

SALUTICA BERHAD (“SALUTICA” OR THE “COMPANY”)

PROPOSED ESTABLISHMENT OF A DIVIDEND REINVESTMENT PLAN WHICH WILL PROVIDE SHAREHOLDERS OF SALUTICA WITH AN OPTION TO ELECT TO REINVEST THEIR CASH DIVIDEND IN NEW ORDINARY SHARES IN SALUTICA (“PROPOSED DRP”)

1. INTRODUCTION

On behalf of the Board of Directors of Salutica (**“Board”**), UOB Kay Hian Securities (M) Sdn Bhd (**“UOBKH”**) wishes to announce that the Company is proposing to undertake the establishment of a dividend reinvestment plan (**“DRP”**) which will provide shareholders of Salutica (**“Shareholder(s)”**) 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 (**“Dividend”**) in new ordinary shares in Salutica (**“Salutica Share(s)”** or **“Share(s)”**).

Further details of the Proposed DRP are set out in the ensuing sections.

2. DETAILS OF THE PROPOSED DRP

2.1 Overview

The Proposed DRP will provide Shareholders with an opportunity to reinvest their Dividend in new Salutica Shares (**“New Shares”**), instead of receiving it in cash.

Whenever a Dividend is announced, the Board may, at its absolute discretion, determine whether to offer Shareholders an option to reinvest all or part of such Dividend in new Salutica Shares (**“Reinvestment Option”**) and if the Reinvestment Option is applied, to declare the size of the portion of such Dividend to which the Reinvestment Option applies (**“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 for the whole Dividend declared, the remaining portion of the Dividend (**“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 declared (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 Dividend 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 an issue price to be determined (**“Issue Price”**) on a price-fixing date to be announced later (**“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 and to receive the balance of the Electable Portion and Non-Electable Portion in cash; and
- (iii) to elect not to participate in the Reinvestment Option and thereby receive the entire Dividend entitlement (both Electable Portion and Non-Electable Portion) in cash.

The election to reinvest the Dividend in New Shares can be made via a notice of election in relation to the Reinvestment Portion ("**Notice of Election**") which will be despatched to Shareholders after the entitlement date in relation to the Dividend to which the Reinvestment Option applies ("**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 last day (i.e. 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) by which an election to be made by the Shareholders in relation to the Electable Portion must be received by the share registrar of the Company ("**Share Registrar**") ("**Expiry Date**"). For further information on the administration of the Proposed DRP, please refer to **Section 2.11** and **Appendix I** of this announcement.

Shareholders will receive the entire 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. As such, Shareholders who wish 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 in Salutica may be diluted should he/she decide not to 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 exercise level of the Reinvestment Option by the other Shareholders, which cannot be ascertained at this juncture.

2.3 Pricing of New Shares

The Issue Price, which will be determined by the Board at a later date after receipt of all relevant approvals on the Price-Fixing Date, shall be at an issue price of not more than a 10% discount to the 5-day volume weighted average market price ("**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. An illustration of the indicative Issue Price of the New Shares for the Proposed DRP is set out in **Section 5** of this announcement.

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, the participating shareholders are required to pay RM10.00 for stamp duty.

2.4 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 Malaysia Securities Berhad ("**Bursa Securities**") for the listing of and quotation for the New Shares on the Main Market of Bursa Securities pursuant to each Dividend to which the Reinvestment Option is made available by the Board.

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

2.5 Eligibility

The right to participate in the Proposed DRP will be granted to all Shareholders. 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 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).

Shareholders who currently do not have a registered address in Malaysia ("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 of the Company 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, its Directors, employees and advisers being in breach of the laws of any jurisdiction.

2.6 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 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 together with the Non-Electable Portion (if any).

2.7 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, the Board's decision on the proportion/size of the Electable Portion, the number of Shareholders who elect to reinvest the Electable Portion at 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 of the Shareholders as referred to in **Section 4.2** of this announcement.

2.8 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.

2.9 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. Therefore, the time frame for the use of such cash proceeds can only be determined then. 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 and its subsidiary ("**Salutica Group**").

2.10 Modification, suspension and termination

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.

2.11 General

Shareholders' approval for the Proposed DRP and the issuance of such number of New Shares pursuant to any Dividend to be declared which the Proposed DRP applies will be sought at the annual general meeting ("**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 annual general meeting ("**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 Companies Act 2016 ("**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 dividend reinvestment plan.

Further details on the Proposed DRP will be provided in a circular which will be despatched to the Shareholders at a later date, upon the finalisation of the terms and conditions of the Dividend Reinvestment Plan Statement governing the Proposed DRP.

An announcement of the Entitlement Date in relation to any future Dividend to which the Reinvestment Option may apply will be made after receipt of the said approval from Bursa Securities for the listing of and quotation for the New Shares, approval from the Shareholders and other relevant authorities, where applicable.

In addition, the Company shall transfer funds amounting to the total net Dividend (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 Main Market Listing Requirements of Bursa Securities ("**Listing Requirements**"), the Company 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 the 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.

An announcement in respect of the day on which the New Shares will be listed and quoted on the Main Market of Bursa Securities will also be released by the Company accordingly.

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

3. 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.

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4. IMPLICATION OF THE RULES ON TAKE-OVERS, MERGERS AND COMPULSORY ACQUISITIONS (“RULES ON TAKE-OVERS”) AND OTHER SHAREHOLDING LIMITS

4.1 The Rules on Take-overs

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.

4.2 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 on Take-overs or other relevant legislation or regulations. Shareholders who are in doubt as to whether they would incur any obligation to make a take-over offer under the Rules on Take-overs 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.

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 4.2** of this announcement.

Strictly for illustrative purposes only, throughout **Section 5** of this announcement, 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 financial year ended ("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 1 September 2020, being the latest practicable date prior to this Announcement (" 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	0.424
Indicative number of New Shares to be issued ⁽³⁾	$E = C / D$	16,343,915
Enlarged issued share capital after the Proposed DRP	$G = A + E$	401,333,915
Percentage of enlarged issued share capital	E / G	4.07%

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 RM0.487, deducting the Illustrative Dividend of 1.8 sen per Salutica Share (i.e. RM0.469) and thereafter applying the maximum allowable discount of approximately 10.00%.
- (3) 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	16,343,915	⁽¹⁾ 6,929,820
Enlarged issued share capital	401,333,915	97,740,588

Note:-

(1) Calculated based on the indicative Issue Price of RM0.424 per New Share.

5.2 Net assets (“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 earnings per share (“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. APPROVALS REQUIRED AND CONDITIONALITY OF THE PROPOSED DRP

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

- (i) the Shareholders at an 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.

Further, any future issuance of New Shares pursuant to the application of the Proposed DRP to subsequent Dividends declared by the Company will be subject to approval from Bursa Securities for the listing of and quotation for the New Shares on the Main Market of Bursa Securities.

For avoidance of doubt, the Shareholders' approval for future issuances of New Shares pursuant to the Proposed DRP will be sought at the Company's AGM on an annual basis, where applicable. This is in addition to any general mandate pursuant to Sections 75 and 76 of the Act to issue and allot new Salutica Shares.

The Proposed DRP is 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 AGM to be convened will be taken on a poll.

7. INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/OR PERSONS CONNECTED

None of the directors, major shareholders and 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.

8. STATEMENT BY DIRECTORS

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.

9. APPLICATION TO THE AUTHORITIES

Barring any unforeseen circumstances, applications to the relevant regulatory authorities for the application of the Proposed DRP to subsequent Dividends declared by the Company shall be made prior to the announcement of the Price-Fixing Date and Entitlement Date for the respective Dividends declared.

10. ESTIMATED TIMEFRAME FOR COMPLETION

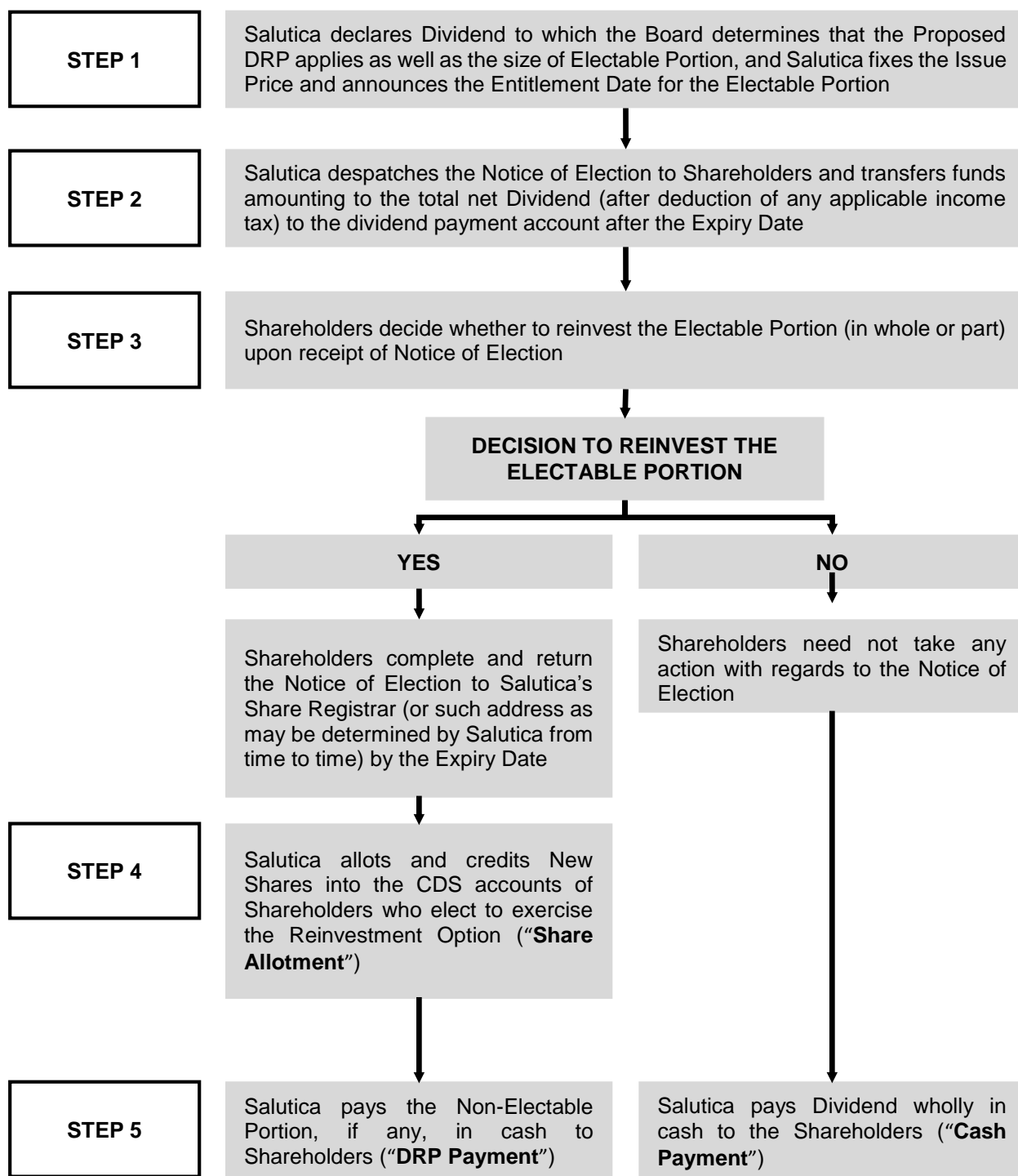
Barring any unforeseen circumstances and subject to all required approvals being obtained, the Proposed DRP is expected to be ready for implementation by the end of 2020.

11. ADVISER

UOBKH has been appointed as the Adviser for the Proposed DRP.

This announcement is dated 15 September 2020.

A brief process flow chart in relation to the administration of the Proposed DRP is illustrated below:-



In respect of Step 5, Shareholders should take note that the Cash Payment, the Share Allotment and the DRP Payment will occur on the same day, 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.