
RESPONSE TO SGX QUERIES

The Board of Directors ("**Board**") of Enviro-Hub Holdings Ltd. (the "**Company**") refers to the queries raised by the Singapore Exchange Securities Trading Limited ("**SGX-ST**") on 14 January 2021 regarding our announcement on 12 January 2021 in relation to the entry into the conditional subscription and loan agreement ("**Agreement**") in relation to the investment by the Company of an aggregate amount of US\$5,000,000 in PGSB ("**Proposed Investment**") (the "**Announcement**") and would like to provide the following replies:

Query 1: Please clarify the shareholding composition of Pastel Glove Sdn. Bhd. ("PGSB") subsequent to the Company being a 25% shareholder of PGSB? In addition, please disclose the board composition of PGSB following the investment from the Company, as well as the key executives of PGSB who will be running the operations.

Response: (i) **Shareholding composition in PGSB following Completion**

Following Completion, the shareholding composition of PGSB would be as follows:

Name of Shareholder	Shareholding in PGSB	
	Number of Shares	Shareholder Proportion
CKP	45,000	2.25%
LSW	1,455,000	72.75%
The Company	500,000	25%
Total	2,000,000	100%

(ii) **Board composition and management of PGSB following Completion**

Following Completion, the board of PGSB is expected to comprise three (3) Directors, namely (i) LSW, (ii) CKP and (iii) a director to be nominated by the Company.

The key executives who will be running the operations of PGSB comprise (i) LSW who will oversee the day-to-day management, sales and marketing aspects and overall strategic planning and director of PGSB (further details of LSW's experience in the glove manufacturing industry are also set out in our response to query 4 below) and (ii) CKP who will oversee the production and manufacturing functions of PGSB. In this regard, from 2012 to 2016, CKP was a consultation manager with K & L Total Solutions Sdn Bhd, a company which provides consultancy services for companies engaged in the glove manufacturing industry, and in this role has provided consultancy services to several leading glove manufacturing companies in respect of setting up new production lines and/or modification of their existing production lines.

Query 2: It is stated that:-

“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...”

Please clarify how was the Company introduced to the Proposed Investment.

Response: The Company was introduced to the opportunity for the Proposed Investment by Mr. Adrian Toh Jia Sheng ("**Adrian**"), who is a licensed portfolio manager at and director of Azure Capital Pte Ltd ("**Azure Capital**"). Azure Capital is a company incorporated under the laws of Singapore and operates as a registered fund management company with the Monetary Authority of Singapore under Regulation 5(1)(i) of the Second Schedule to the Securities and Futures (Licensing and Conduct of Business). LSW is a personal contact of Adrian and Mr. Raymond Ng, the Executive Chairman of the Company, is a business acquaintance of Adrian.

Query 3: It is stated that:-

"...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."

Please clarify if Mr. Law Siau Woei ("LSW") and Mr. Choo Kuan Ping ("CKP") has previously, or will also be providing interest-free cash loan, pro rata to their shareholdings in PGSB? Please also disclose the rationale for the Company in providing an interest-free loan to PGSB instead of, for example, an interest bearing loan or as equity into PGSB.

Response: To clarify, as at the date of this response, (i) LSW has also extended an interest-free shareholder's loan to PGSB, which amounted to approximately RM2.8 million as at 31 December 2020; and (ii) CKP has not extended any shareholder's loan to PGSB.

The Parties have commercially agreed that the shareholders' loans extended by the respective shareholders to PGSB would not be required to be pro rata to their shareholding proportions in PGSB following Completion, having taken into consideration the following:

- (i) as at the date of the Agreement, CKP is only a 3% minority shareholder of PGSB, whose interest would be further diluted to 2.25% following Completion. In addition, the Parties have agreed that CKP's contribution to the establishment and growth of PGSB, apart from his initial equity contribution, would be non-monetary in nature, through his role as the key personnel in charge of setting up and overseeing the manufacturing and production capabilities of PGSB; and
- (ii) as at the date of the Agreement, LSW has invested RM1.5 million into the capital of PGSB and has continued to contribute funds for the set-up of PGSB's operations. In this regard, the amount of the LSW Shareholder's Loan is expected to continue to increase as PGSB progressively incurs capital commitments and outlay in relation to *inter alia* property, plant and equipment. The aggregate additional amount to be extended by LSW to the Company under the LSW Shareholder's Loan after taking into account such additional funds to be contributed by LSW is expected to be up to approximately US\$5 million.

The Company, in providing an interest-free loan to PGSB, has taken into account the following factors: (i) the interest-free LSW Shareholder's Loan being extended by LSW

as the majority shareholder of PGSB (further details of which are set out in the response to this Q3 above) and (ii) the flexibility and ease of the Company if it decides to exit its investment in PGSB as compared to a larger equity contribution.

Query 4: It is stated that, LSW:-

"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."

However, as at the date of the Announcement, "PGSB is in the midst of setting up its production lines, obtaining the requisite licences and has yet to commence operations."

Please elaborate on LSW's experience in the gloves trading and manufacturing industry.

Response: LSW has more than 20 years of experience in the glove trading and manufacturing industry. After graduating from the University of San Francisco in 2000, LSW joined Medtexx Partners Inc ("**Medtexx Partners**"), a subsidiary company of Latexx Partners Berhad ("**Latexx Partners**"), as Vice President between 2001 and 2008. Latexx Partners is a leading glove manufacturer established in 1988 and which was previously listed on Bursa Malaysia until 2013.

LSW acquired Medtexx Partners from Latexx Partners in 2009 and became the sole owner thereof. Thereafter, Microflex Corporation, a leading brand for disposable gloves globally, acquired Black Dragon® examination gloves from Medtexx Partners in 2010, comprising the Black Dragon and Black Dragon Zero brands of gloves which were developed by LSW. Black Dragon gloves are recognised as the pioneer in high quality disposable black latex examination gloves in the tattoo, medical and law enforcement industries.

Since the sale of Medtexx Partners to Microflex Corporation, LSW has continued to remain a well-known personality within the glove manufacturing industry.

Query 5: It is stated that:-

"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)..."

Please clarify how "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" are comparable companies vis-à-vis PGSB in view that PGSB is a private company and a new entrant to the glove trading and manufacturing industry i.e. the Board considered the Proposed Investment by comparing companies that are listed in stock exchanges.

Response: It is submitted that despite being a private company, PGSB's operations will be of a similar nature and in the same business environment as other glove and healthcare product manufacturers, including those which are listed on stock exchanges. In this regard, the financial records of other manufacturers of rubber gloves and other related healthcare products which are listed on the SGX-ST and other stock exchanges, which

are readily available to the public (as compared with privately owned glove and healthcare product manufacturers), has provided the Board with some colour as to the latest average selling price ("**ASP**") as well as the global demand for gloves. The recent quarterly financial statements of certain glove manufacturers which are publicly listed has shown that the ASP of gloves is currently more than US\$100 per carton, and is likely to continue to rise in the coming quarters. Further, the past financial performance of such manufacturers between 2017 and 2019 has also shed light to the Board as to the likely future trend for the performance of the glove manufacturing industry following the conclusion of the COVID-19 pandemic and the normalisation of the ASP of disposable gloves. Such data has proved useful for the Company's purposes of discussing the financial projection of PGSB, and in doing so, the Board has adopted conservative approach in its revenue projections.

In addition, though PGSB is a new entrant to the glove trading and manufacturing, its establishment and operations are being spearheaded by a management team which has more than 20 years of experience and an extensive network of contacts in the glove manufacturing industry. The Board is also confident that this will in turn provide support to the order books of PGSB from the outset.

In view of the foregoing, the Board was agreeable with the inclusion of the Profit Guarantee as a term of the Proposed Investment to safeguard the interests of the Group.

Query 6: Please have the Board and Audit Committee clarify how is the personal guarantee from LSW sufficient in safeguarding the interest of the Group? This is with the view that the dividends derived from the Proposed Investment is expected to materially impact the financial statements of the Company (Note: The Company recorded a loss of approximately S\$2 million in the half year ended 30 June 2020).

Response: In considering the personal guarantee to be given by LSW in respect of PGSB's obligations under the Profit Guarantee, the Board and Audit Committee have (i) assessed LSW's personal asset portfolio which includes several properties in Malaysia as well as his equity interests in companies other than PGSB; and (ii) also considered the viability of the business plan presented by PGSB and shared with the Company as part of the Company's Investor Due Diligence to determine the likelihood of such Profit Guarantee being met. Based on the foregoing, nothing has come to the attention of the Board and the Audit Committee that LSW will not be able to fulfil his obligations under the personal guarantee should PGSB fail to comply with its obligations under the Profit Guarantee.

BY ORDER OF THE BOARD

Raymond Ng
Executive Chairman

18 January 2021