

**APPENDIX DATED 11 JUNE 2020**

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

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

If you have sold or transferred all your issued and fully paid-up ordinary shares in the capital of Avarga Limited, you should immediately forward this Appendix to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for onward transmission to the purchaser or transferee.

The Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) assumes no responsibility for the accuracy of any of the statements made, opinions expressed or reports contained in this Appendix.

**AVARGA  
LIMITED**

(Incorporated in the Republic of Singapore)  
(Company Registration No.: 196700346M)

**APPENDIX TO THE NOTICE OF ANNUAL GENERAL MEETING  
DATED 11 JUNE 2020**

**IN RELATION TO THE PROPOSED RENEWAL OF  
THE SHARE PURCHASE MANDATE**

# DEFINITIONS

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

<b>“ACRA”</b>	:	Accounting and Corporate Regulatory Authority of Singapore
<b>“AGM”</b>	:	Annual general meeting of the Company
<b>“Board”</b>	:	The board of directors of the Company
<b>“CDP”</b>	:	The Central Depository (Pte) Limited
<b>“Company”</b>	:	Avarga Limited
<b>“Companies Act”</b>	:	Companies Act (Chapter 50) of Singapore, as may be amended or modified from time to time
<b>“Constitution”</b>	:	The existing Constitution of the Company
<b>“Controlling Shareholder”</b>	:	A person who holds directly or indirectly 15% or more of the total voting rights of the Company (unless the SGX-ST determines otherwise) or a person who in fact exercises control over the Company, as defined under the Listing Manual
<b>“Directors”</b>	:	The directors of the Company as at the Latest Practicable Date
<b>“EPS”</b>	:	Earnings per Share
<b>“FY2019”</b>	:	Financial year ended 31 December 2019
<b>“Group”</b>	:	The Company and its subsidiaries
<b>“Latest Practicable Date”</b>	:	18 May 2020, being the latest practicable date prior to the date of this Appendix
<b>“Listing Manual”</b>	:	The listing manual of the SGX-ST, as may be amended or modified from time to time
<b>“Market Day”</b>	:	A day on which the SGX-ST is open for securities trading
<b>“NAV”</b>	:	Net asset value
<b>“Off-Market Share Purchase”</b>	:	A Share Purchase (if effected otherwise than on the SGX-ST) pursuant to an equal access scheme (as defined under Section 76C of the Companies Act) for the purchase of Shares from the Shareholders
<b>“On-Market Share Purchase”</b>	:	A Share Purchase effected on the SGX-ST through the ready market, through one or more duly licensed stockbrokers appointed by the Company for the purpose

# DEFINITIONS

<b>“Registrar”</b>	:	Registrar of Companies appointed under the Companies Act and includes any Deputy or Assistant Registrar of Companies
<b>“Securities Account”</b>	:	The securities account maintained by a Depositor with CDP but does not include a securities sub-account maintained with a Depository Agent
<b>“SGX-ST”</b>	:	Singapore Exchange Securities Trading Limited
<b>“Shareholders”</b>	:	Registered holders of Shares except that where the registered holder is CDP, the term <b>“Shareholders”</b> shall, in relation to such Shares and where the context admits, mean the persons named as Depositors in the Depository Register and whose Securities Accounts are credited with the Shares
<b>“Share Purchase”</b>	:	Purchase or acquisition of Shares by the Company pursuant to the Share Purchase Mandate
<b>“Share Purchase Mandate”</b>	:	General mandate given by Shareholders to authorise the Board to purchase or otherwise acquire Shares in accordance with the terms set out in this Appendix as well as the rules and regulations set forth in the Companies Act and the Listing Manual
<b>“Shares”</b>	:	Ordinary shares in the capital of the Company
<b>“SIC”</b>	:	Securities Industry Council of Singapore
<b>“Substantial Shareholder”</b>	:	A person who has an interest in not less than 5% of the issued voting Shares of the Company
<b>“Take-over Code”</b>	:	The Singapore Code on Take-overs and Mergers, as may be amended or modified from time to time
<b>“S\$” and “cents”</b>	:	Singapore dollars and cents respectively
<b>“%”</b>	:	Percentage or per centum

The terms **“Depositor”**, **“Depository Agent”** and **“Depository Register”** shall have the meanings ascribed to them respectively in Section 81SF of the Securities and Futures Act (Chapter 289) of Singapore.

The term **“treasury shares”** shall have the meaning ascribed to it in Section 4 of the Companies Act.

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

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

# DEFINITIONS

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

Any reference to a time of day and dates in this Appendix shall be a reference to Singapore time and dates, unless otherwise stated.

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

# APPENDIX TO NOTICE OF ANNUAL GENERAL MEETING

## THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE

### 1 INTRODUCTION

- 1.1** Avarga Limited (the “**Company**”) has on 11 June 2020 issued a Notice convening the 53<sup>rd</sup> Annual General Meeting of the shareholders of the Company (the “**Shareholders**”) to be held by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 on Friday, 26 June 2020 (the “**2020 AGM**”). Alternative arrangements relating to, among others, attendance, submission of questions in advance and/or voting by proxy at the 2020 AGM are set out in the Notice of the 2020 AGM.
- 1.2** We refer to Ordinary Resolution No. 10 relating to the proposed renewal of the Share Purchase Mandate. It is a requirement under the Companies Act that a company, which wishes to purchase or otherwise acquire its own shares, has to obtain the approval of its shareholders at a general meeting of the company. The Company proposes to seek the approval of the Shareholders at the forthcoming 2020 AGM for the renewal of the Share Purchase Mandate to authorise the Directors to buy back its issued and fully paid Shares in accordance with the terms set out in this Appendix as well as the rules and regulations set out in the Companies Act and the Listing Manual.
- 1.3** The purpose of this Appendix is to explain the rationale for, and provide Shareholders with information relating to, the proposed renewal of the Share Purchase Mandate.

### 2 THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE

#### 2.1 RATIONALE FOR THE SHARE PURCHASE MANDATE

- 2.1.1** The Share Purchase Mandate will give the Company the flexibility to undertake Share Purchases at any time, subject to market conditions, during its validity period. The Directors believe that the Share Purchase Mandate will provide the Company with a mechanism to facilitate the return of any surplus cash in excess of the Group’s working capital requirements in an expedient and cost-efficient manner. The Directors further believe that Share Purchases may also buffer short-term share price volatility and offset the effects of share price speculation. Where Shares are purchased by the Company and are held as treasury shares, it will also enable the Company to transfer the treasury shares for the purposes of the Company’s employees’ share option scheme.
- 2.1.2** If and when circumstances permit, the Directors will decide whether to effect the Share Purchases via On-Market Share Purchases or Off-Market Share Purchases, after taking into account the amount of surplus cash available, the then prevailing market conditions and the most cost effective and efficient approach.
- 2.1.3** The Share Purchases would be made only as and when the Directors consider it to be in the best interests of the Company and in appropriate circumstances which the Directors believe will not result in any material adverse effect on the liquidity and the orderly trading of the Shares, as well as the financial condition of the Group.

# APPENDIX TO NOTICE OF ANNUAL GENERAL MEETING

## 2.2 AUTHORITY AND LIMITS ON THE SHARE PURCHASE MANDATE

The authority and limits placed on the Share Purchases under the Share Purchase Mandate are set out below:–

### 2.2.1 Maximum number of Shares

- (a) Only Shares which are issued and fully paid-up may be purchased or acquired by the Company. In accordance with Rule 882 of the Listing Manual, the total number of Shares which may be purchased or acquired pursuant to the Share Purchase Mandate shall not exceed 10% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in each class as at the date of the 2020 AGM at which approval for the proposed renewal of the Share Purchase Mandate is being sought (the “**Approval Date**”). Under the Companies Act, any Shares which are held as treasury shares and subsidiary holdings will be disregarded for the purpose of computing the 10% limit. As at the Latest Practicable Date, the Company had 3,037,000 treasury shares and no subsidiary holdings, and the Shares, being the ordinary shares in the capital of the Company, were the only class of shares issued by the Company.
- (b) For illustrative purposes only, on the basis of 947,108,342 issued Shares as at the Latest Practicable Date, and assuming that no further Shares are issued prior to the 2020 AGM, not more than 94,710,834 Shares (representing 10% of the total number of issued Shares as at that date) may be purchased by the Company pursuant to the proposed Share Purchase Mandate during the duration referred to in paragraph 2.2.2(a) below.

### 2.2.2 Duration of Authority

- (a) Share Purchases may be made, at any time and from time to time, on and from the Approval Date up to:–
  - (i) the date on which the next AGM of the Company is held or required by law to be held;
  - (ii) the date on which the Share Purchases are carried out to the full extent mandated; or
  - (iii) the date on which the authority conferred by the Share Purchase Mandate is revoked or varied by the Shareholders in a general meeting,whichever is the earliest.
- (b) The authority conferred on the Board by the Share Purchase Mandate to purchase Shares may be renewed at the next AGM of the Company or at an extraordinary general meeting of the Company to be convened immediately after the conclusion or adjournment of the next AGM.

# APPENDIX TO NOTICE OF ANNUAL GENERAL MEETING

## 2.2.3 Manner of Share Purchases

- (a) Share Purchases may be made by way of:
  - (i) an On-Market Share Purchase; and/or
  - (ii) an Off-Market Share Purchase.
  
- (b) The Directors may impose such terms and conditions which are not inconsistent with the Share Purchase Mandate, the Listing Manual and the Companies Act, as they consider fit in the interests of the Company in connection with or in relation to any equal access scheme or schemes. However, an Off-Market Share Purchase effected in accordance with an equal access scheme must satisfy all the following conditions:–
  - (i) offers under the scheme are to be made to every person who holds Shares to purchase or acquire the same percentage of their Shares;
  - (ii) all of those persons shall be given a reasonable opportunity to accept the offers made to them; and
  - (iii) the terms of all the offers shall be the same, except that there shall be disregarded:–
    - (1) differences in consideration attributable to the fact that the offers relate to Shares with different accrued dividend entitlements;
    - (2) differences in consideration attributable to the fact that the offers relate to Shares with different amounts remaining unpaid (if applicable); and
    - (3) differences in the offers introduced solely to ensure that each person is left with a whole number of Shares.
  
- (c) In addition, the Listing Manual provides that, in making an Off-Market Share Purchase, the Company must issue an offer document to all Shareholders which must contain at least the following information:–
  - (i) the terms and conditions of the offer;
  - (ii) the period and procedures for acceptance;
  - (iii) the reasons for the proposed Share Purchase;
  - (iv) the consequences, if any, of Share Purchases that will arise under the Take-over Code or other applicable take-over rules;
  - (v) whether the Share Purchase, if made, could affect the listing of the Shares on the SGX-ST;

# APPENDIX TO NOTICE OF ANNUAL GENERAL MEETING

- (vi) details of any Share Purchases made by the Company during the previous 12 months (whether On-Market Share Purchases or Off-Market Share Purchases), giving the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for such Share Purchases, where relevant, and the total consideration paid for such Share Purchases; and
- (vii) whether the Shares purchased by the Company will be cancelled or kept as treasury shares.

## 2.2.4 Maximum Purchase Price

- (a) The purchase price (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) to be paid for a Share will be determined by the Directors.
- (b) However, the purchase price to be paid for the Shares pursuant to the Share Purchase Mandate must not exceed:–
  - (i) in the case of an On-Market Share Purchase, 105% of the Average Closing Price (as defined below) of the Shares; and
  - (ii) in the case of an Off-Market Share Purchase, 120% of the Average Closing Price of the Shares, (the “**Maximum Price**”).
- (c) For the above purposes, “**Average Closing Price**” means the average of the closing market prices of a Share over the last 5 Market Days, on which transactions in the Shares were recorded, before the day on which the On-Market Share Purchase was made or, as the case may be, before the date of making an announcement by the Company of an offer for an Off-Market Share Purchase and deemed to be adjusted for any corporate action that occurs during the above-mentioned relevant 5 Market Days and the day on which the On-Market Share Purchase was made.

## 2.3 STATUS OF PURCHASED SHARES UNDER THE SHARE PURCHASE MANDATE

**2.3.1** Under Section 76B of the Companies Act, any Share which is purchased shall, unless held as a treasury share, be deemed cancelled immediately on purchase, and all rights and privileges attached to that Share will expire on cancellation. All Shares purchased by the Company, unless held as treasury shares, will be automatically delisted by the SGX-ST, and (where applicable) all certificates in respect thereof will be cancelled and destroyed by the Company as soon as reasonably practicable following the settlement of any such purchase. The total number of issued Shares will be diminished by the number of Shares purchased or acquired by the Company and which are not held as treasury shares.

**2.3.2** Some of the provisions on treasury shares under the Companies Act are summarised below:–

### (a) Maximum Holdings

The number of Shares held as treasury shares shall not at any time exceed 10% of the total number of issued Shares; and the Company shall be entered in the Register of Members or the Depository Register, as the case may be, as the member holding those Shares.



# APPENDIX TO NOTICE OF ANNUAL GENERAL MEETING

## **(b) Voting and Other Rights**

The Company cannot exercise any right in respect of treasury shares. In particular, the Company cannot exercise any right to attend or vote at meetings; and for the purposes of the Companies Act, the Company shall be treated as having no right to vote in respect of treasury shares and the treasury shares shall be treated as having no voting rights.

In addition, no dividend may be paid, and no other distribution of the Company's assets may be made, to the Company in respect of the treasury shares. However, the allotment of Shares as fully paid bonus shares in respect of treasury shares is allowed. Also, a subdivision or consolidation of any treasury share into treasury shares of a greater or smaller number, as the case may be, is allowed so long as the total value of the treasury shares after the sub-division or consolidation is the same as before.

## **(c) Disposal and Cancellation**

Where Shares purchased or acquired by the Company are held as treasury shares, the Company may at any time:–

- (i) sell the treasury shares (or any of them) for cash;
- (ii) transfer the treasury shares (or any of them) for the purposes of or pursuant to any share scheme, whether for the Company's employees, directors or other persons;
- (iii) transfer the treasury shares (or any of them) as consideration for the acquisition of shares in or assets of another company or assets of a person;
- (iv) cancel the treasury shares (or any of them); or
- (v) sell, transfer or otherwise use the treasury shares for such other purposes as may be prescribed by the Minister for Finance.

The Shares purchased under the Share Purchase Mandate will be held as treasury shares or cancelled by the Company taking into consideration the then prevailing circumstances and requirements of the Company at the relevant time.

In addition, under the Listing Manual, the Company must submit to the SGX-ST a confirmation of compliance with the relevant provisions of Chapter 8 of the Listing Manual for the issue of shares out of treasury, and an immediate announcement must be made of any sale, transfer, cancellation and/or use of treasury shares, stating the following:

- (i) date of the sale, transfer, cancellation and/or use;
- (ii) purpose of such sale, transfer, cancellation and/or use;
- (iii) number of treasury shares sold, transferred, cancelled and/or used;

# APPENDIX TO NOTICE OF ANNUAL GENERAL MEETING

- (iv) number of treasury shares before and after such sale, transfer, cancellation and/or use;
- (v) percentage of the number of treasury shares against the total number of Shares outstanding in a class that is listed before and after such sale, transfer, cancellation and/or use; and
- (vi) value of the treasury shares if they are used for a sale or transfer, or cancelled.

## 2.4 REPORTING REQUIREMENTS

**2.4.1** Within 30 days of the passing of a Shareholders' resolution to approve or renew the Share Purchase Mandate, as the case may be, the Company shall lodge a copy of such resolution with the Registrar.

**2.4.2** The Company shall lodge with the Registrar a notice of Share Purchase within 30 days of such Share Purchase. Such notification shall include the date of the purchases, the number of Shares purchased by the Company, the number of Shares cancelled, the number of treasury shares held, the Company's issued share capital before and after the purchases, the amount of consideration paid by the Company for the purchases, whether the Shares were purchased out of the profits or the capital of the Company and such other particulars as may be required in the prescribed form.

**2.4.3** Within 30 days of the cancellation or disposal of treasury shares in accordance with the Companies Act, the Company shall lodge with the Registrar a notice of the cancellation or disposal of treasury shares with such particulars as may be required in the prescribed form.

## 2.5 SOURCE OF FUNDS

**2.5.1** The Company may only apply funds for the Share Purchases in accordance with the applicable laws in Singapore. The Company may not purchase its Shares for a consideration other than in cash and in the case of an On-Market Share Purchase, for settlement otherwise than in accordance with the trading rules of the SGX-ST.

**2.5.2** The Company intends to use internal sources of funds or external borrowings, or a combination of both, to finance its Share Purchases.

**2.5.3** The Companies Act stipulates that any purchases of Shares may be made out of the Company's capital and/or profits so long as the Company is solvent. Under the Companies Act, a Company is solvent if at the date of the payment made by the Company in consideration of acquiring any right with respect to the purchase or acquisition of its own Shares:

- (a) there is no ground on which the Company could be found to be unable to pay its debts;
- (b) if:
  - (1) it is intended to commence winding up of the Company within the period of 12 months immediately after the date of the payment, the Company will be able to pay its debts in full within the period of 12 months after the date of commencement of the winding up; or

# APPENDIX TO NOTICE OF ANNUAL GENERAL MEETING

- (2) it is not intended so to commence winding up, the Company will be able to pay its debts as they fall due within the period of 12 months immediately after the date of the payment; and
- (c) the value of the Company's assets is not less than the value of its liabilities (including contingent liabilities) and will not, after the proposed purchase, acquisition, variation or release (as the case may be), become less than the value of its liabilities (including contingent liabilities).

**2.5.4** Where the consideration paid by the Company for the Share Purchases is made out of profits, such consideration will correspondingly reduce the amount of profits available for the distribution of cash dividends by the Company. However, where the consideration paid by the Company for the Share Purchases is made out of capital, the amount of profits available for the distribution of cash dividends by the Company will not be reduced. The Companies Act further stipulates that a payment for such purchase of shares shall include any expenses (including brokerage or commission) incurred directly in the purchase.

## **2.6 FINANCIAL EFFECTS**

**2.6.1** The financial effects on the Company and the Group arising from the Share Purchases will depend on, *inter alia*, whether the Share Purchases are made by way of On-Market Share Purchases or Off-Market Share Purchases, the price paid for such Shares and whether the Shares are held in treasury or cancelled.

**2.6.2** **For illustrative purposes only**, the financial effects on the Company and the Group arising from the Share Purchases, based on the audited financial statements of the Company and the Group for FY2019, are prepared assuming the following:–

- (a) the Share Purchases comprised 94,710,834 Shares (representing the maximum 10% allowed under the Share Purchase Mandate of the 947,108,342 issued Shares excluding treasury shares and subsidiary holdings, as at the Latest Practicable Date);
- (b) in the case of On-Market Share Purchases, the Maximum Price was S\$0.141 (being 5% above the Average Closing Price prior to the Latest Practicable Date) and accordingly, the maximum amount of funds (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) required for effecting such On-Market Share Purchases would amount to approximately S\$13.4 million;
- (c) in the case of Off-Market Share Purchases, the Maximum Price was S\$0.161 (being 20% above the Average Closing Price prior to the Latest Practicable Date) and accordingly, the maximum amount of funds (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) required for effecting such Off-Market Share Purchases would amount to approximately S\$15.2 million;
- (d) the Share Purchases were made out of the Company's capital and profits as the Company has decided that any Share Purchases made under the Share Purchase Mandate will be made out of capital and profits;
- (e) the Share Purchases took place on 1 January 2020 and the Shares purchased were (i) cancelled; or (ii) held as treasury shares; and
- (f) the Share Purchases were financed by external short-term bank borrowings.

# APPENDIX TO NOTICE OF ANNUAL GENERAL MEETING

## (i) On-Market Share Purchases

	Group			Company		
	Before Share Purchases S\$'000	After Share Purchases		Before Share Purchases S\$'000	After Share Purchases	
		Share Purchases cancelled S\$'000	Share Purchases held as Treasury Shares S\$'000		Share Purchases cancelled S\$'000	Share Purchases held as Treasury Shares S\$'000
<b>As at 31 December 2019</b>						
Share capital	169,582	156,228	169,582	169,582	156,228	169,582
Other reserves	(22,399)	(22,399)	(22,399)	74	74	74
Retained earnings	54,651	54,651	54,651	2,923	2,923	2,923
Treasury shares	(628)	(628)	(13,982)	(628)	(628)	(13,982)
	201,206	187,852	187,852	171,951	158,597	158,597
Non-controlling interests	51,619	51,619	51,619	–	–	–
Total Equity	252,825	239,471	239,471	171,951	158,597	158,597
Current assets	306,776	306,776	306,776	129,930	129,930	129,930
Current liabilities	(179,079)	(192,433)	(192,433)	(2,204)	(15,558)	(15,558)
Non-current assets	268,527	268,527	268,527	44,437	44,437	44,437
Non-current liabilities	(143,399)	(143,399)	(143,399)	(212)	(212)	(212)
Net Asset Value (NAV)	252,825	239,471	239,471	171,951	158,597	158,597
Total borrowings	211,106	224,460	224,460	336	13,690	13,690
Less: Cash and bank balances	19,245	19,245	19,245	4,618	4,618	4,618
Less: Other deposits with financial institutions	–	–	–	–	–	–
Net debt <sup>(1)</sup>	191,861	205,215	205,215	(4,282)	9,072	9,072
Profit after tax and non-controlling interests	32,562	32,562	32,562	19,211	19,211	19,211
Number of Shares outstanding as at 31 December 2019 ('000)	947,069	852,358	852,358	947,069	852,358	852,358
Weighted average number of Shares as at 31 December 2019						
– Basic ('000)	947,069	852,358	852,358	947,069	852,358	852,358
– Diluted ('000)	947,069	852,358	852,358	947,069	852,358	852,358
<b>Financial Ratios</b>						
NAV per share <sup>(2)</sup> (cents)	21.25	22.04	22.04	18.16	18.61	18.61
Gross debt gearing <sup>(3)</sup> (times)	1.13	1.30	1.30	–	0.09	0.09
Net debt gearing <sup>(4)</sup> (times)	1.03	1.19	1.19	–	0.06	0.06
Current ratio <sup>(5)</sup> (times)	1.71	1.59	1.59	58.95	8.35	8.35
EPS <sup>(6)</sup> (cents)						
– Basic	3.44	3.82	3.82	2.03	2.25	2.25
– Diluted	3.44	3.82	3.82	2.03	2.25	2.25

### Notes:–

- (1) "Net debt" represents total borrowings less cash and cash equivalents and other deposits with financial institutions.
- (2) "NAV per share" represents net asset value after non-controlling interests divided by the number of Shares as at 31 December 2019.
- (3) "Gross debt gearing" represents total borrowings divided by net tangible asset value.
- (4) "Net debt gearing" represents net debt divided by net tangible asset value.
- (5) "Current ratio" represents current assets divided by current liabilities.
- (6) "Basic EPS" represents profit after tax and non-controlling interests divided by the weighted average number of Shares as at 31 December 2019.

# APPENDIX TO NOTICE OF ANNUAL GENERAL MEETING

## (ii) Off-Market Share Purchases

	Group			Company		
	Before Share Purchases S\$'000	After Share Purchases		Before Share Purchases S\$'000	After Share Purchases	
		Share Purchases cancelled S\$'000	Share Purchases held as Treasury Shares S\$'000		Share Purchases cancelled S\$'000	Share Purchases held as Treasury Shares S\$'000
<b>As at 31 December 2019</b>						
Share capital	169,582	154,334	169,582	169,582	154,334	169,582
Other reserves	(22,399)	(22,399)	(22,399)	74	74	74
Retained earnings	54,651	54,651	54,651	2,923	2,923	2,923
Treasury shares	(628)	(628)	(15,876)	(628)	(628)	(15,876)
	201,206	185,958	185,958	171,951	156,703	156,703
Non-controlling interests	51,619	51,619	51,619	–	–	–
Total Equity	252,825	237,577	237,577	171,951	156,703	156,703
Current assets	306,776	306,776	306,776	129,930	129,930	129,930
Current liabilities	(179,079)	(194,327)	(194,327)	(2,204)	(17,452)	(17,452)
Non-current assets	268,527	268,527	268,527	44,437	44,437	44,437
Non-current liabilities	(143,399)	(143,399)	(143,399)	(212)	(212)	(212)
Net Asset Value (NAV)	252,825	237,577	237,577	171,951	156,703	156,703
Total borrowings	211,106	226,354	226,354	336	15,584	15,584
Less: Cash and bank balances	19,245	19,245	19,245	4,618	4,618	4,618
Less: Other deposits with financial institutions	–	–	–	–	–	–
Net debt <sup>(1)</sup>	191,861	207,109	207,109	(4,282)	10,966	10,966
Profit after tax and non-controlling interests	32,562	32,562	32,562	19,211	19,211	19,211
Number of Shares outstanding as at 31 December 2019 ('000)	947,069	852,358	852,358	947,069	852,358	852,358
Weighted average number of Shares as at 31 December 2019						
– Basic ('000)	947,069	852,358	852,358	947,069	852,358	852,358
– Diluted ('000)	947,069	852,358	852,358	947,069	852,358	852,358
<b>Financial Ratios</b>						
NAV per share <sup>(2)</sup> (cents)	21.25	21.82	21.82	18.16	18.38	18.38
Gross debt gearing <sup>(3)</sup> (times)	1.13	1.32	1.32	–	0.10	0.10
Net debt gearing <sup>(4)</sup> (times)	1.03	1.21	1.21	–	0.07	0.07
Current ratio <sup>(5)</sup> (times)	1.71	1.58	1.58	58.95	7.44	7.44
EPS <sup>(6)</sup> (cents)						
– Basic	3.44	3.82	3.82	2.03	2.25	2.25
– Diluted	3.44	3.82	3.82	2.03	2.25	2.25

### Notes:–

- (1) "Net debt" represents total borrowings less cash and cash equivalents and other deposits with financial institutions.
- (2) "NAV per share" represents net asset value after non-controlling interests divided by the number of Shares as at 31 December 2019.
- (3) "Gross debt gearing" represents total borrowings divided by net tangible asset value.
- (4) "Net debt gearing" represents net debt divided by net tangible asset value.
- (5) "Current ratio" represents current assets divided by current liabilities.
- (6) "Basic EPS" represents profit after tax and non-controlling interests divided by the weighted average number of Shares as at 31 December 2019.

# APPENDIX TO NOTICE OF ANNUAL GENERAL MEETING

The financial effects set out above are purely for illustrative purposes only. Although the Share Purchase Mandate would authorise the Company to buy back up to 10% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) as at the date that the Share Purchase Mandate is renewed, the Company may not necessarily buy back or be able to buy back 10% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in full.

## 2.7 TAX IMPLICATIONS ARISING FROM SHARE PURCHASES

Shareholders who are in doubt as to their respective tax positions or any tax implications of Share Purchases by the Company, or who may be subject to tax whether in or outside Singapore, should consult their own professional advisers.

## 2.8 LISTING MANUAL RELATING TO SHARE PURCHASES

**2.8.1** The Listing Manual specifies that a listed company shall notify the SGX-ST of any On-Market Share Purchases not later than 9.00 a.m. on the Market Day following the day on which the On-Market Share Purchase was made, and of any Off-Market Share Purchases not later than 9.00 a.m. on the second Market Day after the close of acceptance of the offer for the Off-Market Share Purchase. The notification of such Share Purchases to the SGX-ST shall be in such form and shall include such details that the SGX-ST may prescribe. The Company shall make arrangements with its stockbrokers to ensure that they provide the Company in a timely fashion the necessary information which will enable the Company to make the notifications to the SGX-ST.

**2.8.2** When seeking the approval of Shareholders for the proposed renewal of the Share Purchase Mandate, the Company is required to disclose details pertaining to the purchases of Shares made by the Company during the previous 12 months, including the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for such purchases of Shares, where relevant, and the total consideration paid for such purchases.

**2.8.3** While the Listing Manual does not expressly prohibit purchase of shares by a listed company during any particular time or times, the Company will not undertake Share Purchases after a price sensitive development has occurred or has been the subject of a consideration and/or a decision of the Board until such time as the price sensitive information has been publicly announced. In particular, the Company will not buy any Shares during the period commencing two (2) weeks before the announcement of the financial statements for each of the first three (3) quarters of its financial year and one (1) month before the announcement of the Company's full year financial statements (if the Company announces its quarterly financial statements, whether required by the SGX-ST or otherwise), or one (1) month before the announcement of the Company's half year and full year financial statements (if the Company does not announce its quarterly financial statements), and ending on the date of announcement of the relevant results.

# APPENDIX TO NOTICE OF ANNUAL GENERAL MEETING

**2.8.4** The Listing Manual requires a listed company to ensure that at least 10% of the total number of issued Shares excluding treasury shares (excluding preference shares and convertible equity securities) in a class that is listed is at all times held by the public. The “public”, as defined under the Listing Manual, are persons other than the directors, chief executive officer, substantial shareholders or controlling shareholders of the Company or its subsidiaries, as well as the associates of such persons. Based on the Registers of Directors’ Shareholdings maintained by the Company and its subsidiaries and the Register of Substantial Shareholders maintained by the Company and the information received by the Company as at the Latest Practicable Date, there are 435,026,017 Shares held by public Shareholders, representing approximately 45.93% of the total number of issued Shares. Assuming the Company exercises the Share Purchase Mandate in full and purchases 10% of the total number of issued Shares excluding treasury shares and subsidiary holdings through On-Market Share Purchases from the public, the number of Shares in the hands of the public would be reduced to approximately 340,315,183 Shares, representing approximately 39.92% of the total number of issued Shares excluding treasury shares. Accordingly, the Company is of the view that there is a sufficient number of Shares in issue held by public Shareholders which would permit the Company to undertake purchases or acquisitions of its Shares up to the full 10% limit pursuant to the Share Purchase Mandate without affecting the listing status of the Shares on the SGX-ST. While the Share Purchase Mandate would authorise Share Purchases up to a maximum of 10% limit, Shareholders should note that Share Purchases may not be carried out up to the full 10% limit as authorised, or at all.

**2.8.5** In undertaking any Share Purchases, the Directors will use their best efforts to ensure that, notwithstanding such Share Purchases, a sufficient float held by the public will be maintained so that the Share Purchases will not adversely affect the listing status of the Shares on the SGX-ST, cause market illiquidity or adversely affect the orderly trading of the Shares.

## **2.9 TAKE-OVER CODE IMPLICATIONS ARISING FROM SHARE PURCHASES**

**2.9.1** The resultant increase in the percentage of voting rights held by a Shareholder and persons acting in concert with him, following any Share Purchases, will be treated as an acquisition for the purposes of Rule 14 of the Take-over Code (“**Rule 14**”). Consequently, depending on the number of Shares purchased by the Company and the Company’s total number of issued Shares at that time, a Shareholder or group of Shareholders acting in concert with each other could obtain or consolidate effective control of the Company and could become obliged to make an offer under Rule 14.

**2.9.2** Under the Take-over Code, persons acting in concert or concert parties comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), co-operate, through the acquisition by any of them of shares in a company, to obtain or consolidate effective control of that company. Unless the contrary is established, the following persons, *inter alia*, will be presumed to be acting in concert, namely, (i) a company with any of its directors (together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts), and (ii) a company, its parent, subsidiaries and fellow subsidiaries, and their associated companies and companies of which such companies are associated companies, all with one another, and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the aforesaid for the purchase of voting rights. For this purpose, ownership or control of at least 20% but not more than 50% of the voting rights of a company will be regarded as the test of associated company status.

# APPENDIX TO NOTICE OF ANNUAL GENERAL MEETING

- 2.9.3** The circumstances under which Shareholders (including Directors) and persons acting in concert with them respectively will incur an obligation to make a take-over offer under Rule 14 after a purchase or acquisition of Shares by the Company are set out in Rule 14 and Appendix 2 of the Take-over Code (“**Appendix 2**”).
- 2.9.4** In general terms, the effect of Rule 14 and Appendix 2 is that, unless exempted, Directors and persons acting in concert with them will incur an obligation to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring Shares, the voting rights of such directors and their concert parties would increase to 30% or more, or, in the event that such directors and their concert parties hold between 30% and 50% of the voting rights in the Company, the voting rights of such Directors and their concert parties would increase by more than 1% in any period of 6 months. In calculating the percentages of voting rights of such Directors and their concert parties, treasury shares shall be excluded.
- 2.9.5** Under Appendix 2, a Shareholder not acting in concert with the Directors will not be required to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Shareholder would increase to 30% or more, or, if such Shareholder holds between 30% and 50% of the voting rights in the Company, the voting rights of such Shareholder would increase by more than 1% in any period of 6 months. Such Shareholder need not abstain from voting in respect of the resolution authorising the Share Purchase Mandate.
- 2.9.6** Shareholders and their concert parties will be subject to the provisions of Rule 14 if they acquire any Shares after the Company’s Share Purchases. For the purpose of the Take-over Code, an increase in the percentage of voting rights as a result of the Share Purchases will be taken into account in determining whether a Shareholder and persons acting in concert with him have increased their voting rights by more than 1% in any period of 6 months.
- 2.9.7** If the Company decides to cease the purchase of Shares before it has purchased in full such number of Shares authorised by its Shareholders at the 2020 AGM, the Company will promptly inform its Shareholders of such cessation. This will assist Shareholders to determine if they can buy any more Shares without incurring an obligation under Rule 14.
- 2.9.8** Based on the Register of Directors’ Shareholdings and the Register of Substantial Shareholders, as at the Latest Practicable Date, the shareholdings of the Directors, the Substantial Shareholders, and the Relevant Persons (as defined below) before and after the purchase of Shares pursuant to the Share Purchase Mandate, assuming (i) the Company purchases the maximum 10% of the total number of issued Shares (excluding treasury shares and subsidiary holdings), and (ii) there is no change in the number of Shares held by the Directors and the Substantial Shareholders or which they are deemed interested in, are set out in paragraph 2.11 of this Appendix.
- 2.9.9** For the purposes of the Take-over Code, Tong Kooi Ong, Executive Chairman of the Company, his son Tong Ian (who is a director and the CEO of the Company), Phileo Capital Limited, Genghis S.à.r.l, 3Cs Investments Ltd and TMF Trustees Singapore Limited (collectively, the “**Relevant Persons**”) are regarded as persons acting in concert in relation to the Company. As at the Latest Practicable Date, the Relevant Persons own in aggregate 298,164,000 Shares, representing approximately 31.48% of the issued Shares (excluding treasury shares and subsidiary holdings).



# APPENDIX TO NOTICE OF ANNUAL GENERAL MEETING

- 2.9.10** Assuming that there is no change in the number of Shares held or deemed to be held by the Relevant Persons in the Company as at the Latest Practicable Date, the purchase or acquisition by the Company of the maximum of 94,710,834 Shares (being 10% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) as at the Latest Practicable Date) will result in an increase in the Relevant Persons' collective holdings in the Shares from 31.48% to 34.98%. Accordingly, the percentage of voting rights held by the Relevant Persons in the Company may be increased by more than 1% in any 6 month period as a result of the purchase or acquisition of Shares by the Company pursuant to the Share Purchase Mandate. In the event that the voting rights in the Company controlled by the Relevant Persons increase by more than 1% in any 6 month period, the Relevant Persons will, unless exempted, be required to make a take-over offer for the Shares held by the other Shareholders pursuant to Rule 14 of the Take-over Code.
- 2.9.11** Pursuant to Section 3(a) of Appendix 2, the Relevant Persons will be exempted from making a general offer for the Company if their voting rights would increase by more than 1% in any period of 6 months subject to the following conditions:
- (a) this Appendix on the resolution to approve the renewal of the Share Purchase Mandate contains advice to the effect that by voting for the renewal of the Share Purchase Mandate, Shareholders are waiving their right to a general offer at the required price from the Relevant Persons and parties acting in concert with them who, as a result of the Company buying back its Shares, would increase their voting rights by more than 1% in any period of 6 months; and the names of the Relevant Persons and persons acting in concert with them, their voting rights at the time of the resolution and after the proposed Share Purchases are disclosed in the same Appendix;
  - (b) the resolution to approve the renewal of the Share Purchase Mandate is approved by a majority of those Shareholders present and voting at the meeting on a poll who could not become obliged to make an offer as a result of the share purchase or acquisition by the Company under the Share Purchase Mandate;
  - (c) the Relevant Persons and/or persons acting in concert with them to abstain from voting for and/or recommending shareholders to vote in favour of the resolution to authorise the Share Purchase Mandate;
  - (d) within 7 days after the passing of the resolution to authorise the Share Purchase Mandate, each of the directors to submit to the SIC a duly signed form as prescribed by the SIC;
  - (e) the Relevant Persons and/or persons acting in concert with them have not acquired and will not acquire any Shares between the date on which they know the announcement of the share purchase by the Company under the Share Purchase Mandate is imminent and the earlier of:
    - (i) the date on which the authority of the Share Purchase Mandate expires; and
    - (ii) the date on which the Company announces it has bought back such number of shares as authorised by the Share Purchase Mandate or it has decided to cease buying back its Shares, as the case may be, if such acquisitions, taken together with those purchased under the Share Purchase Mandate, would cause their aggregate voting rights to increase by more than 1% in the preceding 6 months.

# APPENDIX TO NOTICE OF ANNUAL GENERAL MEETING

**2.9.12 Shareholders should note that by voting in favour of the Ordinary Resolution relating to the renewal of the Share Purchase Mandate, they will be waiving their rights to a general offer at the required price from the Relevant Persons and persons acting in concert with them.**

**2.9.13** Save as disclosed herein, the Directors are not aware of any Shareholder or group of Shareholders acting in concert who may become obligated to make a mandatory offer in the event that the Directors exercise the power to buy back Shares pursuant to the Share Purchase Mandate.

**2.9.14** Shareholders are advised to consult their professional advisers and/or the SIC and/or other relevant authorities at the earliest opportunity as to whether an obligation on their part, if any, to make a mandatory take-over offer under the Take-over Code would arise by reason of any Share Purchases by the Company.

## 2.10 DETAILS OF SHARE PURCHASES DURING THE PREVIOUS 12 MONTHS

The Company did not purchase any Shares in the twelve (12) months preceding the Latest Practicable Date.

## 2.11 INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

None of the Directors or Substantial Shareholders has any interest, direct or indirect, in the proposed renewal of the Share Purchase Mandate (other than through their respective shareholdings in the Company).

### 2.11.1 Directors

The interests of the Directors in the Shares as recorded in the Register of Directors' Shareholdings as at the Latest Practicable Date as set out below:

	← Before Share Purchases →			Before Share Purchases % <sup>(1)</sup>	After Share Purchases % <sup>(2)</sup>
	Direct Interest	(No. of Shares) Deemed Interest	Total Interest		
<b>Directors</b>					
Tong Kooi Ong	–	295,364,000 <sup>(3)</sup>	295,364,000	31.19	34.65
Tong Ian	–	2,800,000	2,800,000	0.29	0.33
Gary Ho Kuat Foong	–	–	–	–	–
Ng Shin Ein	671,400	–	671,400	0.07	0.08
Kalimullah Bin Masheerul Hassan	–	30,000,000	30,000,000	3.17	3.52
Chan Lay Hoon	–	–	–	–	–
Loh Chen Peng	–	–	–	–	–

#### Notes:–

- (1) As a percentage of the total number of issued Shares as at the Latest Practicable Date, comprising 947,108,342 Shares (excluding treasury shares and subsidiary holdings).
- (2) As a percentage of the total number of issued Shares, comprising 852,397,508 Shares (assuming that the Company purchases the maximum number of 94,710,834 Shares under the Share Purchase Mandate and excluding treasury shares and subsidiary holdings).
- (3) Issued Shares held in the name of the registered holders, Phileo Capital Limited and Genghis S.à.r.l..
- (4) The Company has an option scheme, known as the "Avarga Group Employees' Share Option Scheme 2018". As at the Latest Practicable Date, no options have been granted under the option scheme.

# APPENDIX TO NOTICE OF ANNUAL GENERAL MEETING

## 2.11.2 Substantial Shareholders

The interests of the Substantial Shareholders in the Shares as recorded in the Register of Substantial Shareholders as at the Latest Practicable Date are set out below:

Substantial Shareholders	← Before Share Purchases → (No. of Shares)			Before Share Purchases % <sup>(1)</sup>	After Share Purchases % <sup>(2)</sup>
	Direct Interest	Deemed Interest	Total Interest		
Lim Eng Hock	183,246,925	–	183,246,925	19.35	21.50
Phileo Capital Limited	221,925,000	–	221,925,000	23.43	26.04
Genghis S.à.r.l	73,439,000	–	73,439,000	7.75	8.62
3Cs Investments Ltd	–	73,439,000 <sup>(3)</sup>	73,439,000	7.75	8.62
TMF Trustees Singapore Limited	–	295,364,000 <sup>(4)</sup>	295,364,000	31.19	34.65
Tong Kooi Ong	–	295,364,000 <sup>(4)</sup>	295,364,000	31.19	34.65

### Notes:–

- (1) As a percentage of the total number of issued Shares as at the Latest Practicable Date, comprising 947,108,342 Shares (excluding treasury shares and subsidiary holdings).
- (2) As a percentage of the total number of issued Shares, comprising 852,397,508 Shares (assuming that the Company purchases the maximum number of 94,710,834 Shares under the Share Purchase Mandate and excluding treasury shares and subsidiary holdings).
- (3) Issued Shares held in the name of the registered holder, Genghis S.à.r.l..
- (4) Issued Shares held in the name of the registered holders, Phileo Capital Limited and Genghis S.à.r.l..

## 2.11.3 Relevant Persons

The interests of the Relevant Persons in the Shares as at the Latest Practicable Date are set out below:

Relevant Persons	← Before Share Purchases → (No. of Shares)			Before Share Purchases % <sup>(1)</sup>	After Share Purchases % <sup>(2)</sup>
	Direct Interest	Deemed Interest	Total Interest		
Tong Kooi Ong	–	295,364,000 <sup>(3)</sup>	295,364,000	31.19	34.65
Tong Ian	–	2,800,000	2,800,000	0.29	0.33
Phileo Capital Limited	221,925,000	–	221,925,000	23.43	26.04
Genghis S.à.r.l	73,439,000	–	73,439,000	7.75	8.62
3Cs Investments Ltd	–	73,439,000 <sup>(4)</sup>	73,439,000	7.75	8.62
TMF Trustees Singapore Limited	–	295,364,000 <sup>(3)</sup>	295,364,000	31.19	34.65

### Notes:–

- (1) As a percentage of the total number of issued Shares as at the Latest Practicable Date, comprising 947,108,342 Shares (excluding treasury shares and subsidiary holdings).
- (2) As a percentage of the total number of issued Shares, comprising 852,397,508 Shares (assuming that the Company purchases the maximum number of 94,710,834 Shares under the Share Purchase Mandate and excluding treasury shares and subsidiary holdings).
- (3) Issued Shares held in the name of the registered holders, Phileo Capital Limited and Genghis S.à.r.l..
- (4) Issued Shares held in the name of the registered holder, Genghis S.à.r.l..

# APPENDIX TO NOTICE OF ANNUAL GENERAL MEETING

## 3 DIRECTORS' RECOMMENDATION

- 3.1 The Directors, save for Tong Kooi Ong and Tong Ian, who have abstained from making any recommendation to Shareholders pursuant to the conditions for exemption under Appendix 2 of the Take-over Code (as set out in paragraph 2.9 of this Appendix) are of the opinion that the proposed renewal of the Share Purchase Mandate is in the interests of the Company and accordingly recommend that Shareholders vote in favour of Ordinary Resolution No. 10 relating to the proposed renewal of the Share Purchase Mandate.

## 4 ACTION TO BE TAKEN BY SHAREHOLDERS

### 4.1 Appointment of Proxies

Shareholders who wish to exercise their voting rights at the AGM, must appoint the Chairman of the Meeting as their proxy to vote on their behalf at the AGM. In appointing the Chairman of the Meeting as proxy, a Shareholder must give specific instructions as to voting, or abstentions from voting, in the proxy form, failing which the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid.

In the case of Shareholders whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing the Chairman of the Meeting as proxy lodged if such Shareholders are not shown to have Shares entered against their names in the Depository Register 72 hours before the time appointed for the 2020 AGM, as certified by The Central Depository (Pte) Limited to the Company.

### 4.2 When Depositor regarded as Shareholder

A Depositor shall not be regarded as a Shareholder entitled to rights of attendance and/or voting by proxy at the 2020 AGM by way of the alternative arrangements unless he is shown to have Shares entered against his name in the Depository Register as certified by CDP not less than 72 hours before the time fixed for the 2020 AGM.

Shareholders who have any questions in respect of the resolution relating to the proposed renewal of the Share Purchase Mandate shall send their queries to the Company in advance, by Friday, 19 June 2020. The Company will endeavor to upload the Company's responses to substantial and relevant queries from shareholders on the SGXNet and the Company's website by Thursday, 25 June 2020.

## 5 DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Appendix and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Appendix constitutes full and true disclosure of all material facts about the proposed renewal of the Share Purchase Mandate, the Company and its subsidiaries and the Directors are not aware of any facts the omission of which would make any statement in this Appendix misleading. Where information in this Appendix has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Appendix in its proper form and context.

# APPENDIX TO NOTICE OF ANNUAL GENERAL MEETING

## 6 ABSTENTION FROM VOTING

The Relevant Persons will abstain from voting at the AGM in respect of the resolution relating to the proposed renewal of the Share Purchase Mandate pursuant to the conditions under Appendix 2 of the Take-over Code as set out in paragraph 2.9 of this Appendix. Furthermore, such persons shall not act as proxies in relation to such resolution unless specific voting instructions have been given.

## 7 DOCUMENTS AVAILABLE FOR INSPECTION

Subject to the current COVID-19 restriction orders in Singapore, copies of the following documents are available for inspection at the Company's registered office during normal business hours from the date of this Appendix up to the date of the 2020 AGM:

- (a) the Company's Constitution; and
- (b) the Annual Report for the financial year ended 31 December 2019.

Yours faithfully  
For and on behalf of the Board of Directors of  
**AVARGA LIMITED**

Tong Kooi Ong  
Executive Chairman

11 June 2020