
PROPOSED INVESTMENT IN PASTEL GLOVE SDN. BHD.

1. INTRODUCTION

The Board of Directors ("**Board**") of Enviro-Hub Holdings Ltd. ("**Company**", and together with its subsidiaries, "**Group**") wishes to announce that the Company has today entered into a conditional subscription and loan agreement ("**Agreement**") with Pastel Glove Sdn. Bhd. ("**PGSB**"), Mr. Law Siau Woei ("**LSW**") and Mr. Choo Kuan Ping ("**CKP**" and together with LSW the "**Existing Shareholders**") for the investment by the Company of an aggregate amount of US\$5,000,000 in PGSB ("**Proposed Investment**") by way of (i) a subscription of 500,000 new ordinary shares in the capital of PGSB of approximately US\$125,000 ("**Proposed Subscription**") and (ii) subject to completion of the Proposed Subscription occurring, the grant by the Company to PGSB of an interest-free shareholders' loan of approximately US\$4,875,000 ("**EHL Shareholder's Loan**").

2. INFORMATION ON PGSB

PGSB is a private company incorporated under the laws of Malaysia on 28 September 2020 with an issued and paid-up share capital of RM1,500,000 comprising 1,500,000 ordinary shares. PGSB is principally involved in manufacturing and trading of rubber gloves. As at the date of this Announcement, PGSB is in the midst of setting up its production lines, obtaining the requisite licences and has yet to commence operations. Accordingly, the net tangible asset value of PGSB is approximately RM1.6 million.

As at the date of this Announcement, the shareholders of PGSB are LSW and CKP who hold 97% and 3% of the issued and paid-up share capital of PGSB, respectively, and who are independent third parties unrelated to any of the Directors and Controlling Shareholders (as defined in the Listing Manual ("**Listing Manual**") of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") of the Group.

Following Completion of the Proposed Subscription, PGSB will become a 25% associated company of the Company.

3. PRINCIPAL TERMS OF THE AGREEMENT

3.1 Proposed Investment

Under the terms of the Agreement, the Company invest an aggregate of US\$5,000,000 ("**Investment Amount**") in PGSB by way of:

- (i) the Proposed Subscription for 500,000 new ordinary shares ("**Subscription Shares**") in the capital of PGSB for an aggregate issue price of approximately US\$125,000 ("**Subscription Price**"); and

- (ii) subject to completion of the Proposed Subscription ("**Completion**"), the Company shall extend the EHL Shareholder's Loan, being an interest-free cash loan of US\$4,875,000 ("**Loan Amount**") to PGSB on the date of Completion.

Pursuant to the terms of the Agreement, the Company will make a deposit of US\$1,000,000 ("**Deposit**") to PGSB within to two business days of receipt by the Company of the details of PGSB's designated bank account in writing. The Deposit shall be refundable to the Company in full without any condition, deduction, withholding or interest whatsoever in the event of termination of the Agreement prior to Completion for any reason whatsoever other than where the Company elects to terminate the Agreement after all the conditions precedent set out in the Agreement have been satisfied before the Long Stop Date (as defined below). As a term of the Agreement, LSW has also provided a personal guarantee in favour of the Company, pursuant to which LSW has guaranteed the due and punctual performance by PGSB of all the undertakings, covenants, agreements and obligations with respect to the refund of the Deposit and in the event that PGSB fails to do so for any reason whatsoever, LSW shall immediately upon demand by the Company perform such undertakings, covenants, agreements and obligations and indemnify the Company against all losses directly or indirectly suffered or incurred by or made against the Company in connection with or arising out of such failure.

The Proposed Investment will be funded by the Group's internal resources.

3.2 Completion

Completion is expected to take place on or before 31 January 2021 or such other date as the parties to the Agreement may agree in writing ("**Long Stop Date**"), subject to all Conditions (as defined below) of the Agreement have been fulfilled (or waived in accordance with the Agreement).

3.3 Conditions Precedent

Completion is subject to *inter alia* the following conditions precedent ("**Conditions**") being fulfilled (or, where applicable, waived in accordance with the Agreement):

- (i) the Company having undertaken and having completed its due diligence investigations in respect of PGSB ("**Investor Due Diligence**"), including but not limited to the affairs, operations, businesses, assets, liabilities (including tax liabilities), contracts, financial condition, accounts, results, prospects and the legal, accounting, financial and tax affairs of PGSB, and the results of such due diligence investigation being reasonably satisfactory to the Company;
- (ii) the Existing Shareholders and PGSB having executed and delivered to the Company a deed of warranty and indemnity in relation to the business operations of PGSB in such form and on such terms to be mutually agreed between the parties to the Agreement;
- (iii) all approvals, consents, licences, permits, waivers and exemptions for the issue of the new shares in PGSB pursuant to the Proposed Subscription and the transactions contemplated under the Agreement (other than those to be obtained by PGSB as conditions subsequent to Completion) being granted by third parties to PGSB including all legislative, executive, regulatory, judicial or other authorities in Singapore, Malaysia or any other jurisdiction (including, without limitation, the Singapore Exchange Securities Trading Limited, the manufacturing licence to be obtained by PGSB and any and all temporary occupation permits to be obtained in respect of the properties to be owned or leased by PGSB);

- (iv) there not having been at any time hereafter any material adverse change in relation to the affairs, operations, businesses, properties, financial condition (including liabilities, assets and results) and/or prospects of PGSB taken as a whole, that has caused or is reasonably expected to cause the net liabilities of PGSB to increase by more than US\$500,000;
- (v) all representations, warranties and undertakings of PGSB and the Existing Shareholders under the Agreement being complied with, and remaining true, accurate and complete in all respects as at Completion;
- (vi) all covenants and undertakings of PGSB and the Existing Shareholders (as the case may be) having been complied with as at date of the Completion; and
- (vii) the allotment and issue of the Subscription Shares to the Company and the transactions contemplated under the Agreement not being prohibited or restricted by any statute, order, rule, regulation, directive, guideline or request (whether or not having the force of law) promulgated by any legislative, executive or regulatory body or other authority of Singapore, Malaysia and any other relevant jurisdictions.

3.4 Dividend Policy

Subject to all applicable laws and regulations and the terms of the Shareholders' Agreement (as defined herein), PGSB shall declare dividends of not less than such amount representing 90% of the audited earnings of PGSB for the last completed financial year ("**Dividend Distribution Policy**"). Any variation to the Dividend Distribution Policy shall be subject to the unanimous agreement of all shareholders of PGSB for the time being.

3.5 Profit Guarantee

Under the Agreement, PGSB has guaranteed that the aggregate audited NPAT of PGSB for the financial years ending 31 December 2021, 2022 and 2023 ("**Profit Guarantee Period**") determined in accordance with the provisions of the Agreement shall be not less than US\$18.0 million ("**Profit Guarantee**").

If the aggregate audited NPAT for PGSB is less than the Profit Guarantee in respect of the Profit Guarantee Period ("**Shortfall**"):

- (i) the Profit Guarantee Period shall be automatically extended for a further period of two financial years ending 31 December 2024 and 2025, and the above provision relating to Profit Guarantee shall apply *mutatis mutandis* in respect of the audited NPAT for PGSB for the foregoing financial years ("**Extended Profit Guarantee Period**"); and
- (ii) if at the expiry of the Extended Profit Guarantee Period, there is a Shortfall, PGSB shall pay to the Company an amount equivalent to the amount of the Shortfall as at the end of the Extended Profit Guarantee Period multiplied by the Company's shareholding proportion in PGSB ("**Clawback Amount**"), which shall be satisfied by PGSB to the Company upon demand in cash.

Please refer to paragraph 4 below for further details on the Profit Guarantee.

3.6 Shareholders' Agreement

In connection with the Proposed Subscription and the Company becoming a shareholder of PGSB, the Company, the Existing Shareholders and PGSB will on Completion enter into a shareholder's agreement ("**Shareholders' Agreement**") to regulate their relationship *inter se* as shareholders of PGSB. In addition to the Dividend Distribution Policy, the shareholders' agreement will set out other customary provisions, including but not limited to, provisions on repayment of shareholder loans, future funding, restrictions on transfer of shares, provisions on shareholders reserved matters that require the approval of the Company.

4. PROFIT GUARANTEE

In relation to the Profit Guarantee (as described in paragraph 3.5 above), the Company provides the following information in accordance with Rule 1013(1) of the Listing Manual:

4.1 Factors in Accepting the Profit Guarantee

The Board is of the view that the Profit Guarantee helps to safeguard the interests of the Group, and the Company will have legal recourse against PGSB in the event that PGSB fails to pay the Shortfall (if any). In accepting the Profit Guarantee, the Board took into account the following factors:

- (a) the financial performance of other manufacturers of rubber gloves and other related healthcare products which are listed on the SGX-ST and other stock exchanges for 2018, 2019 and 2020 (up to the date of this Announcement);
- (b) the business plan presented by PGSB and shared with the Company as part of the Company's Investor Due Diligence; and
- (c) the intrinsic potential of PGSB's business to grow.

4.2 Commercial Bases and Principal Assumptions in respect of the Quantum of the Profit Guarantee

The quantum of the Profit Guarantee was derived after reviewing the financial performance of other manufacturers of rubber gloves and other related healthcare products which are listed on the SGX-ST and other stock exchanges for 2018, 2019 and 2020 (up to the date of this Announcement), and the business plan presented by PGSB and shared with the Company as part of the Company's Investor Due Diligence.

4.3 Compensation in the event the Profit Guarantee is not met

In the event of a Shortfall at the end of the Extended Profit Guarantee Period, PGSB shall pay to the Company the Clawback Amount, which shall be satisfied by PGSB to the Company upon demand in cash.

4.4 Safeguards to Ensure the Company's Right of Recourse

As a term of the Agreement, LSW has also provided a personal guarantee in favour of the Company, pursuant to which LSW has guaranteed the due and punctual performance by PGSB of all the undertakings, covenants, agreements and obligations contained in the Profit Guarantee on the part of PGSB and the due and punctual payment to the Company by PGSB of any Clawback Amount and in the event that PGSB fails to do so for any reason whatsoever, LSW shall immediately upon demand by the Company perform such undertakings, covenants, agreements and obligations and indemnify the Company against all losses directly or indirectly suffered or incurred by or made against the Company in connection with or arising out of such failure.

5. RATIONALE FOR AND BENEFITS OF THE PROPOSED INVESTMENT

Taking into account challenging industry developments, and adopting a pro-active approach towards managing its business divisions, assets and investments, the Company considers it an opportune time to expand its investments in technology and solutions by tapping on the sustained demand for healthcare products (including rubber gloves). The Group will also have the opportunity to leverage on the expertise of LSW (one of the Existing Shareholders and the founder of PGSB) who has over 20 years of experience in the gloves trading and manufacturing industry, tap into the potential customer base of PGSB and expand its demographic of customers in its existing segments.

The Board believes that the Proposed Investment will offer new business opportunities and provide the Company with additional and recurrent revenue streams, so as to enhance shareholders' value in the Company. Accordingly, the Board believes that the Proposed Investment is in the best interests of the Company and the Shareholders, having regard to the terms of the Proposed Investment.

6. RELATIVE FIGURES UNDER RULE 1006 OF THE LISTING MANUAL

The relative figures computed pursuant to Rule 1006 of the Listing Manual in respect of the Proposed Investment are set out below:

Bases in Rule 1006	Size of Relative Figure
(a) Net asset value of the assets to be disposed of, compared with the Group's net asset value as at 30 June 2020 of S\$42.46 million	N.A. ⁽³⁾
(b) Net profit ⁽¹⁾ attributable to the Subscription Shares, compared with the Group's net loss ⁽¹⁾ as at 30 June 2020 of S\$1.98 million	N.A. ⁽⁴⁾
(c) Aggregate value of the consideration given in respect of the Proposed Investment compared with the Group's market capitalisation of S\$121.20 million ⁽²⁾	5.45%
(d) Number of equity securities issued by the Company as consideration for the Proposed Investment, compared with the number of equity securities previously in the issue	N.A. ⁽⁵⁾
(e) Aggregate volume of proved and probable reserves to be disposed of compared with the Group's proved and probable reserves	N.A. ⁽⁶⁾

Notes:

- (1) "Net profit/loss" means profit/loss before income tax, minority interests and extraordinary items.
- (2) The Company's market capitalisation is determined by multiplying the number of ordinary shares in the capital of the Company ("Shares") in issue (being 1,240,495,342 Shares) by the volume-weighted average price of the Shares (being S\$0.0977 transacted on 11 January 2021 (being the last Market Day on which Shares were traded preceding the date of the Agreement)).
- (3) This is not applicable as the Proposed Investment does not involve a disposal of assets by the Group.
- (4) This is not applicable as PGSB is has not commenced operations as at the date of this Announcement and does not make any profit or loss.
- (5) This is not applicable as the Proposed Investment does not involve any issuance of consideration shares.
- (6) This is not applicable as the Company is not a mineral, oil and gas company.

As the relative figure for Rule 1006(c) above exceeds 5% but is not more than 20%, the Proposed Investment is considered a disclosable transaction under Chapter 10 of the Listing Manual.

7. FINANCIAL EFFECTS

The pro forma financial effects of the Proposed Investment are for illustrative purposes only and the pro forma financial effects have been prepared based on audited consolidated financial statements of the Group for the financial year ended 31 December 2019 ("**FY2019**"), being the most recently completed financial year, and on the following key bases and assumptions:

- (a) for the purposes of illustrating the financial effects of the Proposed Investment on the net tangible assets ("**NTA**") per Share of the Group, it is assumed that the Proposed Investment had been completed on 31 December 2019;
- (b) for the purposes of illustrating the financial effects of the Proposed Investment on the Earnings per Share ("**EPS**") of the Group, it is assumed that the Proposed Investment had been completed on 1 January 2019;
- (c) the NTA per Share is computed based on the 1,033,746,142 Shares in issue as at 31 December 2019, and the EPS of the Group is computed based on the weighted average number of 1,033,746,142 Shares in issue for FY2019; and
- (d) transaction costs in relation to the Proposed Investment amount to approximately S\$0.52 million.

For the avoidance of doubt, these pro forma financial effects do not take into account (i) any corporate actions announced and undertaken by the Group; and (ii) any issuance of new Shares, on or after 1 January 2020.

NTA

	Before the Proposed Investment	After the Proposed Investment
<i>NTA attributable to the Shareholders (S\$ million)</i>	44.56	44.56
<i>NTA per Share (cents)</i>	4.31	4.31

EPS

	Before the Proposed Investment	After the Proposed Investment
<i>Profit attributable to the Shareholders (S\$ million)</i>	0.30	0.30
<i>EPS (cents)</i>	0.03	0.03

8. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors and their respective associates has any interest, direct or indirect, in the Proposed Investment (other than through their respective shareholding interests in the Company, if any).

9. SERVICE CONTRACTS

No person is proposed to be appointed as a director of the Company in connection with the Proposed Investment. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

10. DOCUMENTS FOR INSPECTION

A copy of the Agreement is available for inspection at the Company's registered office at 3 Gul Crescent, Singapore 629519 for a period of three (3) months from the date of this announcement.

11. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors (including any who may have delegated detailed supervision of this announcement) have taken all reasonable care to ensure that the facts stated and all opinions expressed in this Announcement are fair and accurate and, where appropriate, no material facts have been omitted, the omission of which would make any statement in this announcement misleading and they hereby collectively and individually accept full responsibility. Where any information in this announcement has been extracted or reproduced from published or otherwise publicly available sources, the sole responsibility of the Directors has been to ensure through reasonable enquiries that such information has been accurately and correctly extracted from those sources and/or reproduced in this announcement in its proper form and context.

Shareholders are advised to exercise caution in trading their Shares. The Proposed Subscription is subject to certain conditions. There is no certainty or assurance as at the date of this announcement that the Proposed Investment will be completed or that no changes will be made to the terms thereof. The Company will make the necessary announcements when there are further developments. Shareholders are advised to read this announcement and any further announcements by the Company carefully. Shareholders should consult their stock brokers, bank managers, solicitors or other professional advisors if they have any doubt about the actions they should take.

By Order of the Board

Raymond Ng
Executive Chairman
12 January 2021