

## **APPENDIX DATED 07 APRIL 2017**

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

This Appendix is circulated to the shareholders (the “**Shareholders**”) of AnnAik Limited (the “**Company**”) together with the Company’s Annual Report 2016 (as defined herein). The purpose of this Appendix is to explain to the Shareholders the rationale and to provide information pertaining to the proposed renewal of the Share Buy-Back Mandate (as defined herein), and to seek Shareholders’ approval of the same at the Annual General Meeting to be held on **25 April 2017 at 10.00 a.m. at 52 Tuas Avenue 9, Singapore 639193**.

The Notice of Annual General Meeting (“**AGM**”) and the Proxy Form are enclosed with the Annual Report 2016.

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

If you have sold or transferred all your shares in the capital of the Company, you should immediately forward the Annual Report 2016 (including the Notice of AGM and the Proxy Form) and this Appendix to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or the transferee.

This Appendix 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 Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) Listing Manual Section B: Rules of Catalist. The Sponsor has not independently verified the contents of this Appendix.

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

The contact person for the Sponsor is Mr Tang Yeng Yuen, Vice President, Head of Corporate Finance, Hong Leong Finance Limited, at 16 Raffles Quay, #40-01A Hong Leong Building, Singapore 048581, telephone: +65 6415-9886.



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

## **APPENDIX TO THE ANNUAL REPORT 2016**

### **IN RELATION TO**

### **THE PROPOSED RENEWAL OF THE SHARE BUY-BACK MANDATE**

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## DEFINITIONS

In this Appendix, the following definitions apply throughout unless otherwise stated:-

|  |   |   |
|--|---|---|
| <b>"ACRA"</b>                          | : | Accounting and Corporate Regulatory Authority   |
| <b>"Affected Parties"</b>              | : | Has the meaning ascribed to it in Section 2.11.4 of this Appendix   |
| <b>"AGM"</b>                           | : | The annual general meeting of the Company   |
| <b>"Annual Report 2016"</b>            | : | The Company's annual report for the financial year ended 31 December 2016   |
| <b>"Appendix"</b>                      | : | This appendix to the Annual Report 2016   |
| <b>"Approval Date"</b>                 | : | Has the meaning ascribed to it in Section 2.3.1 of this Appendix  |
| <b>"Associate"</b>                     | : | (a) In relation to any Director, chief executive officer, Substantial Shareholder or Controlling Shareholder (being an individual) means:- <ul style="list-style-type: none"><li>(i) his immediate family;</li><li>(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</li><li>(iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more;</li></ul> (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 |
| <b>"Board of Directors" or "Board"</b> | : | The board of Directors of the Company as at the date of this Appendix   |
| <b>"Catalist Rules"</b>                | : | Section B: Rules of the Catalist of the Listing Manual of the SGX-ST, as amended or modified or supplemented from time to time  |
| <b>"CDP"</b>                           | : | The Central Depository (Pte) Limited  |
| <b>"Company"</b>                       | : | AnnAik Limited  |
| <b>"Companies Act" or "Act"</b>        | : | The Companies Act, Chapter 50 of Singapore, as amended or modified or supplemented from time to time  |
| <b>"Concert Party Group"</b>           | : | Has the meaning ascribed to it in Section 2.11.4 of this Appendix   |
| <b>"Constitution"</b>                  | : | The constitution of the Company   |
| <b>"Controlling Shareholder"</b>       | : | A person who (a) holds directly or indirectly 15% or more of the nominal amount of all voting shares in the Company (unless the SGX-ST determines that such a person is not a controlling shareholder of the Company); or (b) in fact exercises control over the Company  |
| <b>"Directors"</b>                     | : | The directors of the Company as at the date of this Appendix, and from time to time, as the case may be   |

|                                     |  |
|-------------------------------------|--|
| <b>"EPS"</b>                        | : Earnings per Share   |
| <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 as at the date of this Appendix   |
| <b>"Latest Practicable Date"</b>    | : 17 March 2017, being the latest practicable date prior to the printing of this Appendix  |
| <b>"Listing Manual"</b>             | : The listing manual of the SGX-ST, as amended or modified or supplemented from time to time   |
| <b>"Market Day"</b>                 | : A day on which the SGX-ST is open for trading of securities  |
| <b>"Market Purchases"</b>           | : Has the meaning given to it in Section 2.3.3(a) of this Appendix   |
| <b>"Maximum Price"</b>              | : Has the meaning given to it in Section 2.3.5 of this Appendix  |
| <b>"Notice"</b>                     | : The Notice of AGM dated 07 April 2017  |
| <b>"NTA"</b>                        | : Net tangible assets  |
| <b>"Off-Market Purchases"</b>       | : Has the meaning given to it in Section 2.3.3(b) of this Appendix   |
| <b>"Proxy Form"</b>                 | : The proxy form in respect of the AGM   |
| <b>"Purchase Price"</b>             | : Has the meaning ascribed to it in Section 2.7.1 of this Appendix   |
| <b>"Relevant Period"</b>            | : The period commencing from the date on which the last AGM was held and expiring on the date on which the next AGM is held or is required by law to be held, whichever is the earlier, after the date the resolution relating to the Share Buy-Back Mandate is passed   |
| <b>"Registrar"</b>                  | : The Registrar of Companies   |
| <b>"Securities Account"</b>         | : The securities account maintained by a Depositor with CDP  |
| <b>"Securities and Futures Act"</b> | : The Securities and Futures Act, Chapter 289 of Singapore, as amended or modified or supplemented from time to time   |
| <b>"SGX-ST"</b>                     | : Singapore Exchange Securities Trading Limited  |
| <b>"Share Buy-Back"</b>             | : Purchase of Shares by the Company pursuant to the Share Buy-Back Mandate   |
| <b>"Share Buy-Back Mandate"</b>     | : A general mandate given by Shareholders to authorise the Directors to purchase, on behalf of the Company, Shares in accordance with the terms set out in this Appendix and the rules and regulations set forth in the Companies Act and the Catalist Rules   |
| <b>"Shareholders"</b>               | : Registered holders of Shares in the Register of Members of the Company except that where the registered holder is CDP, the term <b>"Shareholders"</b> shall, in relation to such Shares, and where the context so admits, mean the persons to whose Securities Accounts maintained with CDP are credited with the Shares. Any reference to Shares held by or shareholdings of Shareholders shall include Shares standing to the credit of their respective Securities Accounts |
| <b>"Shares"</b>                     | : Ordinary Shares in the share capital of the Company and <b>"Share"</b> shall be construed accordingly  |

|                                  |  |
|----------------------------------|--|
| <b>"SIC"</b>                     | : Securities Industry Council of Singapore   |
| <b>"Sponsor"</b>                 | : Hong Leong Finance Limited   |
| <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% or more of the aggregate of the nominal amount of all the Shares of the Company |
| <b>"Take-over Code"</b>          | : The Singapore Code on Take-overs and Mergers, as amended or modified or supplemented from time to time             |
| <b>"usage"</b>                   | : Has the meaning ascribed to it in Section 2.5.3 of this Appendix   |
| <b>"2016 AGM"</b>                | : The AGM of the Company held on 28 April 2016   |
| <b>"2016 Mandate"</b>            | : Has the meaning ascribed to it in Section 2.1.1 of this Appendix   |
| <b>"S\$" and "cents"</b>         | : Singapore dollars and cents, respectively  |
| <b>"%" or "per cent"</b>         | : Percentage or per centum   |

Except where specifically defined, the terms "we", "us" and "our" in this Appendix 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 Securities and Futures Act.

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

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

All 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.

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

Certain statements contained in this Appendix, 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 Appendix, 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 Appendix to reflect any change in the Group's expectations with respect to such statements after the date of this Appendix 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.

# LETTER TO SHAREHOLDERS

## ANNAIK LIMITED

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

**Registered Office:**

52 Tuas Avenue 9  
Singapore 639193

**Directors:**

|                          |  |
|--------------------------|--|
| Mr Ow Chin Seng          | Executive Chairman cum Chief Executive Officer |
| Mr Koh Beng Leong        | Executive Director                             |
| Mr Ng Kim Keang          | Executive Director                             |
| Dr Yang Guo Ying         | Executive Director                             |
| Mr Ow Eei Meng, Benjamin | Executive Director                             |
| Mr Ang Mong Seng         | Independent Director                           |
| Mr Lee Bon Leong         | Independent Director                           |
| Dr Choong Chow Siong     | Independent Director                           |
| Mr Daniel Lin Wei        | Non-executive Director                         |

7 April 2017

To: The Shareholders of AnnAik Limited

Dear Sir/Madam,

### THE PROPOSED RENEWAL OF THE SHARE BUY-BACK MANDATE

#### 1. INTRODUCTION

- 1.1 The Board is proposing to convene an AGM to seek approval from Shareholders for the proposed renewal of the Share Buy-Back Mandate to authorise the Company to purchase or acquire its Shares.
- 1.2 The purpose of this Appendix, which is circulated together with the Company's Annual Report 2016, is to provide Shareholders with information relating to, and to seek their approval for, the proposed renewal of the Share Buy-Back Mandate at the forthcoming AGM to be held at 52 Tuas Avenue 9, Singapore 639193 on 25 April 2017.
- 1.3 This Appendix has been prepared solely for the purpose set out herein and may not be relied upon by any persons (other than Shareholders) or for any other purpose.
- 1.4 The SGX-ST assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Appendix.

#### 2. THE PROPOSED RENEWAL OF THE SHARE BUY-BACK MANDATE

##### 2.1 Background

- 2.1.1 At the 2016 AGM, the Company obtained the approval of Shareholders for the Share Buy-Back Mandate. The rationale for, the authority and limitations on, and the financial effects of the Share Buy-Back Mandate approved at the 2016 AGM were set out in the letter to Shareholders dated 12 April 2016 (the "**2016 Mandate**").
- 2.1.2 The authority conferred pursuant to the Share Buy-Back Mandate is exercisable by the Directors at any time during the period commencing from the date of the general meeting approving the Share Buy-Back Mandate and expiring on the date when the next AGM is held or is required by law to be held, or the day on which the Share Buy-Back is carried out to the full extent mandated, or the date on which the authority contained therein is varied or revoked, whichever is earlier.
- 2.1.3 As the 2016 Mandate will be expiring on 25 April 2017, the Company intends to seek the approval of Shareholders for the renewal of the Share Buy-Back Mandate at the forthcoming AGM.

## 2.2 Rationale

The renewal of the Share Buy-Back Mandate will give the Company the flexibility to undertake share purchases or acquisitions up to the 10% limit described in Section 2.3.1 below at any time, subject to market conditions, during the period when the Share Buy-Back Mandate is in force.

A Share Buy-Back is one of the ways in which the return on equity of the Company may be improved, thereby enhancing Shareholders' value. Depending on market conditions, the Share Buy-Back Mandate may lead to an enhancement of the EPS and NTA per Share.

The Directors are also of the view that Share Buy-Backs may help to mitigate short-term market volatility in the price of the Shares, off-set the effects of short-term speculation and bolster the confidence of investors and Shareholders in the Company.

If and when circumstances permit, the Directors will decide whether to effect the Share Buy-Backs via Market Purchases or Off-Market Purchases, after taking into account the amount of cash available, the prevailing market conditions and the most cost-effective and efficient approach.

The Share Buy-Back will only be undertaken as and when the Directors consider it to be in the best interests of the Company and/or the Shareholders. No Share Buy-Backs will be made in circumstances which the Directors believe will have or may have a material adverse effect on the financial position, liquidity and/or listing status of the Company and the Group, and the working capital requirements and gearing level of the Company and the Group.

## 2.3 Authority and Limits of the Share Buy-Back Mandate

The authority and limitations placed on the Share Buy-Back Mandate for which renewal is sought are summarised below:-

### 2.3.1 Maximum Number of Shares

Only Shares which are issued and fully paid-up may be purchased or acquired by the Company.

The total number of Shares which may be purchased or acquired by the Company pursuant to the Share Buy-Back Mandate shall not exceed 10% of the issued ordinary shares in the capital of the Company as at the date of the AGM at which the Share Buy-Back Mandate is renewed (the "**Approval Date**"), unless the Company has effected a reduction of the share capital of the Company in accordance with the applicable provisions of the Companies Act, at any time during the Relevant Period, in which event the total number of Shares of the Company shall be taken to be the total number of Shares of the Company as altered after such capital reduction. Any of the Shares which are held as treasury shares will be disregarded for purposes of computing the 10% limit.

Purely for illustrative purposes, based on the existing issued and paid-up share capital of the Company as at the Latest Practicable Date comprising 248,973,000 Shares, and assuming that no further Shares are issued or repurchased, or held by the Company as treasury shares, on or prior to the forthcoming AGM, not more than 24,819,200 Shares<sup>1</sup> (representing 10% of the Shares as at that date excluding treasury shares) may be purchased or acquired by the Company pursuant to the Share Buy-Back Mandate.

### 2.3.2 Duration of Authority

Purchases or acquisitions of Shares may be made, at any time and from time to time, by the Company on and from the Approval Date up to the earliest of:-

- (a) the date on which the next AGM of the Company is held or required by law or the Constitution to be held;
- (b) the date on which the authority contained in the Share Buy-Back Mandate is varied or revoked; or
- (c) the date on which the Share Buy-Back is carried out to the full extent mandated.

The Share Buy-Back Mandate may be renewed at each AGM or such other general meeting of the Company. When seeking the approval of Shareholders for such renewal, the Company is required to disclose details pertaining to purchases or acquisitions of Shares pursuant to the Share Buy-Back Mandate made during the previous twelve (12) months, including the total number of Shares purchased or acquired, the purchase price per Share or the highest and lowest prices paid for such purchases or acquisitions of Shares, where relevant, and the total consideration paid for such purchases or acquisitions.

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<sup>1</sup> Excluding the 78,100 Shares purchased by the Company on 14 March 2017 via Market Purchases, and held as treasury shares as at the date of this Appendix.

### 2.3.3 Manner of Purchase or Acquisition of Shares

Purchases or acquisitions of Shares may be made by way of:-

- (a) on-market purchases ("**Market Purchases**") transacted on the SGX-ST through the STX-ST's trading system, and which may be transacted through one or more duly licensed dealers appointed by the Company for such purpose; and/or
- (b) off-market purchases ("**Off-Market Purchases**") effected pursuant to an equal access scheme(s) (as defined in Section 76C of the Companies Act) as may be determined or formulated by the Directors as they consider fit, of which such scheme(s) shall satisfy all the conditions prescribed by the Companies Act,

and otherwise in accordance with all other laws, the Catalist Rules and other rules and regulations of the SGX-ST.

### 2.3.4 Information on Off-Market Purchases of Shares

In an Off-Market Purchase, the Directors may impose such terms and conditions which are not inconsistent with the Share Buy-Back Mandate, the Catalist Rules, the Companies Act and other applicable laws and regulations, as they consider fit in the interests of the Company in connection with or in relation to any equal access scheme or schemes. An equal access scheme must, however, satisfy the following conditions:-

- (a) offers for the purchase or acquisition of Shares shall be made to every person who holds Shares to purchase or acquire the same percentage of their Shares;
- (b) all of those persons shall be given a reasonable opportunity to accept the offers made; and
- (c) the terms of all the offers are the same, except that there shall be disregarded:
  - (i) differences in consideration attributable to the fact that the offers may relate to Shares with different accrued dividend entitlements;
  - (ii) (if applicable) differences in consideration attributable to the fact that the offers relate to Shares with different amounts remaining unpaid; and
  - (iii) differences in the offers introduced solely to ensure that each person is left with a whole number of Shares.

In addition, under the Catalist Rules, if the Company wishes to make an Off-Market Purchase in accordance with an equal access scheme, the Company must issue an offer document to all Shareholders containing at least the following information:-

- (a) the terms and conditions of the offer;
- (b) the period and procedures for acceptances;
- (c) the reasons for the proposed Share Buy-Back;
- (d) the consequences, if any, of share purchases by the Company that will arise under the Take-over Code or any other applicable take-over rules;
- (e) whether the Share Buy-Back, if made, could have any effect on the listing of the Shares on the SGX-ST;
- (f) details of any Share Buy-Back made by the Company in the previous twelve (12) months (whether Market Purchases or Off-Market Purchases), giving the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for the purchases, where relevant, and the total consideration paid for the purchases; and
- (g) whether the Shares purchased by the Company will be cancelled or kept as treasury shares.

### 2.3.5 Maximum Purchase Price

The purchase price to be paid per Share for any Share Buy-Backs shall be determined by the Directors, subject always to a maximum price, which shall be a price which does not exceed 105% of the average of the closing market prices of the Shares over the last five (5) Market Days, on which transactions in the Shares were recorded, before the day on which the purchases are made and deemed to be adjusted for any corporate action which occurs after the relevant five (5) day period (the "**Maximum Price**"). The Maximum Price shall apply to both Market Purchases and Off-Market Purchases and shall exclude brokerage fees, commission, stamp duties payable, applicable goods and services tax, clearance fees and other related expenses.



## 2.4 Status of Purchased or Acquired Shares

Shares that are purchased or acquired by the Company may be cancelled immediately on purchase or acquisition, and all rights and privileges attached to such Shares bought back shall expire upon cancellation unless held by the Company as treasury shares to the extent permitted under the Companies Act. The total number of Shares will be diminished by the number of Shares purchased or acquired by the Company and which are not held as treasury shares.

All Shares purchased or acquired by the Company (other than treasury shares held by the Company to the extent permitted under the Companies Act) will be automatically de-listed by the SGX-ST, and (where applicable) certificates in respect thereof will be cancelled and destroyed by the Company as soon as reasonably practicable following settlement of any such purchase or acquisition.

The Company may decide to cancel Shares which have been purchased or acquired by the Company or hold such Shares as treasury shares, depending on whether it is in the interests of the Company to do so.

## 2.5 Treasury Shares

Pursuant to the Companies Act, Shares purchased or acquired by the Company may be held or dealt with as treasury shares. Some of the provisions on treasury shares under the Companies Act are summarised as follows:-

### 2.5.1 Maximum Holdings

The number of Shares held as treasury shares cannot at any time exceed 10% of the total number of issued Shares. In the event that the Company holds more than 10% of the total number of Shares as treasury shares, the Company shall cancel or dispose of the excess treasury shares in the manner set out under Section 2.5.3 below within six (6) months beginning with the day on which that contravention occurs, or such further period as the Registrar may allow.

### 2.5.2 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 and the treasury shares shall be treated as having no voting rights.

In addition, no dividend may be paid (whether in cash or otherwise), and no other distribution (whether in cash or otherwise) of the Company's assets (including any distribution of assets to members on a winding-up) may be made to the Company in respect of treasury shares. However, the allotment of shares as fully paid bonus shares in respect of treasury shares is allowed.

A subdivision or consolidation of any treasury share into treasury shares of a smaller or larger amount is also allowed so long as the total value of the treasury shares after the subdivision or consolidation is the same as before.

### 2.5.3 Disposal and Cancellation

Where Shares are held as treasury shares, the Company may at any time conduct the following:-

- (a) sell the treasury shares for cash;
- (b) transfer the treasury shares for the purposes of or pursuant to an employees' share scheme;
- (c) transfer the treasury shares as consideration for the acquisition of shares in or assets of another company or assets of a person;
- (d) cancel the treasury shares; or
- (e) sell, transfer or otherwise use the treasury shares for such other purposes as may be prescribed by the Minister for Finance.

In addition, under the Catalist Rules, an immediate announcement must be made of any sale, transfer, cancellation and/or use of treasury shares (in each case, the "usage"). Such announcement must include details such as the date of the usage, the purpose of the usage, the number of treasury shares of the usage, the number of treasury shares before and after the usage, and the percentage of the number of treasury shares of the usage against the total number of issued shares (of the same class as the treasury shares) which are listed on the SGX-ST before and after the usage.

The Board shall lodge with the ACRA within thirty (30) days of the cancellation or disposal of treasury shares the notice of the cancellation or disposal of treasury shares in the prescribed form with such particulars as may be required in the form, together with payment of the prescribed fee.

## 2.6 Source of Funds

In the purchasing of the Shares, the Company shall only apply funds legally available in accordance with its Constitution and the applicable laws in Singapore. Under the Companies Act, any purchase or acquisition of the Shares may be made out of the Company's capital or profits so long as the Company is solvent.

For this purpose, pursuant to the Companies Act, a company is solvent if:-

- (a) there is no ground on which the company could be found to be unable to pay its debts;
- (b) if:-
  - (i) it is intended to commence winding up of the company within the period of twelve (12) months immediately after the date of the payment, the company will be able to pay its debts in full within the period of twelve (12) months after the date of commencement of the winding up; or
  - (ii) it is not intended so to commence winding up, the company will be able to pay its debts as they fall due during the period of twelve (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).

In determining, for the above purposes, whether the value of the Company's assets is less than the value of its liabilities (including contingent liabilities), the Directors or the Company's management (a) must have regard to the most recent financial statements of the Company and all other circumstances that the Directors or the management know or ought to know affect, or may affect, the value of the Company's assets and the value of the Company's liabilities (including contingent liabilities); and (b) may rely on valuation of assets or estimates of liabilities that are reasonable in the circumstances. Where the value of contingent liabilities are required to be determined, the Directors or the Company's management may take into account the likelihood of the contingency occurring and any claim that the Company is entitled to make and can reasonably expect to be met to reduce or extinguish the contingent liability.

The Company intends to use internal sources of funds, or a combination of internal resources and external borrowings, to finance the Company's purchase or acquisition of Shares pursuant to the Share Buy-Back Mandate. The Directors do not propose to exercise the Share Buy-Back Mandate in a manner and to such extent that the liquidity, gearing levels and capital adequacy position of the Group would be materially adversely affected.

## 2.7 Financial Effects

### 2.7.1 General

Under the Companies Act, purchases or acquisitions of Shares by the Company may be made out of the Company's capital or profits so long as the Company is solvent. Where the total amount of the purchase price paid by the Company for the Shares (excluding brokerage, stamp duties, applicable goods and services tax, clearance fees and other related expenses) (the "**Purchase Price**") paid by the Company for the purchase or acquisition of Shares is made out of profits, such Purchase Price will correspondingly reduce the amount available for the distribution of cash dividends by the Company. Where the Purchase Price paid by the Company for the purchase or acquisition of Shares is made out of capital, the amount available for the distribution of cash dividends by the Company will not be reduced.

Where the Company chooses not to hold the purchased Shares in treasury, such Shares shall be cancelled. The Company shall:-

- (a) reduce the amount of its share capital where the Shares were purchased or acquired out of the capital of the Company;
- (b) reduce the amount of its profits where the Shares were purchased or acquired out of the profits of the Company; or
- (c) reduce the amount of its share capital and profits proportionately where the Shares are purchased or acquired out of both the capital and the profits of the Company,

by the total amount of the purchase price paid by the Company for the Shares cancelled. Where the purchased Shares are held in treasury, the total number of issued Shares will remain unchanged.

## 2.7.2 Financial Effects of the Share Buy-Back Mandate

It is not possible for the Company to realistically calculate or quantify the impact of purchases or acquisitions that may be made pursuant to the Share Buy-Back Mandate on the NTA and EPS as the resultant effect would depend on factors such as the aggregate number of Shares purchased or acquired, the purchase prices paid at the relevant time, the amount (if any) borrowed by the Company to fund the purchases or acquisitions, whether the purchase or acquisition is made out of profits or capital, and whether the Shares purchased or acquired are held in treasury or cancelled.

The Directors do not propose to exercise the Share Buy-Back Mandate to such an extent that it would have a material adverse effect on the working capital requirements of the Group. The purchase or acquisition of Shares will only be effected after considering relevant factors such as the working capital requirements, availability of financial resources, the expansion and investment plans of the Group, and the prevailing market conditions.

Purely for illustrative purposes, assuming the Company had exercised the Share Buy-Back Mandate in full and purchased 24,819,200 Shares at the Maximum Price of S\$0.064 for each Share (based on the average of the last dealt prices of the Shares for the five (5) Market Days on which the Shares were transacted on the SGX-ST immediately preceding the Latest Practicable Date), the financial effects of the purchase or acquisition of the Shares by the Company pursuant to the Share Buy-Back Mandate by way of purchases made:-

- (a) entirely out of capital and held as treasury shares;
- (b) entirely out of profits and held as treasury shares;
- (c) entirely out of capital and cancelled; and
- (d) entirely out of profits and cancelled,

based on the latest audited financial statements of the Company for FY2016, are set out below:-

### (i) Purchases or acquisitions made entirely out of capital and held as treasury shares

|                               | Company                    |                                    | Group                      |                                    |
|-------------------------------|----------------------------|------------------------------------|----------------------------|------------------------------------|
|                               | As at<br>FY2016<br>S\$'000 | After Share<br>Buy-Back<br>S\$'000 | As at<br>FY2016<br>S\$'000 | After Share<br>Buy-Back<br>S\$'000 |
| Share Capital                 | 36,131                     | 36,131                             | 36,131                     | 36,131                             |
| Reserves                      | 1,280                      | 1,280                              | 2,015                      | 2,015                              |
| Accumulated Profits           | 9,166                      | 9,166                              | 15,962                     | 15,962                             |
| Minority Interests            | -                          | -                                  | 5,549                      | 5,549                              |
| Treasury Shares               | -                          | (1,588)                            | -                          | (1,588)                            |
| Total Equity                  | 46,577                     | 44,989                             | 59,657                     | 58,069                             |
| NTA <sup>(1)</sup>            | 43,523                     | 41,935                             | 50,557                     | 48,969                             |
| Current Assets                | 16,713                     | 15,125                             | 44,723                     | 43,135                             |
| Current Liabilities           | 2,187                      | 2,187                              | 23,650                     | 23,650                             |
| Working Capital               | 14,526                     | 12,938                             | 21,073                     | 19,485                             |
| Total Liabilities             | 2,805                      | 2,805                              | 44,286                     | 44,286                             |
| Total Number of Shares ('000) | 248,973                    | 224,076                            | 248,973                    | 224,076                            |
| NTA per Share (Cents)         | 17.48                      | 18.71                              | 20.31                      | 21.85                              |
| Debt Equity Ratio             | 0.06                       | 0.06                               | 0.74                       | 0.76                               |
| Working Capital Ratio         | 7.64                       | 6.92                               | 1.89                       | 1.82                               |
| EPS (Cents)                   | (3.34)                     | (3.71)                             | (1.83)                     | (2.04)                             |

**(ii) Purchases or acquisitions made entirely out of accumulated profits and held as treasury shares**

|                               | Company                    |                                    | Group                      |                                    |
|-------------------------------|----------------------------|------------------------------------|----------------------------|------------------------------------|
|                               | As at<br>FY2016<br>S\$'000 | After Share<br>Buy-Back<br>S\$'000 | As at<br>FY2016<br>S\$'000 | After Share<br>Buy-Back<br>S\$'000 |
| Share Capital                 | 36,131                     | 36,131                             | 36,131                     | 36,131                             |
| Reserves                      | 1,280                      | 1,280                              | 2,015                      | 2,015                              |
| Accumulated Profits           | 9,166                      | 9,166                              | 15,962                     | 15,962                             |
| Minority Interests            | -                          | -                                  | 5,549                      | 5,549                              |
| Treasury Shares               | -                          | (1,588)                            | -                          | (1,588)                            |
| Total Equity                  | 46,577                     | 44,989                             | 59,657                     | 58,069                             |
| NTA <sup>(1)</sup>            | 43,523                     | 41,935                             | 50,557                     | 48,969                             |
| Current Assets                | 16,713                     | 15,125                             | 44,723                     | 43,135                             |
| Current Liabilities           | 2,187                      | 2,187                              | 23,650                     | 23,650                             |
| Working Capital               | 14,526                     | 12,938                             | 21,073                     | 19,485                             |
| Total Liabilities             | 2,805                      | 2,805                              | 44,286                     | 44,286                             |
| Total Number of Shares ('000) | 248,973                    | 224,076                            | 248,973                    | 224,076                            |
| NTA per Share (Cents)         | 17.48                      | 18.71                              | 20.31                      | 21.85                              |
| Debt Equity Ratio             | 0.06                       | 0.06                               | 0.74                       | 0.76                               |
| Working Capital Ratio         | 7.64                       | 6.92                               | 1.89                       | 1.82                               |
| EPS (Cents)                   | (3.34)                     | (3.71)                             | (1.83)                     | (2.04)                             |

**(iii) Purchases or acquisitions made entirely out of capital and cancelled**

|                               | Company                    |                                    | Group                      |                                    |
|-------------------------------|----------------------------|------------------------------------|----------------------------|------------------------------------|
|                               | As at<br>FY2016<br>S\$'000 | After Share<br>Buy-Back<br>S\$'000 | As at<br>FY2016<br>S\$'000 | After Share<br>Buy-Back<br>S\$'000 |
| Share Capital                 | 36,131                     | 34,543                             | 36,131                     | 34,543                             |
| Reserves                      | 1,280                      | 1,280                              | 2,015                      | 2,015                              |
| Accumulated Profits           | 9,166                      | 9,166                              | 15,962                     | 15,962                             |
| Minority Interests            | -                          | -                                  | 5,549                      | 5,549                              |
| Treasury Shares               | -                          | -                                  | -                          | -                                  |
| Total Equity                  | 46,577                     | 44,989                             | 59,657                     | 58,069                             |
| NTA <sup>(1)</sup>            | 43,523                     | 41,935                             | 50,557                     | 48,969                             |
| Current Assets                | 16,713                     | 15,125                             | 44,723                     | 43,135                             |
| Current Liabilities           | 2,187                      | 2,187                              | 23,650                     | 23,650                             |
| Working Capital               | 14,526                     | 12,938                             | 21,073                     | 19,485                             |
| Total Liabilities             | 2,805                      | 2,805                              | 44,286                     | 44,286                             |
| Total Number of Shares ('000) | 248,973                    | 224,076                            | 248,973                    | 224,076                            |
| NTA per Share (Cents)         | 17.48                      | 18.71                              | 20.31                      | 21.85                              |
| Debt Equity Ratio             | 0.06                       | 0.06                               | 0.74                       | 0.76                               |
| Working Capital Ratio         | 7.64                       | 6.92                               | 1.89                       | 1.82                               |
| EPS (Cents)                   | (3.34)                     | (3.71)                             | (1.83)                     | (2.04)                             |

(iv) Purchases or acquisitions made entirely out of profits and cancelled

|                               | Company                    |                                    | Group                      |                                    |
|-------------------------------|----------------------------|------------------------------------|----------------------------|------------------------------------|
|                               | As at<br>FY2016<br>S\$'000 | After Share<br>Buy-Back<br>S\$'000 | As at<br>FY2016<br>S\$'000 | After Share<br>Buy-Back<br>S\$'000 |
| Share Capital                 | 36,131                     | 36,131                             | 36,131                     | 36,131                             |
| Reserves                      | 1,280                      | 1,280                              | 2,015                      | 2,015                              |
| Accumulated Profits           | 9,166                      | 7,578                              | 15,962                     | 14,374                             |
| Minority Interests            | -                          | -                                  | 5,549                      | 5,549                              |
| Treasury Shares               | -                          | -                                  | -                          | -                                  |
| Total Equity                  | 46,577                     | 44,989                             | 59,657                     | 58,069                             |
| NTA <sup>(1)</sup>            | 43,523                     | 41,935                             | 50,557                     | 48,969                             |
| Current Assets                | 16,713                     | 15,125                             | 44,723                     | 43,135                             |
| Current Liabilities           | 2,187                      | 2,187                              | 23,650                     | 23,650                             |
| Working Capital               | 14,526                     | 12,938                             | 21,073                     | 19,485                             |
| Total Liabilities             | 2,805                      | 2,805                              | 44,286                     | 44,286                             |
| Total Number of Shares ('000) | 248,973                    | 224,076                            | 248,973                    | 224,076                            |
| NTA per Share (Cents)         | 17.48                      | 18.71                              | 20.31                      | 21.85                              |
| Debt Equity Ratio             | 0.06                       | 0.06                               | 0.74                       | 0.76                               |
| Working Capital Ratio         | 7.64                       | 6.92                               | 1.89                       | 1.82                               |
| EPS (Cents)                   | (3.34)                     | (3.71)                             | (1.83)                     | (2.04)                             |

Notes:-

<sup>(1)</sup> This includes a service concession of \$17,539,000 to construct and operate wastewater treatment plants.

The financial impact is the same whether the Shares are purchased via Market Purchases or Off-Market Purchases. The Group had a balance of S\$7,369,000 in cash and bank balances as at 31 December 2016. Assuming a Share Buy-Back Mandate of up to 24,819,200 Shares at the maximum price of S\$0.064 per Share, the Company's cash reserves would be reduced by S\$1,588,000 and, all other things remaining the same, the working capital and net tangible assets of the Group and the Company would be reduced by the dollar value of the Shares purchased. The consolidated net tangible assets value per Share after the purchase of 24,819,200 Shares would be increased to S\$0.2185.

As illustrated in the tables above, the purchase of the Shares would reduce the current assets and Shareholders' funds of the Group and the Company accordingly. This would result in an increase in the debt equity ratio of the Group. The consolidated EPS as a result of the repurchase of 24,819,200 Shares would be increased from (1.83) cents to (2.04) cents.

The actual impact on the debt equity and working capital ratio of the Company would depend on the number of Shares purchased and the price or prices at which the Shares are purchased. The actual impact on the respective ratios will depend on the number and price of the Shares bought back. The Directors do not propose to exercise the Share Buy-Back Mandate to such an extent that it would have a material adverse effect on the working capital requirements of the Company.

The acquisition and purchase of Shares will only be effected after considering relevant factors such as the working capital requirements, availability of surplus cash and other financial resources, the expansion and investment plans of the Group, and the prevailing market conditions. The Share Buy-Back Mandate will be exercised with a view to enhance the EPS of the Group.

**Shareholders should note that the financial effects illustrated above are for illustrative purposes only. In particular, it is important to note that the above analysis is based on the latest audited financial statements of the Company and the Group as at 31 December 2016, and is not representative of the Group's future financial performance.**

**Although the Share Buy-Back Mandate would authorise the Company to buy-back up to 10% of the Company's issued Shares, the Company may not necessarily buy-back all 10% of the issued Shares in full.**

**In particular, the maximum number of Shares that the Company may purchase under the Companies Act is limited by the solvency requirements set out in the Companies Act.**

## 2.8 Tax Implications

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

## 2.9 Listing Status of Shares on the SGX-ST

The Company is required under Rule 723 of the Catalist Rules, to ensure that at least 10% of any class of its listed securities are held by public shareholders. "Public" is defined under the Catalist Rules as persons other than the Directors, chief executive officer, Substantial Shareholders or Controlling Shareholders of the Company and its subsidiaries, as well as the associates of such persons.

As at the Latest Practicable Date, approximately 64.03% of the issued Shares are held by public Shareholders. 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% pursuant to the Share Buy-Back Mandate without affecting the listing status of the Shares on the SGX-ST, and that the number of Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity or to affect orderly trading.

Accordingly, as at the Latest Practicable Date, the Company will be able to undertake the Share Buy-Back up to the full 10% limit pursuant to the Share Buy-Back Mandate without affecting the listing status of the Shares on the Catalist Board of the SGX-ST.

## 2.10 Reporting Requirements under the Companies Act and the Catalist Rules

The Companies Act and/or the Catalist Rules require the Company to make the following reports in relation to the renewal of the Share Buy-Back Mandate:-

**2.10.1** To lodge a copy of the Shareholders' resolution approving the renewal of the Share Buy-Back Mandate with the ACRA within thirty (30) days of the passing of such resolution;

**2.10.2** To notify the ACRA of the purchase or acquisition of Shares on the SGX-ST or otherwise within thirty (30) days. Such notification shall be in the prescribed form and shall include:-

- (a) the date of the purchase or acquisition of Shares;
- (b) the number of Shares purchased or acquired;
- (c) the number of Shares cancelled;
- (d) the number of Shares held as treasury shares (if applicable);
- (e) the Company's issued share capital before the purchase or acquisition;
- (f) the Company's issued share capital after the purchase or acquisition;
- (g) the amount of consideration paid by the Company for the purchase or acquisition of the Shares;
- (h) whether the Shares were purchased or acquired out of the profits or the capital of the Company; and
- (i) such other particulars as may be required in the prescribed form.

**2.10.3** Pursuant to the Catalist Rules, to report purchases of Shares to SGX-ST in the forms prescribed:-

- (a) in the case of Market Purchases, not later than 9.00 a.m. on the Market Day following the day on which the Company makes a Market Purchase; and
- (b) in the case of Off-Market Purchases, not later than 9.00 a.m. on the second Market Day after the close of acceptances of the offer made by the Company.

**2.10.4** To disclose in its annual report and accounts, all details pertaining to purchases of Shares made during the year, including the total number of Shares purchased during the financial year under review, the purchase price per Share or the highest and lowest prices paid for the purchases, and where relevant, the total consideration paid.

Under the Catalist Rules, a listed company may purchase shares by way of Market Purchases at a price per share which is not more than 5% above the "average closing market price", being the average of the closing market prices of a share over the last five (5) Market Days on which transactions in the shares were recorded, before the day on which the purchases were made (which is deemed to be adjusted for any corporate action that occurs

after such five (5) Market Day period). The Maximum Price for a Share in relation to Market Purchases by the Company, referred to in Section 2.3.5 above, conforms to this restriction.

While the Catalist Rules do not expressly prohibit a purchase of shares by a listed company during any particular time or times, because the listed company would be considered an "insider" in relation to any purchase of its shares, the Company will not purchase any Shares after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information has been publicly announced. In particular, the Company will not purchase or acquire any Shares through Market Purchases or Off-Market Purchases during the period of two (2) weeks immediately preceding the announcement of the Company's financial statements for each of the first three (3) quarters of its financial year, and one (1) month immediately preceding the announcement of the Company's financial statement for the financial year, or one (1) month before the announcement of the Company's half year and full year financial statements, as the case may be.

## **2.11 Take-over Code Implications**

Appendix 2 of the Take-over Code contains the Share Buy-Back Guidance Note applicable as at the Latest Practicable Date. The take-over implications arising from any purchase or acquisition by the Company of its Shares are set out below.

### **2.11.1 Obligation to Make a Take-over Offer**

Under Appendix 2 of the Take-over Code, any increase in the percentage of voting rights held by a Shareholder and persons acting in concert with him as a result of any Share Buy-Back will be treated as an acquisition for the purposes of Rule 14 of the Take-over Code.

Pursuant to Rule 14 of the Take-over Code, a Shareholder and persons acting in concert with him will incur an obligation to make a mandatory take-over offer for the Company if, *inter alia*, he and persons acting in concert with him increase their voting rights in the Company to 30% or more or, if they, together holding between 30% and 50% of the Company's voting rights, increase their voting rights in the Company by more than 1% in any period of six (6) months.

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 a group of Shareholders acting in concert could, in certain circumstances, obtain or consolidate effective control of the Company and become obliged to make a take-over offer for the Company under Rule 14 of the Take-over Code.

### **2.11.2 Effect of Rule 14 and Appendix 2 of the Take-over Code**

In general terms, the effect of Rule 14 and Appendix 2 of the Take-over Code is that, unless exempted, Directors and persons acting in concert with them will incur an obligation to make a take-over offer for the Company under Rule 14 of the Take-over Code if, as a result of the Company purchasing Shares, the voting rights of such Directors and their concert parties would increase to 30% or more, or, if the voting rights of such Directors and their concert parties fall between 30% and 50% of the Company's voting rights, the voting rights of such Directors and their concert parties would increase by more than 1% in any period of six (6) months.

Under Appendix 2 of the Take-over Code, a Shareholder who is not acting in concert with the Directors, will not be required to make a take-over offer under Rule 14 of the Take-over Code if, as a result of the Company purchasing its Shares, the voting rights of such Shareholder in the Company would increase to 30% or more, or, if such Shareholder holds between 30% and 50% of the Company's voting rights, the voting rights of such Shareholder would increase by more than 1% in any period of six (6) months. Such a Shareholder need not abstain from voting in respect of the resolution authorising the Share Buy-Back Mandate.

### **2.11.3 Persons Acting in Concert**

Under the Take-over Code, persons acting in concert 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 persons acting in concert with each other under the Take-over Code:-

- (a) a company with its parent company, subsidiaries, its fellow subsidiaries, any associated companies of the above companies, any company whose associated companies include any of the above companies and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the above for the purchase of voting rights;
- (b) a company with any of its directors, together with their close relatives, related trusts and any companies controlled by any of the directors, their close relatives and related trusts;

- (c) a company with any of its pension funds and employee share schemes;
- (d) a person with any investment company, unit trust or other fund whose investment such person manages on a discretionary basis, but only in respect of the investment account which such person manages;
- (e) a financial or other professional advisor, including a stockbroker, with its client in respect of the shareholdings of the advisor and the persons controlling, controlled by or under the same control as the advisor; and all the funds which the advisor manages on a discretionary basis, where the shareholdings of the advisor and any of those funds in the client total 10% or more of the client's equity share capital;
- (f) directors of a company, together with their close relatives, related trusts and companies controlled by any of them, which is subject to an offer or where the directors have reason to believe a bona fide offer for their company may be imminent;
- (g) partners; and
- (h) an individual, his close relatives, his related trusts, any person who is accustomed to act according to his instructions, companies controlled by any of the above persons and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the above 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 the company will be regarded as the test of associated company status.

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 of the Take-over Code after a purchase or acquisition of Shares by the Company are set out under Appendix 2 of the Take-over Code.

#### 2.11.4 Application of the Take-over Code

Mr Ow Chin Seng, Mr Koh Beng Leong and Mr Ow Eei Meng, Benjamin are Directors of the Company (together, the "**Affected Parties**"). Mr Koh Beng Leong is the nephew of Mr Ow Chin Seng, and Mr Ow Eei Meng, Benjamin is the son of Mr Ow Chin Seng. As at the Latest Practicable Date, each of the Affected Parties are deemed interested in approximately 35.97% of the issued Shares.

As at the Latest Practicable Date, the Affected Parties and their concert parties (the "**Concert Party Group**"), as well as the Shares they are interested in, are set out in the table below. The table below also sets out, assuming that the Company exercises the Share Buy-Back Mandate in full, the shareholdings of the Concert Party Group before and after the assumed repurchase of 24,819,200 Shares by the Company:-

| <b>Concert Party Group</b>                    | <b>Before Share Buy Back</b> |                                | <b>After Share Buy Back<sup>(1)</sup></b> |                                |
|---|------------------------------|--------------------------------|---|--------------------------------|
|   | <b>No. of Shares</b>         | <b>Shareholding Percentage</b> | <b>No. of Shares</b>                      | <b>Shareholding Percentage</b> |
| Ow Chin Seng<br>(Executive Chairman)          | 72,382,958                   | 29.08%                         | 72,382,958                                | 32.30%                         |
| Koh Beng Leong<br>(Executive Director)        | 12,000                       | 0.005%                         | 12,000                                    | 0.005%                         |
| Ow Eei Meng, Benjamin<br>(Executive Director) | -                            | -                              | -   | -                              |
| Low Kheng<br>(Ow Chin Seng's wife)            | 8,274,924                    | 3.32%                          | 8,274,924                                 | 3.69%                          |
| Elsie Low Kheng Thor<br>(Low Kheng's sister)  | 1,595,000                    | 0.64%                          | 1,595,000                                 | 0.71%                          |
| Low Chuan Seng<br>(Low Kheng's brother)       | 122,164                      | 0.05%                          | 122,164                                   | 0.05%                          |
| Kwek Geok Yong<br>(Low Chuan Seng's wife)     | 2,516,072                    | 1.01%                          | 2,516,072                                 | 1.12%                          |
| Low Kim Chuan<br>(Low Kheng's brother)        | 18                           | 0%                             | 18  | 0%                             |



| Concert Party Group                              | Before Share Buy Back |                         | After Share Buy Back <sup>(1)</sup> |                         |
|--|-----------------------|-------------------------|-------------------------------------|-------------------------|
|  | No. of Shares         | Shareholding Percentage | No. of Shares                       | Shareholding Percentage |
| Peh Choon Chieh<br>(Ow Chin Seng's nephew)       | 736,400               | 0.30%                   | 736,400                             | 0.33%                   |
| Lee Ah Ho<br>(Low Kheng's mother)                | 228,000               | 0.09%                   | 228,000                             | 0.10%                   |
| Lau Siew Kwan<br>(Low Kheng's sister)            | 60,000                | 0.02%                   | 60,000                              | 0.03%                   |
| Low Kheng Huay Joanna<br>(Low Kheng's sister)    | 14,400                | 0.01%                   | 14,400                              | 0.01%                   |
| Low Bee Eng<br>(Low Kheng's sister)              | 400                   | 0%                      | 400                                 | 0%                      |
| Koh Wee Leong, Vincent<br>(Low Kheng's nephew)   | 220,000               | 0.09%                   | 220,000                             | 0.10%                   |
| Low Ann Kok<br>(Ow Chin Seng's nephew)           | 24,000                | 0.01%                   | 24,000                              | 0.01%                   |
| Koh Wee Beng<br>(Ow Chin Seng's nephew)          | 20,000                | 0.01%                   | 20,000                              | 0.01%                   |
| Lau Gee Hong<br>(Ow Chin Seng's nephew)          | 200                   | 0%                      | 200                                 | 0%                      |
| Phua Sin Yee<br>(Ow Chin Seng's daughter-in-law) | 2,919,400             | 1.17%                   | 2,919,400                           | 1.30%                   |
| Heng Hui Lyn<br>(Ow Chin Seng's daughter-in-law) | 398,200               | 0.16%                   | 398,200                             | 0.18%                   |
| <b>Total</b>                                     | <b>89,524,136</b>     | <b>35.97%</b>           | <b>89,524,136</b>                   | <b>39.95%</b>           |

**Notes:-**

<sup>(1)</sup> This is based on the assumption that in the event the Company exercises the Share Buy-Back Mandate in full, no one in the Concert Party Group will sell any of his/her interests to the Company and that, save for the change in their interests resulting directly from the share repurchases by the Company, there are no other changes in their interest in the voting rights in the Company for the duration of the Share Buy-Back Mandate.

As can be seen from the above, and on the assumption in note (1) of the table in the preceding paragraph, in the event that the Company exercises the Share Buy-Back Mandate in full, the Concert Party Group's combined shareholdings would increase from 35.97% to approximately 39.95%. The Concert Party Group would accordingly be required to make a mandatory take-over offer under Rule 14 of the Take-over Code as a result of the Share Buy-Back by the Company pursuant to the exercise of the Share Buy-Back Mandate.

Pursuant to Appendix 2 of the Take-over Code, the Concert Party Group will be exempted from the requirement to make a general offer for the Company pursuant to Rule 14 of the Take-over Code in the event that the Concert Party Group's aggregate percentage of voting rights in the Company increases by more than 1% in any six (6) month period as a result of the Company buying back its Shares pursuant to the Share Buy-Back Mandate, subject to the following conditions:-

- (a) the circular to Shareholders on the resolution to authorise a buy-back to contain advice to the effect that by voting for the buy-back resolution, Shareholders are waiving their right to a general offer at the required price from Directors and parties acting in concert with them who, as a result of the Company buying back its Shares, would increase their voting rights to 30% or more, or if they together hold between 30% and 50% of the Company's voting rights, would increase their voting rights by more than 1% in any period of six (6) months; and the names of such Directors and persons acting in concert with them, their voting rights at the time of the resolution and after the proposed buy-back to be disclosed in the same circular;
- (b) the resolution to authorise the Share Buy-Back to be 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 Buy-Back;
- (c) Directors 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 Buy-Back;

- (d) within seven (7) days after the passing of the resolution to authorise the Share Buy-Back, each of the Directors to submit to the SIC a duly signed Form 2 (Submission By Directors And Their Concert Parties Pursuant to Appendix 2) as prescribed by the SIC;
- (e) Directors and/or persons acting in concert with them not to have acquired and not to acquire any Shares between the date on which they know that the announcement of the Share Buy-Back proposal is imminent and the earlier of:-
  - (i) the date on which the authority of the Share Buy-Back expires; and
  - (ii) the date on which the Company announces it has bought back such number of Shares as authorised by Shareholders at the latest general meeting or it has decided to cease buying back its Shares, as the case may be,

if such acquisitions, taken together with the buy-back, would cause their aggregate voting rights to increase to 30% or more; and

- (f) Directors and/or persons acting in concert with them, together holding between 30% and 50% of the Company's voting rights, not to have acquired and not to acquire any Shares between the date on which they know that the announcement of the Share Buy-Back proposal is imminent and the earlier of:-
  - (i) the date on which the authority of the Share Buy-Back expires; and
  - (ii) the date on which the Company announces it has bought back such number of Shares as authorised by Shareholders at the latest general meeting or it has decided to cease buying back its Shares, as the case may be,

if such acquisitions, taken together with the buy-back, would cause their aggregate voting rights to increase by more than 1% on the preceding six (6) months.

The Directors hereby confirm that the Share Buy-Back Mandate will not be exercised to assist any person (and/or his concert parties) to obtain or consolidate control of the Company. The Affected Parties have also confirmed that neither they nor their concert parties have acquired or will acquire Shares in the knowledge that the despatch of the Notice of AGM to authorise the Share Buy-Back Mandate is imminent. The Concert Party Group (including their nominees) will also abstain from voting at the forthcoming AGM in respect of the proposed Share Buy-Back Mandate and will not accept nominations as proxy or otherwise for voting at the forthcoming AGM in respect thereof.

Save as disclosed herein, the Directors have confirmed that they are not aware of any facts or factors which suggest or imply that any particular person(s) and/or Shareholder(s) are, or may be regarded, as parties acting in concert such that their respective interests in voting shares should or ought to be consolidated, and consequences under the Take-over Code would ensue as a result of a Share Buy-Back.

**Shareholders who are in any doubt as to whether they would incur any obligations to make a take-over offer as a result of any purchase of Shares by the Company pursuant to the Share Buy-Back Mandate are advised to consult their professional advisors and/or the SIC before they acquire any Shares during the period when the Share Buy-Back Mandate is in force.**

#### 2.11.5 Approval

The renewal of the Share Buy-Back Mandate is subject to the approval of the Shareholders at the forthcoming AGM.

**Shareholders should note that the renewal of the Share Buy-Back Mandate will constitute a waiver by the Shareholders in respect of their rights to a general offer by the Concert Party Group, at the required price, if a Share Buy-Back by the Company results in an increase in their voting rights by more than 1% in any six (6) month period.**

#### 2.11.6 Submission of Form 2 to the SIC

Form 2 (Submission by Directors and their Concert Parties pursuant to Appendix 2 of the Take-over Code) is the prescribed form to be submitted to the SIC by a Director and persons acting in concert with him pursuant to the conditions for exemption (please refer to condition (d) of Section 2.11.4 above) from the requirement to make a take-over offer under Rule 14 of the Take-over Code as a result of the Share Buy-Back Mandate.

As at the Latest Practicable Date, the Affected Parties have informed the Company that they will be submitting Form 2 to the SIC within seven (7) days after the passing of the resolution approving the Share Buy-Back Mandate.

## 2.12 Share Buy-Backs during the previous 12 months

The Company has made the following purchase via Market Purchases over the past twelve (12) months.

| Date          | Total number of Shares purchased | Purchase price per Share | Total consideration paid |
|---------------|----------------------------------|--------------------------|--------------------------|
| 14 March 2017 | 78,100                           | S\$0.053                 | S\$4,139.30              |

The above Shares purchased are held as treasury shares by the Company as at date of this Appendix.

Save as disclosed above, in the twelve (12) months preceding the Latest Practicable Date, the Company has not purchased or acquired any Shares.

## 2.13 Limits on Shareholdings

The Company does not have any limits on the shareholding of any Shareholder.

## 3. INTERESTS OF THE DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

### 3.1 Interests of Directors

The interests of the Directors in the Shares, based on information as recorded in the Register of Directors' Shareholdings of the Company maintained pursuant to Section 164 of the Companies Act, as at the Latest Practicable Date, are as follows:-

| Name                                 | Direct Interest |       | Deemed Interest |      | Total Interest |       |
|--------------------------------------|-----------------|-------|-----------------|------|----------------|-------|
|                                      | No. of Shares   | %     | No. of Shares   | %    | No. of Shares  | %     |
| Ow Chin Seng                         | 72,382,958      | 29.08 | 8,274,924       | 3.32 | 80,657,882     | 32.40 |
| Ng Kim Keang                         | 1,441,000       | 0.58  | -               | -    | 1,441,000      | 0.58  |
| Koh Beng Leong <sup>(1)</sup>        | 12,000          | 0.005 | -               | -    | 12,000         | 0.005 |
| Dr Yang Guo Ying                     | 36,000          | 0.014 | -               | -    | 36,000         | 0.014 |
| Ow Eei Meng, Benjamin <sup>(2)</sup> | -               | -     | 2,919,400       | 1.17 | 2,919,400      | 1.17  |
| Ang Mong Seng                        | 720,000         | 0.29  | -               | -    | 720,000        | 0.29  |
| Lee Bon Leong                        | 3,142,000       | 1.26  | 120,000         | 0.05 | 3,262,000      | 1.31  |
| Dr Choong Chow Siong                 | 480,000         | 0.19  | -               | -    | 480,000        | 0.19  |

#### Notes:-

<sup>(1)</sup> Mr. Koh Beng Leong is the nephew of Mr. Ow Chin Seng.

<sup>(2)</sup> Mr. Ow Eei Meng, Benjamin is the son of Mr. Ow Chin Seng.

### 3.2 Interests of Substantial Shareholders of the Company

The interests of the Substantial Shareholders of the Company in the Shares (excluding Directors), based on information as recorded in the Register of Substantial Shareholders of the Company maintained pursuant to Section 88 of the Companies Act, as at the Latest Practicable Date, are as follows:-

| Name                     | Direct Interest |      | Deemed Interest |       | Total Interest |       |
|--------------------------|-----------------|------|-----------------|-------|----------------|-------|
|                          | No. of Shares   | %    | No. of Shares   | %     | No. of Shares  | %     |
| Low Kheng <sup>(1)</sup> | 8,274,924       | 3.32 | 72,382,958      | 29.08 | 80,657,882     | 32.40 |

#### Notes:-

<sup>(1)</sup> 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.

**3.3** Save as disclosed above, none of the Directors, Substantial Shareholders and their associates have any interests, direct or indirect, in the proposed renewal of the Share Buy-Back Mandate.

## 4. DIRECTORS' RECOMMENDATIONS

Having considered, *inter alia*, the rationale and benefits of the proposed Share Buy-Back Mandate, the Directors believe that the proposed Share Buy-Back Mandate is in the best interests of the Company. Accordingly, the Directors unanimously recommend that Shareholders vote in favour of the ordinary resolution relating to the proposed Share Buy-Back Mandate as set out in the Notice of AGM.

## **5. ABSTENTION FROM VOTING**

In compliance with paragraph 3(a)(iii) of Appendix 2 of the Take-over Code (as reflected in condition (c) of Section 2.11.4 above), the Affected Parties will abstain, and will procure that their concert parties (being members of the Concert Party Group) shall abstain from voting, whether by representative or proxy, on the ordinary resolution relating to the Share Buy-Back Mandate. In addition, the Affected Parties will not accept, and will procure that members of the Concert Party Group do not accept, nominations as proxy or otherwise vote at the forthcoming AGM in respect of the ordinary resolution relating to the Share Buy-Back Mandate, unless Shareholders appointing them as proxies give specific instructions in the relevant Proxy Forms on the manner in which they wish for their votes to be cast for the ordinary resolution relating to the Share Buy-Back Mandate.

## **6. ANNUAL GENERAL MEETING**

The AGM, notice of which is set out in the Annual Report 2016, will be held on 25 April 2017 at 10.00 a.m. at 52 Tuas Avenue 9, Singapore 639193, for the purpose of considering, and if thought fit, passing with or without any modifications the ordinary resolution set out in the Notice of AGM.

## **7. ACTION TO BE TAKEN BY SHAREHOLDERS**

### **7.1 Appointment of Proxies**

A Shareholder who is unable to attend the AGM and wishes to appoint a proxy to attend and vote on his behalf should complete, sign and return the Proxy Form attached to this Appendix 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 forty-eight (48) hours before the time fixed for the AGM. Completion and return of the Proxy Form by a Shareholder does not preclude him from attending and voting in person at the AGM in place of the proxy if he so wishes. However, any appointment of a proxy by such Shareholder shall be deemed to be revoked if Shareholder attends the AGM in person, and in such event, the Company reserves the right to refuse to admit any person, appointed under the instrument of proxy, to the AGM.

### **7.2 When Depositor Regarded as Shareholder**

A Depositor shall not be regarded as a Shareholder entitled to attend the AGM and to speak and vote thereat unless he is shown to have Shares entered against his name in the Depository Register, as certified by CDP as at seventy-two (72) hours before the AGM.

## **8. 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 Share Buy-Back 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 the 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.

## **9. DOCUMENTS FOR INSPECTION**

Copies of the following documents may be inspected at the registered office of the Company at 52 Tuas Avenue 9, Singapore 639193 during normal business hours on any weekday (except public holidays) from the date hereof up to and including the date of the forthcoming AGM:-

- (i) the Annual Report 2016 and the audited financial results for the financial period ended 31 December 2016; and
- (ii) the Constitution of the Company.

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

Ow Chin Seng  
Executive Chairman cum Chief Executive Officer  
7 April 2017