

APPLICATION FOR WAIVER TO COMPLY WITH RULE 707(1) OF THE LISTING MANUAL

The Board of Directors (the “**Board**”) of The Stratech Group Limited (the “**Company**”) wishes to update shareholders that the Company has on 11 July 2016 applied to the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) for waiver to comply with Rule 707(1) of the Listing Manual and extension of time to hold the annual general meeting (“**AGM**”) for the financial year ended 31 March 2016 (“**FY2016**”).

The main reasons for the foregoing application are as follows:

1. The Company has announced, on 30 May 2016, that during FY2016, the Group incurred a net loss of S\$9.6 million (2015: S\$0.7 million net profit after tax) and reported net cash outflows from operating activities of S\$4.2 million (2015: S\$0.8 million). As at that date, the Group’s liabilities exceeded its assets by S\$2.9 million (2015: net equity position of S\$6.6 million).
2. The Company has also announced, on 30 May 2016, that it had entered into a term sheet with Advance Capital Partners Asset Management (the “**ACPAM**”) (the “**Term Sheet**”) in connection with the issuance by the Company of 1% redeemable structured convertible notes due in 2019 with an aggregate principal amount of up to S\$50,000,000 in four tranches (the “**Notes**”) to Advance Opportunities Fund I (the “**Subscriber**”) (the “**Proposed Notes Issue**”). Subject to shareholders’ approval in an extraordinary general meeting (“**EGM**”), the Proposed Notes Issue will strengthen the Group’s cash flow position as well as the balance sheet, and to provide financing for future expansions and projects.
3. Pursuant to the Term Sheet, the Company, the Subscriber and ACPAM (collectively, the “**Parties**” and each, a “**Party**”) have entered into negotiations on the terms and conditions of the Proposed Notes Issue, with the objective of finalising and entering into a definitive subscription agreement (the “**Definitive Subscription Agreement**”) and other related documents in respect of the Proposed Notes Issue. The Company is also in talks with a few prospective lenders to provide bridge financing facilities (the “**Bridging Facilities**”) to support the Group’s operation until such time when the Proposed Notes Issue is approved by shareholders in an EGM. Repayments of the Bridging Facilities will be made from the proceeds from the Proposed Notes Issue.
4. The Company had originally scheduled the AGM on 28 July 2016 (the “**Original AGM Date**”). Based on this Original AGM Date, the Company will issue notice convening the AGM and despatch its annual report on 12 July 2016 (“**Despatch Date**”). To meet this Despatch Date, the auditors of the Company would have had to issue their report on the financial statements of the Group and of the Company for FY2016 on or before 7 July 2016 (the “**Target Audit Report Date**”) to enable the Company to sign-off the printer’s proof of its Annual Report for printing.
5. The Company requires some time to negotiate and finalise the terms of the Definitive Subscription Agreement with ACPAM. The Company is also in the midst of completing the documentation for the Bridging Facilities to facilitate a drawdown. The

THE STRATECH GROUP LIMITED

Page 2

foregoing matters have not been completed before the Target Audit Report Date but are expected to be completed in the next few days.

6. Following consultation with the auditor of the Company, the Company learned that, except with a confirmation that the Parties have arrived at an agreement in respect of the Definitive Subscription Agreement, thereby adding assurance that the Proposed Notes Issue is in place, and that the Bridging Facilities have been completed and drawn down, the auditors of the Company are not able to form an opinion with regards to the going concern assumption of the Group. A disclaimer of opinion would in turn jeopardize the negotiation and finalisation of the Definitive Subscription Agreement.
7. In this connection, the Directors are of the view that it would be in the interest of the shareholders of the Company to receive a set of audited financial results only after there is clarity on the status of the Definitive Subscription Agreement and the Bridging Facilities. The Company would like to avoid tabling for the approval of shareholders a set of audited financial statements of the Group for FY2016 which would draw a disclaimer of opinion from the auditors when it is on the verge of finalizing the financing arrangements described above.

Contingent upon obtaining the waiver to comply with Rule 707(1) of the Listing Manual of the SGX-ST referred to above, the Company will apply to the Accounting and Corporate Regulatory Authority for an extension of time to hold its AGM.

The Company will provide updates on the outcome of the application to the SGX-ST in due course.

BY ORDER OF THE BOARD

Leong Sook Ching
Executive Director/Company Secretary
11 July 2016