

THE STRATECH GROUP LIMITED

(Incorporated in Singapore)

Company Registration No. 201430212R

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**”) refers to the announcement on 11 July 2016 (the “**Announcement**”). Unless otherwise stated, capitalised terms used in this announcement shall have the same meaning as ascribed to them in the Announcement.

The Board wishes to inform the shareholders that:

- (a) The Company had applied to the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) for waiver to comply with Rule 707(1) of the Listing Manual of the SGX-ST and extension of time of up to 12 August 2016 to hold the AGM for FY2016.
- (b) SGX-ST has on 13 July 2016 approved the foregoing extension of time subject to the following:
 - (i) confirmation from ACPAM and the Provider of the Bridging Facilities that the Definitive Subscription Agreement and the Bridging Facilities will be signed by 18 July 2016 and that a disclaimer of opinion will jeopardize the negotiation and finalization of the Agreements;
 - (ii) the Company’s auditor’s confirmation that except with the confirmation that the Definitive Subscription Agreement has been signed and that the Bridging Facilities have been completed, they are not able to form an opinion with regards to the going concern assumption of the Group;
 - (iii) the Company announcing the period of extension granted, the reasons for seeking extension of time and the conditions as required under Listing Rule 107;
 - (iv) submission of a written confirmation from the Company that the waiver does not contravene any laws and regulations governing the Company and the Constitution of the Company; and
 - (v) the Company convening the annual general meeting of the Company by 12 August 2016 subject to approval of the same from the Accounting & Corporate Regulatory Authority.
- (c) 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 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 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 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 auditors 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 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

THE STRATECH GROUP LIMITED

Page 3

of the Group for FY2016 which would draw a disclaimer of opinion from the auditors when it is on the verge of finalizing financing arrangements described above.

- (d) The Company will proceed to apply to the Accounting and Corporate Regulatory Authority for extension of time to hold its AGM for FY2016.

The Company will provide further updates on the outcome of the application to Accounting and Corporate Regulatory Authority.

BY ORDER OF THE BOARD

Leong Sook Ching
Executive Director/Company Secretary
14 July 2016