



HRNETGROUP LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No. 201625854G)

LETTER TO SHAREHOLDERS DATED 11 APRIL 2023

IN RELATION TO

THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE

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LETTER TO SHAREHOLDERS

HRNETGROUP LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No. 201625854G)

Board of Directors:

Sim Yong Siang (*Founding Chairman*)
Sim Joo Siang (*Executive Director*)
Sim Wei Ling, Adeline (Mrs Tan Wei Ling, Adeline) (*Executive Director*)
Heng Su-Ling Mae (*Lead Independent Director*)
Gao Yong (*Independent Director*)
Pong Chen Yih (*Independent Director*)
Hiroshi Sato (*Independent Director*)
Albert Ellis (*Independent Director*)

Registered Office:

391A Orchard Road
#23-06
Ngee Ann City Tower A
Singapore 238873

11 April 2023

To: The Shareholders of
HRnetGroup Limited (the “**Company**”).

Dear Sir/Madam

1. INTRODUCTION

1.1 Background. We refer to:

- (a) the Notice of Annual General Meeting (“**AGM**”) of the Company dated 11 April 2023 (the “**Notice**”), accompanying the annual report for the financial year ended 31 December 2022, convening the 6th AGM of the Company to be held on 26 April 2023 (the “**2023 AGM**”); and
- (b) Ordinary Resolution No. 12 relating to the proposed renewal of the mandate to enable the Company to purchase or otherwise acquire its issued ordinary shares (“**Shares**”) (the “**Share Purchase Mandate**”), as proposed in the Notice.

1.2 **Letter to Shareholders.** The purpose of this Letter is to provide shareholders of the Company (“**Shareholders**”) with information relating to Ordinary Resolution No. 12 proposed in the Notice.

1.3 **SGX-ST.** The Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) takes no responsibility for the accuracy of any statements or opinions made or reports contained in this Letter.

1.4 **Legal Adviser.** Allen & Gledhill LLP is the legal adviser to the Company in relation to the proposed renewal of the Share Purchase Mandate.

1.5 **Advice to Shareholders.** Shareholders who are in any doubt as to the course of action they should take should consult their stockbroker, bank manager, solicitor, accountant or other professional advisers immediately.

2. THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE

2.1 **Introduction.** Shareholders had approved the renewal of the Share Purchase Mandate at the AGM of the Company held on 28 April 2022 (the “**2022 AGM**”). The authority and limitations on the Share Purchase Mandate were set out in the Letter to Shareholders dated 13 April 2022 (the “**2022 Letter**”) and Ordinary Resolution 8 set out in the Notice of the 2022 AGM.

The Share Purchase Mandate was expressed to take effect on the date of the passing of Ordinary Resolution 8 at the 2022 AGM and will expire on the date of the forthcoming 2023 AGM which is scheduled to be held on 26 April 2023. Accordingly, Shareholders' approval is being sought for the renewal of the Share Purchase Mandate at the 2023 AGM.

2.2 **Rationale for the Share Purchase Mandate.** The rationale for the Company to undertake the purchase or acquisition of its Shares is as follows:

- (a) in managing the business of the Company and its subsidiaries (collectively, the “**Group**”), management will strive to increase Shareholders' value by improving, amongst others, the return on equity (“**ROE**”) of the Company. In addition to growth and expansion of the business, share purchases or acquisitions may be considered by the directors of the Company's (the “**Directors**”) as one of the ways through which the ROE of the Company may be enhanced;
- (b) the Share Purchase Mandate will provide the Company with greater flexibility in 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 Purchase Mandate will facilitate the return of excess cash and surplus funds to Shareholders in an expedient, effective and cost-efficient manner;
- (c) the Share Purchase Mandate will provide the Company greater flexibility to control, amongst others, the Company's share capital structure with a view to enhance the earnings per Share of the Company and give the Directors the ability to undertake share repurchases at any time, subject to market conditions, during the period when the Share Purchase Mandate is in force; and
- (d) repurchased Shares which are held in treasury may be transferred for the purposes of or pursuant to employees' share schemes implemented by the Company. The use of treasury shares in lieu of issuing new Shares would also mitigate the dilution impact on existing Shareholders.

The purchase or acquisition of Shares will only be undertaken when the Directors are of the view that it can benefit the Company and Shareholders. Shareholders should note that purchases or acquisitions of Shares pursuant to the Share Purchase Mandate may not be carried out to the full 10% limit described in paragraph 2.3.1 below. No purchase or acquisition of Shares will be made in circumstances which would have or may have a material adverse effect on the liquidity and/or the orderly trading of the Shares and/or the financial position of the Company and its subsidiaries (together, the “**Group**”) as a whole.

2.3 **Authority and Limits of the Share Purchase Mandate.** The authority and limitations placed on the Share Purchase Mandate, if renewed at the 2023 AGM, are substantially the same as were previously approved by Shareholders at the 2022 AGM. These are summarised below:

2.3.1 **Maximum Number of Shares**

Only Shares which are issued and fully paid-up may be purchased or acquired by the Company. The total number of Shares which may be purchased or acquired by the Company is limited to that number of Shares representing not more than 10% of the total number of issued Shares as at the date of the 2023 AGM at which the proposed renewal of the Share Purchase Mandate is approved. Any Shares which are held as treasury shares and subsidiary holdings (as defined in the Listing Manual¹) will be disregarded for purposes of computing the 10% limit.

¹ “Subsidiary holdings” is defined in the Listing Manual to mean shares referred to in Sections 21(4), 21(4B), 21(6A) and 21(6C) of the Companies Act 1967 of Singapore, as amended and modified from time to time (the “**Companies Act**”).

Purely for illustrative purposes, on the basis of 988,260,103 Shares in issue as at 13 March 2023², being the latest practicable date prior to the printing of this Letter (the “**Latest Practicable Date**”), and disregarding 23,146,769 Shares held in treasury as at the Latest Practicable Date, and assuming that:

- (a) no further Shares are issued;
- (b) no further Shares are purchased or acquired by the Company and no Shares purchased or acquired by the Company are held as treasury shares; and
- (c) no Shares are held as subsidiary holdings,

on or prior to the 2023 AGM, not more than 98,826,010 Shares (representing 10% of the total number of issued Shares (disregarding the 23,146,769 Shares held in treasury)) may be purchased or acquired by the Company pursuant to the Share Purchase Mandate.

Although the Share Purchase Mandate would authorise the Company to purchase or acquire up to 10% of the issued Shares, the Company may not necessarily purchase or acquire part of or the entire 10% of the total number of issued Shares. In particular, as further described in paragraph 2.9 below, the Directors will use their best efforts to ensure that the Company does not effect a purchase or acquisition of Shares if such purchase or acquisition will result in the number of Shares remaining in the hands of the public to fall to such a level as to cause market illiquidity or to affect the listing status or orderly trading of the Shares on the SGX-ST.

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 2023 AGM, at which the proposed renewal of the Share Purchase Mandate is approved, up to:

- (a) the date on which the next AGM of the Company is held or required by law to be held;
- (b) the date on which the authority conferred by the Share Purchase Mandate is revoked or varied; or
- (c) the date on which the purchases or acquisitions of Shares pursuant to the Share Purchase Mandate are carried out to the full extent mandated,

whichever is the earliest.

2.3.3 **Manner of Purchases or Acquisitions of Shares**

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

- (a) on-market purchases (“**Market Purchases**”) transacted on the SGX-ST through one or more duly licensed dealers appointed by the Company for the purpose; and/or
- (b) off-market purchases (“**Off-Market Purchases**”) in accordance with an equal access scheme effected pursuant to Section 76C of the Companies Act.

The Directors may impose such terms and conditions which are not inconsistent with the Share Purchase Mandate, the Listing Manual and the Companies Act as they consider fit in the interests of the Company in connection with or in relation to any equal access scheme or schemes.

2 As at the Latest Practicable Date, the Company had no subsidiary holdings.

An Off-Market Purchase in accordance with an equal access scheme must, however, satisfy all the following conditions:

- (i) offers for the purchase or acquisition of Shares shall be made to every person who holds Shares to purchase or acquire the same percentage of their Shares;
- (ii) all of those persons shall be given a reasonable opportunity to accept the offers made; and
- (iii) the terms of all the offers shall be the same (except that there shall be disregarded (1) differences in consideration attributable to the fact that the offers may relate to Shares with different accrued dividend entitlements; and (2) differences in the offers introduced solely to ensure that each person is left with a whole number of Shares).

If the Company wishes to make an Off-Market Purchase in accordance with an equal access scheme, it will issue an offer document to all Shareholders containing at least the following information:

- (I) the terms and conditions of the offer;
- (II) the period and procedures for acceptances; and
- (III) the information required under Rules 883(2), (3), (4), (5) and (6) of the Listing Manual.

2.3.4 **Maximum Purchase Price**

The purchase price to be paid for a Share as determined by the Directors (excluding related brokerage, commission, applicable goods and services tax, stamp duties, clearance fees and other related expenses) (the “**Maximum Price**”) must not exceed:

- (a) in the case of a Market Purchase, 105% of the Average Closing Price (as defined below) of the Shares; and
- (b) in the case of an Off-Market Purchase pursuant to an equal access scheme, 120% of the Average Closing Price of the Shares.

For the above purposes and paragraph 2.7.3 below:

“**Average Closing Price**” means the average of the last dealt prices of a Share for the five consecutive market days on which the Shares are transacted on the SGX-ST immediately 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 rules of the Listing Manual for any corporate action that occurs during the relevant five-day period and 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

“**date of the making of the offer**” means the date on which the Company announces its intention to make an offer for the purchase or acquisition of Shares from Shareholders, stating therein 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 or Acquired Shares.** Shares purchased or acquired by the Company are deemed cancelled immediately on purchase or acquisition (and all rights and privileges attached to those Shares will expire on such cancellation) unless such Shares are held by the Company as treasury shares. Accordingly, the total number of issued Shares will be diminished by the number of Shares purchased or acquired by the Company which are cancelled and are not held as treasury shares.

2.5 **Treasury Shares.** Under the Companies Act, Shares purchased or acquired by the Company may be held or dealt with as treasury shares. Some of the provisions on treasury shares under the Companies Act are summarised below.

2.5.1 **Maximum Holdings**

The number of Shares held as treasury shares³ cannot at any time exceed 10% of the total number of issued 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 may be paid, and no other distribution of the Company's assets may be made, to the Company in respect of treasury shares. However, the allotment of shares as fully paid bonus shares in respect of treasury shares is allowed and any such shares so allotted shall be treated, for the purposes of the Companies Act, as if they were purchased by the Company at the time they were allotted, in circumstances in which Section 76H of the Companies Act applied. A subdivision or consolidation of any treasury share 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 but subject always to the Singapore Code on Take-overs and Mergers (the "**Take-over Code**"):

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

Under the Listing Manual, an immediate announcement must be made of any sale, transfer, cancellation and/or use of treasury shares. Such announcement must include details such as the date of the sale, transfer, cancellation and/or use of such treasury shares, the purpose of such sale, transfer, cancellation and/or use of such treasury shares, the number of treasury shares which have been sold, transferred, cancelled and/or used, the number of treasury shares before and after such sale, transfer, cancellation and/or use, the percentage of the number of treasury shares against the total number of issued shares (of the same class as the treasury shares) which are listed on the SGX-ST before and after such sale, transfer, cancellation and/or use, and the value of the treasury shares if they are used for a sale or transfer, or cancelled.

³ For these purposes, "treasury shares" shall be read as including shares held by a subsidiary under Sections 21(4B) or 21(6C) of the Companies Act.

- 2.6 **Sources of Funds.** The Company may purchase or acquire its own Shares out of the Company's capital, as well as from its profits, so long as the Company is solvent.

The Company may use internal resources and/or external borrowings to finance purchases or acquisitions of its Shares pursuant to the Share Purchase Mandate.

The Directors do not propose to exercise the Share Purchase Mandate in a manner and to such extent that the financial position of the Group would be materially adversely affected.

- 2.7 **Financial Effects.** The financial effects on the Company and the Group arising from purchases or acquisitions of Shares which may be made pursuant to the Share Purchase Mandate will depend on, amongst others, the number of Shares purchased or acquired and the price paid for such Shares. The financial effects on the Company and the Group, based on the audited financial statements of the Company and the Group for the financial year ended 31 December 2022, are based on the assumptions set out below:

2.7.1 ***Purchase or Acquisition out of Capital and/or Profits***

- (a) if the Shares are purchased or acquired entirely out of the capital of the Company, the Company shall reduce the amount of its share capital by the total amount of the purchase price paid by the Company for the Shares (the "**Purchase Price**") and the amount available for the distribution of cash dividends by the Company will not be reduced;
- (b) if the Shares are purchased or acquired entirely out of profits of the Company, the Company shall reduce the amount of its profits by the total amount of the Purchase Price and correspondingly reduce the amount available for the distribution of cash dividends by the Company; or
- (c) where the Shares are purchased or acquired out of both the capital and the profits of the Company, the Company shall reduce the amount of its share capital and profits proportionately by the total amount of the Purchase Price.

2.7.2 ***Number of Shares Purchased or Acquired***

Based on the number of issued and paid-up Shares as at the Latest Practicable Date and on the assumptions set out in paragraph 2.3.1 above, the purchase or acquisition by the Company of up to the maximum limit of 10% of its issued Shares will result in the purchase or acquisition of 98,826,010 Shares.

2.7.3 ***Maximum Price Paid for Shares Purchased or Acquired***

In the case of Market Purchases by the Company and assuming that the Company purchases or acquires 98,826,010 Shares at the Maximum Price of S\$0.84 for each Share (being the price equivalent to 105% of the Average Closing Price of the Shares for the five consecutive market days on which the Shares were traded on the Main Board of the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 98,826,010 Shares is approximately S\$83,013,848.

In the case of Off-Market Purchases by the Company and assuming that the Company purchases or acquires 98,826,010 Shares at the Maximum Price of S\$0.96 for each Share (being the price equivalent to 120% of the Average Closing Price of the Shares for the five consecutive market days on which the Shares were traded on the Main Board of the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 98,826,010 Shares is approximately S\$94,872,970.

2.7.4 **Illustrative Financial Effects**

The financial effects on the Company and the Group arising from purchases or acquisitions of Shares which may be made pursuant to the Share Purchase Mandate will depend on, amongst others, the aggregate number of Shares purchased or acquired and the consideration paid at the relevant time.

For illustrative purposes only and on the basis of the assumptions set out in paragraphs 2.7.2 and 2.7.3 above as well as the following:

- (a) the Share Purchase Mandate had been effective on 1 January 2022;
- (b) there was no issuance of Shares after the Latest Practicable Date;
- (c) the 23,146,769 shares held in treasury as at the Latest Practicable Date are not cancelled and continue to be held in treasury;
- (d) such Share purchases or acquisitions are funded solely by internal resources; and
- (e) the maximum amount of funds required for the purchase or acquisition of 98,826,010 Shares for Market Purchases and Off-Market Purchases is S\$83,013,848 and S\$94,872,970 respectively,

the financial effects on the audited financial statements of the Company and the Group for the financial year ended 31 December 2022, based on a purchase or acquisition of Shares by the Company of up to 10% of the total number of issued Shares would have been as follows:

(1) **Market Purchases**

	<u>Group</u>		<u>Company</u>	
	<u>Before Share Purchase</u>	<u>After Share Purchase⁽¹⁾</u>	<u>Before Share Purchase</u>	<u>After Share Purchase⁽¹⁾</u>
As at 31 December 2022	S\$'000	S\$'000	S\$'000	S\$'000
Shareholder funds	361,819	278,805	220,433	137,419
Current assets	439,109	356,095	149,853	66,839
Current liabilities	101,013	101,013	282	282
Number of Shares (excluding treasury shares) (in '000)	988,260	889,434	988,260	889,434
Financial Ratios				
Net assets per Share (cents)	36.61	31.35	22.31	15.45
Current ratio (times)	4.3	3.5	531.4	237.0
Basic EPS ⁽²⁾ (cents)	6.75	7.48	3.78	4.19

(2) Off-Market Purchases

	<u>Group</u>		<u>Company</u>	
	<u>Before Share Purchase</u>	<u>After Share Purchase⁽¹⁾</u>	<u>Before Share Purchase</u>	<u>After Share Purchase⁽¹⁾</u>
As at 31 December 2022	S\$'000	S\$'000	S\$'000	S\$'000
Shareholder funds	361,819	266,946	220,433	125,560
Current assets	439,109	344,236	149,853	54,980
Current liabilities	101,013	101,013	282	282
Number of Shares (excluding treasury shares) (in '000)	988,260	889,434	988,260	889,434
Financial Ratios				
Net assets per Share (cents)	36.61	30.01	22.31	14.12
Current ratio (times)	4.3	3.4	531.4	195.0
Basic EPS ⁽²⁾ (cents)	6.75	7.48	3.78	4.19

Notes:

For the purposes of the above calculations:

- (1) Assumes that the Shares purchased or acquired pursuant to the Share Purchase Mandate are held as treasury shares.
- (2) "Basic EPS" is calculated based on profit/(loss) attributable to Shareholders and weighted average number of Shares (excluding treasury shares).

Shareholders should note that the financial effects set out above, based on the respective aforementioned assumptions, are for illustration purposes only. In particular, it is important to note that the above analysis is based on historical numbers for the financial year ended 31 December 2022, and is not necessarily representative of future financial performance.

Although the Share Purchase Mandate would authorise the Company to purchase or acquire up to 10% of the issued Shares (excluding treasury shares and subsidiary holdings), the Company may not necessarily purchase or acquire part of or the entire 10% of the total number of issued Shares (excluding treasury shares and subsidiary holdings). In addition, the Company may cancel all or part of the Shares repurchased in treasury.

The Company will take into account both financial and non-financial factors (for example, share market conditions and the performance of the Shares) in assessing the relative impact of a share purchase or acquisition before execution.

- 2.8 **Tax Implications.** Shareholders who are in doubt as to their respective tax positions or the tax implications of share repurchases by the Company, or who may be subject to tax whether in or outside Singapore, should consult their own professional advisers.
- 2.9 **Listing Rules.** The Listing Manual 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. (a) in the case of a market purchase, on the market day following the day of purchase or acquisition of any of its shares and (b) 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 8.3.1 to the Listing Manual) must include, *inter alia*, 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 paid or payable per share or the highest and lowest prices paid for such shares (as applicable), 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) and expressed as a percentage of the listed company's issued shares (excluding treasury shares and subsidiary holdings) as at the date of the share buy-back resolution, the number of issued shares excluding treasury shares and subsidiary holdings after the purchase, the number of treasury shares held after the purchase and the number of subsidiary holdings after the purchase.

While the Listing Manual does not expressly prohibit any purchase of shares by a listed company during any particular time or times, because the listed company would be regarded as an "insider" in relation to any proposed purchase or acquisition of its issued shares, the Company will not undertake any purchase or acquisition of Shares pursuant to the Share Purchase Mandate at any time after a price sensitive development has occurred or has been the subject of a decision until the price sensitive information has been publicly announced.

In particular, in conformity with the best practices on dealing with securities under the Listing Manual, the Company will not purchase or acquire any Shares through Market Purchases or Off-Market Purchases during the period of one month immediately preceding the announcement of the Company's half-year and full-year results.

The Listing Manual requires a listed company to ensure that at least 10% of the total number of issued shares (excluding treasury shares, preference shares and convertible equity securities) in a class that is listed is held by public shareholders⁴ at all times. As at the Latest Practicable Date, approximately 19.3% of the issued Shares (excluding treasury shares) are held by public Shareholders. Assuming that the Company purchases or acquires through Market Purchases, 98,826,010 Shares, being 10% of its issued Shares (excluding treasury shares and subsidiary holdings) as at the Latest Practicable Date, 10.3% of the issued Shares (excluding treasury shares) will be held by public Shareholders. Accordingly, the Company is of the view that there is a sufficient number of Shares in issue held by public Shareholders which would permit the Company to undertake purchases or acquisitions of its Shares through Market Purchases up to the full 10% limit pursuant to the Share Purchase Mandate without affecting the listing status of the Shares on the SGX-ST, and that the number of Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity or to affect orderly trading.

- 2.10 **Details of Shares Bought by the Company in the Previous 12 Months.** As at the Latest Practicable Date, the Company had purchased or acquired 15,651,100 Shares by way of Market Purchases pursuant to the Share Purchase Mandate approved by Shareholders at the 2022 AGM. The lowest and highest price paid was S\$0.70871 and S\$0.8032 per Share. The total consideration (excluding goods and service tax) paid for all of the purchases was S\$12,294,945.
- 2.11 **Take-over Implications.** Appendix 2 of the Take-over Code contains the Share Buy-Back Guidance Note. The take-over implications arising from any purchase or acquisition by the Company of its Shares are set out below:

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

If, as a result of any purchase or acquisition by the Company of its Shares, the proportionate interest in the voting capital of the Company of a Shareholder and persons acting in concert with him increases, such increase will be treated as an acquisition for the purposes of Rule 14 of the Take-over Code. If such increase results in the change of effective control, or, as a result of such increase, a Shareholder or group of Shareholders acting in concert obtains or consolidates effective control of the Company, such Shareholder or group of Shareholders acting in concert could become obliged to make a take-over offer for the Company under Rule 14 of the Take-over Code.

⁴ "Public Shareholders" is defined in the Listing Manual to mean persons other than the Directors, Chief Executive Officer, Substantial Shareholders or Controlling Shareholders of the Group, as well as the associates of such persons.

2.11.2 **Persons Acting in Concert**

Under the Take-over Code, persons acting in concert comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), co-operate, through the acquisition by any of them of shares in a company, to obtain or consolidate effective control of that company.

Unless the contrary is established, the Take-over Code presumes, *inter alia*, that the following individuals and companies will be presumed to be persons acting in concert with each other:

- (a) 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); and
- (b) a company, its parent company, subsidiaries and fellow subsidiaries, and their associated companies and companies of which such 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 companies for the purchase of voting rights. For this purpose, a company is an associated company of another company if the second company owns or controls at least 20% but not more than 50% of the voting rights of the first-mentioned company.

The circumstances under which the Shareholders (including the Directors) and persons acting in concert with them respectively will incur an obligation to make a take-over offer under Rule 14 of the Take-over Code after a purchase or acquisition of Shares by the Company are set out in Appendix 2 of the Take-over Code.

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

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

Under Appendix 2 of the Take-over Code, a Shareholder not acting in concert with the Directors will not be required to make a take-over offer under Rule 14 of the Takeover Code if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Shareholder would increase to 30% or more, or, if such Shareholder holds between 30% and 50% of the Company's voting rights, the voting rights of such Shareholder would increase by more than 1% in any period of six months. Such Shareholder need not abstain from voting in respect of Ordinary Resolution No. 8 relating to the proposed renewal of the Share Purchase Mandate to be proposed at the 2023 AGM.

Based on Substantial Shareholder notifications received by the Company under Division 1, Part VII of the Securities and Futures Act 2001 of Singapore ("**SFA**") as at the Latest Practicable Date as set out in paragraph 3 below, none of the Substantial Shareholders would become obliged to make a take-over offer for the Company under Rule 14 of the Take-over Code as a result of the purchase or acquisition by the Company of the maximum limit of 10% of the total number of its issued Shares (excluding treasury shares and subsidiary holdings) as at the Latest Practicable Date.

Shareholders are advised to consult their professional advisers and/or the Securities Industry Council at the earliest opportunity as to whether an obligation to make a takeover offer would arise by reason of any share purchases or acquisitions by the Company.

3. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

The interests of the Directors in the Shares as recorded in the Register of Directors' Shareholdings and the interests of the Substantial Shareholders in the Shares as recorded in the Register of Substantial Shareholders as at the Latest Practicable Date are set out below.

Name	Direct Interest		Deemed Interest		Total	
	Number of Shares	% ⁽¹⁾	Number of Shares	% ⁽¹⁾	Number of Shares	% ⁽¹⁾
Directors						
Sim Yong Siang ⁽²⁾	–	–	783,268,300	79.257	783,268,300	79.257
Sim Joo Siang ⁽²⁾	–	–	783,268,300	79.257	783,268,300	79.257
Sim Wei Ling, Adeline (Mrs Tan Wei Ling, Adeline) ⁽²⁾	489,600	0.050	783,268,300	79.257	783,757,900	79.307
Heng Su-Ling Mae	–	–	–	–	–	–
Gao Yong	–	–	–	–	–	–
Pong Chen Yih	–	–	–	–	–	–
Hiroshi Sato	–	–	–	–	–	–
Albert Ellis	–	–	–	–	–	–
Substantial Shareholders (other than Directors)						
SIMCO Ltd ⁽²⁾	783,268,300	79.257	–	–	783,268,300	79.257
SIMCO Global Ltd. ⁽²⁾	–	–	783,268,300	79.257	783,268,300	79.257
Credit Suisse Trust Limited ⁽²⁾	–	–	783,268,300	79.257	783,268,300	79.257
Nelly Sim Nee Tan Kheng Eng ⁽²⁾	–	–	783,268,300	79.257	783,268,300	79.257
Sim Wei Wen, Aviel ⁽²⁾	2,334,500	0.236	783,268,300	79.257	785,602,800	79.493
Tan Eei Choo ⁽²⁾	–	–	783,268,300	79.257	783,268,300	79.257
Sim Wei Rong Joshua ⁽²⁾	–	–	783,268,300	79.257	783,268,300	79.257

Notes:

- (1) Based on the issued and paid-up share capital of the Company comprising 988,260,103 Shares (excluding 23,146,769 treasury shares) as at the Latest Practicable Date.
- (2) SIMCO Ltd is a company incorporated in the British Virgin Islands. The shares of SIMCO Ltd are wholly-owned by SIMCO Global Ltd., a company incorporated in the Bahamas. The shares of SIMCO Global Ltd. are held as property of the SIMCO Trust.

SIMCO Trust is a revocable trust and was established by Sim Yong Siang (“**Peter Sim**”), Nelly Sim Nee Tan Kheng Eng (“**Nelly Sim**”) and Sim Joo Siang (“**JS Sim**”). Credit Suisse Trust Limited acts as trustee of the SIMCO Trust and indirectly holds all the shares in SIMCO Global Ltd. (via Seletar Limited and Serangoon Limited as nominees). The settlors of the SIMCO Trust are Peter Sim, Nelly Sim and JS Sim. The settlors have collectively retained the power to instruct the trustee on matters relating to the investments of the assets of the SIMCO Trust, including the shares in SIMCO Ltd. Otherwise, the trustee has all other rights and powers in relation to the property comprised in the SIMCO Trust (which includes the SIMCO Trust fund) as the legal owner of such property, acting in its capacity as trustee of the SIMCO Trust, subject to any powers and restrictions contained in the SIMCO Trust Deed.

The beneficial owners of the assets comprised in the SIMCO Trust are the discretionary beneficiaries of the SIMCO Trust which comprise Peter Sim, Nelly Sim, JS Sim and Tan Eei Choo and their respective issue and remoter issue (which include the two minor children of Sim Wei Ling, Adeline (Mrs Tan Wei Ling, Adeline) and the two minor children of Sim Wei Wen, Aviel). Sim Wei Ling, Adeline (Mrs Tan Wei Ling, Adeline) and Sim Wei Wen, Aviel are the children of Peter Sim and Nelly Sim. Sim Wei Rong Joshua is the child of JS Sim and Tan Eei Choo.

4. DIRECTORS' RECOMMENDATIONS

The Directors, having carefully considered the terms and rationale of the Share Purchase Mandate, are of the opinion that the proposed renewal of the Share Purchase Mandate is in the best interests of the Company. Accordingly, they recommend that Shareholders vote in favour of Ordinary Resolution No. 12, being the Ordinary Resolution relating to the proposed renewal of the Share Purchase Mandate to be proposed at the 2023 AGM.

5. RESPONSIBILITY STATEMENT BY DIRECTORS

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Letter and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Letter constitutes full and true disclosure of all material facts about the proposed renewal of the Share Purchase Mandate and the Company and its subsidiaries which are relevant to the proposed renewal of the Share Purchase Mandate and the Directors are not aware of any facts the omission of which would make any statement in this Letter misleading. Where information in this Letter 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 Letter in its proper form and context.

6. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents are available for inspection at the registered office of the Company at 391A Orchard Road, #23-06, Ngee Ann City Tower A, Singapore 238873 during normal business hours from the date of this Letter up to and including the date of the 2023 AGM:

- (a) the annual report of the Company for the financial year ended 31 December 2022;
- (b) the 2022 Letter; and
- (c) the Constitution of the Company.

Yours faithfully
For and on behalf of the
Board of Directors

Sim Yong Siang
Founding Chairman