

THIS CIRCULAR/STATEMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

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

Bursa Malaysia Securities Berhad ("**Bursa Securities**") has not perused Part B of this Circular/Statement in relation to the Proposed Renewal of Share Buy-Back Authority (as defined herein) prior to its issuance as it is an exempt circular pursuant to Practice Note 18 of the Main Market Listing Requirements of Bursa Securities.

Bursa Securities takes no responsibility for the contents of this Circular/Statement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular/Statement.



SALUTICA BERHAD

(Registration No. 201201040303 (1024781-T))
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS

IN RELATION TO THE

PART A

PROPOSED ESTABLISHMENT OF A DIVIDEND REINVESTMENT PLAN WHICH WILL PROVIDE SHAREHOLDERS OF SALUTICA BERHAD ("SALUTICA") WITH AN OPTION TO ELECT TO REINVEST IN WHOLE OR IN PART, THEIR CASH DIVIDEND, WHICH INCLUDES ANY INTERIM, FINAL, SPECIAL OR OTHER TYPES OF CASH DIVIDEND IN NEW ORDINARY SHARES IN SALUTICA ("PROPOSED DRP")

PART B

SHARE BUY-BACK STATEMENT IN RELATION TO THE PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY OF UP TO 10% OF THE TOTAL NUMBER OF ISSUED SHARES OF THE COMPANY ("PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY")

Adviser for Part A

UOBKayHian

UOB Kay Hian Securities (M) Sdn Bhd

(Registration No. 199001003423 (194990-K))
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The above proposals will be tabled as special businesses at the Eighth ("8th") Annual General Meeting ("**AGM**") of Salutica which will be held at M Place, M Roof Hotel & Residences, Jalan Dato Lau Pak Kuan, Taman Ipoh, 31400 Ipoh, Perak Darul Ridzuan on Monday, 23 November 2020 at 10.30 a.m. The notice of the 8th AGM of the Company together with the Form of Proxy, Administrative Notes and this Circular/Statement are available online at the Company's website at www.salutica.com.

A member entitled to attend, participate, speak and vote at the 8th AGM is entitled to appoint a proxy or proxies to attend, participate, speak and vote in his/her place. In such event, the Form of Proxy should be completed and deposited at the Company's Share Registrar at Tricor Investor & Issuing House Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8 Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or electronically lodged with the Company's Share Registrar via TIIH Online at <https://tiah.online> not less than forty eight (48) hours before the time stipulated for holding the 8th AGM, as indicated below, or at any adjournment thereof. The lodging of the Form of Proxy shall not preclude you from attending, speaking and voting in person at the 8th AGM should you subsequently wish to do so.

Last date and time for lodging of Form of Proxy : Saturday, 21 November 2020 at 10.30 a.m.

Date and time of the AGM : Monday, 23 November 2020 at 10.30 a.m.

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Circular/Statement:-

| | |
|----------------------------|--|
| “Act” | : The Companies Act 2016 and any amendments from time to time |
| “AGM” | : Annual general meeting |
| “Annual Report 2020” | : Salutica’s annual report for the FYE 30 June 2020 |
| “Board” | : The Board of Directors of Salutica |
| “BOE” | : Blue Ocean Enlightenment Sdn Bhd (Registration No. 201501017977) (1143309-D) |
| “Bursa Depository” | : Bursa Malaysia Depository Sdn Bhd (Registration No. 198701006854 (165570-W)) |
| “Bursa Securities” | : Bursa Malaysia Securities Berhad (Registration No. 200301033577 (635998-W)) |
| “CDS” | : Central Depository System |
| “Circular” | : This circular to shareholders of Salutica dated 23 October 2020 |
| “CMSA” | : Capital Markets and Services Act, 2007 and any amendments from time to time |
| “Code” | : The Malaysian Code on Take-Overs and Mergers 2016, as amended from time to time and include any re-enactment thereof |
| “Director(s)” | : Has the meaning given in Section 2(1) of the CMSA |
| “Dividend(s)” | : Cash dividend(s) declared by our Company whether interim, final, special or other types of cash dividend |
| “Dividend Payment Account” | : The non-interest bearing account opened by our Company to facilitate the payment of Dividends |
| “DRP” | : Dividend reinvestment plan |
| “Electable Portion” | : The whole or part of the Dividends to which our Board, at its absolute discretion, determines that the Reinvestment Option applies |
| “Entitlement Date” | : The date as at the close of business (to be determined and announced later by our Board) on which Shareholders’ names appear in the Record of Depositors of our Company in order to participate in the Proposed DRP applicable to a Dividend |
| “EPS” | : Earnings per Share |
| “Expiry Date” | : The last day (which will be a date to be fixed and announced by our Board and which shall be at least 14 days from the date of Notice of Election is despatched or such date as may be prescribed by Bursa Securities) by which an election to be made by the Shareholders in relation to their Electable Portion must be received by the Share Registrar or at such address as may be determined by our Company from time to time |

DEFINITIONS (Cont'd)

| | |
|--|---|
| “FYE” | : Financial year(s) ended/ending, as the case may be |
| “Issue Price” | : The issue price of the New Shares, to be determined and fixed by our Board on the Price-Fixing Date, and which shall be an issue price of not more than 10% discount to the 5-day VWAP of Salutica Shares immediately preceding the Price-Fixing Date, of which the VWAP shall be adjusted ex-dividend before applying the aforementioned discount in fixing the issue price at the material time |
| “Listing Requirements” | : Main Market Listing Requirements of Bursa Securities and any amendments from time to time |
| “LPD” | : 1 October 2020, being the latest practicable date prior to the printing of this Circular/Statement |
| “Market Day(s)” | : Any day between Mondays to Fridays (inclusive of both days) which is not a public holiday and on which Bursa Securities is open for the trading of securities |
| “NA” | : Net assets |
| “New Share(s)” | : New Salutica Shares to be issued pursuant to the Proposed DRP |
| “Non-Selectable Portion” | : The portion of a Dividend, to which our Board, in its absolute discretion, determines that the Reinvestment Option does not apply |
| “Notice of Election” | : The notice of election (in such form as our Board may approve) in relation to the Reinvestment Option by which the Shareholders confirm the exercise thereof. The Notice of Election, which will stipulate amongst others, the instructions in respect of the action to be taken by Shareholders should they wish to exercise the Reinvestment Option as well as the Expiry Date, will be despatched to the Shareholders after the Entitlement Date |
| “Overseas Shareholders” | : Shareholders who currently do not have a registered address in Malaysia |
| “Prevailing Laws” | Prevailing laws, rules, regulations, orders, guidelines and requirements issued by the relevant authorities |
| “Price-Fixing Date” | : The date on which our Board determines and announces the Issue Price. For avoidance of doubt, the Price-Fixing Date shall be determined and announced by our Board, upon procuring all relevant approvals, either on the same day as or before the announcement of the Entitlement Date in relation to a Dividend to which the Reinvestment Option applies |
| “Proposed DRP” | : Proposed dividend reinvestment plan that provides Shareholders the Reinvestment Option in accordance with the terms and conditions as set out in Appendix I of this Circular |
| “Proposed Share Buy-Back” | : Proposed purchase of up to ten per centum (10%) of Salutica’s total number of issued shares |
| “Proposed Renewal of Share Buy-Back Authority” | : Proposed renewal of shareholders’ mandate for the authority to the Company to purchase its own shares of up to 10% of the total number of issued shares |

DEFINITIONS (Cont'd)

| | |
|-----------------------------------|---|
| “Purchased Share(s)” | : Shares to be purchased by the Company pursuant to the Proposed Renewal of Share Buy-Back Authority |
| “Record of Depositors” | : A record of depositors established by Bursa Depository under the Rules of Bursa Depository |
| “Reinvestment Option” | : The option given to the Shareholders to reinvest all or part of the Electable Portion in New Shares |
| “RM” and “sen” | : Ringgit Malaysia and sen, respectively |
| “Rules” | : Rules on Take-overs, Mergers and Compulsory Acquisitions issued by the Securities Commission Malaysia and any amendments from time to time |
| “Rules of Bursa Depository” | : Rules of Bursa Depository, including any amendment that may be made from time to time |
| “Salutica” or the “Company” | : Salutica Berhad (Registration No. 201201040303 (1024781-T)) |
| “Salutica Group” or the “Group” | : Collectively, Salutica and its subsidiary |
| “Salutica Share(s)” or “Share(s)” | : Ordinary share(s) in Salutica |
| “Treasury Shares” | : Purchased Shares which are or will be retained in treasury by the Company and shall have the meaning given under Section 127(4)(b) of the Act |
| “VWAP” | : Volume weighted average market price |

All reference to “**you**” or “**your**” in this Circular/Statement are to Salutica’s shareholders.

Words incorporating the singular shall, where applicable, include the plural and vice versa. Words incorporating the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Any reference to persons shall include a corporation, unless otherwise specified.

Any reference in this Circular/Statement to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of day in this Circular/Statement shall be a reference to Malaysian time, unless otherwise specified.

Any discrepancy in the tables between the amounts listed and the totals in this Circular/Statement are due to rounding.

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PART A
PROPOSED DRP



SALUTICA BERHAD

(Registration No. 201201040303 (1024781-T))
(Incorporated in Malaysia)

Registered Office

41, Jalan Medan Ipoh 6
Bandar Baru Medan Ipoh
31400 Ipoh, Perak

23 October 2020

Board of Directors

| | |
|---------------------|---|
| Chia Chee Hoong | (Chairman/Independent Non-Executive Director) |
| Joshua Lim Phan Yih | (Managing Director) |
| Lim Chong Shyh | (Senior Executive Director) |
| Chan Shook Ling | (Executive Director/Chief Financial Officer) |
| Low Teng Lum | (Senior Independent Non-Executive Director) |
| Leow Chan Khiang | (Independent Non-Executive Director) |
| Joel Lim Phan Hong | (Alternate Director to Lim Chong Shyh) |

To: The Shareholders of Salutica Berhad

Dear Sir/Madam,

PROPOSED DRP

1. INTRODUCTION

On behalf of the Board, UOBKH had, on 15 September 2020, announced that the Company proposed to undertake the establishment of a DRP which will provide you with an option to elect to reinvest in whole, or in part, your Dividend in New Shares.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE RELEVANT INFORMATION ON THE PROPOSED DRP AND TO SET OUT THE VIEW AND RECOMMENDATION OF THE BOARD AS WELL AS TO SEEK THE APPROVAL FROM THE SHAREHOLDERS FOR THE RESOLUTIONS PERTAINING TO THE PROPOSED DRP AND THE ISSUANCE OF NEW SHARES PURSUANT TO THE PROPOSED DRP TO BE TABLED AT THE FORTHCOMING AGM OF THE COMPANY. THE NOTICE OF THE FORTHCOMING AGM AND THE FORM OF PROXY ARE ENCLOSED TOGETHER WITH THE ANNUAL REPORT 2020.

SHAREHOLDERS ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDICES CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSED DRP AND THE ISSUANCE OF NEW SHARES PURSUANT TO THE PROPOSED DRP TO BE TABLED AT THE FORTHCOMING AGM OF THE COMPANY.

2. DETAILS OF THE PROPOSED DRP

2.1 Overview

The Proposed DRP will provide Shareholders with an opportunity to reinvest their Dividend in New Shares, in lieu of receiving it in cash.

Whenever a Dividend is announced, the Board may, at its absolute discretion, determine whether to pay such Dividends in cash or to offer Shareholders the Reinvestment Option and where applicable, the size of the Electable Portion.

In this respect, the Electable Portion may encompass the whole Dividend declared or only a portion of the Dividend. In the event the Electable Portion is not applicable to the whole Dividend declared, the Non-Electable Portion will be paid in cash.

Shareholders should note that the Company is not obliged to undertake the Proposed DRP for every Dividend declared. Unless the Board has determined that the Reinvestment Option will apply to a particular Dividend (whether in whole or in part), all future Dividends as may be declared by Salutica will be paid wholly in cash to Shareholders in the usual manner.

2.2 Election to reinvest Dividends in New Shares

Shareholders shall have the following options in respect of a Reinvestment Option announced by the Board under the Proposed DRP:-

- (i) to elect to participate in the Reinvestment Option by reinvesting the entire Electable Portion in New Shares at the Issue Price on the Price-Fixing Date and to receive the Non-Electable Portion in cash;
- (ii) to elect to participate in the Reinvestment Option by reinvesting part of the Electable Portion in New Shares at the Issue Price on the Price-Fixing Date and to receive the balance of the Electable Portion and Non-Electable Portion in cash; or
- (iii) to elect not to participate in the Reinvestment Option and thereby receive their entire Dividend entitlement (both Electable Portion and Non-Electable Portion) in cash.

2.3 Sequence of events in relation to the Proposed DRP

Subsequent to the Entitlement Date, the Notice of Election will be despatched to the Shareholders after the Entitlement Date. Instructions will be provided in the Notice of Election in respect of the action to be taken by Shareholders should they wish to exercise the Reinvestment Option. The Notice of Election will also state, amongst others, the Expiry Date.

The Company shall transfer funds amounting to the total net Dividends (after deduction of any applicable income tax) from its account to the Dividend Payment Account held in trust for the Shareholders.

In accordance with Paragraph 6.09 of the Listing Requirements, Salutica will, within 8 Market Days from the Expiry Date or such date as may be prescribed by Bursa Securities, allot and issue the New Shares and despatch notices of allotment to Shareholders (who exercise the Reinvestment Option) ("**Allotment Date**").

Further, in accordance with Paragraphs 8.26(2) and 9.19(2)(a)(ii) of the Listing Requirements, a cash dividend must be paid within 1 month from the Entitlement Date and in any event, within 3 months from the date of the declaration of the Dividend or the date on which the approval is obtained in a general meeting of the Company, whichever is applicable. For avoidance of doubt, Dividend for the Shareholders who do not exercise their Reinvestment Option will also be paid concurrently on the Allotment Date, in cash, in the usual manner through the Dividend Payment Account.

An announcement will also be made in respect of the listing of and quotation for the New Shares pursuant to the Proposed DRP on the Main Market of Bursa Securities.

Please refer to **Appendix I** of this Circular for a process flow chart illustrating how the Proposed DRP is intended to be administered.

Shareholders will receive their Dividend in cash if they do not expressly elect in writing to exercise the Reinvestment Option in accordance with the instructions set out in the Notice of Election by the Expiry Date. As such, Shareholders who wish to receive their Dividend wholly in cash need not take any action with regard to the Notice of Election.

Shareholders who wish to receive all or part of their Dividend in New Shares must complete and return the Notice of Election before the Expiry Date.

The percentage shareholding of a Shareholder in Salutica may be diluted should he/she decides not to exercise his/her Reinvestment Option. However, the extent of the dilution, if any, will depend on the number of New Shares issued by Salutica pursuant to the exercise level of the Reinvestment Option exercised by other Shareholders, which cannot be defined at this juncture.

Shareholders who elect to participate in the Proposed DRP, and reinvest their Dividend into New Shares under the Proposed DRP, may be required to comply with the Rules, or other shareholding limits, where applicable, as set out in Section 3 of this Circular.

2.4 Pricing of the New Shares

The Issue Price, which will be determined by the Board on the Price-Fixing Date, shall be at an issue price of not more than a 10% discount to the 5-day VWAP of Salutica Shares immediately prior to the Price-Fixing Date. For avoidance of doubt, the VWAP shall be adjusted ex-dividend before applying the aforementioned discount in fixing the Issue Price. An illustration of the indicative Issue Price for the New Shares is set out in **Section 5** of this Circular.

The New Shares will be issued free of any brokerage fees and other related transaction costs to Shareholders (unless otherwise provided by any statute, law or regulation). However, Shareholders are required to pay RM10.00 for stamp duty.

2.5 Ranking and listing of the New Shares

Any New Shares to be issued pursuant to the Proposed DRP will rank equally in all respects with the existing Salutica Shares in issue, save and except that the holders of New Shares will not be entitled to any dividends, rights, allotments and/or other forms of distributions that may be declared, made or paid for which the entitlement date precedes the date of allotment and issuance of the New Shares.

Approval will be sought from Bursa Securities for the listing of and quotation for the New Shares on the Main Market of Bursa Securities pursuant to each and every Dividend to which the Proposed DRP applies. After receipt of said approval from Bursa Securities and other relevant authorities, where applicable, an announcement of the Entitlement Date in relation to a Dividend will be made.

The New Shares will be listed on the Main Market of Bursa Securities.

2.6 Eligibility

The right to participate in the Proposed DRP will be granted to all Shareholders. All Shareholders are eligible to participate in the Proposed DRP provided that such participation will not result in a breach of any restrictions applicable to such Shareholder's holding of Salutica Shares which may be imposed by any contractual obligations, statute, law or regulation in force in Malaysia or any other relevant jurisdiction, as the case may be (unless the requisite approvals under the relevant statute, law or regulation from the relevant authorities are first obtained or the relevant contractual obligation is otherwise waived in accordance with the terms and conditions of the relevant contracts).

Overseas Shareholders should take note of the following:-

The Proposed DRP will only be offered for subscription in Malaysia. No action has been or will be taken to ensure that the Proposed DRP complies with the laws of any countries or jurisdictions other than the laws of Malaysia. Accordingly, the documents relating to the Proposed DRP including the Notice of Election will not be sent to Overseas Shareholders to avoid any violation on the part of Salutica of any securities laws applicable outside Malaysia. No Overseas Shareholders shall have any claim whatsoever against the Company as a result of the documents relating to the Proposed DRP not being sent to Overseas Shareholders.

Overseas Shareholders who wish to participate in the Proposed DRP are strongly advised to provide the Share Registrar with an address in Malaysia no later than 3 Market Days before the relevant Entitlement Date in respect of any particular Dividend to which the Proposed DRP applies.

Overseas Shareholders will be solely responsible for seeking advice as to the laws of any jurisdiction that they may be subjected to, and participation by Overseas Shareholders in the Proposed DRP will be on the basis that they may lawfully so participate without the Company, the Directors, the employees and the advisers of the Company being in breach of the laws of any jurisdiction.

2.7 Odd lots

Shareholders who exercise the Reinvestment Option may be allotted New Shares in odd lots depending on his/her entitlement of New Shares. Shareholders who receive odd lots of New Shares and who wish to trade such odd lots may do so via the odd lots market of Bursa Securities, which allows the trading of odd lots with a minimum of 1 Salutica Share.

A Shareholder who does not wish to receive New Shares in odd lots may round down the number of New Shares elected such that he/she will receive New Shares in multiples of, and not less than 100 New Shares. Where a Shareholder's entitlement of New Shares is less than 100 Shares, the Shareholder can elect to receive his/her entire Dividend entitlement in cash in the usual manner through the Dividend Payment Account or New Shares in odd lots.

Fractional New Shares will not be allotted. Any amount of a Dividend payment that is insufficient for the issuance of 1 whole New Share will be received in cash by Shareholders in the usual manner through the Dividend Payment Account together with the Non-Electable Portion (if any).

2.8 Maximum number of New Shares

The maximum number of New Shares to be issued under the Proposed DRP will depend on, amongst others, the quantum of the Dividend, our Board's decision on the proportion/size of the Electable Portion, the extent to which Shareholders elect to reinvest the Electable Portion at the Issue Price and any necessary downward adjustment by our Board to the final number of New Shares to be allotted and issued to any of the Shareholders as referred to in **Section 3.2** of this Circular.

2.9 Taxation

For income tax purposes, a Shareholder is regarded as having received a cash distribution equivalent to the amount of the Dividend declared, notwithstanding that the Shareholder may elect to exercise the Reinvestment Option (in whole or in part). Hence the election for the Reinvestment Option does not relieve a Shareholder from any income tax obligation (if applicable) and there is no tax advantage to be gained in exercising the Reinvestment Option or otherwise.

2.10 Use of funds

The Proposed DRP will potentially result in cash retention for the Company if Shareholders elect to reinvest their Dividend in New Shares. The amount of cash reinvested into the Company arising from the Proposed DRP can only be ascertained on or after the relevant Expiry Date. Nonetheless, the net cash proceeds from the Proposed DRP (after the deduction of any related expenses) will be used for general working capital requirements of Salutica Group, such as funding of our Group's operations, general administrative and other operating expenditures. The breakdown of the proceeds to be used for each component of working capital cannot be determined at this juncture and will be dependent on the operating requirements at the time of utilisation. The Company expects to use the proceeds from the Proposed DRP within a period of 12 months, as and when the proceeds are received.

2.11 Modification, suspension and termination of the Proposed DRP

Subject to any requirement or provision imposed by any statute, law or regulation in force in Malaysia, as the case may be, the Proposed DRP may be modified, suspended (in whole or in part) or terminated at any time by the Board as it deems fit or expedient by giving notice in such manner as the Board deems fit, notwithstanding any other provision or the terms and conditions of the Proposed DRP stating the contrary and irrespective of whether an election to exercise the Reinvestment Option has been made by a Shareholder.

In the event the Board decides to suspend (in whole or in part) or terminate the Proposed DRP in relation to the Electable Portion, Shareholders will receive the Electable Portion, in cash, in the usual manner.

2.12 General

Shareholders' approval for the Proposed DRP and the issuance of such number of New Shares pursuant to the Proposed DRP and for any Dividend to be declared before the next AGM which the Proposed DRP applies will be sought at the AGM of Salutica to be convened. Subsequent Shareholders' approvals for future issuances of New Shares pursuant to the Proposed DRP will be sought at the AGM of Salutica on an annual basis where applicable.

For avoidance of doubt, the specific approval to be obtained from the Shareholders for the issuance of New Shares arising from the Proposed DRP is separate from and in addition to the general mandate to issue and allot new Salutica Shares pursuant to Sections 75 and 76 of the Act where the Shareholders' approval is sought at the AGM on an annual basis.

Amendments to the Constitution of Salutica are not required under the Proposed DRP as neither the Constitution of Salutica nor the Act prohibits the implementation of any DRP.

Please refer to **Appendix I** of this Circular for the Dividend Reinvestment Plan Statement which sets out the terms and conditions of the Proposed DRP.

3. IMPLICATION OF THE RULES AND OTHER SHAREHOLDING LIMITS

3.1 The Rules

Under Paragraph 4.01, Part B of the Rules on Take-overs and Sections 217 and 218 of the Capital Markets and Services Act, 2007, a Shareholder may be under an obligation to extend a take-over offer for the remaining Salutica Shares not already owned by him/her and persons acting in concert with him/her (collectively, the “**Affected Party**”), if:-

- (i) by participating in the Proposed DRP in relation to the reinvestment of the Electable Portion, the Affected Party has obtained control via the acquisition or holding of, or entitlement to exercise or control the exercise of voting shares or voting rights of 33% or more of the Company or such other amount as may be prescribed in the Rules on Take-overs, however effected; or
- (ii) the Affected Party holds more than 33% but not more than 50% of the voting shares or voting rights of the Company and acquires, including by participating in the Proposed DRP in relation to any Electable Portion, more than 2% of the voting shares or voting rights of the Company in any 6-month period.

Thereafter, in the event an obligation to undertake a mandatory offer is expected to arise resulting from a Shareholder’s participation in the Proposed DRP, the Affected Party may wish to consult their professional advisers in relation to:-

- (i) any obligation to make a take-over offer under the Rules on Take-overs as a result of any subscription of New Shares through his/her participation in the Proposed DRP; and
- (ii) whether or not to make an application to the Securities Commission Malaysia to obtain an exemption from undertaking a mandatory offer pursuant to the Rules on Take-overs prior to exercising his/her Reinvestment Option.

3.2 Other shareholding limits

Shareholders are responsible for ensuring that their participation will not result in a breach of any restrictions applicable to such Shareholder’s holding of Salutica Shares which may be imposed by any contractual obligations, statute, law or regulation in force in Malaysia or any other relevant jurisdiction, as the case may be (unless the requisite approvals under the relevant statute, law or regulation or from the relevant authorities are first obtained or the relevant contractual obligation is otherwise waived in accordance with the terms and conditions of the relevant contracts).

The Board shall be entitled but not obligated to reduce or limit the number of New Shares to be issued to any Shareholder should the Board be aware or be informed in writing of any expected breach of such shareholding limits as a result of the exercise of the Reinvestment Option by such Shareholder, in which case the Board reserves the right to pay the remaining portion of the Electable Portion in cash.

The statements herein do not purport to be a comprehensive or exhaustive description of all the relevant provisions of, or all implications that may arise under, the Rules or other relevant legislations or regulations. Shareholders who are in doubt as to whether they would incur any obligation to make a take-over offer under the Rules as a result of any subscription of New Shares through their participation in the Proposed DRP are advised to consult their professional advisers at the earliest opportunity.

4. RATIONALE FOR THE PROPOSED DRP

The establishment of the Proposed DRP is intended to:-

- (i) provide the Company with flexibility in managing its capital position as well as strengthen its capital position as any cash so retained within the Company, that would otherwise be made payable by way of Dividend, will be preserved as capital to fund working capital requirements of the Group;
- (ii) provide the Shareholders with an opportunity to enhance and maximise the value of their shareholdings in the Company by investing in New Shares that may be issued at a discount to the prevailing market prices. Further, their subscription of such New Shares will be free from any brokerage fees and other related transaction costs (unless otherwise provided by any statute, law or regulation); and
- (iii) potentially improve the liquidity of Salutica Shares on the Main Market of Bursa Securities through the issuance of New Shares pursuant to the Proposed DRP resulting in an enlarged share capital base.

Nonetheless, the Company wishes to highlight that the Proposed DRP provides Shareholders with the option, and does not impose any obligation on them, to reinvest their Dividend, in whole or in part, in New Shares.

5. EFFECTS OF THE PROPOSED DRP

The effects of the Proposed DRP are dependent on several factors, which include, amongst others, the quantum of the Dividend, the Board's decision on the proportion/size of the Electable Portion, the extent to which Shareholders elect to reinvest the Electable Portion, the Issue Price and any necessary downward adjustment by the Board to the final number of New Shares to be allotted and issued to any Shareholder as referred to in **Section 3.2** of this Circular.

Strictly for illustrative purpose only, throughout **Section 5** of this Circular, the number of New Shares that the Company could potentially issue pursuant to the Proposed DRP is based on the following parameters/assumptions:-

- (i) an illustrative gross dividend of 1.8 sen, which is based on Salutica's total dividend declared and paid in respect of the FYE 30 June 2020 ("**Illustrative Dividend**");
- (ii) the Board determines that the Reinvestment Option applies to the entire Illustrative Dividend; and
- (iii) all the Shareholders elect to participate in the Proposed DRP and choose to receive the Illustrative Dividend wholly in New Shares.

| | | |
|---|------------------|-------------|
| Issued share capital as at the LPD ⁽¹⁾ | A | 384,990,000 |
| Illustrative Dividend per Salutica Share (RM) | B | 0.018 |
| Dividend payout (RM) | $C = A \times B$ | 6,929,820 |
| Indicative Issue Price per New Share (RM) ⁽²⁾ | D | 0.373 |
| Indicative number of New Shares to be issued ⁽³⁾ | $E = C / D$ | 18,578,605 |
| Enlarged issued share capital after the Proposed DRP | $G = A + E$ | 403,568,605 |
| Percentage of enlarged issued share capital | E / G | 4.60% |

Notes:-

- (1) Excluding 3,010,000 treasury shares held as at the LPD.
- (2) Calculated based on the 5-day VWAP of Salutica Shares up to and including the LPD of RM0.432, deducting the Illustrative Dividend of 1.8 sen per Salutica Share (i.e. RM0.414) and thereafter applying the maximum allowable discount of approximately 10.00%.

The actual number of New Shares to be issued pursuant to the Proposed DRP would be dependent upon the actual issue price to be fixed at a later date after obtaining Bursa Securities' approval for the listing of and quotation for the New Shares to be issued pursuant to the Proposed DRP, as well as the approval of the shareholders' of Salutica for the establishment of the Proposed DRP.

5.1 Issued share capital

The Proposed DRP will not have an immediate material effect on the issued share capital of Salutica until such time new Salutica Shares are issued pursuant to the Proposed DRP. However, the issued share capital of Salutica will increase progressively pursuant to any exercise by Shareholders of the Reinvestment Option whenever the Reinvestment Option is made available by the Board.

For illustrative purposes, the pro forma effects of the Proposed DRP on the issued share capital of Salutica are set out below:-

| | No. of Shares | (RM) |
|---|--------------------|-------------------|
| Issued share capital as at the LPD | 388,000,000 | 91,802,368 |
| Less: Treasury shares | (3,010,000) | (991,600) |
| | 384,990,000 | 90,810,768 |
| To be issued pursuant to the Proposed DRP | 18,578,605 | (1) 6,929,820 |
| Enlarged issued share capital | 403,568,605 | 97,740,588 |

Note:-

- (1) Calculated based on the indicative Issue Price of RM0.373 per New Share.

5.2 NA and gearing

The Proposed DRP will not have any immediate effect on the consolidated NA per Share and gearing level of Salutica Group until such time when the Reinvestment Option is exercised. The exercise of the Reinvestment Option under the Proposed DRP by Shareholders will preserve cash in the Salutica Group and result in an increase of its NA and in turn improve the Salutica Group's cash position as compared to the NA and cash position that the Salutica Group would be in if the Dividend is paid wholly in cash. This is because the distributed retained profits from the payment of the Dividend are reinvested into the share capital of the Company to the extent, amongst others, the level of election by Shareholders to exercise the Reinvestment Option. The consolidated gearing position of Salutica Group is expected to improve when Reinvestment Option is exercised.

5.3 Earnings and EPS

The Proposed DRP is not expected to have any material effect on the earnings of the Salutica Group for the FYE 30 June 2021. However, purely for illustrative purpose, assuming the net earnings of the Salutica Group remain unchanged, the EPS of the Salutica Group will be proportionally diluted in consequence to any issuance of New Shares from the Proposed DRP. The quantum of such impact cannot be reliably ascertained at this point in time as such effects on the earnings of the Salutica Group are dependent on the extent of Shareholders who elect to reinvest the Electable Portion in New Shares.

5.4 Substantial shareholders' shareholding

The Proposed DRP is not expected to have any immediate effect on the substantial shareholders' shareholding until such time as and when the Reinvestment Option pursuant to the Proposed DRP is exercised. The shareholding percentage of Salutica's substantial shareholders will not be affected if all Shareholders fully exercise their respective Electable Portion. However, where substantial shareholders elect to reinvest their Electable Portion in full and some or all of the other Shareholders do not elect to reinvest their Electable Portion or elect to reinvest only part of their Electable Portion, the substantial shareholders' shareholdings in the Company will increase, and vice versa.

5.5 Convertible securities

The Company does not have any convertible securities as at the LPD.

6. HISTORICAL SHARE PRICES

The monthly highest and lowest market prices of Salutica Shares as traded on Bursa Securities for the past 12 months from October 2019 to September 2020 are set out below:-

| | High (RM) | Low (RM) |
|---|--------------|-------------|
| 2019 | | |
| October | 0.968 | 0.693 |
| November | 0.968 | 0.648 |
| December | 0.892 | 0.653 |
| 2020 | | |
| January | 0.941 | 0.798 |
| February | 1.021 | 0.604 |
| March | 0.694 | 0.255 |
| April | 0.640 | 0.360 |
| May | 0.620 | 0.485 |
| June | 0.585 | 0.455 |
| July | 0.540 | 0.465 |
| August | 0.650 | 0.470 |
| September | 0.500 | 0.420 |
| The last transacted price of Salutica Shares as at 14 September 2020, being the last trading date prior to the announcement of the Proposed DRP | | 0.450 |
| Last transacted market price of Salutica Shares as at LPD | | 0.440 |

(Source: Bloomberg)

7. APPROVALS REQUIRED

The Proposed DRP is subject to the following approvals being obtained:-

- (i) the Shareholders at the AGM to be convened for the establishment of the Proposed DRP and the issuance of New Shares arising from the Proposed DRP; and
- (ii) any other relevant authorities and/or parties, if required.

In respect of the implementation of Proposed DRP for any future Dividend to which the Reinvestment Option applies, the issuance of the New Shares to be issued pursuant to the exercise of the Reinvestment Option by Shareholders is conditional upon approvals being obtained from the following:-

- (i) Shareholders' approval at the Company's AGM on an annual basis. This is in addition to any general mandate pursuant to Sections 75 and 76 of the Act;
- (ii) Bursa Securities for the listing of and quotation for the New Shares to be issued pursuant to the Proposed DRP on the Main Market of Bursa Securities; and
- (iii) any other relevant authorities and/or parties, if required.

The Proposed DRP is also not conditional upon any other corporate proposals undertaken or to be undertaken by the Company.

The voting on the resolutions pertaining to the Proposed DRP at the forthcoming AGM will be taken on a poll.

8. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/OR PERSONS CONNECTED TO THEM

None of our Directors, major shareholders and/or chief executive of Salutica and/or persons connected to them have any interest, either direct or indirect, in the Proposed DRP, beyond their respective entitlement as Shareholders under the Proposed DRP, of which all other Shareholders are similarly entitled to.

9. ESTIMATED TIMEFRAME FOR COMPLETION AND TENTATIVE TIMETABLE FOR IMPLEMENTATION

Barring any unforeseen circumstances and subject to all required approvals being obtained, the Proposed DRP is expected to be ready for implementation by the end of 2020.

10. CORPORATE PROPOSALS ANNOUNCED BUT PENDING COMPLETION

Save for the Proposed DRP, the Board confirms that there are no other outstanding corporate proposals which have been announced but not yet completed as at the date of this Circular.

11. DIRECTORS' STATEMENT AND RECOMMENDATION

The Board, having considered all aspects of the Proposed DRP, including but not limited to the rationale and effects of the Proposed DRP, is of the opinion that the Proposed DRP is in the best interest of the Company, and recommends that the Shareholders vote in favour of the ordinary resolutions in relation to the Proposed DRP to be tabled at the forthcoming AGM.

12. AGM

The forthcoming 8th AGM of the Company will be held at M Place, M Roof Hotel & Residences, Jalan Dato Lau Pak Kuan, Taman Ipoh, 31400 Ipoh, Perak Darul Ridzuan on Monday, 23 November 2020 at 10.30 a.m. for the purpose of considering and if thought fit, passing the ordinary resolutions on the Proposed DRP pursuant to the agenda of Special Businesses as detailed in the Company's Notice of AGM.

If you are unable to attend and vote in person at the said AGM and wish to appoint a proxy or proxies to attend and vote on your behalf, you are requested to complete and return the Form of Proxy which can be downloaded from the Company's website at www.salutica.com in accordance with the instructions thereon to Salutica's Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, their Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or electronically lodged with the Company's Share Registrar via TIIH Online at <https://tiih.online> not less than forty-eight (48) hours before the time fixed for holding the AGM. The lodging of the Form of Proxy will not preclude you from attending and voting in person at the AGM should you subsequently wish to do so.

13. FURTHER INFORMATION

Shareholders are advised to refer to the appendices set out in this Circular for further information.

Yours faithfully,
For and on behalf of our Board
SALUTICA BERHAD

JOSHUA LIM PHAN YIH
Managing Director/Chief Executive Officer

DIVIDEND REINVESTMENT PLAN STATEMENT



SALUTICA BERHAD

(Registration No. 201201040303 (1024781-T))
(Incorporated in Malaysia)

DIVIDEND REINVESTMENT PLAN STATEMENT

(Abbreviations and definitions, unless where the context requires otherwise, shall be as set out in Section 2 under "Definitions" governing this Dividend Reinvestment Plan Statement).

This Dividend Reinvestment Plan Statement contains the Terms and Conditions as may be amended from time to time of the Dividend Reinvestment Plan of Salutica under which persons appearing in the Record of Depositors of Salutica, as Shareholders on the Entitlement Date may, in relation to any Dividends, be given a Reinvestment Option as the Board may, at its absolute discretion, make available.

For income tax purposes, a Shareholder shall be treated as having received cash dividend distribution equivalent to the amount of the Dividend declared, notwithstanding that the Shareholder may elect to exercise the Reinvestment Option (in whole or in part). Hence, the election for the Reinvestment Option does not relieve the Shareholder of any income tax obligation (if applicable) and there is no tax advantage to be gained in exercising the Reinvestment Option or otherwise.

SUMMARY OF THE DIVIDEND REINVESTMENT PLAN

The Dividend Reinvestment Plan will provide Shareholders with an option to elect to reinvest their Dividends in New Shares, instead of receiving cash.

Whenever a Dividend is announced, the Board may, at its absolute discretion, determine whether to pay such Dividend in cash or to offer the Shareholders the Reinvestment Option and where applicable, the size of the Electable Portion. Shareholders should note that Salutica is not obliged to undertake the Dividend Reinvestment Plan for each and every Dividend.

In this respect, the Electable Portion may encompass the whole or part of the Dividend. In the event the Electable Portion is not applicable for the whole Dividend, the Remaining Portion will be paid in cash.

Unless the Board has determined that the Reinvestment Option will apply to a particular Dividend (whether in whole or in part), all future Dividends as may be declared by Salutica will be paid wholly in cash to Shareholders in the usual manner through the Dividend Payment Account.

Salutica will issue the New Shares to Shareholders who elect to exercise the Reinvestment Option under the Dividend Reinvestment Plan. The Issue Price which will be determined and fixed by the Board on the Price-Fixing Date shall be at an issue price of not more than 10% discount to the 5-day VWAP of Salutica Shares immediately prior to the Price-Fixing Date. The VWAP of Salutica Shares shall be adjusted ex-dividend before applying the aforementioned discount in fixing the Issue Price.

Approval will be sought from Bursa Securities for the listing of and quotation for the New Shares on the Main Market of Bursa Securities pursuant to each and every Dividend to which the Dividend Reinvestment Plan applies. An announcement of the Entitlement Date in relation to a Dividend to which the Reinvestment Option applies will be made, after receipt of the approval of Bursa Securities and approval from Shareholders and other relevant authorities, where applicable. The Issue Price shall be announced either on the same day as or before the announcement of the Entitlement Date in relation to a Dividend to which the Reinvestment Option applies.

DIVIDEND REINVESTMENT PLAN STATEMENT (Cont'd)

Subsequent to the Entitlement Date, a Notice of Election will be despatched to Shareholders. Instructions will be provided in the Notice of Election in respect of the action to be taken by the Shareholders should they wish to exercise the Reinvestment Option. The Notice of Election will also state, amongst others, the Expiry Date.

The Dividend Reinvestment Plan will allow Shareholders to have the following options in respect of the Reinvestment Option:-

1. to elect to participate in the Reinvestment Option by reinvesting the entire Electable Portion at the Issue Price for New Shares and to receive the Non-Electable Portion in cash;
2. to elect to participate in the Reinvestment Option by reinvesting part of the Electable Portion at the Issue Price for New Shares, and to receive the balance of the Electable Portion and Non-Electable Portion in cash; or
3. to elect not to participate in the Reinvestment Option and thereby receive their entire Dividend entitlement (both Electable Portion and Non-Electable Portion) in cash.

There are no brokerage fees and other related transaction costs payable by the Participating Shareholders on the New Shares allotted, unless otherwise provided by any statute, law or regulation. However, the Participating Shareholders are required to pay RM10.00 for stamp duty.

Salutica will, within 8 Market Days from the Expiry Date or such date as may be prescribed by Bursa Securities, allot and issue the New Shares and despatch notices of allotment to Shareholders (who exercise the Reinvestment Option). The New Shares to be issued pursuant to the Dividend Reinvestment Plan will not be underwritten.

Concurrently, on the Allotment Date (which will be within 1 month from the Entitlement Date and in any event, within 3 months from the date of declaration of the Dividend or the date on which the approval is obtained in a general meeting of Salutica, whichever is applicable), the Remaining Portion and the balance of the Electable Portion not reinvested will be paid in cash to the respective Shareholders in the usual manner through a Dividend Payment Account, where applicable.

Salutica will also release an announcement on the Market Day on which the New Shares will be listed and quoted on the Main Market of Bursa Securities.

The New Shares will, upon allotment and issuance, rank equally in all respects with the existing Salutica Shares, save and except that the holders of New Shares will not be entitled to any dividends, rights, allotments and/or other forms of distributions that may be declared, made or paid for which the entitlement date precedes the date of allotment and issuance of the New Shares. The New Shares are prescribed securities and will be credited directly into the respective CDS accounts of Shareholders who exercise their Reinvestment Option. No physical share certificates will be issued to the Shareholders.

All Shareholders are eligible to participate in the Dividend Reinvestment Plan subject to the restrictions described in the Terms and Conditions.

DIVIDEND REINVESTMENT PLAN STATEMENT (Cont'd)

HOW TO PARTICIPATE

Participation in the Dividend Reinvestment Plan is optional and not transferable. A Shareholder wishing to exercise the Reinvestment Option in respect of any Electable Portion to which a Notice of Election received by him/her relates must complete the Notice of Election and return it to the office of the Share Registrar or at such address as may be determined by the Company from time to time in accordance with the instructions as prescribed therein.

Shareholders who receive more than 1 Notice of Election and wish to reinvest in New Shares in respect of all or part of his/her entitlement to the Electable Portion arising from his/her entire holding of Salutica Shares must complete all the Notices of Election received by him/her (to the extent of the entitlement to the Electable Portion in which he/she intends to reinvest in New Shares) and return the completed Notices of Election to the office of the Share Registrar or at such address as may be determined by the Company from time to time not later than the Expiry Date. Shareholders should note that they are at liberty to decide which particular Notice of Election they wish to elect for the reinvestment in New Shares.

Where any particular Notice of Election is not elected upon, the Dividend relating thereto will be paid in cash by the Company to the Shareholders in the usual manner through a Dividend Payment Account.

To be effective in respect of any Electable Portion to which a Notice of Election relates, such duly completed and signed Notice of Election must be received by the Share Registrar or at such address as may be determined by the Company from time to time no later than the Expiry Date (which shall be at least 14 days from the date the Notice of Election is despatched) stated in the Notice of Election in respect of that particular Reinvestment Option.

All Shareholders are eligible to participate in the Dividend Reinvestment Plan, provided that:-

- (a) such participation will not result in a breach of any restrictions on their holding of Salutica Shares which may be imposed by any of their contractual obligations, or by any statute, law or regulation in force in Malaysia or any other relevant jurisdiction, or by any relevant authorities as the case may be (unless the requisite approvals under the relevant statute, law or regulation or from the relevant authorities are first obtained or the relevant contractual obligation is otherwise waived in accordance with the terms and conditions of the relevant contracts); or
- (b) there are no restrictions for such participation as prescribed in the Company's Constitution.

Shareholders should however note that the Notice of Election will not be sent to Shareholders whose address in the Company's Record of Depositors is not in Malaysia to avoid any violation on the part of Salutica of any securities laws applicable outside Malaysia.

Shareholders who currently do not have registered addresses in Malaysia and who wish to participate in the Dividend Reinvestment Plan are strongly advised to provide the Share Registrar with an address in Malaysia not less than 3 Market Days before the relevant Entitlement Date in respect of any particular Dividend to which the Reinvestment Option is made available by the Board.

Shareholders should note that under the Dividend Reinvestment Plan:-

- (a) in exercising the Reinvestment Option, they are at their liberty to reinvest the entire Electable Portion or a part thereof to which a Notice of Election relates; and
- (b) their right to exercise the Reinvestment Option is non-transferable.

DIVIDEND REINVESTMENT PLAN STATEMENT (Cont'd)

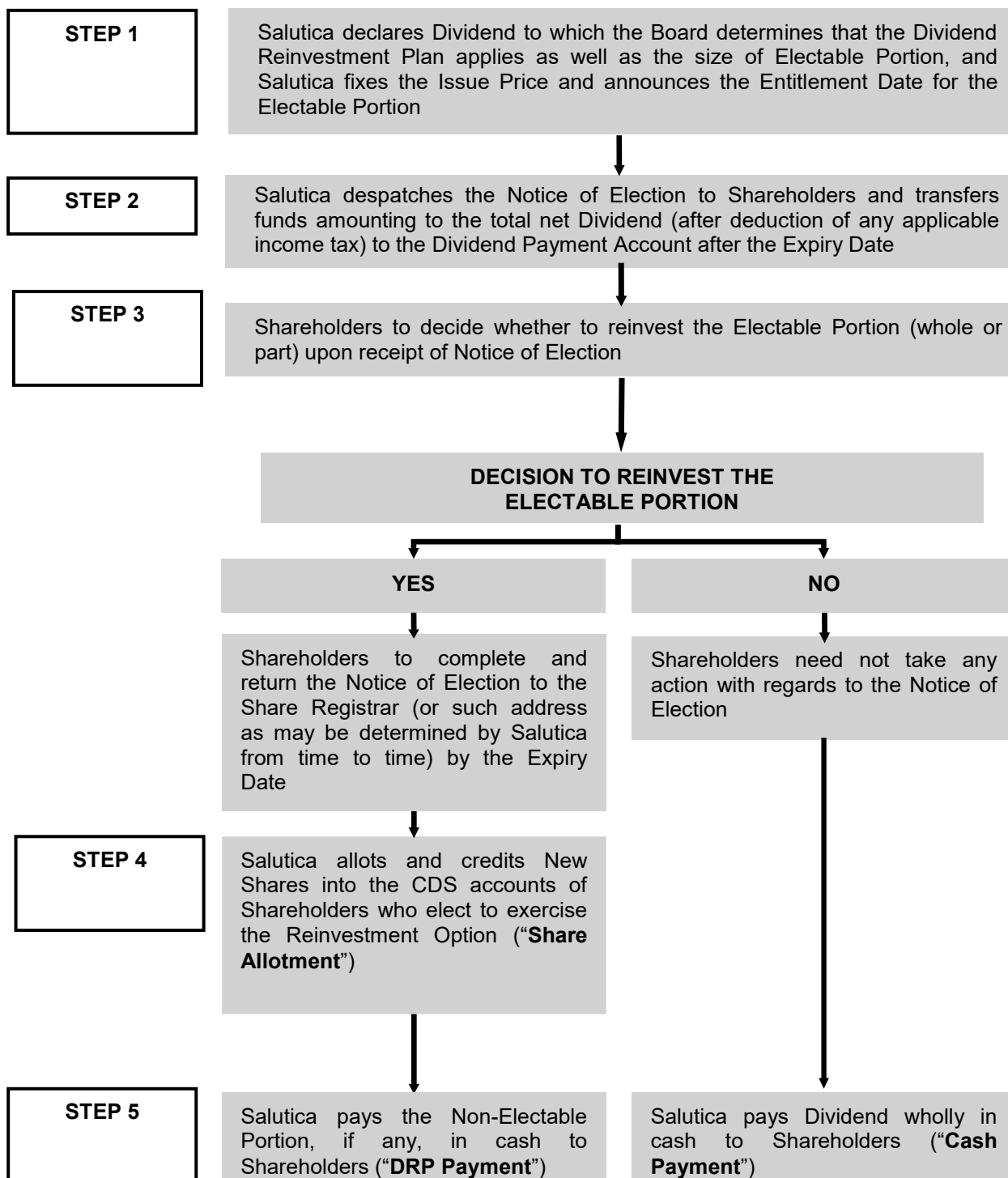
Shareholders will receive the Electable Portion in cash if they do not expressly elect in writing to exercise the Reinvestment Option by the Expiry Date. As such, Shareholders who wish to reject the Reinvestment Option or to receive their Dividend wholly in cash need not take any action with regards to the Notice of Election.

The percentage shareholding of a Shareholder may be diluted should he/she decides not to exercise his/her Reinvestment Option. However, the extent of the dilution, if any, will depend on the number of New Shares issued by the Company pursuant to the level of the Reinvestment Option exercised by other Shareholders.

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DIVIDEND REINVESTMENT PLAN STATEMENT (Cont'd)

A brief process flow chart in relation to the administration of the Dividend Reinvestment Plan is shown below:-



In respect of Step 5, Shareholders should take note that the Cash Payment, Share Allotment and DRP Payment will occur on the same day, which will be on a date falling within 1 month from the Entitlement Date and in any event, within 3 months from the date of declaration of the Dividend or the date on which the approval is obtained in a general meeting of Salutica, whichever is applicable.

DIVIDEND REINVESTMENT PLAN STATEMENT (Cont'd)

TERMS AND CONDITIONS OF THE DIVIDEND REINVESTMENT PLAN

1. Establishment

The Dividend Reinvestment Plan has been established by the Board and the administration of the Dividend Reinvestment Plan, including the Reinvestment Option and the Electable Portion shall be determined by the Board at its absolute discretion.

2. Definitions

In these Terms and Conditions, the following definitions shall apply:-

| | | |
|------------------------------|---|--|
| “Allotment Date” | : | Date of the issuance of New Shares which falls within 8 Market Days from the Expiry Date or such date as may be prescribed by Bursa Securities |
| “Board” | : | Board of Directors of Salutica |
| “Bursa Depository” | : | Bursa Malaysia Depository Sdn Bhd (Registration No. 198701006854 (165570-W)) |
| “Bursa Securities” | : | Bursa Malaysia Securities Berhad (Registration No. 200301033577 (635998-W)) |
| “CDS” | : | Central Depository System |
| “CMSA” | : | Capital Markets and Services Act 2007 and any amendments from time to time |
| “Control” | : | The acquisition or holding of, or entitlement to exercise or control the exercise of, voting shares or voting rights of more than 33%, or such other amount as may be prescribed in the CMSA and Rules, howsoever effected |
| “Dividend(s)” | : | Cash dividend(s) declared by the Company whether interim, final, special or any other cash dividend |
| “Dividend Payment Account” | : | The non-interest bearing account opened by Salutica to facilitate the payment of Dividends |
| “Dividend Reinvestment Plan” | : | Dividend reinvestment plan which was approved by the Shareholders at the annual general meeting held on 23 November 2020 |
| “Electable Portion” | : | The whole or part of the Dividend(s) to which the Board, at its absolute discretion, determines that the Reinvestment Option applies |
| “Entitlement Date” | : | The date as at the close of business (to be determined and announced later by the Board) on which Shareholders’ names appear in the Record of Depositors of the Company in order to participate in the Dividend Reinvestment Plan applicable to a Dividend |

DIVIDEND REINVESTMENT PLAN STATEMENT (Cont'd)

| | | |
|--------------------------------|---|--|
| “Expiry Date” | : | The last day (which will be a date to be fixed and announced by the Board and which shall be at least 14 days from the date of Notice of Election is despatched or such date as may be prescribed by Bursa Securities) by which an election to be made by the Shareholders in relation to their Electable Portion must be received by the Share Registrar or at such address as may be determined by the Company from time to time |
| “Issue Price” | : | The issue price of the New Shares, to be determined and fixed by the Board on the Price-Fixing Date, which shall be at not more than 10% discount to the 5-Market Days VWAP of Salutica Shares immediately preceding the Price-Fixing Date. The VWAP shall be adjusted ex-dividend before applying the aforementioned discount in fixing the issue price at the material time |
| “Listing Requirements” | : | Main Market Listing Requirements of Bursa Securities and any amendments from time to time |
| “Market Day(s)” | : | Any day between Mondays to Fridays (inclusive of both days) which is not a public holiday and on which Bursa Securities is open for the trading of securities |
| “New Shares” | : | New Salutica Shares to be issued pursuant to the Dividend Reinvestment Plan |
| “Non-Electable Portion” | : | The portion of a Dividend, to which the Board, in its absolute discretion, determines that the Reinvestment Option does not apply. |
| “Notice of Election” | : | The notice of election (in such form as the Board may approve) in relation to the Reinvestment Option by which the Shareholders confirm the exercise thereof |
| “Overseas Shareholder(s)” | : | Shareholder(s) whose address(es) in the Company’s Record of Depositors is/are outside of Malaysia |
| “Participating Shareholder(s)” | : | Shareholder(s) who elect to exercise the Reinvestment Option pursuant to the Dividend Reinvestment Plan up to the extent of the Electable Portion in respect of his/her holding of Salutica Shares as at each Entitlement Date to which each Notice of Election received by him/her relates |
| “Price-Fixing Date” | : | The date on which the Board determines and announces the Issue Price, upon procuring all the relevant approvals, either on the same day as or before the announcement of the Entitlement Date in relation to a Dividend to which the Reinvestment Option applies |
| “Record of Depositors” | : | A record of depositors established by Bursa Depository under the Rules of Bursa Depository |
| “Reinvestment Option” | : | The option given to the Shareholders pursuant to the Dividend Reinvestment Plan and at the Board’s discretion, to reinvest all or part of the Electable Portion of their Dividend in New Shares |
| “Remaining Portion” | : | The remaining portion of the Dividend (where the Electable Portion is not applicable to the whole Dividend declared) which will be paid in cash |

DIVIDEND REINVESTMENT PLAN STATEMENT (Cont'd)

| | | |
|-------------------------|-------|---|
| “RM” | : | Ringgit Malaysia being the lawful currency of Malaysia |
| “Rules” | : | Rules on Take-overs, Mergers and Compulsory Acquisitions issued by the Securities Commission Malaysia and any amendments from time to time |
| “Salutica” “Company” | or : | Salutica Berhad (Registration No. 201201040303 (1024781-T)) |
| “Salutica Share(s)” | : | Ordinary share(s) in Salutica |
| “Shareholder(s)” | : | Shareholder(s) of Salutica |
| “Share Registrar” | : | The share registrar of Salutica, namely Tricor Investor & Issuing House Services Sdn Bhd or such other person, firm or company as for the time being maintaining the share register of Salutica in Malaysia |
| “Terms Conditions” | and : | The terms and conditions of the Dividend Reinvestment Plan as may be amended, modified and supplemented from time to time |
| “VWAP” | : | Volume weighted average market price |

3. Eligibility

All Shareholders are eligible to participate in the Dividend Reinvestment Plan, provided that:-

- (a) such participation will not result in a breach of any restrictions applicable on their holding of Salutica Shares which may be imposed by any contractual obligations, statute, law or regulation in force in Malaysia or any other relevant jurisdiction, as the case may be (unless the requisite approvals under the relevant statute, law or regulation from the relevant authorities are first obtained or the relevant contractual obligation is otherwise waived in accordance with the terms and conditions of the relevant contracts); or
- (b) there are no restrictions for such participation as prescribed in the Company's Constitution.

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DIVIDEND REINVESTMENT PLAN STATEMENT (Cont'd)

4. Overseas Shareholders

To avoid any violation on the part of Salutica of any securities laws applicable outside Malaysia, the Dividend Reinvestment Plan will only be offered for subscription in Malaysia. No action has been or will be taken to ensure that the Dividend Reinvestment Plan complies with the laws of any countries or jurisdictions other than the laws of Malaysia. Accordingly, documents relating to the Dividend Reinvestment Plan, including the Notice of Election, will not be sent to Overseas Shareholders. No Overseas Shareholder shall have any claim whatsoever against the Company as a result of the documents relating to the Dividend Reinvestment Plan not being sent to such Overseas Shareholder. Overseas Shareholders who receive or come to have in their possession a Notice of Election and/or any other documents relating to the Dividend Reinvestment Plan may not treat the same as being applicable to them (except where the Notice of Election and/or documents relating to the Dividend Reinvestment Plan have been collected from the Share Registrar in the manner specified below) and are, in any event, advised to inform themselves of, and to observe, any prohibitions and restrictions, and to comply with any applicable laws and regulations relating to the Dividend Reinvestment Plan as may be applicable to them.

Overseas Shareholders may collect the documents relating to the Dividend Reinvestment Plan from the Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8 Jalan Kerinchi, 59200 Kuala Lumpur or at such address as may be announced by the Company from time to time and the Share Registrar may in such an event be entitled to satisfy itself as to the identity and authority of the person collecting the Notice of Election or alternatively, provide the Share Registrar with their respective addresses in Malaysia not later than 3 Market Days before the relevant Entitlement Date in respect of any particular Dividend to which the Dividend Reinvestment Plan shall apply.

Overseas Shareholders will be solely responsible for seeking advice as to the laws of any jurisdiction that they may be subjected to, and participation by Overseas Shareholders in the Dividend Reinvestment Plan will be on the basis that they may lawfully so participate without the Company and its directors, employees and advisers, as well as their relevant representatives being in breach of the laws of any jurisdiction.

Neither the Company, any of its subsidiaries, their respective directors, officers, employees, advisers, agents, affiliates and representatives and the employees of the advisers, agents, affiliates and representatives nor any other advisers shall accept any responsibility or liability in the event of any participation in the Dividend Reinvestment Plan by an Overseas Shareholder is or shall become illegal, unenforceable, voidable or void in any such countries or jurisdictions.

5. Notice of Election

Subsequent to the Entitlement Date, the Company will, at its discretion, send to each Shareholder 1 or more Notice(s) of Election in relation to each CDS account held by the Shareholder. The Notice of Election will state the instructions in respect of the action to be taken by the Shareholders should they wish to exercise their respective Reinvestment Option. The Notice of Election will also state, amongst others, the Expiry Date. For the avoidance of doubt, the Expiry Date shall be at least 14 days from the date the Notice of Election is despatched.

DIVIDEND REINVESTMENT PLAN STATEMENT (Cont'd)

To be effective in respect of any Electable Portion, a Notice of Election must be duly completed and executed by the Shareholder as to the confirmation of his/her election to reinvest the Electable Portion and must be received by the Share Registrar or at such address as may be announced by the Company from time to time, by the Expiry Date.

Shareholders who receive more than 1 Notice of Election and wish to reinvest in New Shares in respect of all or part of his/her entitlement to the Electable Portion arising from his/her entire holding of Salutica Shares must complete all Notices of Election received by him/her and return the completed Notices of Election to the Share Registrar or at such address as may be announced by the Company from time to time, by the Expiry Date. Shareholders who receive more than 1 Notice of Election may elect to reinvest in New Shares in respect of his/her entitlement to which 1 or more Notices of Election relates and may decline to reinvest in New Shares in respect of his/her entitlement to which another or any other Notice of Election relates. Shareholders should note that they are at liberty to decide which particular Notice of Election they wish to elect for the reinvestment in New Shares.

Where any particular Notice of Election is not elected upon, the Dividend relating thereto will be paid in cash by the Company in the usual manner through a Dividend Payment Account.

Notwithstanding the date of receipt of the completed Notice of Election by the Share Registrar or at such address as may be announced by the Company from time to time, in accordance with Paragraph 6.09 of the Listing Requirements, the Allotment Date of the New Shares will take place within 8 Market Days from the Expiry Date or such other date as may be prescribed by Bursa Securities, provided that the completed Notice of Election has been received by the Share Registrar or at such address as may be announced by the Company from time to time, by the Expiry Date. A Notice of Election to participate in the Dividend Reinvestment Plan in any other form will not be accepted by the Company.

A Notice of Election in respect of any Electable Portion is irrevocable and shall not be withdrawn or cancelled by the Shareholders (who exercise the Reinvestment Option). The Company has the discretion and right to accept or reject any Notice of Election that is incomplete, contains errors or is otherwise defective. The Company is under no obligation to correct any invalid Notice of Election on behalf of any Shareholder or to provide any reason for rejecting any Notice of Election. Any Notice of Election received after the Expiry Date shall be invalid.

By electing to exercise the Reinvestment Option under the Dividend Reinvestment Plan, the Shareholder (who exercises the Reinvestment Option), unconditionally and irrevocably:-

- (a) warrants to the Company that he/she has the legal right, full power and authority to participate in the Dividend Reinvestment Plan and that his/her participation in the Dividend Reinvestment Plan will not result in a breach of any statute, law or regulation or contractual obligation by which he/she is bound;
- (b) acknowledges that the Company may at its absolute discretion determine whether the Shareholder's (who exercises the Reinvestment Option) Notice of Election is valid, even if the Notice of Election is incomplete, contains errors or is otherwise defective;
- (c) acknowledges that the Company may accept or reject the Notice of Election from the Shareholders (who exercise the Reinvestment Option), and the decision of the Company is final and conclusive and agrees that the Company need not provide any reason for such decision;
- (d) acknowledges that the Company has not provided the Shareholders (who exercise the Reinvestment Option) with investment advice or any other advice;

DIVIDEND REINVESTMENT PLAN STATEMENT (Cont'd)

- (e) agrees to the Terms and Conditions and agrees not to do any act or thing which would be contrary to the intention or purpose of the Dividend Reinvestment Plan;
- (f) submits to the jurisdiction of the Malaysian Courts, in each case, at all times until the termination of the Dividend Reinvestment Plan; and
- (g) agrees that notwithstanding any other provisions, the Terms and Conditions set out herein or otherwise and irrespective of whether an election to exercise the Reinvestment Option has been made, if at any time after the Board has determined that the Dividend Reinvestment Plan shall apply to any Dividend and before the allotment and issuance of the New Shares in respect of the Electable Portion, the Board shall consider that by reason of any event or circumstance (whether arising before or after such determination) or by reason of any matter whatsoever it is no longer expedient or appropriate to implement the Dividend Reinvestment Plan in respect of the Electable Portion, the Board may, at its absolute discretion and as they may deemed fit and expedient and without assigning any reason thereto, by giving the Shareholders notice in such manner as the Board deems fit, modify, suspend (in whole or part) or cancel the application of the Dividend Reinvestment Plan in relation to the Electable Portion subject to any requirement or provision imposed by any statute, law or regulation in force in Malaysia, as the case may be. In such event, the Shareholders shall receive the Electable Portion in cash in the usual manner through a Dividend Payment Account.

Salutica will within 8 Market Days from the Expiry Date or such other date as may be prescribed by Bursa Securities, allot and issue the New Shares and despatch notices of allotment to the Shareholders (who exercise the Reinvestment Option). **Concurrently, on the Allotment Date (which will be on a date falling within 1 month from the Entitlement Date and in any event, within 3 months from the date of declaration of the Dividend or the date on which the approval is obtained in a general meeting of Salutica, whichever is applicable), the Remaining Portion and the balance of the Electable Portion will be paid in cash to the respective Shareholders in the usual manner through a Dividend Payment Account, where applicable.**

An announcement will be made on the listing of and quotation for the New Shares to be issued pursuant to the Dividend Reinvestment Plan on the Main Market of Bursa Securities.

Shareholders will receive the Electable Portion in cash if they do not expressly elect in writing to exercise the Reinvestment Option by the Expiry Date. As such, Shareholders who wish to reject the Reinvestment Option or to receive their Dividend wholly in cash need not take any action with regard to the Notice of Election.

6. Extent of application of Dividend Reinvestment Plan to each Electable Portion

In relation to any Dividend declared, the Board may, at its absolute discretion, determine whether the Dividend Reinvestment Plan shall apply and if so, whether the Electable Portion is for the whole or a portion of the Dividend. If, in its absolute discretion, the Board has not determined that the Dividend Reinvestment Plan is to apply to a particular Dividend, such Dividend shall be paid in cash to the Shareholders in the usual manner through a Dividend Payment Account.

DIVIDEND REINVESTMENT PLAN STATEMENT (Cont'd)

7. Share entitlement
Maximum share entitlement

By electing to participate in the Dividend Reinvestment Plan in respect of any Notice of Election received by him/her, a Shareholder elects to reinvest the whole or part of the Electable Portion, to which such Notice of Election relates, in New Shares.

In respect of any Electable Portion, the number of New Shares to be allotted and issued to the Shareholder (who exercises the Reinvestment Option) electing to reinvest the whole or, if applicable, part of the Electable Portion in New Shares in respect of a Notice of Election shall be calculated in accordance with the following formula:-

$$N = \frac{S \times D}{V}$$

Where:-

- N : is the maximum number of New Shares to be allotted and issued as fully paid-up to the Participating Shareholder (who exercises the Reinvestment Option) in respect of such Notice of Election
- S : is the number of Salutica Shares held by the Participating Shareholder (who exercises the Reinvestment Option) as at the Entitlement Date to which a Notice of Election relates
- D : is the Electable Portion or part thereof (after deduction of applicable income tax)
- V : is the Issue Price

Any fractional entitlement of New Shares computed in accordance with the above formula will be paid in cash to the Shareholder (who exercises the Reinvestment Option) in the usual manner through a Dividend Payment Account.

The shareholdings percentage of a Shareholder in the Company will be diluted should he/she not exercise his/her Reinvestment Option. However, the extent of the dilution will depend on the number of New Shares issued by Salutica pursuant to the level of exercise of the Reinvestment Option by the other Shareholders as a whole.

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DIVIDEND REINVESTMENT PLAN STATEMENT (Cont'd)

Balance of the Electable Portion

In respect of any Electable Portion, the balance of the Electable Portion in respect of a Notice of Election which is not reinvested in New Shares and/or fractional entitlements of New Shares and/or amounts yielding odd lots in relation to the Electable Portion under the Dividend Reinvestment Plan, whichever is applicable, of which will be paid to the Participating Shareholder in cash in the usual manner ("**Balance of the Electable Portion**") shall be calculated in accordance with the following formula:-

$$B = (S \times D) - (A \times V)$$

Where:-

- B : is the Balance of the Electable Portion in respect of such Notice of Election relates
- S : is the number of Salutica Shares held by the Participating Shareholder (who exercises the Reinvestment Option) as at the Entitlement Date to which a Notice of Election relates
- D : is the Electable Portion or part thereof (after deduction of applicable income tax)
- A : is the number of New Shares that the Participating Shareholder elects to subscribe for in respect of the Electable Portion to which such Notice of Election relates
- V : is the Issue Price

The Balance of the Electable Portion will be paid to the Participating Shareholders in cash in the usual manner through a Dividend Payment Account.

8. Terms of allotment

The maximum number of New Shares to be issued under the Dividend Reinvestment Plan will depend on, amongst others:-

- (i) the quantum of the Dividend;
- (ii) the Board's decision on the proportion/size of the Electable Portion;
- (iii) the number of Shareholders who elect to exercise the Reinvestment Option and the extent of their election;
- (iv) the Issue Price of the New Shares; and
- (v) any necessary downward adjustment by the Board to the final number of New Shares to be allotted and issued to any of the Shareholders as referred to in Section 14 of this statement.

Unless the Board otherwise determines, all New Shares allotted under the Dividend Reinvestment Plan will be issued as fully paid-up. All such New Shares shall upon allotment and issuance rank equally in all respects with the existing Salutica Shares in issue, save and except that the holders of New Shares will not be entitled to any dividends, rights, allotments and/or any other forms of distributions that may be declared, made or paid for which the entitlement date precedes the date of allotment and issuance of the New Shares.

DIVIDEND REINVESTMENT PLAN STATEMENT (Cont'd)

It should be noted that since fractional New Shares will not be allotted, Shareholders (who exercise the Reinvestment Option) shall receive any amount of the Dividend payment that is insufficient for the issuance of 1 New Share, in cash, in the usual manner through a Dividend Payment Account.

As the New Shares to be issued pursuant to the Dividend Reinvestment Plan are prescribed securities, the New Shares will be credited directly into the respective CDS accounts of Shareholders (who exercise the Reinvestment Option) and no physical share certificates will be issued to the Shareholders.

9. Odd lots

Shareholders who exercise the Reinvestment Option may be allotted New Shares in odd lots depending on his/her entitlement of New Shares. Shareholders who receive odd lots of New Shares and who wish to trade such odd lots may do so via the odd lots market of Bursa Securities, which allows the trading of odd lots with a minimum of 1 Salutica Share.

A Shareholder who does not wish to receive New Shares in odd lots may round down the number of New Shares elected such that he/she will receive New Shares in multiples of, and not less than 100 New Shares. Where a Shareholder's entitlement of New Shares is less than 100 Shares, the Shareholder can elect to receive his/her entire Dividend entitlement in cash in the usual manner through a Dividend Payment Account or New Shares in odd lots.

Fractional New Shares will not be allotted. Any amount of a Dividend payment that is insufficient for the issuance of 1 whole New Share will be received in cash by Shareholders in the usual manner through a Dividend Payment Account together with the Non-Electable Portion (if any).

10. Cost to the Shareholders who participate in the Dividend Reinvestment Plan

There are no brokerage fees and other related transaction costs payable by the Participating Shareholders on New Shares allotted, unless otherwise provided by any statute, law or regulation. However, the Participating Shareholders are required to pay RM10.00 for stamp duty.

11. Cancellation of application of the Dividend Reinvestment Plan

Notwithstanding any other provisions, Terms and Conditions of the Dividend Reinvestment Plan set out herein and irrespective of whether an election to exercise the Reinvestment Option has been made, if at any time after the Board has determined that the Dividend Reinvestment Plan shall apply to any Dividend and before the allotment and issuance of New Shares in respect of the Electable Portion reinvested, the Board considers that by reason of any event or circumstance (whether arising before or after such determination) it is no longer expedient or appropriate to implement the Dividend Reinvestment Plan in respect of the Electable Portion, the Board may, at its absolute discretion and as it deems fit and in the interest of the Company and without assigning any reason thereof, cancel the application of the Dividend Reinvestment Plan to the Electable Portion subject to any requirement or provision imposed by any statute, law or regulation in force in Malaysia, as the case may be. In such event, the Electable Portion shall be received in cash by the Shareholders in the usual manner through a Dividend Payment Account.

DIVIDEND REINVESTMENT PLAN STATEMENT (Cont'd)

12. Modification, suspension and termination of the Dividend Reinvestment Plan

Subject to any requirement or provision imposed by any statute, law or regulation in force in Malaysia, as the case may be, the Dividend Reinvestment Plan (including the Terms and Conditions) may be modified, suspended (in whole or in part) or terminated at any time by the Board as it deems fit or expedient by giving notice to Shareholders in such manner as it deems fit notwithstanding any other provisions, Terms and Conditions of the Dividend Reinvestment Plan or otherwise and irrespective of whether an election to exercise the Reinvestment Option has been made.

In the case of a suspension, the Dividend Reinvestment Plan will be suspended in whole or in part, as the case may be, until such time as the Board resolves to recommence or terminate the Dividend Reinvestment Plan. If the Dividend Reinvestment Plan is recommenced, Participating Shareholders' Notices of Election confirming their participation under the previously suspended Dividend Reinvestment Plan will be valid and have full force and effect in accordance with these Terms and Conditions and any directions, terms and conditions to Shareholders for such commencement of the Dividend Reinvestment Plan which may be notified to all Shareholders.

13. General administration of the Dividend Reinvestment Plan

The Board may implement the Dividend Reinvestment Plan in the manner as it may deem fit at its absolute discretion. The Board has the power to:-

- (a) determine procedures, rules and regulations for administration of the Dividend Reinvestment Plan which are consistent with these Terms and Conditions, as may be amended or modified from time to time;
- (b) settle in such manner as it thinks fit, any difficulty, anomaly or dispute (including relating to the interpretation of any provision, regulation or procedure or as to any rights under the Dividend Reinvestment Plan) which may arise in connection with the Dividend Reinvestment Plan, whether generally or in relation to any Participating Shareholder or any Salutica Share and the determination of the Board will be conclusive and binding on all Shareholders and other persons to whom the determination relates without giving any reasons for its determination;
- (c) delegate to any 1 or more persons, for such period and on such conditions as the Board may determine, the exercise of any of its powers or discretion under or in respect of the Dividend Reinvestment Plan and references to a decision, opinion or determination of the Board include a reference to the decision, opinion or determination of the person or persons to whom the Board has delegated its authority to, for the purposes of administering the Dividend Reinvestment Plan; and
- (d) waive strict compliance by the Company or any Shareholder with any of these Terms and Conditions.

Any matter to be decided, determined, fixed, resolved or waived by the Board in respect of the Dividend Reinvestment Plan, shall be decided, determined, fixed and resolved or waived by the Board at its absolute discretion as it deems fit without assigning any reason.

DIVIDEND REINVESTMENT PLAN STATEMENT (Cont'd)

14. Implications of the Rules and other shareholding limits**(a) The Rules**

The attention of all Shareholders is drawn to Paragraph 4.01, Part B of the Rules and Sections 217 and 218 of the CMSA. In particular, a Shareholder should note that he/she may be under an obligation to extend a take-over offer for the remaining Salutica Shares in the Company not already owned by him/her and persons acting in concert with him/her (collectively, the “**Affected Party**”), if:-

- (i) by participating in the Dividend Reinvestment Plan, in relation to the reinvestment of the Electable Portion, the Affected Party has obtained control in the Company; or
- (ii) the Affected Party holds more than 33% but not more than 50% of the voting shares or voting rights of the Company and acquires, including by participating in the Dividend Reinvestment Plan in relation to any Electable Portion, more than 2% of the voting shares or voting rights of the Company in any 6-month period.

Thereafter, in the event an obligation to undertake a mandatory offer is expected to arise resulting from a Shareholder’s participation in the Proposed DRP, the Affected Party may wish to consult their professional advisers in relation to:-

- (i) any obligation to make a take-over offer under the Rules as a result of any subscription of New Shares through his/her participation in the Dividend Reinvestment Plan; and
- (ii) whether or not to make an application to the Securities Commission Malaysia to obtain an exemption from undertaking a mandatory offer pursuant to the Rules prior to exercising his/her Reinvestment Option.

(b) Other shareholding limits

Shareholders are responsible for ensuring that their participation will not result in a breach of any restrictions applicable to such Shareholder’s holding of Salutica Shares which may be imposed by any contractual obligations, statute, law or regulation in force in Malaysia or any other relevant jurisdiction, as the case may be (unless the requisite approvals under the relevant statute, law or regulation or from the relevant authorities are first obtained or the relevant contractual obligation is otherwise waived in accordance with the terms and conditions of the relevant contracts).

DIVIDEND REINVESTMENT PLAN STATEMENT (Cont'd)

In view of the other shareholding limits referred to above and notwithstanding the proportion of Electable Portion which you may reinvest, our Board shall be entitled but not obligated to reduce or limit the number of New Shares to be issued to any Shareholder should our Board be aware or be informed in writing of any expected breach of such shareholding limits as a result of the exercise of the Reinvestment Option, in which case our Board reserves the right to pay the remaining portion of the Electable Portion in cash.

The statements herein do not purport to be a comprehensive or exhaustive description of all the relevant provisions of, or all implications that may arise under, the Rules or other relevant legislations or regulations. Shareholders who are in doubt as to whether they would incur any obligation to make a take-over offer under the Rules as a result of any subscription of New Shares through their participation in the Dividend Reinvestment Plan are advised to consult their professional advisers at the earliest opportunity.

15. Disclaimer

Notwithstanding anything to the contrary, the Board and the Company including any of its subsidiaries and its respective directors, officers, employees, advisers, agents, affiliates and representatives and the employees of the advisers, agents, affiliates and representatives, shall not, under any circumstance, be held liable for any damages, cost, loss and expense whatsoever and howsoever arising/incurred/suffered by any person including any Shareholder arising out of or in connection with the Dividend Reinvestment Plan including (but not limited to):-

- (a) any obligation of any Shareholder to undertake a mandatory offer as a result of the Dividend Reinvestment Plan;
- (b) a breach of any restrictions on any Shareholder's holding of Salutica Shares which may be imposed by the Shareholders' contractual obligations, or by statute, law or regulation in force in Malaysia or any other relevant jurisdiction, or by any relevant authorities; and
- (c) any losses suffered by any Shareholders due to changes in share prices of the Salutica Shares or the quantum of future Dividends after the implementation of the Dividend Reinvestment Plan.

16. Governing law

This Dividend Reinvestment Plan Statement, the Terms and Conditions and the Dividend Reinvestment Plan shall be governed by, and construed in accordance with the laws of Malaysia.

17. Notices and statements

Unless otherwise provided in these Terms and Conditions, any notices, documents and statements required to be given by the Company to a Participating Shareholder shall be given in accordance with the applicable provisions of the Company's Constitution.

FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

This Circular has been seen and approved by the Board, and the Directors collectively and individually accept full responsibility for the accuracy of the information contained herein and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement herein misleading.

2. CONSENTS AND DECLARATION OF CONFLICT OF INTERESTS

UOBKH, being the Adviser to Salutica for the Proposed DRP, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name and all references thereto in the form and context in which they appear in this Circular.

UOBKH has given its written confirmation that there is no situation of conflict of interests that exists or is likely to exist in relation to its role as the Adviser to Salutica for the Proposed DRP.

3. MATERIAL COMMITMENTS

Save as disclosed below, as at 30 September 2020, there are no material commitments incurred or known to be incurred by the Group, upon becoming enforceable, may have a material impact on the financial results/position of the Group:-

| | RM'000 |
|---------------------------------|---------------|
| Approved and contracted:- | |
| - Property, plant and equipment | 456 |
| Approved but not contracted:- | |
| - Property, plant and equipment | 15,781 |
| Total | 16,237 |

4. MATERIAL LITIGATION, CLAIM OR ARBITRATION

As at the LPD, the Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and the Board is not aware and has no knowledge of any proceedings pending or threatened against the Group, or of any facts likely to give rise to any proceedings, which might materially or adversely affect the financial position or business of the Group.

5. CONTINGENT LIABILITIES

As at the LPD, there are no contingent liabilities incurred or known to be incurred which, upon becoming enforceable, may have a material impact on the financial results/ position of the Group.

FURTHER INFORMATION (Cont'd)

6. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at 41, Jalan Medan Ipoh 6, Bandar Baru Medan Ipoh, 31400 Ipoh, Perak during normal business hours from Monday to Friday (except public holidays) from the date of this Circular up to and including the date of the AGM:-

- (a) Constitution of Salutica;
- (b) audited consolidated financial statements of Salutica Group for the past 2 FYEs 30 June 2019 and 2020; and
- (c) the letter of consent and declaration of conflict of interest referred to in **Section 2, Appendix II** of this Circular.

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PART B

PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY



SALUTICA BERHAD

(Registration No. 201201040303 (1024781-T))
(Incorporated in Malaysia)

Registered Office:

41, Jalan Medan Ipoh 6
Bandar Baru Medan Ipoh
31400 Ipoh, Perak

23 October 2020

Board of Directors

| | |
|---------------------|--|
| Chia Chee Hoong | (Chairman/ Independent Non-Executive Director) |
| Joshua Lim Phan Yih | (Managing Director/ Chief Executive Officer) |
| Lim Chong Shyh | (Senior Executive Director) |
| Chan Shook Ling | (Executive Director/ Chief Financial Officer) |
| Low Teng Lum | (Senior Independent Non-Executive Director) |
| Leow Chan Khiang | (Independent Non-Executive Director) |
| Joel Lim Phan Hong | (Alternate Director to Lim Chong Shyh) |

To: The Shareholders of Salutica Berhad

Dear Sir/Madam,

PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY

1. INTRODUCTION

At the 7th AGM of the Company held on 22 November 2019, the Board had obtained your approval for the renewal of authority for the Company to purchase its own shares of up to 10% of its total number of issued shares. The aforesaid approval will continue to be in force until the conclusion of the forthcoming 8th AGM of the Company to be held on 23 November 2020, unless such shareholders' mandate is renewed by an ordinary resolution passed at this forthcoming 8th AGM of the Company.

In this respect, on 12 October 2020, the Company announced its intention to seek your approval for the Proposed Renewal of Share Buy Back Authority at the forthcoming AGM.

The purpose of this Statement is to provide you with information in relation to the Proposed Renewal of Share Buy-Back Authority and to seek your approval on the ordinary resolution pertaining to the Proposed Renewal of Share Buy-Back Authority to be tabled at the forthcoming AGM of the Company.

SHAREHOLDERS ARE ADVISED TO READ THE CONTENTS OF THIS STATEMENT CAREFULLY BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY AT THE FORTHCOMING AGM.

2. DETAILS OF THE PROPOSED SHARE BUY-BACK

The Board proposes to seek shareholders' approval for the renewal of authority for the Company to purchase up to ten percent (10%) of the Company's total number of issued shares at any point in time, subject to Section 127 of the Act, Subdivision 3 of Division 1 of Part III of the Act, Chapter 12 of the Listing Requirements, the Code and the Prevailing Laws at the time of purchase.

The purchases of the Shares under the Proposed Renewal of Share Buy-Back Authority will be carried out through Bursa Securities via stockbroker(s) appointed by the Company.

2.1 Quantum

The maximum aggregate number of Shares, which may be purchased by the Company, shall not exceed 10% of the total number of issued shares of the Company at any point in time.

As at the LPD, the maximum number of Salutica Shares that can be purchased and/or held by the Company will be as follows:

| | <u>No. of Shares</u> |
|--|------------------------|
| Total number of issued shares of Salutica (including 3,010,000 Treasury Shares) | 388,000,000 |
| 10% of the total number of issued shares | 38,800,000 |
| Maximum number of shares which may be purchased in respect of the Proposed Share Buy-Back | <hr/> 35,790,000 <hr/> |

The actual number of Shares to be purchased by the Company pursuant to the Proposed Share Buy-Back, the total amount of funds involved for each purchase and the timing of the purchase(s) will depend on, amongst others, the market conditions and sentiments of the stock market, as well as the retained earnings and the availability of financial resources of the Company at the time of the purchase(s).

2.2 Funding

The Proposed Share Buy-Back may be funded through internally-generated funds and/or external borrowings as long as the purchase is backed by an equivalent amount of retained profits of our Company from time to time, subject to compliance with the Prevailing Laws.

The actual amount of funds to be utilised for the Proposed Share Buy-Back will only be determined later depending on the actual number of Shares to be purchased, the availability of funds at the time of purchase(s) and other relevant cost factors.

The Proposed Share Buy-Back, if funded through internally-generated funds, is not expected to have a material impact on the cash flow position of the Company. In the event the Proposed Share Buy-Back is to be financed by bank borrowings, the Company will ensure our capabilities of repaying such borrowings and that such repayment will not have a material effect on the cash flow. In addition, the Board will ensure that the Company satisfies the solvency test as stated in Section 112(2) of the Act before implementing the Proposed Share Buy-Back.

The maximum amount of funds to be allocated for the Proposed Share Buy-Back shall not exceed the retained profits of our Company from time to time. Based on the Company's latest audited consolidated financial statements for the FYE 30 June 2020, the audited retained profits of the Company is approximately RM8.1 million.

2.3 Duration

The authority from the Shareholders to undertake the Proposed Share Buy-Back, if granted, will be effective immediately after obtaining your approval at the forthcoming AGM and will continue to be in force until:-

- (a) the conclusion of the next AGM of Salutica following the general meeting at which such resolution is passed, at which time it will lapse unless by an ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions; or
- (b) the expiration of the period within which the next AGM is required by law to be held; or
- (c) revoked or varied by ordinary resolution passed by the shareholders of the Company at a general meeting,

whichever occurs first.

Your approval for the Proposed Renewal of Share Buy-Back Authority does not impose an obligation on the Company to purchase the Shares. However, it will allow the Board to exercise the power of the Company to purchase the Shares at any time within the abovementioned time period.

2.4 Purchase price

Pursuant to Paragraph 12.17 of the Listing Requirements, the Company may only purchase the Shares on Bursa Securities at a price which is not more than 15% above the 5-day VWAP of the Shares immediately before the date of the purchase(s).

2.5 Treatment of Purchased Shares

In accordance with Section 127(4) of the Act, where the Company has purchased the Shares, the Directors may deal with the Purchased Shares, at their discretion, in the following manner:-

- (a) cancel the Purchased Shares; or
- (b) retain the Purchased Shares as treasury shares; or
- (c) retain part of the Purchased Shares as treasury shares and cancel the remainder.

Accordingly, based on Section 127(7) of the Act, where such Purchased Shares are held as treasury shares, the Directors may, at their discretion:

- (a) distribute all or part of the Treasury Shares as dividends to the shareholders, such dividends to be known as "shares dividends"; or
- (b) resell the Treasury Shares or any of the Treasury Shares in accordance with the relevant rules of Bursa Securities; or
- (c) transfer the Treasury Shares or any of the Treasury Shares for the purposes of or under an employees' share scheme; or
- (d) transfer the Treasury Shares or any of the Treasury Shares as purchase consideration; or
- (e) cancel the Treasury Shares or any of the Treasury Shares; or

- (f) sell, transfer or otherwise use the Treasury Shares for such other purposes as the Minister charged for the responsibility for companies may by order prescribe.

If the Purchased Shares are held as treasury shares, the holder of Treasury Shares shall not confer the right to attend or vote at meeting and any purported exercise of such rights is void; and the right to receive dividends or other distribution, whether cash or otherwise, of the Company's assets including any distribution of assets upon winding up of the Company.

The Treasury Shares shall not be taken into account in calculating the number or percentage of Shares, or of a class of shares in the Company for any purposes including, without limiting the generality of this provision, the provisions of any law or requirements of the Constitution of the Company or the listing requirements of a stock exchange on substantial shareholdings, takeovers, notices, the requisitioning of meetings, the quorum for a meeting and the result of a vote on resolution(s) at a meeting.

According to Paragraph 12.18 of the Listing Requirements, the Company may only resell or transfer any Treasury Shares on Bursa Securities at:-

- (a) a price which is not less than 5-day VWAP for the shares immediately before the resale or transfer; or
- (b) a discounted price of not more than 5% to the 5-day VWAP for the shares immediately before the date of the resale or transfer provided that:-
 - (i) the resale or transfer takes place not earlier than 30 days from the date of purchase; and
 - (ii) the resale or transfer price is not less than the cost of purchase of the Shares being resold or transferred.

As at the date of this statement, the Board has yet to make any decision with regards to the treatment of the Shares so purchased in the future. An immediate announcement will be made to Bursa Securities in respect of the intention of the Directors to either resell the Purchased Shares or cancel them.

Where the Directors resolve to cancel the Shares so purchased or cancel any treasury shares, the number of the Company's issued shares shall be diminished by the cancellation of the Shares so cancelled. It is pertinent to note that the cancellation of Shares made pursuant to Section 127(15) of the Act shall not be deemed to be a reduction in share capital.

2.6 Public shareholding spread

The Proposed Renewal Share Buy-Back Authority will be carried out in accordance with the Prevailing Laws at the time of the purchase including compliance with the 25% shareholding spread requirements as set out under Paragraph 8.02(1) of the Listing Requirements.

Based on the Record of Depositors of the Company as at the LPD, the public shareholding spread of Salutica was 37.74%.

The Board will be mindful of the public shareholding spread requirement before making any purchase of its own Shares.

2.7 Implication of the Code

Based on the Company's Register of Substantial Shareholders as at LPD, BOE and its parties acting in concert, collectively hold more than 50% of the issued share capital of the Company. As such, the Proposed Renewal of Share Buy-Back Authority is not expected to have any implication pursuant to the Code.

2.8 Historical share prices

The monthly highest and lowest market prices of Salutica Shares as traded on Bursa Securities for the past 12 months from October 2019 to September 2020 are set out below:-

| | High (RM) | Low (RM) |
|---|--------------|-------------|
| 2019 | | |
| October | 0.968 | 0.693 |
| November | 0.968 | 0.648 |
| December | 0.892 | 0.653 |
| 2020 | | |
| January | 0.941 | 0.798 |
| February | 1.021 | 0.604 |
| March | 0.694 | 0.255 |
| April | 0.640 | 0.360 |
| May | 0.620 | 0.485 |
| June | 0.585 | 0.455 |
| July | 0.540 | 0.465 |
| August | 0.650 | 0.470 |
| September | 0.500 | 0.420 |
| Last transacted market price of Salutica Shares as at LPD | | RM0.440 |

(Source : Bloomberg)

2.9 Previous purchases, resale and cancellation of treasury shares

Pursuant to the existing authority, the Company had during the financial year ended 30 June 2020 up to the LPD, purchased a total of 2,195,000 Salutica Shares in the open market (details as set out below), all of which have been retained as treasury shares:

| Date | Number of Salutica Shares Purchased | Purchase price per share (RM) | Total consideration (RM) |
|-------------|---|-------------------------------------|--------------------------------|
| 1 July 2019 | 1,227,900 | 0.3143 | 385,928.97 |
| 2 July 2019 | 967,100 | 0.3159 | 305,506.89 |

The total treasury shares held by the Company currently stands at 3,010,000 shares. The Company has not made any resale, transfer or cancellation of its treasury shares in the preceding 12 months.

3. RATIONALE OF THE PROPOSED SHARE BUY-BACK

The Proposed Share Buy-Back, if exercised, is expected to potentially benefit the Company and its shareholders as follows:-

- i. The Proposed Share Buy-Back, if implemented, will allow the Company to utilise its financial resources which are not immediately used for purchase of the Shares. If the Shares purchased are held as Treasury Shares or cancelled immediately, this may strengthen the consolidated EPS of the Group;
- ii. If the Shares bought back are kept as Treasury Shares, the Proposed Share Buy-Back will give the Directors an option to sell the Shares so purchased at a higher price than the purchase prices and therefore make a potential capital gain for the Company. Such proceeds may be subsequently used for investment opportunities arising in the future, working capital and/or distribution as dividends to shareholders; and

- iii. The Company may be able to stabilise the supply and demand of its Shares in the open market of Bursa Securities and reduce the short-term volatility of Salutica Share prices. The stability of Salutica Share prices is important to maintain investors' confidence in order to facilitate future fund raising exercises of the Company via the equity market.

4. POTENTIAL ADVANTAGES AND DISADVANTAGES OF THE PROPOSED SHARE BUY-BACK

The potential advantages of the Proposed Share Buy-Back to the Company and its shareholders are as follows:-

- (a) To allow the Company to take preventive measures against speculation particularly when the shares are undervalued, which would in turn, stabilise the market price of Salutica Shares and hence, enhance investors' confidence;
- (b) To enable the Company to have flexibility in achieving the desired capital structure, in terms of debt and equity composition and size of equity;
- (c) If the Purchased Shares which are retained as Treasury Shares are resold at a higher price than the purchase price, it will provide the Company with opportunities for potential gains; and
- (d) If the Treasury Shares are distributed as share dividends by the Company, it may then serve to reward the shareholders of the Company.

The potential disadvantages of the Proposed Share Buy-Back to the Company and its shareholders are as follows:-

- (a) The Proposed Share Buy-Back will reduce the financial resources of the Group and may result in the Group foregoing other investment opportunities that may emerge in the future;
- (b) As the Proposed Share Buy-Back can only be made out of retained earnings of the Company, the amount of retained profits available for distribution of dividends to shareholders of the Company may decrease accordingly; and
- (c) If the Company decides to utilise bank borrowings to finance the Proposed Share Buy-Back, the cash flow of the Company may be affected to the extent of the interest costs associated with such borrowings.

5. FINANCIAL EFFECTS OF THE PROPOSED SHARE BUY-BACK

The financial effects of the Proposed Share Buy-Back are set out below.

5.1 Issued Shares

The effect of the Proposed Share Buy-Back on the total number of issued shares will depend on whether the Purchased Shares are cancelled or retained as Treasury Shares.

In the event that all Purchased Shares are retained as Treasury Shares, resold, or distributed to the shareholders, the Proposed Share Buy-Back will have no effect on the total number of issued shares.

Based on the total number of issued shares of the Company as at the LPD, and assuming that the maximum number of Salutica Shares (of up to 10% of the total number of issued shares) authorised under the Proposed Renewal of Share Buy-Back Authority are purchased and cancelled, the effects of the Proposed Share Buy-Back are set out below:-

| | Number of Shares |
|--|-------------------------|
| Total number of issued shares as at the LPD | 388,000,000 |
| <i>Less: Treasury shares as at the LPD</i> | <i>(3,010,000)</i> |
| <i>Less: Maximum number of Shares that may be purchased and cancelled pursuant to the Proposed Renewal of Share Buy-Back Authority</i> | <i>(35,790,000)</i> |
| Total number of issued shares after the Proposed Share Buy-Back and cancellation | 349,200,000 |
| | |

5.2 NA and working capital

The effect of the Proposed Share Buy-Back on the NA of the Group will depend on the actual number of Salutica Shares purchased, the purchase prices of Salutica Shares, the effective cost of funding and the treatment of the Shares purchased.

The Proposed Share Buy-Back will reduce the NA per Share if the purchase price is more than the NA per Share at the time of purchase. On the contrary, the NA per Share will increase if the purchase price is less than the NA per Share at the time of purchase.

The Proposed Share Buy-Back, as and when implemented, will result in an outflow of cash and thereby reduce funds available for working capital of the Company and the Group. The quantum of reduction in working capital is dependent on, amongst others, the number of Salutica Shares purchased, the purchase price(s) of Salutica Shares and any costs incurred in making the purchase.

However, for Salutica Shares so purchased and kept as Treasury Shares, upon its resale at a higher selling price than the initial purchase price, the working capital and the cash flow of Salutica Group will increase. The quantum of the increase in the working capital and cash flow will depend on the actual selling price(s) of the Treasury Shares and the number of Treasury Shares resold.

5.3 Earnings and EPS

The effects of the Proposed Share Buy-Back on the EPS of Salutica Shares is dependent on the number and the purchase prices of the Purchased Shares, the effective cost of funding and/or the interest income forgone in connection with the funding of such Purchased Shares.

If the Salutica Shares so purchased are retained as Treasury Shares or cancelled subsequently, the number of Shares applied in the computation of the EPS will be reduced and this may improve the consolidated EPS of the Group.

5.4 Dividends

The Proposed Share Buy-Back is not expected to have any impact on the policy of the Board in recommending dividends, if any, to the shareholders. However, as stated in **Section 2.5** of this Statement, the Board may distribute future dividends in the form of the Treasury Shares purchased pursuant to the Proposed Renewal of Share Buy-Back Authority.

5.5 Substantial shareholders' and Directors' shareholdings

For illustration purposes only, based on the Register of Substantial Shareholders and Register of Directors' Shareholdings of the Company as at the LPD and assuming the purchase by the Company of its Shares pursuant to the Proposed Share Buy-Back is carried out in full on the basis that all the Shares are purchased from shareholders other than the existing substantial shareholders and Directors of the Company, the effect of such purchase on the shareholdings of the existing substantial shareholders and Directors of the Company are as follows:-

| | Shareholdings as at the LPD | | | Proforma I After the Proposed Share Buy-Back | | |
|--|-----------------------------|-------|--------------------------|---|------------------|--------------------------|
| | Direct | | Indirect | Direct | | Indirect |
| | Number of Shares | % | Number of Shares | % | Number of Shares | % |
| <u>Substantial shareholders</u> | | | | | | |
| BOE | 214,500,000 | 55.72 | - | - | 214,500,000 | 61.43 |
| Lim Chong Shyh | - | - | 214,500,000 ¹ | 55.72 | - | 214,500,000 ¹ |
| Joshua Lim Phan Yih | - | - | 8,853,000 ² | 2.30 | - | 8,853,000 ² |
| Joel Lim Phan Hong | - | - | 214,500,000 ¹ | 55.72 | - | 214,500,000 ¹ |
| | | | 8,853,000 ² | 2.30 | - | 8,853,000 ² |
| | | | 214,500,000 ¹ | 55.72 | - | 214,500,000 ¹ |
| <u>Directors</u> | | | | | | |
| Chia Chee Hoong | 1,200,000 | 0.31 | - | - | 1,200,000 | 0.34 |
| Low Teng Lum | 700,000 | 0.18 | 30,000 ³ | 0.01 | 700,000 | 0.20 |
| Leow Chan Khiang | 700,000 | 0.18 | - | - | 700,000 | 0.20 |
| Chan Shook Ling | 6,100,000 | 1.58 | - | - | 6,100,000 | 1.75 |
| Lim Chong Shyh | - | - | 214,500,000 ¹ | 55.72 | - | 214,500,000 ¹ |
| Joshua Lim Phan Yih | - | - | 8,853,000 ² | 2.30 | - | 8,853,000 ² |
| Joel Lim Phan Hong | - | - | 214,500,000 ¹ | 55.72 | - | 214,500,000 ¹ |
| | | | 8,853,000 ² | 2.30 | - | 8,853,000 ² |
| | | | 214,500,000 ¹ | 55.72 | - | 214,500,000 ¹ |

Notes:-

1. Deemed interested by virtue of shareholdings in BOE pursuant to Section 8 of the Act.
2. Deemed interested by virtue of shareholdings in Genius Thinkers Sdn. Bhd. pursuant to Section 8 of the Act.
3. Deemed interested by virtue of the shares held by his spouse in the Company.

6. APPROVAL REQUIRED

The Proposed Renewal of Share Buy-Back Authority is subject to the approval of the shareholders of Salutica at the forthcoming AGM.

7. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/OR PERSONS CONNECTED TO THEM

None of the Directors, major shareholders, chief executive of Salutica, and/or persons connected to them, has any interest, whether directly or indirectly, in the Proposed Share Buy-Back.

8. DIRECTORS' STATEMENT AND RECOMMENDATION

The Board, after having considered all aspects of the Proposed Renewal of Share Buy-Back Authority, is of the opinion that the Proposed Renewal of Share Buy-Back Authority is in the best interest of our Company. Accordingly, the Board recommends that the Shareholders of Salutica vote in favour of the ordinary resolution in relation thereto to be tabled at the forthcoming 8th AGM.

9. AGM

The forthcoming 8th AGM of the Company will be held at M Place, M Roof Hotel & Residences, Jalan Dato Lau Pak Kuan, Taman Ipoh, 31400 Ipoh, Perak Darul Ridzuan on 23 November 2020, Monday at 10.30 a.m. for the purpose of considering and if thought fit, passing the ordinary resolution to give effect to the Proposed Renewal of Share Buy-Back Authority pursuant to the agenda of Special Business as detailed in the Company's Notice of AGM.

If you are unable to attend and vote in person at the said AGM and wish to appoint a proxy or proxies to attend and vote on your behalf, you are requested to complete and return the Form of Proxy which can be downloaded from the Company's website at www.salutica.com in accordance with the instructions thereon to Salutica's Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, their Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or electronically lodged with the Company's Share Registrar via TIIH Online at <https://tiih.online> not less than forty-eight (48) hours before the time fixed for holding the AGM. The lodging of the Form of Proxy will not preclude you from attending and voting in person at the AGM should you subsequently wish to do so.

10. FURTHER INFORMATION

Shareholders are requested to refer to the **Appendix** for further information.

Yours faithfully,
For and on behalf of our Board
SALUTICA BERHAD

JOSHUA LIM PHAN YIH
Managing Director/ Chief Executive Officer

FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

This Statement has been seen and approved by the Directors and they collectively and individually, accept full responsibility for the accuracy of the information given and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement herein misleading.

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents available for inspection at the registered office of the Company at 41, Jalan Medan Ipoh 6, Bandar Baru Medan Ipoh, 31400 Ipoh, Perak, during normal business hours from Monday to Friday (except public holidays) from the date of this Statement up to and including the date of the AGM:-

- (a) Constitution of Salutica; and
- (b) audited consolidated financial statements of Salutica Group for the past 2 FYEs 30 June 2019 and 2020.

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