

- (1) **PROPOSED CAPITAL REDUCTION; AND**
 - (2) **PROPOSED SCRIP DISTRIBUTION SCHEME AND ITS APPLICATION TO THE PROPOSED CASH DISTRIBUTION**
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1. INTRODUCTION

- 1.1. The board of directors (the **"Board"**) of Sapphire Corporation Limited (the **"Company"**) wishes to announce the Company's intention to:
 - (a) undertake a capital reduction exercise, pursuant to Section 78A read with 78C of the Companies Act (Chapter 50) of Singapore (**"Companies Act"**), which will involve a reduction of the share capital of the Company that has been lost or is unrepresented by available assets to the extent of the amount of the Accumulated Losses of the Company up till 30 June 2020 and the Proposed Cash Distribution (as defined below) to Shareholders (the **"Proposed Capital Reduction"**); and
 - (b) introduce a scrip distribution scheme by the Company which will be named the Sapphire Corporation Scrip Scheme (the **"Proposed Scrip Distribution Scheme"**), and which will be applied to the Proposed Cash Distribution (as defined below).
- 1.2. The Board refers to the announcements dated 2 June 2020, 3 July 2020, 9 October 2020, 24 October 2020, 26 October 2020 and 30 October 2020 (**"Previous Announcements"**) in respect of the Company's sale of equity interests in and material dilution of effective equity interests in Ranken Railway Construction Group Co., Ltd. (**"Ranken Railway"**), which resulted in Ranken Railway ceasing to be a subsidiary of the Company (**"Disposal"**), the press release made on 9 October 2020 in relation to the Disposal and the circular dated 9 October 2020 in relation to the Disposal. The Company had on 27 October 2020 completed the Disposal.
- 1.3. Unless otherwise expressly defined or described herein, all capitalised terms used in this announcement (**"Announcement"**) shall have the same meanings as defined in the Previous Announcements.
- 1.4. The Company will be consulting further with the SGX-ST (**"SGX-ST Consultation"**) on the Proposed Capital Reduction and Proposed Scrip Distribution Scheme as described in the subsequent sections of this Announcement before undertaking the same and in connection therewith, seek SGX-ST's approval for variation of the SGX-ST Voluntary Undertaking to accommodate the Proposed Capital Reduction and Proposed Scrip Distribution Scheme, and will accordingly provide further updates of any material developments. The Proposed Capital Reduction is subject to the outcome of the SGX-ST Consultation, Board and Shareholders' approval, and the application of the Proposed Scrip Distribution Scheme to the Proposed Cash Distribution is subject to the approval of the SGX-ST for the listing and quotation of, and permission to deal in, the new Shares as may be required to be issued pursuant to the Proposed Scrip Distribution Scheme (**"Scrip Distribution Shares"**) on the SGX-ST.
- 1.5. The Board wishes to highlight that, the Proposed Capital Reduction, adoption of the Proposed Scrip Distribution Scheme and application of the Proposed Scrip Distribution Scheme to the Proposed Cash Distribution is subject to the outcome of the SGX-ST Consultation, and specifically, SGX-ST's approval of a variation in the SGX-ST Voluntary Undertaking to

accommodate the Proposed Capital Reduction, adoption of the Proposed Scrip Distribution Scheme and application of the Proposed Scrip Distribution Scheme to the Proposed Cash Distribution, on terms that are acceptable to the Company.

- 1.6. Assuming that the outcome of the SGX-ST Consultation is favourable and a variation of the SGX-ST Voluntary Undertaking is approved by the SGX-ST on terms acceptable to the Company, the Company will be seeking approval from the Shareholders for the Proposed Capital Reduction and for the authority to adopt the Proposed Scrip Distribution Scheme and issue the Scrip Distribution Shares pursuant thereto (the “**Proposed Transactions**”) at a general meeting of the Company to be convened.

2. DETAILS OF THE PROPOSED CAPITAL REDUCTION

2.1. Introduction

- (a) The Proposed Capital Reduction will be effected in the following manner:
- (i) by the cancellation of the Company’s issued and fully paid up share capital as at the effective date of the Proposed Capital Reduction (such date to be announced by the Company on SGXNET) to the extent of the sum of the accumulated losses of the Company as at 30 June 2020 of approximately S\$3,006,310 (RMB 6,946,000¹) (“**Accumulated Losses**”) and S\$17,322,570 (approximately RMB 86,444,556²);
 - (ii) the amount of approximately S\$3,006,310 (RMB 6,946,000¹), being the credit arising from the aforesaid cancellation of share capital, shall be applied to write off the Accumulated Losses; and
 - (iii) the aggregate amount of S\$17,322,570 or approximately RMB 86,444,556² (approximately 33.63% of Net Proceeds), shall be a return to Shareholders of the surplus capital of the Company in excess of its needs by way of a cash distribution of S\$0.0425 per Share (“**Proposed Cash Distribution**”), being the sum of the estimated distributable amount to Shareholders of RMB 77.1 million (approximately 30.0% of Net Proceeds) and the estimated PRC withholding tax which would have otherwise been payable if the distribution is via dividend payment of RMB 9.3 million (approximately 3.63% of the Net Proceeds)
- (b) As at the date of this Announcement, the Company’s issued and fully paid up share capital (excluding treasury shares) is S\$98,458,091 divided into 407,589,893 ordinary shares in the capital of the Company (“**Shares**”).
- (c) The Accumulated Losses arose mainly from corporate expenses over the years, and the Proposed Capital Reduction will reduce the Company’s Accumulated Losses by the cancellation of the share capital of the Company to the extent of approximately S\$3,006,310 (RMB 6,946,000¹).
- (d) Save for any issuance and allotment of Scrip Distribution Shares in lieu of the Proposed Cash Distribution pursuant to the Proposed Scrip Distribution Scheme, **there will be no change in the total number of issued Shares in the Company held by the**

¹ Approximately equivalent to S\$3,006,310 based on the historical exchange rates across various years in respect of the accumulated losses of the Company totaling RMB 16,043,000. In adopting SFRS(I) on 1 January 2018, cumulative currency translation differences for all foreign operations were deemed to be zero on the date of transition, 1 January 2017. The Company’s foreign currency translation reserve (“**FCTR**”) also decreased by RMB 9,097,000 and retained earnings increased by the same amount as at 31 December 2017. Hence the retained earnings as at 30 June 2020 was RMB (-16,043,000 + 9,097,000) = RMB (-6,946,000) and the Accumulated Losses is RMB 6,946,000.

² Approximately equivalent to RMB 86,444,556 based on the illustrative exchange rate of S\$1.00 : RMB 4.99 which is the 6-month exchange rate average between 25 June 2020 to 24 December 2020. This illustrative exchange rate is solely for illustrative purposes and should not be construed as a representation that the relevant amount has been or could be converted at this rate or at any other rate.

Shareholders immediately after the Proposed Capital Reduction. Each Shareholder will hold the same number of Shares before and immediately after the Proposed Capital Reduction.

2.2. Rationale for the Proposed Capital Reduction

- (a) The purpose of the Proposed Capital Reduction is to write off the Accumulated Losses with a view to restructure the finances of the Company. This serves to rationalise the balance sheet of the Company for it to be an accurate reflection of the financial position of the Company. In addition, the Proposed Capital Reduction will facilitate future equity-related fund raising exercises to recapitalise and strengthen the balance sheet of the Company. The Company would also be in a better position to retain profits and enhance its ability to pay future dividends, when appropriate, if the Accumulated Losses are written off.
- (b) Additionally, the Proposed Cash Distribution would accelerate the time at which the Dividend Allocation Sum arising from the Disposal may be distributed to Shareholders, since a distribution of the Dividend Allocation Sum by way of dividends to Shareholders would require the Company to generate sufficient profits to enable such dividend to be paid out and the Company anticipates that this may only be possible in the second half of 2021 or in 2022. Furthermore, the Proposed Cash Distribution is of a higher amount than if the Dividend Allocation Sum had been paid out by way of dividends as PRC withholding tax is not applicable. The estimated higher amount of distribution to shareholders is RMB 9.3 million (approximately 3.63% of the Net Proceeds), which was the estimated PRC withholding tax which would have otherwise been payable had distribution been made via a dividend payment.
- (c) The Proposed Cash Distribution comprises the issued and paid-up capital in excess of the immediate requirements of the Company. The Proposed Capital Reduction and Proposed Cash Distribution, if effected, would result in the Company having a more efficient capital structure, thereby also improving Shareholders' return on equity.

2.3. Financial Effects of the Proposed Capital Reduction

For illustrative purposes only and based on the latest unaudited consolidated financial statements of the Company for the six-month financial period ended 30 June 2020 ("1H2020"), the financial effects of the Proposed Capital Reduction and Proposed Cash Distribution on the Group are set out below.

The pro forma financial effects are calculated based on the assumptions that:

- (i) the Proposed Capital Reduction and Proposed Cash Distribution were completed on 30 June 2020;
- (ii) the Company has sufficient cash required for distribution; and
- (iii) the estimated transaction costs of approximately RMB 750,000 have been taken into account in the computation of the financial effects.

(a) Share capital

The Proposed Capital Reduction and Proposed Cash Distribution will not have any impact on the number of Shares held by Shareholders after the Proposed Capital Reduction and Proposed Cash Distribution. The pro forma financial effects of the Proposed Capital Reduction and Proposed Cash Distribution on the share capital of the Company for 1H2020 are as follows:

	Before the Proposed Capital Reduction	After the Proposed Capital Reduction
Number of issued Shares (excluding treasury shares) ⁽¹⁾	407,589,893	407,589,893
Amount of share capital (RMB)	466,700,000	373,309,444

Notes:

- (1) As at the date of this Announcement, the Company does not have any treasury shares.

(b) **Earnings per Share (“EPS”)**

The Proposed Capital Reduction and Proposed Cash Distribution will have no impact on the EPS of the Company. The pro forma financial effects of the Proposed Capital Reduction and Proposed Cash Distribution on the EPS of the Group for 1H2020 are as follows:

	Before the Proposed Capital Reduction	After the Proposed Capital Reduction
Profit attributable to Shareholders (RMB'000)	9,980	9,980
Number of issued Shares (excluding treasury shares)	407,589,893	407,589,893
EPS (RMB Cents) ⁽¹⁾	2.45	2.45

Notes:

- (1) The calculation of the EPS was computed based on profit attributable to Shareholders divided by the weighted average number of Shares as at the six-month financial period ended 1H2020 detailed below:

	1H2020
Weighted average number of Shares ⁽²⁾	407,589,893

- (2) The weighted average number of shares in 1H2020 is calculated based on the number of Shares outstanding at the beginning of the respective year, adjusted by the number of Shares issued during the year multiplied by a time-weighted factor.

(c) Net Asset Value (“NAV”)

The pro forma financial effects of the Proposed Capital Reduction and Proposed Cash Distribution on the NAV of the Group for 1H2020 are as follows:

	Before the Proposed Capital Reduction	After the Proposed Capital Reduction
Net asset (RMB)	589,670,000	502,475,444
Number of issued Shares (excluding treasury shares)	407,589,893	407,589,893
NAV per Share (RMB Cents)	144.67	123.28

(d) Gearing

The pro forma financial effects of the Proposed Capital Reduction and Proposed Cash Distribution on the gearing ratio of the Group for 1H2020 are as follows:

	Before the Proposed Capital Reduction	After the Proposed Capital Reduction
Total borrowings (RMB'000)	288,475	288,475
Net assets (RMB)	589,670,000	502,475,444
Gearing (%)	49	57

(e) Return on Equity

The pro forma financial effects of the Proposed Capital Reduction and Proposed Cash Distribution on the return on equity of the Group for 1H2020 are as follows:

	Before the Proposed Capital Reduction	After the Proposed Capital Reduction
Profit attributable to Shareholders (RMB'000)	9,980	9,980
Return on Equity (%)	1.69	1.99

2.4. Conditions of the Proposed Capital Reduction and Creditor Objections

(a) The Proposed Capital Reduction is subject to, *inter alia*, the following:

(i) the approval of the Shareholders by way of special resolution at a general

meeting to be convened (the “**Capital Reduction Resolution**”);

- (ii) the Board making a solvency statement in relation to the reduction of the share capital of the Company and compliance with other relevant solvency requirements as required by the Companies Act (“**Solvency Statements**”);
 - (iii) compliance with the relevant publicity requirements as prescribed in the Companies Act;
 - (iv) lodgment with Accounting and Corporate Regulatory Authority (“**ACRA**”) copies of the Solvency Statements and the Capital Reduction Resolution, within fifteen (15) days beginning with the date of the Capital Reduction Resolution;
 - (v) no application having been made for the cancellation of the Capital Reduction Resolution by any creditor of the Company within the timeframe prescribed in the Companies Act, or if such application was made, the dismissal thereof by the judicial authorities; and
 - (vi) the Company must after the end of six (6) weeks (but before the end of eight (8) weeks) beginning with the date of the Capital Reduction Resolution, lodge the following documents with ACRA:
 - (aa) a statement made by the Directors confirming that the requirements under Section 78C(1)(c) of the Companies Act have been complied with, and that no application for cancellation of the Capital Reduction Resolution has been made; and
 - (bb) a notice containing information in relation to the Proposed Capital Reduction specified under the Companies Act.
- (b) In the event that during the six (6) weeks beginning with the Capital Reduction Resolution date, one (1) or more applications for the cancellation of the Capital Reduction Resolution has been made under Section 78D(2) of the Companies Act, for the Proposed Capital Reduction to take effect, the following conditions must be satisfied:
- (i) the Company must give ACRA notice of the application(s) for the cancellation of the Capital Reduction Resolution as soon as possible after such application(s) have been served on the Company by the creditor(s);
 - (ii) the proceedings in relation to each application for the cancellation of the Capital Reduction Resolution must be brought to an end by either (aa) the dismissal of the application under Section 78F of the Companies Act; or (bb) without determination (for example, because the application has been withdrawn); and
 - (iii) the Company must, within fifteen (15) days beginning with the date on which the last such proceeding was brought to an end in accordance with paragraph 2.4(b)(ii) above, lodge with ACRA:
 - (aa) a statement made by the Directors confirming that the requirements under Section 78C(1)(c), the solvency requirements under Section 78C(3) and Section 78D(4) of the Companies Act have been complied with, and that the proceedings in relation to each such application have been brought to an end by the dismissal of the application or without determination;
 - (bb) in relation to each such application which has been dismissed by the Court, a copy of the order of the Court dismissing the application; and

- (cc) a notice containing information in relation to the Proposed Capital Reduction specified under the Companies Act.

3. PROPOSED CASH DISTRIBUTION IN RELATION TO DIVIDEND ALLOCATION SUM

- 3.1. In connection with the Disposal, the Company had voluntarily undertaken to the SGX-ST ("**SGX-ST Voluntary Undertaking**"), amongst others, that an amount equivalent to 36.3% of the Net Proceeds ("**Dividend Allocation Sum**"), will be allocated for distribution to Shareholders by way of dividends. The Dividend Allocation Sum, less PRC withholding tax, losses at the Company level for the current financial year of distribution and related expenses, and which is estimated to amount to approximately 30.0% of the Net Proceeds, was to be distributed to Shareholders in the form of dividends. Pending such distribution, the Dividend Allocation Sum will remain in the Escrow Account. The Company is proposing instead to distribute the sum of the estimated distributable amount to Shareholders of RMB 77.1 million (approximately 30.0% of Net Proceeds) and the estimated PRC withholding tax payable if distribution is via dividend payment of RMB 9.3 million (approximately 3.63% of the Net Proceeds) to Shareholders in the form of the Proposed Cash Distribution (approximately 33.63% of the Net Proceeds) to Shareholders in the form of the Proposed Cash Distribution as mentioned above in section 2 of this Announcement, and offer an option for Shareholders to elect to receive their proportion of the Proposed Cash Distribution by way of Scrip Distribution Shares under the Proposed Scrip Distribution Scheme and, as mentioned in paragraph 1.4, will be requesting a variation of the SGX-ST Voluntary Undertaking by way of the SGX-ST Consultation.
- 3.2. The Proposed Cash Distribution is expected to be completed in FY2021 due to the time taken to complete the Proposed Capital Reduction. The distribution of the Dividend Allocation Sum in the form of the Proposed Cash Distribution is subject to *inter alia*, Board and Shareholders' approval, and compliance with the Constitution and the Companies Act.
- 3.3. The amount distributable to Shareholders is S\$17,322,570 (approximately RMB 86,444,556², 33.63% of the Net Proceeds). The distribution amount per Share is S\$0.0425.

4. PROPOSED SCRIP DISTRIBUTION SCHEME AND SCRIP OPTION IN RELATION TO THE PROPOSED CASH DISTRIBUTION

- 4.1. The Company wishes to inform Shareholders of the Company's intention to adopt the Proposed Scrip Distribution Scheme which will provide Shareholders with the option to elect to receive new Shares in the capital of the Company in lieu of part or all of the cash amount of any dividend or distribution (including any interim, final, special or other dividend or distribution) (the "**Distribution**") declared on their holding of Shares, and apply the Proposed Scrip Distribution Scheme to the Proposed Cash Distribution, thereby allowing Shareholders to elect to receive their relevant entitlement to the Proposed Cash Distribution by way of an issuance and allotment of such number of Scrip Distribution Shares having a value (as calculated below) equal to, save for adjustments for fractions, the relevant amount of Proposed Cash Distribution which the relevant Shareholders would otherwise be entitled to receive in cash.
- 4.2. The issue price of the Scrip Distribution Shares is proposed to be 5.64 Singapore cents ("**Proposed Issue Price**"), based on the ex-distribution price of the Scrip Distribution Shares, with the distribution per Share being 4.25 Singapore cents and the weighted average price of Shares being 9.89 Singapore cents on 31 December 2020, the last trading day on which Shares were traded prior to the release of this Announcement.
- 4.3. The details of the Proposed Scrip Distribution Scheme, Proposed Issue Price and entitlements to the Proposed Cash Distribution, will be disclosed and determined in due course by the

Company and announcement of such details will be made at the appropriate time.

5. RATIONALE OF PROPOSED SCRIP DISTRIBUTION SCHEME AND SCRIP DISTRIBUTION SHARES OPTION

- 5.1. The Proposed Scrip Distribution Scheme, if and when applied to any particular Distribution, will provide Shareholders with greater flexibility in meeting their investment objectives as it will give Shareholders the choice of receiving a Distribution to which the Proposed Scrip Distribution Scheme applies, as determined by the Directors ("**Qualifying Distribution**") in the form of Scrip Distribution Shares (credited as fully paid) and/or cash. This will enable Shareholders to participate in the equity of the Company without having to incur brokerage fees, stamp duty and other related costs. The Company will also benefit from the participation of Shareholders in the Proposed Scrip Distribution Scheme as, to the extent that Shareholders elect to receive their Proposed Cash Distribution in the form of Scrip Distribution Shares, the cash which would otherwise be payable in respect of such Proposed Cash Distribution is proposed to be retained by the Company to strengthen its working capital and/or fund the growth and expansion of the Group. Details of proposed uses of the cash which would otherwise have been payable by the Company in respect of such Proposed Cash Distribution will be set out in the circular in relation to the Proposed Transactions which is subject to Shareholders' approval.

6. SUMMARY OF TERMS OF THE PROPOSED SCRIP DISTRIBUTION SCHEME

- 6.1. The following is a summary of the terms of the Proposed Scrip Distribution Scheme. Detailed information of the Proposed Scrip Distribution Scheme will be provided to the Shareholders in due course.
- 6.2. The Proposed Scrip Distribution Scheme provides Shareholders with the option to elect to receive fully paid Shares in lieu of all and not part only of the cash amount of a Distribution declared on their holding of Shares (after the deduction of applicable income tax, if any).
- 6.3. All Shareholders are eligible to participate in the Proposed Scrip Distribution Scheme subject to the restrictions on Shareholders with registered addresses outside Singapore as at the date to be determined by the Directors on which the Register of Members and transfer books of the Company will be closed for the purpose of determining the entitlements of Shareholders to a Distribution ("**Books Closure Date**") and who have not provided to the Company or CDP, as the case may be, not later than five (5) day on which the SGX-ST is open for trading in securities ("**Market Days**") prior to the Books Closure Date, addresses in Singapore for the service of notices and documents ("**Overseas Shareholders**"), and except that participation in the Proposed Scrip Distribution Scheme shall not be available to such Shareholders or class of Shareholders as the Directors may in their absolute discretion determine, and further subject to the requirement that such participation by the Shareholder will not result in a breach of any other restriction on such Shareholder's holding of Shares which may be imposed by any statute, law or regulation in force in Singapore or any other relevant jurisdiction, as the case may be, or prescribed in the Constitution of the Company.
- 6.4. Shareholders may elect to participate in respect of all of their holding of Shares for any Qualifying Distribution and may also make a permanent election to participate in respect of all of their holding of Shares for all future Qualifying Distributions. Where a permanent election has been made, Shareholders may, by giving the appropriate notice in accordance with the Proposed Scrip Distribution Scheme, cancel their participation and withdraw from the Proposed Scrip Distribution Scheme at any time. However, the cancellation of a permanent election by a Shareholder will not preclude him from making a fresh permanent election, should he wish to do so, at a later time.
- 6.5. The Directors may, in their absolute discretion, determine that the Proposed Scrip Distribution

Scheme will apply to any particular Distribution. An announcement will be made by the Company as soon as practicable following the determination by the Directors that the Proposed Scrip Distribution Scheme is to apply to a particular Distribution, and in any event, by no later than the next Market Day immediately following the Books Closure Date in respect of that particular Distribution. Unless the Directors have determined that the Proposed Scrip Distribution Scheme will apply to any particular Distribution, the Distribution concerned will be paid in cash to the Shareholders in the usual manner.

- 6.6. Shares allotted and issued under the Proposed Scrip Distribution Scheme will rank *pari passu* in all respect with the Shares then in issue save only as regards participation in the Qualifying Distribution which is subject of the election (including the right to make any election pursuant to the Proposed Scrip Distribution Scheme) or any other distributions, bonuses or rights paid, made, declared or announced prior to or contemporaneous with the payment or declaration of the Qualifying Distribution which is subject of the election, unless the Directors shall otherwise specify.
- 6.7. Shareholders participating in the Proposed Scrip Distribution Scheme will receive, at or about each Distribution payment date, statements setting out, *inter alia*, the number of Shares allotted to them under the Proposed Scrip Distribution Scheme.
- 6.8. The Directors shall have full power to make such provisions as they think fit where the number of Shares calculated in accordance with the above formula becomes attributable in fractions, including provisions as to rounding, or whereby fractional entitlements are otherwise dealt with in such manner as they may deem fit in the interests of the Company and which are acceptable to the SGX-ST.

7. HOW TO PARTICIPATE

- 7.1. Participation in the Proposed Scrip Distribution Scheme is optional and not transferable.
- 7.2. A Shareholder wishing to receive Shares in respect of any Qualifying Distribution or to make a permanent election to receive Shares in respect of all of his future Qualifying Distributions to which a notice of election ("**Notice of Election**") received by him relates should complete the Notice of Election and return it to the Company at the address indicated on the Notice of Election or, if the Shareholder is a Depositor, to CDP.
- 7.3. A Shareholder receiving two or more Notices of Election and wishing to receive Shares in respect of all of his entitlement to the Qualifying Distribution in respect of all his holding of Shares or to make a permanent election to receive Shares in respect of all future Qualifying Distributions, must complete all Notices of Election received by him and return the completed Notices of Election to the Company and/or CDP, as the case may be.
- 7.4. To be effective in respect of any Qualifying Distribution to which a Notice of Election relates, such duly completed Notice of Election must be received by the Company or, as the case may be, CDP, no later than the date to be specified by the Directors in respect of that Qualifying Distribution.
- 7.5. Shareholders will receive the Qualifying Distribution in cash if they fail to elect to participate in the Proposed Scrip Distribution Scheme.
- 7.6. Shareholders do not need to take any action if they wish to receive their entitlement to the Qualifying Distribution in cash.

8. NOTE TO SHAREHOLDERS

- 8.1. No known tax advantage for electing to participate in the Proposed Scrip Distribution Scheme

- (a) The Company takes no responsibility for the taxation liabilities of Shareholders participating in the Proposed Scrip Distribution Scheme or the tax consequences of any election made by Shareholders. As individual circumstances and laws vary considerably, specific taxation advice should be obtained by Shareholders if required.
- (b) Without prejudice to the foregoing paragraph, as a general indication, however, it is understood that as at the date hereof, under tax legislation in Singapore, a Shareholder's Singapore tax liability in relation to the Distributions received will not alter, nor is there any tax advantage to be gained, by reason of having elected to participate in the Proposed Scrip Distribution Scheme.

8.2. Participating Shareholders may receive odd lots

The Shares are currently traded in board lots of 100 Shares. A Shareholder who elects to receive Shares in lieu of the whole cash amount of the Qualifying Distribution may receive such Shares in odd lots. Shareholders who receive odd lots of Shares and who wish to trade such odd lots on the SGX-ST should do so on the Unit Share Market of the SGX-ST, which allows for trading of odd lots with a minimum of one share.

8.3. Eligibility of Overseas Shareholders

- (a) For practical reasons and to avoid any violation of securities laws applicable in countries outside Singapore where Shareholders may have their registered addresses, the Proposed Scrip Distribution Scheme will not be offered to Overseas Shareholders, unless the Directors determine otherwise. No Overseas Shareholder shall have any claims whatsoever against the Company, the Company's share registrar, CDP or any of their respective agents as a result of the Proposed Scrip Distribution Scheme not being offered to such Overseas Shareholder.
- (b) Overseas Shareholders who wish to be eligible to participate in the Proposed Scrip Distribution Scheme should provide an address in Singapore for the service of the notices and documents by notifying the Company or, if the Overseas Shareholder is a Depositor, the CDP, not later than five (5) Market Days prior to the Book Closure Date. Depositors should note that all correspondence and notices will be sent to their last registered addresses with CDP.

8.4. Shareholders to note obligations under the Takeover Code

- (a) The attention of Shareholders is drawn to Rule 14 of the Takeover Code. In particular, a Shareholder should note that he may be under an obligation to extend a mandatory take-over offer for the Company. Under Rule 14.1 of the Singapore Code on Takeovers and Mergers (the "**Takeover Code**"), except with the consent of the Securities Industry Council ("**SIC**"), where:
 - (i) any person acquires whether by a series of transactions over a period of time or not, shares which (taken together with shares held or acquired by persons acting in concert with him) carry 30% or more of the voting rights of a company; and
 - (ii) any person who, together with persons acting in concert with him, holds not less than 30% but not more than 50% of the voting rights and such person, or any person acting in concert with him, acquires in any period of six (6) months additional shares carrying more than 1% of the voting rights,

such person must extend offers immediately to the holders of any class of share capital

of the company which carries votes and in which such person, or persons acting in concert with him, hold shares ("**Mandatory Offer**"). In addition to such person, each of the principal members of the group of persons acting in concert with him may, according to the circumstances of the case, have the obligation to extend an offer.

- (b) Pursuant to Rule 1 of the Takeover Code, BFL and Wang Heng (collectively, the "**Concert Party Group**") are deemed to be acting in concert, and accordingly, as at the date of this Announcement, the Concert Party Group is interested in an aggregate of 172,120,264 Shares representing approximately 42.23% of the total number of issued Shares of the Company.
- (c) Having in view the estimated quantum of the Proposed Cash Distribution, the Proposed Issue Price and assuming that the Proposed Scrip Distribution Scheme is adopted and applied to the Proposed Cash Distribution and BFL elects to receive such entitlement of the Proposed Cash Distribution wholly in Scrip Distribution Shares, the fulfilment by BFL of its obligations under the Irrevocable Undertaking (as defined below) may result in the Concert Party Group acquiring additional shares carrying more than 1% of the voting rights in the Company. In such event, the Concert Party Group would incur an obligation to make the Mandatory Offer, unless the SIC grants a waiver of obligations of the Concert Party Group to make the Mandatory Offer ("**Whitewash Waiver**"). In connection with the above, BFL will make an application to the SIC for the Whitewash Waiver and the Company will make the necessary announcements upon receipt of the Whitewash Waiver from the SIC.
- (d) In addition to the above, the approval of independent Shareholders at a general meeting of the Company to be convened, waiving their rights to receive a Mandatory Offer from the Concert Party Group in connection with the issuance and allotment of the Scrip Distribution Shares to BFL in relation to the Proposed Cash Distribution ("**Whitewash Resolution**") would also need to be obtained by the Company for purposes of the Whitewash Waiver.
- (e) The statements herein do not purport to be a comprehensive or exhaustive description of all the relevant provisions of, or all implications that may arise under, the Takeover Code. Shareholders who are in doubt as to whether they would incur any obligation to make a mandatory offer under the Takeover Code as a result of any acquisition of Shares through their participation in the Proposed Scrip Distribution Scheme are advised to consult their professional advisers and/or the SIC at the earliest opportunity.

9. APPROVALS IN CONNECTION WITH THE PROPOSED SCRIP DISTRIBUTION SCHEME

9.1. Shareholders' approval for issue of new Shares

- (a) The Constitution allows Shareholders to elect to receive Distributions in the form of new Shares, credited as fully paid-up, in lieu of cash.
- (b) Pursuant to Rule 862 of the Listing Manual, an announcement must be made by an issuer if it wishes to implement a scrip distribution scheme which enables shareholders to elect to receive shares in lieu of the cash amount of any dividend. The Listing Manual does not require the adoption of the Proposed Scrip Distribution Scheme to be approved by Shareholders. Nevertheless, the Company will be subjecting the adoption of the Proposed Scrip Distribution Scheme to Shareholders' approval.
- (c) The allotment and issue of new Shares pursuant to the Proposed Scrip Distribution Scheme is subject to the approval of the Shareholders. The authority to issue new Shares under the Proposed Scrip Distribution Scheme may be in the form of specific

Shareholders' approval pursuant to Section 161 of the Companies Act or the Company may otherwise rely on a valid general mandate granted by the Shareholders to the Directors pursuant to Section 161 of the Act and Rule 806 of the Listing Manual. In this regard, the Company will be seeking specific Shareholders' approval under Section 161 of the Companies Act for the issue of new Shares pursuant to the Proposed Scrip Distribution Scheme.

- (d) The Shareholder resolutions for adoption of the Proposed Scrip Distribution Scheme and issuance of new Shares pursuant to the Proposed Scrip Distribution Scheme are subject to the Whitewash Resolution being passed and Whitewash Waiver being obtained.

9.2. Approval for listing and quotation of new Shares on the SGX-ST

- (a) In compliance with Appendix 8.4.4 to the Listing Manual, the Company will from time to time submit an additional listing application to the SGX-ST for the admission to the Official List of the SGX-ST of such new Shares as may be issued by the Company for the purposes of, in connection with or where contemplated by the Proposed Scrip Distribution Scheme, and for the listing and quotation of such new Shares on the Main Board of the SGX-ST, at such time(s) as may be appropriate and determined by the Company. It should be noted that the approval of the SGX-ST should not be taken as an indication of the merits of the Proposed Scrip Distribution Scheme, the new Shares, the Company and/or its subsidiaries. The Company will announce the outcome of any such application as may be appropriate in accordance with the Listing Manual.
- (b) It should be noted that the Company is unable to represent, warrant or give any assurance that the approval for the listing and quotation of the new Shares will be granted by the SGX-ST. In such event that new Shares cannot be issued by the Company or listed and quoted on the SGX-ST, appropriate steps will be taken by the Company for the relevant Shareholders to receive the Distribution in cash.

10. **UNDERTAKING BY BEST FEAST LIMITED**

- 10.1. As at the date of this Announcement, BFL, a controlling Shareholder of the Company, directly holds 171,495,264 Shares representing 42.08% of the total number of issued Shares of the Company. Wang Heng, the Executive Director and Chief Executive Officer of the Company, is a director of BFL, and directly holds 625,000 Shares, representing approximately 0.15% of the total number of issued Shares of the Company.
- 10.2. As an indication of its support and commitment to the Company and the Proposed Transactions, BFL will be providing an irrevocable undertaking in favour of the Company ("**Irrevocable Undertaking**"), pursuant to which BFL will irrevocably undertake to the Company that *inter alia*, it will:
 - (a) vote in favour of the Proposed Transactions at such general meeting of the Shareholders to be held (including an adjournment thereof); and
 - (b) in accordance with the terms of the Proposed Scrip Distribution Scheme to be determined and adopted by the Company and not later than the last day for election, elect to receive such entitlement of the Proposed Cash Distribution wholly in Scrip Distribution Shares.
- 10.3. The Irrevocable Undertaking is subject to and conditional upon the following:
 - (a) the receipt of the approval in-principle of the SGX-ST for the listing and quotation of,

and permission to deal in, the Scrip Distribution Shares, and, if such approval is granted subject to conditions, such conditions being acceptable to the Company, and such approval not having been withdrawn or revoked on or prior to the date of completion of the issuance and allotment of the Scrip Distribution Shares;

- (b) the receipt of Shareholders' approval for the Proposed Transactions at a general meeting of the Company to be convened;
- (c) the Whitewash Waiver being granted by the SIC and not having been withdrawn or revoked as at the date of completion of the issuance and allotment of the Scrip Distribution Shares to BFL;
- (d) the receipt of approval of the independent Shareholders for the Whitewash Resolution at a general meeting of the Company to be convened; and
- (e) all necessary approvals and consents as may be required from any third parties, governmental or regulatory body or relevant competent authority, including the SGX-ST, being in full force and effect and not having been withdrawn, suspended, amended or revoked as at the date of completion of the Proposed Capital Reduction and issuance and allotment of the Scrip Distribution Shares, and if such approvals, consents or registrations are granted or obtained subject to any conditions, such conditions being reasonably acceptable to the Company and BFL.

- 10.4. Assuming no other Shareholders except BFL elects to receive its entitlement to the Proposed Cash Distribution wholly in Scrip Distribution Shares, upon allotment and issuance of the Scrip Distribution Shares, BFL's shareholding in the Company will increase from 171,495,264 Shares representing 42.08% of the total number of Shares to 300,724,848 Shares representing 56.02% of the enlarged share capital of the Company. The Concert Party Group's shareholding will increase to 301,349,848 Shares representing 56.14% of the enlarged share capital of the Company, assuming that Wang Heng does not elect to receive her entitlement to the Proposed Cash Distribution wholly in Scrip Distribution Shares. If Wang Heng elects to receive the Proposed Cash Distribution wholly in Scrip Distribution Shares as well, upon allotment and issuance of the Scrip Distribution Shares, her shareholding in the Company will increase from 625,000 Shares representing approximately 0.15% of the total number of Shares to 1,095,966 Shares representing 0.204% of the enlarged share capital of the Company, and the Concert Party Group's shareholding will increase from 172,120,264 Shares representing 42.23% of the total number of Shares to 301,820,814 Shares representing 56.17% of the enlarged share capital of the Company.

11. CIRCULAR TO BE DESPATCHED

Subject to the outcome of the SGX-ST Consultation, the Company will, in due course, despatch to Shareholders the circular containing information pertaining to the Proposed Transactions, Whitewash Waiver as well as the Whitewash Resolution and seek approval for the same at a general meeting of the Company to be convened.

12. CAUTIONARY STATEMENT

Shareholders and potential investors are advised to exercise caution when dealing or trading in the Shares. The completion of the Proposed Transactions is subject to certain conditions. As at the date of this Announcement, there is no certainty or assurance that the Proposed Transactions will be completed or that no changes will be made to the terms thereof. The Proposed Scrip Distribution Scheme is subject to the Company's adoption and Shareholder's approval and is also subject to certain conditions. As at the date of this Announcement, there is no certainty or assurance that the Proposed Cash Distribution may be approved and that the

Proposed Scrip Distribution Scheme, Whitewash Waiver and Whitewash Resolution will be approved and completed or that no changes will be made to the intended terms of the Proposed Scrip Distribution Scheme set out above. In any event, each of the resolutions approving the adoption of the Proposed Scrip Distribution Scheme, issuance of new Shares pursuant to the Proposed Scrip Distribution Scheme and the Whitewash Resolution is inter-conditional and none of the aforementioned resolutions will be passed if approval is not obtained for any one of them.

The Company will make the necessary announcements when there are further developments. Shareholders and potential investors are advised to read this Announcement and any further announcements by the Company carefully. Shareholders and potential investors should consult their stockbrokers, bank managers, solicitors, accountants, tax advisers or other professional advisers if they have any doubt about the actions they should take.

By Order of the Board

WANG HENG

Executive Director and Chief Executive Officer

31 December 2020