below has been prepared solely for illustrative purposes and does not purport to be indicative or a projection of the results and financial position of the Group immediately after the completion of the Rights cum Warrants Issue.

### 3.1 Share Capital

As at the Latest Practicable Date, there are no options or warrants or other convertible securities in existence under which the Company has an obligation to issue additional Shares, save for 10,632,000 outstanding and unexercised Share options under the ESOS 2013, which are exercisable prior to the Books Closure Date.

Assuming the Rights cum Warrants Issue was completed on 31 December 2018 and all exercisable Share options under the ESOS 2013 are exercised prior to the Books Closure Date, the effects of the Rights cum Warrants Issue on the Share capital of the Group as at the Latest Practicable Date are as follows (rounded to the nearest whole number):

	Based on the Minimum Subscription scenario		Based on the Maximum Subscription scenario	
	No. of Shares ('000)	S\$'000	No. of Shares ('000)	S\$'000
Issued share capital as at the Latest Practicable Date	248,973	36,131	248,973	36,131
Less: Treasury Shares	(4,202)	(470)	(4,202)	(470)
Add: Exercisable Share options under the ESOS 2013 assuming all of which were exercised prior to the Books Closure Date (where applicable)	–	–	10,632	883 <sup>(3)</sup>
Add: Rights Shares to be issued	20,659	1,343 <sup>(1)</sup>	63,851	4,150 <sup>(2)</sup>
Less: Estimated expenses of the Rights Issue	–	(165)	–	(165)
Issued share capital after the issuance of the Rights Shares but before the issuance of the Warrant Shares	265,430	36,839	319,254	40,529
Add: Warrant Shares to be issued	20,659	4,132	63,851	12,770
Issued share capital after the issuance of the Rights Shares and the Warrant Shares	286,089	40,971	383,105	53,299

**Notes:**

- (1) Based on the following calculation: 20,659,470 Rights Shares multiplied by the Issue Price of S\$0.065 per Rights Share.
- (2) Based on the following calculation: 63,850,725 Rights Shares multiplied by the Issue Price of S\$0.065 per Rights Share.
- (3) Calculated based on the exercisable Share options under the ESOS 2013 granted at various dates of grant, multiplied by the exercise price per Share option.

**3.2 NTA per Share<sup>(1)</sup>**

Assuming the Rights cum Warrants Issue was completed on 31 December 2018, the effects of the Rights cum Warrants Issue on the NTA per Share of the Group as at 31 December 2018 are as follows (rounded to the nearest whole number):

	<b>Based on the Minimum Subscription scenario</b>	<b>Based on the Maximum Subscription scenario</b>
	<b>As at 31 December 2018</b>	<b>As at 31 December 2018</b>
NTA before the Rights cum Warrants Issue (S\$'000)	51,428	51,428
Add: Proceeds from exercisable Share options under the ESOS 2013 (S\$'000)	–	883
Add: Net proceeds from the issuance of the Rights Shares (S\$'000)	1,178	3,985
Adjusted NTA after issuance of the Rights Shares but before the issuance of the Warrant Shares (S\$'000)	52,606	56,296
Add: Net proceeds from the issuance of the Warrant Shares (S\$'000)	4,132	12,770
Adjusted NTA after issuance of Rights Shares and Warrant Shares (S\$'000)	56,738	69,066
<b>Before the Rights cum Warrants Issue</b>		
Number of Shares in issue ('000)	244,771	244,771
NTA per Share (S\$)	0.21	0.21
<b>After the issuance of the Rights Shares but before the issuance of the Warrant Shares</b>		
Number of Shares in issue ('000)	265,430	319,254
NTA per Share (S\$)	0.20	0.18
<b>After the issuance of the Rights Shares and the Warrant Shares</b>		
Number of Shares in issue ('000)	286,089	383,105
NTA per Share (S\$)	0.20	0.18

**Note:**

- (1) This include intangible assets of \$19,395,000 which constitute a service concession to construct and operate a wastewater treatment plant.

### 3.3 Gearing<sup>(1)</sup>

Assuming that the Rights cum Warrants Issue was completed on 31 December 2018, the effects of the Rights cum Warrants Issue on the gearing of the Group for FY2018 are as follows:

	<b>Based on the Minimum Subscription scenario</b>	<b>Based on the Maximum Subscription scenario</b>
	<b>As at 31 December 2018</b>	<b>As at 31 December 2018</b>
<b>Before the Rights cum Warrants Issue</b>		
Total net bank borrowings (S\$'000) <sup>(2)</sup>	25,461	25,461
Shareholder's equity (S\$'000) <sup>(3)</sup>	61,274	61,274
Net gearing (times)	0.42	0.42
<b>After the issuance of the Rights Shares but before the issuance of the Warrant Shares</b>		
Total net bank borrowings (S\$'000) <sup>(2)</sup>	24,283	20,593
Shareholder's equity (S\$'000) <sup>(3)</sup>	62,452	66,142
Net gearing (times)	0.39	0.31
<b>After the issuance of the Rights Shares and the Warrant Shares</b>		
Total net bank borrowings (S\$'000) <sup>(2)</sup>	20,151	7,823
Shareholder's equity (S\$'000) <sup>(3)</sup>	66,584	78,912
Net gearing (times)	0.30	0.10

**Notes:**

- (1) Net gearing is defined as the ratio of the Group's total net bank borrowings to its shareholders' equity.
- (2) Net borrowings consist of total borrowings less government loan, bank balances and deposits.
- (3) Shareholders' equity refers to the aggregate amount of the Group's issued share capital, currency translation reserve, statutory reserve fund, employee share option reserve, retained earnings and non-controlling interests.

### 3.4 EPS

Assuming that the Rights cum Warrants Issue was completed on 1 January 2018, the effects of the Rights cum Warrants Issue on the EPS of the Group for FY2018 are as follows:

	<b>Based on the Minimum Subscription scenario</b>	<b>Based on the Maximum Subscription scenario</b>
	<b>As at 31 December 2018</b>	<b>As at 31 December 2018</b>
Profit for the year (S\$'000)	1,222	1,222
Weighted average number of Shares before the Rights cum Warrants Issue ('000)	246,406	246,406
Weighted average number of Shares after adjusting for the exercisable Share options under the ESOS 2013 and the issuance of the Rights Shares ('000)	267,065	320,889
Weighted average number of Shares after adjusting for the exercisable Share options under the ESOS 2013 and the issuance of the Rights Shares and the Warrant Shares ('000)	287,724	384,740
Basic profit per Share before the Rights cum Warrants Issue (cents)	0.49	0.49
Diluted profit per Share before the Rights cum Warrants Issue (cents)	0.49	0.49
Basic profit per Share after the issuance of the Rights Shares but before the issuance of the Warrant Shares (cents)	0.46	0.38
Diluted profit per Share after the issuance of the Rights Shares but before the issuance of the Warrant Shares (cents)	0.46	0.38
Basic profit per Share after the issuance of the Rights Shares and the Warrant Shares (cents)	0.42	0.32
Diluted profit per Share after the Rights Shares and the Warrant Shares (cents)	0.42	0.32

## 4. REVIEW OF PAST PERFORMANCE

### 4.1 Consolidated Income Statements for the Group

The audited income statements of the Group for FY2016, FY2017 and FY2018 are set out below.

	<b>FY2016</b> <b>(Audited)</b> <b>S\$'000</b>	<b>FY2017</b> <b>(Audited)</b> <b>S\$'000</b>	<b>FY2018</b> <b>(Audited)</b> <b>S\$'000</b>
<b>Revenue</b>	<b>48,022</b>	<b>49,338</b>	<b>56,766</b>
Cost of Sales	(39,891)	(39,899)	(46,025)
<b>Gross Profit</b>	<b>8,131</b>	<b>9,439</b>	<b>10,741</b>
Other operating income <sup>(1)</sup>	1,113	6,785	1,803
Distribution expenses	(1,659)	(1,689)	(1,557)
Administrative expenses	(8,251)	(9,517)	(9,419)
Impairment losses on financial assets	(20)	(40)	(217)
Other operating expenses <sup>(2)</sup>	(4,560)	(1,281)	(477)
Share of results of associates and joint venture	2,489	673	1,964
Finance costs	(1,035)	(1,033)	(1,157)
<b>Profit before income tax</b>	<b>(3,792)</b>	<b>3,337</b>	<b>1,681</b>
Income tax expenses	(518)	(241)	(326)
<b>Profit for the year</b>	<b>(4,310)</b>	<b>3,096</b>	<b>1,355</b>
<b>Attributable to:</b>			
Owners of the Company	(4,568)	2,621	1,222
Non-controlling interests	258	475	133
Earnings per Share (cents) <sup>(3)</sup>	(1.83)	1.05	0.50
Gross dividend declared per Share (cents)	0.20	0.20	–
Earnings per Share after the Rights Issue (cents) <sup>(4)</sup>	(1.46)	0.84	0.39

**Notes:**

- (1) Gain on dilution of interest in investment of \$4,584,000 in FY2017.
- (2) Impairment of available-for-sale financial assets \$3,467,000 in FY2016.
- (3) Calculated based on the weighted average number of Shares of 248,973,000 in FY2016, 248,778,000 in FY2017 and 246,406,000 in FY2018. (Loss)/earnings per Share is calculated by dividing (loss)/profit attributable to owners of the Company by the weighted average number of Shares in issue during the year.
- (4) Adjusted for 63,850,725 Rights Shares that were assumed to have been issued on the first day of the financial year. Does not take into account the effects of the use of proceeds from the Rights cum Warrants Issue on the earnings of the Group.

## 4.2 Consolidated Balance Sheets for the Group

The audited consolidated balance sheets of the Group as at 31 December 2016, 31 December 2017 and 31 December 2018 are set out below.

	<b>FY2016</b> <b>(Audited)</b> <b>S\$'000</b>	<b>FY2017</b> <b>(Audited)</b> <b>S\$'000</b>	<b>FY2018</b> <b>(Audited)</b> <b>S\$'000</b>
<b>ASSETS</b>			
<b>Current Assets:</b>			
Land use rights	7	7	7
Inventories	21,636	20,273	19,537
Prepayments	112	150	112
Trade and other receivables	14,890	13,785	16,669
Finance derivative assets	–	–	1
Amounts due from subsidiaries, associates and joint venture	709	525	–
Cash and bank balances	7,369	6,189	5,468
Assets classified as held for sale	–	255	636
Total current assets	44,723	41,184	42,430
<b>Non-current assets:</b>			
Property, plant and equipment	29,702	28,867	27,529
Land use rights	297	286	269
Goodwill	497	1,427	1,339
Intangible assets	20,593	21,924	21,856
Investment in associates	3,207	12,441	13,838
Investment in joint venture	3,842	–	–
Club membership	190	190	190
Refundable deposits	892	899	869
Deferred tax assets	–	–	4
Total non-current assets	59,220	66,034	65,894
<b>Total assets</b>	<b>103,943</b>	<b>107,218</b>	<b>108,324</b>



	FY2016 (Audited) S\$'000	FY2017 (Audited) S\$'000	FY2018 (Audited) S\$'000
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities:</b>			
Amounts due to subsidiaries, associates and a joint venture	3,157	3,906	2,646
Trade payables	1,973	2,545	2,627
Other payables and accruals	4,042	4,729	6,788
Loans and borrowings	14,085	14,811	15,767
Provision for income tax	393	532	369
Financial derivative liabilities	–	1	–
Total current liabilities	23,650	26,524	28,197
<b>Non-current liabilities:</b>			
Other payables and accruals	618	–	43
Loans and borrowings	17,629	16,849	16,672
Government grants	1,933	1,835	1,703
Deferred tax liabilities	408	425	423
Finance derivative liabilities	48	48	12
Total non-current liabilities	20,636	19,157	18,853
Total liabilities	44,286	45,681	47,050
<b>Net assets</b>	59,657	61,537	61,274
<b>Capital, reserves and non-controlling interests:</b>			
Share capital	36,131	36,131	36,131
Treasury shares	–	(216)	(470)
Foreign currency translation reserve	691	286	(504)
Statutory reserve fund	44	315	1,070
Employee share option reserve	1,280	785	580
Retained earnings	15,962	18,309	18,421
Equity attributable to owners of the Company	54,108	55,610	55,228
Non-controlling interests	5,549	5,927	6,046
Total equity	59,657	61,537	61,274
<b>Total equity and liabilities</b>	103,943	107,218	108,324

### 4.3 Consolidated Cash Flow Statements for the Group

The audited consolidated cash flow statements of the Group for FY2016, FY2017 and FY2018 are set out below.

	<b>FY2016</b> <b>(Audited)</b> <b>S\$'000</b>	<b>FY2017</b> <b>(Audited)</b> <b>S\$'000</b>	<b>FY2018</b> <b>(Audited)</b> <b>S\$'000</b>
<b>Cash flows from operating activities</b>	(3,792)	3,337	1,681
(Loss)/profit before income tax			
<b>Adjustments for:</b>			
Impairment losses on trade receivables	20	40	217
Allowance for doubtful trade receivables (non-trade)	170	–	–
Allowance for slow moving inventories	86	270	379
Amortisation of intangible assets	947	1,077	1,306
Amortisation of land use rights	7	7	7
Amortisation of government grant	(73)	(72)	(70)
Bad debts written off	16	263	5
Depreciation of property, plant and equipment	1,464	1,477	1,467
Fair value loss/(gain) on derivative of financial assets (unrealised)	134	–	(38)
Finance costs	1,035	1,033	1,157
Impairment of available-for-sale financial assets	3,467	–	–
Impairment of plant and equipment	362	145	–
Interest income	(211)	(146)	(41)
Loss/(gain) on disposal of plant and equipment	9	(89)	(17)
Gain on dilution of interest in investment	–	(4,584)	–
Write-down/(reversal of write-down) of inventories to net realisable value	(401)	31	(46)
Written-off intangible assets	–	89	36
Written-off property, plant and equipment	–	215	–
Share of profits of associates and joint venture	(2,489)	(673)	(1,964)
Unrealised foreign exchange loss/(gain)	(51)	35	91
<b>Operating profit before working capital changes</b>	<b>700</b>	<b>2,455</b>	<b>4,170</b>
<u>(Increase)/decrease in:</u>			
Trade receivables	3,442	(1,472)	(412)
Other receivables	3,578	2,593	(2,735)
Inventories	6,102	1,062	403
<u>Increase/(decrease) in:</u>			
Trade payables	(1,019)	572	82
Other payables	(2,254)	69	2,102
Bills payables	(834)	32	1,015
<b>Cash generated from operations</b>	<b>9,715</b>	<b>5,311</b>	<b>4,625</b>
Interest expense paid	(877)	(1,033)	(1,157)
Interest income received	211	146	41
Income taxes paid	(517)	(85)	(495)
<b>Net cash flows generated from operating activities</b>	<b>8,532</b>	<b>4,339</b>	<b>3,014</b>

	FY2016 (Audited) S\$'000	FY2017 (Audited) S\$'000	FY2018 (Audited) S\$'000
<b>Cash flows from investing activities</b>			
Proceeds from disposal of property, plant and equipment	31	161	101
Proceeds from disposal of assets classified as held for sale	1,505	–	145
Decrease in amount due from associates	518	184	(735)
Placement of fixed deposit, pledged	(1,000)	(1,000)	–
Receipt of fixed deposit, pledged	–	1,000	1,000
Increase in amount due from joint venture	(709)	–	–
Decrease/(increase) in amounts due from related parties	392	(352)	–
Purchase of property, plant and equipment	(769)	(548)	(477)
Additions to intangible assets	(5,323)	(2,725)	(1,847)
Investment in associates	–	(123)	–
Net cash outflow of acquisition of subsidiary	–	(2,643)	–
<b>Net cash flows used in investing activities</b>	<b>(5,355)</b>	<b>(6,046)</b>	<b>(1,813)</b>
<b>Cash flows from financing activities</b>			
Purchase of treasury shares	–	(216)	(254)
(Repayment)/Proceeds from loans and borrowings	(4,799)	631	(61)
Acquisition of non-controlling interests without a change in control	–	–	(145)
Contribution from non-controlling interests	31	18	360
Repayment of obligations under finance leases	(227)	(100)	(67)
Dividends paid	–	(498)	(493)
Increase in amount due to associates	420	749	–
Increase in amount due to joint venture	1,887	–	–
<b>Net cash flows generated from/(used in) financing activities</b>	<b>(2,688)</b>	<b>584</b>	<b>(660)</b>
Net (decrease)/increase in cash and cash equivalents	489	(1,123)	541
Cash and cash equivalents at the beginning of the year	5,770	6,215	4,990
Effect of exchange rate changes on the balance of cash held in foreign currencies	(44)	(102)	(63)
<b>Cash and cash equivalents at the end of the year</b>	<b>6,215</b>	<b>4,990</b>	<b>5,468</b>

#### 4.4 Review of Performance

A discussion of the performance of the Group from FY2016 to FY2018 is set out below.

##### **Performance Review for FY2017 compared to FY2016**

The Group's profit attributable to owners of the company for the year ended 31 December 2017 was S\$2.62 million as compared to a loss of S\$4.57 million recorded in the prior year. The significant improvement of results was mainly due to a gain on dilution of shares in an associate amounting to S\$4.58 million, following the investment made by a strategic investor in one of our environmental businesses in China, being the Onway group. In addition, the absence of S\$3.47 million impairment of available-for sale financial assets in relation to Dalian Shi Cheng project provided in the prior year and the successful restructuring of the manufacturing business with continued implementation of cost cutting scheme also contributed to the improved Group results as compared to prior year.

The Group's revenue for the year ended 31 December 2017 increased marginally by 2.74% from S\$48.02 million to S\$49.34 million. The increase in Group revenue of S\$1.32 million was mainly due to higher sales contributed by the trading of flat steel products division under the distribution business, especially for sales in India and Philippines markets and new sales in Korea market from the newly set up Korea office, Handels, which started its operations in March 2017. However, the increase was largely offset by decreased sales in the steel piping products & flanges division, under distribution and manufacturing businesses due to the prolonged, weak and depressed steel market in Singapore and the region.

Gross profit increased by S\$1.31 million or 16.09% for the year ended 31 December 2017. The increase was predominantly attributable to higher gross profit and better gross profit margin contributed by a newly set up industrial wastewater treatment plant, ChangXing AnnYi, and the newly acquired water supply plant, LinXing Water Supply, coupled with the improved tariff obtained.

The Group's distribution and finance costs remained stable during the year. The increase in administrative expenses were due to higher operating costs incurred for the newly set up company, Handel Korea, under the distribution business, and the set up of ChangXing AnnYi and LinXing Water Supply, under the environmental business all of which contributed positively to the Group. The substantial lower other operating expenses in the current year were due to the absence of impairment of available-for-sale financial asset amounting to S\$3.47 million which was recognised in the prior year. The significant increase in other income was mainly attributed to recognition of gain on dilution of shares in an associate amounting to S\$4.58 million and higher government grant of S\$0.71 million obtained under the environmental business in the current year.

The share of profit of an associate and joint venture was S\$0.67 million for year ended 31 December 2017 as compared to S\$2.49 million in the prior year. The share of profit was contributed from industrial and rural wastewater treatment divisions under the environmental business. The smaller share of results in the rural wastewater treatment business was due to dilution of our shareholding from 51% to 25% after a strategic investor invested RMB125 million in Onway group in July 2017 for a 51% stake. In addition, our newly appointed auditor (华普天建) of Onway group in China adopted a prudent approach by making a general provision of doubtful debts amounting to total of RMB8 million for compliance with the PRC listing requirements, which affected our share of profit in Onway group this year.

## Performance review for FY2018 compared to FY2017

The Group's profit attributable to owners of the Company for the year ended 31 December 2018 was S\$1.22 million as compared to S\$2.62 million recorded in the prior year. The dip in results was mainly due to the one-off gain on dilution of interest in investment amounting to S\$4.58 million accounted for in prior year. Excluding this one-off gain on dilution in investment accounted for in 2017, the Group's profit attributable to owners of the Company had turned around from a S\$1.96 million operating loss in 31 December 2017 to a S\$1.22 million operating profit in 31 December 2018.

The improvement of operating results was mainly attributable to higher turnover and improved gross profit from the divisions engaging in steel products distribution and steel flanges manufacturing. Particularly, the successful restructuring of the steel flanges manufacturing division significantly lowered the operating cost incurred in the current year. The completion and securing of environmental projects under the EPC model by an associate company for rural wastewater treatment business, and improved utilisation rate and contribution from newly set up industrial wastewater treatment plants contributed positively to results of the environmental division and the overall performance of the Group in the current year.

The Group's revenue for the year ended 31 December 2018 increased 15.06% from S\$49.34 million to S\$56.77 million. The S\$7.43 million increase in group revenue was mainly due to higher sales generated by Metal Wang Pte Ltd, its newly set up subsidiary, Handel Co., Ltd, and AnnAik Pte Ltd – under the steel products distribution division – in India, Korea and Malaysia markets. In addition, increased steel prices and intensive marketing efforts had led to better sales performance for the steel flanges manufacturing division. However, the increase was partially offset by fierce market competition in Singapore and China which resulted in a S\$1.83 million reduction in hazardous wastewater treatment project sales.

Gross profit increased by S\$1.30 million or 13.79% for the year ended 31 December 2018. The increase was predominantly attributable to higher turnover and stable gross profit margin from steel products distribution and steel flanges manufacturing divisions which saw higher selling price and better cost management. In addition, gross profit and gross profit margin from the industrial wastewater treatment business under the environmental division improved due to better utilisation rate and achievement of economy of scale by newly set up or acquired plants – ChangXing HengYi Wastewater Treatment Co., Ltd and LinXing Water Supply Co., Ltd. However, lower turnover and gross profit margin generated from the hazardous wastewater treatment business offset the increase.

The increase in administrative expenses were due to higher operating costs incurred for newly set up company, Handel Co., Ltd under the steel products distribution division and Changxing HengYi Wastewater Treatment Co., Ltd and LinXing Water Supply Co., Ltd under the environmental division; all of which made positive contribution to the Group. Slight reduction in distribution expenses was due to better planning and coordination of shipment while the decrease in other operating expenses were mainly due to absence of impairment and written off of property, plant and equipment and lower foreign exchange losses incurred during the year. The significant decrease in other income was mainly attributed to recognition of a one-off gain on dilution of interest in investment amounting to S\$4.58 million in the prior year. Finance costs increased due to higher cost of funding.

The share of profit of an associate was S\$1.96 million for the year ended 31 December 2018 as compared to S\$0.67 million in the prior year. The improvement was due mainly to completion and delivery of higher profitable rural wastewater treatment projects under the EPC model in 2018.

#### 4.5 Review of Working Capital

The working capital of the Group as at 31 December 2016, 31 December 2017 and 31 December 2018 are as follows:–

<b>S\$'000</b>	<b>Audited As at 31 December 2016<sup>(1)</sup></b>	<b>Audited As at 31 December 2017<sup>(2)</sup></b>	<b>Audited As at 31 December 2018<sup>(3)</sup></b>
Total current assets	44,723	41,184	42,430
Total current liabilities	23,650	26,524	28,197
<b>Working capital</b>	<b>21,073</b>	<b>14,660</b>	<b>14,233</b>

**Notes:**

- (1) The financial information in this column has been extracted from the audited consolidated financial statements of the Group for FY2016.
- (2) The financial information in this column has been extracted from the audited consolidated financial statements of the Group for FY2017.
- (3) The financial information in this column has been extracted from the audited consolidated financial statements of the Group for FY2018.

#### **FY2017 compared to FY2016**

The total liabilities of the Group increased by S\$1.39 million from S\$44.29 million as at 31 December 2016 to S\$45.68 million as at 31 December 2017. The increase was mainly due to an increase in amount due to an associate of S\$0.75 million for the construction of ChangXing HengYi wastewater plant. The Group's borrowings maintained at S\$30.26 million as at 31 December 2016 and S\$30.10 million as at 31 December 2017 with net gearing ratio increased marginally from 0.38 times as at 31 December 2016 to 0.39 times as at 31 December 2017.

The current assets of the Group decreased by S\$3.54 million from S\$44.72 million as at 31 December 2016 to S\$41.18 million as at 31 December 2017. The decrease was mainly due to lower other receivables of S\$2.77 million as receipt of final proceeds amounting to S\$2.00 million were received from the Taiwanese buyer for the disposal of Shinsei and Both Well Jiangyan group. The decrease in inventories of S\$1.36 million was due to better inventory management control measures. However the decrease in current assets was partially offset by the increase in prepayment of S\$0.04 million and trade receivables of S\$1.17 million, due to longer credit term extended to customers. Most of these customers are under trade credit insurance protection scheme during the year. Debtor turnover increased slightly to 84 days as at 31 December 2017 as compared to 82 days as at 31 December 2016.

The Group continued to maintain a healthy and positive working capital of S\$14.66 million or current ratio of 1.55 times with current assets of S\$41.18 million and current liabilities of S\$26.52 million as at 31 December 2017.

The non-current assets of the Group increased S\$6.81 million from S\$59.22 million as at 31 December 2016 to S\$66.03 million as at 31 December 2017. The increase was mainly attributed to the recognition of gain of dilution in joint venture/associate, Onway group from 51% to 25% shareholding interest, amounting to S\$4.58 million and profit generated from associate amounting to S\$0.67 million. Due to the dilution in Onway group, re-classification of account from investment in a joint venture to associate was made in the current year. In addition, the increase in intangible assets of S\$1.33 million was due to capital expenditure of ChangXing HengYi plant, under the environment business, while the increase in goodwill of S\$0.93 million was mainly due to acquisition goodwill from the newly acquired subsidiary,



LinXing Water Supply Co Ltd. There was a decrease in property, plant and equipment of S\$0.84 million attributed to depreciation charged and forex translation loss, partially offset by acquisition of LinXing Water Supply company.

The cash and cash equivalents as at 31 December 2017 decreased by S\$1.12 million to S\$4.99 million. This was mainly due to cash used in additions to intangible assets, purchase of property, plant and equipment and acquisition of a subsidiary amounting to approximately S\$6.05 million for expansion of the environmental business, reflected under the investing activities. However, the decrease largely offset by positive cash flows generated from operating activities amounting to S\$4.34 million, comprising of S\$2.46 million operating cash flows before working capital changes, offset by S\$1.03 million interest paid. In addition, net cash flows from financing activities generated S\$0.58 million, mainly contributed by S\$8.68 million proceeds from loans and borrowings and S\$0.75 million increase in amount due to associate, offset by S\$8.05 million repayment of loans and borrowings and S\$0.50 million dividends paid.

### **FY2018 compared to FY2017**

The total liabilities of the Group increased S\$1.37 million from S\$45.68 million in 2017 to S\$47.05 million in 2018. The increase was mainly due to an increase in trade and bill payables of S\$0.08 million and S\$1.02 million respectively for higher credit purchase made in the steel products distribution division – to support higher turnover. In addition, higher other payable and accruals of S\$2.06 million stemmed from advance payment collection for piping network construction projects in China. However the increase in total liabilities was partially offset by repayment made for amount due to an associate and bank loans, amounting to S\$1.26 million and S\$0.18 million respectively. The Group's net gearing ratio increased marginally from 0.39 times in 2017 to 0.42 times in 2018.

The current assets of the Group increased by S\$1.25 million from S\$41.18 million in 2017 to S\$42.43 million in 2018. The increase was mainly due to higher trade receivables of S\$0.11 million as compared to the prior year followed by increased credit sales from the steel products distribution division. Moreover, the S\$2.77 million increase in other receivables was due to advance payment made to supplier for the piping network construction project in China. However, adoption of better inventory management control measures for stock replenishment lead to a decrease of S\$0.74 million and repayment in amount due from an associate of S\$0.53 million partially offsetting the increase in current assets. Debtor turnover decreased slightly to 82 days in 2018 as compared to 84 days in 2017.

The Group maintained a healthy and positive working capital of S\$14.23 million or current ratio of 1.50 times with current assets of S\$42.43 million and current liabilities of S\$28.20 million as at 31 December 2018.

The non-current assets of the Group remained constant of S\$66.03 million in 2017 and S\$65.89 million in 2018. The slight different was mainly attributed to additional profit generated by an associate under the environmental division which led to an increase in investment in associates as compared to the prior year. However, the increase was partially offset by depreciation and amortisation charged for property, plant and equipment, intangible assets, prepaid land rental and goodwill.

The cash and cash equivalents as at 31 December 2018 increased by S\$0.54 million to S\$5.47 million. The increase was mainly due to positive cash flows generated from operating activities amounting to S\$3.01 million in current year, comprising S\$4.17 million operating cash flow before working capital changes, offset by S\$1.16 million interest paid. However, the increase was partially offset by S\$1.85 million used for addition to intangible assets for industrial wastewater treatment plants expansion, S\$0.74 million repayment to associate and

S\$0.48 million purchase of property plant and equipment under investing activities, and S\$0.49 million payment of dividend and S\$0.25 million purchase of treasury shares under share buy-back arrangement under financing activities.

The Directors are of the opinion that, after taking into consideration the net proceeds from the Rights cum Warrants Issue, the existing banking facilities available to the Group and the Group's internal resources and operating cash flows, the working capital available to the Group as at the Latest Practicable Date is sufficient to meet its present requirements.

## 5. WHITEWASH RESOLUTION

### 5.1 Mandatory general offer requirement under the Code

The Code regulates the acquisition of ordinary shares of, *inter alia*, corporations with a primary listing on the SGX-ST, including the Company.

Pursuant to the Code, except with the consent of the SIC, where:-

- (a) any person acquires whether by a series of transactions over a period of time or not, Shares which (taken together with Shares held or acquired by parties acting in concert with him) carry 30.0% or more of the voting rights of the Company; or
- (b) any person who, together with parties acting in concert with him, holds not less than 30.0% but not more than 50.0% of the voting rights in the Company and such person, or any party acting in concert with him, acquires in any period of six (6) months additional Shares carrying more than one (1)% of the voting rights,

such person must extend a mandatory take-over offer immediately to the Shareholders for the remaining Shares in the Company in accordance with the provisions of the Code. In addition to such person, each of the principal members of the group of persons acting in concert with him may, according to the circumstances of the case, have an obligation to extend an offer.

In general, the acquisition of instruments convertible into securities which carry voting rights does not give rise to an obligation to make a mandatory take-over offer under the Code but the exercise of any conversion rights will be considered as an acquisition of voting rights for the purposes of the Code.

**Shareholders who are in doubt as to their obligations, if any, to make a mandatory take-over offer under the Code as a result of any acquisition of Rights Shares with Warrants pursuant to the Rights cum Warrants Issue should consult their professional advisers.**

Note 5 to Rule 14.1 of the Code provides, *inter alia*, that when a group of persons acting in concert holds over 50.0%, no obligation normally arises from acquisitions by any member of the group. However, subject to certain considerations, the SIC may regard as giving rise to an obligation to make an offer any acquisition by a single member or sub-group of the group of voting rights sufficient to increase his/its holding to 30.0% or more or, if he/it already holds between 30.0% to 50.0%, by more than one (1)% in any period of six (6) months.



As at the Latest Practicable Date, the Concert Party Group collectively holds 92,056,145 existing Shares, which is approximately 37.61% of the Existing Share Capital of the Company. The Rights Shares with Warrants and Excess Rights Shares with Warrants (subject to availability) to be issued to the Concert Party Group may result in the Concert Party Group acquiring more than one (1)% of the voting rights of the Company.

Assuming that in fulfilment of the Irrevocable Undertakings, none of the exercisable share options are exercised, none of the Entitled Shareholders (save for the Undertaking Shareholders) subscribe for their entitlements of the Rights Shares with Warrants, and the Undertaking Shareholders subscribe for their entitlements of the Rights Shares with Warrants:–

- (a) the Undertaking Shareholders' shareholdings in the Company will increase from 33.76% as at the date of this Circular to 38.92%, and increase to 43.33% upon the exercise of 20,659,470 Warrants by the Undertaking Shareholders. This increase in shareholding will trigger an obligation on the Undertaking Shareholders under the Code to make a general offer; and
- (b) the Concert Party Group's shareholdings in the Company will increase from 37.61% as at the date of this Circular to 42.47%, and increase to 46.62% upon the exercise of 20,659,470 Warrants by the Undertaking Shareholders.

Assuming the Excess Rights Shares with Warrants Scenario, the Concert Party Group's shareholdings in the Company will:–

- (a) increase from 37.61% as at the date of this Circular to 44.03% if the Concert Party Group subscribes for their full entitlements under the Rights cum Warrants Issue, and increase to 48.56% upon the exercise of 24,024,036 Warrants; and
- (b) increase from 37.61% as at the date of this Circular to 45.02% if the Concert Party Group subscribes for their full entitlements under the Rights cum Warrants Issue together with up to an additional 4,940,000 excess Rights Shares with Warrants (subject to availability), and further increase to 50.21% upon the exercise of 28,964,036 Warrants by the Concert Party Group.

Please refer to Section 5.3 of this Circular for further details of the potential dilution arising from the Rights cum Warrants Issue.

In view of the above, an application was made by the Company to the SIC for a waiver of the Concert Party Group to make a mandatory general offer for all the Shares not owned or controlled by them as a result of the Rights cum Warrants Issue and the Undertaking Shareholders' obligations under the Irrevocable Undertakings.

The SIC granted the Whitewash Waiver subject to the satisfaction of certain conditions, as set out in Section 5.2 of this Circular.

The SIC has confirmed, that the Concert Party Group will not be required to make a mandatory offer for the Company under Rule 14 of the Code in the event the Concert Party Group increase their voting rights in the Company by more than one (1)% in any period of six (6) months as a result of the Rights cum Warrants Issue and the Undertaking Shareholders' obligations under the Irrevocable Undertakings.

**The Rights cum Warrants Issue and the obligations of the Undertaking Shareholders pursuant to the Irrevocable Undertakings are conditional upon, *inter alia*, the approval of the Independent Shareholders for the Whitewash Resolution at the EGM.**

## 5.2 Conditional waiver of the mandatory general offer requirement by SIC

The SIC granted the Whitewash Waiver, waiving the obligation for the Concert Party Group to make a mandatory offer under Rule 14 of the Code for the Company in the event that they incur an obligation to do so as a result of them (i) subscribing for the Rights Shares with Warrants pursuant to the Irrevocable Undertakings; (ii) subscribing for 4,940,000 excess Rights Shares with Warrants; and (iii) exercising the Warrants in respect of the Rights Shares with Warrants acquired, subject to, *inter alia*, the following conditions:–

- (a) a majority of holders of voting rights of the Company approve at a general meeting, before the proposed Rights cum Warrants Issue, the Whitewash Resolution by way of a poll to waive their rights to receive a general offer from the Concert Party Group;
- (b) the Whitewash Resolution is separate from other resolutions;
- (c) the Concert Party Group as well as parties not independent of them abstain from voting on the Whitewash Resolution;
- (d) the Concert Party Group did not acquire or are not to acquire any shares or instruments convertible into and options in respect of Shares (other than subscriptions for, rights to subscribe for, instruments convertible into or options in respect of new shares which have been disclosed in this Circular):–
  - (i) during the period between the first announcement of the proposed Rights cum Warrants Issue and the date shareholders' approval is obtained for the Whitewash Resolution; and
  - (ii) in the six (6) months prior to the first announcement of the proposed Rights cum Warrants Issue, but subsequent to negotiations, discussions or the reaching of understandings or agreements with the directors of the Company in relation to the proposed Rights cum Warrants Issue;
- (e) the Company appoints an independent financial adviser to advise its independent shareholders on the Whitewash Resolution;
- (f) the Company sets out clearly in this Circular:–
  - (i) details of the proposed Rights cum Warrants Issue, including the Irrevocable Undertakings and the proposed subscription of excess Rights Shares with Warrants by the Concert Party Group;
  - (ii) the dilution effect to existing holders of voting rights upon the issue of the Rights Shares with Warrants and upon exercise of the Warrants;
  - (iii) the number and percentage of voting rights in the Company as well as the number of instruments convertible into, rights to subscribe for and options in respect of Shares held by the Concert Party Group as at the Latest Practicable Date;
  - (iv) the number and percentage of voting rights to be acquired by the Concert Party Group upon the issue of the Rights Shares with Warrants and upon exercise of the Warrants as a result of the Irrevocable Undertakings and the proposed subscription of excess Rights Shares with Warrants;

- (v) specific and prominent reference to the fact that the issue of the Rights Shares with Warrants and the Warrant Shares upon exercise of the Warrants as a result of the Irrevocable Undertakings and the proposed subscription of excess Rights Shares with Warrants could result in the Concert Party Group carrying over 49.0% of the voting rights of the Company, and that the Concert Party Group will be free to acquire further Shares without incurring any obligation under Rule 14 of the Code to make a general offer;
  - (vi) specific and prominent reference to the fact that the Shareholders, by voting for the Whitewash Resolution, are waiving their rights to a general offer from the Concert Party Group at the highest price paid by any of them for Shares in the past six (6) months preceding the commencement of the offer; and
  - (vii) specific and prominent reference to the fact that Shareholders, by voting for the Whitewash Resolution, could be foregoing the opportunity to receive a general offer from another person who may be discouraged from making a general offer in view of the potential dilution effect of the Warrants;
- (g) this Circular states that the waiver granted by SIC to the Concert Party Group from the requirement to make a general offer under Rule 14 of the Code is subject to the conditions stated at paragraphs (a) to (f) above;
  - (h) the Company obtains SIC's approval in advance for those parts of the Circular that refer to the Whitewash Resolution;
  - (i) to rely on the Whitewash Resolution, approval of the Whitewash Resolution must be obtained within three (3) months of 4 June 2019, the acquisition of the Rights Shares with Warrants by the Undertaking Shareholders must be completed within three (3) months of the date of the approval of the Whitewash Resolution, and the acquisition of the Warrant Shares upon exercise of the Warrants must be completed within five (5) years of the date of issue of the Warrants; and
  - (j) the Undertaking Shareholders complying or procuring the relevant person(s) to comply with the disclosure requirements set out in Note 2 on Section 2 of Appendix 1 of the Code.

As at the Latest Practicable Date, save for conditions (a), (c), (d)(i), (i) and (j), all the above conditions imposed by the SIC have been satisfied.

Clarification with the SIC had been sought on 11 March 2019 in relation to, *inter alia*, whether Mr Lau Gee Hong would be presumed to be acting in concert with Mr Ow Chin Seng and Mdm Low Kheng, in relation to any acquisition of shares or instruments convertible into and options in respect of shares in the Company during (i) the period between the first announcement of the proposed Rights cum Warrants Issue and the date shareholders' approval is obtained for the Whitewash Resolution, and (ii) in the six (6) months prior to the first announcement of the proposed Rights cum Warrants Issue.

Mr Lau Gee Hong (i) has not kept in contact with Mr Ow Chin Seng and Mdm Low Kheng, and as such, Mr Ow Chin Seng and Mdm Low Kheng do not have any influence or control over Mr Lau Gee Hong, and (ii) has not purchased or acquired any Shares in the Company, and has not voted at any general meeting of the Company either in person or proxy. Accordingly, pursuant to the request for clarification, the SIC provided their ruling on 4 June 2019 (as amended and supplemented by their email dated 18 June 2019), that any acquisition of shares or instruments convertible into and options in respect of shares of the Company by Mr Lau Gee Hong in the following periods, will not invalidate the Whitewash Waiver:–

- (a) during the period between the first announcement of the proposed Rights cum Warrants Issue and the date shareholders' approval is obtained for the Whitewash Resolution; and

- (b) in the six (6) months prior to the first announcement of the proposed Rights cum Warrants Issue but subsequent to negotiations, discussions or the reaching of understandings or agreements with the directors of the Company in relation to the proposed Rights cum Warrants Issue.

For the avoidance of doubt, the Concert Party Group, and parties not independent of them will abstain from voting on the Whitewash Resolution and shall not accept nomination as proxies or otherwise for voting on the Whitewash Resolution at the EGM.

### 5.3 Dilution

The dilution effect to the shareholdings of existing Shareholders upon the completion of the proposed Rights cum Warrants Issue will be as follows:–

#### 5.3.1 Maximum Subscription Scenario

For illustrative purposes only, the following table sets out the potential dilution effect of the Rights cum Warrants Issue on existing Shareholdings under the Maximum Subscription Scenario:–

	As at the Latest Practicable Date		Immediately after the Rights cum Warrants Issue but before the exercise of the Warrants		Immediately after the Rights cum Warrants Issue and after the exercise of the Warrants	
	Number of Shares	%	Number of Shares	%	Number of Shares	%
<b>The Undertaking Shareholders</b>	82,637,882	33.76	106,622,352	33.40	127,946,822	33.40
<b>The Concert Party Group (excluding the Undertaking Shareholders)</b>	9,418,263	3.85	13,497,829	4.23	16,197,395	4.23
<b>Other Shareholders</b>	152,714,755	62.39	199,133,444	62.37	238,960,133	62.37
<b>Total</b>	244,770,900	100.00	319,253,625	100.00	383,104,350	100.00

#### 5.3.2 Minimum Subscription Scenario

For illustrative purposes only, the following table sets out the potential dilution effect of the Rights cum Warrants Issue on existing Shareholdings under the Minimum Subscription Scenario:–

	As at the Latest Practicable Date		Immediately after the Rights cum Warrants Issue but before the exercise of the Warrants		Immediately after the Rights cum Warrants Issue and after the exercise of the Warrants	
	Number of Shares	%	Number of Shares	%	Number of Shares	%
<b>The Undertaking Shareholders</b>	82,637,882	33.76	103,297,352	38.92	123,956,822	43.33
<b>The Concert Party Group (excluding the Undertaking Shareholders)</b>	9,418,263	3.85	9,418,263	3.55	9,418,263	3.29
<b>Other Shareholders</b>	152,714,755	62.39	152,714,755	57.53	152,714,755	53.38
<b>Total</b>	244,770,900	100.00	265,430,370	100.00	286,089,840	100.00

### 5.3.3 Excess Rights Shares with Warrants Scenario

For illustrative purposes only, the following table sets out the potential dilution effect of the Rights cum Warrants Issue on existing Shareholdings under the Excess Rights Shares with Warrants Scenario:–

	As at the Latest Practicable Date		Immediately after the Rights cum Warrants Issue but before the exercise of the Warrants		Immediately after the Rights cum Warrants Issue and after the exercise of the Warrants	
	Number of Shares	%	Number of Shares	%	Number of Shares	%
<b>The Undertaking Shareholders</b>	82,637,882	33.76	110,622,352 <sup>(1)</sup>	39.82	135,946,822 <sup>(3)</sup>	44.32
<b>The Concert Party Group (excluding the Undertaking Shareholders)</b>	9,418,263	3.85	14,437,829 <sup>(2)</sup>	5.20	18,077,395 <sup>(4)</sup>	5.89
<b>Other Shareholders</b>	152,714,755	62.39	152,714,755	54.98	152,714,755	49.79
<b>Total</b>	244,770,900	100.00	277,774,936	100.00	306,738,972	100.00

**Notes:–**

(1) This figure consists of:–

- (a) 82,637,882 Shares, being the total number of Shares held by the Undertaking Shareholders as at the Latest Practicable Date;
- (b) 2,660,000 Shares (consisting of 1,330,000 Shares held by Mr. Ow Chin Seng and 1,330,000 Shares held by Mdm Low Kheng), being the Shares issued to the Undertaking Shareholders following the exercise of all 2,660,000 outstanding and unexercised Share options under the ESOS 2013 previously granted to the Undertaking Shareholders;
- (c) 21,324,470 Rights Shares with Warrants (unexercised), being the Undertaking Shareholders' full entitlements under the Rights cum Warrants Issue (calculated on the basis of the Undertaking Shareholders exercising all outstanding and unexercised Share options under the ESOS 2013 previously granted to the Undertaking Shareholders; and
- (d) 4,000,000 Rights Shares with Warrants (unexercised), being the additional excess Rights Shares with Warrants the Undertaking Shareholders intends to subscribe for (if available).

(2) This figure consists of:–

- (a) 9,418,263 Shares, being the total number of Shares held by the Concert Party Group (excluding the Undertaking Shareholders) as at the Latest Practicable Date;
- (b) 1,380,000 Shares, being the Shares issued to the Concert Party Group (excluding the Undertaking Shareholders) following the exercise of all 1,380,000 outstanding and unexercised Share options under the ESOS 2013 previously granted to the Concert Party Group (excluding the Undertaking Shareholders) (if applicable);
- (c) 2,699,566 Rights Shares with Warrants (unexercised), being the Concert Party Group's (excluding the Undertaking Shareholders) full entitlements under the Rights cum Warrants Issue (calculated on the basis of the Concert Party Group (excluding the Undertaking Shareholders) exercising all outstanding and unexercised Share options under the ESOS 2013 previously granted to the Concert Party Group (excluding the Undertaking Shareholders) (if applicable)); and
- (d) 940,000 Rights Shares with Warrants (unexercised), being the additional excess Rights Shares with Warrants the Concert Party Group (excluding the Undertaking Shareholders) intends to subscribe for (if available).

- (3) This figure consists of:–
- (a) 82,637,882 Shares, being the total number of Shares held by the Undertaking Shareholders as at the Latest Practicable Date;
  - (b) 2,660,000 Shares, being the Shares issued to the Undertaking Shareholders following the exercise of all 2,660,000 outstanding and unexercised Share options under the ESOS 2013 previously granted to the Undertaking Shareholders;
  - (c) 21,324,470 Rights Shares and 21,324,470 Warrant Shares (after 21,324,470 Warrants are exercised), being the Undertaking Shareholders' full entitlements under the Rights cum Warrants Issue (calculated on the basis of the Undertaking Shareholders exercising all outstanding and unexercised Share options under the ESOS 2013 previously granted to the Undertaking Shareholders); and
  - (d) 4,000,000 Rights Shares and 4,000,000 Warrant Shares (after 4,000,000 Warrants are exercised), being the additional excess Rights Shares with Warrants the Undertaking Shareholders intends to subscribe for (if available).
- (4) This figure consists of:–
- (a) 9,418,263 Shares, being the total number of Shares held by the Concert Party Group (excluding the Undertaking Shareholders) as at the Latest Practicable Date;
  - (b) 1,380,000 Shares, being the Shares issued to the Concert Party Group (excluding the Undertaking Shareholders) following the exercise of all 1,380,000 outstanding and unexercised Share options under the ESOS 2013 previously granted to the Concert Party Group (excluding the Undertaking Shareholders) (if applicable);
  - (c) 2,699,566 Rights Shares and 2,699,566 Warrant Shares (after 2,699,566 Warrants are exercised), being the Concert Party Group's (excluding the Undertaking Shareholders) full entitlements under the Rights cum Warrants Issue (calculated on the basis of the Concert Party Group (excluding the Undertaking Shareholders) exercising all outstanding and unexercised Share options under the ESOS 2013 previously granted to the Concert Party Group (excluding the Undertaking Shareholders) (if applicable)); and
  - (d) 940,000 Rights Shares and 940,000 Warrant Shares (after 940,000 Warrants are exercised), being the additional excess Rights Shares with Warrants the Concert Party Group (excluding the Undertaking Shareholders) intends to subscribe for (if available).

#### 5.4 Whitewash Resolution

Independent Shareholders are requested to vote by way of a poll on the proposed Whitewash Resolution set out as an ordinary resolution in the notice of EGM on pages 99 to 101 of this Circular, waiving any rights to receive a mandatory general offer from the Concert Party Group for all the remaining Shares in issue not already owned, controlled or agreed to be acquired by them.

**Shareholders should note that the Irrevocable Undertakings are conditional upon the approval of the proposed Whitewash Resolution by the Independent Shareholders. If the Independent Shareholders do not vote in favour of the Whitewash Resolution, the Irrevocable Undertakings will not take place.**

**Independent Shareholders should note that:–**

- (a) by voting in favour of the Whitewash Resolution, Independent Shareholders will be waiving their rights to receive a mandatory general offer from the Concert Party Group for all the remaining Shares in issue not already owned, controlled or agreed to be acquired by them at the highest price paid or agreed to be paid by him for the Shares in the past six (6) months preceding the commencement of the offer;**
- (b) by voting in favour of the Whitewash Resolution, Independent Shareholders could be foregoing the opportunity to receive a general offer from another person who may be discouraged from making a general offer in view of the potential dilution effect of the Warrants; and**



- (c) the subscription by, and allotment to, the Concert Party Group of Excess Rights Shares with Warrants under the proposed Rights cum Warrants Issue (up to an additional excess 4,940,000 Rights Shares with Warrants) may result in the Concert Party Group holding Shares carrying over 49.0% of the voting rights of the Company (upon the exercise of the Warrants), and the Concert Party Group would thereafter be free to acquire further shares without incurring any obligation under Rule 14 of the Take-over Code to make a mandatory general offer.

The Company has appointed Novus Corporate Finance Pte. Ltd. as the IFA to advise the Independent Directors in respect of the Whitewash Resolution. The letter from the IFA to the Independent Directors containing its opinion and advice on the Whitewash Resolution is set out in **Appendix A** to this Circular.

## 6. INTERESTS OF THE DIRECTORS AND THE SUBSTANTIAL SHAREHOLDERS

The following table shows the shareholding interests of the Directors and the Substantial Shareholders of the Company as at the Latest Practicable Date:–

Directors	Direct Interest		Deemed Interest		Total Interest	
	No. of Shares	% <sup>(1)</sup>	No. of Shares	% <sup>(1)</sup>	No. of Shares	% <sup>(1)</sup>
Ow Chin Seng	74,362,958	30.38	8,274,924	3.38	82,637,882	33.76
Ng Kim Keang	3,871,100	1.50	–	–	3,871,100	1.50
Ow Eei Meng, Benjamin	–	–	2,919,400	1.19	2,919,400	1.19
John Lim Geok Peng	–	–	–	–	–	–
Tan Poh Hong	–	–	–	–	–	–
<b>Substantial Shareholder (excluding Directors)</b>						
Low Kheng <sup>(2)</sup>	8,274,924	3.38	74,362,958	30.38	82,637,882	33.76

### Notes:

(1) Based on the issued share capital of the Company of 244,770,900 Shares as at the Latest Practicable Date.

(2) Mdm Low Kheng is deemed to be interested in all the Shares held by Mr. Ow Chin Seng by virtue of Section 7 of the Companies Act.

Save as disclosed in this Section 6, none of the Directors or Substantial Shareholders has any interest, direct or indirect, in the Rights cum Warrants Issue and/or the Whitewash Resolution other than through their respective shareholdings (direct or indirect) in the Company.

## 7. EXTRAORDINARY GENERAL MEETING

The EGM, notice of which is set out on pages 99 to 101 of this Circular, will be held at 52 Tuas Avenue 9, Singapore 639193 on 2 August 2019 at 10.00 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the ordinary resolutions in relation to the Rights cum Warrants Issue and Whitewash Resolution set out in the notice of EGM.

## 8. BOOKS CLOSURE DATE

Subject to the Shareholders' approval of the Rights cum Warrants Issue at the EGM and the receipt of the listing and quotation notice from the SGX, the Books Closure Date for the purpose of determining the Entitled Shareholders' entitlements under the Rights cum Warrants Issue will be announced at a later date.

## 9. OFFER INFORMATION STATEMENT

An Offer Information Statement will be despatched to the Entitled Shareholders subject to, *inter alia*, the approval of Shareholders for the Rights cum Warrants Issue and the Whitewash Resolution being obtained at the EGM. Acceptances and applications under the Rights cum Warrants Issue can only be made on the following (all of which will form part of the Offer Information Statement):-

- (a) the PAL, in the case of Entitled Scripholders;
- (b) the ARE, in the case of Entitled Depositors;
- (c) the ARS, in the case of persons purchasing provisional allotments of Rights Shares through the book-entry (scripless) settlement system whose registered addresses with CDP are in Singapore; and
- (d) the automated teller machines of Participating Banks providing electronic applications through such automated teller machines, in the case of Entitled Shareholders or their Renounees or Purchasers of provisional allotments of Rights Shares on the SGX-ST.

The procedures for, and the terms and conditions applicable to, the acceptances, renunciations and/or sales of the provisional allotments of the Rights Shares with Warrants and for the Excess Applications for the Rights Shares with Warrants pursuant to the Rights cum Warrants Issue, including the different modes of acceptance or application and payment, will be set out in the Offer Information Statement to be despatched by the Company to Entitled Shareholders in due course, subject to, *inter alia*, the Rights cum Warrants Issue and the Whitewash Resolution being passed at the EGM.

## 10. ACTION TO BE TAKEN BY SHAREHOLDERS

- 10.1 **Appointment of Proxies.** Shareholders who are unable to attend the EGM and wish to appoint a proxy to attend and vote at the EGM on their behalf are requested to complete, sign and return the Proxy Form enclosed with this Circular in accordance with the instructions printed thereon as soon as possible and in any event so as to reach the registered office of the Company at 52 Tuas Avenue 9, Singapore 639193 **not less than 72 hours before the time set for the EGM.**

Shareholders who have completed and returned the Proxy Form may still attend and vote in person at the EGM, if they so wish, in place of their proxy. The completion and return of a Proxy Form by a Shareholder does not preclude him from attending and voting in person at the EGM in place of his proxy if he so wishes. However, any appointment of a proxy or proxies by such Shareholder shall be deemed to be revoked if the Shareholder attends the EGM in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the Proxy Form to the EGM.

- 10.2 **Depositors.** A Depositor shall not be regarded as a member of the Company entitled to attend the EGM and vote at the EGM unless he is shown to have Shares entered against his name in the Depository Register, as certified by CDP as at 72 hours before the EGM.



## 11. ADVICE OF THE INDEPENDENT FINANCIAL ADVISER

Pursuant to the conditions imposed by the SIC, the Directors have appointed Novus Corporate Finance Pte. Ltd. as the IFA to advise the Independent Directors in respect of the proposed Whitewash Resolution.

The letter from the IFA to the Independent Directors on the proposed Whitewash Resolution, containing its opinion and advice in full, is reproduced and set out in **Appendix A** to this Circular. Shareholders are advised to read and consider carefully the advice of the IFA and the recommendation of the Independent Directors on the proposed Whitewash Resolution.

**Having regard to the considerations set out in the letter from the IFA to the Independent Directors in respect of the Whitewash Resolution as set out in Appendix A to this Circular and the information available to the IFA as at the Latest Practicable Date, the IFA is of the opinion that the Rights cum Warrants Issue which is the subject of the Whitewash Resolution is fair and reasonable. Accordingly, the IFA advises the Independent Directors to recommend that the Independent Shareholders vote in favour of the Whitewash Resolution at the EGM.**

## 12. DIRECTORS' RECOMMENDATION

The Independent Directors, having considered, *inter alia*, the rationale for the Proposed Rights cum Warrants Issue as set out in Section 2.9 of this Circular and the opinion and advice of the IFA as set out in the IFA Letter in **Appendix A** of this Circular, are of the opinion that the proposed Whitewash Resolution is in the best interests of the Company and is not prejudicial to the interests of the Independent Shareholders. Accordingly, the Independent Directors recommend that the Independent Shareholders vote in favour of the proposed Whitewash Resolution, and the proposed Rights cum Warrants Issue at the EGM.

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

## 13. 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, as at the Latest Practicable Date, to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Rights cum Warrants Issue, 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.

#### 14. MANAGER'S RESPONSIBILITY STATEMENT

To the best of HLF's knowledge and belief, as at the Latest Practicable Date, this Circular constitutes full and true disclosure of all material facts about the Rights cum Warrants Issue, the Company and its subsidiaries, and HLF is not aware of any facts the omission of which would make any statement in this Circular misleading.

#### 15. CONSENT

HLF, the Manager of the Rights cum Warrants Issue, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name and all references thereto, in the form and context in which it is included in this Circular and to act in such capacity in relation to this Circular.

Novus Corporate Finance Pte. Ltd., the IFA, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name and all references thereto and the letter to the Independent Directors dated **11 July 2019** as set out in **Appendix A** to this Circular, in the form and context in which they appear in this Circular, and to act in that capacity in relation to this Circular.

#### 16. MATERIAL LITIGATION

As at the Latest Practicable Date, the Directors are not aware of any legal or arbitration proceedings pending or threatened or known to be contemplated, by or against the Company or any of its subsidiaries which might have or which have had in the 12 months immediately preceding the date of this Circular, a material effect on the financial position or profitability of the Company or the Group taken as a whole or of any facts likely to give rise to any such litigation or arbitration claim.

#### 17. MATERIAL CONTRACTS

Save as disclosed herein, the Company and its subsidiaries have not entered into any material contracts (not being contracts entered into in the ordinary course of business) for the period of two (2) years immediately preceding the Latest Practicable Date:–

- (a) On 30 July 2018, the Company announced that its 88% owned subsidiary, ChangXing LinSheng Wastewater Treatment Co., Ltd has entered into an extension investment framework agreement on 30 July 2018 with the municipal government of ChangXing LinCheng pursuant to which ChangXing LinSheng Wastewater Treatment Co., Ltd has been awarded additional service concession rights to construct and operate a wastewater treatment plant in LinCheng Town, PRC.
- (b) On 17 August 2018, the Company announced that its 25% owned associate, Shanghai Onway Environmental Co., Ltd together with other strategic investors had been awarded its maiden Public-Private-Partnership project in July 2018 by Wujiang District, Housing and Urban Construction Bureau worth approximately RMB134 million or equivalent to approximately S\$26.80 million ("**Project**"). The Project will be undertaken by a joint venture ("**JV**");
- (c) On 21 August 2018, the Company announced that its that the Company has on 21 August 2018 entered into a non-binding strategic collaboration memorandum (the "**Memorandum**") with Zhejiang Fuchun Ziguang Environmental Co., Ltd. ("**Fuchun Ziguang**"), an independent unrelated third party for the purposes of establishing a

business collaboration and overall strategic partnership between the Company and Fuchun Ziguang in relation to the water treatment and environmental protection industry in Zhejiang Province, PRC.

- (d) On 1 October 2018, the Company announced that its 60% owned subsidiary, ChangXing AngWei Environmental & Ecological Engineering Co., Ltd (the “**Angwei**”) has entered into an extension investment framework agreement (the “**Agreement**”) on 28 September 2018 with the municipal government of ChangXing (the “**Government**”) pursuant to which Angwei has been awarded additional service concession rights to construct and operate a wastewater treatment plant (the “**Plant**”) in ChangXing Town, PRC (the “**Project**”).
- (e) On 24 May 2019, the Company announced that its wholly-owned subsidiary, Anxon Environmental Pte Ltd, has entered into a sale and purchase agreement with Shanghai WanZhuan Environmental Technology Partnership Enterprise (Limited Partnership) on 22 May 2019 to acquire 20% of the shares in Shuanglin (Huzhou) Wastewater Treatment Co., Ltd for a consideration of RMB8,935,295.27.

## **18. DOCUMENTS AVAILABLE FOR INSPECTION**

The following documents may be inspected at the business office of the Company at 52 Tuas Avenue 9, Singapore 639193 during normal business hours from the date of this Circular up to and including the date of the EGM:–

- (a) the Annual Reports of the Company for FY2016, FY2017 and FY2018;
- (b) the Constitution of the Company;
- (c) the Irrevocable Undertakings;
- (d) the IFA letter dated 11 July 2019 as set out in **Appendix A** of this Circular;
- (e) the letters of consent referred to in Section 15 of this Circular;
- (f) the material contracts referred to in Section 17 of this Circular; and
- (g) the Deed Poll.

Yours faithfully

For and on behalf of the Board of

**ANNAIK LIMITED**

Ow Chin Seng  
Executive Chairman cum Chief Executive Officer  
Singapore  
**11 July 2019**

**LETTER OF ADVICE FROM NOVUS CORPORATE FINANCE PTE. LTD.  
TO THE INDEPENDENT DIRECTORS**

**NOVUS CORPORATE FINANCE PTE. LTD.**

(Incorporated in the Republic of Singapore)  
(Company Registration Number:201723484W)  
9 Raffles Place  
#17-05 Republic Plaza Tower 1  
Singapore 048619

11 July 2019

To: The Independent Directors of AnnAik Limited  
(deemed to be independent in respect of the Whitewash Resolution)

Mr. Lim Geok Peng  
Ms. Tan Poh Hong

Dear Sirs,

**INDEPENDENT FINANCIAL ADVICE TO THE INDEPENDENT DIRECTORS IN RESPECT OF  
THE WHITEWASH RESOLUTION AS A RESULT OF THE RIGHTS CUM WARRANTS ISSUE**

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*Unless otherwise defined or the context otherwise requires, all terms defined in the circular issued by the Company (the “Circular”) to shareholders of the Company dated 11 July 2019 shall have the same meaning herein.*

**1. INTRODUCTION**

**1.1 Rights cum Warrants Issue**

On 28 December 2018 (the “**Announcement Date**”), the board of directors (the “**Directors**”) of AnnAik Limited (the “**Company**”), and together with its subsidiaries (collectively, the “**Group**”) announced (the “**Announcement**”) that the Company was proposing to undertake a renounceable non-underwritten rights cum warrants issue of up to 63,850,725 new ordinary shares in the capital of the Company (the “**Shares**”) (the “**Rights Shares**”) (assuming that 10,632,000 outstanding and unexercised Share options as at the Announcement Date which were granted to the Company’s employees under the Company’s existing Share option scheme (the “**ESOS 2013**”) and which are exercisable before the Books Closure Date are exercised by the Books Closure Date) at the issue price of S\$0.065 for each Rights Share (the “**Issue Price**”), with up to 63,850,725 free detachable and transferable warrants (the “**Warrants**”), with each Warrant carrying the right to subscribe for one (1) new Share (the “**Warrant Share**”) at an exercise price of S\$0.200 for each Warrant Share (the “**Exercise Price**”), on the basis of one (1) Rights Share and one (1) Warrant for every four (4) existing Shares held by all shareholders of the Company (the “**Shareholders**”) who are eligible to participate in the Rights cum Warrants Issue (as defined herein) (the “**Entitled Shareholders**”), comprising Entitled Depositors and Entitled Scripholders, as at the Books Closure Date, fractional entitlements to be disregarded (the “**Rights cum Warrants Issue**”).

As at 5 July 2019 (the “**Latest Practicable Date**”), Mr. Ow Chin Seng and Mdm Low Kheng (the “**Undertaking Shareholders**”) hold 74,362,958 Shares and 8,274,924 Shares respectively, representing approximately 30.38% and 3.38% of the existing issued and paid-up share capital of the Company of 244,770,900 Shares (the “**Existing Issued Share Capital**”), as well as 2,660,000 Share options issued to the Undertaking Shareholders pursuant to the ESOS 2013 which have not been exercised.

The concert parties of the Undertaking Shareholders (the “**Concert Parties**”) include several relatives of the Undertaking Shareholders who also hold Shares, the details of which are set out in the Circular. The Concert Parties hold in aggregate 9,418,263 Shares, representing approximately 3.85% of the Existing Issue Share Capital. Accordingly, the Undertaking Shareholders and the Concert Parties (the “**Concert Party Group**”) hold in aggregate 92,056,145 Shares, representing approximately 37.61% of the Existing Issued Share Capital.

The Undertaking Shareholders had given irrevocable undertakings to the Company dated 28 December 2018 (the “**Irrevocable Undertakings**”) to, *inter alia*, subscribe and pay for their full entitlement of 20,659,470 Rights Shares (the “**OCS Rights Shares**”) with 20,659,470 Warrants (the “**OCS Warrants**”), assuming that they do not exercise any of their exercisable Share options under the ESOS 2013 before the Books Closure Date, under the Rights cum Warrants Issue.

Under Rule 14 of the Singapore Code on Take-overs and Mergers (the “**Code**”), except with the consent of the Securities Industry Council (“**SIC**”), any person who acquires, whether by a series of transactions over a period of time or not, shares which (taken together with shares held or acquired by persons acting in concert with him) carry 30.0% or more of the voting rights of a company; or any person who together with parties acting in concert with him, holds not less than 30.0% but not more than 50.0% of the voting rights in a company and such person, or any party acting in concert with him, acquires in any period of six (6) months additional shares carrying more than 1.0% of voting rights in the company, shall be obliged to make a mandatory general offer for all the shares not already owned, controlled or agreed to be acquired by him and the persons acting in concert with him.

Assuming that in fulfilment of the Irrevocable Undertakings, none of the exercisable Share options are exercised, and none of the Entitled Shareholders (save for the Undertaking Shareholders) subscribe for their entitlements of the Rights Shares with Warrants, the Undertaking Shareholders subscribe for their entitlements of the Rights Shares with Warrants:

- (a) the Undertaking Shareholders’ shareholdings in the Company will increase from approximately 33.76% as at the date of the Circular to 38.92%, and increase to 43.33% upon the exercise of the OCS Warrants by the Undertaking Shareholders; and
- (b) the Concert Party Group’s shareholdings in the Company will increase from approximately 37.61% as at the date of the Circular to 42.47%, and increase to 46.62% upon the exercise of the OCS Warrants by the Undertaking Shareholders.

Assuming the Excess Rights Shares with Warrants Scenario (as defined in the Circular), the Concert Party Group’s shareholdings in the Company will:

- (a) increase from approximately 37.61% as at the date of this Circular to 44.03% if the Concert Party Group subscribes for their full entitlements under the Rights cum Warrants Issue, and increase to 48.56% upon the exercise of 24,024,036 Warrants; and
- (b) increase from approximately 37.61% as at the date of this Circular to 45.02% if the Concert Party Group subscribes for their full entitlements under the Rights cum Warrants Issue together with up to an additional 4,940,000 excess Rights Shares with Warrants (subject to availability), and further increase to 50.21% upon the exercise of 28,964,036 Warrants by the Concert Party Group.

Under the Code, the increase in shareholding would trigger an obligation of the Undertaking Shareholders to make a mandatory general offer for the remaining Shares not already owned or controlled by the Concert Party Group.

Accordingly, an application has been made by the Company to the SIC for a waiver of the requirement of the Concert Party Group to make a mandatory general offer for the remaining Shares not already owned or controlled by the Concert Party Group under Rule 14 of the Code arising from the Rights cum Warrants Issue and the Undertaking Shareholders' obligations under the Irrevocable Undertakings (the "**Whitewash Waiver**"). The SIC had granted the Whitewash Waiver on condition that, *inter alia*, approval be sought from a majority of the holders of voting rights of the Company present and voting at a general meeting, held before the Rights cum Warrants Issue, approved by way of a poll, in respect of a resolution to waive their rights to receive a general offer from the Concert Party Group for the remaining Shares not already owned or controlled by the Concert Party Group, arising from the Rights Cum Warrants Issue and the Undertaking Shareholders' obligations under the Irrevocable Undertakings (the "**Whitewash Resolution**") and an independent financial adviser (the "**IFA**") being appointed to advise the independent directors deemed to be independent in respect of the Whitewash Resolution (the "**Independent Directors**").

Novus Corporate Finance Pte. Ltd. ("**NCF**") has been appointed by the Company in accordance with the Code as the IFA to advise the Independent Directors in respect of the Whitewash Resolution. This letter sets out, *inter alia*, our views and evaluation of the Whitewash Resolution and our opinion thereon (the "**Letter**"), and will form part of the Circular providing, *inter alia*, the terms and conditions of the Rights cum Warrants Issue, the Whitewash Resolution and the recommendation of the Independent Directors.

## 2. TERMS OF REFERENCE

We have been appointed to advise the Independent Directors in respect of the Whitewash Resolution.

We were neither a party to the negotiations entered into by the Company in relation to the Rights cum Warrants Issue nor were we involved in the deliberations leading up to the decision of the Directors to undertake the Rights cum Warrants Issue. Accordingly, we do not, by this Letter, warrant the merits of the Rights cum Warrants Issue and/or the Whitewash Resolution other than to express an opinion on whether the Rights cum Warrants Issue which is the subject of the Whitewash Resolution is fair and reasonable.

Our terms of reference do not require us to evaluate or comment on the legal, commercial or strategic merits of the Rights cum Warrants Issue and/or the Whitewash Resolution. Such evaluations and comments are and remain the sole responsibility of the Directors, although we may draw upon their views or make such comments in respect thereof (to the extent deemed necessary or appropriate by us) in arriving at our opinion and advice as set out in this Letter.

In the course of our evaluation, we have relied on, and assumed without independent verification, the accuracy and completeness of published information relating to the Company. We have also relied on information provided and representations made, whether written or verbal, including relevant financial analyses, estimates and representations contained in the Circular by the management of the Company (the "**Management**"), the Directors and the Company's solicitors. We have not independently verified such information, representation or assurance, whether written or verbal, and accordingly cannot and do not make any representation or warranty, expressed or implied, in respect of, and do not accept any responsibility for, the accuracy, completeness or adequacy of such information or representations. We have nevertheless made reasonable enquiries and



exercised our judgement as we deemed necessary in assessing the information and representations provided to us and have found no reason to doubt the reliability of the information and representations.

We have relied upon the assurances of the Directors (including those who may have been delegated detailed supervision of the Circular) that, upon making all reasonable inquiries and to the best of their respective knowledge, information and belief, that (a) all material information in connection with the Rights cum Warrants Issue, the Whitewash Resolution, the Company and/or the Group has been disclosed to us; (b) such information is true, complete and accurate in all material aspects; and (c) there is no other information or fact, the omission of which would cause any information disclosed to us or the facts of or in relation to the Rights cum Warrants Issue, the Whitewash Resolution, the Company and/or the Group stated in the Circular to be inaccurate, incomplete or misleading in any material respect. The Directors collectively and individually accept responsibility accordingly.

For the purpose of assessing the Rights cum Warrants Issue and reaching our conclusion thereon, we have not conducted a comprehensive independent review of the business, operations or financial condition of the Company and/or the Group. We have also not relied upon any financial projections or forecasts in respect of the Company and/or the Group. We are not required to express, and we do not express, any view on the growth prospects and earnings potential of the Company and/or the Group in connection with our opinion and advice in this Letter.

We have not made any independent evaluation or appraisal of the assets and liabilities of the Company and/or the Group. As such, we have relied on the disclosures and representations made by the Company on the value of the assets, liabilities and profitability of the Company and/or the Group. We have also not been furnished with any such independent evaluation or appraisal.

Our analysis, opinion and advice as set out in this Letter is based on the market, economic, industry, monetary and other conditions in effect on, and the information provided to us as at the Latest Practicable Date. Such conditions may change significantly over a relatively short period of time and we assume no responsibility to update, revise or reaffirm our opinion and advice in light of any subsequent development after the Latest Practicable Date that may affect our opinion and advice contained herein. Shareholders should further take note of any announcements relevant to their consideration of the Rights cum Warrants Issue and/or the Whitewash Resolution which may be released by the Company after the Latest Practicable Date.

In rendering our opinion and advice, we did not have regard to the specific investment objectives, financial situation, tax status, risk profiles or unique needs and constraints of any individual Shareholder. As each Shareholder would have different investment objectives and profiles, we would advise the Independent Directors to recommend that any individual Shareholder who may require specific advice in relation to his investment objectives or portfolio should consult his stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

The Company has been separately advised by its own advisers in the preparation of the Circular (other than this Letter). Accordingly, we take no responsibility for and express no views, express or implied, on the contents of the Circular (other than this Letter).

**Our opinion and advice in respect of the Whitewash Resolution, as set out in paragraph 7 of this Letter, should be considered in the context of the entirety of this Letter and the Circular.**

### 3. THE RIGHTS CUM WARRANTS ISSUE

The full details of the Rights cum Warrants Issue, including its principal terms and conditions, are set out in Section 2 of the Circular. **We recommend that the Independent Directors advise the Shareholders that are independent of the Concert Party Group (the “Independent Shareholders”) to read the Circular very carefully.**

#### 3.1 Basis of the Rights cum Warrants Issue

The Rights cum Warrants Issue is proposed to be made on a renounceable non-underwritten basis, with up to 63,850,725 Rights Shares at the Issue Price and up to 63,850,725 free detachable and transferrable Warrants, with each Warrant carrying the right to subscribe for one (1) Warrant Share at the Exercise Price, on the basis of one (1) Rights Share and one (1) Warrant for every four (4) Shares held by Entitled Shareholders as at the Books Closure Date, fractional entitlements to be disregarded.

The Warrants may be exercised at any time during the period commencing on and including the date of issue of the Warrants and expiring at 5.00 p.m. on the date immediately preceding the fifth (5th) anniversary of the date of issue of the Warrants (the “**Exercise Period**”). Further details on the principal terms of the Rights cum Warrants Issue are disclosed in Section 2.2 of the Circular.

#### 3.2 The Issue Price

The Issue Price represents a discount of approximately:

- (a) 35.00% to the closing price of S\$0.100 per Share on the SGX-ST on 26 December 2018, being the last trading day referenced by the Company prior to the Announcement;
- (b) 30.11% to the theoretical ex-rights price of S\$0.093 (being the theoretical market price of each Share assuming the completion of the Rights cum Warrants Issue based on the Maximum Subscription Scenario, and which is calculated based on the closing price of S\$0.100 per Share on the SGX-ST on 26 December 2018, being the last trading day referenced by the Company prior to the Announcement); and
- (c) 35.00% to the 1-day volume weighted average price of S\$0.100 per Share on the SGX-ST on 26 December 2018, being the last trading day referenced by the Company prior to the Announcement.

#### 3.3 Conditions for the Rights Cum Warrants Issue

The Rights cum Warrants Issue is subject to, *inter alia*, the approval of the Independent Shareholders for the Whitewash Resolution at the extraordinary general meeting of the Company to be held on 2 August 2019 (the “**EGM**”). Further details of the other conditions are set out in Section 2.3 of the Circular, and Shareholders are advised to read the information carefully.

#### 3.4 Irrevocable Undertakings

As at the Latest Practicable Date, Mr. Ow Chin Seng and Mdm Low Kheng (the Undertaking Shareholders) hold 74,362,958 Shares and 8,274,924 Shares respectively, representing approximately 30.38% and 3.38% of the Existing Issued Share Capital.



To demonstrate their commitment to the Company and their support of the Rights cum Warrants Issue, the Undertaking Shareholders, had by the Irrevocable Undertakings, irrevocably undertaken, *inter alia*, to:

- (a) subscribe and pay for the OCS Rights Shares with the OCS Warrants (assuming that none of the exercisable Share options under the ESOS 2013 are exercised before the Books Closure Date);
- (b) not sell, transfer or otherwise dispose of any of the existing Shares held by themselves or parties acting in concert with them until the Rights cum Warrants Issue is completed; and
- (c) procure confirmations from relevant financial institutions that they have sufficient financial resources to fulfil their obligations under their respective Irrevocable Undertakings.

The Irrevocable Undertakings are subject to and conditional upon the following:

- (a) the Whitewash Waiver not having been withdrawn or revoked as at the date of completion of the Rights cum Warrants Issue; and
- (b) the approval of the Independent Shareholders for the Whitewash Resolution at the EGM.

Further details of the Irrevocable Undertakings are also set out in Section 2.6 of the Circular.

#### **4. WHITEWASH RESOLUTION**

##### **4.1 Mandatory General Offer**

Under Rule 14.1 of the Code, except with the consent of the SIC, where:

- (a) any person who acquires, whether by a series of transactions over a period of time or not, shares which taken together with shares held or acquired by persons acting in concert with him carry 30.0% or more of the voting rights in a company; or
- (b) any person who together with persons acting in concert with him, holds not less than 30.0% but not more than 50.0% of the voting rights in a company and such person, or any person acting in concert with him, acquires in any period of six (6) months additional shares carrying more than 1.0% of the voting rights in the company,

such person must extend a mandatory general offer immediately to the Shareholders for the remaining Shares in the Company in accordance with the provisions of the Code. In addition to such person, each of the principal members of the group of persons acting in concert with him may, according to the circumstances of the case, have an obligation to extend an offer.

As at the Latest Practicable Date, the Concert Party Group collectively holds 92,056,145 Shares, representing approximately 37.61% of the Existing Issued Share Capital. The Rights Shares with Warrants and Excess Rights Shares with Warrants (subject to availability) to be issued to the Concert Party Group may result in the Concert Party Group acquiring more than 1.0% of the voting rights of the Company, thereby triggering the obligation of the Concert Party Group to make a mandatory general offer unless such requirement is waived by the SIC.

## 4.2 Whitewash Waiver

The SIC had granted the Whitewash Waiver, waiving the obligation for the Concert Party Group to make a mandatory general offer under Rule 14 of the Code for the Company in the event that they incur an obligation to do so as a result of them (i) subscribing for the Rights Shares with Warrants pursuant to the Irrevocable Undertakings; (ii) subscribing for 4,940,000 excess Rights Shares with Warrants; and (iii) exercising the Warrants in respect of the Rights Shares with Warrants acquired, subject to, *inter alia*, the following conditions (the “**SIC Conditions**”):

- (a) a majority of holders of voting rights of the Company approve at a general meeting, before the proposed Rights cum Warrants Issue, the Whitewash Resolution by way of a poll to waive their rights to receive a general offer from the Concert Party Group;
- (b) the Whitewash Resolution is separate from other resolutions;
- (c) the Concert Party Group as well as parties not independent of them abstain from voting on the Whitewash Resolution;
- (d) the Concert Party Group did not acquire or are not to acquire any Shares or instruments convertible into and options in respect of Shares (other than subscriptions for, rights to subscribe for, instruments convertible into or options in respect of new Shares which have been disclosed in the Circular):-
  - (i) during the period between the first announcement of the proposed Rights cum Warrants Issue and the date Shareholders’ approval is obtained for the Whitewash Resolution; and
  - (ii) in the six (6) months prior to the first announcement of the proposed Rights cum Warrants Issue, but subsequent to negotiations, discussions or the reaching of understandings or agreements with the directors of the Company in relation to the proposed Rights cum Warrants Issue;
- (e) the Company appoints an IFA to advise the Independent Shareholders on the Whitewash Resolution;
- (f) the Company sets out clearly in the Circular:
  - (i) details of the proposed Rights cum Warrants Issue, including the Irrevocable Undertakings and the proposed subscription of Excess Rights Shares with Warrants by the Concert Party Group;
  - (ii) the dilution effect to existing holders of voting rights upon the issue of the Rights Shares with Warrants and upon exercise of the Warrants;
  - (iii) the number and percentage of voting rights in the Company as well as the number of instruments convertible into, rights to subscribe for and options in respect of Shares held by the Concert Party Group as at the Latest Practicable Date;
  - (iv) the number and percentage of voting rights to be acquired by the Concert Party Group upon the issue of the Rights Shares with Warrants and upon exercise of the Warrants as a result of the Irrevocable Undertakings and the proposed subscription of Excess Rights Shares with Warrants;

- (v) specific and prominent reference to the fact that the issue of the Rights Shares with Warrants and the Warrant Shares upon exercise of the Warrants as a result of the Irrevocable Undertakings and the proposed subscription of Excess Rights Shares with Warrants could result in the Concert Party Group carrying over 49.0% of the voting rights of the Company, and that the Concert Party Group will be free to acquire further Shares without incurring any obligation under Rule 14 of the Code to make a general offer;
- (vi) specific and prominent reference to the fact that the Shareholders, by voting for the Whitewash Resolution, are waiving their rights to a general offer from the Concert Party Group at the highest price paid by any of them for Shares in the past six (6) months preceding the commencement of the offer; and
- (vii) specific and prominent reference to the fact that Shareholders, by voting for the Whitewash Resolution, could be foregoing the opportunity to receive a general offer from another person who may be discouraged from making a general offer in view of the potential dilution effect of the Warrants;
- (g) the Circular states that the waiver granted by SIC to the Concert Party Group from the requirement to make a general offer under Rule 14 of the Code is subject to the conditions stated at paragraphs (a) to (f) above;
- (h) the Company obtains SIC's approval in advance for those parts of the Circular that refer to the Whitewash Resolution;
- (i) to rely on the Whitewash Resolution, approval of the Whitewash Resolution must be obtained within three (3) months of 4 June 2019, the acquisition of the Rights Shares with Warrants by the Undertaking Shareholders must be completed within three (3) months of the date of the approval of the Whitewash Resolution, and the acquisition of the Warrant Shares upon exercise of the Warrants must be completed within five (5) years of the date of issue of the Warrants; and
- (j) the Undertaking Shareholders complying or procuring the relevant person(s) to comply with the disclosure requirements set out in Note 2 on Section 2 of Appendix 1 of the Code.

As at the Latest Practicable Date, save for conditions (a), (c), (d)(i), (i) and (j), all the above SIC Conditions have been satisfied.

### 4.3 Voting

Independent Shareholders are requested to vote by way of a poll, on the Whitewash Resolution set out in the Notice of EGM on page 101 of the Circular, waiving their rights to receive the mandatory general offer.

Independent Shareholders should note that:

- (a) the Rights cum Warrants Issue and the Irrevocable Undertakings are conditional upon, *inter alia*, them voting in favour of the Whitewash Resolution. If Independent Shareholders do not vote in favour of the Whitewash Resolution, the Rights cum Warrants Issue and the Irrevocable Undertakings will not take place;**

- (b) by voting in favour of the Whitewash Resolution, they could be foregoing the opportunity to receive a general offer from another person who may be discouraged from making a general offer in view of the potential dilution effect of the Warrants;
- (c) by voting in favour of the Whitewash Resolution, they will be waiving their rights to receive a mandatory general offer from the Concert Party Group for all the remaining Shares in issue not already owned, controlled or agreed to be acquired by them at the highest price paid or agreed to be paid by the Concert Party Group in the past six (6) months preceding the commencement of the Rights cum Warrants Issue which they would have otherwise been obliged to make for the Shares in accordance with Rule 14 of the Code; and
- (d) the subscription by, and allotment to, the Concert Party Group of Excess Rights Shares with Warrants under the proposed Rights cum Warrants Issue (up to an additional 4,940,000 excess Rights Shares with Warrants) may result in the Concert Party Group holding Shares carrying over 49.0% of the voting rights of the Company (upon the exercise of the Warrants), and the Concert Party Group would thereafter be free to acquire further shares without incurring any obligation under Rule 14 of the Code to make a mandatory general offer.

## 5. EVALUATION OF THE WHITEWASH RESOLUTION

In our evaluation of the Whitewash Resolution, we have considered the following factors which we consider to be pertinent and have a significant bearing on our assessment:

- (a) the rationale for the Rights cum Warrants Issue and use of proceeds;
- (b) the Rights cum Warrants Issue being offered to Entitled Shareholders on a *pro-rata* basis;
- (c) the historical financial performance of the Group;
- (d) the net asset value (“NAV”) and net tangible assets (“NTA”) of the Group;
- (e) the assessment of the Issue Price;
- (f) the valuation of the Warrants;
- (g) the financial effects of the Rights cum Warrants Issue;
- (h) the dilution effect of the Rights cum Warrants Issue on the Independent Shareholders; and
- (i) other relevant considerations.

### 5.1 Rationale for the Rights cum Warrants issue and use of proceeds

It is not within our terms of reference to comment or express an opinion on the merits of the Rights cum Warrants Issue or the future prospects of the Group after the Rights cum Warrants Issue.

Nevertheless, we have reviewed the rationale for the Rights cum Warrants Issue as set out in Section 2.9 of the Circular, the full text of which has been reproduced in italics below.

*“The Company intends to undertake the Rights cum Warrants Issue for funding the growth and expansion of the Group through investments and improving the Group’s general working capital position. Part of the proceeds of the Rights cum Warrants Issue will go towards strengthening the Group’s financial position, thereby increasing the Group’s ability to strategise, formulate and execute its business plans, granting the Group greater financial flexibility to meet future working capital needs and allowing the Group to seize investment opportunities as well as growth and expansion in its distribution and environmental business in a timely manner.”*

In relation to the use of proceeds to be raised from the Rights cum Warrants Issue, we note that in the Maximum Subscription Scenario, the Company will raise net proceeds of approximately S\$4.0 million, after deducting estimated expenses of approximately S\$165,000 incurred in connection with the Rights cum Warrants Issue. In the Minimum Subscription Scenario, the Company will raise net proceeds of approximately S\$1.2 million, after deducting estimated expenses of approximately S\$165,000 incurred in connection with the Rights cum Warrants Issue.

We note that the aforementioned figures do not take into account any proceeds from the exercise of any Warrants. Up to approximately S\$12.8 million (based on 63,850,725 Warrants) and S\$4.1 million (based on 20,659,470 Warrants) may be raised from the exercise of all the Warrants under the Maximum Subscription Scenario and the Minimum Subscription Scenario respectively.

We have also considered the Company’s intended use of the net proceeds to be raised from the Rights cum Warrants Issue, the full text of which has been reproduced in italics below.

*“The Company intends to use the net proceeds in the Minimum Subscription Scenario and the Maximum Subscription Scenario (the “**Rights cum Warrants Issue Proceeds**”) as follows:—*

<i>Intended Use of Proceeds</i>	<i>Net Proceeds from Maximum Subscription Scenario (before exercise of the Warrants) Proceeds (S\$ million)</i>	<i>For each dollar of gross proceeds of the Rights cum Warrants Issue (Maximum Subscription scenario (before exercise of the Warrants)) (cents)</i>	<i>Net Proceeds from Minimum Subscription Scenario (before exercise of the Warrants) Proceeds (S\$ million)</i>	<i>For each dollar of gross proceeds of the Rights cum Warrants Issue (Maximum Subscription scenario (before exercise of the Warrants)) (cents)</i>
<i>Undertake potential investment in distribution and environmental business</i>	2.4	60	0.8	67
<i>Working capital requirement</i>	0.8	20	0.4	33
<i>Repayment of bank borrowings</i>	0.8	20	–	–
<b>Total</b>	<b>4.0</b>	<b>100</b>	<b>1.2</b>	<b>100</b>

*As and when the Warrants are exercised, the proceeds arising therefrom may, at the discretion of the Directors, be applied towards expanding the business of the Group, financing new business ventures through acquisitions, strategic investments and working capital, and/or such other purposes as the Directors may deem fit.*

*Pending the deployment of the net proceeds from the Rights cum Warrants Issue for the purposes mentioned above, such net proceeds may be deposited with banks and/or financial institutions or used for investment in short-term money markets or debt instruments or used for other purposes on a short-term basis as the Directors may deem appropriate in the interests of the Company.*

*The foregoing represents the Company's best estimate of its allocation of the Rights cum Warrants Issue Proceeds based on current plans and estimates regarding the anticipated expenditures. Actual expenditures may vary from these estimates and the Company may find it necessary or advisable to re-allocate the Rights cum Warrants Issue Proceeds within the categories described above or use portions of the Rights cum Warrants Issue Proceeds for other purposes. In the event that the Company decides to re-allocate the Rights cum Warrants Issue Proceeds or use portions for other purposes, the Company will publicly announce such intention to do so through an SGXNET announcement to be posted on the SGX-ST's website at <http://www.sgx.com>.*

*The Company will undertake to make periodic announcements via SGXNET on the utilisation of such Rights cum Warrants Issue Proceeds, as funds are materially disbursed, and whether such a use is in accordance with the proposed use and in accordance with the percentage allocated above. Where the proceeds have been used for working capital purposes, the Company will provide a breakdown with specific details on how the proceeds have been applied in the announcements and annual report. Where there is any material deviation from the proposed use of proceeds, the Company will announce the reasons for such deviation. The Company will also provide a status report on the use of the Rights cum Warrants Issue Proceeds in the Company's annual report until such time the Rights cum Warrants Issue Proceeds have been fully utilised.*

*As at the date of this Circular, the Directors are of the opinion that:-*

- (a) after taking into consideration the present banking facilities and operating cash flows of the Group, the working capital available to the Group is sufficient to meet its present requirements; and*
- (b) after taking into consideration the present banking facilities and operating cash flows of the Group as well as the net proceeds from the Minimum Subscription Scenario of the Rights cum Warrants Issue, the working capital available to the Group is sufficient to meet its present requirements."*

Please refer to Section 2.10 of the Circular for more details of the use of proceeds.

## **5.2 Rights cum Warrants Issue being offered to Entitled Shareholders on a *pro-rata* basis**

Entitled Shareholders will be at liberty to accept (in full or in part), decline or otherwise renounce or, in the case of Entitled Depositors only, trade (during the provisional allotment trading period prescribed by the SGX-ST) their provisional allotments of Rights Shares and will be eligible to apply for additional Rights Shares in excess of their provisional allotments under the Rights cum Warrants Issue.



Fractional entitlements of Right Shares with Warrants will be disregarded in arriving at Entitled Shareholders' entitlements and together with provisional allotments which are not taken up for any reason shall be aggregated and used to satisfy Excess Applications (if any) or otherwise dealt with in such manner as the Directors may, in their absolute discretion, deem fit for the benefit of the Company.

In the allotment of Excess Rights Shares with Warrants, preference will be given to the rounding of odd lots, and Directors and Substantial Shareholders who have control or influence over the Company in connection with the day-to-day affairs of the Company or the terms of the Rights cum Warrants Issue, or have representation (direct or through a nominee) on the Board will rank last in priority for the rounding of odd lots and allotment of Excess Rights Shares with Warrants.

The Company will also not make any allotment and issuance of any Excess Rights Shares with Warrants that will result in a transfer of controlling interest in the Company unless otherwise approved by Shareholders in a general meeting. Please see Section 2.2 of the Circular for more details.

The terms and conditions of the Rights cum Warrants Issue are subject to such changes as the Directors, after consultation with the Manager, may deem appropriate. The final terms and conditions of the Rights cum Warrants Issue will be contained in the Offer Information Statement to be lodged with the Authority and despatched by the Company to Entitled Shareholders in due course, subject to, *inter alia*, the approval of the Independent Shareholders for the Whitewash Resolution at the EGM.

Accordingly, we note that the Independent Shareholders will not be disadvantaged or prejudiced relative to the Concert Party Group in the allocation of their application for their entitlements of Rights Shares with Warrants and the Excess Rights Shares with Warrants pursuant to the Rights cum Warrants Issue.

In the event that the Rights cum Warrants Issue are fully subscribed for by the Entitled Shareholders, we note that there would not be any significant changes to the current shareholding structure of the Company.

### 5.3 Historical financial performance of the Group

A summary of the financial performance of the Group for the last three (3) financial years ended 31 December ("FY") 2016, 2017 and 2018 (collectively, the "Period Under Review") may be found in Section 4 of the Circular. Please refer to the salient historical financial information of the Group for the Period Under Review as set out below:

#### Consolidated income statement

(\$S'000)	←———— Audited —————→		
	FY2016 <sup>(1)</sup>	FY2017 <sup>(2)</sup>	FY2018
Revenue	48,022	49,338	56,766
Gross profit	8,131	9,439	10,741
Profit/(loss) before tax	(3,792)	3,337	1,681
Profit/(loss) after tax	(4,310)	3,096	1,355
Profit/(loss) after tax attributable to owners of the Company	(4,568)	2,621	1,222

## Statement of financial position

(S\$'000)	Audited		
	As at 31 December 2016 <sup>(1)</sup>	As at 31 December 2017 <sup>(2)</sup>	As at 31 December 2018
Current assets	44,723	41,184	42,430
Current liabilities	23,650	26,524	28,197
Working capital	21,073	14,660	14,233
Non-current assets	59,220	66,034	65,894
Non-current liabilities	20,636	19,157	18,853
Equity attributable to owners of the Company	54,108	55,610	55,228

## Consolidated cash flow statement

(S\$'000)	Audited		
	FY2016 <sup>(1)</sup>	FY2017 <sup>(2)</sup>	FY2018
Net cash flows generated from operating activities	8,532	4,339	3,014
Net cash flows used in investing activities	(5,355)	(6,046)	(1,813)
Net cash flows generated from/(used in) financing activities	(2,688)	584	(660)
Net increase/(decrease) in cash and cash equivalents	489	(1,123)	541
Cash and cash equivalents at the end of year	6,215	4,990	5,468

*Source: Company's annual report for FY2017 and FY2018*

### **Notes:**

(1) Based on the figures reflected in the annual report of the Company for FY2017.

(2) Based on the figures reflected in the annual report of the Company for FY2018.

In relation to the Period Under Review, we note the following:

### **Consolidated income statement**

#### FY2016 vs FY2017

The Group's revenue increased by approximately S\$1.32 million or 2.74% from S\$48.02 million in FY2016 to approximately S\$49.34 million in FY2017, mainly due to increased sales activities from the trading of flat steel products in the India and Philippines markets as well as the successful penetration into the Korea market. However, this increase was offset by the low demand for steel piping products and flanges in Singapore and the region as a result of weak and depressed steel market in Singapore and the region. From the perspective of the business segment of the Group, revenue from the sale of goods increased approximately S\$1.87 million or 4.80% from S\$38.96 million in FY2016 to S\$40.83 million in FY2017. However, environmental service income decreased by



approximately S\$0.55 million or 6.07% from S\$9.06 million in FY2016 to S\$8.51 million in FY2017, mainly due to lower revenue recognized in relation to construction services provided in constructing wastewater treatment plant projects and which was partially offset by an increase in operating income generated under the Group's service concession arrangements to operate the plants.

Gross profit increased by approximately S\$1.31 million or 16.09% from S\$8.13 million in FY2016 to S\$9.44 million in FY2017, mainly due to (i) higher gross profit and better gross profit margin attributable to the full year operating performance of the Group's industrial wastewater treatment plant in LiJiaXiang Town, the People's Republic of China ("**PRC**") ("**ChangXing AnnYi**"); (ii) the expansion of the Group's business in PRC to include the supply of new water as a result of the Group's acquisition in April 2017 of a 85.00% equity interest in LinXing Water Supply Co., Ltd ("**LinXing**"), a company incorporated in the PRC and whose principal activities include central water supply and pipeline installation and maintenance; and (iii) improved water tariff rates obtained from the various local municipal governments in FY2017.

The Group recorded a profit before tax of approximately S\$3.34 million in FY2017 vis-à-vis a loss before tax of approximately S\$3.79 million in FY2016, mainly due to the (i) increase in gross profit; (ii) increase in other income attributable to a one-time gain on dilution of shares in an associate of approximately S\$4.58 million following the investment made by a strategic investor in one of the Group's environmental businesses in PRC, Shanghai Onway Development Co Ltd ("**Onway**") (the "**Onway Dilution**") as well as higher government subsidies of approximately S\$0.71 million; and (iii) substantially lower other operating expenses of approximately S\$1.28 million in FY2017 as compared to S\$4.56 million in FY2016. This was offset mainly by (i) higher administrative expenses of approximately S\$9.52 million in FY2017 as compared to S\$8.25 million in FY2016 due to the Group's expansion of its distribution business into Korea as well as the set-up of ChangXing AnnYi and acquisition of LinXing; and (ii) a lower share of profits of associates and joint venture amounting to approximately S\$0.67 million in FY2017 as compared to S\$2.49 million in FY2016 as a result of the Onway Dilution.

As a result of the above and taking into account the tax expense of approximately S\$0.24 million, the net profit attributable to owners of the Company increased by approximately S\$7.19 million to S\$2.62 million in FY2017 from a net loss position of approximately S\$4.57 million in FY2016. Had the one-time gain arising from the Onway Dilution in 2017 been excluded, we note that the Group would still have reported a net loss attributable to owners of the Company of approximately S\$1.96 million in FY2017.

#### FY2017 vs FY2018

The Group's revenue increased by approximately S\$7.43 million or 15.06% from S\$49.34 million in FY2017 to S\$56.77 million in FY2018, due to (i) higher sales generated by the Group's steels products distribution division, in particular sales generated from the set-up of a new sales office in Korea in FY2017, from customers in markets such as India, Korea and Malaysia; and (ii) better sales performance by the steel flanges manufacturing division due to increased steel prices and intensive marketing efforts by the Group. However, this was partially offset by fierce market competition in Singapore and PRC, which resulted in a reduction of approximately S\$1.83 million in hazardous wastewater treatment project sales.

Gross profit increased by approximately S\$1.30 million or 13.79% from S\$9.44 million in FY2017 to S\$10.74 million in FY2018 in tandem with the increase in revenue, mainly due to (i) higher turnover and stable gross profit margins from the steel products distribution and steel flanges manufacturing divisions; and (ii) improved gross profit and gross profit margin

from the industrial wastewater treatment business under the Group's environmental business segment due to better utilisation rates and economies of scales from the newly added plants, ChangXing AnnYi and LinXing, to the Group's portfolio. This was partially offset by a lower turnover and gross profit margin reported by the hazardous wastewater treatment business under the Group's environmental business segment.

The Group reported a profit before tax of approximately S\$1.68 million in FY2018, representing a decrease of S\$1.66 million or 49.62% from a profit before tax of S\$3.34 million in FY2017. This was mainly attributable to the one-time gain arising from the Onway Dilution of approximately S\$4.58 million recorded in FY2017; and (ii) higher administrative expenses due to increased operating costs incurred in relation to the set-up of the new sales office in Korea as well as the ChangXing AnnYi and LinXing plants. This was also partially offset by (i) an increase in the share of profits of an associate of approximately S\$1.96 million in FY2018 as compared to S\$0.67 million in FY2017 due to the completion and delivery of higher profitable rural wastewater treatment projects by Onway in FY2018; and (ii) lower other operating expenses of approximately S\$0.48 million in FY2018 as compared to S\$1.28 million in FY2017 due to the absence of impairment, certain property, plant and equipment which were written off and lower foreign exchange losses incurred in FY2018.

As a result of the above and taking into account the tax expense of approximately S\$0.33 million, the net profit attributable to owners of the Company decreased by approximately S\$1.40 million to S\$1.22 million in FY2018 as compared to S\$2.62 million in FY2017. Had the one-time gain arising from the Onway Dilution in 2017 been excluded, we note that the Group would have registered an increase of approximately S\$3.18 million from a net loss attributable to owners of the Company of S\$1.96 million in FY2017 to a net profit position.

### **Statement of financial position**

**Current assets:** As at 31 December 2018, the current assets amounted to approximately S\$42.43 million, representing 39.17% of the total assets of the Group. The current assets mainly comprised (i) inventories of approximately S\$19.54 million; (ii) trade and other receivables of approximately S\$16.67 million; and (iii) cash and bank balances of approximately S\$5.47 million.

**Current liabilities:** As at 31 December 2018, the current liabilities amounted to approximately S\$28.20 million, representing 59.93% of the total liabilities of the Group. The current liabilities mainly comprised (i) loans and other borrowings (comprising finance leases and bills payables) of approximately S\$15.77 million; (ii) trade and other payables and accruals of approximately S\$9.42 million; and (iii) an amount due to subsidiaries and an associate of approximately S\$2.65 million.

**Non-current assets:** As at 31 December 2018, the non-current assets amounted to approximately S\$65.89 million, representing 60.83% of the total assets of the Group. The non-current assets mainly comprised (i) property, plant and equipment of approximately S\$27.53 million; (ii) goodwill and intangible assets of approximately S\$23.20 million; and (iii) investment in an associate of approximately S\$13.84 million.

**Non-current liabilities:** As at 31 December 2018, the non-current liabilities amounted to approximately S\$18.85 million, representing 40.07% of the total liabilities of the Group. The non-current liabilities mainly comprised (i) loans and borrowings (including finance leases) approximately S\$16.67 million; (ii) government grants of approximately S\$1.70 million; (iii) other payables and accruals of approximately S\$0.04 million; and (iv) deferred tax liabilities of approximately S\$0.42 million.

**Working capital:** The Group had experienced a decrease in working capital from approximately S\$21.07 million as at 31 December 2016 to S\$14.66 million as at 31 December 2017. We note that the Group's working capital position had further decreased slightly by approximately S\$0.43 million to S\$14.23 million as at 31 December 2018, mainly due to (i) a significant increase in other payables and accruals of approximately S\$2.06 million as a result of advance payment collection for piping construction network construction projects undertaken by the Group in China; and (ii) an increase in trade and bill payables of approximately S\$0.08 million and S\$1.02 million respectively due to higher credit purchases made in the steel products distribution division. This was offset mainly by (i) repayments made for an amount due to subsidiary and an associate as well as bank loans and bank overdrafts of approximately S\$1.26 million and S\$0.42 million respectively; and (ii) an increase in trade and other receivables of S\$2.88 million as compared to FY2017.

#### **Consolidated cash flow statement**

The Group recorded net cash flow generated from operating activities of approximately S\$8.53 million, S\$4.34 million and S\$3.01 million in FY2016, FY2017 and FY2018 respectively. Net cash flow generated from operating activities decreased from approximately S\$4.34 million in FY2017 to S\$3.01 million in FY2018 mainly due to (i) a higher operating cash flow before working capital changes of approximately S\$4.17 million; (ii) an increase in other receivables of S\$2.74 million; and (iii) a decrease in inventories of S\$0.40 million in FY2018. This was partially offset mainly by (i) an increase in bill payables of approximately S\$1.02 million; and (ii) an increase in net repayment of other payables of S\$2.10 million in the same year.

Taking into account (i) the cash and cash equivalents at the beginning of the period of approximately S\$4.99 million; (ii) the net increase in cash and cash equivalents of approximately S\$0.54 million; and (iii) the effect of exchange rate changes on cash balances held in foreign currencies of approximately S\$0.06 million, the Group's cash and cash equivalents as at 31 December 2018 amounted to approximately S\$5.47 million.

#### **5.4 NAV/NTA of the Group**

The NTA of a group refers to the aggregate value of all the assets in their existing condition, net of any non-controlling interests, all liabilities and intangible assets of the group. The NTA approach may provide an estimate of the value of a group assuming the hypothetical sale of all its tangible assets over a reasonable period of time, the proceeds of which would be first used to settle the liabilities of the group with the balance available for distribution to its shareholders. Therefore, the NTA of a group are perceived as providing support for the value of the shareholders' equity.

Notwithstanding the foregoing, Shareholders should note that analysis based on the NTA of the Group provides an estimate of the value of the Group based on a hypothetical scenario, and such hypothetical scenario is assumed without considering factors such as, *inter alia*, time value of money, market conditions, legal and professional fees, liquidation costs, taxes, contractual obligations, regulatory requirements and availability of potential buyers, which would theoretically lower the NTA that can be realised.

A summary of the audited financial position of the Group as at 31 December 2018 is set out below:

<b>(S\$'000)</b>	<b>Audited As at 31 December 2018</b>
<u>Non-current assets</u>	
Property, plant and equipment	27,529
Land use rights	269
Goodwill	1,339
Intangible assets	21,856
Investments in an associate	13,838
Club memberships	190
Refundable deposits	869
Deferred tax assets	4
	65,894
<u>Current assets</u>	
Cash and bank balances <sup>(1)</sup>	5,468
Trade receivables	10,860
Other receivables	5,809
Inventories	19,537
Prepayments	112
Assets classified as held for sale	636
Land use rights	7
Financial derivative assets	1
	42,430
<b>Total current assets</b>	<b>42,430</b>
<b>Total assets</b>	<b>108,324</b>
<u>Non-current liabilities</u>	
Bank loans	16,078
Government loan	519
Finance leases	75
Other payables and accruals	43
Government grants	1,703
Deferred tax liabilities	423
Finance derivatives liabilities	12
	18,853
<b>Total non-current liabilities</b>	<b>18,853</b>

<b>(S\$'000)</b>	<b>Audited As at 31 December 2018</b>
<b>Current liabilities</b>	
Bank loans	6,037
Government loan	991
Finance leases	43
Bills payables	8,696
Trade payables	2,627
Other payables and accruals	6,788
Provision for income tax	369
Amount due to subsidiaries and an associate	2,646
<b>Total current liabilities</b>	<b>28,197</b>
<b>Total liabilities</b>	<b>47,050</b>
<b>Total equity</b>	<b>61,274</b>
Less: Non-controlling interest	(6,046)
<b>Equity attributable to owners of the Company ("NAV")</b>	<b>55,228</b>
<b>Net tangible assets ("NTA")<sup>(2)</sup></b>	<b>51,428</b>
<b>Number of Shares</b>	<b>244,770,900</b>
<b>NAV per Share (S\$)</b>	<b>0.226</b>
<b>Discount of Issue Price to the NAV per Share (%)</b>	<b>71.24</b>
<b>NTA per Share (S\$)</b>	<b>0.210</b>
<b>Discount of the Issue Price to the NTA per Share (%)</b>	<b>69.05</b>

Source: Company's annual report for FY2018

**Notes:**

- (1) Includes any pledged fixed deposits and bank overdrafts, of which there was nil as at 31 December 2018.
- (2) NTA is arrived at after excluding goodwill from the Group's NAV but includes intangible assets of approximately S\$19.40 million as at 31 December 2018. We note that the Company has taken the view that the intangible assets should be included in the calculation of the NTA on the basis that they consist of service concession rights to construct and operate wastewater treatment plants which are tangible assets, and were only classified as intangible assets on the Group's balance sheet in accordance with accounting treatment requirements as per Financial Reporting Standards 112. The Directors also confirm that this is consistent with NTA calculations presented by the Company historically, in particular the Group's NTA position as at FY2017 detailed in the Company's appendix to its annual report for FY2017 in relation to the proposed renewal of the share buy-back mandate dated 13 April 2018.

As at 31 December 2018, the Group's non-current assets stood at approximately S\$65.89 million. The NAV and NTA of the Group amounted to approximately S\$55.23 million and S\$51.43 million as at 31 December 2018 respectively. With reference to the table above on the summary of the audited financial position of the Group, we note that the Issue Price represents a discount of approximately 71.24% and 69.05% to the NAV and NTA per Share of S\$0.226 and S\$0.210 as at 31 December 2018 respectively.

In our evaluation of the Whitewash Resolution, we have also considered whether there are any other assets which should be valued at an amount that is materially different from that as was recorded in the audited statement of financial position of the Group as at 31 December 2018 and whether there are any factors which have not been otherwise disclosed in the audited financial statements of the Group that are likely to impact the NAV and NTA of the Group as at 31 December 2018.

In respect of the above, the Directors have also confirmed, to the best of their knowledge and belief as at the Latest Practicable Date, that:

- (a) there are no material differences between the realisable values of the Group's assets and their respective book values as at 31 December 2018 which would have material impact on the audited NAV and NTA of the Group;
- (b) they are not aware of any circumstances which may cause the audited NAV and NTA as at the Latest Practicable Date to be materially different from that recorded in the audited balance sheet of the Group as at 31 December 2018;
- (c) there are no other contingent liabilities, bad or doubtful debts, impairment losses or material events which would likely have a material impact on the audited NAV and NTA of the Group as at the Latest Practicable Date;
- (d) there are no litigation, claim or proceedings pending or threatened against the Company and/or Group or of any fact likely to give rise to any proceedings which might materially and adversely affect the financial position of the Company and/or Group;
- (e) there are no other intangible assets and which ought to be disclosed in the audited statement of financial position of the Group in accordance with the Singapore Financial Reporting Standards and/or the Singapore Financial Reporting Standards (International) and which have not been so disclosed and where such intangible assets would have had a material impact on the overall financial position of the Group; and
- (f) there are no material acquisitions or disposals of assets by the Group between 31 December 2018 and the Latest Practicable Date and the Group does not have any plans for any such impending material acquisition or disposal of assets, conversion of the use of the Group's material assets or material change in the nature of the Group's business.

## **5.5 Assessment of the Issue Price**

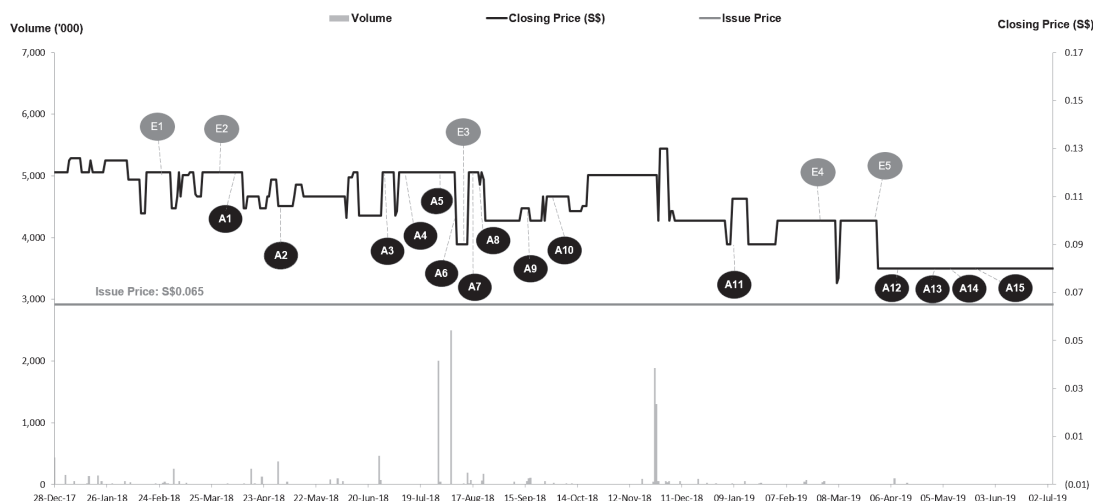
For the purpose of assessing the Issue Price, we have considered the following factors:

### **5.5.1 Historical market price performance and trading activity of the Shares**

We note that the Company had, on 27 February 2018, in conjunction with the release of its unaudited full year consolidated financial statements for FY2017, announced that the Directors were intending to propose a first and final dividend (tax exempt one-tier) of 0.20 cents per Share (the "**Final Dividend**"). The Final Dividend was subsequently approved by Shareholders at the Company's annual general meeting on 30 April 2018 and paid out on 18 May 2018. However, we have not made any adjustments to the historical daily closing prices of the Shares for the Final Dividend as we note that there would not be any material difference in terms of our comparison of the Issue Price vis-à-vis the historical market price performance of the Shares.



Accordingly, we set out below the trend of the daily closing prices and daily trading volumes of the Shares for the period commencing from 28 December 2017 (being the 1-year period prior to the Announcement Date of 28 December 2018, being the last full trading day on which the Shares were last traded on the SGX-ST immediately prior to the release of the Announcement which was released after close of trading on 28 December 2018 (the “**Last Full Trading Date**”)) and leading up to the Latest Practicable Date.



**Source:** Thomson Reuters Eikon and Company’s announcements on the SGXNet

#### Earnings Announcements:

- E1: 27 February 2018.** The Company announced its unaudited full year consolidated financial statements for FY2017, in which the Group had reported positive net profit after tax of S\$3.09 million as compared to a net loss after tax of S\$4.31 million in FY2016. This was mainly due to the one-time gain arising from the Onway Dilution. The Company also announced that the Directors were intending to propose the Final Dividend, subject to Shareholders’ approval at the Company’s annual general meeting for FY2017.
- E2: 29 March 2018.** The Company announced that the independent auditors of the Group, Ernst & Young LLP (“**EY**”), had issued a qualified opinion in respect of the Company’s audited financial statements for FY2017. The basis for the qualified opinion was due to EY being unable to obtain the necessary information and explanations from the auditors of one of the Group’s associates, Onway, for the audit of Onway in relation to the appropriateness of the gain on dilution, share of profits recognized for FY2017 and the carrying value of Onway as at 31 December 2017.
- E3: 13 August 2018.** The Company announced its unaudited consolidated financial statements for the 6-month interim financial period ended 30 June 2018, in which the Group’s revenue had increased by approximately 31.62% to S\$30.39 million as compared to S\$23.09 million during the 6-month financial period ended 30 June 2017. The Company had also recorded a net profit after tax of S\$1.82 million during the 6-month interim financial period ended 30 June 2018 vis-à-vis a net loss after tax of S\$0.52 million during the 6-month financial period ended 30 June 2017.
- E4: 26 February 2019.** The Company announced its unaudited full year consolidated financial statements for FY2018, in which the Group’s revenue had increased by approximately 14.64% to S\$56.56 million as compared to S\$49.34 million in FY2017. The increase in revenue was mainly due to higher sales generated by its new subsidiary, Metal Wang Pte Ltd (“**Metal Wang**”), for steel products distribution and better sales performance in steel flanges manufacturing division. Net profit after tax, however, recorded a decrease of approximately 55.33% to S\$1.38 million in FY2018 as compared to S\$3.09 million in FY2017, due to the one-time gain arising from the Onway dilution in FY2017.
- E5: 29 March 2019.** The Company announced that EY had issued a qualified opinion in respect of the Company’s audited financial statements for FY2018. The basis for the qualified opinion was due to EY being unable to obtain the necessary information and explanations from the auditors of one of the Group’s associates, Onway, for the audit of Onway in relation to the appropriateness of the share of profits recognized for FY2018 and the carrying value of Onway as at 31 December 2018.



#### Other Selected Announcements:

- A1: **5 April 2018.** The Company announced that it was proposing to adopt a scrip dividend scheme which would require a new constitution of the Company to be adopted, which includes, *inter alia*, a new regulation to enable Shareholders to elect to receive dividends in the form of Shares, credited as fully paid-up, in lieu of cash, in accordance with the proposed scrip dividend scheme.
- A2: **3 May 2018.** The Company announced that its subsidiary, Shinsei Industry Sdn Bhd (“**Shinsei Industry**”) had established Shinsei Resources Recovery Sdn Bhd (“**Shinsei Resources**”) to manufacture and trade plastic resin. Shinsei Recovery would be 100.00% owned by Shinsei Industry, with an initial paid-up capital of Malaysian Ringgit (“**MYR**”) 1,000.00.
- A3: **29 June 2018.** The Company announced that its subsidiary, Metal Wang had established MW Sonatra Resources Co., Ltd (“**MW Sonatra**”) through a joint venture with two (2) unrelated individuals, with Metal Wang holding 50.00% of the shareholdings of MW Sonatra. MW Sonatra would be engaged in the business of trading and processing agriculture products.
- A4: **11 July 2018.** The Company announced that it had increased its shareholdings in Annaik & Partners (S) Pte Ltd (“**AA Partners**”) from 65.00% to 100.00% by acquiring 700,000 ordinary shares from an unrelated individual party at a consideration of S\$145,180.00, based on AA Partners’ consolidated NTA as at 31 May 2018 as part of a restructuring exercise.
- A5: **30 July 2018.** The Company announced that its subsidiary, ChangXing LinSheng Wastewater Treatment Co., Ltd (“**ChangXing Linsheng**”) had entered into an extension investment framework agreement with the municipal government of Changxin LinCheng, pursuant to which ChangXing Linsheng had been awarded additional service concession rights to construct and operate a wastewater treatment plant in LinCheng Town, PRC. The concession rights will start from the commencement of commercial operation of the plant, which is expected to be completed by the third quarter of 2019.
- A6: **8 August 2018.** The Company announced that it had increased its shareholdings in its subsidiary, Wesco Steel Pte Ltd (“**Wesco**”) from 70.00% to 100.00% by acquiring 265,987 ordinary shares from an unrelated individual party at a consideration of S\$1.00 based on Wesco’s NTA of nil as at 7 August 2018 as part of a restructuring exercise. Wesco will be placed as a dormant company and its existing business will be merged under the Company’s wholly-owned subsidiary, Ann Aik Pte. Ltd.
- A7: **17 August 2018.** The Company announced that its associate company, Onway, together with other strategic investors had been awarded its maiden public-private partnership project in Wujiang District, Shaoguan City, Guangdong Province of the PRC for the provision of garbage removal, cleaning services and solid waste reduction loading stations and rural wastewater treatment facilities and associated piping network in three (3) townships worth approximately S\$26.80 million.
- A8: **21 August 2018.** The Company announced that it had entered into a non-binding strategic collaboration memorandum with Zhejiang Fuchun Ziguang Environmental Co., Ltd, for the purposes of establishing a business collaboration and overall strategic partnership in relation to the water treatment and environmental protection industry in Zhejiang Province, PRC.
- A9: **17 September 2018.** The Company announced it had set up a subsidiary, ChangXing LinYi Wastewater Treatment Co., Ltd, to undertake the additional daily treatment of wastewater under the built-own-operate project entered into by its immediate holding company, ChangXing Linsheng on 30 July 2018.
- A10: **1 October 2018.** The Company announced that its subsidiary, ChangXing AngWei Environmental & Ecological Engineering Co., Ltd had entered into an extensive framework agreement with the municipal government of ChangXing for the additional service concession rights to construct and operate a wastewater treatment plant in ChangXing Town, PRC.
- A11: **7 January 2019.** The Company announced that its subsidiary, Shinsei Industry had disposed its entire shareholding interest in Shinsei Resources to an unrelated individual as part of a restructuring exercise for a consideration of MYR11,000 or S\$3,600 based on, *inter alia*, the net assets book value of Shinsei Resources based on the latest management financial statements as at 30 November 2018.
- A12: **10 April 2019.** The Company announced the release of its annual report for FY2018.
- A13: **30 April 2019.** The Company held its annual general meeting for FY2018. On the same day, the Company announced the retirement of its independent director, Mr Lee Bon Leong, who held the position of the chairman of the nominating committee and was a member of the audit and remuneration committee. Accordingly, the Company’s board of composition has changed and will be required to appoint a new independent director within three (3) months from the date of the annual general meeting for FY2018.
- A14: **9 May 2019.** The Company announced the release of its sustainability report for FY2018.

A15: **24 May 2019.** The Company announced that its wholly-owned subsidiary, Anxon Environmental Pte. Ltd., has entered into a sale and purchase agreement with Shanghai WanZhuan Environmental Technology Partnership Enterprise (Limited Partnership) on 22 May 2019 to acquire 20.00% of the shares in Shuanglin (Huzhou) Wastewater Treatment Co., Ltd for a consideration of RMB8,935,295.27.

Based on the above historical price-volume chart of the Shares, we note that over the last 1-year period prior and up to the Announcement Date of 28 December 2018, the Last Full Trading Date and leading up to the Latest Practicable Date, the closing prices of the Shares had consistently traded above the Issue Price.

## 5.5.2 Volume-weighted average price and average daily trading volume

We have also compared the Issue Price against the volume-weighted average price (“VWAP”) and historical trading volume of the Shares from 28 December 2017 (being the 1-year period prior to the Announcement Date as well as the Last Full Trading Date) to the Latest Practicable Date as set out in the table below.

	VWAP <sup>(1)</sup> (S\$)	Premium/ (Discount) of Issue Price to VWAP	Highest Closing Price (S\$)	Lowest Closing Price (S\$)	Average Daily Trading Volume <sup>(2)</sup>	Average Daily Trading Volume as a percentage of free float <sup>(3)</sup>
<b>Periods prior to the release of the Announcement</b>						
Last 1-year	0.112	(41.96)%	0.150	0.090	50,420	0.04%
Last 6-months	0.111	(41.44)%	0.150	0.090	72,303	0.06%
Last 3-months	0.103	(36.89)%	0.130	0.090	58,630	0.05%
Last 1-month	0.103	(36.89)%	0.104	0.090	75,695	0.06%
As at 28 December 2018, being the Last Full Trading Date <sup>(4)</sup>	0.090	(27.78)%	0.090	0.090	12,000	0.01%
<b>Periods after the release of the Announcement and up to the Latest Practicable Date</b>						
After the Announcement Date and up to the Latest Practicable Date	0.088	(26.14)%	0.109	0.070	4,425	0.00%
Last transaction price on 3 July 2019 (being the last full market day on which the Shares were last traded on the SGX-ST preceding the Latest Practicable Date) <sup>(5)</sup>	0.080	(18.75)%	0.080	0.080	100,000	0.09%

**Source:** Thomson Reuters Eikon

### Notes:

- (1) The VWAP has been weighted based on the average traded prices and traded volumes of the Shares for the relevant trading days for each of the above periods.
- (2) The average daily trading volume of the Shares is calculated based on the total volume of Shares traded during the period divided by the number of market days over the same period.
- (3) Free float refers to approximately 115.81 million Shares or 47.31% of the Existing Issued Share Capital held by the public (as defined in the Catalyst Rules) as at the Latest Practicable Date as obtained from Thomson Reuters Eikon.
- (4) The last transacted price of the Shares on 28 December 2018 (being the Last Full Trading Date) was S\$0.090 per Share. On 28 December 2018, the highest intra-day traded price was S\$0.090 and the lowest intra-day traded price was S\$0.090.
- (5) Based on the closing price and the trading volume of the Shares on 3 July 2019. There was no trading in the Shares on the Latest Practicable Date.

Based on the above, we note the following:

- (a) during the 1-year period prior to the release of the Announcement, the closing prices of the Shares ranged between a low of S\$0.090 and a high of S\$0.150. The Issue Price represents a discount of approximately 27.78% and 56.67% to the lowest closing price and highest closing price of the Shares respectively over the 1-year period prior to the Announcement Date as well as the Last Full Trading Date;
- (b) the Issue Price represents a discount of approximately 41.96%, 41.44%, 36.89% and 36.89% to the 1-year, 6-month, 3-month and 1-month VWAP of the Shares respectively;
- (c) the Issue Price represents a discount of approximately 27.78% to the closing price of the Shares of S\$0.090 on the Last Full Trading Date;
- (d) after the release of the Announcement and up to the Latest Practicable Date, the Issue Price represents a discount of approximately 26.14% to the VWAP of the Shares of S\$0.088;
- (e) the Issue Price represents a discount of approximately 18.75% to the last transacted price of the Shares of S\$0.080 on 3 July 2019, being the last full market day on which the Shares were last traded on the SGX-ST preceding the Latest Practicable Date;
- (f) the Shares have traded thinly across all the reference periods prior to the Announcement Date at an average daily trading volume of between approximately 0.01 million Shares to 0.08 million Shares, representing 0.01% and 0.06% of the Company's free float as at the Latest Practicable Date; and
- (g) the average daily trading volume of the Shares was 4,425 for the period after the Announcement Date and up to the Latest Practicable Date, representing an insignificant amount of the Company's free float as at the Latest Practicable Date.

**Shareholders should note that there is no assurance that the market prices of the Shares will be maintained at the prevailing level as at the Latest Practicable Date, and that the past trading performance of the Shares should not, in any way, be relied upon as an indication or a promise of its future trading performance.**

### **5.5.3 Theoretical ex-rights price as a result of the Rights cum Warrants Issue**

For the purpose of our evaluation, we have considered the theoretical ex-rights price of the Shares pursuant to the Rights cum Warrants Issue based on the method set out below.

**We would like to highlight that no forecast is being made of the future price level of the Shares after the Rights cum Warrants Issue, as the analysis in this section is purely for the purpose of considering theoretical ex-rights prices under the various scenarios.**

The ex-rights price refers to the adjustment to the price of the Shares immediately after the Rights cum Warrants Issue (the “**Theoretical Ex-Price**”) owing to the issue of the Rights Shares and/or the OCS Rights Shares (as the case may be), but does not take into account the issuance of any Warrants nor ascribe any value to the Warrants, and is calculated based on the Minimum Subscription Scenario and the Maximum Subscription Scenario as follows:

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**Based on the Minimum Subscription Scenario and allotment and issuance of the OCS Rights Shares only<sup>(1)</sup>**

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Market Capitalisation	244,770,900 Shares at the price of S\$0.090 being the last transacted price of the Shares on 28 December 2018, the Last Full Trading Date	S\$22,029,381
Add: Proceeds from the Rights cum Warrants Issue (assuming full subscription of Rights Shares)	20,659,470 Rights Shares at S\$0.065 per Rights Share	S\$1,342,866
<b>Post-Rights Capitalization:</b>		<b>S\$23,372,247</b>
Post-Rights Issued Share Capital (number of Shares)		265,430,370
Minimum Theoretical Ex-Price		S\$0.088
<b>Discount to minimum Theoretical Ex-Price as implied by the Issue Price</b>		<b>26.14%</b>

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**Note:**

- (1) Assuming that none of the outstanding and unexercised Share options which were granted to the Company’s employees under the ESOS 2013 and exercisable prior to the Books Closure Date are exercised before the Books Closure Date.

Based on the Minimum Subscription Scenario, we note that the Issue Price would be at a discount of approximately 26.14% to the minimum Theoretical Ex-Price as at the Latest Practicable Date.

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**Based on the Maximum Subscription Scenario and allotment and issuance of the Rights Shares (assuming full subscription of the Rights Shares)<sup>(1)</sup>**

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Market Capitalisation	244,770,900 Shares at the price of S\$0.090 being the last transacted price of the Shares on 28 December 2018, the Last Full Trading Date	S\$22,029,381
Assume that all outstanding and unexercised Share options are exercised on the Announcement Date	10,632,000 Share options under the ESOS 2013 granted at various dates, resulting in the allotment and issuance of 10,632,000 additional Shares valued at the price of S\$0.090, being the last transacted price of the Shares on 28 December 2018, the Last Full Trading Date	S\$956,880

Add: Proceeds from the Rights cum Warrants Issue (assuming full subscription of Rights Shares)	63,850,725 Rights Shares at S\$0.065 per Rights Share	S\$4,150,297
<b>Post-Rights Capitalization:</b>		<b>S\$27,136,558</b>
Post-Rights Issued Share Capital (number of Shares)		319,253,625
Maximum Theoretical Ex-Price		S\$0.085
<b>Discount to maximum Theoretical Ex-Price as implied by the Issue Price</b>		<b>23.53%</b>

**Note:**

- (1) Assuming that all the outstanding and unexercised Share options which were granted to the Company's employees under the ESOS 2013 and exercisable prior to the Books Closure Date are exercised on the Announcement Date.

Based on the Maximum Subscription Scenario, we note that the Issue Price would be at a discount of approximately 23.53% to the maximum Theoretical Ex-Price as at the Latest Practicable Date.

#### 5.5.4 Market statistics of selected rights issue

In assessing the reasonableness of the Issue Price, we have looked at the salient statistics of selected rights issues of shares with and without free detachable warrants (excluding rights issue of warrants) by companies (excluding real estate and business trusts) listed on the SGX-ST (the “Comparable Transactions”) announced during the 12-month period prior to the Announcement Date from 28 December 2017 and up to the Latest Practicable Date. The table below summarises the salient statistics of the Comparable Transactions:

Company	Date of announcement	Terms of the rights issue	Issue price of the rights shares (S\$)	Last transacted price prior to announcement (S\$)	Theoretical ex-rights price <sup>(1)</sup> (S\$)	Premium/ (Discount) of issue price to last transacted price prior to announcement (%)	Premium/ (Discount) of issue price to theoretical ex-rights price <sup>(2)</sup> (%)
MTQ Corporation Limited	30 January 2018	2 for 5 with 1 free warrant for every 4 rights share <sup>(3)</sup>	0.200	0.400	0.343	(50.00)	(41.69)
Pine Capital Group Limited	7 February 2018	25 for 100 with 8 free warrants for every 25 rights share <sup>(3)</sup>	0.0025	0.004	0.004	(37.50)	(32.43)
Global Yellow Pages Limited	14 February 2018	1 for 5	0.200	0.160	0.167	25.00	19.76
Infinio Group Limited	14 February 2018	1 for 1	0.007	0.009	0.008	(22.22)	(12.50)
Global Dragon Limited <sup>(4)</sup>	27 February 2018	3 for 1	0.0675	0.098	0.075	(31.12)	(10.12)
Singapore Medical Group Ltd	1 March 2018	1 for 20	0.480	0.560	0.556	(14.29)	(13.67)
3Cenergy Limited	2 March 2018	1 for 1	0.022	0.040	0.031	(45.00)	(29.03)
AusGroup Limited	29 March 2018	1 for 2	0.035	0.047	0.043	(25.37)	(18.60)

Company	Date of announcement	Terms of the rights issue	Issue price of the rights shares (\$)	Last transacted price prior to announcement (\$)	Theoretical ex-rights price <sup>(1)</sup> (\$)	Premium/ (Discount) of issue price to last transacted price prior to announcement (%)	Premium/ (Discount) of issue price to theoretical ex-rights price <sup>(2)</sup> (%)
Asia-Pacific Strategic Investments Limited	4 May 2018	2 for 1	0.002	0.002	0.003	–	(33.33)
Hotel Royal Limited	11 May 2018	1 for 5	3.000	4.000	3.833	(25.00)	(21.73)
Moya Holdings Asia Limited	22 May 2018	1 for 2	0.095	0.095	0.095	–	–
Ocean Sky International Limited	22 May 2018	1 for 2 with 1 free warrant for every rights share <sup>(3)</sup>	0.062	0.084	0.077	(26.19)	(19.48)
International Press Softcom Limited	1 June 2018	2 for 3	0.011	0.012	0.012	(8.33)	(5.17)
Envictus International Holdings Limited	18 June 2018	4 for 5 with 1 free warrant for every rights share <sup>(3)</sup>	0.160	0.370	0.277	(56.76)	(42.18)
Koh Brothers Eco Engineering Limited	29 June 2018	1 for 2 with 1 free warrant for every right share <sup>(3)</sup>	0.045	0.069	0.061	(34.78)	(26.23)
Hong Leong Asia Ltd.	14 August 2018	1 for 1	0.540	0.820	0.680	(34.15)	(20.59)
MS Holdings Limited	21 August 2018	4 for 5 with 1 free warrant for every 4 rights share <sup>(3)</sup>	0.062	0.074	0.069	(16.22)	(10.14)



Company	Date of announcement	Terms of the rights issue	Issue price of the rights shares (\$)	Last transacted price prior to announcement (\$)	Theoretical ex-rights price <sup>(1)</sup> (\$)	Premium/ (Discount) of issue price to last transacted price prior to announcement (%)	Premium/ (Discount) of issue price to theoretical ex-rights price <sup>(2)</sup> (%)
Manhattan Resources Limited	5 September 2018	1 for 1	0.0245	0.080	0.0523	(69.38)	(53.11)
OUE Lippo Healthcare Limited	18 September 2018	1 for 1	0.0675	0.120	0.094	(43.75)	(28.04)
BH Global Corporation Limited	28 September 2018	3 for 2	0.085	0.160	0.115	(46.88)	(26.09)
Arion Entertainment Singapore Limited	29 September 2018	1 for 1	0.008	0.010	0.009	(20.00)	(11.11)
TEE International Limited	29 November 2018	38 for 100	0.100	0.183	0.160	(45.36)	(37.50)
Lifebrandz Ltd.	14 December 2018	1 for 2	0.007	0.013	0.011	(46.15)	(36.36)
Sapphire Corporation Limited	30 December 2018	1 for 4	0.128	0.144	0.1408	(11.11)	(9.09)
Global Dragon Limited	31 December 2018	1 for 3	0.0675	0.060	0.0619	12.50	9.00
Raffles United Holdings Ltd.	9 January 2019	1 for 1	0.05	0.082	0.069	(39.02)	(27.54)

Company	Date of announcement	Terms of the rights issue	Issue price of the rights shares (\$)	Last transacted price prior to announcement (\$)	Theoretical ex-rights price <sup>(1)</sup> (\$)	Premium/ (Discount) of issue price to last transacted price prior to announcement (%)	Premium/ (Discount) of issue price to theoretical ex-rights price <sup>(2)</sup> (%)
				Highest discount			
				Mean		(69.38)	(53.11)
				Median		(27.35)	(20.65)
				Lowest discount/highest premium		(28.66)	(21.16)
						25.00	19.76
<b>The Company</b>	<b>28 December 2018</b>	<b>1 for 4 with 1 free warrant for every 4 rights shares<sup>(3)</sup></b>	<b>0.065</b>	<b>0.090</b>	<b>0.085<sup>(5)</sup> 0.088<sup>(6)</sup></b>	<b>(27.78)</b>	<b>(23.53)<sup>(5)</sup> (26.14)<sup>(6)</sup></b>

**Source:** Thomson Reuters Eikon, announcements, circulars and/or offer information statements of the respective companies and NCF's calculations

**Notes:**

- (1) Computed based on the last transacted price immediately prior to the announcement of the respective Comparable Transaction.
- (2) For the purpose of comparison, the premium and/or discount are calculated based on the theoretical ex-rights price of the respective companies, which does not take into account the issuance of warrants in its computation.
- (3) For the purpose of comparison, we have not ascribed any value to the free warrants issued in conjunction with the rights issues of the selected Comparable Transactions.
- (4) Formerly known as TMC Education Corporation Ltd.
- (5) Based on the maximum Theoretical Ex-Price.
- (6) Based on the minimum Theoretical Ex-Price.

Based on the above, we note the following:

- (a) the discount of the Issue Price to the last transacted price of the Shares of S\$0.090 on 28 December 2018, the Last Full Trading Date, of approximately 27.78% is within the range of the corresponding discounts of the Comparable Transactions and higher than the mean discount of 27.35% but lower than the median discount of 28.66%;
- (b) the discount of the Issue Price to the maximum Theoretical Ex-Price of approximately 23.53% is within the range of the corresponding discounts of the Comparable Transactions and higher than the mean and median discounts of 20.65% and 21.16% respectively; and
- (c) the discount of the Issue Price to the minimum Theoretical Ex-Price of approximately 26.14% is within the range of the corresponding discounts of the Comparable Transactions and higher than the mean and median discounts of 20.65% and 21.16% respectively.

**We wish to highlight that the Company is not in the same industry and does not conduct the same businesses as the other companies in the list of Comparable Transactions and would not, therefore, be directly comparable to the list of companies in terms of, *inter alia*, geographical markets, composition of business activities, scale of business operations, risk profile, asset base, valuation methodologies adopted, accounting policies, track record, future prospects, market/industry size, political risk, competitive and regulatory environment, financial positions and other relevant criteria. Further, the list of Comparable Transactions is by no means exhaustive and information relating to the said companies was compiled from publicly available information. Accordingly, the Independent Directors should note that the above comparison merely serves as a general guide to provide an indication of the relevant premium or discount in connection with the Comparable Transactions. Any comparison of the terms of the Rights cum Warrants Issue with that of the Comparable Transactions is for illustrative purposes only and should not be conclusively relied upon.**

## **5.6 Valuation of the Warrants**

The Warrants are issued free with the Rights Shares on the basis of one (1) free detachable Warrant for every four (4) existing Shares held by Entitled Shareholders as at the Books Closure Date, fractional entitlements to be disregarded. Based solely on the Exercise Price of S\$0.200 and the minimum Theoretical Ex-Price and/or the maximum Theoretical Ex-Price, the Warrants would be out-of-the-money.

However, given that the Warrants are exercisable over a five (5) year period commencing on and including the date of issue of the Warrants, there is time value to the Warrants to take into consideration. In this regard, we have considered the valuation of the Warrants using the theoretical value of the Warrants based on the Black-Scholes model, which is a common methodology used in the calculation of call warrants. The theoretical value of the Warrants is a function of, *inter alia*, the Exercise Price vis-à-vis the current price of the underlying Shares, the life period of the Warrants, the nature of the call option as to whether it is a European call option (which is only exercisable on a predetermined exercise date) or an American call option (which can be exercised at any time prior to the expiry date of the Warrant), the risk-free interest rate, the dividend yield of the Shares and the price volatility of the underlying Shares.

Based on the risk-free interest rate and the price volatility of the Shares on the Announcement Date (as extracted from Thomson Reuters Eikon), as well as the minimum Theoretical Ex-Price and the maximum Theoretical Ex-Price, the theoretical value of the Warrants (being similar to an American Call option) with a five (5) year option period and an Exercise Price of S\$0.200 would be approximately S\$0.073 and S\$0.070 under the Minimum Subscription Scenario and the Maximum Subscription Scenario respectively as calculated using the Thomson Reuters Eikon Option Pricer.

It should be noted that the theoretical value of the Warrants using the Black-Scholes model may not reflect the actual value of the Warrants to be transacted on the SGX-ST, and there can be no assurance that an active trading of the Warrants will ensue or will trade at or close to the theoretical value as suggested by the Black-Scholes model.

## **5.7 Financial effects of the Rights cum Warrants Issue**

The financial effects have been prepared based on the latest audited consolidated financial statements of the Group for FY2018, and after taking into account the assumptions as set out in Section 3 of the Circular and which have been reproduced in italics below:

*“For illustrative purposes only and based on the Group’s audited consolidated financial statements for FY2018, the financial effects of the Rights cum Warrants Issue on the Group are set out below. The financial effects of the Rights cum Warrants Issue have been prepared based on the assumptions that:–*

- (a) for the Maximum Subscription Scenario, all outstanding and unexercised Share options under the ESOS 2013 are exercised prior to the Books Closure Date, and an aggregate of 63,850,725 Rights Shares with 63,850,725 Warrants are issued and exercised;*
- (b) for the Minimum Subscription Scenario, it is assumed that the Rights cum Warrants issue is completed with the subscription only by the Undertaking Shareholders pursuant to the Irrevocable Undertakings for 20,659,470 Rights Shares with 20,659,470 Warrants will be issued and exercised;*
- (c) expenses incurred in the Rights cum Warrants Issue are approximately S\$165,000;*
- (d) the financial effects of the Rights cum Warrants Issue are based on the audited consolidated financial statements of the Group for the financial year ended 31 December 2018;*
- (e) for calculating the financial effects on share capital as at 31 December 2018, it is assumed that the Rights cum Warrants Issue was completed on 31 December 2018;*
- (f) for calculating the financial effects on gearing and NTA per Share as at 31 December 2018, it is assumed that the Rights cum Warrants Issue was completed on 31 December 2018; and*
- (g) for calculating the financial effects on EPS, it is assumed that the Rights cum Warrants Issue was completed on 1 January 2018.*

*The analysis below has been prepared solely for illustrative purposes and does not purport to be indicative or a projection of the results and financial position of the Group immediately after the completion of the Rights cum Warrants Issue.”*

For the purposes of our assessment below, we have considered the following scenarios:

<b>Scenario</b>	<b>Description</b>
Scenario 1	: Based on the Minimum Subscription Scenario but before the exercise of the OCS Warrants
Scenario 2	: Based on the Minimum Subscription Scenario and assuming full exercise of the OCS Warrants
Scenario 3	: Based on the Maximum Subscription Scenario but before the exercise of the Warrants
Scenario 4	: Based on the Maximum Subscription Scenario and assuming full exercise of the Warrants

#### Share Capital

The effect of the Rights cum Warrants Issue on the issued share capital of the Group is expected to be as follows:

<b>Share Capital</b>	<b>No. of Shares ('000)<sup>(1)</sup></b>	<b>S\$'000<sup>(1)</sup></b>
Issued Share capital as at the Latest Practicable Date	244,771	35,661
Share capital after Scenario 1	265,430	36,839
Share capital after Scenario 2	286,089	40,971
Share capital after Scenario 3	319,254	40,529
Share capital after Scenario 4	383,105	53,299

**Note:**

(1) Excludes non-voting 4,202,100 treasury Shares.

#### NTA per Share

The above scenarios will have the following impact on the NTA and the NTA per Share of the Group as at 31 December 2018, assuming that the Rights cum Warrants Issue had been completed on 31 December 2018:

(a) Based on the Minimum Subscription Scenario

	<b>Before Rights cum Warrants Issue</b>	<b>Adjusted for Scenario 1</b>	<b>Adjusted for Scenario 2</b>
NTA as at 31 December 2018 (S\$'000)	51,428	52,606	56,738
NTA per Share (S\$)	0.21	0.20	0.20

(b) Based on the Maximum Subscription Scenario

	<b>Before Rights cum Warrants Issue</b>	<b>Adjusted for Scenario 3</b>	<b>Adjusted for Scenario 4</b>
NTA as at 31 December 2018 (S\$'000)	51,428	56,296	69,066
NTA per Share (S\$)	0.21	0.18	0.18

Under the Minimum Subscription Scenario and the Maximum Subscription Scenario, we note that the NTA per Share of the Group would decrease from approximately S\$0.21 as at 31 December 2018 to S\$0.20 and S\$0.18 respectively after the completion of the Rights cum Warrants Issue (assuming that none of the Warrants are exercised), and remain constant at approximately S\$0.20 and S\$0.18 respectively assuming that the OCS Warrants and/or all the Warrants are exercised (as the case may be).

#### EPS

The Rights cum Warrants Issue will have the following impact on the EPS of the Group for FY2018, assuming that the Rights cum Warrants Issue had been completed on 1 January 2018:

(a) Based on the Minimum Subscription Scenario

	<b>Before Rights cum Warrants Issue</b>	<b>Adjusted for Scenario 1</b>	<b>Adjusted for Scenario 2</b>
Profit attributable to owners of the Company for FY2018 (S\$'000)	1,222	1,222	1,222
EPS for FY2018 <sup>(1)</sup> (cents)	0.49	0.46	0.42

(b) Based on the Maximum Subscription Scenario

	<b>Before Rights cum Warrants Issue</b>	<b>Adjusted for Scenario 3</b>	<b>Adjusted for Scenario 4</b>
Profit attributable to owners of the Company for FY2018 (S\$'000)	1,222	1,222	1,222
EPS for FY2018 <sup>(1)</sup> (cents)	0.49	0.38	0.32

**Note:**

(1) EPS based on basic profit per Share and diluted profit per Share is the same.

Under the Minimum Subscription Scenario and the Maximum Subscription Scenario, we note that the EPS of the Group would decrease from approximately 0.49 cents for FY2018 to 0.46 cents and 0.38 cents respectively after the completion of the Rights cum Warrants Issue (assuming that none of the Warrants are exercised) and further decrease to approximately 0.42 cents and 0.32 cents respectively assuming that the OCS Warrants and/or all the Warrants are exercised (as the case may be).

Gearing

The Rights cum Warrants Issue will have the following impact on the gearing as at 31 December 2018, assuming that the Rights cum Warrants Issue had been completed on 31 December 2018:

(a) Based on the Minimum Subscription Scenario

	<b>Before Rights cum Warrants Issue</b>	<b>Adjusted for Scenario 1</b>	<b>Adjusted for Scenario 2</b>
Total net borrowings <sup>(1)</sup> as at 31 December 2018 (S\$'000)	25,461	24,283	20,151
Shareholders' equity at 31 December 2018 (S\$'000) <sup>(2)</sup>	61,274	62,452	66,584
Net gearing at 31 December 2018 (times) <sup>(3)</sup>	0.42	0.39	0.30



(b) Based on the Maximum Subscription Scenario

	<b>Before Rights cum Warrants Issue</b>	<b>Adjusted for Scenario 3</b>	<b>Adjusted for Scenario 4</b>
Total net borrowings <sup>(1)</sup> as at 31 December 2018 (S\$'000)	25,461	20,593	7,823
Shareholders' equity at 31 December 2018 (S\$'000) <sup>(2)</sup>	61,274	66,142	78,912
Net gearing at 31 December 2018 (times) <sup>(3)</sup>	0.42	0.31	0.10

**Notes:**

- (1) Net borrowings consist of total borrowings less government loans, bank balances and deposits.
- (2) Shareholders' equity refers to the aggregate amount of the Group's issued share capital, currency translation reserve, statutory reserve fund, employee share options reserve, retained earnings and non-controlling interest.
- (3) Net gearing is defined as the Group's total net borrowings divided by Shareholders' equity.

Under the Minimum Subscription Scenario and the Maximum Subscription Scenario, we note that the net gearing of the Group would improve from approximately 0.42 times as at 31 December 2018 to 0.39 times and 0.31 times respectively after the completion of the Rights cum Warrants Issue (assuming that none of the Warrants are exercised) and further improve to approximately 0.30 times and 0.10 times respectively assuming that the OCS Warrants and/or all the Warrants are exercised (as the case may be).

**Shareholders should note that the above analysis has been prepared solely for illustrative purposes only and does not purport to be indicative or a projection of the results and financial position of the Company and the Group after the completion of the Rights cum Warrants Issue.**

## **5.8 Dilution Effect of the Rights cum Warrants Issue on the Independent Shareholders**

As at the Latest Practicable Date, the Concert Party Group hold in aggregate 92,056,145 Shares, representing in aggregate approximately 37.61% of the Existing Issued Share Capital. The remaining Shares are held by the Independent Shareholders.

Independent Shareholders will suffer a substantial dilution of their shareholdings in the Company only if they do not subscribe for their full entitlements of the Rights Shares and Warrants pursuant to the Rights cum Warrants Issue under the Minimum Subscription Scenario and the Excess Rights cum Warrants Scenario.

For the purpose of our evaluation, we have considered the following scenarios based on the assumptions set out herein:

- (a) **Based on the Minimum Subscription Scenario and assuming that (i) the Undertaking Shareholders exercise the OCS Warrants in full; (ii) none of the outstanding and unexercised Share options which were granted to the Company's employees under the ESOS 2013 and exercisable prior the Books Closure Date are exercised before the Books Closure Date; and (iii) there is no change to the shareholdings of the Company from that as at the Latest Practicable Date**

Name	Shareholdings as at the Latest Practicable Date			Immediately after the Rights cum Warrants Issue but before the exercise of the OCS Warrants		Immediately after the Rights cum Warrants Issue and after the exercise of the OCS Warrants	
	No. of Shares	%	No. of Share options	No. of Shares	%	No. of Shares	%
The Undertaking Shareholders	82,637,882	33.76	2,660,000	103,297,352	38.92	123,956,822	43.33
The Concert Parties	9,418,263	3.85	1,380,000	9,418,263	3.55	9,418,263	3.29
Other Shareholders	152,714,755	62.39	6,592,000	152,714,755	57.53	152,714,755	53.38
<b>Total</b>	<b>244,770,900</b>	<b>100.00</b>	<b>10,632,000</b>	<b>265,430,370</b>	<b>100.00</b>	<b>286,089,840</b>	<b>100.00</b>

We note that in the Minimum Subscription Scenario, Independent Shareholders will experience a significant dilution in their aggregate shareholding interest from approximately 62.39% to 57.53% immediately after the Rights cum Warrants Issue but before the exercise of the OCS Warrants, and 53.38% after the exercise of the OCS Warrants.

- (b) **Based on the Maximum Subscription Scenario and assuming that (i) all Entitled Shareholders exercise the Warrants in full; (ii) all the outstanding and unexercised Share options which were granted to the Company's employees under the ESOS 2013 and exercisable prior the Books Closure Date are exercised before the Books Closure Date; and (iii) there is no change to the shareholdings of the Company from that as at the Latest Practicable Date**

Name	Shareholdings as at the Latest Practicable Date			Immediately after the Rights cum Warrants Issue but before the exercise of the Warrants		Immediately after the Rights cum Warrants Issue and after the exercise of the Warrants	
	No. of Shares	%	No. of Share options	No. of Shares	%	No. of Shares	%
The Undertaking Shareholders	82,637,882	33.76	2,660,000	106,622,352	33.40	127,946,822	33.40
The Concert Parties	9,418,263	3.85	1,380,000	13,497,829	4.23	16,197,395	4.23
Other Shareholders	152,714,755	62.39	6,592,000	199,133,444	62.37	238,960,133	62.37
<b>Total</b>	<b>244,770,900</b>	<b>100.00</b>	<b>10,632,000</b>	<b>319,253,625</b>	<b>100.00</b>	<b>383,104,350</b>	<b>100.00</b>

We note that in the Maximum Subscription Scenario, Independent Shareholders will only experience a slight dilution in their aggregate shareholding interest which will be at 62.37% and 62.37% immediately after the Rights cum Warrants Issue but before the exercise of the Warrants and after the exercise of the Warrants respectively, as compared to 62.39% of the Existing Issued Share Capital as at the Latest Practicable Date.

- (c) **Based on the Excess Rights Shares with Warrants Scenario and assuming that (i) the Undertaking Shareholders exercise the Warrants in full; (ii) none of the outstanding and unexercised Share options, other than the 4,040,000 Share options previously granted to the Concert Party Group under the ESOS 2013 (where applicable), which were granted to the Company's employees under the ESOS 2013 and exercisable prior the Books Closure Date are exercised before the Books Closure Date; and (iii) there is no change to the shareholdings of the Company from that as at the Latest Practicable Date**

Name	Shareholdings as at the Latest Practicable Date			Immediately after the Rights cum Warrants Issue but before the exercise of the Warrants		Immediately after the Rights cum Warrants Issue and after the exercise of the Warrants	
	No. of Shares	%	No. of Share options	No. of Shares	%	No. of Shares	%
The Undertaking Shareholders	82,637,882	33.76	2,660,000	110,622,352	39.82	135,946,822	44.32
The Concert Parties	9,418,263	3.85	1,380,000	14,437,829	5.20	18,077,395	5.89
Other Shareholders	152,714,755	62.39	6,592,000	152,714,755	54.98	152,714,755	49.79
<b>Total</b>	<b>244,770,900</b>	<b>100.00</b>	<b>10,632,000</b>	<b>277,774,936</b>	<b>100.00</b>	<b>306,738,972</b>	<b>100.00</b>

We note that in the Excess Rights cum Warrants Scenario, Independent Shareholders will experience a significant dilution in their aggregate shareholding interest from approximately 62.39% to 54.98% immediately after the Rights cum Warrants Issue but before the exercise of the Warrants, and 49.79% after the exercise of the Warrants.

Please refer to Section 5.3 of the Circular for more details on the dilution effect to the shareholdings of the existing Shareholders upon the completion of the Rights cum Warrants Issue.

## **6. OTHER RELEVANT CONSIDERATIONS**

### **6.1 Inter-conditionality of the Rights cum Warrants Issue, the Irrevocable Undertakings and the Whitewash Resolution**

Shareholders should also note that the Rights cum Warrants Issue and the obligations of the Undertaking Shareholders pursuant to the Irrevocable Undertakings are conditional upon, *inter alia*, the approval of Shareholders for the Rights cum Warrants Issue and the Independent Shareholders' approval of the Whitewash Resolution at the EGM. If the Independent Shareholders do not vote in favour of the Whitewash Resolution, the Rights cum Warrants Issue and the Irrevocable Undertakings will not take place.

### **6.2 Support from the Undertaking Shareholders**

To demonstrate their commitment to the Company and their support of the Rights cum Warrants Issue, the Undertaking Shareholders have provided Irrevocable Undertakings to the Company to, amongst others, subscribe and pay for all their entitlements of the OCS Rights Shares with the OCS Warrants under the Rights cum Warrants Issue.

### **6.3 Implications of approval of the Whitewash Resolution**

By voting in favour of the Whitewash Resolution, the Independent Shareholders will be waiving their rights to receive a mandatory general offer for all their Shares from the Concert Party Group, which they would otherwise have been obliged to make at the highest price paid or agreed to be paid by them for the Shares in the past six (6) months preceding the commencement of the Rights cum Warrants Issue.

The Independent Shareholders should note that should they decide not to subscribe for the Rights Shares and/or the Warrant Shares, the Rights cum Warrants issue under the (i) Minimum Subscription Scenario could result in the Concert Party Group holding Shares carrying up to a maximum of 46.62% of the voting rights of the Company based on its enlarged share capital; and (ii) Excess Rights cum Warrants Scenario could result in the Concert Party Group holding Shares carrying up to a maximum of 50.21% of the voting rights of the Company based on its enlarged share capital. The Company would then possibly be in a relatively less favourable position in the context of interest from potential parties seeking control of the Company, by virtue of a significant controlling stake held by the Concert Party Group after the completion of the Rights cum Warrants Issue. Accordingly, it may be less likely for a third party to make a takeover offer for the Company without the support of the Undertaking Shareholders.

### **6.4 Alternative fund-raising options**

We understand from the Directors that the Company has decided to proceed with the Rights cum Warrants Issue after considering all other alternative fund-raising options available to the Company. In this regard, we note that the Directors have considered and explored alternative fund-raising options, which, for various reasons as summarised below, are regarded to be less optimal when compared to the Rights cum Warrants Issue.

#### **(a) Borrowings and/or other debt instruments**

We note that the Constitution of the Company do not contain any restriction on the amount or type of borrowings by the Company. Based on our discussions with the Company, the primary intended use of the net proceeds is for the Group to seize investment opportunities as well as growth and expansion in its distribution and environmental business. We understand from the Company that, the funding required for such investment opportunities would be too large for full financing through debt and such financing through debt, if taken up, will result in the Group incurring a significant increase in interest liabilities and expenses.

(b) Other fund-raising options

The Directors are of the view that other fund-raising options such as (i) private share placements would not be on a *pro-rata* basis that will provide the Shareholders with an opportunity to maintain their proportionate equity in the Company; and (ii) convertible bonds issued to independent third parties would result in an increase in interest expenses, whereas the proceeds to be raised from such alternative fund-raising options could instead be satisfied by the Company by way of the Rights cum Warrants Issue.

## 7. OPINION AND ADVICE

In arriving at our opinion and advice in respect of the Whitewash Resolution, we have taken into consideration, *inter alia*, the following factors summarised below as well as elaborated elsewhere in this Letter. The following should be read in conjunction with, and in the context of, the full text of this Letter:

- (a) the rationale of the Rights cum Warrants Issue and the use of the net proceeds from the Rights cum Warrants Issue to meet future working capital needs and allow the Group to seize investment opportunities as well as growth and expansion in its distribution and environmental business in a timely manner;
- (b) the Rights cum Warrants Issue is being offered to Entitled Shareholders on a *pro-rata* basis and we note that the Independent Shareholders will not be disadvantaged or prejudiced relative to the Concert Party Group in the allocation of their application for their entitlements of Rights Shares with Warrants and the Excess Rights Shares with Warrants pursuant to the Rights cum Warrants Issue;
- (c) the historical financial performance and financial position of the Group;
- (d) our assessment of the Issue Price as follows:
  - (i) the Issue Price represents a discount of approximately 71.24% and 69.05% to the audited NAV and NTA per Share as at 31 December 2018 of S\$0.226 and S\$0.210 respectively;
  - (ii) the Issue Price represents a discount of approximately 41.96%, 41.44%, 36.89%, 36.89% and 27.78% to the 1-year, 6-month, 3-month and 1-month VWAP of the Shares as well as on 28 December 2018, the Last Full Trading Date, respectively;
  - (iii) the Issue Price represents a discount of approximately 26.14% to the VWAP of the Shares after the release of the Announcement and up to the Latest Practicable Date. The Issue Price was also at a discount of approximately 18.75% to the closing price of the Shares on 3 July 2019, being the last full market day on which the Shares were last traded on the SGX-ST preceding the Latest Practicable Date as there was no trading in the Shares on the Latest Practicable Date; and
  - (iv) the Issue Price represents a discount of approximately 26.14% and 23.53% to the minimum Theoretical Ex-Price and the maximum Theoretical Ex-Price respectively;

- (e) in comparison with the Comparable Transactions:
- (i) the discount of approximately 27.78% as implied by the Issue Price on 28 December 2018, the Last Full Trading Date is within the range of the corresponding discounts of the Comparable Transactions and higher than the mean discount of 27.35% but lower than the median discount of 28.66%;
  - (ii) the discount of approximately 23.53% as implied by the Issue Price to the maximum Theoretical Ex-Price is within the range of the corresponding discounts of the Comparable Transactions and higher than the mean and median discounts of 20.65% and 21.16% respectively;
  - (iii) the discount of approximately 26.14% as implied by the Issue Price to the minimum Theoretical Ex-Price is within the range of the corresponding discounts of the Comparable Transactions and higher than the mean and median discounts of 20.65% and 21.16% respectively; and
- (f) the financial effects of the Rights cum Warrants Issue;
- (g) the dilution effect of the Rights cum Warrants Issue on the Independent Shareholders, with the maximum potential dilution in shareholdings of the Independent Shareholders under the (i) Minimum Subscription Scenario at between approximately 57.53% and 53.38%; and (ii) Excess Rights cum Warrants Scenario at between 54.98% and 49.79% of the enlarged share capital of the Company; and
- (h) other relevant considerations as set out in paragraph 6 of this Letter, namely (i) the inter-conditionality of the Rights cum Warrants Issue, the Irrevocable Undertakings and the Whitewash Resolution; (ii) the support from the Undertaking Shareholders; and (iii) the consideration of alternative fund-raising options.

**Having regard to the considerations set out above and the information available to us as at the Latest Practicable Date, we are of the opinion that the Rights cum Warrants Issue which is the subject of the Whitewash Resolution is fair and reasonable.**

**Accordingly, we advise the Independent Directors to recommend that the Independent Shareholders vote in favour of the Whitewash Resolution at the EGM.**

The Independent Directors should also note that transactions in the Shares are subject to possible market fluctuations and accordingly, our opinion and advice on the Whitewash Resolution does not and cannot take into account the future transactions or price levels that may be established for the Shares since these are governed by factors beyond the ambit of our review.

This Letter is addressed to the Independent Directors for their benefit, in connection with and for the purpose of their consideration of the Whitewash Resolution only. The recommendation made by the Independent Directors to the Independent Shareholders in relation to the Whitewash Resolution shall remain the sole responsibility of the Independent Directors.

Whilst a copy of this Letter may be reproduced in the Circular, neither the Company nor the Directors may reproduce, disseminate or quote this Letter (or any part thereof) for any other purpose at any time and in any manner without the prior written consent of NCF in each specific case except for the EGM and the purpose of the Whitewash Resolution. Our opinion and advice governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters stated herein and does not apply by implication to any other matter.

Yours truly,

For and on behalf of  
**Novus Corporate Finance Pte. Ltd.**

Andrew Leo  
Chief Executive Officer

Melvin Teo  
Senior Manager



## ANNAIK LIMITED

(Incorporated in the Republic of Singapore)  
(Company Registration No. 197702066M)

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** an Extraordinary General Meeting (“**EGM**”) of the Company will be held at 52 Tuas Avenue 9, Singapore 639193 on 2 August 2019 at 10.00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions with or without any modifications.

All capitalised terms in this Notice which are not defined herein shall have the same meanings ascribed to them in the Circular to Shareholders of the Company dated 11 July 2019.

#### ORDINARY RESOLUTION 1

##### THE RIGHTS CUM WARRANTS ISSUE

RESOLVED THAT subject to and contingent upon the passing of Ordinary Resolution 2, a proposed renounceable non-underwritten rights cum warrants issue (the “**Rights cum Warrants Issue**”) of up to 63,850,725 new Shares (the “**Rights Shares**”) at an issue price of S\$0.065 for each Rights Share, and up to 63,850,725 free detachable and transferable warrants of the Company (the “**Warrants**”), with each Warrant carrying the right to subscribe for one (1) new Share (the “**Warrant Share**”) at an exercise price of S\$0.200 for each Warrant Share, on the basis of one (1) Rights Share and one (1) Warrant for every four (4) existing Shares held by Entitled Shareholders as at a books closure date to be determined (the “**Books Closure Date**”), fractional entitlements to be disregarded, be and is hereby approved and the Board be and is hereby authorised to:–

- (a) effect the Rights cum Warrants Issue in the manner as set out in the Circular, including the allotment and issue of:–
  - (i) such number of Rights Shares as the Directors may determine, up to a maximum of 63,850,725 Rights Shares at an issue price of S\$0.065 for each Rights Share;
  - (ii) such number of Warrants as the Directors may determine, up to a maximum of 63,850,725 Warrants to be issued together with the Rights Shares, with each Warrant carrying the right to subscribe for one Warrant Share at an exercise price of S\$0.200 for each Warrant Share, during the period commencing on and including the date of issue of the Warrants and expiring at 5.00 p.m. on the date immediately preceding the fifth (5) anniversary of the date of issue of the Warrants, subject to the terms and conditions of the Deed Poll constituting the Warrants to be executed by the Company on such terms and conditions as the Directors may deem fit; and
  - (iii) such further Warrants as may be required or permitted to be issued in accordance with the terms and conditions of the Deed Poll (and such further Warrants to rank *pari passu* with the Warrants and for all purposes to form part of the same series, save as may otherwise be provided in the terms and conditions of the Deed Poll);
- (b) effect and carry out the Rights cum Warrants Issue on the terms of and subject to the conditions set out below and/or otherwise on such terms and conditions as the Directors may, in their absolute discretion, deem fit:–
  - (i) that the provisional allotments of the Rights Shares with Warrants under the Rights cum Warrants Issue shall be made on a renounceable basis to shareholders of the Company (“**Shareholders**”) whose name appear in the Register of Members of the Company or the records of The Central Depository (Pte) Limited (“**CDP**”) as at the Books Closure

Date with registered addresses in Singapore or who have, at least three (3) market days prior to the Books Closure Date, provided to the CDP or the Company, as the case may be, addresses in Singapore for the service of notices and documents, on the basis of one (1) Rights Share and one (1) Warrant for every four (4) existing Shares held by Entitled Shareholders at the Books Closure Date;

- (ii) no provisional allotment of the Rights Shares with Warrants shall be made in favour of, and no application form or other documents in respect thereof shall be issued or sent to Shareholders with registered addresses outside Singapore as at the Books Closure Date or who have not, at least three (3) market days prior thereto, provided to the CDP or the Share Registrar, as the case may be, addresses in Singapore for the service of notices and documents;
  - (iii) the entitlements to the Rights Shares with Warrants which would otherwise accrue to Foreign Shareholders shall be disposed of or dealt with by the Company in such manner and on such terms and conditions as the Directors may, in their absolute discretion, deem fit, including without limitation to be sold "nil-paid" on the Singapore Exchange Securities Trading Limited and the net proceeds therefrom, if any, will be dealt in accordance with the terms set out in the offer information statement to be issued by the Company in respect to the Rights cum Warrants Issue;
  - (iv) no provisional allotments of Rights Shares with Warrants shall be made in favour of Shareholders other than Entitled Shareholders;
  - (v) the provisional allotments of Rights Shares with Warrants not taken up or allotted for any reason (other than allotments to Foreign Shareholders referred to above) shall be dealt with in such manner, as the Directors may in their absolute discretion, deem fit in the interests of the Company; and
  - (vi) the Rights Shares when issued and paid-up will rank *pari passu* in all respects with the then existing Shares save for any dividends, rights, allotments or other distributions, the record date for which falls before the date of issue of the Rights Shares;
- (c) allot and issue, notwithstanding that the issue thereof may take place after the next ensuing annual or other general meeting of the Company:–
- (i) up to 63,850,725 Warrant Shares on the exercise of the Warrants, credited as fully paid, subject to and otherwise in accordance with the conditions of the Deed Poll, such Warrant Shares (when issued and paid) to rank *pari passu* in all respects with the then existing Shares (save as may otherwise be provided in the terms and conditions of the Deed Poll), save for any dividends, rights, allotments or other distributions, the Record Date for which falls before the date of issue of the Warrant Shares; and
  - (ii) on the same basis as paragraph (c)(i) above, such further Warrant Shares as may be required to be allotted and issued on the exercise of any of the additional Warrants referred to in paragraph (a)(iii) above; and
- (d) the Directors of the Company and any of them be and is hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as the Board or such Director may consider expedient or necessary or in the interests of the Company to give effect to this Resolution and in connection with the Rights cum Warrants Issue.

## ORDINARY RESOLUTION 2

### THE WHITEWASH RESOLUTION

RESOLVED THAT subject to and contingent upon the passing of Ordinary Resolution 1, and the conditions imposed by SIC in relation to the Whitewash Waiver being fulfilled, the Independent Shareholders do hereby, on a poll taken, unconditionally and irrevocably waive their rights to receive a mandatory general offer from the Concert Party Group in accordance with Rule 14 of the Code, in the event that the subscription of the Rights Shares with Warrants and Excess Applications for the Rights Shares with Warrants by the Concert Party Group pursuant to the Rights cum Warrants Issue results in them incurring an obligation to make a mandatory general offer pursuant to Rule 14 of the Code.

BY ORDER OF THE BOARD

Siau Kuei Lian  
Company Secretary  
Singapore, 11 July 2019

#### Notes:–

1. The Undertaking Shareholders and the Undertaking Shareholders' Concert Parties, and parties not independent of them shall abstain from voting in respect of the Ordinary Resolution to approve the Whitewash Resolution.
2. Except for a member who is a Relevant Intermediary as defined under Section 181(6) of the Companies Act, Chapter 50 of Singapore (the "**Companies Act**"), a member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two (2) proxies to attend and vote on his behalf. Such proxy need not be a member of the Company.
3. Where a member who is not a Relevant Intermediary, appoints more than one (1) proxy, the appointment shall be invalid unless the member specifies the proportion of his/her shareholding to be represented by each proxy in the instrument appointing the proxies.
4. Pursuant to Section 181(1C) of the Companies Act, a member who is a Relevant Intermediary, such as banks and capital markets services licence holders which provide custodial services and are members of the Company, may appoint more than two (2) proxies provided each proxy is appointed to exercise the rights attached to different shares held by the member.
5. If the member is a corporation, the instrument appointing the proxy must be given under its common seal or signed on its behalf by an attorney or a duly authorised officer of the corporation.
6. The instrument appointing a proxy must be deposited at the registered office of the Company at 52 Tuas Avenue 9, Singapore 639193 not less than 72 hours before the time appointed for the EGM or any adjournment thereof. The sending of a Proxy Form by a member does not preclude him from attending and voting in person at the EGM if he so wishes. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the EGM in person and, in such event, the Company reserves the right to refuse to admit any person or persons appointed under the Proxy Form to the EGM.
7. The Company shall be entitled to reject an instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument of proxy. In addition, in the case of shares entered in the Depository Register, the Company may reject an instrument of proxy if the member, being the appointor, is not shown to have shares 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 a proxy(ies) and/or representative(s) to attend, speak and vote at the EGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the EGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the EGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agent), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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# ANNAIK LIMITED

(Company Registration No. 197702066M)  
(Incorporated in the Republic of Singapore)  
(the "Company")

## Important

1. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investor") (as may be applicable) may attend and cast his vote(s) at the Extraordinary General Meeting ("EGM") in person. CPF and SRS Investors who are unable to attend the EGM but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the EGM to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the EGM.
2. This Proxy Form is not valid for use by CPF and SRS investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

## PROXY FORM – EXTRAORDINARY GENERAL MEETING

I/We \_\_\_\_\_ NRIC/Passport No. \_\_\_\_\_  
of \_\_\_\_\_  
being a member/members of AnnAik Limited (the "Company") hereby appoint:-

Name	Address	NRIC/Passport No.	Proportion of Shareholdings (No. of Shares/%)

and/or (delete as appropriate)

Name	Address	NRIC/Passport No.	Proportion of Shareholdings (No. of Shares/%)

or failing him/her, the Chairman of the Meeting as my/our proxy/proxies to attend and to vote for me/us on my/our behalf at the Extraordinary General Meeting ("EGM") of the Company to be held at 52 Tuas Avenue 9, Singapore 639193 on 2 August 2019 at 10.00 a.m. and at any adjournment thereof.

I/We direct my/our proxy/proxies to vote for or against the resolutions proposed at the EGM as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the EGM and at any adjournment thereof, the proxy/proxies may vote or abstain from voting at his/her discretion.

No.	Ordinary Resolutions	No. of votes 'For'*	No. of votes 'Against'*
1.	To approve the Rights cum Warrants Issue		
2.	To approve the Whitewash Resolution		

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

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2019.

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

\_\_\_\_\_  
Signature(s) of Shareholder(s)  
and, Common Seal of Corporate Shareholder

**IMPORTANT: PLEASE READ NOTES OVERLEAF**



#### **NOTES:-**

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.
2. A member of the Company (other than a Relevant Intermediary\*) entitled to attend and vote at a meeting of the Company is entitled to appoint one (1) or two (2) proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
3. Where a member (other than a Relevant Intermediary\*) appoints two (2) proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.
4. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of an officer of the corporation or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
5. A Relevant Intermediary may appoint more than two (2) proxies provided each proxy is appointed to exercise the rights attached to different shares held by the member.
6. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 52 Tuas Avenue 9, Singapore 639193 not less than 72 hours before the time set for the EGM.
7. Subject to note 9, completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the EGM. If a shareholder submits a proxy form and subsequently attends the meeting in person and votes, the appointments of the proxy should be revoked, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the EGM.
8. A corporation which is a member may authorise by resolution of its directors or other governing body, such person as it thinks fit to act as its representative at the EGM, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore, and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.
9. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investor") (as may be applicable) may attend and cast his vote(s) at the EGM in person. CPF and SRS Investors who are unable to attend the EGM but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the EGM.

\* A Relevant Intermediary is:-

- (a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or
- (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore and who holds shares in that capacity; or
- (c) the Central Provident Fund Board established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

#### **GENERAL:-**

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the EGM, as certified by The Central Depository (Pte) Limited to the Company.

#### **PERSONAL DATA PRIVACY:-**

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of EGM dated 11 July 2019.





