

CIRCULAR DATED 11 OCTOBER 2021

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY. If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant, tax adviser or other independent professional adviser immediately.

If you have sold or transferred all your shares in the issued and paid-up share capital of Enviro-Hub Holdings Ltd. (the “**Company**”) held through The Central Depository (Pte) Limited (the “**CDP**”), you need not forward this Circular with the Notice of Extraordinary General Meeting (the “**Notice of EGM**”) and the attached Proxy Form (as defined herein) to the purchaser or transferee, as arrangements will be made by CDP for a separate Circular to be sent to the purchaser or transferee. If you have sold or transferred all your shares represented by physical share certificate(s), you should immediately forward this Circular with the Notice of EGM and the attached Proxy Form immediately to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee. The Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) assumes no responsibility for the contents of this Circular, including the correctness of any of the statements or opinions made or reports contained in this Circular.

In line with the Alternative Arrangements Order (as defined herein), Shareholders will not be able to attend the Extraordinary General Meeting (the “**EGM**”) in person. Instead, alternative arrangements have been put in place to allow Shareholders to participate at the EGM by (a) observing and/or listening to the proceedings via “live” audio-visual webcast or “live” audio-only stream; (b) submitting questions related to the resolution to be tabled for approval in advance of the EGM; and/or (c) appointing the Chairman of the EGM as proxy to attend, speak and vote on their behalf at the EGM. Please refer to the Notice of EGM dated 11 October 2021 for further information, including the steps to be taken by Shareholders to participate at the EGM. **Printed copies of this Circular and the accompanying Proxy Form will not be sent to the members. Instead, this Circular and Proxy Form will be sent to the members solely by electronic means via publication on the Company’s corporate website at the URL <http://www.enviro-hub.com/> and will also be available on the SGXNet (as defined below) at the URL <https://www.sgx.com/securities/company-announcements>.**



ENVIRO-HUB HOLDINGS LTD.
(the “**Company**”)

(Incorporated in the Republic of Singapore)
(Company Registration No. 199802709E)

CIRCULAR TO SHAREHOLDERS IN RELATION TO

- (1) **THE PROPOSED ACQUISITION OF 75.0% OF THE ISSUED AND PAID-UP SHARE CAPITAL OF PASTEL GLOVE SDN. BHD. AS A MAJOR TRANSACTION UNDER CHAPTER 10 OF THE LISTING MANUAL (THE “PROPOSED ACQUISITION”);**
- (2) **THE PROPOSED ALLOTMENT AND ISSUANCE OF THE CONSIDERATION SHARES (AS DEFINED HEREIN) TO THE VENDORS (AS DEFINED HEREIN) PURSUANT TO THE PROPOSED ACQUISITION; AND**
- (3) **THE PROPOSED TRANSFER OF CONTROLLING INTEREST IN THE COMPANY TO LAW SIAU WOEI PURSUANT TO THE PROPOSED ISSUANCE AND ALLOTMENT OF THE CONSIDERATION SHARES**

Financial Adviser to the Company for the Proposed Transactions



EVOLVE CAPITAL ADVISORY PRIVATE LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration No.: 201718400R)

IMPORTANT DATES AND TIMES:

Last date and time for lodgement of Proxy Form : 24 October 2021 at 10.30 a.m.

Date and time of EGM : 26 October 2021 at 10.30 a.m. (by electronic means)

TABLE OF CONTENTS

| | |
|--|-----|
| DEFINITIONS..... | 4 |
| 1. INTRODUCTION | 12 |
| 2. INFORMATION ON PGSB, THE SALE SHARES, THE VENDORS AND THE PURCHASER..... | 13 |
| 3. MATERIAL TERMS AND CONDITIONS OF THE PROPOSED ACQUISITION..... | 15 |
| 4. RATIONALE FOR THE PROPOSED ACQUISITION | 28 |
| 5. FINANCIAL EFFECT OF THE PROPOSED ACQUISITION | 28 |
| 6. RELATIVE FIGURES COMPUTED PURSUANT TO RULE 1006 OF THE LISTING MANUAL..... | 30 |
| 7. CONSIDERATION SHARES..... | 31 |
| 8. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS | 33 |
| 9. DETAILS OF ANY DIRECTORS' SERVICE AGREEMENT(S)..... | 34 |
| 10. DIRECTORS' RECOMMENDATIONS | 34 |
| 11. EXTRAORDINARY GENERAL MEETING | 34 |
| 12. ACTION TO BE TAKEN BY SHAREHOLDERS..... | 34 |
| 13. ADVISERS | 36 |
| 14. CONSENTS | 37 |
| 15. DIRECTORS' RESPONSIBILITY STATEMENT | 37 |
| 16. FINANCIAL ADVISER'S RESPONSIBILITY STATEMENT..... | 37 |
| 17. DOCUMENTS AVAILABLE FOR INSPECTION..... | 38 |
| APPENDIX A: MANAGEMENT ACCOUNTS OF PGSB FOR THE PERIOD FROM 28 SEPTEMBER 2020 TO 30 JUNE 2021 | A-1 |
| APPENDIX B: AUDITOR'S REPORT ON THE PROFIT GUARANTEE..... | B-1 |
| APPENDIX C: LETTER FROM FINANCIAL ADVISER..... | C-1 |
| NOTICE OF EXTRAORDINARY GENERAL MEETING..... | N-1 |
| PROXY FORM | |

DEFINITIONS

In this Circular, the following definitions apply throughout unless the context otherwise requires or unless otherwise stated:

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| “1st Tranche Cash Payment” | : | Has the meaning ascribed to it in Section 3.3(a) of this Circular |
| “Aggregated Transactions” | : | Has the meaning ascribed to it in Section 1(a) of this Circular |
| “Alternative Arrangements Order” | : | The COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 |
| “Announcement Date” | : | 5 August 2021 |
| “Approval In-Principle” | : | Has the meaning ascribed to it in Section 3.8(b)(v) of this Circular |
| “ASP” | : | Average selling price |
| “Auditor” | : | The auditor of the Company, being KPMG LLP |
| “Balance Tranche Payment” | : | Has the meaning ascribed to it in Section 3.3(b)(ii) of this Circular |
| “Board” or “Board of Directors” | : | The board of directors of the Company as at the date of this Circular |
| “Business Day” | : | A day (other than a Saturday, Sunday or gazetted public holiday) on which commercial banks are generally open for business in Malaysia and Singapore |
| “CDP” | : | The Central Depository (Pte) Limited |
| “CF/CCC Certificate” | : | A certificate of fitness and/or the certificate of completion and compliance required pursuant to the Uniform Building By-Laws 1984 of Malaysia and the Street, Drainage and Building Act 1974 of Malaysia |
| “Circular” | : | This circular to Shareholders dated 11 October 2021, including the appendices hereto |
| “CKP” | : | Mr. Choo Kuan Ping |
| “Company” | : | Enviro-Hub Holdings Ltd. |
| “Companies Act” | : | The Companies Act, Chapter 50 of Singapore, as may be amended, modified or supplemented from time to time |
| “Completion” | : | The completion of the Proposed Acquisition pursuant to the Sale and Purchase Agreement |
| “Completion Date” | : | The date falling seven (7) Business Days after the Conditions Precedent have been fulfilled or waived, or such other date as the Parties may mutually agree but in any event, being not later than the Long-Stop Date |
| “Conditions Precedent” | : | The conditions precedent to Completion, details of which are set out in Section 3.8 of this Circular |

DEFINITIONS

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| “ Consideration ” | : | Has the meaning ascribed to it in Section 1(a) of this Circular |
| “ Consideration Shares ” | : | Has the meaning ascribed to it in Section 3.3 of this Circular |
| “ Controlling Interest ” | : | The interest of the Controlling Shareholder(s) |
| “ Controlling Shareholder ” | : | A person who:— (a) holds directly or indirectly 15.0% or more of the total voting rights in the Company. The Exchange may determine that a person who satisfies this paragraph is not a controlling shareholder; or (b) in fact exercises control over the Company |
| “ CPF ” | : | Central Provident Fund |
| “ CPFIS ” | : | CPF Investment Scheme |
| “ CPF Agent Banks ” | : | Agent banks included under the CPFIS |
| “ CPF Investors ” | : | Investors who have purchased Shares using their CPF contributions pursuant to the CPFIS |
| “ Director ” | : | A director of the Company for the time being |
| “ Diversification ” | : | Has the meaning ascribed to it in Section 1(a) of this Circular |
| “ Diversification Circular ” | : | Has the meaning ascribed to it in Section 1(a) of this Circular |
| “ Diversification Mandate ” | : | Has the meaning ascribed to it in Section 4 of this Circular |
| “ EGM ” | : | The extraordinary general meeting of the Company to be convened for the purposes of considering and, if thought fit, passing with or without modifications, the Ordinary Resolutions set out in the Notice of EGM |
| “ EHL Shareholder’s Loan ” | : | Has the meaning ascribed to it in Section 2.1(a) of this Circular |
| “ Encumbrance ” | : | Any mortgage, charge (fixed or floating), pledge, lien, option, right to acquire, right of pre-emption, assignment by way of security, trust arrangement for the purpose of providing security or any other security interest of any kind, including retention arrangements and any agreement to create any of the foregoing and to “ Encumber ” means to create any encumbrance |
| “ EPS ” | : | Earnings per share |
| “ FA Letter ” | : | The letter from the Financial Adviser appended hereto in Appendix C |
| “ Financial Adviser ” | : | Evolve Capital Advisory Private Limited, the financial adviser to the Company in relation to the Proposed Transactions |

DEFINITIONS

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| “Fire Certificate” | : The fire certificate issued by the Fire and Rescue Department of Malaysia pursuant to section 29(4) of the Fire Services Act 1988 of Malaysia |
| “First Major Transaction” | : Has the meaning ascribed to it in Section 1(a) of this Circular |
| “FY2020” | : Financial year of the Company ended 31 December 2020 |
| “Governmental Agency” | : Any governmental, semi-governmental, administrative, regulatory, judicial, local or statutory agency, authority, body, commission, department, exchange, tribunal or entity whether in Singapore, Malaysia, or elsewhere |
| “Group” | : The Company and its subsidiaries |
| “Healthcare Products” | : Healthcare products, pharmaceutical products, medical supplies and services, including but not limited to PPE such as: (a) latex and nitrile gloves for medical and industrial use; and (b) facemasks, eye protection, coveralls, gowns, face shields, respirators and other equipment designed to protect the wearer from injury or the spread of infection or illness, as well as medicine, medical consumables, bio supplies, medical equipment and devices, test-kits, vaccines, supplements and other pharmaceutical, medical and healthcare related products |
| “Healthcare Products Business” | : The Group’s new healthcare products business, which includes the manufacturing, sales, distribution and marketing of the Healthcare Products and other related upstream and downstream activities. Shareholders’ approval for this new business segment was obtained on 18 May 2021 |
| “Initial Investment” | : Has the meaning ascribed to it in Section 2.1(a) of this Circular |
| “Issue Price” | : Has the meaning ascribed to it in Section 3.3(a) of this Circular |
| “Latest Practicable Date” | : 6 October 2021, being the latest practicable date prior to the release of this Circular |
| “LGM” | : The Lembaga Getah Malaysia (also known as the Malaysian Rubber Board) |
| “Listing Manual” | : The listing manual of the SGX-ST, including any amendments made thereto up to the Latest Practicable Date |
| “Long-Stop Date” | : Has the meaning ascribed to it in Section 3.10 of this Circular |
| “LSW” | : Mr. Law Siau Woei |
| “LSW Shareholder’s Loan” | : Has the meaning ascribed to it in Section 3.5 of this Circular |
| “LQN” | : Has the meaning ascribed to it in Section 7(c) of this Circular |

DEFINITIONS

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| “Market Day” | : A day on which the SGX-ST is open for trading in securities |
| “MITI Licence” | : The manufacturing licence under the Industrial Co-Ordination Act 1975 of Malaysia |
| “NAV” | : Net asset value |
| “NLAT” | : The financial reported losses after tax for the operating business of PGSB in the ordinary course, which excludes non-recurring items of income or expenditure comprising (i) gains or losses from the disposal of assets, liabilities or investments; (ii) government grants and incentives; (iii) appreciation of fixed assets; and (iv) any shareholder loan interest expenses |
| “NLAT Undertaking” | : Has the meaning ascribed to it in Section 3.4 of this Circular |
| “Notice of EGM” | : The notice of the EGM, as set out on pages N-1 to N-6 of this Circular |
| “Novation Deed” | : The deed of novation dated 7 July 2021 entered into between the Purchaser, the Company, the Vendors and PGSB in respect of the novation of the Company’s rights and obligations under the Subscription and Loan Agreement to the Purchaser |
| “NPAT” | : The financial reported earnings after tax for the operating business of PGSB in the ordinary course, which excludes non-recurring items of income or expenditure comprising (i) gains or losses from the disposal of assets, liabilities or investments; (ii) government grants and incentives; (iii) appreciation of fixed assets; and (iv) any shareholder loan interest expenses |
| “NTA” | : Net tangible assets |
| “Offset Amount” | : Has the meaning ascribed to it in Section 3.2.1 of this Circular |
| “Ordinary Resolutions” | : The ordinary resolutions to be passed by a simple majority of the Shareholders voting by proxy at the EGM to be convened for Shareholders to consider and approve the Proposed Transactions |
| “Ordinary Resolution 1” | : Has the meaning ascribed to it in Section 1(b) of this Circular |
| “Ordinary Resolution 2” | : Has the meaning ascribed to it in Section 1(b) of this Circular |
| “Ordinary Resolution 3” | : Has the meaning ascribed to it in Section 1(b) of this Circular |
| “Party” | : A party to the Sale and Purchase Agreement and collectively, the “Parties” |
| “P/E ratio” | : Price-to-earnings ratio |
| “PGSB” | : Pastel Glove Sdn. Bhd. |
| “PGSB Business” | : The business of the manufacture, sale and distribution of rubber gloves |

DEFINITIONS

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| “PGSB Land” | : | The land situated at HS(D) PT 285724, Taman Perindustrian Perabot Negeri Perak, 31550 Pusing, Perak, Malaysia |
| “PGSB Plant” | : | The manufacturing plant and facilities situated on the PGSB Land |
| “PPE” | : | Personal protective equipment |
| “Press Release” | : | Has the meaning ascribed to it in Section 2.2 of this Circular |
| “Profit Guarantee” | : | The profit guarantee to be provided by LSW to the Purchaser, on the terms described in Section 3.2.1 of this Circular |
| “Profit Guarantee Period” | : | Has the meaning ascribed to it in Section 3.2.1 of this Circular |
| “Proposed Acquisition” | : | The proposed acquisition by the Purchaser of the Sale Shares from the Vendors pursuant to the Sale and Purchase Agreement |
| “Proposed Issuance of Consideration Shares” | : | The proposed allotment and issuance of 292,500,000 Consideration Shares at the Issue Price per Consideration Share to the Vendors, in partial satisfaction of the Consideration |
| “Proposed Transactions” | : | Has the meaning ascribed to it in Section 1(b) of this Circular |
| “Proposed Transfer of Controlling Interest” | : | The proposed transfer of Controlling Interest in the Company to LSW pursuant to the Proposed Issuance of Consideration Shares |
| “Proxy Form” | : | The proxy form in respect of the EGM |
| “Purchaser” or “EHPL” | : | Enviro Healthcare Pte. Ltd., a private limited company incorporated in Singapore, which is a wholly-owned subsidiary of the Company |
| “record date” | : | The date fixed by the Company for the purposes of determining entitlements to dividends or other distributions to or rights of holders of shares |
| “Registrar of Companies” | : | The Registrar of Companies of Malaysia |
| “Registration Cut-Off Date” | : | Has the meaning ascribed to it in Section 12(a) of this Circular |
| “Sale and Purchase Agreement” | : | Has the meaning ascribed to it in Section 1(a) of this Circular |
| “Sale Shares” | : | 1,500,000 shares in PGSB, representing 75% of the entire issued and paid-up share capital of PGSB, to be sold by the Vendors, and to be purchased by the Purchaser, on the terms and subject to the conditions of the Sale and Purchase Agreement |
| “Securities Account” | : | Securities account maintained by a Depositor with CDP but does not include a securities sub-account maintained with a Depository Agent |
| “Service Agreements” | : | Has the meaning ascribed to it in Section 3.12 of this Circular |
| “SFA” | : | The Securities and Futures Act, Chapter 289 of Singapore, as may be amended, modified or supplemented from time to time |

DEFINITIONS

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| “SFRS(I)” | : Singapore Financial Reporting Standards (International) |
| “SGXNet” | : A system network used by listed companies to send information and announcements to the SGX-ST or any other system network prescribed by the SGX-ST |
| “SGX-ST” or the “Exchange” | : The Singapore Exchange Securities Trading Limited |
| “SGX Approval” | : Has the meaning ascribed to it in Section 3.8(b)(iv) of this Circular |
| “Shareholders” | : Registered holders of Shares, except that where the registered holder is CDP, the term “ Shareholders ” in relation to Shares held by CDP shall mean the persons named as Depositors in the Depository Register maintained by CDP and to whose Securities Accounts such Shares are credited |
| “Shareholders’ Agreement” | : The shareholders’ agreement dated 31 January 2021 entered into between the Company, the Vendors and PGSB in relation to PGSB and all supplemental agreements thereto (if any) |
| “Shares” | : Ordinary shares in the capital of the Company |
| “SRS” | : Supplementary Retirement Scheme |
| “SRS Investors” | : Investors who have purchased Shares pursuant to the SRS |
| “SRS Operators” | : Agent banks approved by CPF under the SRS |
| “Subscription and Loan Agreement” | : The subscription and loan agreement dated 12 January 2021 entered into between the Company, the Vendors and PGSB in respect of the investment by the Company in PGSB by way of the (i) subscription of 500,000 new shares for an aggregate subscription price of RM500,000 (being equivalent to approximately US\$125,000), and (ii) grant of the EHL Shareholder's Loan, as amended and supplemented by a supplemental agreement dated 31 January 2021 entered into between the same parties, and thereafter novated from the Company to the Purchaser on 7 July 2021 pursuant to the Novation Deed |
| “Subsequent Tranche Cash Payments” | : Shall have the meaning ascribed to it in Section 3.3(b) of this Circular |
| “Substantial Shareholders” | : A person who has an interest in the voting Shares (excluding treasury shares) in the Company, and the total votes attached to that Share, or those Shares, represent not less than 5.0% of all the voting Shares |
| “treasury shares” | : Shall have the meaning ascribed to it in section 4 of the Companies Act |
| “Vendors” | : LSW and CKP, and each, a “ Vendor ” |
| “Vendor Warranties” | : The joint and several representations, warranties and undertakings of the Vendors set out in the Sale and Purchase Agreement |
| “VWAP” | : Volume weighted average price |

DEFINITIONS

Currencies, Units and Others

- “RM” or “MYR” : Malaysian ringgit, being the lawful currency of Malaysia
- “S\$” or “SGD” and “cents” : Singapore dollars and cents respectively
- “US\$” : United States Dollars, the lawful currency of the United States of America
- “%” : Per centum or percentage

Unless the context requires otherwise:

- i. the terms “**Depositor**”, “**Depository**”, “**Depository Register**” and “**Depository Agent**” shall have the meanings ascribed to them respectively in section 81SF of the SFA and the terms “**subsidiary**”, “**related company**” and “**substantial shareholder**” shall have the meanings ascribed to them in sections 5, 6 and 81 of the Companies Act respectively;
- ii. the terms “**Associate**” and “**associated company**” shall have the meanings ascribed to them in the section entitled “Definitions and Interpretation” of the Listing Manual;
- iii. any reference in this Circular to any statute or enactment is a reference to such statute or enactment as for the time being amended or re-enacted. Any word or term defined under the Companies Act, the Listing Manual, the SFA or any statutory modification thereof and used in this Circular shall, where applicable, have the meaning assigned to it under the said Companies Act, Listing Manual, SFA or any statutory modification thereof, as the case may be, unless otherwise the context otherwise requires. Summaries of the provisions of any laws and regulations (including the Listing Manual) contained in this Circular are of such laws and regulations (including the Listing Manual) as at the Latest Practicable Date;
- iv. any reference in this Circular to “**Listing Rule**”, “**Rule**” or “**Chapter**” is a reference to the relevant rule or chapter in the Listing Manual;
- v. 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, where applicable, include corporations;
- vi. the headings in this Circular are inserted for convenience only and shall be ignored in construing this Circular;
- vii. any reference to a time of a day in this Circular is a reference to Singapore time unless otherwise stated; and
- viii. any discrepancies in figures included in this Circular between the amounts and totals thereof are due to rounding. Accordingly, figures shown as totals in certain tables in this Circular may not be an arithmetic aggregation of the figures that precede them.

Exchange Rate

For the purpose of this Circular, unless otherwise stated, the exchange rate of S\$1: RM3.10, based on the average rate for the month of June 2021 obtained from the Monetary Authority of Singapore on 22 July 2021, shall be applied throughout this Circular.

CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

All statements contained in this Circular, statements made in press releases and oral statements that may be made by the Company, the Group, their directors, executive officers or employees acting on their behalf, which are not statements of historical fact, constitute “forward looking statements”. Some of these statements can be identified by words that have a bias towards, or are, forward-looking such as “anticipate”, “believe”, “could”, “estimate”, “expect”, “forecast”, “if”, “intend”, “may”, “plan”, “possible”, “probable”, “project”, “should”, “will” and “would” or similar words. However, Shareholders should note that these words are not the exclusive means of identifying forward- looking statements. All statements regarding the Company’s and the Group’s expected financial position, business strategies, plans and prospects are forward-looking statements.

These forward-looking statements and other matters discussed in this Circular regarding matters that are not historical fact are only predictions. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Company’s and the Group’s actual future results, performance or achievements to be materially different from any future results, performance or achievements expected, expressed or implied by such forward-looking statements.

Given the risks and uncertainties that may cause the Company’s and the Group’s actual future results, performance or achievements to be materially different from that expected, expressed or implied by the forward-looking statements in this Circular, undue reliance must not be placed on these statements.

The Company, the Group, their respective directors and executive officers are not representing or warranting to you that the actual future results, performance or achievements of the Company and the Group will be as those discussed in those statements. The respective actual future results may differ materially from those anticipated in these forward-looking statements as a result of the risks faced by us. Further, the Company and the Group disclaim any responsibility for updating any of those forward-looking statements or publicly announcing any revisions to those forward-looking statements to reflect their future developments, events or circumstances.

LETTER TO SHAREHOLDERS

ENVIRO-HUB HOLDINGS LTD.
(Incorporated in the Republic of Singapore)
(Company Registration No. 199802709E)

Directors:

Raymond Ng Ah Hua (*Executive Director / Chairman*)
Tan Kok Hiang (*Independent Director*)
Samuel Poon Hon Thang (*Independent Director*)
Lai Huen Poh (*Non-Executive Director*)

Registered Office:

3 Gul Crescent,
Singapore 629519

11 October 2021

To: The Shareholders of Enviro-hub Holdings Ltd.

Dear Sir / Madam,

- (1) **THE PROPOSED ACQUISITION OF 75.0% OF THE ISSUED AND PAID-UP SHARE CAPITAL OF PASTEL GLOVE SDN. BHD. AS A MAJOR TRANSACTION UNDER CHAPTER 10 OF THE LISTING MANUAL;**
- (2) **THE PROPOSED ALLOTMENT AND ISSUANCE OF THE CONSIDERATION SHARES TO THE VENDORS PURSUANT TO THE PROPOSED ACQUISITION; AND**
- (3) **THE PROPOSED TRANSFER OF CONTROLLING INTEREST IN THE COMPANY TO LAW SIAU WOEI PURSUANT TO THE PROPOSED ISSUANCE AND ALLOTMENT OF THE CONSIDERATION SHARES**

1. INTRODUCTION

(a) The Proposed Acquisition

On 5 August 2021, the Company announced that the Purchaser had on 3 August 2021 entered into a sale and purchase agreement with the Vendors, the Company and PGSB (“the **“Sale and Purchase Agreement”**”), for the sale and purchase of 1,500,000 shares, representing 75.0% of the entire issued and paid-up share capital of PGSB, for an aggregate consideration of S\$46,800,000 (the **“Consideration”**), on the terms and subject to the conditions of the Sale and Purchase Agreement. In accordance with the Sale and Purchase Agreement, the Consideration shall be satisfied partly in cash and partly by the allotment and issuance of the Consideration Shares to the Vendors at the Issue Price following Completion, in tranches.

The Company obtained Shareholders’ approval for the diversification of the Group’s business into the Healthcare Products Business on 18 May 2021 (the **“Diversification”**). As provided in the Company’s circular to Shareholders dated 3 May 2021 in relation to the Diversification (the **“Diversification Circular”**), when the Group enters into its first major transaction as defined under Rule 1014 of the Listing Manual (the **“First Major Transaction”**) involving the Healthcare Products Business, or where any of the Listing Rule 1006 figures in respect of several transactions involving the Healthcare Products Business which are aggregated (the **“Aggregated Transactions”**) within the last 12 months exceeds 20%, such First Major Transaction or the last of the Aggregated Transactions will be made conditional upon approval of the Shareholders at a general meeting. For the avoidance of doubt, the aggregation would also include the prior acquisition of the 25% shareholding interest in PGSB that was completed on 31 January 2021, if the said acquisition falls within the 12-month period prior to the last of the Aggregated Transactions.

LETTER TO SHAREHOLDERS

The Proposed Acquisition would constitute a “major transaction” for the purposes of Chapter 10 of the Listing Manual as the relative figures computed on the bases set out in Listing Rule 1006 is more than 20% but does not exceed 100%. In accordance with the provisions of the Diversification Circular, the approval of Shareholders is required for the Proposed Acquisition and the Directors propose to convene an EGM to seek Shareholders’ approval for the same. Please refer to Section 6 of this Circular for further information on the Proposed Acquisition as a major transaction under Chapter 10 of the Listing Manual.

(b) EGM

The Board is convening an EGM to be held on 26 October 2021 to seek Shareholders’ approval for the following ordinary resolutions:

- (i) the Proposed Acquisition (“**Ordinary Resolution 1**”);
- (ii) the proposed allotment and issuance of 292,500,000 Consideration Shares at an issue price of S\$0.08 per Consideration Share to the Vendors (“**Ordinary Resolution 2**”); and
- (iii) the proposed transfer of Controlling Interest in the Company to LSW pursuant to the Proposed Issuance of Consideration Shares (“**Ordinary Resolution 3**”).

(collectively, the “**Proposed Transactions**”).

(c) Inter-conditionality

Shareholders should note that the approval of Ordinary Resolution 1 relating to the Proposed Acquisition, Ordinary Resolution 2 relating to the Proposed Issuance of Consideration Shares and Ordinary Resolution 3 relating to the Proposed Transfer of Controlling Interest are all inter-conditional upon one another. As such, if any of Ordinary Resolutions 1, 2 or 3 are not carried, all of Ordinary Resolutions 1, 2 and 3 will not be carried.

(d) Circular

The purpose of this Circular is to explain the rationale for the Proposed Acquisition, provide Shareholders with the relevant information relating to, and seek Shareholders’ approval for the Proposed Transactions at the EGM to be held by electronic means on 26 October 2021 at 10.30 a.m., notice of which is set out in the Notice of EGM as set out on pages N-1 to N-6 of this Circular.

Shareholders are advised that the SGX-ST assumes no responsibility for the contents of this Circular, including the accuracy or correctness of any of the statements made, opinions expressed or reports contained in this Circular.

2. INFORMATION ON PGSB, THE SALE SHARES, THE VENDORS AND THE PURCHASER

2.1 Information on PGSB

PGSB is a private company limited by shares incorporated in Malaysia on 28 September 2020. PGSB is principally engaged in the business of the manufacturing, sale and distribution of rubber gloves.

As at the Latest Practicable Date, PGSB has an issued and paid-up share capital of RM2,000,000 comprising 2,000,000 ordinary shares and is a 25% associated company of the Company. The shareholders of PGSB are LSW, CKP and the Purchaser, who respectively hold 72.75%, 2.25% and 25% of the issued and paid-up share capital of PGSB. The directors of PGSB are LSW, CKP and Mr. Adrian Toh Jia Sheng (“**Mr. Adrian Toh**”). Mr. Adrian Toh is a director nominated by the Company.

LETTER TO SHAREHOLDERS

(a) Initial Investment by way of subscription for 25% shareholding interests in PGSB (the “Initial Investment”)

On 12 January 2021, the Company entered into the Subscription and Loan Agreement, pursuant to which it proposed to acquire a 25% shareholding interest in PGSB. The Initial Investment took place by way of (i) a subscription of 500,000 new ordinary shares in the capital of PGSB of approximately US\$125,000 and (ii) an interest-free shareholders’ loan of approximately US\$4,875,000 in cash granted by the Company to PGSB (the “**EHL Shareholder’s Loan**”). On 31 January 2021, the Company completed the Initial Investment and the full loan amount under the EHL Shareholder’s Loan was disbursed by the Company to PGSB. Pursuant to the completion of the Initial Investment, the Company entered into the Shareholders’ Agreement with the Vendors and PGSB, and PGSB became a 25% associated company of the Company.

On 7 July 2021, the Company entered into the Novation Deed in connection with the transfer of its 25% shareholding interest in PGSB to the Purchaser and transferred and novated the EHL Shareholders’ Loan to the Purchaser. As at the Latest Practicable Date, the full principal amount of the EHL Shareholder’s Loan remains outstanding.

(b) The Proposed Acquisition

On 5 August 2021, it was announced by the Company that the Purchaser had on 3 August 2021 entered into the Sale and Purchase Agreement with the Vendors in relation to the Proposed Acquisition. Upon Completion of the Proposed Acquisition, the Purchaser will hold 100% of the shareholding interest in PGSB and PGSB will become an indirect wholly-owned subsidiary of the Company.

As at 30 June 2021, PGSB has a book value and NTA of RM1,511,458 (equivalent to approximately S\$487,567), based on its unaudited management accounts. The unaudited management accounts of PGSB for the period from 28 September 2020 (its date of incorporation) to 30 June 2021, is annexed hereto as Appendix A.

PGSB has not made any distributions to the Vendors, the Company or the Purchaser since its date of incorporation.

2.2 Value of the Sale Shares

Based on the latest available unaudited management accounts of PGSB, as at 30 June 2021, the net tangible asset value and book value of the Sale Shares is RM1,133,594 (equivalent to approximately S\$365,675). There is no open market value for the Sale Shares as they are not publicly traded. Please refer to Appendix A of this Circular for more details of the financial information on PGSB.

The net losses before tax attributable to the Sale Shares is RM366,406 (equivalent to approximately S\$118,196), based on PGSB’s results for the period of 9 months ended 30 June 2021. Following the Company’s release of the announcement on 5 August 2021 which disclosed the aforementioned net losses before tax attributable to the Sale Shares, the Company released a further press release via SGXNet on 6 August 2021 (the “**Press Release**”) to address queries it had received from certain Shareholders on the financial performance of PGSB. In the Press Release, the Company clarified that the net losses incurred by PGSB for the period of 9 months ended 30 June 2021 were due to one-off, non-recurring consultancy fees incurred in relation to a fund-raising exercise by PGSB, which took place prior to the Company’s Initial Investment that completed in January 2021. Following the Initial Investment, for the period from 1 February 2021 to 30 June 2021, PGSB recorded a profit of RM2,088,232 (equivalent to approximately S\$673,623).

LETTER TO SHAREHOLDERS

No independent valuation on the Sale Shares is required under Listing Rule 1014(2) for the purpose of the Proposed Acquisition, as the Proposed Acquisition involves an acquisition of shares and not other assets, and no independent valuation on the Sale Shares was carried out.

2.3 Information on the Vendors

The Vendors, LSW and CKP are Malaysian citizens. LSW and CKP are currently the directors as well as the legal and beneficial shareholders holding 72.75% and 2.25% of PGSB respectively. LSW and CKP are currently responsible for the overall management, strategic planning and business development of PGSB. Subsequent to Completion, both LSW and CKP will continue to be directors of PGSB.

As at the Latest Practicable Date, the Vendors do not have any shareholding interest, direct or indirect in the Company, nor are the Vendors related to any of the Directors, the Controlling Shareholders, or their respective associates.

2.4 Information on the Purchaser

The Purchaser is a private limited company incorporated in Singapore on 7 July 2021. It is primarily engaged in the principal activities of (i) other holding companies and (ii) the provision of management consultancy services. The Purchaser is a wholly-owned subsidiary of the Company. The sole director of the Purchaser is Mr. Raymond Ng Ah Hua, who is also the Executive Chairman of the Company.

2.5 Licences, permits and regulatory approvals

Shareholders should note that the PGSB Business is subject to various government regulations. In particular, licences, permits or regulatory approval may be required for, among others, the manufacture, trade and export of rubber gloves. Other licences required by PGSB include the licences issued by the LGM to manufacture and export rubber gloves. As announced by the Company on 7 June 2021, PGSB had on 13 May 2021 received notification from the United States Food and Drug Administration (FDA) of 510(k) clearance to market its nitrile medical grade examination gloves in the United States of America. As at the Latest Practicable Date, PGSB has obtained all the material licences, permits and regulatory approvals required in relation to the PGSB Business, save as provided under Sections 3.8(j) to (o) of this Circular below.

The Company has obtained advice from its Malaysian legal adviser, Azman Davidson & Co, that up to 100% foreign equity participation by a Singapore company is allowed for PGSB.

3 MATERIAL TERMS AND CONDITIONS OF THE PROPOSED ACQUISITION

A summary of the material terms and conditions of the Proposed Acquisition as set out in the Sale and Purchase Agreement is as follows:

3.1 Acquisition of the Sale Shares

Under the Sale and Purchase Agreement, the Vendors shall sell and the Purchaser shall purchase the Sale Shares with effect from the Completion Date, free from all Encumbrances and with all rights, dividends and entitlements attaching to the Sale Shares as at the Completion Date and thereafter, including the right to any dividends or other distributions declared and payable thereon or after the Completion Date. The Purchaser shall not be obliged to complete the purchase of any Sale Shares unless the purchase of all the Sale Shares is completed simultaneously pursuant to the Sale and Purchase Agreement.

LETTER TO SHAREHOLDERS

3.2 Profit Guarantee

3.2.1 The Profit Guarantee

As announced by the Company on 12 January 2021, PGSB provided a profit guarantee as part of the Initial Investment (i.e. the prior acquisition of 25% of the shareholding in PGSB).

Following the completion of the Proposed Acquisition (i.e. the acquisition of the remaining 75% of the shareholding in PGSB), PGSB will be an indirect, wholly-owned subsidiary of the Company. The Company recognised that going forward, it may not be meaningful for the Company to enforce the previous profit guarantee provided by PGSB, against PGSB. Therefore, the Company has negotiated for a new profit guarantee provided by LSW, as well as the other safeguards set out in Section 3.2.4 below, to ensure that the Company's rights are adequately protected as compared to the original profit guarantee by PGSB.

Pursuant to the Sale and Purchase Agreement, LSW warrants to the Purchaser that PGSB shall achieve a NPAT of not less than S\$23,400,000 (equivalent to approximately US\$18,000,000) (the "**Profit Guarantee**") for the period from 1 January 2022 to 31 December 2024 (both dates inclusive) (the "**Profit Guarantee Period**").

For the purposes of the Profit Guarantee, the Subsequent Tranche Cash Payments and the NLAT Undertaking provided by LSW as described in Section 3.4 of this Circular, PGSB shall provide the duly audited accounts of PGSB for each of the financial years under the Profit Guarantee Period to the Purchaser, the Company and the Vendors within three (3) months from the end of the relevant financial year, which shall be prepared in accordance with accounting principles, standards and practices generally accepted in the jurisdiction to which PGSB is subject, and, subject thereto, on a basis consistent with that adopted in preparing the audited accounts for the previous financial periods.

In the event that the aggregate audited NPAT achieved by PGSB for the Profit Guarantee Period is less than the Profit Guarantee, the amount equivalent to the shortfall between the Profit Guarantee and the NPAT achieved by PGSB for the Profit Guarantee Period, pro-rated based on the number of Sale Shares as a percentage of the total number of shares in PGSB (i.e. 75%) (the "**Offset Amount**") shall be set-off against the amount of Consideration that the Vendors are entitled to receive from the Purchaser after the Profit Guarantee Period (i.e. the Balance Tranche Payment), within six (6) months from the end of the Profit Guarantee Period, and in accordance with Section 3.3(b) of this Circular.

3.2.2 Views of the Board in accepting the Profit Guarantee and the factors taken into consideration and basis for such a view

The Board's view on the Profit Guarantee is that the Profit Guarantee is reasonable and is beneficial to the Company, and helps to safeguard the interests of the Company and the Shareholders. In accepting the Profit Guarantee from LSW in the Sale and Purchase Agreement, the Board took into account factors including:

- (a) the intrinsic potential for the PGSB Business to grow and PGSB's order book;
- (b) the potential for growth in the gloves manufacturing and trading markets in the near future;
- (c) the experience of the Vendors in the business of gloves manufacturing and distribution;
- (d) the rationale for and benefits of the Proposed Acquisition, as elaborated in Section 4 of this Circular;
- (e) the principal assumptions made relating to the Profit Guarantee, as elaborated in Section 3.2.3 of this Circular; and

LETTER TO SHAREHOLDERS

- (f) safeguards to ensure the Purchaser's right of recourse in the event that the Profit Guarantee is not met, details of which are set out in Section 3.2.4 of this Circular.

3.2.3 The principal assumptions including commercial bases and assumptions upon which the quantum of the Profit Guarantee is based

The principal assumptions, including commercial bases upon which the quantum of the Profit Guarantee is based, include, *inter alia*, the following:

- (a) there will be no material changes in the existing political, legal (including changes in legislation or regulations or rules), fiscal, market or economic conditions in Malaysia and Singapore;
- (b) in relation to the COVID-19 pandemic, the assumption made is that the average selling price (i.e. ASP) of gloves will start to taper-off to the pre-pandemic level from FY2022 onwards. This would explain the continuous decrease in ASP from approximately US\$50 per case in 1Q2021 to approximately US\$35 per case in 1Q2022. The Company and PGSB do not expect the demand for gloves to be driven based on the pandemic persisting for the next three (3) years. Instead, it is believed that the strong demand for gloves will continue on even after the pandemic is over, owing to the fact that people are now living in the new normal, and are generally more cautious and pay greater attention to personal hygiene and safety. Apart from a heightened usage of gloves in the healthcare sector, raised hygiene standards in food and beverage (F&B) establishments as well as in the hospitality and travel sectors can also drive up demand for gloves;
- (c) operating expenses will either remain constant or in the event operating expenses increase, PGSB's revenue is expected to also be higher such that it is sufficient to cover the increase in operating expenses. As highlighted in paragraph 3.2.3(b) above, the Company is expecting the ASP of gloves to taper to the pre-pandemic levels during the projections done by the Company, and hence this revenue assumption will hold true;
- (d) there will be no material changes in the bases or rates of taxation or duties applicable to PGSB in Malaysia or Singapore;
- (e) there will be no material loss of major customers, major suppliers, strategic partners which are essential for the operations of PGSB;
- (f) there will be no material capital expenditure during the Profit Guarantee Period, beyond those provided for in PGSB's annual budget;
- (g) there will be no interruption of the operations that will adversely affect PGSB as a result of a shortage in supply of raw materials or any other circumstances such as natural disasters, or changes in the regulatory regime in Malaysia or Singapore which are beyond the control of PGSB's management;
- (h) there will be no material changes in the borrowings of PGSB and the prevailing interest rates; and
- (i) there will be no material changes in the key personnel of PGSB.

LETTER TO SHAREHOLDERS

3.2.4 The manner and amount of compensation to be paid by LSW in the event that the Profit Guarantee is not met and the conditions precedent, if any, and the detailed basis for such a compensation and the safeguards put in place to ensure the Purchaser's right of recourse in the event that the Profit Guarantee is not met (if any)

As mentioned in Section 3.2.1 of this Circular, in the event PGSB fails to achieve an aggregate audited NPAT of not less than S\$23,400,000 for the Profit Guarantee Period, the amount of Consideration that the Vendors would otherwise be entitled to receive from the Purchaser after the Profit Guarantee Period (i.e. the Balance Tranche Payment) shall be deducted from the Offset Amount. To safeguard the interests of the Company and the Shareholders, the balance 37.5% of the Consideration (i.e. S\$17,550,000) will be paid to the Vendors based on the proportion of the NPAT of PGSB attained for each financial year under the Profit Guarantee Period against the total Profit Guarantee, as illustrated by the formula in Section 3.3(b)(i) of this Circular.

Pursuant to Listing Rule 1013(3)(a), the Company will inform Shareholders by way of an announcement when the Profit Guarantee has been met. As required under Listing Rule 1013(3)(a), in the event that the Profit Guarantee has not been met, the Company will further announce:

- (a) the variance between the Profit Guarantee and the actual profit, and the reason for the variance;
- (b) any variation of the rights of the Company (if any); and
- (c) the possible course(s) of action by the Company to protect the interests of the Shareholders, if any. In such an event, the Company will update Shareholders on the specific course of action including its progress and outcome of the action in a timely manner.

It is envisaged that in the event that the Profit Guarantee is not met and the Company encounters difficulties in enforcing its rights against LSW, depending on the commercial circumstances and reasons for the failure to meet the Profit Guarantee at the relevant point in time, the Parties may, notwithstanding the setting-off of the Balance Tranche Payment against the Offset Amount, enter into a settlement agreement or a supplemental agreement, which could vary the rights of the Company and the Purchaser as against LSW.

In the event of any material variance or amendment in the terms of the Sale and Purchase Agreement, the Company will also make an announcement of such a variance. Where such a variation prejudices the Company, the Board will disclose the basis for the acceptance of such a variation.

For the avoidance of doubt, in the Company's view, the Profit Guarantee does not operate as a profit forecast and is instead a performance target to safeguard the Company's commercial interests in the Proposed Acquisition as follows:

- i. the Vendors will only receive the Subsequent Tranche Cash Payments if PGSB achieves the Profit Guarantee; and
- ii. the Balance Tranche Payment shall be deducted from the Offset Amount.

Accordingly, the Profit Guarantee is not to be taken as a quantification of the anticipated level of future profits of PGSB issued by the Company and the Company has not provided the information under Rule 1012 of the Listing Manual, which relates to profit forecasts.

LETTER TO SHAREHOLDERS

3.2.5 Auditor's confirmation

The Auditor confirms that it has reviewed¹ the bases and assumptions, accounting policies and calculations for the Profit Guarantee, and is of the view that the Profit Guarantee has been properly prepared on the basis of the assumptions and the accounting policies which are in accordance with the SFRS(l) and the Company's accounting policies. Please refer to Appendix B for the Auditor's report on the Profit Guarantee, which sets out in full the opinion of the Auditor. Shareholders are advised to read the report carefully before proceeding to vote on the Proposed Transactions.

3.2.6 Statement from the Financial Adviser

After considering the following factors, the Financial Adviser is of the view that the Proposed Acquisition and the Profit Guarantee are on normal commercial terms and are not prejudicial to the interests of the Company and the Shareholders:

- (a) the rationale for the Proposed Acquisition;
- (b) the financial assessment of the Consideration as compared to the publicly listed Comparable Companies (as defined in the FA Letter):
 - i. the P/E ratio of the Proposed Acquisition implied by the Consideration is within the range but above the mean and median of the forward P/E ratios of the Comparable Companies; and
 - ii. the P/E ratio of the Proposed Acquisition implied by the Consideration is below the range and below the mean and median of the two (2)-year forward P/E ratio of the Comparable Companies;
- (c) the financial assessment of the Issue Price of the Consideration Shares:
 - i. the Issue Price per Consideration Share of S\$0.08 represents a discount of approximately 5% to the VWAP of S\$0.084 for trades done on the Shares on 2 August 2021, being the full Market Day on which the Shares were traded immediately preceding the date of the Sale and Purchase Agreement;
 - ii. the Issue Price represents a discount of 8.5%, 16.2%, 7.3% and 1.3% to the VWAP of the Shares for the 1-month, 3-month, 6-month and 12-month periods prior to the Announcement Date respectively;
 - iii. the Issue Price represents a discount of 0.3% to the VWAP of the Shares for the period between the market day immediately after the Announcement Date and up to the Latest Practicable Date; and
 - iv. as at the Latest Practicable Date, the Issue Price represents a premium of 8.1% to the last traded price of the Shares of S\$0.074;

¹ The Auditor has performed the agreed upon procedures on the Profit Guarantee. The full report is set out in Appendix B of this Circular. The agreed upon procedures do not constitute either an audit or a review made in accordance with the Singapore Standards on Auditing or the Singapore Standards on Review Engagements and consequently, the Auditor does not express any assurance on the Profit Guarantee nor the reasonableness of the assumptions applied in the Profit Guarantee.

LETTER TO SHAREHOLDERS

- (d) the NLAT Undertaking and Profit Guarantee provided by LSW, where the balance 37.5% of the Consideration will be paid to the Vendors based on the proportion of the NPAT of PGSB attained for each financial year under the Profit Guarantee Period against the total Profit Guarantee, and in the event the Profit Guarantee is not satisfied, LSW shall be liable to compensate the Purchaser in the manner set out in this Circular, as summarised in sections 3.5 and 4.4 of the FA Letter and compensate PGSB for PGSB's NLAT in any of the financial years during the Profit Guarantee Period;
- (e) other safeguards to the Company based on the terms of the Sale and Purchase Agreement, which includes (i) non-competition and non-solicitation covenants and (ii) Service Agreements with the Vendors who have been integral to the operations of PGSB; and
- (f) the other relevant considerations in relation to the Proposed Acquisition as set out in section 4.5 of the FA Letter.

Please refer to Appendix C for the Letter from the Financial Adviser, which contains in full the advice and opinion of the Financial Adviser. Shareholders are advised to read the letter carefully before proceeding to vote on the Proposed Transactions.

3.3 Consideration for the Proposed Acquisition

The Consideration of S\$46,800,000 shall be satisfied partially in cash and partially by the issuance and allotment of an aggregate of 292,500,000 new ordinary shares in the share capital of the Company (the "**Consideration Shares**"), in the manner prescribed as follows:

- (a) **1st tranche payment:** The Purchaser shall make an aggregate payment of S\$29,250,000 to the Vendors on the Completion Date, comprising (i) S\$5,850,000 which shall be satisfied in cash (the "**1st Tranche Cash Payment**") and (ii) S\$23,400,000 which shall be satisfied by the allotment and issuance by the Company to the Vendors (and/or their nominees as they may direct) of the Consideration Shares at an issue price of S\$0.08 per Consideration Share (the "**Issue Price**"), in each case, *pro rata* to the proportion of the Sale Shares held by the Vendors, as illustrated below:

| | Number of Consideration Shares to be issued to the Vendors | Value of the Consideration Shares (based on the Issue Price) | Cash Consideration to be paid to the Vendors | Total Consideration to be paid to the Vendors |
|---------------------------------------|--|--|--|---|
| 1st tranche payment | | | | |
| LSW | 283,725,000 Consideration Shares | S\$22,698,000 | S\$5,674,500 | S\$28,372,500 |
| CKP | 8,775,000 Consideration Shares | S\$702,000 | S\$175,500 | S\$877,500 |

The Issue Price represents a discount of approximately 5% to the VWAP of S\$0.084 for trades done on the Shares on 2 August 2021, being the full Market Day on which the Shares were traded immediately preceding the date of the Sale and Purchase Agreement.

LETTER TO SHAREHOLDERS

The Consideration Shares, when allotted and issued, shall be credited as fully paid-up and shall rank in full for all entitlements, including dividends or other distributions declared or recommended in respect of the then existing issued ordinary shares of the Company, the record date for which falls on or after the Completion Date, and in all other respects shall rank *pari passu* with the existing issued ordinary shares of the Company then in issue. The Consideration Shares will also be subject to a moratorium, further details of which are set out in Section 3.6 of this Circular.

- (b) Subject to Section 3.2 of this Circular, the balance Consideration of S\$17,550,000 shall be payable by the Purchaser to the Vendors in cash in several tranches (each, a “**Subsequent Tranche Cash Payment**”), in the manner set out below:
- (i) within thirty (30) days after the audited accounts of PGSB for the relevant financial year has been provided to the Purchaser by PGSB, the Purchaser shall pay to the Vendors a Subsequent Tranche Cash Payment (payable to each Vendor *pro rata* to the proportion of the Sale Shares held by the Vendor) in accordance with the formula set out below, save that no Subsequent Tranche Cash Payment shall be made by the Purchaser for a financial year in which PGSB incurs any NLAT:

$$\text{Amount payable by the Purchaser to the Vendors at the end of each financial year under the Profit Guarantee Period} = \frac{\text{NPAT achieved by PGSB for the relevant financial year (in S\$)}}{\text{S\$23,400,000 (approximately US\$18,000,000)}} \times \text{S\$17,550,000}$$

; and

- (ii) upon the end of the Profit Guarantee Period, if there remains any balance Consideration (the “**Balance Tranche Payment**”), the Balance Tranche Payment shall be set-off against any Offset Amount due and payable from LSW to the Purchaser. For the avoidance of doubt, the Balance Tranche Payment shall be deemed to be fully paid to each of the Vendors following the set-off.

For the avoidance of doubt, the sum of all the Subsequent Tranche Cash Payments and the Balance Tranche Payment shall be equal to S\$17,550,000.

LETTER TO SHAREHOLDERS

Solely for illustrative purposes only

Scenario #1

Solely for illustrative purposes only, assuming that the NPAT achieved by PGSB for each year under the Profit Guarantee Period is, respectively, S\$3,000,000, S\$5,000,000 and S\$6,000,000:

- (i) the amount of the Subsequent Tranche Cash Payment for each year under the Profit Guarantee Period, applying the formula in Section 3.3(b)(i) of this Circular, shall be as follows:

| Year under Profit Guarantee Period | NPAT achieved by PGSB at the end of each relevant year (S\$) | Subsequent Tranche Cash Payment (S\$) |
|------------------------------------|--|--|
| 1 | S\$3,000,000 | $\frac{3,000,000}{23,400,000} \times S\$17,550,000 = S\$2,250,000$ |
| 2 | S\$5,000,000 | $\frac{5,000,000}{23,400,000} \times S\$17,550,000 = S\$3,750,000$ |
| 3 | S\$6,000,000 | $\frac{6,000,000}{23,400,000} \times S\$17,550,000 = S\$4,500,000$ |
| | Total = S\$14,000,000 | Total = S\$10,500,000 |

Each of the above Subsequent Tranche Cash Payments shall be paid by the Purchaser to the Vendors (*pro rata* to the proportion of the Sale Shares held by each Vendor) in accordance with the timeline set out in Section 3.3(b)(i) of this Circular.

- (ii) the Balance Tranche Payment, and the Offset Amount after deducting the Balance Tranche Payment, shall be as follows:

| | | |
|--|---|--|
| Total Subsequent Tranche Cash Payments for each year under the Profit Guarantee Period | = | S\$10,500,000 |
| Balance Tranche Payment payable by the Purchaser (S\$17,550,000 – S\$10,500,000) | = | S\$7,050,000 |
| Total NPAT achieved at the end of the Profit Guarantee Period (pro-rated based on the number of Sale Shares as a percentage of the total shares in PGSB, i.e. 75%) | = | S\$14,000,000 x 75% = S\$10,500,000 |
| Offset Amount, as determined in accordance with Section 3.2.1 of this Circular ((S\$23,400,000 x 75%) – S\$10,500,000) | = | S\$7,050,000 |
| Offset Amount <i>after</i> deducting the Balance Tranche Payment | = | S\$7,050,000 – S\$7,050,000 = 0 |

Accordingly, in scenario 1 illustrated above, as there is no nett balance after deducting the Balance Tranche Payment from the Offset Amount, no amounts are required to be paid by LSW to the Purchaser under the Sale and Purchase Agreement and the Balance Tranche Payment shall be deemed to be fully paid by the Purchaser.

LETTER TO SHAREHOLDERS

Scenario #2

Solely for illustrative purposes only, assuming PGSB incurs a NLAT for the first two (2) years under the Profit Guarantee Period and makes a NPAT in the last year under the Profit Guarantee period as follows:

| Year under Profit Guarantee Period | NLAT or NPAT (as the case may be) | Note |
|------------------------------------|-----------------------------------|---|
| 1 | NLAT of S\$1,000,000 | Since there is a NLAT, the NPAT is deemed to be S\$0. As mentioned in Section 3.3(b) (i) above, “no Subsequent Tranche Cash Payment shall be made by the Purchaser for a financial year in which PGSB incurs any NLAT”. |
| 2 | NLAT of S\$3,000,000 | |
| 3 | NPAT of S\$6,000,000 | – |

- (i) the amount of the Subsequent Tranche Cash Payment for each year under the Profit Guarantee Period, applying the formula in Section 3.3(b)(i) of this Circular, shall be as follows:

| Year under Profit Guarantee Period | NPAT achieved by PGSB at the end of each relevant year (S\$) | Subsequent Tranche Cash Payment (S\$) |
|------------------------------------|--|--|
| 1 | S\$0 | $\frac{0}{23,400,000} \times S\$17,550,000 = S\$0$ |
| 2 | S\$0 | $\frac{0}{23,400,000} \times S\$17,550,000 = S\$0$ |
| 3 | S\$6,000,000 | $\frac{6,000,000}{23,400,000} \times S\$17,550,000 = S\$4,500,000$ |
| | Total = S\$6,000,000 | Total = S\$4,500,000 |

As a NLAT was incurred for the first two (2) years under the Profit Guarantee Period, applying the formula, the Subsequent Tranche Cash Payments for the first two (2) years will be S\$0. The Subsequent Tranche Cash Payment for the third year will be S\$4,500,000.

- (ii) the Balance Tranche Payment, and the amount of Offset Amount after deducting the Balance Tranche Payment, shall be as follows:

| | | |
|--|---|--------------------------------------|
| Total Subsequent Tranche Cash Payments for each year under the Profit Guarantee Period | = | S\$4,500,000 |
| Balance Tranche Payment payable by the Purchaser (S\$17,550,000 – S\$4,500,000) | = | S\$13,050,000 |
| Total NPAT achieved at the end of the Profit Guarantee Period (pro-rated based on the number of Sale Shares as a percentage of the total shares in PGSB, i.e. 75%) | = | S\$6,000,000 x 75% = S\$4,500,000 |
| Offset Amount, as determined in accordance with Section 3.2.1 of this Circular ((S\$23,400,000 x 75%) – S\$4,500,000) | = | S\$13,050,000 |
| Offset Amount <i>after</i> deducting the Balance Tranche Payment | = | S\$13,050,000 – S\$13,050,000 = 0 |

LETTER TO SHAREHOLDERS

Accordingly, in scenario 2 illustrated above, as there is no nett balance after deducting the Balance Tranche Payment from the Offset Amount, no amounts are required to be paid by LSW to the Purchaser under the Sale and Purchase Agreement and the Balance Tranche Payment shall be deemed to be fully paid by the Purchaser.

The Consideration was arrived at on a willing-buyer and willing-seller basis after arm's length negotiations, taking into consideration the net assets position of PGSB, the control premium, the market outlook of the gloves manufacturing and trading industry, the Profit Guarantee provided by LSW to the Purchaser (details of which are set out in Section 3.2 of this Circular), the NLAT Undertaking (as defined below) given by LSW to the Purchaser (details of which are set out in Section 3.4 of this Circular) and the rationale for and benefits of the Proposed Acquisition (details of which are set out in Section 4 of this Circular).

3.4 Undertaking by LSW to the Purchaser to compensate for any NLAT incurred by PGSB for any of the financial years during the Profit Guarantee Period

Under the Sale and Purchase Agreement, LSW has undertaken to the Purchaser that, to the extent that PGSB incurs a NLAT for any of the financial years under the Profit Guarantee Period, he shall be liable to make payment to PGSB of an amount equal to the NLAT for that relevant financial year, within sixty (60) days after the audited accounts of PGSB for the relevant financial year has been provided to the Purchaser by PGSB (the "**NLAT Undertaking**").

3.5 Waiver of shareholder's loans granted by LSW in favour of PGSB

LSW has granted PGSB certain interest-free cash loans in an aggregate amount of approximately RM2,762,910 (the "**LSW Shareholder's Loan**"), of which RM10,000 was granted by LSW directly and RM2,752,910 was granted by LSW to PGSB through his related company, AQL Medical Sdn Bhd, as at 30 June 2021. To demonstrate his commitment to PGSB and the Company, LSW has agreed that on and subject to Completion, the sum owing by PGSB to LSW and AQL Medical Sdn Bhd under the LSW Shareholder's Loan shall be waived absolutely by LSW, and LSW shall ensure and procure that AQL Medical Sdn Bhd waive absolutely the relevant amount under the LSW Shareholder's Loan, thereby discharging PGSB absolutely from paying to LSW and AQL Medical Sdn Bhd the aforesaid sum.

3.6 Moratorium

To further demonstrate their commitment to the Company, each of the Vendors has jointly and severally undertaken to the Company that he and/or his respective nominees shall not for a period of one (1) year from the Completion Date (or such longer period as may be imposed by the SGX-ST, if applicable) directly or indirectly transfer, sell, dispose, realise or Encumber any of the Consideration Shares held by them.

3.7 Source of funds

The Consideration as well as the estimated professional and other fees and expenses incurred or to be incurred in connection with the Proposed Transactions will be financed with the internal funds and revenue of the Group. As at 31 December 2020, the cash balance of the Company and the Group were S\$9.32 million and S\$17.25 million respectively.

The Proposed Transactions will not adversely affect the Group's operations.

LETTER TO SHAREHOLDERS

3.8 Conditions Precedent

Completion under the Sale and Purchase Agreement is conditional upon certain conditions precedent having been satisfied (or waived by the Purchaser), including but not limited to the following:

- (a) the completion of legal and financial due diligence investigations on PGSB by the Purchaser and its advisors, and the results of such investigations being reasonably satisfactory to the Purchaser in its sole and absolute discretion;
- (b) all consents, approvals, actions or filings or giving of notices to, any Governmental Agency or any other person required in connection with the transactions contemplated in the Sale and Purchase Agreement or the entry into and completion of the Sale and Purchase Agreement being obtained or made (as the case may be) without any restriction or limitation which is unacceptable to the Purchaser (in the Purchaser's reasonable opinion), in full force and effect, and not withdrawn, suspended, amended or revoked, and if granted or obtained subject to any conditions, and where such condition(s) affect any of the parties to the Sale and Purchase Agreement, such condition(s) being acceptable to the party concerned and if such condition(s) are required to be fulfilled before Completion, such condition(s) being fulfilled before Completion, and the Purchaser being furnished with evidence satisfactory to it of the same, in particular, and without limitation:
 - (i) the approval of the board of directors of PGSB for the sale of the Sale Shares from the Vendors to the Purchaser having been obtained;
 - (ii) the approval of the board of directors of the Purchaser in respect of the transactions contemplated in the Sale and Purchase Agreement upon the terms and conditions set out in the Sale and Purchase Agreement having been obtained;
 - (iii) the approval of the Board of Directors of the Company and of its Shareholders in a general meeting in respect of the transactions contemplated in the Sale and Purchase Agreement upon the terms and conditions set out in the Sale and Purchase Agreement having been obtained;
 - (iv) if necessary, approval being granted by the SGX-ST (the "**SGX Approval**") for the Proposed Acquisition, such approval not having been revoked or amended and if the approval is granted subject to conditions, such conditions being reasonably acceptable to the Parties and, if any such condition shall be required to be fulfilled on or before Completion, such condition being fulfilled on or before Completion to the satisfaction of the SGX-ST unless otherwise waived by the SGX-ST;
 - (v) approval-in-principle being granted by the SGX-ST (the "**Approval In-Principle**") for, *inter alia*, the listing and quotation of the Consideration Shares on the Mainboard of the SGX-ST, such approval not having been revoked or amended and if the approval is granted subject to conditions, such conditions being reasonably acceptable to the Parties and, if any such condition is required to be fulfilled on or before Completion, such condition being fulfilled on or before Completion to the satisfaction of the SGX-ST unless otherwise waived by the SGX-ST, and the SGX-ST not having made any ruling the effect of which is to restrict or impede the listing of and quotation for the Consideration Shares; and
 - (vi) all waivers, consents and other documents as may be required to enable the Purchaser to be registered as holder of all of the Sale Shares and give full effect to the transactions contemplated in the Sale and Purchase Agreement having been obtained;
- (c) termination of the Shareholders' Agreement on such terms satisfactory to the Company (including such waivers and/or releases as the Company may require), and the Company being furnished with documentary evidence satisfactory to it of such termination;

LETTER TO SHAREHOLDERS

- (d) all Vendor Warranties being complied with, and being true, accurate and correct as at the date of the Sale and Purchase Agreement and the Completion Date, as if repeated at Completion and at all times between the date of the Sale and Purchase Agreement and Completion;
- (e) the Vendors having performed all of the covenants and agreements required to be performed or caused to be performed by them under the Sale and Purchase Agreement on or prior to the Completion Date;
- (f) the execution and performance of the Sale and Purchase Agreement by the Parties not being prohibited, restricted, curtailed, hindered, impaired or otherwise adversely affected by any relevant statute, order, rule, directive or regulation promulgated by any legislative, executive or regulatory body or authority;
- (g) there being no material adverse change in the prospects, operations, assets, business, results, profits or condition (financial or otherwise) of PGSB occurring on or prior to the Completion Date;
- (h) the Company being continually listed on the Mainboard of the SGX-ST, unless the Vendors otherwise agree in writing;
- (i) PGSB lodging the necessary filings with the Companies Commission of Malaysia in respect of its members' resolution passed on 28 December 2020 relating to the allotment of shares;
- (j) PGSB obtaining the necessary outstanding licence from the LGM required for PGSB to buy and store rubber for the manufacture of rubber products;
- (k) the CF/CCC Certificate in respect of the PGSB Plant being obtained;
- (l) PGSB obtaining a Fire Certificate in respect of the PGSB Plant;
- (m) PGSB being issued with a valid MITI Licence in respect of its manufacturing activities;
- (n) PGSB being issued with a valid business licence by the Majlis Daerah Batu Gajah;
- (o) the issuance of a new document of title for the PGSB Land by the District and Land Office Kinta for the change of express condition under the title to such conditions that allow PGSB to use the PGSB Land for the PGSB Business; and
- (p) PGSB entering into a supplemental letter of employment with its employees to provide the employees with their statutorily entitled leave under the Employment Act 1955 of Malaysia.

3.9 Completion Date

Completion of the Proposed Acquisition shall take place on the date falling seven (7) business days after the Conditions Precedent have been fulfilled or waived, or such other date as the parties to the Sale and Purchase Agreement may mutually agree but in any event, being not later than the Long-Stop Date.

3.10 Long-Stop Date

In the event that any of the Conditions Precedent is not fulfilled or waived by the Purchaser on or prior to 31 December 2021 (or such other date as the Purchaser and the Vendors may mutually agree in writing) (the "**Long-Stop Date**"), the Sale and Purchase Agreement (other than the provisions of the Sale and Purchase Agreement which are expressed to survive termination of the Sale and Purchase Agreement) shall *ipso facto* terminate with effect from the Long-Stop Date (or such other date as the parties to the Sale and Purchase Agreement mutually determine in writing).

LETTER TO SHAREHOLDERS

3.11 Non-competition and non-solicitation covenants

Under the terms of the Sale and Purchase Agreement, each of the Vendors undertakes that he shall not, for a period of four (4) years commencing from the Completion Date, directly or indirectly:

- (a) persuade or attempt to persuade any employee of PGSB, or any individual who was an employee during the period from the date of incorporation of PGSB up to the Completion Date, to leave the employ of PGSB, or to become employed by any person other than PGSB;
- (b) solicit or attempt to solicit any person, firm, partnership, company, corporation, association, organisation or trust (in each case whether or not having a separate legal personality) who is or has been a customer of PGSB at any time during the period from the date of incorporation of PGSB up to the Completion Date for the purpose of offering to such customer goods or services similar to or competing with those of the business of PGSB;
- (c) either solely or jointly with or on behalf of any other person, firm or partnership, company, corporation, sole proprietorship, association, organisation or trust (in each case whether or not having a separate legal personality) be engaged or attempt to engage or interested in any business in Singapore or Malaysia which is similar to or in competition with the business of PGSB;
- (d) act, or nominate any person to act (as the case may be), as director or (except with the prior written consent of the Company), manager, sales, promotion or marketing agent or consultant or otherwise of any other person, firm or partnership, company corporation, association, organisation or trust (in each case whether or not having a separate legal personality) engaging directly or indirectly in any business in Singapore or Malaysia which is in competition with the business of PGSB;
- (e) be employed, engaged or interested in any capacity in any other business, trade or occupation within Singapore or Malaysia that is in competition, whether directly or indirectly, with the business of PGSB; or
- (f) cause or permit any person or company under their control or in which he has any beneficial interests to do any of the foregoing acts or things.

3.12 Service Agreements entered into between the Vendors and PGSB

Pursuant to the Sale and Purchase Agreement, the Vendors further jointly and severally undertake to the Purchaser that on or prior to Completion, they shall enter into four (4)-year service agreements with PGSB (the “**Service Agreements**”), commencing from Completion Date and on such terms that may be mutually agreed between them and the Purchaser and that are at least equivalent to the Vendors’ latest service agreements with PGSB, provided always that any notice of termination of the Service Agreements shall be at least six (6) months. In the event that the Vendors resign from PGSB, the Company will have expertise in managing and operating PGSB, as Mr. Adrian Toh, the Chief Investment Officer of the Company, sits on the board of PGSB and is involved in the day-to-day management of PGSB. While the Vendors are involved in the technical aspects of PGSB’s operations, there are technical personnel who are also responsible for the operations, and the Company’s view is that generally, these technical personnel can operate independently of the Vendors. Additional management personnel may also be hired where necessary.

3.13 Governing law and jurisdiction

The Sale and Purchase Agreement is governed by and construed in all respects in accordance with the laws of Malaysia. The Parties irrevocably agree to submit to the non-exclusive jurisdiction of the courts of Malaysia in all matters arising in connection with the Sale and Purchase Agreement.

LETTER TO SHAREHOLDERS

4. RATIONALE FOR THE PROPOSED TRANSACTIONS

On 18 May 2021, the Company obtained Shareholders' approval for the Company's diversification into the Healthcare Products Business (the "**Diversification Mandate**"). The Proposed Acquisition is in line with the diversification of the Group's business into the Healthcare Products Business. Through the Proposed Acquisition, the Group will accelerate the growth of its Healthcare Product Business from the receipt of additional and recurrent revenue streams and existing orders of PGSB. The Board believes that the Proposed Acquisition has the potential to enhance shareholders' value in the Company and contribute positively to the growth, financial position and long-term prospects of the Group.

The partial satisfaction of the Consideration by way of the allotment and issuance of the Consideration Shares will also reduce the cash outlay to be incurred by the Purchaser in relation to the Proposed Acquisition, thereby allowing the Group to conserve its cash to be utilised for other purposes such as its working capital and for other investment opportunities. As new Shareholders, the interests of the Vendors will also be aligned to that of the Group's.

To safeguard the interests of the Company and the Shareholders, the balance 37.5% of the Consideration (i.e. S\$17,550,000) will be paid to the Vendors based on the proportion of the NPAT of PGSB attained for each financial year under the Profit Guarantee Period against the total Profit Guarantee, as illustrated by the formula in Section 3.3(b)(i) of this Circular. Additionally, as elaborated in Section 3.4 of this Circular, LSW has given the NLAT Undertaking to the Purchaser that he shall compensate PGSB for PGSB's NLAT in any of the financial years during the Profit Guarantee Period.

In view of the above, the Board is of the view that the Proposed Transactions are in the best interests of the Company and the Shareholders.

5. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

The *pro forma* financial effects of the Proposed Acquisition on the Group as set out below are purely for illustrative purposes only and should not be taken as an indication of the actual financial performance or position of the Group following the Completion.

Based on the Group's audited consolidated financial statements for FY2020, the *pro forma* financial effects of the Proposed Acquisition are as follows:

5.1 Effect on NTA per Share

For illustrative purposes only, had the Proposed Acquisition been completed on 31 December 2020 and based on the audited consolidated financial statements of the Group for FY2020, the Proposed Acquisition would have had the following impact on the NTA per Share of the Company:

- (i) NTA computed based on the FY2020 financial results of the Group and PGSB, and the waiver of the LSW Shareholder's Loan

| | Before the Proposed Acquisition | After the Proposed Acquisition |
|---|---------------------------------|--------------------------------|
| NTA ⁽¹⁾ (S\$) | 51,994,000 | 30,189,000 |
| Number of issued Shares (excluding treasury shares) | 1,240,495,342 | 1,532,995,342 |
| NTA per Share (cents) | 4.19 | 1.97 |

LETTER TO SHAREHOLDERS

- (ii) NTA computed based on the FY2020 financial results of the Group and PGSB, adjusted to take into account the realisation of the Profit Guarantee, and the waiver of the LSW Shareholder's Loan

| | Before the Proposed Acquisition | After the Proposed Acquisition |
|---|--|---------------------------------------|
| NTA ⁽¹⁾ (S\$) | 51,994,000 | 53,589,000 |
| Number of issued Shares (excluding treasury shares) | 1,240,495,342 | 1,532,995,342 |
| NTA per Share (cents) | 4.19 | 3.50 |

Note:

- (1) NTA is based on the net asset value of the Group less intangible assets and goodwill.

5.2 Effect on EPS

For illustrative purposes only, had the Proposed Acquisition been completed on 1 January 2020 and based on the audited consolidated financial statements of the Company for FY2020, the Proposed Acquisition would have had the following impact on the EPS of the Company:

- (i) EPS computed based on the FY2020 financial results of the Group and PGSB

| | Before the Proposed Acquisition | After the Proposed Acquisition |
|--|--|---------------------------------------|
| Net profit/(loss) ⁽¹⁾ (S\$) | (619,000) | (1,108,000) |
| Weighted average number of Shares | 1,038,830,139 | 1,532,995,342 |
| EPS (cents) | (0.06) | (0.07) ⁽³⁾ |

- (ii) EPS computed based on the FY2020 financial results of the Group and PGSB, adjusted to take into account the realisation of the Profit Guarantee

| | Before the Proposed Acquisition | After the Proposed Acquisition |
|--|--|---------------------------------------|
| Net profit/(loss) ⁽¹⁾ (S\$) | (619,000) | 29,681,000 ⁽²⁾ |
| Weighted average number of Shares | 1,038,830,139 | 1,532,995,342 |
| EPS (cents) | (0.06) | 1.94 ⁽³⁾ |

Notes:

- (1) Net profits means profit or loss including discontinued operations that have not been disposed and before income tax and non-controlling interests.
- (2) This is calculated on the assumption that the Initial Investment had been completed on 1 January 2020, and includes the net loss of PGSB before income tax and non-controlling interests for the period of 3 months ended 31 December 2020 (since the incorporation of PGSB) of approximately S\$34,000 and the Profit Guarantee before income tax after deducting the acquisition related transaction costs of approximately S\$30,334,000.
- (3) This is calculated based on the total number of issued shares of 1,532,995,342 Shares, assuming that the Proposed Acquisition had been completed on 1 January 2020.

LETTER TO SHAREHOLDERS

6. RELATIVE FIGURES COMPUTED PURSUANT TO RULE 1006 OF THE LISTING MANUAL

Based on the latest announced consolidated accounts of the Group, being the unaudited financial statements for the period of 6 months ended 30 June 2021, the relative figures in relation to the Proposed Acquisition computed on the applicable bases set out in Rule 1006 of the Listing Manual are as follows:

| Listing Rule | Bases of computation | Relative figures (%) | | |
|--------------|---|-------------------------------|--|---|
| | | For the Initial Investment | For the Proposed Acquisition of the 75% shareholding in PGSB | For the Initial Investment and the Proposed Acquisition of the 75% shareholding in PGSB |
| Rule 1006(a) | NAV ⁽¹⁾ of the assets to be disposed of, compared with the Group's NAV. | Not applicable ⁽²⁾ | Not applicable ⁽²⁾ | Not applicable ⁽²⁾ |
| Rule 1006(b) | Net losses attributable to the Sale Shares ⁽³⁾ , compared with the Group's net profits. ⁽⁴⁾ | (1.78) | (5.35) | (7.13) |
| Rule 1006(c) | Aggregate value of the consideration given for the Sale Shares, compared with the Company's market capitalisation. ⁽⁵⁾⁽⁶⁾ | 5.45 ⁽⁷⁾ | 46.89 ⁽⁸⁾ | 52.34 |
| Rule 1006(d) | Number of equity securities issued by the Company as consideration for the Proposed Acquisition, compared with the number of equity securities previously in issue. | N/A | 23.58 | 23.58 |
| Rule 1006(e) | The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil and gas assets by a mineral, oil and gas company, but not to an acquisition of such assets. | Not applicable ⁽⁹⁾ | Not applicable ⁽⁹⁾ | Not applicable ⁽⁹⁾ |

Notes:

- (1) Under Rule 1002(3)(a) of the Listing Manual, "net assets" means total assets less total liabilities.
- (2) This basis is not applicable as the proposed transaction is an acquisition and not a disposal.
- (3) The net losses attributable to the Sale Shares is based on PGSB's unaudited income statement for the period of 6 months ended 30 June 2021.
- (4) Under Rule 1002(3)(b) of the Listing Manual, "net profits" means profit or loss including discontinued operations that have not been disposed and before income tax and non-controlling interests. The Company has based the calculations on the net losses before income tax and non-controlling interests attributable to PGSB for the period of 6 months ended 30 June 2021. The Group incurred a net profit of S\$1,738,000 for the period of 6 months ended 30 June 2021.
- (5) Pursuant to Rule 1003(3) of the Listing Manual, where the consideration is in the form of shares, the value of the consideration shall be determined by reference either to the market value of such shares or the NAV represented by such shares, whichever is the higher. In this instance, the (i) market value of the 292,500,000 Consideration Shares is S\$24,570,000, based on the VWAP of S\$0.084 on 2 August 2021, being the last full day of trading of the Shares on the SGX-ST prior to the trading halt on the Shares which was called before the start of trading on 3 August 2021; and (ii) based on the latest announced unaudited financial statements of the Company on 6 August 2021, the NAV represented by such Shares as at 30 June 2021 is approximately S\$10,264,000. The relative figure in relation to Rule 1006(c) of the Listing Manual was therefore computed based on the market value attributable to the Consideration Shares of approximately S\$24,570,000.
- (6) In accordance with paragraph 3.2(b)(iii) of Practice Note 10.1 of the Listing Manual, in computing the aggregate value of consideration given or received under Listing Rule 1006(c), any additional liabilities (whether actual or contingent) to be assumed by the purchaser or waived by the seller under the terms of the transaction shall be included in computing the aggregate value of consideration. Under the Sale and Purchase Agreement, on and subject to Completion, the sum owing by PGSB to LSW and LSW's related company, AQL Medical Sdn Bhd under the

LETTER TO SHAREHOLDERS

LSW Shareholder's Loan shall be waived absolutely by LSW and AQL Medical Sdn Bhd, and PGSB shall be discharged absolutely from paying to LSW and AQL Medical Sdn Bhd the aforesaid sum. In this instance, in computing the "aggregate value of consideration" under Listing Rule 1006(c), the amount of the LSW Shareholder's Loan is aggregated with the Consideration of S\$46,800,000.

- (7) Under Rule 1002(5) of the Listing Manual, "market capitalisation" of the Company is determined by multiplying the 1,240,495,342 Shares in issue (excluding treasury shares and subsidiary holdings) by the VWAP of S\$0.0977 of such Shares transacted on 11 January 2021, being the last full Market Day on which the Shares were traded immediately preceding the date of the subscription and loan agreement for the Initial Investment (12 January 2021).
- (8) Under Rule 1002(5) of the Listing Manual, "market capitalisation" of the Company is determined by multiplying the 1,240,495,342 Shares in issue (excluding treasury shares and subsidiary holdings) by the VWAP of S\$0.084 of such Shares transacted on 2 August 2021, being the full Market Day immediately preceding the date of the Sale and Purchase Agreement.
- (9) This basis is not applicable as it only applies to a disposal of mineral, oil and gas assets by a mineral, oil and gas company, but the Company is not a mineral, oil and gas company. Furthermore, the proposed transaction is an acquisition and not a disposal.

As the relative figures computed under Rules 1006(c) and 1006(d) of the Listing Manual exceed 20% (but do not exceed 100%), the Proposed Acquisition constitutes a "major transaction" for the purposes of Chapter 10 of the Listing Manual, and is therefore subject to Shareholders' approval in a general meeting.

7. CONSIDERATION SHARES

(a) Rule 803 of the Listing Manual

Rule 803 of the Listing Manual provides that an issuer must not issue securities to transfer a Controlling Interest without prior approval of its shareholders in general meeting. Based on the Issue Price, the number of Consideration Shares to be issued to the Vendors is 292,500,000 Shares in the Company, representing approximately 23.58% of the existing issued and paid-up share capital of the Company of 1,240,495,342 Shares as at the Latest Practicable Date and will represent approximately 19.08% of the enlarged issued and paid-up share capital of the Company of 1,532,995,342 Shares on the Completion Date, assuming that no further shares in the capital of the Company are issued prior thereto. Upon Completion and subsequent to the issuance of the Consideration Shares, assuming the Company does not otherwise issue any new Shares from the Latest Practicable Date up to Completion, LSW will become a Controlling Shareholder of the Company, as he will hold 283,725,000 Shares, representing approximately 22.87% of the issued Shares of the Company as at the date of the Sale and Purchase Agreement and which shall represent approximately 18.51% of the enlarged issued share capital of the Company on the Completion Date.

As the Proposed Transfer of Controlling Interest will result in LSW's aggregate voting rights crossing 15.0% in the enlarged share capital of the Company, specific approval of the Shareholders for the Proposed Transfer of Controlling Interest is required under Listing Rule 803.

The Ordinary Resolution to seek Shareholders' approval for the Proposed Transfer of Controlling Interest is set out as Ordinary Resolution 3.

Notwithstanding that LSW will hold a Controlling Interest in the Company after the Proposed Acquisition, the Proposed Acquisition will not result in a change in control of the Company, as LSW will not have the capacity to dominate decision-making, directly or indirectly, in relation to the financial and operating policies of the Company. Further, there will be no change to the Company's Board or management as a result of the Proposed Acquisition. Hence, the Proposed Acquisition does not amount to a reverse takeover under Chapter 10 of the Listing Manual.

As at the Latest Practicable Date, prior to the Proposed Issuance of Consideration Shares and the Proposed Transfer of Controlling Interest to LSW, the public float of the Company is approximately 52.78%. Following the Proposed Issuance of Consideration Shares and the Proposed Transfer of Controlling Interest, the public float of the Company will be approximately 42.71% (calculated based on figures available as at the Latest Practicable Date).

LETTER TO SHAREHOLDERS

(b) Companies Act and Rule 805 of the Listing Manual

As provided in Section 3.3 of this Circular, the Proposed Acquisition contemplates, *inter alia*, the allotment and issuance of 292,500,000 Consideration Shares to the Vendors.

Section 161 of the Companies Act provides that notwithstanding anything in a company's constitution, the directors shall not, without the prior approval of the company in general meeting, exercise any power of the company to issue shares. Further, Rule 805 of the Listing Manual provides, among others, that an issuer must obtain the prior approval of shareholders in general meeting for the issue of shares or convertible securities or the grant of options carrying rights to subscribe for shares of the issuer, unless the issue of shares or convertible securities or the grant of options carrying rights to subscribe for shares of the issuer is made pursuant to a general mandate previously obtained from shareholders of the issuer at a general meeting as provided in Rule 806 of the Listing Manual.

The issue and allotment of the Consideration Shares will be made pursuant to a specific mandate and the Company is seeking specific Shareholder's approval for the issue and allotment of the Consideration Shares in accordance with Rule 805 of the Listing Manual. Therefore, the Company will not be relying on the general mandate previously obtained from Shareholders at the annual general meeting of the Company held on 28 April 2021 for the issue and allotment of the Consideration Shares.

Following the issuance of the Consideration Shares, the Company's issued and paid-up share capital will increase from 1,240,495,342 Shares (excluding treasury shares and subsidiary holdings) as at the Latest Practicable Date to 1,532,995,342 Shares (excluding treasury shares and subsidiary holdings). The 292,500,000 Consideration Shares to be issued to the Vendors on Completion represents approximately 23.58% of the existing issued and paid-up share capital of the Company as at the Latest Practicable Date and approximately 19.08% of the enlarged issued and paid-up share capital of the Company. Upon the allotment and issuance of all Consideration Shares, LSW will become a Controlling Shareholder of the Company.

The Consideration Shares, when allotted and issued, shall be credited as fully paid-up and shall rank in full for all entitlements, including dividends or other distributions declared or recommended in respect of the then existing issued ordinary shares of the Company, the record date for which falls on or after the Completion Date, and in all other respects shall rank *pari passu* with the existing issued ordinary shares of the Company then in issue.

(c) Additional listing application

The Company made an application to the SGX-ST for the listing and quotation of the Consideration Shares on the Mainboard of the SGX-ST and received the in-principle approval and the Listing and Quotation Notice ("**LQN**") for the listing and quotation of the Consideration Shares from the SGX-ST on 5 October 2021.

The SGX-ST's in-principle approval is subject to, amongst others, the following conditions:

- (i) compliance with the Exchange's listing requirements; and
- (ii) shareholders' approval being obtained for the Proposed Acquisition, the Proposed Issuance of Consideration Shares and the Proposed Transfer of Controlling Interest.

The LQN granted by the SGX-ST is not to be taken as an indication of the merits of the Consideration Shares, the Proposed Acquisition, the Company, its subsidiaries and their securities.

A separate announcement will be released by the Company upon the allotment and issuance of the Consideration Shares on the completion of the Proposed Acquisition.

LETTER TO SHAREHOLDERS

8. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

As at the Latest Practicable Date, the Company has an existing issued and paid-up share capital of 1,240,495,342 Shares. The interests of Directors and Substantial Shareholders in the Shares of the Company, as at the Latest Practicable Date, are as follows:

| | No. of shares registered in the name of the Substantial Shareholders | No. of shares held by the Substantial Shareholders in the name of nominees | No. of shares in which Substantial Shareholders are deemed to be interested | Total Number of Shares | Percentage of Issued Shares (%) |
|--|--|--|---|------------------------|---------------------------------|
| Directors | | | | | |
| Ng Ah Hua | 425,398,264 | – | 5,480,000 | 430,878,264 | 34.73 |
| Tan Kok Hiang | 2,216,666 | – | – | 2,216,666 | 0.18 |
| Samuel Poon Hon Thang | 923,333 | – | – | 923,333 | 0.07 |
| Lai Huen Poh | 2,961,666 | – | 719,442 | 3,681,108 | 0.30 |
| Substantial Shareholders (other than Directors) | | | | | |
| Seow Bao Shuen | 82,838,025 | 65,000,000 ⁽¹⁾ | – | 147,838,025 | 11.92 |

Note:

(1) This represents Ms. Seow Bao Shuen's direct interest of 65,000,000 shares held in the name of Citibank Nominees Singapore Pte Ltd.

As at the Latest Practicable Date, none of the Directors or the Controlling Shareholders have any direct or indirect interest in the Proposed Acquisition, other than through their respective directorships and shareholding interests in the Company (if any).

The interests of Directors and Substantial Shareholders in the Shares of the Company, immediately after the completion of the Proposed Transactions and assuming that the Consideration Shares have been fully allotted and issued to the Vendors, are as follows⁽¹⁾:

| | No. of shares registered in the name of the Substantial Shareholders | No. of shares held by the Substantial Shareholders in the name of nominees | No. of shares in which Substantial Shareholders are deemed to be interested | Total Number of Shares ⁽²⁾ | Percentage of Issued Shares (%) ⁽²⁾ |
|--|--|--|---|---------------------------------------|--|
| Directors | | | | | |
| Ng Ah Hua | 425,398,264 | – | 5,480,000 | 430,878,264 | 28.11 |
| Tan Kok Hiang | 2,216,666 | – | – | 2,216,666 | 0.14 |
| Samuel Poon Hon Thang | 923,333 | – | – | 923,333 | 0.06 |
| Lai Huen Poh | 2,961,666 | – | 719,442 | 3,681,108 | 0.24 |
| Substantial Shareholders (other than Directors) | | | | | |
| Seow Bao Shuen | 82,838,025 | 65,000,000 ⁽¹⁾ | – | 147,838,025 | 9.64 |
| Law Siau Woei | 283,725,000 | – | – | 283,725,000 | 18.51 |

LETTER TO SHAREHOLDERS

Notes:

- (1) This represents Ms. Seow Bao Shuen's direct interest of 65,000,000 shares held in the name of Citibank Nominees Singapore Pte Ltd.
- (2) This assumes that there is no change in the share capital of the Company after the Latest Practicable Date save for the allotment and issuance of the Consideration Shares to the Vendors, and that the Directors and Substantial Shareholders do not dispose of or acquire any additional Shares after the Latest Practicable Date and up until the date of the allotment and issuance of the Consideration Shares to the Vendors.

9. DETAILS OF ANY DIRECTORS' SERVICE AGREEMENT(S)

There will be no person(s) proposed to be appointed as director(s) of the Company in connection with the Proposed Acquisition and accordingly, there will be no service agreements to be entered into between the Company and any person in connection with the Proposed Acquisition. Please refer to Section 3.12 of this Circular in relation to the Service Agreements to be entered into by each of the Vendors with PGSB commencing from the Completion Date.

10. DIRECTORS' RECOMMENDATIONS

Having fully considered, amongst other things, the terms of and rationale for the Proposed Transactions, the Directors are of the opinion that the Proposed Transactions are in the best interests of the Company. Accordingly, the Directors recommend that the Shareholders vote in favour of the Proposed Transactions set out in the Notice of EGM.

11. EXTRAORDINARY GENERAL MEETING

The EGM, notice of which is set out on pages N-1 to N-6 of this Circular, will be held by electronic means (via "live" webcast and audio only means) in accordance with the Alternative Arrangements Order on 26 October 2021 at 10.30 a.m. for the purpose of considering and, if thought fit, passing, with or without any modification, the Proposed Transactions set out in the Notice of EGM.

12. ACTION TO BE TAKEN BY SHAREHOLDERS

In line with the Alternative Arrangements Order, the Company has put in place alternative arrangements relating to attendance at the EGM via electronic means (including arrangements by which the meeting can be electronically accessed via "live" audio-visual webcast or "live" audio-only stream), submission of questions to the Chairman of the EGM in advance of the EGM, addressing of substantial and relevant questions before or at the EGM and voting by appointing the Chairman of the EGM as proxy at the EGM, are set out in the Notice of EGM dated 11 October 2021 which has been uploaded on SGXNet at <https://www.sgx.com/securities/company-announcements> on the same day as this Circular. The announcement and Notice of EGM may also be assessed at the Company's corporate website at <http://www.enviro-hub.com/>.

(a) Pre-Registration

Shareholders who wish to attend the EGM via "live" audio-visual webcast or "live" audio-only stream, must pre-register by providing their full names, email address, NRIC / passport number / company registration number and address to info@enviro-hub.com by **10.30 a.m. on 24 October 2021** (the "**Registration Cut-Off Date**") to enable the Company to verify their status as Shareholders.

Following the verification, authenticated Shareholders will receive a confirmation email by **25 October 2021**. The email will contain login credentials and instructions to access the "live" audio-visual webcast or audio-only of the EGM proceedings. Shareholders who do not receive an email by **5.00 p.m. on 25 October 2021** but have registered by **10.30 a.m. on 24 October 2021**, should contact the Company at the following email address: info@enviro-hub.com.

LETTER TO SHAREHOLDERS

Shareholders must not forward the abovementioned email instructions to any other persons who are not members and who are not entitled to attend the EGM. This is also to avoid any technical disruptions or overload to the “live” webcast.

(b) Submitting questions in advance of the EGM

Shareholders will not be able to ask questions during the “live” audio-visual webcast of the EGM proceedings. Therefore, it is important for Shareholders to pre-register and submit their questions in advance of the EGM, in the following manner: –

- i. **via email**, to: info@enviro-hub.com; or
- ii. **via post**, to the Company’s registered address at 3 Gul Crescent, Singapore 629519.

All questions must be submitted **by no later than 10.30 a.m. on 22 October 2021** to the Company.

For the purpose of verification, when submitting any questions via email, members **MUST** provide the Company with their particulars (comprising full name (for individuals) / company name (for corporations), email address, contact number, NRIC / passport number / company registration number, shareholding type and number of shares held).

The Company will endeavor to address the substantial queries from members prior to the EGM and upload the Company’s responses on the SGXNet. Where substantial and relevant questions submitted by members are unable to be addressed prior to the EGM, the Company will address them at the EGM. The minutes of the EGM, including responses to substantial queries from the members which are addressed during the EGM, shall thereafter be published on SGXNet at <https://www.sgx.com/securities/company-announcements> and the Company’s corporate website at <http://www.enviro-hub.com/>, within one (1) month from the date of the EGM.

Investors who hold shares through relevant intermediaries as defined in section 181 of the Companies Act, including SRS Investors, can submit their questions in relation to any resolution set out in the Notice of EGM upon pre-registration, however, they should, in addition to pre-registering, approach their respective agents **at least seven (7) working days before the EGM**, so that the necessary arrangements can be made by the relevant agents for their participation in the EGM.

(c) Submission of Proxy Form

Shareholders will only be able to vote at the EGM by appointing the Chairman of the EGM as proxy to vote on their behalf. Shareholders (other than CDP) holding Shares who wish to vote, should complete, sign and return the Shareholder Proxy Form attached to the Notice of EGM in accordance with the instructions printed therein as soon as possible and, must appoint the Chairman of the EGM as their proxy by completing and submitting the duly completed Proxy Form to the Company in the following manner:–

- i. **via email**, to: info@enviro-hub.com; or
- ii. **via post**, to the Company’s registered address at 3 Gul Crescent, Singapore 629519,

in either case, **not less than forty-eight (48) hours** before the time for holding the EGM and at any adjournment thereof, **by 10.30 a.m. on 24 October 2021**.

In appointing the Chairman of the EGM as Proxy, a member (whether individual or corporate) must give specific instructions as to voting, or abstentions from voting in the Proxy Form, failing which the appointment will be treated as invalid.

LETTER TO SHAREHOLDERS

If the appointor is a corporate, the Proxy Form must be executed under seal or the hand of its duly authorised officer or attorney.

A member who wishes to submit an instrument of proxy by (i) and (ii) must first download the Proxy Form, which is available on SGXNet at the URL <https://www.sgx.com/securities/company-announcements> or the Company's corporate website at the URL <http://www.enviro-hub.com/>, complete and sign the Proxy Form, before submitting it by post to the address provided above, or scanning and sending it by email to the email address provided above.

In view of the current COVID-19 situation, members are strongly encouraged to submit completed Proxy Forms electronically by email.

Investors who hold shares through relevant intermediaries as defined in section 181 of the Companies Act, including SRS Investors, and wish to appoint the Chairman of the EGM as proxy, should approach their respective agents to submit their votes by **14 October 2021** in order to allow sufficient time for their respective relevant intermediaries to in turn submit a Proxy Form to appoint the Chairman of the EGM to vote on their behalf by **10.30 a.m. on 24 October 2021**.

The Company shall be entitled to reject the instrument appointing the Chairman of the EGM as proxy if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing the Chairman of the EGM as proxy (such as in the case the appointor submits more than one instrument of proxy).

A Depositor's name must appear on the Depository Register maintained by The Central Depository (Pte) Limited at least seventy-two (72) hours before the time fixed for holding the EGM in order for the Depositor to be entitled to vote on any or all of the resolution at the EGM by appointing the Chairman of the EGM as his/her proxy to do so on his/her behalf. In view of section 81SJ(4) of the SFA, a Depositor shall not be regarded as a shareholder of the Company entitled to attend the EGM and to speak and vote thereat unless his/her name appears in the Depository Register maintained by the CDP at least seventy-two (72) hours before the EGM. Any Shareholder who is holding his / her shares via the CDP but whose name is not registered with the CDP seventy-two (72) hours before the EGM will not be entitled to attend and vote at the EGM. Accordingly, even if such shareholder deposits his/her Proxy Form seventy-two (72) hours before the EGM, the Chairman of the EGM who is appointed as his/her proxy will not be entitled to vote on his / her behalf at the EGM.

In view of the current COVID-19 situation, members are strongly encouraged to submit completed Proxy Forms electronically via email.

13. ADVISERS

For the purposes of the Proposed Transactions, Shook Lin & Bok LLP has been appointed as its Singapore legal adviser to the Company in respect of the Proposed Transactions.

The Company has also engaged Azman Davidson & Co as its Malaysian legal adviser in respect of the Proposed Transactions.

Evolve Capital Advisory Private Limited has been appointed as the Company's financial adviser in respect of the Proposed Transactions.

LETTER TO SHAREHOLDERS

14. CONSENTS

- (a) Shook Lin & Bok LLP, named as the Singapore legal adviser to the Company in respect of the Proposed Transactions, has given and has not withdrawn its written consent to the issuance of this Circular with the inclusion of its name and all references thereto, in the form and context in which they appear in this Circular.
- (b) Azman Davidson & Co, named as the Malaysian legal adviser to the Company in respect of the Proposed Transactions, has given and has not withdrawn its written consent to the issuance of this Circular with the inclusion of its name and all references thereto, in the form and context in which they appear in this Circular.
- (c) KPMG LLP, as the Auditor, has given and has not withdrawn its written consent to the issuance of this Circular with the inclusion of its name, the statements in the Sections entitled “3. Material Terms and Conditions of the Proposed Acquisition – Profit Guarantee – Auditor’s confirmation” and “Appendix B – Auditor’s Report on the Profit Guarantee” of this Circular, and all references thereto in the form and context in which they are included in this Circular.
- (d) Evolve Capital Advisory Private Limited, named as the financial adviser to the Company in respect of the Proposed Transactions, has given and has not withdrawn its written consent to the issuance of this Circular with the inclusion of its name, the statements in the Sections entitled “3. Material Terms and Conditions of the Proposed Acquisition – Profit Guarantee – Statement from the Financial Adviser” and “Appendix C – Letter from Financial Adviser” of this Circular, and all references thereto, in the form and context in which they appear in this Circular.

15. DIRECTORS’ RESPONSIBILITY STATEMENT

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

16. FINANCIAL ADVISER’S RESPONSIBILITY STATEMENT

To the best of the Financial Adviser’s knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed Transactions, the Company and its subsidiaries, and the Financial Adviser is not aware of any facts the omission of which would make any statement in this Circular misleading.

LETTER TO SHAREHOLDERS

17. DOCUMENTS AVAILABLE FOR INSPECTION

Subject to prevailing regulations, orders, advisories and guidelines relating to safe distancing which may be issued by the relevant authorities, copies of the following documents are available for inspection at the current registered office of the Company at 3 Gul Crescent, Singapore 629519 during normal business hours from the date of this Circular for a period of three (3) months from the date of this Circular:

- (a) the Sale and Purchase Agreement;
- (b) the unaudited management accounts of PGSB for the period from 28 September 2020 to 30 June 2021 as set out in Appendix A of this Circular;
- (c) the Auditor's Report on the Profit Guarantee as set out in Appendix B of this Circular;
- (d) the Letter from the Financial Adviser as set out in Appendix C of this Circular; and
- (e) the letters of consent referred to in Section 14 of this Circular.

Shareholders who wish to inspect the documents at the registered office of the Company are required to send an email request to info@enviro-hub.com to make an appointment in advance. The Company will arrange a date when each Shareholder can come to the registered office to inspect accordingly. The inspection of documents will be arranged with each Shareholder to limit the number of people who are present at the registered office at any one point in time and such arrangements are subject to the prevailing regulations, orders, advisories and guidelines relating to safe distancing which may be implemented by the relevant authorities from time to time.

Yours faithfully

Raymond Ng Ah Hua
Executive Director / Chairman

For and on behalf of
the Board of Directors of
ENVIRO-HUB HOLDINGS LTD.

**APPENDIX A: MANAGEMENT ACCOUNTS OF PGSB
FOR THE PERIOD FROM 28 SEPTEMBER 2020 TO 30 JUNE 2021**

(1) STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

- (i) **Pre-acquisition – Before completion of acquisition of 25% stake in PGSB (i.e. the Initial Investment):**

| | Unaudited | |
|---------------------|--|--|
| | From date of incorporation to 31 December 2020 MYR | From 1 January 2021 to 31 January 2021 MYR |
| Revenue | – | 694,000 |
| Gross profit | (22,129) | 98,042 |
| NPBT | (103,965) | (2,472,809) |
| NPAT | (103,965) | (2,472,809) |

- (ii) **Post-acquisition – After completion of acquisition of 25% stake in PGSB (i.e. the Initial Investment):**

| | Unaudited |
|---------------------|--|
| | From 1 February 2021 to 30 June 2021 MYR |
| Revenue | 7,571,060 |
| Gross profit | 2,291,423 |
| NPBT | 2,088,232 |
| NPAT | 2,088,232 |

**APPENDIX A: MANAGEMENT ACCOUNTS OF PGSB
FOR THE PERIOD FROM 28 SEPTEMBER 2020 TO 30 JUNE 2021**

(2) STATEMENT OF FINANCIAL POSITION

- (i) Pre-acquisition – Before completion of acquisition of 25% stake in PGSB (i.e. the Initial Investment):

| | Unaudited | |
|--------------------------------|-------------------------------|------------------------------|
| | As at 31 December 2020 MYR | As at 31 January 2021 MYR |
| Non-Current Asset | | |
| Property, plant and equipment | 7,552,738 | 8,899,794 |
| | 7,552,738 | 8,899,794 |
| Current Asset | | |
| Inventories | 804,340 | 714,200 |
| Trade and other receivables | – | 500,000 |
| Cash and cash equivalents | 785,558 | 380,406 |
| | 1,589,898 | 1,594,606 |
| Total Asset | 9,142,636 | 10,494,400 |
| | | |
| Equity | | |
| Share capital | 1,500,000 | 2,000,000 |
| Retained earnings | (103,965) | (2,576,774) |
| | 1,396,035 | (576,774) |
| | | |
| Non-Current Liabilities | | |
| Shareholder's loan | 2,762,910 | 3,160,492 |
| | | |
| Current Liabilities | | |
| Trade and other payables | 4,983,691 | 7,910,682 |
| Provision for taxation | – | – |
| | 4,983,691 | 7,910,682 |
| Total Liabilities | 7,746,601 | 11,071,174 |

**APPENDIX A: MANAGEMENT ACCOUNTS OF PGSB
FOR THE PERIOD FROM 28 SEPTEMBER 2020 TO 30 JUNE 2021**

- (ii) Post-acquisition – After completion of acquisition of 25% stake in PGSB (i.e. the Initial Investment):

| | Unaudited |
|--------------------------------|---------------------------|
| | As at 30 June 2021 MYR |
| Non-Current Asset | |
| Property, plant and equipment | 19,770,315 |
| | 19,770,315 |
| Current Asset | |
| Inventories | 1,278,554 |
| Trade and other receivables | 3,334,475 |
| Cash and cash equivalents | 10,796,344 |
| | 15,409,373 |
| Total Asset | 35,179,688 |
| | |
| Equity | |
| Share capital | 2,000,000 |
| Retained earnings | (488,542) |
| | 1,511,458 |
| | |
| Non-Current Liabilities | |
| Shareholder's loan | 22,660,492 |
| | 22,660,492 |
| Current Liabilities | |
| Trade and other payables | 11,007,738 |
| Provision for taxation | - |
| | 11,007,738 |
| Total Liabilities | 33,668,230 |

APPENDIX B: AUDITOR'S REPORT ON THE PROFIT GUARANTEE



KPMG LLP
16 Raffles Quay #22-00
Hong Leong Building
Singapore 048581

Telephone +65 6213 3388
Fax +65 6225 0984
Internet kpmg.com.sg

The Board of Directors
Enviro-Hub Holdings Ltd.
3 Gul Crescent
SG 629519

Our ref OCY
Contact Ong Chai Yan
+65 6213 2516

Attention: Tan Lay Mai

11 October 2021

Dear Sirs

**Enviro-Hub Holdings Ltd. (“EHH” or “Company”)
Agreed-upon-procedures engagement on Profit Guarantee in connection with the circular for the proposed acquisition of 75% equity interest in Pastel Glove Sdn. Bhd.**

We have performed the procedures agreed with you in our letter of engagement dated 16 August 2021 and enumerated below with respect to the projected statements of comprehensive income of Pastel Glove Sdn. Bhd. (“Profit Guarantee”) for 1 January 2022 to 31 December 2024 prepared in conjunction to the Singapore Exchange Securities Trading Limited (the “SGX-ST”) Mainboard listing requirements on the circular for the proposed acquisition of 75% equity interest in Pastel Glove Sdn. Bhd. (“PGSB”).

Our engagement was undertaken in accordance with Singapore Standards on Related Services 4400 “Engagements to Perform Agreed-upon Procedures Regarding Financial Information”. The procedures which were agreed by the Board of Directors of the Company, were performed solely to assist you in evaluating whether the Profit Guarantee as set out in Appendix I are prepared on the basis consistent with the assumptions set out in the Appendix II and that of the accounting policies of the Company. The procedures are as follows:

1. Obtained from management the Profit Guarantee as set out in Appendix I.
2. Obtained from management a list of assumptions used in the preparation of the Profit Guarantee as set out in Appendix II.
3. Without verifying the reasonableness of the assumptions as set out in Appendix II, checked the arithmetic accuracy of Profit Guarantee including the application of assumptions in the computation of the Profit Guarantee as set out below:

(A) Revenue

- i) Recomputed “Estimated Net Revenue (USD)” in Appendix I by multiplying “Net Production (‘000)” to the “Average Price per Carton (USD)” in Appendix II.

(B) Costs

Costs of Production

- i) Recomputed “Estimated Cost of Production (USD)” in Appendix I by multiplying “Total Production Pieces (‘000)” to the “Average Cost per Carton (USD)” in Appendix II.

APPENDIX B: AUDITOR'S REPORT ON THE PROFIT GUARANTEE

Overhead Costs

- ii) Recomputed "Overhead Costs (MYR)" in Appendix II by summation of "Rental Expenses (MYR)", "Utilities Expenses (MYR)" and "Administration Expenses (MYR)" as set out in Appendix II.
- iii) Recomputed "Estimated Overhead Costs (USD)" in Appendix I by converting "Overhead Costs (MYR)" using the exchange rate set out in Appendix II.

Depreciation

- iv) Recomputed "Total Capital Expenditures (USD)" in Appendix II by converting "Total Capital Expenditures (MYR)" using the exchange rate in Appendix II.
- v) Recomputed "Estimated Depreciation Costs (USD)" in Appendix I by dividing "Total Capital Expenditures (USD)" by "Useful Life" in Appendix II and multiplying the resulting amount by 3 years.

(C) Tax Expense

- i) Recomputed "Tax 17% for on the first RM600,000 per annum" in Appendix II by multiplying USD428,571 by 17%.
- ii) Recomputed "EBITDA earned in excess" in Appendix II by subtracting USD428,571 from "Estimated EBITDA subtotal (USD)" in Appendix I.
- iii) Recomputed "Tax 24% on excess EBITDA" in Appendix II by multiplying "EBITDA earned in excess" in Appendix II by 24%.
- iv) Recomputed "Estimated Tax Payable (USD)" in Appendix I by summation of "Tax 17% for on the first RM600,000 per annum" and "Tax 24% on excess EBITDA" in Appendix II.

(D) Subtotals and Totals

- i) Recomputed the subtotals ("**Estimated EBITDA subtotal (USD)**" and "**Estimated PBT subtotal (USD)**") and totals ("**Estimated PAT (USD)**")

4. Performed the following procedures to check that the accounting policies on which the Profit Guarantee as set out in Appendix III were consistent with the accounting policies as set out in the Group's audited consolidated financial statements:

- i) Obtained and read the accounting policies as set out in Appendix III on which the Profit Guarantee was prepared for the years 2022 to 2024.
- ii) Compared the accounting policies in Appendix III to the accounting policies set out in the Group's audited consolidated financial statements for the financial year ended 31 December 2020, which were prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)").

APPENDIX B: AUDITOR'S REPORT ON THE PROFIT GUARANTEE

- iii) Identified and reported any inconsistencies, if any, between the two sets of accounting policies.
- iv) Where there were differences, obtained management's quantification on the impact of the difference.
- v) Checked mathematical calculation on management's quantification.

We report our findings below:

1. With respect to item 1 to 3, we found no exceptions as to the recomputation of the calculation of the Profit Guarantee.
2. With respect to item 4, we have read the accounting policies used in the preparation of the Profit Guarantee and compared with those policies used in the audited consolidated financial statements of EHH for the financial year ended 31 December 2020, and found them to be in agreement except for the following:
 - i) PGSB accounting policy for Leases were not consistent with that of EHH and Singapore Financial Reporting Standards (International)
 - ii) Had management adopted the policy for Leases in accordance with the Group's Policy and SFRS(I) based payment terms of its existing lease agreement the Profit before Tax for 1 January 2022 to 31 December 2024 would have been higher by USD 82,000.

The sufficiency of the agreed-upon procedures is solely the responsibility of the Company's management. Consequently, we make no representation regarding the sufficiency of the procedures enumerated in this report either for the purpose for which this report has been requested or for any other purpose. We also make no comments as to the Company's determination as to what constitutes the appropriate presentations, disclosures, explanations or causal relationship of the Profit Guarantee. The Board of Directors of the Company is responsible for the Profit Guarantee.

The above procedures do not constitute either an audit or a review made in accordance with Singapore Standards on Auditing or Singapore Standards on Review Engagements and, consequently, we do not express any assurance on the Profit Guarantee. Had we performed additional procedures or had we performed an audit or a review in accordance with Singapore Standards on Auditing or Singapore Standards on Review Engagements, other matters might have come to our attention that would have been reported to you.

The Profit Guarantee is intended to show a possible outcome based on the stated assumptions. As the length of the period covered by the Profit Guarantee extends over a period of 3 years, the assumptions used in the Profit Guarantee (which includes hypothetical assumptions about future events which may not necessarily occur) are necessarily more subjective than would be appropriate for a forecast.

Events and circumstances frequently do not occur as expected. Even if the events anticipated under the hypothetical assumptions described above occur, actual results are still likely to be different from the Profit Guarantee since events frequently do not occur as expected and the variation may be material. The actual results may therefore differ materially from those projected. For the reasons set out above, we do not express any opinion as to the possibility of achievement of the Profit Guarantee.

APPENDIX B: AUDITOR'S REPORT ON THE PROFIT GUARANTEE

Our report is solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose or to be distributed to any other parties. For this reason, it would be inappropriate for this report to be filed with or referred to (either in whole or in part) or otherwise quoted, circulated or used for any other purpose or to be distributed to any other parties, without prior written consent. We understand that a copy of our report will be distributed to the shareholders of the Company as an attachment to the circular to be issued to the shareholders. We accept no duty, responsibility or liability to any other party in connection with the report or this engagement. This report relates only to the information and items specified above and does not extend to any financial statements of the Company, taken as a whole.

Yours faithfully

KPMG LLP

*Public Accountants and
Chartered Accountants*

Enclosures:

Appendix I: Profit Guarantee

Appendix II: List of assumptions used in the preparation of the Profit Guarantee

Appendix III: PGSB Accounting Policy

APPENDIX B: AUDITOR'S REPORT ON THE PROFIT GUARANTEE

Appendix I

PROFIT GUARANTEE

1. The total revenue for the period from 1 January 2022 to 31 December 2024 is USD77,962,500 ("Estimated Net Revenue (USD)")
2. The total cost of production for the period from 1 January 2022 to 31 December 2024 is USD47,250,000 ("Estimated Cost of Production (USD)")
3. The total overhead costs for the period from 1 January 2022 to 31 December 2024 is USD1,457,143 ("Estimated Overhead Costs (USD)")
4. The Earnings Before Interest Tax and Depreciation subtotal for the period from 1 January 2022 to 31 December 2024 is USD29,255,357 ("Estimated EBITDA subtotal (USD)")
5. The total depreciation for the period from 1 January 2022 to 31 December 2024 is USD3,257,400 ("Estimated Depreciation Costs (USD)")
6. The Profit Before Tax subtotal for the period from 1 January 2022 to 31 December 2024 is USD25,997,957 ("Estimated PBT subtotal (USD)")
7. The total tax expense for the period from 1 January 2022 to 31 December 2024 is USD6,991,286 ("Estimated Tax Payable (USD)")
8. The total profit after tax for the period from 1 January 2022 to 31 December 2024 is USD19,006,671 ("Estimated PAT (USD)")

APPENDIX B: AUDITOR'S REPORT ON THE PROFIT GUARANTEE

Appendix II

KEY ASSUMPTIONS FOR THE PROFIT GUARANTEE

1. REVENUE

- a. The total production pieces ('000) for the period from 1 January 2022 to 31 December 2024 is 2,250,000 ("Total Production Pieces (000)")
- b. The total factoring defects ('000) for the period from 1 January 2022 to 31 December 2024 is 22,500 cartons
- c. The net production pieces ('000) for the period from 1 January 2022 to 31 December 2024 is 2,227,500 ("Net Production (000)")
- d. One carton will pack a thousand pieces of goods
- e. The average price per carton (USD) for the period from 1 January 2022 to 31 December 2024 is USD35.00 ("Average Price per Carton (USD)")

2. COST OF PRODUCTION

- a. The average price per carton (USD) for the period from 1 January 2022 to 31 December 2024 is USD21.00 ("Average Price per Carton (USD)")

3. OVERHEAD COSTS

- a. The total overheads costs comprise solely of rental, utilities and administration expenses
- b. The total overhead costs for the period from 1 January 2022 to 31 December 2024 is RM6,120,000 ("Overhead Costs (MYR)")
- c. The total rental expenses for the period from 1 January 2022 to 31 December 2024 is RM1,440,000 ("Rental Expenses (MYR)")
- d. The total utilities for the period from 1 January 2022 to 31 December 2024 is RM1,800,000 ("Utilities Expenses (MYR)")
- e. The total administration expenses for the period from 1 January 2022 to 31 December 2024 is RM2,880,000 ("Administration Expenses (MYR)")

4. DEPRECIATION

- a. The total accumulated costs of property, plant and equipment incurred as at 31 December 2021 is RM22,800,000 ("Total Capital Expenditures (MYR)")
- b. The total accumulated costs of property, plant and equipment incurred as at 31 December 2021 is USD5,429,000 ("Total Capital Expenditures (USD)")
- c. Useful life of the property, plant and equipment is 5 years ("Useful Life")

APPENDIX B: AUDITOR'S REPORT ON THE PROFIT GUARANTEE

5. TAX

- a. PGSB will qualify for the Malaysia corporate income tax rate applicable for resident company:
 - a. with paid-up capital of 2.5 million Malaysian ringgit (MYR) or less, and gross income from business of not more than MYR 50 million.¹
 - b. that does not control, directly or indirectly, another company that has paid-up capital of more than MYR 2.5 million, and
 - c. is not controlled, directly or indirectly, by another company that has paid-up capital of more than MYR 2.5 million.
- b. The EBITDA of USD29,255,357 are earned equally throughout the 3 years period from 1 January 2022 to 31 December 2024
- c. PGSB will not make any capital allowance claim for the period from 1 January 2022 to 31 December 2024
- d. The first RM1,800,000 (USD428,571) of EBITDA earned by PGSB over the 3 years period from 1 January 2022 to 31 December 2024 are subject to a tax rate of 17% amounting to a tax expense of USD72,857 ("Tax 17% on the first RM600,000 per annum")
- e. The EBITDA earned by PGSB in excess of RM1,800,000 (USD428,571) over the 3 years period from 1 January 2022 to 31 December 2024 is USD28,826,786 ("EBITDA earned in excess")
- f. EBITDA earned in excess are subject to a tax rate of 24% amounting to a tax expense of USD6,918,429 ("Tax 24% on excess EBITDA")

6. OTHERS

- a. Pastel Glove Sdn. Bhd. ("PGSB") will not incur any reinstatement costs in relation to its lease rental agreements.
- b. The USD/MYR exchange rate for the period from 1 January 2022 to 31 December 2024 is 4.2

¹ If the gross income from business exceeds MYR50 million, the first MYR600,000 taxable income may be subject to a 24% tax rate, which is about 7% higher than the staggered rate which was applied, resulting in additional tax of MYR42,000 per year.

The credits from the capital allowance to reduce tax expense has not been considered and these allowances are sufficient to cover the additional tax of MYR42,000 per year.

Furthermore, PGSB has applied for Investment Tax Allowance ("ITA"). In the event ITA is granted, PGSB will be exempted from corporate income tax for five years in Malaysia.

APPENDIX B: AUDITOR'S REPORT ON THE PROFIT GUARANTEE

APPENDIX III

Pastel Glove Sdn. Bhd.
Accounting policies
Period Ended 30 June 2021

1 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

1.1 Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting period are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are recognised in profit or loss.

1.2 Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes:

- the cost of materials and direct labour;
- any other costs directly attributable to bringing the assets to a working condition for their intended use;
- when the Company has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- capitalised borrowing costs.

APPENDIX B: AUDITOR'S REPORT ON THE PROFIT GUARANTEE

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

If parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment, unless it is included in the carrying amount of another asset. Property, plant and equipment under construction are not depreciated.

Depreciation is recognised from the date that the property, plant and equipment are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

The estimated useful lives for the current and comparative years are as follows:

| | |
|------------------------|---------------|
| Leasehold properties | 6 to 24 years |
| Plant and machinery | 3 to 20 years |
| Motor vehicles | 5 to 10 years |
| Furniture and fixtures | 3 to 10 years |
| Office equipment | 3 to 10 years |
| Renovations | 5 years |

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

1.3 Financial instruments

(i) Recognition and initial measurement

Non-derivative financial assets and financial liabilities

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

APPENDIX B: AUDITOR'S REPORT ON THE PROFIT GUARANTEE

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss ('FVTPL'), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) **Classification and subsequent measurement**

Non-derivative financial assets

On initial recognition, a financial asset is classified as amortised cost.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets: Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

APPENDIX B: AUDITOR'S REPORT ON THE PROFIT GUARANTEE

Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Non-derivative financial assets: Subsequent measurement and gains and losses

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Non-derivative financial liabilities: Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost.

Financial liabilities are initially measured at fair value less directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss.

APPENDIX B: AUDITOR'S REPORT ON THE PROFIT GUARANTEE

(iii) Derecognition

Financial assets

The Company derecognises a financial asset when:

- the contractual rights to the cash flows from the financial asset expire; or
- it transfers the rights to receive the contractual cash flows in a transaction in which either:
 - substantially all of the risks and rewards of ownership of the financial asset are transferred; or
 - the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Transferred assets are not derecognised when the Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(v) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

(vi) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

APPENDIX B: AUDITOR'S REPORT ON THE PROFIT GUARANTEE

1.4 Impairment

Non-derivative financial assets

The Company recognised loss allowances for expected credit losses ('ECLs') on the following financial assets:

- financial assets measured at amortised cost

Loss allowances of the Company are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Simplified approach

The Company applies the simplified approach to provide for ECLs for all trade receivables. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

General approach

The Company applied the general approach to provide for ECLs on all other financial instruments. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Company assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition loss allowance is measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligation to the Company in full, without recourse by the Company to actions such as realising security.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

APPENDIX B: AUDITOR'S REPORT ON THE PROFIT GUARANTEE

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concessions(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Presentation of allowance for ECLs in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of these assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its related cash generating unit ('CGU') exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The Company's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

APPENDIX B: AUDITOR'S REPORT ON THE PROFIT GUARANTEE

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated to reduce the carrying amounts of the assets in the CGU (group of CGUs) on a *pro rata* basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, as if no impairment loss had been recognised.

1.5 Inventories

Trading inventories, raw materials and consumables

Inventories comprises raw materials such as chemical and latex as well as the work-in-progress are measured at the lower of cost and net realisable value.

The cost of inventory items that are not ordinarily interchangeable is assigned by using specific identification of their individual costs and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition.

The cost of inventory items that are ordinarily interchangeable is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, conversion costs and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

1.6 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised in profit or loss in the periods during which related services are rendered by employees.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

1.7 Revenue

Goods and services sold

Revenue from sale of goods and services in the ordinary course of business is recognised when the Company satisfies a performance obligation (PO) by transferring control of a promised good or service to the customer. The amount of revenue recognised is the amount of the transaction price allocated to the satisfied PO.

APPENDIX B: AUDITOR'S REPORT ON THE PROFIT GUARANTEE

The transaction price is allocated to each PO in the contract on the basis of the relative stand-alone selling prices of the promised goods or services. The individual standalone selling price of a good or service that has not previously been sold on a stand-alone basis, or has a highly variable selling price, is determined based on the residual portion of the transaction price after allocating the transaction price to goods and/or services with observable stand-alone selling prices. A discount or variable consideration is allocated to one or more, but not all, of the performance obligations if it relates specifically to those POs.

Transaction price is the amount of consideration in the contract to which the Company expects to be entitled in exchange for transferring the promised goods or services. The transaction price may be fixed or variable and is adjusted for time value of money if the contract includes a significant financing component. Consideration payable to a customer is deducted from the transaction price if the Company does not receive a separate identifiable benefit from the customer. When consideration is variable, the estimated amount is included in the transaction price to the extent that it is highly probable that a significant reversal of the cumulative revenue will not occur when the uncertainty associated with the variable consideration is resolved.

No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Revenue is recognised at a point in time following the timing of satisfaction of the PO. Invoices are issued upon delivery of goods and are payable within 30 days.

1.8 Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

The Company has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets*.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable is the best estimate of the tax amount expected to be paid that reflects uncertainty related to income taxes, if any.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and
- temporary differences related to investments in subsidiaries and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future.

APPENDIX B: AUDITOR'S REPORT ON THE PROFIT GUARANTEE

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for the Company. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

1.9 Leases

When the Company is the lessee of an operating lease

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Determining whether an arrangement contains a lease

At inception of an arrangement, the Company determines whether such an arrangement is or contains a lease. This will be the case if the following two criteria are met:

- the fulfilment of the arrangement is dependent on the use of that specific asset or assets; and
- the arrangement contains a right to use the asset(s).

At inception or upon reassessment of the arrangement, the Company separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Company concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently, the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Company's incremental borrowing rate.

APPENDIX C: LETTER FROM FINANCIAL ADVISER



LETTER FROM EVOLVE CAPITAL ADVISORY PRIVATE LIMITED TO THE BOARD OF DIRECTORS OF ENVIRO-HUB HOLDINGS LTD.

11 October 2021
The Board of Directors
Enviro-Hub Holdings Ltd.
3 Gul Crescent
Singapore 629519

Dear Sirs,

ENVIRO-HUB HOLDINGS LTD. (THE “COMPANY”) – CIRCULAR TO SHAREHOLDERS IN RELATION TO:

- (1) THE PROPOSED ACQUISITION OF 75% OF THE ISSUED AND PAID-UP SHARE CAPITAL OF PASTEL GLOVE SDN. BHD. AS A MAJOR TRANSACTION UNDER CHAPTER 10 OF THE LISTING MANUAL (THE “PROPOSED ACQUISITION”);
- (2) THE PROPOSED ALLOTMENT AND ISSUANCE OF THE CONSIDERATION SHARES TO THE VENDORS PURSUANT TO THE PROPOSED ACQUISITION; AND
- (3) THE PROPOSED TRANSFER OF CONTROLLING INTEREST IN THE COMPANY TO LAW SIAU WOEI PURSUANT TO THE PROPOSED ISSUANCE AND ALLOTMENT OF THE CONSIDERATION SHARES,

(COLLECTIVELY, THE “PROPOSED TRANSACTIONS”).

Unless otherwise defined or the context otherwise requires, all capitalised terms used in this letter which are not defined shall have the same meaning ascribed to them in the circular to shareholders of the Company (the “Shareholders”) dated 11 October 2021 (the “Circular”).

1. INTRODUCTION

On 5 August 2021, the Company announced that the Purchaser had, on 3 August 2021, entered into the sale and purchase agreement with the Vendors, the Company and Pastel Glove Sdn. Bhd. (“**PGSB**”) (“the “**Sale and Purchase Agreement**”), for the sale and purchase of 1,500,000 shares, representing 75.0% of the entire issued and paid-up share capital of PGSB, for an aggregate consideration of S\$46,800,000 (the “**Consideration**”), on the terms and subject to the conditions of the Sale and Purchase Agreement. In accordance with the Sale and Purchase Agreement, the Consideration shall be satisfied partly in cash and partly by the allotment and issuance of the Consideration Shares to the Vendors at the Issue Price following Completion, in tranches.

APPENDIX C: LETTER FROM FINANCIAL ADVISER

The Proposed Acquisition constitutes a “major transaction” for the purposes of Chapter 10 of the Listing Manual of the Singapore Exchange Securities Trading Limited. In this regard, the Company has appointed Evolve Capital Advisory Private Limited (“**ECA**”) as its financial adviser in relation to the Proposed Transactions and to provide an opinion on whether or not the Proposed Acquisition is on normal commercial terms and is not prejudicial to the interests of the Company and the Shareholders. This letter (“**FA Letter**”) sets out, *inter alia*, our evaluation and assessment of the financial terms of the Proposed Acquisition and our opinion thereon.

2. TERMS OF REFERENCE

ECA has been appointed by the Company to act as its Financial Adviser in respect of the Proposed Transactions. This FA Letter sets out our opinion arising from our evaluation of the Proposed Acquisition as to whether the Proposed Acquisition is carried out on normal commercial terms and is not prejudicial to the interests of the Company and the Shareholders.

Unless otherwise defined in this FA Letter or where the context otherwise requires, all terms defined in the Circular shall have the same meaning when used in this FA Letter.

For the purpose of our evaluation of the Proposed Acquisition, we have:

- (i) participated in discussions with the directors (the “**Directors**”), management and/or other authorised representatives of the Company with respect to the Proposed Acquisition;
- (ii) reviewed certain publicly available financial statements and other publicly available business and financial information relating to, as well as certain information provided, and statements made, to us by the Directors, management, and other authorised representatives of the Company;
- (iii) compared the reported prices, trading multiples and trading activity with those of certain other comparable publicly traded companies and their securities we deemed relevant;
- (iv) reviewed and relied on certain internal financial analyses prepared by representatives of the Company with respect to the Proposed Acquisition;
- (v) reviewed the Auditor’s Report on the Profit Guarantee prepared by KPMG LLP;
- (vi) reviewed the Circular; and
- (vii) performed such other financial analyses, reviewed such other information and considered such other matters as we deemed appropriate.

We do not make any representation, evaluate and/or comment on the strategic or commercial merits of the Proposed Acquisition or on the prospects of the Company upon Completion or rejection of the Proposed Acquisition. We do not address the relative merits of the Proposed Acquisition as compared to any other alternative transaction, or other alternatives, or whether or not such alternatives could be achieved or are available. This opinion is necessarily based on financial, political, economic, market, industry, monetary, regulatory and other conditions in effect on, and the information made available to us, as at the Latest Practicable Date. Such conditions may change significantly over a short period of time. Accordingly, we do not express any opinion or view on the future prospects, financial performance and/or financial position of the Company, or on the price at which the Company shares traded on the SGX may trade upon Completion or rejection of the Proposed Acquisition. Our evaluation of the Proposed Acquisition, from a financial standpoint, does not and cannot take into account the future trading activities or patterns or price levels that may be established beyond the Latest Practicable Date. Shareholders should take note of any announcement and/or documents relevant to their consideration of the Proposed Acquisition which may be released by the Company after the Latest Practicable Date.

APPENDIX C: LETTER FROM FINANCIAL ADVISER

We have relied upon the assurance of the Directors that the Directors collectively and individually accept full responsibility for the accuracy of the information given in the Circular and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, the Circular constitutes full and true disclosure of all material facts about the Proposed Acquisition, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in the Circular misleading. Where information in the Circular 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 the Circular in its proper form and context. In relation to this FA Letter, the Directors have confirmed that the facts stated, with respect to the Group and the Proposed Acquisition are to the best of their knowledge and belief, fair and accurate in all material aspects. We do not accept or assume any responsibility for the accuracy, completeness or adequacy of such information. We have not conducted any independent valuation or appraisal of any assets or liabilities of the Company, PGSB, their subsidiaries, their associated companies, parties acting in concert with them or any other relevant party to the Proposed Acquisition. We do not accept any responsibility for the accuracy of information provided in the Circular (other than this FA Letter or any references to or extracts from this FA Letter in the Circular), nor the truth of or completeness of the information of all material facts about the Proposed Acquisition, the Company, PGSB, and their subsidiaries and associated companies, in the Circular (including any fact the omission of which would make any statement in the Circular misleading) (other than this FA Letter or any references to or extracts from this FA Letter in the Circular). Nevertheless, we have made reasonable enquiries and used our judgment as we deemed necessary or appropriate in assessing the reasonable use of such information and are not aware of any reason to doubt the reliability of the information.

In rendering our opinion, we did not consider the specific investment objectives, financial situation, tax consequences, risk profile or unique needs and constraints of any Shareholder or any specific group of Shareholders. We recommend that any individual Shareholder or group of Shareholders who may require specific advice in relation to his or their investment objectives or portfolios should consult his or their legal financial, tax or other professional advisors immediately.

This FA Letter is provided to the Directors for their benefit in connection with and for the purposes of their consideration of the Proposed Acquisition, for inclusion in the Circular. The recommendations made by the Directors to the Shareholders remain the responsibility of the Directors.

Our opinion in relation to the Proposed Acquisition should be considered in the context of the entirety of this FA Letter and the Circular.

3. THE PROPOSED ACQUISITION

Information on the Proposed Acquisition is set out in Sections 2 and 3 of the Circular. Shareholders are advised to read the information carefully. We set out a summary of the information as follows:

3.1 Information on PGSB

PGSB is a private company limited by shares incorporated in Malaysia on 28 September 2020. PGSB is principally engaged in the business of the manufacturing, sale and distribution of rubber gloves.

As at the Latest Practicable Date, PGSB has an issued and paid-up share capital of RM2,000,000 comprising 2,000,000 ordinary shares and is a 25% associated company of the Company. The shareholders of PGSB are LSW, CKP and the Purchaser, and they respectively hold 72.75%, 2.25% and 25% of the issued and paid-up share capital of PGSB. The directors of PGSB are LSW, CKP and Mr. Adrian Toh Jia Sheng (“**Mr. Adrian Toh**”). Mr. Adrian Toh is a director nominated by the Company.

APPENDIX C: LETTER FROM FINANCIAL ADVISER

3.2 Information on the Vendors

The Vendors, LSW and CKP, are Malaysian citizens. LSW and CKP are currently the directors as well as the legal and beneficial shareholders holding 72.75% and 2.25% of PGSB respectively. LSW and CKP are currently responsible for the overall management, strategic planning and business development of PGSB. Subsequent to Completion, both LSW and CKP will continue to be directors of PGSB.

As at the Latest Practicable Date, the Vendors do not have any shareholding interest, direct or indirect in the Company, nor are the Vendors related to any of the Directors, the Controlling Shareholders, or their respective Associates.

3.3 Information on the Purchaser

The Purchaser is a private limited company incorporated in Singapore on 7 July 2021. It is primarily engaged in the principal activities of (i) other holding companies and the provision of (ii) management consultancy services. The Purchaser is a wholly-owned subsidiary of the Company. The sole director of the Purchaser is Mr. Raymond Ng Ah Hua, who is also the Executive Chairman of the Company.

3.4 Consideration

The salient terms of the Consideration for the Proposed Acquisition, which have been set out in section 3.3 of the Circular, are extracted and reproduced in italics below:

*“The Consideration of S\$46,800,000 shall be satisfied partially in cash and partially by the issuance and allotment of an aggregate of 292,500,000 new ordinary shares in the share capital of the Company (the “**Consideration Shares**”), in the manner prescribed as follows:*

- (a) **1st tranche payment:** *The Purchaser shall make an aggregate payment of S\$29,250,000 to the Vendors on the Completion Date, comprising (i) S\$5,850,000 which shall be satisfied in cash (the “**1st Tranche Cash Payment**”) and (ii) S\$23,400,000 which shall be satisfied by the allotment and issuance by the Company to the Vendors (and/or their nominees as they may direct) of the Consideration Shares at an issue price of S\$0.08 per Consideration Share (the “**Issue Price**”), in each case, pro rata to the proportion of the Sale Shares held by the Vendors, as illustrated below:*

| | Number of Consideration Shares to be issued to the Vendors | Value of the Consideration Shares (based on the Issue Price) | Cash Consideration to be Paid to the Vendors | Total Consideration to be paid to the Vendors |
|---------------------------------------|--|--|--|---|
| 1st tranche payment | | | | |
| LSW | 283,725,000 Consideration Shares | S\$22,698,000 | S\$5,674,500 | S\$28,372,500 |
| CKP | 8,775,000 Consideration Shares | S\$702,000 | S\$175,500 | S\$877,500 |

The Issue Price represents a discount of approximately 5% to the VWAP of S\$0.084 for trades done on the Shares on 2 August 2021, being the full Market Day on which the Shares were traded immediately preceding the date of the Sale and Purchase Agreement.

The Consideration Shares, when allotted and issued, shall be credited as fully paid-up and shall rank in full for all entitlements, including dividends or other distributions declared or recommended in respect of the then existing issued ordinary shares of the Company, the record date for which falls on or after the Completion Date, and in all other respects shall rank pari passu with the existing issued ordinary shares of the Company then in issue. The Consideration Shares will also be subject to a moratorium, further details of which are set out in Section 3.6 of this Circular.

APPENDIX C: LETTER FROM FINANCIAL ADVISER

(b) Subject to Section 3.2 of this Circular, the balance Consideration of S\$17,550,000 shall be payable by the Purchaser to the Vendors in cash in several tranches (each, a “**Subsequent Tranche Cash Payment**”), in the manner set out below:

(i) within thirty (30) days after the audited accounts of PGSB for the relevant financial year has been provided to the Purchaser by PGSB, the Purchaser shall pay to the Vendors a Subsequent Tranche Cash Payment (payable to each Vendor pro rata to the proportion of the Sale Shares held by the Vendor) in accordance with the formula set out below, save that no Subsequent Tranche Cash Payment shall be made by the Purchaser for a financial year in which PGSB incurs any NLAT:

$$\text{Amount payable by the Purchaser to the Vendors at the end of each financial year under the Profit Guarantee Period} = \frac{\text{NPAT achieved by PGSB for the relevant financial year (in S\$)}}{\text{S\$23,400,000 (approximately US\$18,000,000)}} \times \text{S\$17,550,000}$$

; and

(ii) upon the end of the Profit Guarantee Period, if there remains any balance Consideration (the “**Balance Tranche Payment**”), the Balance Tranche Payment shall be set-off against any Offset Amount due and payable from LSW to the Purchaser. For the avoidance of doubt, the Balance Tranche Payment shall be deemed to be fully paid to each of the Vendors following the set-off.”

For the avoidance of doubt, the sum of all the Subsequent Tranche Cash Payments and the Balance Tranche Payment shall be equal to S\$17,550,000”

3.5 Profit Guarantee and NLAT Undertaking

Under the terms of the Sale and Purchase Agreement, LSW warrants to the Purchaser that PGSB shall achieve a NPAT of not less than S\$23,400,000 (equivalent to approximately US\$18,000,000) (the “**Profit Guarantee**”) for the period from 1 January 2022 to 31 December 2024 (both dates inclusive) (the “**Profit Guarantee Period**”). We note in the event that the aggregate audited NPAT achieved by PGSB for the Profit Guarantee Period is less than the Profit Guarantee, LSW shall be liable to make payment to the Purchaser of an amount equivalent to the shortfall between the Profit Guarantee and the NPAT achieved by PGSB for the Profit Guarantee Period, pro-rated based on the number of Sale Shares as a percentage of the total number of shares in PGSB (i.e. 75%), in cash (the “**Offset Amount**”), within six (6) months from the end of the Profit Guarantee Period, after deducting the Balance Tranche Payment (if any) payable by the Purchaser to the Vendors (that shall be set-off against the Offset Amount in accordance with Section 3.3(b) of the Circular).

In addition, we note LSW has undertaken to the Purchaser that, to the extent that PGSB incurs a NLAT for any of the financial years under the Profit Guarantee Period, he shall be liable to make payment to PGSB of an amount equal to the NLAT for that relevant financial year, within sixty (60) days after the audited accounts of PGSB for the relevant financial year has been provided to the Purchaser by PGSB (the “**NLAT Undertaking**”).

The specific mechanics of the Profit Guarantee and manner and amount of compensation are set out in sections 3.2.1 and 3.2.4 of the Circular.

3.6 Conditions Precedent and Completion under the Sale and Purchase Agreement

The Proposed Acquisition is subject to certain material conditions precedent between the Purchaser and the Vendors as set out in section 3.8 of the Circular, which must be fulfilled (or otherwise waived) by 31 December 2021 (or such other date as the Purchaser and Vendors may mutually agree in writing) (the “**Long-Stop Date**”).

APPENDIX C: LETTER FROM FINANCIAL ADVISER

Completion of the Proposed Acquisition shall take place on the date falling seven (7) Business Days after the Conditions Precedent have been fulfilled or waived, or such other date as the Parties may mutually agree but in any event, being not later than the Long-Stop Date.

4. EVALUATION OF THE PROPOSED ACQUISITION

In our evaluation of the Proposed Acquisition, we have given due consideration to, inter alia, the following key factors:

- (i) rationale for the Proposed Acquisition;
- (ii) financial assessment of Consideration of the Proposed Acquisition, including valuation multiples of selected publicly listed comparable companies which are broadly comparable to PGSB (the “**Comparable Companies**”);
- (iii) assessment of the Issue Price of the Consideration Shares;
- (iv) Profit Guarantee provided by LSW; and
- (v) other relevant considerations.

4.1. The Rationale for the Proposed Acquisition

The rationale for the Proposed Acquisition which has been set out in Section 4 of the Circular is extracted and reproduced in italics below:

*“On 18 May 2021, the Company obtained Shareholders’ approval for the Company’s diversification into the Healthcare Products Business (the “**Diversification Mandate**”). The Proposed Acquisition is in line with the diversification of the Group’s business into the Healthcare Products Business. Through the Proposed Acquisition, the Group will accelerate the growth of its Healthcare Product Business from the receipt of additional and recurrent revenue streams and existing orders of PGSB. The Board believes that the Proposed Acquisition has the potential to enhance shareholders’ value in the Company and contribute positively to the growth, financial position and long-term prospects of the Group.*

The partial satisfaction of the Consideration by way of the allotment and issuance of the Consideration Shares will also reduce the cash outlay to be incurred by the Purchaser in relation to the Proposed Acquisition, thereby allowing the Group to conserve its cash to be utilised for other purposes such as its working capital and for other investment opportunities. As new Shareholders, the interests of the Vendors will also be aligned to that of the Group’s.

To safeguard the interests of the Company and the Shareholders, the balance 37.5% of the Consideration (i.e. S\$17,550,000) will be paid to the Vendors based on the proportion of the NPAT of PGSB attained for each financial year under the Profit Guarantee Period against the total Profit Guarantee, as illustrated by the formula in Section 3.3(b) of this Circular. Additionally, as elaborated in Section 3.4 of this Circular, LSW has given the NLAT Undertaking to the Purchaser that he shall compensate PGSB for PGSB’s NLAT in any of the financial years during the Profit Guarantee Period.

In view of the above, the Board is of the view that the Proposed Transactions are in the best interests of the Company and the Shareholders.”

4.2. Valuation multiples of Comparable Companies

We have compared the valuation multiples of the Proposed Acquisition with those of selected publicly listed companies which are similarly involved in the core business of manufacturing, sale and distribution of rubber gloves. We would highlight that the Comparable Companies listed below are not exhaustive and they differ from PGSB in terms of *inter alia* market capitalisation, size of operations, composition

APPENDIX C: LETTER FROM FINANCIAL ADVISER

of business activities, geographical spread, track record, financial performance, operating and financial leverage, risk profile, market liquidity, accounting policies, future prospects and other relevant criteria. As such, the comparison below is necessarily limited and serves only as an illustrative guide.

A brief description of the Comparable Companies is set out below.

| Name | Exchange Country | Business Summary |
|-------------------------------|------------------|--|
| Top Glove Corporation Bhd | Malaysia | Top Glove Corporation Bhd is a rubber glove manufacturer, offering products in three types of materials, such as latex, nitrile and vinyl. The company provides its products to various industries, such as aerospace, automotive, beauty, food, home care, laboratory medical or healthcare, semiconductor and others/general. |
| Hartalega Holdings Bhd | Malaysia | Hartalega Holdings Berhad is engaged in the manufacture and sale of latex gloves. The company also offers nitrile gloves and Original Equipment Manufacturer (OEM) gloves. Its export markets include America, Germany, Japan and Australia. The company has operations in the United States, Europe and Asia. |
| Supermax Corporation Bhd | Malaysia | Supermax Corporation Berhad is a manufacturer, distributor and marketer of medical gloves. The company is also a contact lens manufacturing company. It produces over 20 billion pieces of gloves per year. It has over 10 manufacturing plants based in Malaysia, and a research and development center. It has approximately six distribution centers based in the United States of America, Brazil, Canada, Germany, Belgium and the United Kingdom. |
| Kossan Rubber Industries Bhd | Malaysia | Kossan Rubber Industries Bhd. is a Malaysia-based company engaged in the manufacturing and sales of rubber products. The company operates through four segments: technical rubber products, gloves, cleanroom products and others. Its subsidiaries are engaged in manufacturing of latex examination gloves; manufacturing and marketing of rubber based parts and products, among others. |
| Riverstone Holdings Ltd | Singapore | Riverstone Holdings Limited is engaged in manufacturing and distributing cleanroom gloves and finger cots, and manufacturing plastic bags and trading latex products. The company specializes in the production of cleanroom and healthcare gloves, fingercots, cleanroom packaging bags and face masks. |
| UG Healthcare Corporation Ltd | Singapore | UG Healthcare Corporation Limited is a Malaysia-based manufacturer and distributor of natural latex and nitrile examination gloves. Its products are sold to over 50 countries and has a distribution network through its own distribution companies based in the United States, the United Kingdom, Germany, the People's Republic of China, Brazil and Nigeria, as well as through third-party distributors. The company has two manufacturing facilities located in Seremban, Malaysia. |

Source: Bloomberg L.P., Thomson Reuters

4.2.1 Valuation multiples and implied valuation ratio of PGSB

Price-to-earnings ("P/E") ratio

The "P/E" or "price-to-earnings" multiple illustrates the ratio of the market price of a company's share relative to its earnings per share. The P/E multiple is affected by, *inter alia*, the capital structure of a company, its tax position as well as its accounting policies relating to depreciation and amortisation.

APPENDIX C: LETTER FROM FINANCIAL ADVISER

PGSB is a newly incorporated manufacturer and distributor, with commercial production having commenced in end February 2021. Despite the short period of commercial production thus far, we note PGSB has recorded positive NPAT based on the unaudited financial statements from 1 February 2021 to 30 June 2021 (representing the period after completion of the Group's acquisition of 25% stake in PGSB) of MYR 2.1 million. In this regard, PGSB is still in its early stage of expansion where the second production line was installed and commissioned in May 2021 with additional ramp-up expected in the second half of FY2021 as PGSB is in the process of commissioning its fourth and fifth production lines. Hence an assessment based on historical financials is not particularly meaningful.

Under the Sale and Purchase Agreement, LSW (being a Vendor) has provided a Profit Guarantee for an amount of not less than S\$23,400,000 (equivalent to approximately USD18,000,000) in respect of the period from 1 January 2022 to 31 December 2024 (both dates inclusive), which is equivalent to an annualized NPAT guarantee of S\$7,800,000 (the "**Annualized NPAT Guarantee**").

Based on the Consideration of S\$46.8 million for a 75.0% stake in PGSB, and the Annualized NPAT Guarantee, PGSB is valued at an implied forward multiple of approximately 8.0 times.

4.2.2. Valuation multiples of Comparable Companies

The valuation multiples of the Comparable Companies set out below are based on their closing market prices as at the Latest Practicable Date, with those of PGSB as implied by the Consideration. We highlight the use of forward P/E multiples as a basis for comparison given the Profit Guarantee is in respect of the Profit Guarantee Period. Secondly, we note the normalization of forward earnings from the Comparable Companies, which due to the pandemic, has seen higher historical earnings due to elevated average selling prices ("**ASPs**") for rubber gloves and is expected to continue to normalize.

| Company Name | Market Capitalisation (S\$ millions) | Forward P/E ⁽¹⁾ (times) | 2 Yr Forward P/E ⁽²⁾ (times) |
|--|---|---------------------------------------|--|
| Top Glove Corporation Bhd | 7,303.1 | 13.3x | 16.8x |
| Hartalega Holdings Bhd | 6,690.2 | 8.6x | 17.4x |
| Supermax Corporation Bhd | 2,032.2 | 5.1x | 9.4x |
| Kossan Rubber Industries Bhd | 1,860.8 | 4.6x | 9.0x |
| Riverstone Holdings Ltd | 1,315.8 | 6.2x | 8.6x |
| UG Healthcare Corporation Ltd | 206.7 | 4.2x | n.a. |
| High | | 13.3x | 17.4x |
| Low | | 4.2x | 8.6x |
| Mean | | 7.0x | 12.3x |
| Median | | 5.7x | 9.4x |
| Proposed Acquisition (implied by Consideration) | 62.4⁽³⁾ | 8.0x | 8.0x |

Source: Bloomberg L.P., Thomson Reuters, the Comparable Companies's filings and ECA analysis

Notes:

- (1) Forward P/E multiple is based on earnings estimates for the next twelve months from Bloomberg L.P.
- (2) 2 Year Forward P/E multiple is based on the earnings estimates from the period over the next twelve to twenty-four from Bloomberg L.P.
- (3) Based on the Consideration of S\$46.8 million, the implied value for the 100% equity value in PGSB is S\$62.4 million.

APPENDIX C: LETTER FROM FINANCIAL ADVISER

Based on the above, we observe that:

- (i) the P/E ratio of the Proposed Acquisition implied by the Consideration are within the range but above the mean and median of the forward P/E ratios of the Comparable Companies; and
- (ii) the P/E ratio of the Proposed Acquisition implied by the Consideration are below the range and below the mean and median of the 2 Year forward P/E of the Comparable Companies.

4.3. Assessment of the Issue Price of the Consideration Shares

We note the Issue Price per Consideration Share of S\$0.08 represents a discount of approximately 5% to the VWAP of S\$0.084 for trades done on the Shares on 2 August 2021, being the full Market Day on which the Shares were traded immediately preceding the date of the Sale and Purchase Agreement.

We have tabulated below selected statistical information on the share price performance and trading liquidity of the Company's Shares.

| Reference period | VWAP ⁽¹⁾ | Premium / (discount) of the Issue Price over / (to) VWAP | Lowest Transacted Price | Highest Transacted Price | Average daily trading volume ⁽²⁾ | Average daily trading volume as % of free float ⁽³⁾ |
|---|---------------------|--|-------------------------|--------------------------|---|--|
| Prior to Company announcement on 3 August 2021 ("Announcement Date") | | | | | | |
| 1 month | 0.087 | (8.5%) | 0.083 | 0.092 | 2,907 | 0.4% |
| 3 month | 0.095 | (16.2%) | 0.071 | 0.109 | 8,821 | 1.3% |
| 6 month | 0.086 | (7.3%) | 0.053 | 0.109 | 8,268 | 1.3% |
| 12 month | 0.081 | (1.3%) | 0.024 | 0.109 | 7,515 | 1.3% |
| 2 August 2021, being the full Market Day on which the Shares were traded prior to the Announcement Date | 0.084 | (4.7%) | 0.083 | 0.084 | 418 | 0.1% |
| After the Announcement and up to the Latest Practicable Date | | | | | | |
| After the Announcement Date and up to the Latest Practicable Date | 0.080 | (0.3%) | 0.072 | 0.088 | 1,791 | 0.3% |
| 6 October 2021 being the last market day the Shares were last traded as at the Latest Practicable Date | 0.074 | 8.1% | 0.072 | 0.074 | 352 | 0.0% |

Source: Bloomberg L.P.

Notes:

- (1) The VWAP is calculated based on the turnover divided by volume of the Shares as extracted from Bloomberg L.P.
- (2) The average daily trading volume of the shares was computed based on the total volume of Shares traded during the relevant periods, divided by the number of days that were open for trading (excluding public holidays) during the period.
- (3) Free float refers to the Shares other than those held by the Directors and Substantial Shareholders of the Company and amounts to approximately 586.7 million Shares as at the Latest Practicable Date.

APPENDIX C: LETTER FROM FINANCIAL ADVISER

Based on the above, we observe that:

- (i) the Issue Price per Consideration Share of S\$0.08 represents a discount of approximately 5% to the VWAP of S\$0.084 for trades done on the Shares on 2 August 2021, being the full Market Day on which the Shares were traded immediately preceding the date of the Sale and Purchase Agreement;
- (ii) the Issue Price represents a discount of 8.5%, 16.2%, 7.3% and 1.3% to the VWAP of the Shares for the 1-month, 3-month, 6-month and 12-month prior to the Announcement Date respectively;
- (iii) the Issue Price represents a discount of 0.3% to the VWAP of the Shares for the period between the market day immediately after the Announcement Date and up to the Latest Practicable Date; and
- (iv) as at the Latest Practicable Date, the Issue Price represents a premium of 8.1% to the last traded price of the Shares of S\$0.074.

We note the market price performance of the Shares may be due to various market factors, the individual factors of which may not be easily isolated and identified with certainty. As such, we note that the past trading performance of the Shares should not be relied upon as a promise of its future trading performance.

4.4. Profit Guarantee provided by LSW

Pursuant to the terms of the Sale and Purchase Agreement, LSW warrants to the Purchaser that PGSB shall achieve an aggregate NPAT of not less than S\$23,400,000 (equivalent to approximately US\$18,000,000) for the Profit Guarantee Period. In the event that the aggregate audited NPAT achieved by PGSB for the Profit Guarantee Period is less than the Profit Guarantee, LSW shall be liable to make payment to the Purchaser of an amount equivalent to the shortfall between the Profit Guarantee and the NPAT achieved by PGSB for the Profit Guarantee Period, pro-rated based on the number of Sale Shares as a percentage of the total number of shares in PGSB in cash, within six (6) months from the end of the Profit Guarantee Period, after deducting the Balance Tranche Payment (if any) payable by the Purchaser to the Vendors (that shall be set-off against the Offset Amount in accordance with Section 3.3(b) of the Circular).

For the purposes of the Profit Guarantee, the Subsequent Tranche Cash Payments and the NLAT Undertaking provided by LSW, PGSB shall provide the duly audited accounts of PGSB for each of the financial years under the Profit Guarantee Period to the Parties within three (3) months from the end of the relevant financial year, which shall be prepared in accordance with accounting principles, standards and practices generally accepted in the jurisdiction to which PGSB is subject, and, subject thereto, on a basis consistent with that adopted in preparing the audited accounts for the previous financial periods.

We note that the reporting auditors of the Company, KPMG LLP, has reviewed¹ the bases and assumptions, accounting policies and calculations for the Profit Guarantee, and is of the view that the Profit Guarantee has been properly prepared on the basis of the assumptions and the accounting policies which are in accordance with the SFRS(I) and the Company's accounting policies.

¹ The Auditor has performed the agreed upon procedures on the Profit Guarantee. The full report is set out in Appendix B of this Circular. The agreed upon procedures do not constitute either an audit or a review made in accordance with the Singapore Standards on Auditing or the Singapore Standards on Review Engagements and consequently, the Auditor does not express any assurance on the Profit Guarantee nor the reasonableness of the assumptions applied in the Profit Guarantee.

APPENDIX C: LETTER FROM FINANCIAL ADVISER

Taking into consideration, *inter alia*, the overall market opportunity and growth outlook for gloves manufacturing and continued near-term demand as a result of the pandemic, the intrinsic potential for the PGSB Business to grow and PGSB's order book which has seen traction since the start of its commercial operations in end February 2021, and the track record and experience of the Vendors in the business of gloves manufacturing and distribution, we are of the view that the assumptions provide a reasonable basis on which the Profit Guarantee is based.

As noted above, to safeguard the interests of the Company and the Shareholders, the balance 37.5% of the Consideration (i.e. S\$17,550,000) will be paid to the Vendors based on the proportion of the NPAT of PGSB attained for each financial year under the Profit Guarantee Period against the total Profit Guarantee, as illustrated by the formula in section 3.3(b) in the Circular.

We note the Profit Guarantee is a performance target to safeguard the Company's commercial interests in the Proposed Acquisition as follows:

- (a) the Vendors will only receive the Subsequent Tranche Cash Payments if PGSB achieves the Profit Guarantee; and
- (b) if the actual NPAT attained by PGSB during the Profit Guarantee Period is less than the amount of the Profit Guarantee, LSW is required under the Sale and Purchase Agreement to compensate the Purchaser for the shortfall.

Based on the foregoing, the Company is of the view that there are sufficient safeguards to ensure the Company's right of recourse in the event that the Profit Guarantee is not met.

4.5. Other relevant considerations

4.5.1 Other safeguards to the Company based on the terms of the Sale and Purchase Agreement

The material terms and conditions of the Proposed Acquisition are set out in section 3 of the Circular. We note that the terms of the Sale and Purchase Agreement provide additional safeguards to the Company given the Vendors' integral role in PGSB:

(a) Non-competition and Non-solicitation Covenants

Each of the Vendors undertakes that he shall not, for a period of four (4) years commencing from the Completion Date, directly or indirectly (i) persuade or attempt to persuade any employee of PGSB, or any individual who was an employee during the period from the date of incorporation of PGSB up to the Completion Date, to leave the employ of PGSB, or to become employed by any person other than PGSB; (ii) solicit or attempt to solicit any person, firm, partnership, company, corporation, association, organisation or trust (in each case whether or not having a separate legal personality) who is or has been a customer of PGSB at any time during the period from the date of incorporation of PGSB up to the Completion Date for the purpose of offering to such customer goods or services similar to or competing with those of the business of PGSB; (iii) either solely or jointly with or on behalf of any other person, firm or partnership, company, corporation, sole proprietorship, association, organisation or trust (in each case whether or not having a separate legal personality) be engaged or attempt to engage or interested in any business in Singapore or Malaysia which is similar to or in competition with the business of PGSB; (iv) act, or nominate any person to act (as the case may be), as director or (except with the prior written consent of the Company), manager, sales, promotion or marketing agent or consultant or otherwise of any other person, firm or partnership, company, corporation, association, organisation or trust (in each case whether or not having a separate legal personality) engaging directly or indirectly in any business in Singapore or Malaysia which is in competition with the business of PGSB; (v) be employed, engaged or interested in any capacity in any other business, trade or occupation within Singapore or Malaysia that

APPENDIX C: LETTER FROM FINANCIAL ADVISER

is in competition, whether directly or indirectly, with the business of PGSB; or (vi) cause or permit any person or company under their control or in which he has any beneficial interests to do any of the foregoing acts or things.

(b) Service agreements

We note that pursuant to the Sale and Purchase Agreement, the Vendors have jointly and severally undertaken to the Purchaser that on or prior to Completion, they shall enter into four (4)-year service agreements with PGSB (the “**Service Agreements**”), commencing from Completion Date and on such terms that may be mutually agreed between them and the Purchaser and that are at least equivalent to the Vendors’ latest service agreements with PGSB, provided always that any notice of termination of the Service Agreements shall be at least six (6) months. In the event that the Vendors resign from PGSB, the Company will have expertise in managing and operating PGSB, as Mr. Adrian Toh, the Chief Investment Officer of the Company, sits on the board of PGSB and is involved in the day-to-day management of PGSB. While the Vendors are involved in the technical aspects of PGSB’s operations, there are technical personnel who are also responsible for the operations, and the Company’s view is that generally, these technical personnel can operate independently of the Vendors. Additional management personnel may also be hired where necessary.

4.5.2 Financial Effects of the Proposed Acquisition

The *pro forma* financial effects of the Proposed Acquisition are set out in section 5 of the Circular are for illustrative purposes only and should not be taken as an indication of the actual financial performance or position of the Group following the Completion. Based on the Group’s audited consolidated financial statements for FY2020, the *pro forma* financial effects of the Proposed Acquisition are as follows:

Effect on Group’s NTA per Share

For illustrative purposes only, had the Proposed Acquisition been completed on 31 December 2020 and based on the audited consolidated financial statements of the Group for FY2020, the Proposed Acquisition would have had the following impact on the NTA per Share of the Company:

- (a) NTA computed based on the FY2020 financial results of the Group and PGSB, and the waiver of the LSW Shareholder’s Loan

| | Before the Proposed Acquisition | After the Proposed Acquisition |
|---|---------------------------------|--------------------------------|
| NTA ⁽¹⁾ (S\$) | 51,994,000 | 30,189,000 |
| Number of issued Shares (excluding treasury shares) | 1,240,495,342 | 1,532,995,342 |
| NTA per share (cents) | 4.19 | 1.97 |

APPENDIX C: LETTER FROM FINANCIAL ADVISER

- (b) NTA computed based on the FY2020 financial results of the Group and PGSB, adjusted to take into account the realisation of the Profit Guarantee, and the waiver of the LSW Shareholder's Loan

| | Before the Proposed Acquisition | After the Proposed Acquisition |
|---|---------------------------------|--------------------------------|
| NTA ⁽¹⁾ (S\$) | 51,994,000 | 53,589,000 |
| Number of issued Shares (excluding treasury shares) | 1,240,495,342 | 1,532,995,342 |
| NTA per share (cents) | 4.19 | 3.50 |

Note:

(1) NTA is based on the net asset value of the Group less intangible assets and goodwill.

Effect on EPS

For illustrative purposes only, had the Proposed Acquisition been completed on 1 January 2020 and based on the audited consolidated financial statements of the Company for FY2020, the Proposed Acquisition would have had the following impact on the EPS of the Company:

- (a) EPS computed based on the FY2020 financial results of the Group and PGSB

| | Before the Proposed Acquisition | After the Proposed Acquisition |
|--|---------------------------------|--------------------------------|
| Net profit/(loss) ⁽¹⁾ (S\$) | (619,000) | (1,108,000) |
| Weighted average number of shares | 1,038,830,139 | 1,532,995,342 |
| EPS (cents) | (0.06) | (0.07) ⁽³⁾ |

- (b) EPS computed based on the FY2020 financial results of the Group and PGSB, adjusted to take into account the realisation of the Profit Guarantee

| | Before the Proposed Acquisition | After the Proposed Acquisition |
|--|---------------------------------|--------------------------------|
| Net profit/(loss) ⁽¹⁾ (S\$) | (619,000) | 29,681,000 ⁽²⁾ |
| Weighted average number of shares | 1,038,830,139 | 1,532,995,342 |
| EPS (cents) | (0.06) | 1.94 ⁽³⁾ |

Notes:

- (1) Net profits means profit or loss including discontinued operations that have not been disposed and before income tax and non-controlling interests.
- (2) This is calculated on the assumption that the Initial Investment had been completed on 1 January 2020, and includes the net loss of PGSB before income tax and non-controlling interests for the period of 3 months ended 31 December 2020 (since the incorporation of PGSB) of approximately S\$34,000 and the Profit Guarantee before income tax after deducting the acquisition related transaction costs of approximately S\$30,334,000.
- (3) This is calculated based on the total number of issued shares of 1,532,995,342 Shares, assuming that the Proposed Acquisition had been completed on 1 January 2020.

APPENDIX C: LETTER FROM FINANCIAL ADVISER

5. OUR OPINION

In arriving at opinion, we have taken into consideration, *inter alia*, the following factors summarised below as well as further elaborated within this FA Letter. The following should be read in conjunction with, and in the context of, the full text of this FA Letter.

- (i) Rationale for the Proposed Acquisition, which as a 100% shareholder in PGSB upon Completion, aligns with the Company's Diversification Mandate and will accelerate the growth of its Healthcare Product Business from the receipt of additional and recurrent revenue streams and existing orders of PGSB;
- (ii) Financial assessment of the Consideration as compared to the publicly listed Comparable Companies:
 - a. the P/E ratio of the Proposed Acquisition implied by the Consideration is within the range but above the mean and median of the forward P/E ratios of the Comparable Companies; and
 - b. the P/E ratio of the Proposed Acquisition implied by the Consideration is below the range and below the mean and median of the 2 Year forward P/E of the Comparable Companies;
- (iii) Financial assessment of the Issue Price of the Consideration Shares:
 - a. the Issue Price per Consideration Share of S\$0.08 represents a discount of approximately 5% to the VWAP of S\$0.084 for trades done on the Shares on 2 August 2021, being the full Market Day on which the Shares were traded immediately preceding the date of the Sale and Purchase Agreement.;
 - b. the Issue Price represents a discount of 8.5%, 16.2%, 7.3% and 1.3% to the VWAP of the Shares for the 1-month, 3-month, 6-month and 12-month prior to the Announcement Date respectively;
 - c. the Issue Price represents a discount of 0.3% to the VWAP of the Shares for the period between the market day immediately after the Announcement Date and up to the Latest Practicable Date; and
 - d. as at the Latest Practicable Date, the Issue Price represents a premium of 8.1% to the last traded price of the Shares of S\$0.074;
- (iv) NLAT Undertaking and Profit Guarantee provided by LSW, where the balance 37.5% of the Consideration will be paid to the Vendors based on the proportion of the NPAT of PGSB attained for each financial year under the Profit Guarantee Period against the total Profit Guarantee, and in the event the Profit Guarantee is not satisfied, LSW shall be liable to compensate the Purchaser in the manner set out in the Circular, as summarised in sections 3.5 and 4.4 of this FA Letter and compensate PGSB for PGSB's NLAT in any of the financial years during the Profit Guarantee Period;
- (v) Other safeguards to the Company based on the terms of the Sale and Purchase Agreement, which includes (i) non-competition and non-solicitation covenants and (ii) Service Agreements with the Vendors who have been integral to the operations of PGSB; and
- (vi) The other relevant considerations in relation to the Proposed Acquisition as set out in section 4.5 of this FA Letter.

APPENDIX C: LETTER FROM FINANCIAL ADVISER

Having regard to the considerations as set out above and the information available to us as at the Latest Practicable Date, we are of the opinion that the Proposed Acquisition is on normal commercial terms and not prejudicial to the interests of the Company and the Shareholders.

We have prepared this FA Letter for the use of the Directors in connection with and for the purposes of their consideration of the Proposed Acquisition. The recommendation made by them to the Shareholders in relation to the Proposed Transactions shall remain the sole responsibility of the Directors. Whilst a copy of this FA Letter may be reproduced in the Circular, neither the Company nor the Directors may reproduce, disseminate or quote this FA Letter (or any part thereof) for any other purpose other than for the purpose of the Proposed Transactions at any time and in any manner without prior written consent of ECA in each specific case.

This FA Letter is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters stated herein and does not apply by implication to any other matter.

Yours truly,
For and on behalf of
Evolve Capital Advisory Private Limited

Jerry CHUA
CEO and Managing Partner

NOTICE OF EXTRAORDINARY GENERAL MEETING

ENVIRO-HUB HOLDINGS LTD.

(Incorporated in the Republic of Singapore)
(Company registration no. 199802709E)

NOTICE IS HEREBY GIVEN that the Extraordinary General Meeting of **ENVIRO-HUB HOLDINGS LTD.** (the “**Company**”) will be held by way of electronic means on **Tuesday, 26 October 2021 at 10.30 a.m.** for the purpose of considering and, if thought fit, passing with or without modifications, the following:

*All capitalised terms used in this Notice of EGM which are not defined herein shall, unless the context otherwise requires, have the same meanings ascribed to them in the circular issued by the Company to the Shareholders dated 11 October 2021 (the “**Circular**”).*

ORDINARY RESOLUTION 1: THE PROPOSED ACQUISITION OF 75.0% OF THE ISSUED AND PAID-UP SHARE CAPITAL OF PASTEL GLOVE SDN. BHD. AS A MAJOR TRANSACTION

THAT, contingent upon the passing of Ordinary Resolutions 2 and 3:

- (a) for the purposes of Chapter 10 of the Listing Manual, approval be and is hereby given to the Company to effect and complete the Proposed Acquisition and all transactions in relation thereto, on the terms and subject to the conditions set out in the Sale and Purchase Agreement, details of which have been set out in the Circular to Shareholders dated 11 October 2021; and
- (b) the Directors and any one of them be and is/are hereby authorised and empowered to approve, complete and do all such acts and things (including without limitation, to approve, modify, ratify, sign, seal, execute and deliver all such documents as may be required) as he or they may in their absolute discretion consider expedient, desirable or necessary or in the interests of the Company to give effect to the Proposed Acquisition and this resolution, and the transactions contemplated by the Proposed Acquisition and/or authorised by this resolution, or for all the foregoing purposes.

ORDINARY RESOLUTION 2: THE PROPOSED ALLOTMENT AND ISSUANCE OF NEW CONSIDERATION SHARES BY THE COMPANY FOR THE PROPOSED ACQUISITION, PURSUANT TO THE SALE AND PURCHASE AGREEMENT

THAT, contingent upon the passing of Ordinary Resolutions 1 and 3:

- (a) authority be and is hereby given to the Directors, in accordance with section 161 of the Companies Act and Chapter 8 of the Listing Manual, to allot and issue from time to time such number of Consideration Shares to the Vendors or their nominees, as may be required to be issued pursuant to the Sale and Purchase Agreement. Such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the Company has satisfied its payment obligations in respect of any and all of its payment obligations under the Sale and Purchase Agreement, and the taking of any and all actions whatsoever by any Director on behalf of the Company in connection with the matters referred to in this paragraph (a) of this Ordinary Resolution 2 prior to the date of the EGM be and are hereby ratified and confirmed; and
- (b) all the Directors of the Company and each of them be and are hereby authorised to do any and all such acts and things as such Director may, in their absolute discretion deem fit, advisable, necessary or expedient to give effect to the matters referred to in paragraph (a) of this Ordinary Resolution 2 and to give effect to this Ordinary Resolution 2 (including but not limited to issuing and sealing any new share certificates, amending and executing any agreements or documents as may be required, and procuring third party consents) as he shall think fit and in the interests of the Company, and the taking of any and all actions whatsoever by any Director on behalf of the Company in connection with the matters referred to in paragraph (a) of this Ordinary Resolution 2 prior to the date of the EGM be and are hereby ratified and confirmed.

NOTICE OF EXTRAORDINARY GENERAL MEETING

ORDINARY RESOLUTION 3: PROPOSED TRANSFER OF CONTROLLING INTEREST TO LAW SIAU WOEI

THAT, contingent upon the passing of Ordinary Resolutions 1 and 2:

- (a) approval be given under Listing Rule 803 for the proposed transfer of controlling interest to Law Siau Woei; and
- (b) the Directors or any of them be authorised to exercise such discretion and to complete and do all such acts and things, including without limitation, to sign, seal, execute and deliver all such documents and deeds as may be required, and to approve any amendment, alteration or modification to any document as they or he may be required, and to approve any amendment, alteration or modification to any document, as they or he may consider necessary, desirable or expedient or in the interests of the Company to give effect to the proposed transfer of controlling interest and matters contemplated by this Ordinary Resolution 3.

Shareholders should note that the approval of Ordinary Resolution 1 relating to the Proposed Acquisition, Ordinary Resolution 2 relating to the Proposed Issuance of Consideration Shares and Ordinary Resolution 3 relating to the Proposed Transfer of Controlling Interest are all inter-conditional upon one another. As such, if any of the Ordinary Resolutions 1, 2 or 3 are not carried, all of Ordinary Resolutions 1, 2 and 3 will not be carried.

BY ORDER OF THE BOARD
ENVIRO-HUB HOLDINGS LTD.

Joanna Lim Lan Sim
Company Secretary

11 October 2021
Singapore

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTES:

- (1) This extraordinary general meeting (“**EGM**”) is being convened, and will be held, by way of electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020.
- (2) Alternative arrangements relating to attendance at the EGM via electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast or live audio-only stream), submission of questions to the Chairman of the EGM in advance of the EGM, addressing of substantial and relevant questions before or at the EGM and voting by appointing the Chairman of the EGM as proxy at the EGM, are set out in this Notice of EGM. Please refer to below for the relevant steps and details for Shareholders to participate at the EGM.
- (3) In view of the current COVID-19 control measures in Singapore, a member will not be able to attend the EGM in person. A member (whether individual or corporate) must appoint the Chairman of the EGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the EGM if such member wishes to exercise his/her/its voting rights at the EGM. The Proxy Form is available on SGXNet.
- (4) The Chairman of the EGM, as proxy, need not be a member of the Company.
- (5) The instrument appointing the Chairman of the EGM as proxy must be submitted to the Company in the following manner:
 - (a) **via email** to: info@enviro-hub.com; or
 - (b) **via post**, to the Company’s registered address at 3 Gul Crescent, Singapore 629519,

in either case, not less than 48 hours before the time for holding the EGM and at any adjournment thereof.

A member who wishes to submit an instrument of proxy must first download, complete and sign the Proxy Form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

CPF or SRS Investors who wish to appoint the Chairman of the EGM as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes at least seven (7) working days before the EGM.

- (6) The Circular in relation to the Proposed Transactions has been made available on SGXNet and may be accessed at <https://www.sgx.com/securities/company-announcements> or the Company’s corporate website at <http://www.enviro-hub.com/>.

NOTICE OF EXTRAORDINARY GENERAL MEETING

PERSONAL DATA PRIVACY

By submitting a Proxy Form appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the EGM and/or any adjournment thereof, a shareholder of the Company (i) consents to the collection, use and disclosure of the shareholder's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the EGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the EGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guideline (collectively, the "**Purposes**"), (ii) warrants that where the shareholder discloses the personal data of the shareholder's proxy(ies) and/or representative(s) to the Company (or its agents), the shareholder has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the shareholder will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the shareholder's breach of warranty.

ADDITIONAL INFORMATION ON THE EGM ON 26 OCTOBER 2021 TO BE HELD BY WAY OF ELECTRONIC MEANS

Background. The Board of Directors (the "**Board**") of Enviro-Hub Holdings Ltd. (the "**Company**") refers to:

- (a) the COVID-19 (Temporary Measures) Act 2020 which enables the Minister for Law by order to prescribe alternative arrangements for listed companies in Singapore to, *inter alia*, conduct general meetings, either wholly or partly, by electronic communication, video conferencing, tele-conferencing or other electronic means;
- (b) the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 (the "**Order**") which sets out the alternative arrangements in respect of, *inter alia*, general meetings of companies;
- (c) the joint statement by the Accounting and Corporate Regulatory Authority, Monetary Authority of Singapore and Singapore Exchange Regulation of 13 April 2020 (and subsequently updated on 27 April 2020, 22 June 2020 and 1 October 2020) which provides guidance on the conduct of general meetings amid the evolving COVID-19 situation during the period from 27 March 2020 to 30 June 2021; and
- (d) the extension of the Order announced by the Ministry of Law ("**MinLaw** ") on 6 April 2021 which allows entities to conduct general meetings via electronic means, beyond 30 June 2021 and will continue in force until revoked or amended by MinLaw.

Shareholders should note that the Circular in relation to the Proposed Transactions, the Notice of EGM and the Proxy Form (the "**Documents** ") have been made available on SGXNet and may be accessed at <https://www.sgx.com/securities/company-announcements> or the Company's corporate website at <http://www.enviro-hub.com/>. Physical copies of these Documents will NOT be despatched to shareholders.

NOTICE OF EXTRAORDINARY GENERAL MEETING

In light of the foregoing authorities' advisories and guidance and the evolving COVID-19 situation, the Company wishes to inform that the EGM be convened and held on **Tuesday, 26 October 2021 at 10.30 a.m.** by electronic means through live webcast and the following are the alternative arrangements which has been put in place for the EGM:-

1. **Pre-Registration to watch Live Webcast of Proceeding of EGM by 10.30 a.m. on 24 October 2021**

Shareholders are reminded that, due to the current COVID-19 restriction orders in Singapore, no personal attendance at the EGM is permitted. Instead, alternative arrangements have been put in place to allow Shareholders to participate at the EGM by watching the EGM proceedings through a "live" webcast via their mobile phones, tablets or computers or listen to these proceedings through a "live" audio feed via telephone. In order to do so, Shareholders who wish to watch the "live" webcast or listen to the "live" audio feed must pre-register by **10.30 a.m. on 24 October 2021**, via email to info@enviro-hub.com. Following authentication of their status as members, authenticated members will receive email instructions on how to access the webcast and audio feed of the proceedings of the EGM by **25 October 2021**. Members who do not receive an email by **5.00 p.m. on 25 October 2021** should contact the Company at the following email address: info@enviro-hub.com.

Persons who hold shares through relevant intermediaries, including CPF and SRS Investors, and who wish to participate in the EGM should approach their respective relevant intermediaries at least seven (7) working days before the EGM in order for necessary arrangements to be made for their participation in the EGM.

2. **Submission of Questions in Advance**

Members who pre-register to watch the "live" webcast or listen to the "live" audio feed may also submit questions relating to the resolutions to be tabled for approval at the EGM. Please note that members will not be able to ask questions at the EGM "live" during the webcast and the audio feed.

All questions must be submitted by **no later than 10.30 a.m. on 22 October 2021** to the Company:

- (a) **via email** to: info@enviro-hub.com; or
- (b) **via post**, to the Company's registered address at 3 Gul Crescent, Singapore 629519.

For verification purpose, when submitting any questions via email, members **MUST** provide the Company with their particulars (comprising full name (for individuals) / company name (for corporations), email address, contact number, NRIC / passport number / company registration number, shareholding type and number of shares held).

The Company will endeavour to address the substantial queries from members prior to, or at the EGM and upload the Company's responses on the SGXNet. The minutes of the EGM, which including responses to substantial queries from the Members which are addressed during the EGM, shall thereafter be published on SGXNet at <https://www.sgx.com/securities/company-announcements> and the Company's corporate website at <http://www.enviro-hub.com/>, within one (1) month from the conclusion of the EGM.

NOTICE OF EXTRAORDINARY GENERAL MEETING

3. Submission of Proxy Form by 10.30 a.m. on 24 October 2021

In view of the current COVID-19 control measures in Singapore, the EGM will be held by electronic means and a member will not be able to attend the EGM in person. A member (whether individual or corporate) must appoint the Chairman of the EGM as his/her/its proxy to attend, speak and vote on his/her/ its behalf at the EGM if such member wishes to exercise his/her/its voting rights at the EGM. The Chairman of the EGM, as proxy, need not be a member of the Company. The Proxy Form is available on SGXNet. A member must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the Proxy Form, failing which the appointment of the Chairman of the EGM as proxy for that resolution will be treated as invalid. The Proxy Form must be submitted in the following manner:

- (a) **via email** to: info@enviro-hub.com ; or
- (b) **via post**, to the Company's registered address at 3 Gul Crescent, Singapore 629519,

in either case, not less than 48 hours before the time for holding the EGM and at any adjournment thereof.

A member who wishes to submit an instrument of proxy must first download, complete and sign the Proxy Form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

Investors who hold shares through relevant intermediaries as defined in section 181 of the Companies Act, including CPF/SRS Investors who wish to appoint the Chairman of the EGM as proxy, should approach their respective agents to submit their votes by **14 October 2021** in order to allow sufficient time for their respective relevant intermediaries to in turn submit a Proxy Form to appoint the Chairman of the EGM to vote on their behalf **by 10.30 a.m. on 24 October 2021** .

4. Important Reminder

Due to the constantly evolving COVID-19 situation, the Company may be required to change its EGM arrangements at short notice. Members are advised to regularly check the Company's corporate website at <http://www.enviro-hub.com/> or announcements released on SGXNet at <https://www.sgx.com/securities/company-announcements> for updates on the EGM. Further, in view of COVID-19, members are strongly encouraged to submit completed Proxy Forms electronically via email.

The Company would like to thank all Shareholders for their patience and co-operation in enabling the Company to hold its EGM with the optimum safe distancing measures amidst the current COVID-19 pandemic.

**PROXY FORM
 EXTRAORDINARY GENERAL MEETING**
 (Please see notes overleaf before completing this Form)

IMPORTANT

- (1) This Proxy Form is not valid for use by investors who hold shares in the Company through relevant intermediaries (as defined in section 181 of the Companies Act (Chapter 50 of Singapore), including CPF Investors and SRS Investors, and shall be ineffective for all intents and purposes if used or purported to be used by them.
- (2) CPF Investors and SRS Investors who wish to appoint the Chairman of the EGM as proxy to vote on their behalf should approach their respective CPF Agent Banks and SRS Operators to submit their voting instructions at least seven (7) working days before the EGM. Other investors holding shares in the Company through relevant intermediaries who wish to vote should approach their relevant intermediaries as soon as possible to specify voting instructions.

PERSONAL DATA PRIVACY:

By submitting this Proxy Form, the member accepts and agrees to the personal data privacy terms set out in the Notice of EGM dated 11 October 2021.

This form of proxy has been made available on SGXNet and may be accessed at the URL: <https://www.sgx.com/securities/company-announcements>. A printed copy of this form of proxy will NOT be despatched to members.

I/We*, (Name) _____ (NRIC no./Passport no./UEN*) _____
 of (address) _____

being a member/members* of Enviro-Hub Holdings Ltd. (the "**Company**"), hereby appoint the Chairman of the EGM (defined below), as my/our* proxy/proxies* to attend, speak and vote for me/us* on my/our* behalf at the Meeting of the Company to be held by way of electronic means on **26 October 2021 at 10.30 a.m.**

I/We* direct the Chairman of the EGM to vote for or against the resolution to be proposed at the EGM as indicated hereunder, for me/us* and on my/our* behalf at the EGM and at any adjournment thereof.

In the absence of specific directions in respect of a resolution, the appointment of the Chairman of the EGM as your proxy for that resolution will be treated as invalid.

| Ordinary Resolutions | For | Against | Abstain |
|---|-----|---------|---------|
| 1. To approve the proposed acquisition of 75.0% of the issued and paid-up share capital of Pastel Glove Sdn. Bhd. as a major transaction. | | | |
| 2. To approve the proposed allotment and issuance of new Consideration Shares by the Company for the Proposed Acquisition, pursuant to the Sale and Purchase Agreement. | | | |
| 3. To approve the proposed transfer of controlling interest to Law Siau Woei. | | | |

Please indicate your vote "For", "Against" or "Abstain" with an "X" within the box provided. Alternatively, please indicate the number of votes "For" or "Against" within the box provided. If you wish the Chairman of the EGM as your proxy to "Abstain" from voting on a resolution, please indicate "X" in the "Abstain" box in respect of that resolution. Alternatively, please indicate the number of shares that the Chairman of the EGM as your proxy is directed to abstain from voting in that resolution. In the absence of specific directions in respect of a resolution, the appointment of the Chairman of the EGM as your proxy for that resolution will be treated as invalid.

Dated this _____ day of _____ 2021

| Total No. of Shares in | No. of Shares |
|-------------------------|---------------|
| (a) CDP Register | |
| (b) Register of Members | |

Signature of Member(s) or Common Seal of Corporate Member

* Delete as appropriate

IMPORTANT: PLEASE READ NOTES OVERLEAF BEFORE COMPLETING THIS PROXY FORM

NOTES:

1. If the member has shares entered against his name in the Depository Register (maintained by The Central Depository (Pte) Limited), he should insert that number of shares. If the member has shares registered in his name in the Register of Members (maintained by or on behalf of the Company), he should insert that number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members, he should insert the aggregate number. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member.
2. Due to the current COVID-19 restriction orders in Singapore, a member will not be able to attend the EGM in person. A member (whether individual or corporate) must appoint the Chairman of the EGM as his/her/its proxy to vote on his/her/its behalf at the EGM if such member wishes to exercise his/her/ its voting rights at the EGM. Please note that a member may not vote at the EGM otherwise than by way of appointing the Chairman of the EGM as the member's proxy.

Where a member (whether individual or corporate) appoints the Chairman of the EGM as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the proxy form, failing which the appointment of the Chairman of the EGM as proxy for that resolution will be treated as invalid.

3. A member who is a relevant intermediary entitled to vote at the EGM must appoint the Chairman of the EGM to vote at the EGM instead of the member.

“**Relevant intermediary**” means:

- (i) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
- (ii) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Future Act, Chapter 289 of Singapore and who holds shares in that capacity; or
- (iii) the Central Provident Fund Board established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of shares purchased under the subsidiary legislation made under that Central Provident Fund Act, Chapter 36 of Singapore, providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

Investors who hold shares through relevant intermediaries as defined in section 181 of the Companies Act, including CPF/SRS investors who wish to appoint the Chairman of the EGM as proxy, should approach their respective agents to submit their votes **by 14 October 2021** in order to allow sufficient time for their respective relevant intermediaries to in turn submit a Proxy Form to appoint the Chairman of the EGM to vote on their behalf by **10.30 a.m. on 24 October 2021**.

4. The Chairman of the EGM, as proxy, need not be a member of the Company.
5. The instrument appointing the Chairman of the EGM as proxy must be submitted to the Company in the following manner:
 - (a) **via email** to: info@enviro-hub.com; or
 - (b) **via post**, to the Company's registered address at 3 Gul Crescent, Singapore 629519,

in either case, by no later than **10.30 a.m. on 24 October 2021**, being 48 hours before the time for holding the EGM and at any adjournment thereof.

A member who wishes to submit an instrument of proxy must first download, complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

In view of the current COVID-19 situation, members are strongly encouraged to submit completed Proxy Forms electronically via email.

6. The instrument appointing the Chairman of the EGM as proxy must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing the Chairman of the EGM as proxy is executed by a corporation, it must be executed either under its common seal or under the hand of its authorised officer(s) or its attorney duly authorised.
7. Where an instrument appointing the Chairman of the EGM as proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) if the instrument appointing the Chairman of the EGM as proxy is submitted by post, be lodged with the instrument of proxy, if the instrument appointing the Chairman of the EGM as proxy is submitted electronically via email, be emailed with the instrument of proxy, failing which the instrument may be treated as invalid.
8. The Company shall be entitled to reject an instrument appointing the Chairman of the EGM as proxy if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument appointing Chairman of the EGM as proxy (including any related attachment). In addition, in the case of members whose shares entered against their names in the Depository Register, the Company may reject an instrument appointing the Chairman of the EGM as proxy lodged or submitted if such members are not shown to have shares against their names in the Depository Register as at 72 hours before the time appointed for holding the meeting, as certified by The Central Depository (Pte) Limited to the Company.
9. Members should take note that once this proxy form is submitted electronically via email to info@enviro-hub.com; or posted/ deposited to the Company's registered office at 3 Gul Crescent, Singapore 629519, they cannot change their vote as indicated in the box provided above.
10. By submitting an instrument appointing a proxy, the member accepts and agrees to the personal data privacy terms set out in the Notice of EGM dated 11 October 2021.