

## APPENDIX DATED 14 APRIL 2020

**THIS APPENDIX IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.**

This Appendix is circulated to shareholders (“**Shareholders**”) of LY Corporation Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) together with the Company’s annual report for the financial year ended 31 December 2019 (“**Annual Report 2019**”). Its purpose is to provide Shareholders with the relevant information relating to, and seek approval of Shareholders for, the proposed adoption of the share buyback mandate and the proposed renewal of the interested person transactions general mandate to be tabled at the Annual General Meeting to be held on a date to be announced later and which will not be any later than 29 June 2020. The Notice of the Annual General Meeting (“**Notice of AGM**”) and a Proxy Form will be despatched twenty-one (21) days prior to the Annual General Meeting. Capitalised terms appearing on the cover of this Appendix have the same meanings as defined in the section entitled “**Definitions**”.

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

If you have sold or transferred all your ordinary shares in the issued share capital of the Company (the “**Shares**”) held through The Central Depository (Pte) Limited (“**CDP**”), you need not forward this Appendix to the purchaser or transferee as arrangements will be made by CDP for a separate Appendix to be sent to the purchaser or transferee. If you have sold or transferred all your Shares represented by physical share certificate(s) which are not deposited with CDP, you should immediately forward the Annual Report 2019, this Appendix, the Notice of AGM and the enclosed Proxy Form immediately to the purchaser or transferee or to the stockbroker, bank or agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

This Appendix has been prepared by the Company and its contents have been reviewed by the Company’s sponsor, UOB Kay Hian Private Limited (the “**Sponsor**”), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) Listing Manual Section B: Rules of Catalyst. This Appendix has not been examined or approved by the SGX-ST. The SGX-ST assumes 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 Appendix.

The contact person for the Sponsor is Mr Lance Tan, Senior Vice President, at 8 Anthony Road, #01-01, Singapore 229957, telephone (65) 6590 6881.



### **LY CORPORATION LIMITED**

(Incorporated in the Republic of Singapore)  
(Company Registration Number: 201629154K)

#### **APPENDIX TO THE ANNUAL REPORT IN RELATION TO**

- (1) THE PROPOSED ADOPTION OF THE SHARE BUYBACK MANDATE; AND**
- (2) THE PROPOSED RENEWAL OF THE INTERESTED PERSON TRANSACTIONS GENERAL MANDATE.**

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## DEFINITIONS

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In this Appendix, the following definitions shall apply throughout unless the context otherwise requires:

- “2019 Letter”** : The Company’s Letter to Shareholders dated 10 April 2019.
- “ACRA”** : Accounting and Corporate Regulatory Authority of Singapore.
- “AGM”** : The annual general meeting of the Company. Unless the context otherwise requires, “AGM” shall refer to the annual general meeting to be held on a date to be announced later and which will not be any later than 29 June 2020.
- “Annual Report 2019”** : The Company’s annual report for the financial year ended 31 December 2019.
- “Appendix”** : This appendix circulated to Shareholders together with the Annual Report 2019 dated 14 April 2020.
- “approved exchange”** : Means a stock exchange that has rules which safeguard the interests of shareholders against interested person transactions according to similar principles to Chapter 9 of the Catalist Rules.
- “Associate”** : (a) In relation to any Director, chief executive officer, Substantial Shareholder or Controlling Shareholder (being an individual) means:
- (i) his immediate family;
  - (ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; or
  - (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30.0% or more;
- (b) in relation to a Substantial Shareholder or a Controlling Shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30.0% or more.
- “Associated Company”** : A company in which at least 20.0% but not more than 50.0% of its shares are held by the Company or the Group.

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## DEFINITIONS

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<b>“Audit and Risk Committee”</b>	:	The audit and risk committee of the Company as at the date of this Appendix, comprising Mr Oh Seong Lye, Mr Lee Dah Khang and Mr Yeo Kian Wee Andy.
<b>“Average Closing Price”</b>	:	Has the meaning ascribed to it in paragraph 2.3.4 of this Appendix.
<b>“Board”</b>	:	The board of Directors of the Company as at the date of this Appendix.
<b>“Catalist Rules”</b>	:	The SGX-ST Listing Section B: Rules of Catalist, as amended, modified or supplemented from time to time.
<b>“CDP”</b>	:	The Central Depository (Pte) Limited.
<b>“Code”</b>	:	The Singapore Code on Take-overs and Mergers, as amended or modified from time to time.
<b>“Companies Act”</b>	:	The Companies Act (Cap. 50) of Singapore as may be amended, varied or supplemented from time to time.
<b>“Company”</b>	:	LY Corporation Limited.
<b>“Constitution”</b>	:	The constitution of the Company, as may be amended or modified from time to time.
<b>“Controlling Shareholder”</b>	:	A person who:  (a) holds directly or indirectly 15.0% or more of the nominal amount of all voting shares in the Company (unless otherwise determined by SGX-ST); or  (b) in fact exercises control over the Company.
<b>“date of the making of the offer”</b>	:	Has the meaning ascribed to it in paragraph 2.3.4 of this Appendix.
<b>“Directors”</b>	:	The directors of the Company.

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## DEFINITIONS

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<b>“Entity at Risk”</b>	:	Means:  (a) the Company;  (b) a subsidiary of the Company (excluding subsidiaries listed on the SGX-ST or an approved exchange); or  (c) an Associated Company of the Company (excluding Associated Companies listed on the SGX-ST or an approved exchange) provided that the Group, or the Group and its Interested Person(s), has or have control over such Associated Company.
<b>“EPS”</b>	:	Earnings per Share.
<b>“Financial Year”</b>	:	Financial year ended or, as the case may be, ending 31 December.
<b>“Group”</b>	:	The Company, its subsidiaries and Associated Companies.
<b>“Interested Person”</b>	:	Means a Director, chief executive officer, or Controlling Shareholder or an Associate of any such Director, chief executive officer or Controlling Shareholder, or any person or entity deemed by the SGX-ST to be an interested person if the person or entity has entered into, or proposes to enter into: (a) a transaction with an Entity at Risk; and (b) an agreement or arrangement with an interested person in connection with that transaction.
<b>“Interested Person Transaction”</b>	:	Means a transaction between an Entity at Risk and an Interested Person.
<b>“IPT General Mandate”</b>	:	The general mandate as set out in the 2019 Letter to enable any or all members of the Group, in the ordinary course of business to enter into the Mandated IPTs with the Mandated Interested Persons which are necessary for the Company’s day-to-day operations, provided that all such transactions are carried out on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders.
<b>“IPT Register”</b>	:	A register maintained by the Company of all Interested Person Transactions.
<b>“Latest Practicable Date”</b>	:	23 March 2020, being the latest practicable date prior to the printing of this Appendix.
<b>“LPS”</b>	:	Loss per Share.

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## DEFINITIONS

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<b>“LY Performance Share Plan”</b>	:	The share plan of the Company which was approved on 21 December 2017, as may be modified from time to time.
<b>“Mandated Interested Persons”</b>	:	Has the meaning ascribed to it in paragraph 3.5.1 of this Appendix.
<b>“Mandated IPT”</b>	:	Such Interested Person Transactions entered into with the Mandated Interested Persons which are covered by the IPT General Mandate.
<b>“Market Day”</b>	:	A day on which the SGX-ST is open for trading in securities.
<b>“Market Purchase”</b>	:	Has the meaning ascribed to it in paragraph 2.3.3 of this Appendix.
<b>“Maximum Price”</b>	:	Has the meaning ascribed to it in paragraph 2.3.4 of this Appendix.
<b>“Notice of AGM”</b>	:	The notice of annual general meeting to be despatched to Shareholders twenty-one (21) days prior to the AGM.
<b>“NTA”</b>	:	Net tangible assets.
<b>“Off-Market Purchase”</b>	:	Has the meaning ascribed to it in paragraph 2.3.3 of this Appendix.
<b>“Register of Directors’ Shareholdings”</b>	:	Register of Directors’ shareholdings of the Company.
<b>“Register of Members”</b>	:	Register of members of the Company.
<b>“Resolution 9”</b>	:	Has the meaning ascribed to it in paragraph 1.1 of this Appendix.
<b>“Resolution 10”</b>	:	Has the meaning ascribed to it in paragraph 1.1 of this Appendix.
<b>“Securities Account”</b>	:	A securities account maintained by a Depositor with the CDP but not including a securities sub-account maintained with a Depository Agent.
<b>“SFA”</b>	:	The Securities and Futures Act, Chapter 289 of Singapore, as amended from time to time.
<b>“SGX-ST”</b>	:	Singapore Exchange Securities Trading Limited.

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## DEFINITIONS

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<b>“Share Buyback”</b>	:	The purchase or acquisition by the Company of its own issued and fully paid-up Shares.
<b>“Share Buyback Mandate”</b>	:	The general and unconditional mandate given by the Shareholders to authorise the Directors to purchase or otherwise acquire, on behalf of the Company, Shares in accordance with the terms set out in this Appendix as well as the rules and regulations set forth in the Companies Act and the Catalist Rules.
<b>“Shareholders”</b>	:	Persons who are registered as holders of Shares in the Register of Members maintained by the Company, except where the registered holder is CDP, the term “Shareholders” shall, in relation to such Shares, mean the Depositors whose Securities Accounts maintained with the CDP are credited with Shares.
<b>“Shares”</b>	:	Ordinary shares in the capital of the Company.
<b>“SIC”</b>	:	The Securities Industry Council of Singapore.
<b>“Sponsor”</b>	:	UOB Kay Hian Private Limited.
<b>“Substantial Shareholder”</b>	:	A person (including a corporation) who has an interest directly or indirectly in 5% or more of the total number of voting Shares of the Company.
<b>“transaction”</b>	:	For the purposes of Chapter 9 of the Catalist Rules, includes, whether or not in the ordinary course of business and whether or not entered into directly or indirectly (for example, through one or more interposed entities), the provision or receipt of financial assistance, the acquisition, disposal or leasing of assets, the provision or receipt of goods or services, the issuance or subscription of securities, the granting of or being granted options, and the establishment of joint ventures or joint investments.
<u>Currency</u>		
<b>“RM” and “sen”</b>	:	Malaysian Ringgit and sen respectively, the lawful currency of Malaysia.
<b>“S\$” or “SGD” and “cents”</b>	:	Singapore dollars and cents respectively, the lawful currency of the Republic of Singapore.
<b>“%” or “per cent.”</b>	:	Percentage or per centum.

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## DEFINITIONS

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

The terms “**treasury shares**”, “**subsidiary**”, “**subsidiary holdings**” and “**related company**” shall have the meaning ascribed to them respectively in the Companies Act.

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

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

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

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



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## LETTER TO SHAREHOLDERS

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### LY CORPORATION LIMITED

(Incorporated in the Republic of Singapore)  
(Company Registration Number: 201629154K)

**Directors:**

Tan Kwee Chai (*Executive Chairman*)  
Tan Yong Chuan (*Executive Director and Chief Executive Officer*)  
Tan Ai Luang (*Executive Director*)  
Lee Dah Khang (*Lead Independent Director*)  
Oh Seong Lye (*Independent Director*)  
Yeo Kian Wee Andy (*Independent Director*)

**Registered Office:**

80 Robinson Road  
#02-00  
Singapore 068898

Date: 14 April 2020

**To: The Shareholders of LY Corporation Limited**

Dear Sir/Madam

- (1) **THE PROPOSED ADOPTION OF THE SHARE BUYBACK MANDATE; AND**
- (2) **THE PROPOSED RENEWAL OF THE INTERESTED PERSON TRANSACTIONS GENERAL MANDATE**

#### 1. INTRODUCTION

- 1.1. LY Corporation Limited (the “**Company**”) intends to seek approval of Shareholders at the AGM of the Company to be held on a date to be announced later and which will not be any later than 29 June 2020 in relation to the proposed adoption of the Share Buyback Mandate (“**Resolution 10**”) and the proposed renewal of the IPT General Mandate (“**Resolution 9**”), such resolutions to be set out in the Notice of AGM of the Company in due course.
- 1.2. The purpose of this Appendix is to provide Shareholders with information in respect of the matters set out in paragraph 1.1 above.

#### 2. THE PROPOSED ADOPTION OF THE SHARE BUYBACK MANDATE

##### 2.1. Background

Under the Companies Act, Singapore-incorporated companies are allowed to purchase or otherwise acquire their own ordinary shares, stocks and preference shares if their constitution expressly permits them to do so, provided that any such purchase is made in accordance with and in the manner prescribed by the Companies Act, the Constitution and such other laws and regulations as may for the time being be applicable. As the Company is listed on Catalist, it is also required to comply with Part XI of Chapter 8 of the Catalist Rules, which relates to the purchase or acquisition by an issuer of its own shares. Regulation 49(2) of the Constitution expressly permits the Company to purchase or otherwise acquire its issued Shares.

It is a requirement under the Companies Act and the Catalist Rules that a company which wishes to purchase or otherwise acquire its own shares must obtain the approval of its shareholders to do so at a general meeting.

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## LETTER TO SHAREHOLDERS

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Accordingly, approval is being now sought from Shareholders at the AGM for the Share Buyback Mandate. If approved, the Share Buyback Mandate will take effect from the date of the AGM and continue in force until the date of the next annual general meeting of the Company or such date as the next annual general meeting is required by law to be held, unless prior thereto Share Buybacks are carried out to the full extent mandated or the Share Buyback Mandate is revoked or varied by the Company in a general meeting. The Share Buyback Mandate may be put to Shareholders for renewal at each subsequent annual general meeting of the Company at the discretion of the Directors.

### 2.2. Rationale for the Share Buyback Mandate

The Company is proposing to undertake the purchase of its issued Shares for the following reasons:

- (a) in managing the business of the Group, the management will strive to increase the Shareholders' value by improving, *inter alia*, the return on equity of the Group. In addition to growth and expansion of the business, Share Buybacks may be considered as one of the ways through which the return on equity of the Group may be enhanced;
- (b) the Share Buyback will also give the Company the opportunity to undertake the Share Buyback when such Shares are under-valued, to help mitigate short-term market volatility in the Company's share price, offset the effects of short-term share price speculation and bolster Shareholders' confidence;
- (c) the Share Buyback Mandate will provide the Company with greater flexibility on managing its capital and maximising returns to its Shareholders. To the extent that the Company has capital and surplus funds which are in excess of its financial needs, taking into account its growth and expansion plans, the Share Buyback Mandate will facilitate efficient return of excess cash and surplus funds to Shareholders in an expedient, effective and cost-efficient manner;
- (d) Share Buybacks may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the EPS and/or the NTA per Share;
- (e) the Company has at present a share-based incentive plan, namely the LY Performance Share Plan, for its employees. Share Buybacks by the Company will enable the Directors to utilise the Shares which are purchased or acquired as treasury shares to satisfy the Company's obligation to furnish Shares to participants under the LY Performance Share Plan, thus giving the Company greater flexibility to select the method of providing Shares to its employees which it deems would be most beneficial to the Company and its Shareholders; and
- (f) to enable the Directors to utilise the Shares which are purchased or acquired thereunder and held as treasury shares to be sold for cash or transferred as consideration for the acquisition of shares in or assets of another company or assets of a person, which may be less dilutive than if new Shares were issued for this purpose.

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## LETTER TO SHAREHOLDERS

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If and when circumstances permit, the Directors will decide whether (i) to effect the Shares purchase or acquisition via Market Purchases or Off-Market Purchases; and (ii) whether the Shares purchased or acquired should be held as treasury shares or cancelled, after taking into account the relevant factors such as the financial resources available, the prevailing market conditions, reason(s) for undertaking the purchases of its Shares and the cost and timing involved.

**The Share Buybacks pursuant to the Share Buyback Mandate will only be undertaken when the Directors are of the view that such purchases or acquisition of Shares are of benefit to the Company and/or its Shareholders.**

### 2.3. Terms of the Share Buyback Mandate

The authority and limitations, if approved at the forthcoming AGM, are summarised below:

#### 2.3.1. Maximum number of Shares

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

The maximum number of Shares which may be purchased or acquired by the Company pursuant to the Share Buyback Mandate is limited to such number of Shares representing not more than 10% of the issued share capital of the Company (excluding treasury shares and subsidiary holdings, if applicable) as at the date of the forthcoming AGM at which the Share Buyback Mandate is approved, unless the Company has, at any time during the relevant period, reduced its share capital in accordance with the applicable provisions of the Companies Act. In which event, the total number of Shares of the Company shall be taken to be the total number of Shares of the Company altered.

For the avoidance of doubt, Shares which are held as treasury shares and subsidiary holdings will be disregarded for the purposes of computing the aforesaid 10% limit. As at the Latest Practicable Date, the Company has no treasury shares and subsidiary holdings.

For illustrative purposes, based on the existing issued and paid-up share capital of the Company as at the Latest Practicable Date comprising 489,144,200 Shares, and assuming that the Company has no treasury shares and subsidiary holdings and no further Shares are issued on or prior to the AGM, not more than 48,914,420 Shares (representing 10% of the issued Shares (excluding Shares held in treasury and subsidiary holdings)) may be purchased or acquired by the Company pursuant to the Share Buyback Mandate.

While the Share Buyback Mandate would authorise a purchase or acquisition of Shares up to the 10% limit, Shareholders should note that purchases or acquisitions of Shares pursuant to the Share Buyback Mandate may not be carried out up to the full 10% limit as authorised. In particular, the Board will not effect the purchase or acquisition of the Shares to be made in circumstances which would have an adverse effect on the free float, liquidity, orderly trading of the Shares and/or financial position of the Group. With such safeguards in place, the Company proposes to seek approval for the full Share Buyback limit of 10% of the issued Shares (excluding Shares held in treasury and subsidiary holdings) so as

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## LETTER TO SHAREHOLDERS

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to ensure that the Company has the flexibility to carry out the Share Buybacks to the full extent permitted under the Share Buyback Mandate where permissible, and harness the benefits of the Share Buyback Mandate (kindly refer to paragraph 2.2 above for further details) without compromising or affecting the free float requirements and listing status of the Company.

### 2.3.2. **Duration of Authority**

Purchases or acquisitions of Shares may be made, at any time and from time to time, on and from the date of the AGM (at which the Share Buyback Mandate is approved) up to the earlier of:

- (a) the date on which the next annual general meeting of the Company is held or required by law to be held;
- (b) the date on which Share Buybacks pursuant to the Share Buyback Mandate have been carried out to the full extent mandated; or
- (c) the date on which the authority conferred by the Share Buyback Mandate is revoked or varied by the Shareholders in a general meeting.

The Share Buyback Mandate may be renewed at each annual general meeting or other general meeting of the Company.

### 2.3.3. **Manner of purchase or acquisition of Shares**

Purchases or acquisitions of Shares can be effected by the Company by way of:

- (a) market purchases (“**Market Purchase**”) transacted on SGX-ST through the ready market of the SGX-ST, and which may be transacted through one or more duly licensed stock brokers appointed by the Company for the purpose; and/or
- (b) off-market purchases (“**Off-Market Purchase**”) in accordance with an equal access scheme as defined in Section 76C of the Companies Act, and which will satisfy all the conditions prescribed by the Companies Act, Constitution and the Catalist Rules.

In an Off-Market Purchase, the Directors may impose such terms and conditions, which are consistent with the Share Buyback Mandate, the Catalist Rules, the Companies Act and the Constitution or other applicable laws and regulations, as they consider fit in the interests of the Company. An Off-Market Purchase must, however, satisfy the following conditions:

- (i) offers for the Share Buybacks shall be made to every person who holds Shares to purchase or acquire the same percentage of their Shares;
- (ii) all of those persons shall be given a reasonable opportunity to accept the offer made; and

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## LETTER TO SHAREHOLDERS

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- (iii) the terms of all the offers are the same except that there shall be disregarded:
  - (A) differences in consideration attributable to the fact that the offers may relate to Shares with different accrued dividend entitlements;
  - (B) differences in consideration attributable to the fact that the offers relate to Shares with different amounts remaining unpaid (if applicable); and
  - (C) differences in the offers introduced solely to ensure that each person is left with a whole number of Shares.

Pursuant to Rule 870 of 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:

- (1) the terms and conditions of the offer;
- (2) the period and procedures for acceptances;
- (3) the reasons for the Share Buyback;
- (4) the consequences, if any, of Share Buybacks by the Company that will arise under the Code or other applicable take-over rules;
- (5) whether the Share Buybacks, if made, would have any effect on the listing of the Shares on the SGX-ST;
- (6) details of any Share Buybacks made by the Company in the previous 12 months (whether by way of Market Purchase or Off-Market Purchase), giving the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for the purchases of Shares, where relevant, and the total consideration paid for the Share Buybacks; and
- (7) whether the Shares purchased by the Company will be cancelled or kept as treasury shares.

### 2.3.4. **Maximum Purchase Price**

The purchase price (excluding brokerage, commissions, stamp duties, applicable goods and services tax, clearance fees and other related expenses) to be paid by the Company for the Shares as determined by the Directors must not exceed the maximum price as set out below (the “**Maximum Price**”):

- (a) in the case of a Market Purchase, 105% of the Average Closing Price (as defined hereinafter); and
- (b) in the case of an Off-Market Purchase, 120% of the Average Closing Price (as defined hereinafter).

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For the above purposes:

**“Average Closing Price”** means the average of the closing market prices of the Share over the last five (5) Market Days on which transactions in the Shares were recorded, preceding the date of the Market Purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted, in accordance with the Catalist Rules, for any corporate action that occurs during the relevant five (5) day period and the day on which the purchases are made; and

**“date of the making of the offer”** means the day on which the Company announces its intention to make an Off-Market Purchase from the Shareholders, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

### 2.4. Status of purchased Shares

Any Share purchased or acquired by the Company shall, unless held as treasury shares to the extent permitted under the Companies Act, be deemed cancelled immediately on purchase or acquisition, and all rights and privileges attached to that Share will expire on cancellation. Accordingly, the total number of issued Shares will be diminished by the number of Shares purchased or acquired by the Company and which are not held as treasury shares. All Shares purchased or acquired by the Company (other than treasury shares) will be automatically de-listed from the SGX-ST, and certificates in respect thereof will be cancelled and destroyed by the Company as soon as reasonably practicable following settlement of any such Share Buybacks.

At the time of each Share Buyback, the Company may decide whether the Shares purchased will be cancelled or held as treasury shares, or partly cancelled and partly kept as treasury shares, depending on the needs of the Company and as the Directors deem fit in the interests of the Company at that time.

### 2.5. Treasury Shares

Shares purchased or acquired by the Company may be held or dealt with as treasury shares under the Companies Act. Some of the salient provisions on treasury shares under the Companies Act are summarised below:

#### 2.5.1. Maximum Holdings

The number of Shares held as treasury shares cannot at any time exceed 10% of the total issued ordinary shares in the capital of the Company.

In the event that the number of treasury shares held by the Company exceeds 10% of the total number of issued Shares of the Company, the Company shall dispose of or cancel the excess Shares within six (6) months beginning with the day on which that contravention occurs, or such further period as the ACRA may allow.

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## LETTER TO SHAREHOLDERS

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As at the Latest Practicable Date, the number of issued Shares is 489,144,200. The Company has no treasury shares as of the Latest Practicable Date. The Company also assumes that no further Shares are issued and no Shares are purchased or acquired by the Company on or prior to the AGM. As such, the Company may pursuant to the purchase or acquisition of Shares under the Share Buyback Mandate, hold up to 48,914,420 Shares as treasury shares.

### 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 shall be paid, and no other distribution (whether in cash or otherwise) of the Company's assets shall be made, to the Company in respect of treasury shares. However, any 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 greater or smaller 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:

- (a) sell the treasury shares (or any of them) for cash;
- (b) transfer the treasury shares (or any of them) for the purposes of or pursuant to any share scheme, whether for its employees, directors or other persons;
- (c) transfer the treasury shares (or any of them) as consideration for the acquisition of Shares in or assets of another company or assets of a person;
- (d) cancel the treasury shares (or any of them); 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, pursuant to Rule 704(31) of the Catalist Rules, the Company must immediately announce any sale, transfer, cancellation and/or use of treasury shares, stating the following:

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

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## LETTER TO SHAREHOLDERS

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

### 2.6. Source of Funds

The Company intends to use its internal resources or external borrowings or a combination of both to finance its Share Buybacks pursuant to the Share Buyback Mandate. In considering the use of external funding, the Company will take into consideration the availability of external financing and the resulting impact on the prevailing gearing level of the Group and the Company. The Directors do not propose to exercise the Share Buyback Mandate in a manner and to such extent that the Group's liquidity and capital adequacy position would be materially adversely affected.

Under the Companies Act, Share Buybacks may be made out of the Company's distributable capital and/or profits only if the Company is solvent. It is an offence for a director of a company to approve or authorise the purchase or acquisition of shares, knowing that the company is not solvent.

For this purpose, pursuant to Section 76F(4) of the Companies Act, a company is solvent if the following conditions are satisfied:

- (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 the winding up of the company within the period 12 months immediately after the date of payment, the company will be able to pay its debts in full within the period of 12 months after the date of commencement of the winding up; or
  - (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 12 months immediately after the date of the payment; and
- (c) the value of the company's assets is not less than the value of its liabilities (including contingent liabilities), and will not, after the proposed purchase, acquisition, variation or release (as the case may be), become less than the value of its liabilities (including contingent liabilities).

### 2.7. Financial Impact

2.7.1. The financial impact on the Group and the Company arising from the Share Buybacks pursuant to the Share Buyback Mandate will depend on, *inter alia*, the aggregate number of Shares purchased or acquired, the consideration paid at the relevant time, and the amount (if any) borrowed by the Company to fund the purchases, whether the Share Buyback is made out of profits or capital, and whether the Shares purchased are held in treasury or cancelled. It is accordingly not possible for the Company to realistically or accurately calculate or quantify the exact impact that the Share Buyback Mandate might have on the NTA value, EPS and gearing of the Group and the Company at this juncture.



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## LETTER TO SHAREHOLDERS

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### 2.7.2. Purchase or acquisition made out of capital and/or profits

Under the Companies Act, Share Buybacks may be made out of the Company's distributable capital and/or profits so long as the Company is solvent.

Where the Share Buyback is made out of capital, such consideration will not affect the amount available for distribution in the form of cash dividends by the Company.

Where the Share Buyback is made out of profits, such consideration (including brokerage, commission, goods and services tax, stamp duties, clearance fees and other related expenses) will correspondingly reduce the amount available for the distribution in the form of cash dividends by the Company.

### 2.7.3. Number of Shares purchased or acquired

**Purely for illustrative purposes**, on the basis of 489,144,200 Shares (the Company does not hold any treasury shares and subsidiary shares) in issue as at Latest Practicable Date, the exercise in full of the Share Buyback Mandate would result in the purchase or acquisition of 48,914,420 Shares.

### 2.7.4. Maximum price paid for Shares purchased or acquired

In the case of Market Purchase by the Company and assuming that the Company purchases or acquires 48,914,420 Shares at the Maximum Price of S\$0.20 per Share (approximately RM0.59<sup>1</sup> per Share) (being the price equivalent to 105% of the Average Closing Price of the Share traded on the Catalist for the last five (5) Market Days immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 48,914,420 Shares (excluding ancillary expenses such as related brokerage, commissions, goods and services tax, stamp duties and clearance fees) is approximately S\$9,564,000 (approximately RM28,842,000<sup>1</sup>).

In the case of Off-Market Purchase by the Company and assuming that the Company purchases or acquires 48,914,420 Shares at the Maximum Price of S\$0.22 per Share (approximately RM0.67<sup>1</sup> per Share) (being the price equivalent to 120% of the Average Closing Price of the Share traded on the Catalist for the last five (5) Market Days immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 48,914,420 Shares (excluding ancillary expenses such as related brokerage, commissions, goods and services tax, stamp duties and clearance fees) is approximately S\$10,931,000 (approximately RM32,962,000<sup>1</sup>).

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<sup>1</sup> At a rate of exchange of 1 SGD : RM3.0155 as at 23 March 2020.

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## LETTER TO SHAREHOLDERS

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### 2.7.5. Illustrative financial effects

**For illustrative purposes only** and on the basis of the assumptions set out in paragraphs 2.7.3 and 2.7.4 above and the following assumptions:

- (a) the share capital of the Company consists of 489,144,200 Shares on 1 January 2019;
- (b) the Share Buyback had taken place on 31 December 2019 for the purpose of computing the financial effects on the EPS and NTA per share of the Group and the Company;
- (c) the purchase or acquisition of Shares was financed by internal sources of funds of the Company; and
- (d) the transaction costs incurred for the Share Buybacks are insignificant and have been ignored for the purpose of computing the financial effects,

the financial effects of:

- (i) Market Purchase or Off-Market Purchase made entirely out of capital and held as treasury shares, and
- (ii) Market Purchase or Off-Market Purchase made entirely out of capital and cancelled,

based on the audited financial statements of the Group and the Company for Financial Year 2019 are set out respectively in the following pages:

## LETTER TO SHAREHOLDERS

### Scenario 1 – Market Purchase and Off-Market Purchase made entirely out of capital and held as treasury shares

As at 31 December 2019

	← Group →			← Company →		
	Before Share Buyback RM'000	After Market Purchase RM'000	After Off- Market Purchase RM'000	Before Share Buyback RM'000	After Market Purchase RM'000	After Off- Market Purchase RM'000
Share capital	66,135	66,135	66,135	66,135	66,135	66,135
Merger reserve	(15,234)	(15,234)	(15,234)	–	–	–
Treasury shares	–	(28,842)	(32,962)	–	(28,842)	(32,962)
Retained earnings	170,904	170,904	170,904	3,136	3,136	3,136
Shareholders' fund	221,805	192,963	188,843	69,271	40,429	36,309
Non-controlling interests	(1,426)	(1,426)	(1,426)	–	–	–
Total equity	220,379	191,537	187,417	69,271	40,429	36,309
Intangible assets	3,024	3,024	3,024	–	–	–
NTA attributable to Shareholders of the Company <sup>(1)</sup>	218,781	189,939	185,819	69,271	40,429	36,309
Current assets	112,283	83,441	79,321	21,894	(6,948)	(11,068)
Current liabilities	37,345	37,345	37,345	509	509	509
Working capital	74,938	46,096	41,976	21,385	(7,457)	(11,577)
Total borrowings	6,675	6,675	6,675	–	–	–
Total lease liabilities	6,475	6,475	6,475	–	–	–
Cash and cash equivalents	36,083	7,241	3,121	17,731	(11,111)	(15,231)
Net profit/(loss) attributable to Shareholders of the Company	3,084	3,084	3,084	(3,731)	(3,731)	(3,731)
Number of Shares ('000) <sup>(2)</sup>	489,144	489,144	489,144	489,144	489,144	489,144
Number of treasury shares ('000) <sup>(2)</sup>	–	48,914	48,914	–	48,914	48,914
Number of Shares excluding treasury shares ('000) <sup>(2)</sup>	489,144	440,230	440,230	489,144	440,230	440,230
<b>Financial Ratios</b>						
NTA per Share <sup>(3)</sup> (sen)	44.73	43.15	42.21	14.16	9.18	8.25
EPS/(LPS) <sup>(4)</sup> (sen)	0.63	0.70	0.70	(0.76)	(0.85)	(0.85)
Gearing Ratio <sup>(5)</sup> (times)	0.06	0.07	0.07	–	–	–
Current Ratio <sup>(6)</sup> (times)	3.01	2.23	2.12	43.01	(13.65)	(21.74)

**Notes:**

- (1) NTA attributable to Shareholders of the Company equals total equity less intangible assets and non-controlling interests.
- (2) The number of Shares and treasury shares is an approximation and has been rounded up from actual number of Shares and treasury shares.
- (3) NTA per Share is calculated based on NTA attributable to Shareholders of the Company divided by the number of Shares (excluding treasury shares).
- (4) EPS/(LPS) is calculated based on net profit/(loss) attributable to the Shareholders of the Company divided by the number of Shares (excluding treasury shares).
- (5) Gearing ratio equals total borrowings and lease liabilities divided by shareholders' fund.
- (6) Current ratio equals current assets divided by current liabilities.

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### Scenario 2 – Market Purchase and Off-Market Purchase made entirely out of capital and cancelled

As at 31 December 2019

	← Group →			← Company →		
	Before Share Buyback RM'000	After Market Purchase RM'000	After Off-Market Purchase RM'000	Before Share Buyback RM'000	After Market Purchase RM'000	After Off-Market Purchase RM'000
Share capital	66,135	37,293	33,173	66,135	37,293	33,173
Merger reserve	(15,234)	(15,234)	(15,234)	–	–	–
Treasury shares	–	–	–	–	–	–
Retained earnings	170,904	170,904	170,904	3,136	3,136	3,136
Shareholders' fund	221,805	192,963	188,843	69,271	40,429	36,309
Non-controlling interests	(1,426)	(1,426)	(1,426)	–	–	–
Total equity	220,379	191,537	187,417	69,271	40,429	36,309
Intangible assets	3,024	3,024	3,024	–	–	–
NTA attributable to Shareholders of the Company <sup>(1)</sup>	218,781	189,939	185,819	69,271	40,429	36,309
Current assets	112,283	83,441	79,321	21,894	(6,948)	(11,068)
Current liabilities	37,345	37,345	37,345	509	509	509
Working capital	74,938	46,096	41,976	21,385	(7,457)	(11,577)
Total borrowings	6,675	6,675	6,675	–	–	–
Total lease liabilities	6,475	6,475	6,475	–	–	–
Cash and cash equivalents	36,083	7,241	3,121	17,731	(11,111)	(15,231)
Net profit/(loss) attributable to Shareholders of the Company	3,084	3,084	3,084	(3,731)	(3,731)	(3,731)
Number of Shares ('000) <sup>(2)</sup>	489,144	440,230	440,230	489,144	440,230	440,230
<b>Financial Ratios</b>						
NTA per Share <sup>(3)</sup> (sen)	44.73	43.15	42.21	14.16	9.18	8.25
EPS/(LPS) <sup>(4)</sup> (sen)	0.63	0.70	0.70	(0.76)	(0.85)	(0.85)
Gearing Ratio <sup>(5)</sup> (times)	0.06	0.07	0.07	–	–	–
Current Ratio <sup>(6)</sup> (times)	3.01	2.23	2.12	43.01	(13.65)	(21.74)

**Notes:**

- (1) NTA attributable to Shareholders of the Company equals total equity less intangible assets and non-controlling interests.
- (2) The number of Shares is an approximation and has been rounded up from actual number of Shares.
- (3) NTA per Share is calculated based on NTA attributable to Shareholders of the Company divided by the number of Shares (excluding treasury shares).
- (4) EPS/(LPS) is calculated based on net profit/(loss) attributable to the Shareholders of the Company divided by the number of Shares (excluding treasury shares).
- (5) Gearing ratio equals total borrowings and lease liabilities divided by shareholders' fund.
- (6) Current ratio equals current assets divided by current liabilities.

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Shareholders should note that the financial effects illustrated above are for illustration purposes only. In particular, it is important to note that the above analysis is based on the audited consolidated financial statements of the Group and the audited financial statements of the Company for Financial Year 2019 and is not necessarily representative of the future financial performance of the Group and the Company.

Although the Share Buyback Mandate would authorise the Company to purchase or acquire up to 10% of the total number of the Company's issued Shares, the Company may not necessarily purchase or acquire or be able to purchase or acquire all 10% of the issued Shares in full. In addition, the Company may cancel all or part of the Shares repurchased or hold all or part of the Shares repurchased as treasury shares.

**The Directors do not propose to exercise the Share Buyback Mandate in circumstances which would have an adverse effect on the free float, liquidity, orderly trading of the Shares and/or financial position of the Group. The purchases or acquisitions 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.**

### 2.8. Other Applicable Catalist Rules

#### 2.8.1. Reporting Requirements

- (a) The Catalist Rules specifies that a listed company shall report all purchases or acquisitions of its shares to the SGX-ST not later than 9.00 a.m.:
  - (i) in the case of a Market Purchase, on the Market Day following the day on which it purchased or acquired any of its shares; and
  - (ii) in the case of an Off-Market Purchase under an equal access scheme, on the second Market Day after the close of acceptances of the offer.

Such announcement (which must be in the form of Appendix 8D of the Catalist Rules) must include, *inter alia*, the details of the date of the purchase, the total number of shares purchased, the number of shares cancelled, the number of shares held as treasury shares, the purchase price per share or the highest and lowest prices paid for such shares, as applicable, and the total consideration (including stamp duties and clearing charges) paid or payable for the shares, the number of shares purchased as at the date of announcement (on a cumulative basis), the number of issued shares excluding treasury shares and the number of treasury shares held after the purchase.

- (b) The Companies Act requires that within thirty (30) days of the passing of a Shareholders' resolution to approve the Share Buyback Mandate, the Company shall lodge a copy of such resolution with ACRA. The Company shall also lodge a notice with ACRA within thirty (30) days of a Share Buyback. Such notification is to include details such as the date of the Share Buyback; the number of Shares purchased or acquired by the Company; the number of Shares cancelled; the number of Shares held as treasury shares; the Company's issued share capital before and after the Share Buyback; the amount of consideration paid by the Company for the Share Buyback; whether the Shares were purchased or acquired out of the profits or the capital of the Company; and such other particulars that might be prescribed.

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## LETTER TO SHAREHOLDERS

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### 2.8.2. Restrictions on Share Buybacks

While the Catalist Rules does not expressly prohibit any purchase of shares by a listed company during any particular time or times, the listed company would be regarded as an “insider” in relation to any proposed purchase or acquisition of its issued shares. As such, the Company will not undertake any Share Buybacks pursuant to the Share Buyback Mandate at any time after any matter or development of a price-sensitive nature has occurred or has been the subject of consideration and/or a decision of the Board until such price-sensitive information has been publicly announced or disseminated in accordance with the requirements of the Catalist Rules.

Further, in conformity with the guidance note on share buy-back mandate released by the SGX-ST on 29 June 2018, the Company will not purchase or acquire any Shares pursuant to the Share Buyback Mandate one (1) month before the announcement of the Company’s half year and full year financial statements, as the case may be.

### 2.8.3. Free Float

The Company will ensure that any Share purchased or acquired by the Company will not result in a fall in the percentage of Shares held by the public to below 10% of the total number of issued Shares (excluding treasury shares, preference shares and convertible equity securities). For this purpose, “**public**”, as defined under the Catalist Rules, means 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.

The Company does not have any individual shareholding limit or foreign shareholding limit. As at the Latest Practicable Date, 70,596,100 Shares, representing approximately 14.43% of the total number of issued Shares are held by the public. In the event that the Company should, pursuant to the Share Buyback Mandate, purchase or acquire its Shares up to the full 10% limit, only about 21,681,680 Shares representing 4.93% of the Shares (excluding treasury shares) would continue to be in the hands of the public.

Accordingly, the Directors are of the view that there is not, at present, a sufficient number of Shares in issue held by the public which would permit the Company to undertake purchases of its Shares up to the full 10% limit pursuant to the Share Buyback Mandate. Nonetheless, the Directors will at all times ensure that when purchasing any Shares pursuant to the Share Buyback Mandate, at least 10% of its Shares will remain in the hands of the public in accordance with the Catalist Rules without:-(a) affecting the listing status of the Company; (b) causing market illiquidity of the Shares; or (c) affecting adversely the orderly trading of the Shares.

## 2.9. **Taxation**

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

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### 2.10. Code implications

#### 2.10.1. Persons acting in concert

Under the 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 acting in concert:

- (i) a company with any of its directors (together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts);
- (ii) a company, its parent company, subsidiaries, fellow subsidiaries, any of the foregoing companies' associated companies, companies of which the foregoing companies are associated companies, all with each other, and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing for the purchase of voting rights;
- (iii) a company with any of its pension funds and employee share schemes;
- (iv) 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;
- (v) a financial or other professional adviser, including a stockbroker, with its client in respect of the shareholdings of the adviser and the persons controlling, controlled by or under the same control as the adviser;
- (vi) 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 they have reason to believe a bona fide offer for their company may be imminent;
- (vii) partners; and
- (viii) an individual, his close relatives, his related trusts, and 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 its ordinary course of business) to any of the above for the purchase of voting rights.

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 Code after a purchase or acquisition of Shares by the Company are set out in Appendix 2 of the Code.

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## LETTER TO SHAREHOLDERS

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### 2.10.2. Obligations to make a take-over offer

Pursuant to Appendix 2 to the Code, an increase in the percentage of voting rights in a company by a shareholder and parties acting in concert with him as a result of Share Buybacks by the company will be treated as an acquisition for the purpose of Rule 14 of the Code. Consequently, a shareholder or group of shareholders acting in concert could obtain or consolidate effective control of the company and become obliged to make an offer under Rule 14 of the Code.

Under Rule 14 of the Code, a shareholder and persons acting in concert with the shareholder will incur an obligation to make a mandatory take-over offer for said company if, *inter alia*, he and persons acting in concert with him:

- (a) increase their voting rights in the company to 30% or more of the voting rights of the company; or
- (b) hold between 30% and 50% of the voting rights of the company and they increase their voting rights in the company by more than 1% in any six-month period.

A shareholder, who is not acting in concert with the directors of a company, will not be required to make an offer under Rule 14 of the Code if, as a result of said company buying back its own shares, the voting rights of the shareholder in the company would increase to 30% or more, or, if the shareholder holds between 30% and 50% of the company's voting rights, would increase by more than 1% in any period of 6 months, as a result of the company buying back its shares. Such a shareholder need not abstain from voting on the resolution to authorise the Share Buyback mandate, unless so required under the Companies Act, e.g. for a shareholder whose shares are to be bought via a selective buyback by an unlisted public company.

### 2.10.3. Effects of the Code

Under Rule 14 of the Code, 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 Code if, as a result of Share Buybacks by the Company, the voting rights in the Company of such Directors and their concert parties:

- (a) increase to 30% or more; or
- (b) 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 increase by more than 1% in any six-month period.



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## LETTER TO SHAREHOLDERS

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### 2.10.4. Application of the Code

The interests of the Directors and Substantial Shareholders of the Company in the Shares are disclosed in paragraph 4 of this Appendix.

As at the Latest Practicable Date, none of the Directors or Substantial Shareholders of the Company would become obliged to make a take-over offer for the Company under Rule 14 of the Code as a result of the Share Buybacks by the Company of the maximum limit of 10% of the total number of issued Shares.

**Shareholders are advised to consult their professional advisors and/or the SIC and/or other relevant authorities at the earliest opportunity as to whether an obligation to make a take-over offer would arise by reason of any Share purchases or acquisitions by the Company.**

### 2.11. Shares purchased by the Company

The Company has not made any Share Buybacks on or in the 12 months preceding the Latest Practicable Date.

## 3. THE PROPOSED RENEWAL OF THE INTERESTED PERSON TRANSACTIONS GENERAL MANDATE

### 3.1. Background

On 25 April 2019, Shareholders had approved, inter alia, the renewal of the IPT General Mandate, to enable the Company, its subsidiaries and Associated Companies which are considered to be “Entities at Risk” to enter into certain Interested Person Transactions with the classes of Interested Persons as set out in the IPT General Mandate. Particulars of the IPT General Mandate were set out in Annex 1 to the 2019 Letter.

The IPT General Mandate was expressed to be effective (unless revoked or varied by the Company in general meeting) from the approval of the IPT General Mandate on 25 April 2019 until the conclusion of the next annual general meeting of the Company. As such, the IPT General Mandate will expire on the date of the forthcoming AGM. Accordingly, the Directors propose that the IPT General Mandate be renewed at the AGM and to take effect until the next annual general meeting of the Company is held or required by law to be held.

### 3.2. Particulars of the IPT General Mandate to be Renewed

Details of the IPT General Mandate, including the rationale for, and the benefits to, the Company, the review procedures for determining transaction prices with the Mandated Interested Persons and other general information relating to Chapter 9 of the Catalist Rules, are set out in paragraphs 3.4 and 3.5 to this Appendix. The activities in respect of which the IPT General Mandate is sought to be renewed remain unchanged.

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### 3.3. Audit and Risk Committee's Confirmation

The Audit and Risk Committee confirms that:

- (a) the methods or procedures for determining the transaction prices under the IPT General Mandate have not changed since the last Shareholders' approval on 25 April 2019; and
- (b) the methods or procedures referred to in paragraph 3.3(a) above are sufficient to ensure that the transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

### 3.4. Chapter 9 of the Catalist Rules

- (a) Chapter 9 of the Catalist Rules governs transactions by a listed company or any of its subsidiaries or Associated Companies, which are considered to be "entities at risk" in the Catalist Rules, with a party who is an interested person of the listed company.
- (b) Save for transactions which are not considered to put the listed company at risk and which are therefore excluded from the ambit of Chapter 9 of the Catalist Rules, an immediate announcement and/or shareholders' approval would be required in respect of these transactions with interested persons if the value of the transaction is equal to or exceeds certain financial thresholds.
- (c) In particular, an immediate announcement is required where:
  - (i) the value of an interested person transaction is equal to, or more than, 3% of the listed group's latest audited net tangible assets; or
  - (ii) the aggregate value of all transactions entered into with the same interested person during the same financial year amounts to 3% or more of the listed group's latest audited net tangible assets. In this instance, the announcement will be required to disclose the latest transaction and all future transactions entered into with that same interested person during the financial year.
- (d) Shareholders' approval is required where:
  - (i) the value of an interested person transaction is equal to, or more than, 5% of the listed group's latest audited net tangible assets; or
  - (ii) the aggregate value of all transactions entered into with the same interested person during the same financial year is equal to, or more than, 5% of the listed group's latest audited net tangible assets. The aggregation will exclude any transaction that has been approved by shareholders, or is the subject of aggregation with another transaction that has been approved by shareholders.
- (e) The abovementioned requirements in paragraphs 3.4(c) and 3.4(d) normally do not apply to any transaction below S\$100,000, save that the SGX-ST may aggregate any such transaction entered into during the same financial year and treat them as if they were one transaction, having regard to the objective of Chapter 9 of the Catalist Rules, and the economic and commercial substance of the interested person transaction.

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- (f) In the event that the Group's latest audited NTA is negative, the Company will consult SGX-ST on the appropriate benchmark to calculate the relevant threshold in paragraphs 3.4(c) and 3.4(d) above, which may be based on its market capitalisation.
- (g) Part VIII of Chapter 9 of the Catalist Rules allows a listed company to seek a general mandate from its shareholders for recurrent transactions with interested persons where such transactions are of a revenue or trading nature or necessary for its day-to-day operations such as the purchase and sale of supplies and materials, but not in respect of the purchase or sale of assets, undertakings or businesses. A general mandate granted by shareholders is subject to annual renewal.
- (h) Transactions conducted under a general mandate are not separately subject to the abovementioned requirements in paragraphs 3.4(c) to 3.4(f).

### 3.5. The IPT General Mandate

#### 3.5.1. Names of Mandated Interested Persons

The IPT General Mandate applies to the Group's transactions with the corporate Associates of Mr Tan Kwee Chai, who is the Executive Chairman of the Company (the "**Mandated Interested Persons**"). The corporate Associates of Mr Tan Kwee Chai refer to any company in which Mr Tan Kwee Chai and/or his immediate family together (directly or indirectly) have an interest of 30.0% or more. As at the Latest Practicable Date, the corporate Associates of Mr Tan Kwee Chai comprise the following:

- (a) Lian Yu Furniture Corporation Sdn. Bhd. and its following subsidiaries:
  - (i) Lian Yu Asset Management Sdn. Bhd.;
  - (ii) Lian Yu Furniture International Sdn. Bhd.;
  - (iii) LP Global Resources Sdn. Bhd.;
  - (iv) Lian Yu Furniture Industries Sdn. Bhd.;
  - (v) Amgel Designs Sdn. Bhd.;
  - (vi) Lian Yu Property Development Sdn. Bhd.;
  - (vii) Dinamik Brastagi Sdn. Bhd.;
  - (viii) Leatherworld Upholstery Sdn. Bhd.;
- (b) Lean Shern Furniture Sdn. Bhd.;
- (c) Viwood Industries Sdn. Bhd.; and
- (d) Lian Yu Holdings Pte. Ltd.

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### 3.5.2. Categories of Interested Person Transactions

The following Mandated IPTs which are covered by the IPT General Mandate are recurrent transactions of a revenue or trading nature or necessary for the day-to-day operations of the Group:

- (a) purchase of raw materials, indirect materials and/or semi-finished goods from the Mandated Interested Person(s);
- (b) sale of raw materials, indirect materials and/or semi-finished goods to the Mandated Interested Person(s) for further processing by the Mandated Interested Person(s) and purchase of such processed semi-finished goods from the Mandated Interested Person(s); and
- (c) obtaining of subcontracting services and/or services incidental or connected to the purchase of raw materials, indirect materials and/or semi-finished goods from the Mandated Interested Person(s).

Transactions with Interested Persons (including Mandated Interested Persons) which do not fall within the categories of the Mandated IPTs as set out above shall be subject to the relevant provisions of Chapter 9 of the Catalist Rules. The Mandated IPTs do not include the purchase or sale of assets, undertakings or businesses.

### 3.5.3. Rationale for and benefits of the IPT General Mandate

The Mandated IPTs are recurrent transactions that are likely to occur with some degree of frequency and may arise at any time and from time to time during the ordinary course of business of the Group. In view of the time-sensitive and recurring nature of such business transactions, it would be advantageous for the Company to renew the IPT General Mandate, provided that all Mandated IPTs are carried out on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders.

The Company believes that it will be beneficial to the Group to transact or continue to transact with the Mandated Interested Persons for the following reasons:

- (a) The factories of the Mandated Interested Persons are located within close proximity to the Group's factories. This helps to shorten the time required for the transportation of goods between factories and allows faster turnaround of orders. The Group can also closely monitor the quality of the products and services.
- (b) The Group has been transacting with the Mandated Interested Persons since 2003 and has developed a good working relationship with the Mandated Interested Persons, which helps in fulfilling our objective of delivering high quality products within a short time frame to our customers.
- (c) The Group will enjoy cost efficiencies arising from discounts on bulk purchases and shipments when the Group aggregates the quantities required by the Group and its subcontractors (including the Mandated Interested Persons), and place larger orders with their suppliers (in particular, raw

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material suppliers). This will also enable the Group to control the quality of the raw materials used by their subcontractors.

- (d) The procurement of raw materials and/or semi-finished goods and/or services from the Mandated Interested Persons pursuant to the IPT General Mandate would enable the Group to benefit from having access to Mandated Interested Persons in addition to transacting with non-Interested Persons.
- (e) The sale of raw materials, indirect materials and/or semi-finished goods to the Mandated Interested Persons is necessary to facilitate the provision of subcontracting services and/or services incidental or connected to the purchase of raw materials and/or semi-finished goods (including but not limited to veneer lamination services, upholstery products and assembly services for casegoods and side rails) by Mandated Interested Persons.

The proposed renewal of the IPT General Mandate would eliminate the need to convene separate general meetings to seek Shareholders' approval to enter into the Mandated IPTs, thereby reducing the administrative time and expenses associated with the convening of general meetings, and allow the Group to channel the resources towards achieving other corporate and business objectives.

### 3.5.4. **Methods and procedures for Mandated IPTs**

To ensure that the Mandated IPTs are conducted on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders, the Group has implemented the following methods and procedures for the Mandated IPTs:

(a) *Methods and procedures for entering into the Mandated IPTs*

- (i) All Mandated IPTs shall be conducted in accordance with the Group's usual business practices and standard operating procedures, including the receipt of approvals from the relevant departments such as the marketing department's approval on the need for such raw materials, semi-finished goods or services and the warehouse department's approval on the lack of the relevant raw materials and/or semi-finished goods.
- (ii) All Mandated IPTs shall be entered into, on usual margins or prices or rates extended to or received by the Group for the same or substantially similar type of products or services between the Group and unrelated third parties, and the terms shall not be less favourable to the Group as compared to those extended to or received from unrelated third parties.
- (iii) The sale and/or purchase of raw materials, indirect materials, semi-finished goods and/or services shall be conducted in the following manner:
  - (l) for generic raw materials, indirect materials and/or semi-finished goods, the Group's industrial engineering department shall set out the price lists for the sale of such raw materials and/or semi-finished goods to the Group's suppliers (including the

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Mandated Interested Persons). Similarly, the Group's purchasing department shall set out the price lists for the procurement of raw materials and/or indirect materials from the Group's suppliers (including the Mandated Interested Persons). Such price lists shall be determined in accordance with the price range for the raw materials, indirect materials and/or semi-finished goods transacted in the last 12 months preceding the price lists. The price lists will also provide for foreign currency fluctuations (in particular, between United States Dollar and Malaysian Ringgit) and for raw material price fluctuations. The price lists (together with the basis) shall be updated annually and when the Group launches new product models. All sale and purchase of such raw materials, indirect materials and/or semi-finished goods, whether to or from the Mandated Interested Persons or otherwise, for the relevant year shall be based on the price lists as determined by the respective departments of the Group. Notwithstanding the foregoing, prior approval of the Audit and Risk Committee will be required for each Mandated IPT above RM100,000 and where the pricing for the transaction deviates more than 20.0% from the prices stated in the price lists; and

- (II) for raw materials, indirect materials and/or semi-finished goods which the Group sells to the Mandated Interested Persons to facilitate the provision of subcontracting services and/or services incidental or connected to the purchase of raw materials and/or semi-finished goods, all sales to the Mandated Interested Persons will be undertaken based on the price lists as mentioned above. When purchasing raw materials, indirect materials and/or the processed semi-finished goods (which prices include labour costs) from the Mandated Interested Persons, the Group's outsource purchasing department will (A) cross reference the purchase order with the corresponding sale order to ensure that purchase price for the materials matches; and (B) ensure that the price proposed by the Mandated Interested Person for the services to be rendered is within the range estimated by the Group's industrial engineering department after taking into account, the complexity of the services (for example, the skill sets and the labour hours required), the quantity and the delivery time frame required for the order.

*(b) Approval thresholds*

Mandated IPTs which involve direct purchase of raw materials and/or semi-finished goods will be reviewed and approved by the respective heads of departments (such as the industrial engineering, production planning and purchasing departments) prior to the placement of the orders with the Mandated Interested Persons. Mandated IPTs which involve sales to the Mandated Interested Persons to facilitate the provision of subcontracting services and/or services incidental or connected to the purchase of raw materials and/or semi-finished goods will be reviewed and approved by the head of the outsource purchasing department prior to the placement of the orders with the Mandated Interested Persons.

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For Mandated IPTs above RM100,000 each, in the event that the pricing for such transaction deviates by more than 20.0% from the prices stated in the price lists, the Group shall seek the Audit and Risk Committee's approval prior to placement of the orders with the Mandated Interested Persons.

If any of the approval personnel has an interest in the Mandated IPT, he shall abstain from any decision making in respect of that Mandated IPT. Any senior executive(s) of the Group, who has no interest in the Mandated IPT, as designated by the Audit and Risk Committee, may review and approve the transaction in his stead.

The approval thresholds set out above are adopted by the Group taking into account, *inter alia*, the nature, volume, recurrent frequency and size of the Mandated IPTs as well as the Group's day-to-day operations, administration and businesses. The threshold limits are arrived at as a result of the balancing exercise after considering the operational efficiency for the day-to-day business operations of the Group and the internal control procedures of the Group. The threshold limits act as an additional safeguard to supplement the methods and procedures which will be implemented for Mandated IPTs.

(c) *Register of Interested Person Transactions*

The Company will maintain an IPT Register, including the Mandated IPTs carried out with the Mandated Interested Person(s) pursuant to the IPT General Mandate, and the IPT Register shall include all information pertinent to all the Mandated IPTs, such as, but not limited to, the nature of the Mandated IPTs, the amount of the Mandated IPTs, the price lists, the basis and rationale for determining the transaction prices, material terms and conditions, and the relevant supporting documentation. For the avoidance of doubt, all Interested Person Transactions, regardless of the transacted amount, shall be recorded in the IPT Register.

The IPT Register shall be prepared, maintained and monitored by a senior officer of the finance department, who shall not be interested in any of the Interested Person Transactions and who is duly delegated to do so by the Audit and Risk Committee.

(d) *Periodic internal reviews*

On a quarterly basis, the accounts and finance department shall submit a quarterly report to the Audit and Risk Committee, setting out (i) the aggregate amount of Mandated IPTs with the respective Mandated Interested Persons; (ii) the highest and lowest amount of Mandated IPTs with the respective Mandated Interested Persons; and (iii) the total number of Mandated IPTs. On a quarterly basis, the Audit and Risk Committee shall review the IPT Register and any accompanying documents (or such other documents as may be required or as the Audit and Risk Committee may deem necessary) to ascertain that the established methods and procedures for the Mandated IPTs have been complied with.

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If during these reviews by the Audit and Risk Committee, the Audit and Risk Committee is of the view that the established methods and procedures for the Mandated IPTs have become inappropriate or insufficient in view of changes to the nature of, or the manner in which, the business activities of the Company are conducted, it will take such actions as it deems appropriate and/or institute additional methods and procedures as necessary (and where relevant, obtain a fresh mandate for Mandated IPTs from our Shareholders) to ensure that the Mandated IPTs will be conducted based on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

If a member of the Audit and Risk Committee has an interest in an Interested Person Transaction to be reviewed by the Audit and Risk Committee, he will abstain from voting on any resolution, and/or any decision and/or any review of the established review procedures in respect of that Interested Person Transaction. Approval of that Interested Person Transaction will be undertaken by the remaining members of the Audit and Risk Committee.

(e) *Annual review by internal auditors*

The Company's internal auditors shall on an annual basis, review the IPT Register to ascertain that the methods and procedures for Interested Person Transactions (including the methods and procedures for the Mandated IPTs) have been complied with.

**3.5.5. Validity period of the IPT General Mandate**

If approved at the forthcoming AGM, the renewed IPT General Mandate will (unless revoked or varied by the Company in general meeting) take effect from the passing of Resolution 9 relating thereto, and will continue to be in force until the date that the next annual general meeting of the Company is held or required by law to be held. Approval from the Shareholders will be sought for the proposed renewal of the IPT General Mandate at the next annual general meeting and at each subsequent annual general meeting of the Company. The renewal of the IPT General Mandate shall be subject to satisfactory review by the Audit and Risk Committee of its continued application to the Mandated IPTs.

**3.5.6. Disclosure of Mandated IPTs pursuant to the IPT General Mandate**

In accordance with the requirements of Chapter 9 of the Catalist Rules, the Company will:

- (a) disclose in the Company's annual report the aggregate value of transactions conducted with the Mandated Interested Persons pursuant to the IPT General Mandate during the Financial Year (as well as in the annual reports for subsequent Financial Years that the IPT General Mandate continues in force); and
- (b) announce the aggregate value of transactions conducted with Mandated Interested Persons pursuant to the IPT General Mandate for the financial periods that it is required to report on pursuant to Rule 705 of the Catalist Rules within the time required for the announcement of such report.



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### 4. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

#### 4.1. Directors' and Substantial Shareholders' interests

The interests of the Directors and Substantial Shareholders, based on information recorded in the Register of Directors' and Substantial Shareholders' shareholdings, respectively, as at the Latest Practicable Date are as follows:

	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
<b>Directors</b>				
Tan Kwee Chai <sup>(1)</sup>	1,414,200	0.289	352,305,400	72.025
Tan Yong Chuan	–	–	–	–
Tan Ai Luang	800,000	0.164	–	–
Lee Dah Khang	77,000	0.016	–	–
Oh Seong Lye	115,000	0.024	–	–
Yeo Kian Wee Andy	115,000	0.024	–	–
<b>Substantial Shareholders (other than Directors)</b>				
Lian Yu Holdings Pte. Ltd.	352,305,400	72.025	–	–
Crown Leap Limited	59,740,800	12.213	–	–
Tan Kwee Lim <sup>(2)</sup>	1,296,300	0.265	352,305,400	72.025
Shen Min-Hui <sup>(3)</sup>	–	–	59,740,800	12.213

**Notes:**

- (1) Mr Tan Kwee Chai has a controlling interest in Lian Yu Holdings Pte. Ltd. and is therefore deemed to be interested in 352,305,400 Shares.
- (2) Mr Tan Kwee Lim has a controlling interest in Lian Yu Holdings Pte. Ltd. and is therefore deemed to be interested in 352,305,400 Shares.
- (3) Mr Shen Min-Hui holds the entire issued share capital of Crown Leap Limited, and is therefore deemed to be interested in 59,740,800 Shares.

### 5. ABSTENTION FROM VOTING

In light of the reasons set out in paragraph 3, Lian Yu Holdings Pte. Ltd., being a Mandated Interested Person, will abstain from voting and has undertaken to procure that all of its Associates abstain from voting, on Resolution 9 relating to the proposed renewal of the IPT General Mandate. It will also not accept appointments as proxy in relation to Resolution 9 unless specific instructions as to voting are given. Mr Tan Kwee Chai and Mr Tan Kwee Lim, being controlling shareholders of Lian Yu Holdings Pte. Ltd., will also abstain from voting in respect of their shareholdings, if any, and have undertaken to procure that all of their Associates abstain from voting, on Resolution 9, and will not accept appointments as proxy in relation to Resolution 9 unless specific instructions as to voting are given. The Company will disregard any votes cast on a resolution by person(s) required to abstain from voting by the Catalyst Rules or pursuant to a court order where such court order is served on the Company.

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### 6. DIRECTORS' RECOMMENDATIONS

#### 6.1. The Proposed Adoption of the Share Buyback Mandate

The Directors, having considered, *inter alia*, the rationale for the Share Buyback Mandate, are of the opinion that the Share Buyback Mandate is in the best interests of the Company. Accordingly, the Directors, recommend that the Shareholders **vote in favour** of Resolution 10 in respect of the Share Buyback Mandate set out in the Notice of AGM.

#### 6.2. The Proposed Renewal of the IPT General Mandate

The Directors who are deemed independent for the purposes of the proposed renewal of the IPT General Mandate, being Ms Tan Ai Luang, Mr Lee Dah Khang, Mr Oh Seong Lye and Mr Yeo Kian Wee Andy, having considered the rationale for and benefits of the proposed renewal of the IPT General Mandate, are of the opinion that the proposed renewal of the IPT General Mandate is in the best interests of the Company. Accordingly, they recommend that Shareholders **vote in favour** of Resolution 9 relating to the proposed renewal of the IPT General Mandate as set out in the Notice of AGM.

### 7. ANNUAL GENERAL MEETING

The AGM, notice of which will be despatched to Shareholders twenty-one (21) days prior to the AGM, will be held on a date to be announced later which will not be later than 29 June 2020 for the purpose of considering and, if thought fit, passing with or without modifications the resolutions set out therein.

### 8. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who are unable to attend the AGM and wish to appoint a proxy to attend and vote on their behalf should complete, sign and return the Proxy Form which will be despatched to Shareholders twenty-one (21) days prior to the AGM in accordance with the instructions printed thereon and as soon as possible and, in any event, so as to arrive at the registered office of the Company at 80 Robinson Road #02-00, Singapore 068898 not less than seventy two (72) hours before the time set for the AGM. The completion and return of a Proxy Form by a Shareholder does not preclude him/her from attending and voting in person at the AGM if he/she wishes to do so, in place of his/her proxy.

### 9. 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 Share Buyback Mandate and proposed renewal of the IPT General Mandate, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Appendix misleading. Where information in this Appendix has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Appendix in its proper form and context.

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### 10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at 80 Robinson Road #02-00, Singapore 068898, during normal business hours from the date hereof up to and including the date of the AGM, save that for the period commencing 7 April 2020 to 4 May 2020 (both dates inclusive), subject to an extension of such period by the Singapore government, our registered office will be closed due to the enhanced measures put in place by the Singapore government pursuant to the COVID-19 circuit breaker announcement released on 3 April 2020:

- (a) the Annual Report 2019;
- (b) the 2019 Letter; and
- (c) the Constitution of the Company.

Yours faithfully  
For and on behalf of the Board of Directors of  
**LY Corporation Limited**

Tan Yong Chuan  
Executive Director and Chief Executive Officer