

CIRCULAR DATED 4 FEBRUARY 2016

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.

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

If you have sold or transferred all your shares in the capital of MFS Technology Ltd, please forward this Circular with the Notice of Extraordinary General Meeting and the attached Proxy Form immediately to the purchaser or the transferee or to the bank, stockbroker or agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

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MFS

TECHNOLOGY LIMITED

(Incorporated in the Republic of Singapore)
Company Registration Number: 200009562R

CIRCULAR TO SHAREHOLDERS

IN RELATION TO THE

**PROPOSED CAPITAL REDUCTION OF S\$0.10733 IN CASH
FOR EACH SHARE HELD BY SHAREHOLDERS OR ON THEIR BEHALF
AS AT THE BOOKS CLOSURE DATE**

IMPORTANT DATES AND TIMES

Last date and time for depositing the Proxy Form : Wednesday, 24 February 2016 at 10.00 a.m.

Date and time of Extraordinary General Meeting : Friday, 26 February 2016 at 10.00 a.m.

Place of Extraordinary General Meeting : 12 Ang Mo Kio Street 64
#01-01 UE BizHub CENTRAL Block A
Singapore 569088

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DEFINITIONS

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

- “Board”** : The board of directors of the Company for the time being
- “Books Closure Date”** : The date, to be determined by the Directors and announced by the Company, on which the transfer books of the Company and the Register of Members will be closed in order to determine the entitlements of Shareholders to the Cash Distribution pursuant to the Proposed Capital Reduction
- “Buyer”** : Integrated Circuits Pte. Ltd.
- “Cash Distribution”** : The proposed cash distribution by the Company to Shareholders of S\$0.10733 in cash for each Share held by Shareholders or on their behalf as at the Books Closure Date, amounting to an aggregate distribution of approximately S\$70,132,695.24
- “Cash Leakage”** : Any unauthorised cash extraction by the Company from the MFSS Group not in the ordinary course of business for the period from 30 June 2014 to the date of completion of the Disposal
- “CDP”** : The Central Depository (Pte) Limited
- “Circular”** : This circular dated 4 February 2016 to the Shareholders
- “Claims”** : The claims made by the Buyer in the notice of claims dated 18 November 2015 in respect of Deduction Amounts totaling in aggregate approximately S\$1,816,000
- “Companies Act”** : The Companies Act (Chapter 50 of Singapore) as amended or modified from time to time
- “Company”** : MFS Technology Ltd
- “Court”** : The High Court of the Republic of Singapore
- “Deduction Amounts”** : Has the meaning ascribed to it in paragraph 2.2 of this Circular
- “Deferred Consideration”** : The deferred consideration to be paid by the Buyer to the Company under the terms of the Disposal
- “Directors”** : The directors of the Company for the time being
- “Disposal”** : Has the meaning ascribed to it in paragraph 2.2 of this Circular
- “EGM”** : The extraordinary general meeting of the Company, notice of which is set out on page A-1 of this Circular
- “Escrow Account”** : The escrow account opened by the Company with The Hongkong and Shanghai Banking Corporation Limited pursuant to Rule 1018(1)(a) of the Listing Manual.
- “FY2014”** : Financial year ended 31 December 2014
- “Group”** : Collectively, the Company and the MFSS Group
- “Latest Practicable Date”** : 13 January 2016, being the latest practicable date prior to the printing of this Circular
- “Listing Manual”** : The listing manual of the SGX-ST, as amended or modified from time to time

DEFINITIONS

<u>“Market Day”</u>	: A day on which the SGX-ST is open for trading in securities
<u>“MFSS Group”</u>	: MFS Technology (S) Pte Ltd and its subsidiaries
<u>“NAV”</u>	: Net asset value
<u>“Navis”</u>	: Navis Asia VII Management Company Limited (on behalf of Navis Asia Fund VII, L.P. and Navis Capital Partners)
<u>“Novo Tellus”</u>	: Novo Tellus PE Fund 1, L.P., a fund advised by Novo Tellus Capital Partners
<u>“Proposed Capital Reduction”</u>	: The proposed capital reduction exercise to be carried out by the Company pursuant to Section 78G of the Companies Act, details of which are set out in paragraph 2 of this Circular
<u>“Proposed Members’ Voluntary Liquidation”</u>	: The proposed members’ voluntary liquidation of the Company to be approved by Shareholders at an extraordinary general meeting to be convened following the completion of the Proposed Capital Reduction and the payment of the Cash Distribution
<u>“Register of Members”</u>	: The Register of Members of the Company
<u>“Securities Account”</u>	: A securities account maintained by a depositor with CDP but does not include a securities sub-account
<u>“SGX-ST”</u>	: The Singapore Exchange Securities Trading Limited
<u>“Shareholders”</u>	: Registered holders of Shares in the Register of Members, except that where the registered holder is CDP, the term <u>“Shareholders”</u> shall, where the context admits, mean the persons named as depositors in the Depository Register maintained by CDP and into whose Securities Accounts those Shares are credited
<u>“Shares”</u>	: Ordinary shares in the issued share capital of the Company
<u>“Substantial Shareholder”</u>	: A Shareholder who has an interest in one or more voting Shares in the Company, and the total votes attached to that Share, or those Shares, is not less than 5% of the total votes attached to all the voting Shares in the Company
<u>“S\$”</u>	: Singapore dollars, being the currency of Singapore
<u>“W&I Insurance”</u>	: Warranty and indemnity insurance taken out by Novo Tellus, Navis and the Buyer (a special purpose vehicle held by Novo Tellus and Navis) under the terms of the Disposal
<u>“%” or “per cent.”</u>	: Per centum or percentage

Any term defined under the Companies Act or the Listing Manual or any statutory modification thereof and used in this Circular shall, where applicable, have the meaning assigned to it under the Companies Act or the Listing Manual or any statutory modification thereof, as the case may be, unless otherwise provided. Without prejudice to the generality of the foregoing, the terms **“depositor”** and **“Depository Register”** shall have the meanings ascribed to them respectively in Section 81SF of the Securities and Futures Act (Chapter 289 of Singapore) and the term **“subsidiary”** shall have the meaning ascribed to it under Section 5 of the Companies Act.

DEFINITIONS

Unless the context otherwise requires, words importing the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter gender and *vice versa*. References to persons shall, where applicable, include firms, corporations and other entities.

The headings in this Circular are inserted for convenience only and shall not be taken into account in the interpretation or construction of this Circular.

Any reference in this Circular to any enactment is a reference to that statute or enactment for the time being amended or re-enacted. Summaries of the provisions of any laws and regulations (including the Listing Manual) contained in this Circular are of such laws and regulations (including the Listing Manual) as at the Latest Practicable Date.

Any discrepancies in tables included herein between the amounts in the columns of the tables and the totals thereof and relevant percentages (if any) are due to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

Any reference to a time of day in this Circular shall be a reference to Singapore time unless otherwise stated.

As at the Latest Practicable Date, any reference to the total number of Shares in this Circular is to 653,430,497 Shares (excluding 7,000,000 treasury shares) unless otherwise stated.

All statements other than statements of historical facts included in this Circular are or may be forward-looking statements. Forward-looking statements include but are not limited to those using words such as “seek”, “expect”, “anticipate”, “estimate”, “believe”, “intend”, “project”, “plan”, “strategy”, “forecast” and similar expressions or future or conditional verbs such as “will”, “would”, “should”, “could”, “may” and “might”. These statements reflect the Company’s current expectations, beliefs, hopes, intentions or strategies regarding the future and assumptions in light of currently available information. Such forward-looking statements are not guarantees of future performance or events and involve known and unknown risks and uncertainties. Accordingly, actual results may differ materially from those described in such forward-looking statements. Shareholders and investors should not place undue reliance on such forward-looking statements, and the Company does not undertake any obligation to update publicly or revise any forward-looking statements.

INDICATIVE TIMETABLE

The following are indicative dates and times for the Proposed Capital Reduction for illustrative purposes only⁽¹⁾:

Last date and time for the lodgment of Proxy Forms for the EGM ⁽²⁾	:	Wednesday, 24 February 2016 at 10.00 a.m.
Date and time of the EGM	:	Friday, 26 February 2016 at 10.00 a.m.
<i>Expected date for approval of the Court for the Proposed Capital Reduction</i>	:	<i>On or about 18 March 2016</i>
<i>Expected announcement date of Court sanction for the Proposed Capital Reduction and the Books Closure Date</i>	:	<i>On or about 18 March 2016</i>
<i>Expected Books Closure Date for the Proposed Capital Reduction</i>	:	<i>On or about 28 March 2016 at 5.00 p.m.</i>
<i>Expected effective date of the Proposed Capital Reduction</i>	:	<i>On or about 29 March 2016</i>
<i>Expected payment date for the Cash Distribution pursuant to the Proposed Capital Reduction</i>	:	<i>On or about 5 April 2016</i>

Notes:

- (1) Save for the date and time by which the Proxy Forms must be lodged and the date and time of the EGM, the timetable above is only indicative and the actual dates of the events in italics will be announced in due course by way of SGXNET announcement released on the SGX-ST.
- (2) All Proxy Forms must be duly completed and deposited at the registered office of the Company at 12 Ang Mo Kio Street 64, #01-01 UE BizHub CENTRAL, Singapore 569088, not later than 48 hours before the time appointed for the EGM. Completion and return of a Proxy Form will not preclude a Shareholder from attending and voting at the EGM if he so wishes. Any appointment of a proxy or proxies shall be deemed to be revoked if a Shareholder attends the EGM in person and, in such event, the Company reserves the right to refuse to admit any person or persons appointed under the Proxy Form to the EGM.

MFS TECHNOLOGY LTD
(Incorporated in the Republic of Singapore)
(Company Registration Number: 200009562R)

Directors:

Kyle Lee Khai Fatt (Chairman / Independent Director)
Chan Hong Wai (Chief Executive Officer / Executive Director)
Bernard Yeo Yun Seng (Independent Director)
Tan Chee Keong Roy (Non-Executive Director / Non-Independent Director)

Registered Office

12 Ang Mo Kio Street 64
#01-01 UE BizHub CENTRAL
Singapore 569088

4 February 2016

To: The Shareholders of MFS Technology Ltd

Dear Sir / Madam

THE PROPOSED CAPITAL REDUCTION

1. INTRODUCTION

- 1.1 On 5 August 2015, the Directors announced that the Company intends to distribute approximately S\$65,343,049.70 in aggregate to Shareholders by way of the Proposed Capital Reduction. On 14 January 2016, the Company further announced that the final amount of cash to be distributed to Shareholders pursuant to the Proposed Capital Reduction had been increased to approximately S\$70,132,695.24. The Proposed Capital Reduction is subject to, *inter alia*, the approval of Shareholders and the Court. The Proposed Capital Reduction will involve a cash distribution (the "**Cash Distribution**") by the Company to Shareholders of S\$0.10733 in cash for each Share held by Shareholders or on their behalf as at the Books Closure Date, amounting to an aggregate distribution of approximately S\$70,132,695.24.
- 1.2 The purpose of this Circular is to provide Shareholders with relevant information relating to the Proposed Capital Reduction, including the rationale and the financial effects of the Proposed Capital Reduction on the Company, and to seek Shareholders' approval for the special resolution relating to the Proposed Capital Reduction to be proposed at the EGM, the notice of which is set out on page A-1 of this Circular.

2. THE PROPOSED CAPITAL REDUCTION

2.1 Details of the Proposed Capital Reduction

The Company is proposing to reduce the share capital of the Company by a sum of approximately S\$70,132,695.24, and such reduction will be effected by returning to Shareholders S\$0.10733 in cash for each Share held by the Shareholders or on their behalf as at the Books Closure Date.

Based on the number of existing issued Shares of 653,430,497 Shares (excluding 7,000,000 treasury Shares) as at the Latest Practicable Date, an aggregate amount of approximately S\$70,132,695.24 will be returned to Shareholders pursuant to the Proposed Capital Reduction. The actual amount to be returned to Shareholders pursuant to the Proposed Capital Reduction will be based on the issued and paid-up share capital of the Company as at the Books Closure Date.

The Proposed Capital Reduction will not result in any change in the number of Shares held by any Shareholder. Each Shareholder will hold the same number of Shares before and immediately after the Proposed Capital Reduction.

2.2 Funds for the Proposed Capital Reduction

The Proposed Capital Reduction will be funded from existing cash and cash equivalents, including the net proceeds received by the Company from the sale by the Company of the MFSS Group to the Buyer (the "**Disposal**") for an aggregate consideration of S\$124,152,000.

Under the terms of the Disposal, the Company was entitled to receive, on 23 November 2015, a Deferred Consideration of S\$6,207,600 less any deductions in respect of the following (the "**Deduction Amounts**"):

- (a) any Cash Leakage;
- (b) certain other deductions agreed between the Company and the Buyer under the terms of the Disposal; and
- (c) stipulated insurance deductibles under the W&I Insurance and the tax liabilities and costs and expenses not covered by the W&I Insurance, subject to a maximum of S\$1,250,000.

As the Company had on 18 November 2015 received a notice of claims from the Buyer in respect of Deduction Amounts totaling in aggregate approximately S\$1,816,000, the total amount of the Deferred Consideration received by the Company was S\$4,391,985.13.

Following the completion of the Disposal on 18 November 2014, an interim dividend of approximately S\$42,473,000 was paid to Shareholders on 22 January 2015 out of the net proceeds from the Disposal. A second interim dividend of S\$0.008 per Share, amounting to an aggregate of approximately S\$5,227,443.98, was also paid to Shareholders on 16 December 2015 out of the net proceeds from the Disposal. Such proceeds were also utilised for the payment of legal and professional fees, directors' fees, staff costs and other expenses of the Company. Accordingly, after receipt of the Deferred Consideration and as at the Latest Practicable Date, the Company has cash and bank balances of approximately S\$72,576,000, of which approximately S\$62,548,000 is placed in the Escrow Account (in which the Company is required to place 90% of its cash pursuant to Rule 1018(1)(a) of the Listing Manual).

The Cash Distribution of approximately S\$70,132,695.24 to be returned to Shareholders pursuant to the Proposed Capital Reduction is required to be returned to Shareholders pursuant to Rule 1018(2) and Rule 1309 of the Listing Manual. Further details of such requirements are set out in paragraph 2.4 of this Circular. Following the Cash Distribution, an amount of approximately S\$2,443,000 in cash will remain in the Company to cater for any costs and expenses of the Company subsequent to the Proposed Capital Reduction, including without limitation, all costs and expenses incurred or to be incurred in connection with the settlement of the Claims, and any professional fees, staff costs or liquidator's fees payable in connection with the Proposed Members' Voluntary Liquidation.

In determining the amount of the Cash Distribution, the Directors have not taken into consideration any amounts that may be recovered by the Company pursuant to a successful dispute of the Claims. Any amounts recovered by the Company in connection with the Claims and any unutilised cash remaining in the Company after settlement of the Claims will be returned to Shareholders either by way of dividend distribution or pursuant to the Proposed Members' Voluntary Liquidation.

2.3 Illustration

The following illustrates the position of a Shareholder who holds 1,000 Shares as at the Books Closure Date:

	Shareholder
Shareholding before the Proposed Capital Reduction	
Number of Shares currently held	1,000
Shareholding after the Proposed Capital Reduction	
Cash received (S\$)	107.33
Number of Shares held after the Proposed Capital Reduction	1,000

In summary, Shareholders will receive S\$107.33 in cash for every 1,000 Shares (or S\$0.10733 for each Share) held as at the Books Closure Date. Shareholders holding odd lots of Shares (i.e. lots other than board lots of 100 Shares) will likewise receive S\$0.10733 in cash for each Share held as at the Books Closure Date. The shareholding of each Shareholder in the Company shall remain unchanged after the Proposed Capital Reduction.

2.4 Rationale for the Proposed Capital Reduction

Following the completion of the Disposal on 18 November 2014, the Company had up to 17 November 2015 to enter into a definitive agreement for the acquisition of a new business that is able to satisfy the SGX-ST's requirements for a new listing, as provided in Rule 1018(2) of the Listing Manual.

The Company had been actively exploring various options, but was unable to identify a suitable target for investment. As the Company was unable to meet the requirements for a new listing by 17 November 2015, the SGX-ST may therefore remove the Company from the Official List of the SGX-ST pursuant to Rule 1018(2) of the Listing Manual.

Under Rule 1309 of the Listing Manual, if an issuer is seeking to delist from the SGX-ST, a reasonable exit alternative, which should normally be in cash, should be offered to its shareholders. Rule 1306 of the Listing Manual provides that if the SGX-ST exercises its power to remove an issuer from the Official List of the SGX-ST, the issuer or its controlling shareholder(s) must comply with the requirements of Rule 1309, and further provides that for the purposes of Rule 1309, a reasonable exit offer may include a voluntary liquidation of the issuer's assets and a distribution of cash back to shareholders. In view of the foregoing, the Directors propose that the Company undertake the Proposed Capital Reduction and the Proposed Members' Voluntary Liquidation to provide Shareholders with a reasonable exit alternative in compliance with Rule 1309. The Board will update Shareholders with further details of the Proposed Members' Voluntary Liquidation in due course.

As at the Latest Practicable Date, the Company has cash and bank balances of approximately S\$72,576,000 (including the amount placed in the Escrow Account). Accordingly, the Directors are of the view that the carrying out of the Proposed Capital Reduction prior to the commencement of the Proposed Members' Voluntary Liquidation would expedite the return of a significant portion of the surplus cash of the Company to Shareholders.

2.5 Conditions for the Proposed Capital Reduction

The Proposed Capital Reduction is subject to, *inter alia*:

- (a) the approval of Shareholders by way of a special resolution for the Proposed Capital Reduction at the EGM;
- (b) the approval of the Court for the Proposed Capital Reduction; and
- (c) all other relevant approvals and consents being obtained.

2.6 Payment Date

On the lodgement of the copy of the Order of Court confirming the Proposed Capital Reduction, together with the other documents prescribed under the Companies Act with the Accounting and Corporate Regulatory Authority of Singapore, the Proposed Capital Reduction shall take effect, and the Cash Distribution will be made thereafter. Subject to the conditions in paragraph 2.5 above being satisfied, it is currently expected that the Cash Distribution will be paid to the Shareholders tentatively by 5 April 2016.

2.7 Financial Effects of the Proposed Capital Reduction

(a) **Assumptions**

For illustrative purposes only, the financial effects of the Proposed Capital Reduction on the Company (i) based on the latest audited consolidated financial statements of the Group for the financial year ended 31 December 2014 and (ii) based on the latest monthly valuation of assets and utilisation of cash of the Company as at 31 December 2015, as announced by the Company on 13 January 2016, are set out below.

The financial effects of the Proposed Capital Reduction have been prepared based on the following assumptions:

- (i) the computation does not take into account any expenses that may be incurred in relation to the Proposed Capital Reduction;
- (ii) for the purposes of illustrating the financial effects of the Proposed Capital Reduction on NAV per Share, share capital, and shareholders' funds, it is assumed that the Proposed Capital Reduction had been completed on 31 December 2014 or 31 December 2015 (as the case may be);
- (iii) the NAV per Share is computed based on the 653,430,497 Shares in issue, excluding 7,000,000 treasury shares, as at 31 December 2014 or 31 December 2015 (as the case may be); and
- (iv) the financial effects of the Proposed Capital Reduction are purely for illustrative purposes only and are neither indicative of the actual financial effects of the Proposed Capital Reduction on NAV per Share, share capital, and shareholders' funds, nor do they represent the future financial performance and/or position of the Company immediately after the completion of the Proposed Capital Reduction.

(b) **NAV per Share**

	As at 31 December 2014		As at 31 December 2015	
	Before the Proposed Capital Reduction	After the Proposed Capital Reduction	Before the Proposed Capital Reduction	After the Proposed Capital Reduction
NAV (S\$'000)	80,348	10,215	74,037	3,904 ⁽¹⁾
Number of issued shares	653,430,497	653,430,497	653,430,497	653,430,497
NAV per Share (cents)	12.3	1.6	11.3	0.6

Note:

- (1) The total assets of the Company after the Proposed Capital Reduction comprises cash of approximately S\$2,443,000, trade and other receivables of approximately S\$1,829,000 (including a deferred consideration receivable of S\$1,816,000 pending the settlement of the Claims) and other current assets of the Company of approximately S\$46,000. The total liabilities of the Company after the Proposed Capital Reduction comprises account payables of approximately S\$414,000 relating to the general operating expenses of the Company.

(c) **Share Capital**

As at 31 December 2014

	Before the Proposed Capital Reduction		After the Proposed Capital Reduction	
	S\$'000	Number of Shares	S\$'000	Number of Shares
Issued and paid-up share capital	71,124	660,430,097	991	660,430,097

As at 31 December 2015

	Before the Proposed Capital Reduction		After the Proposed Capital Reduction	
	S\$'000	Number of Shares	S\$'000	Number of Shares
Issued and paid-up share capital	71,124	660,430,097	991	660,430,097

(d) **Shareholders' Funds**

(S\$'000)	As at 31 December 2014		As at 31 December 2015	
	Before the Proposed Capital Reduction	After the Proposed Capital Reduction	Before the Proposed Capital Reduction	After the Proposed Capital Reduction
Share Capital	71,124	991	71,124	991
Treasury Shares	(1,260)	(1,260)	(1,260)	(1,260)
Retained Earnings	10,484	10,484	4,173	4,173
Shareholders' Funds	80,348	10,215	74,037	3,904

2.8 Administrative Procedures for the Proposed Capital Reduction

The following paragraphs set out the administrative procedures for the Proposed Capital Reduction and Cash Distribution. Shareholders should note that dates stated in this section are tentative, and are subject to the Proposed Capital Reduction being effective.

(a) **Books Closure Date**

Persons registered in the Register of Members and depositors whose Securities Accounts are credited with Shares as at the Books Closure Date will be entitled to receive a Cash Distribution of S\$0.10733 for each Share held by them or on their behalf as at the Books Closure Date, on the basis of the number of Shares registered in their names or standing to the credit of their Securities Accounts as at the Books Closure Date.

The Company will announce the Books Closure Date as soon as practicable after the conditions in paragraph 2.5 of this Circular have been satisfied.

(b) **Shareholders holding Scrip Shares**

Shareholders who hold Shares registered in their own names in the Register of Members and who wish to deposit their Shares with CDP prior to the Books Closure Date must deliver their existing share certificates in respect of their Shares, together with the duly executed instruments of transfer in favour of CDP, at least 12 Market Days prior to the Books Closure Date in order for their Securities Accounts maintained with CDP to be credited with the relevant Shares by the Books Closure Date.

(c) **Payment of the Cash Distribution**

Payment of the Cash Distribution pursuant to the Proposed Capital Reduction will be made in the following manner:

Shareholders holding Scripless Shares

Shareholders who are depositors and who have Shares standing to the credit of their Securities Accounts as at the Books Closure Date, will have the cheques for payment of their respective entitlements to the Cash Distribution under the Proposed Capital Reduction despatched to them by CDP by ordinary post at their own risk tentatively by 5 April 2016 or on or around the fifth Market Day after the Books Closure Date. Alternatively, such Shareholders will have payment of their respective entitlements to the Cash Distribution under the Proposed Capital Reduction made in such other manner as they may have agreed with CDP for the payment of dividends or other distributions tentatively by 5 April 2016.

Shareholders holding Scrip Shares

Shareholders whose Shares are registered in the Register of Members as at the Books Closure Date will have the cheques for payment of their entitlements to the Cash Distribution under the Proposed Capital Reduction despatched to them by ordinary post at their own risk tentatively by 5 April 2016 or on or around the fifth Market Day after the Books Closure Date.

3. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

3.1 Directors' Interests

The interests of the Directors in the Shares, based on information as recorded in the Register of Directors' Shareholdings of the Company maintained pursuant to Section 164 of the Companies Act, as at the Latest Practicable Date are as follows:

Directors	Direct		Deemed	
	Number of Shares	% of total issued Shares	Number of Shares	% of total issued Shares
Kyle Lee Khai Fatt	–	–	–	–
Chan Hong Wai	–	–	–	–
Bernard Yeo Yun Seng	–	–	–	–
Tan Chee Keong Roy	–	–	–	–

3.2 Substantial Shareholders' Interests

The interests of the Substantial Shareholders of the Company in the Shares, based on information as recorded in the Register of Substantial Shareholders of the Company maintained pursuant to Section 88 of the Companies Act, as at the Latest Practicable Date are as follows:

Substantial Shareholders	Direct		Deemed	
	Number of Shares	% of total issued Shares	Number of Shares	% of total issued Shares
WBL Technology (Private) Limited (" WT ")	505,128,000	77.30	–	–
WBL Corporation Limited (" WBL ") ⁽¹⁾	–	–	505,128,000	77.30
UE Centennial Venture Pte. Ltd. (" UECV ") ⁽²⁾	–	–	505,128,000	77.30
United Engineers Limited (" UEL ") ⁽³⁾	–	–	536,195,000	82.06

Notes:

- (1) WBL is deemed to be interested in all the Shares held by its subsidiary, WT.
- (2) UECV is entitled to exercise or control the exercise of not less than 20% of the stock units in WBL and is therefore deemed to be interested in the Shares in which WBL has an interest.
- (3) UEL is deemed to be interested in the Shares in which WBL has an interest by virtue of its controlling interest in UECV. In addition, UEL's subsidiary, UES Holdings Pte Ltd, has a direct interest in 31,067,000 Shares. UEL is deemed to be interested in the Shares in which UES Holdings Pte Ltd has an interest by virtue of its controlling interest in UES Holdings Pte Ltd.

3.3 Interests in the Proposed Capital Reduction

None of the Directors has any interest, direct or indirect, in the Proposed Capital Reduction.

To the best of the Directors' knowledge, none of the Company's controlling Shareholders has any interest, direct or indirect, in the Proposed Capital Reduction, other than through their respective shareholdings in the Company.

4. DIRECTORS' RECOMMENDATION

Having considered the rationale for the Proposed Capital Reduction, the Directors are of the opinion that the Proposed Capital Reduction is in the best interest of the Company. Accordingly, the Directors recommend that Shareholders vote in favour of the special resolution on the Proposed Capital Reduction at the EGM.

5. EXTRAORDINARY GENERAL MEETING

The EGM, notice of which is set out on page A-1 of this Circular, will be held at 12 Ang Mo Kio Street 64, #01-01 UE BizHub CENTRAL Block A, Singapore 569088 on Friday, 26 February 2016 at 10.00 a.m. for the purpose of considering and, if thought fit, passing with or without any modifications, the special resolution relating to the Proposed Capital Reduction as set out in the notice of EGM.

6. ACTION TO BE TAKEN BY SHAREHOLDERS

If a Shareholder is unable to attend the EGM and wishes to appoint a proxy to attend and vote on his behalf, he should complete, sign and return the attached proxy form in accordance with the instructions printed thereon as soon as possible and, in any event, so as to arrive at 12 Ang Mo Kio Street 64, #01-01 UE BizHub CENTRAL, Singapore 569088 not less than 48 hours before the time fixed for the EGM.

The completion and return of a proxy form by a Shareholder does not preclude him from attending and voting in person at the EGM if he wishes to do so. A depositor shall not be regarded as a member entitled to attend, speak and vote at the EGM unless his name appears in the Depository Register 72 hours before the time appointed for holding the EGM.

7. DIRECTORS' RESPONSIBILITY STATEMENT

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

Where information in this Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Circular in its proper form and context.

8. DOCUMENTS FOR INSPECTION

A copy of each of the following documents is available for inspection at 12 Ang Mo Kio Street 64, #01-01 UE BizHub CENTRAL, Singapore 569088 during the Company's normal business hours from the date hereof up to and including the date of the EGM:

- (a) the annual report of the Company for FY2014; and
- (b) the Constitution of the Company.

Yours faithfully
For and on behalf of the Board of Directors of
MFS TECHNOLOGY LTD

Kyle Lee Khai Fatt
Chairman and Independent Director

MFS TECHNOLOGY LTD
(Incorporated in the Republic of Singapore)
(Company Registration Number: 200009562R)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting (the “**EGM**”) of MFS Technology Ltd (the “**Company**”) will be held at 12 Ang Mo Kio Street 64, #01-01 UE BizHub CENTRAL Block A, Singapore 569088 on Friday, 26 February 2016 at 10.00 a.m. for the purpose of considering and, if thought fit, passing with or without modifications, the following resolution which will be proposed as a special resolution.

*All references to the Circular in this Notice of EGM shall mean the Company’s Circular to Shareholders dated 4 February 2016 (the “**Circular**”). All capitalised terms not otherwise defined herein shall have the meanings given to them in the Circular.*

SPECIAL RESOLUTION – PROPOSED CAPITAL REDUCTION

THAT pursuant to Article 10(B) of the Articles of Association comprising part of the Constitution of the Company and contingent upon the approval of the High Court of the Republic of Singapore:

- (a) the issued share capital of the Company shall be reduced by the sum of S\$70,132,695.24, and such reduction be effected by returning the sum of S\$70,132,695.24 from the issued share capital of the Company to Shareholders on the basis of S\$0.10733 for each issued ordinary share in the capital of the Company held by a Shareholder or on his/her behalf as at a books closure date to be determined by the Directors (the “**Proposed Capital Reduction**”); and
- (b) each of the Directors be and is hereby authorised to do and complete all such acts and things, including without limitation, to negotiate, sign, execute and deliver all such documents and to approve any amendments, alterations or modifications to any documents, as he may consider necessary, desirable or expedient to give effect to the Proposed Capital Reduction.

By Order of the Board

Hee Siew Fong
Company Secretary

4 February 2016

Notes:

1. A member of the Company (“**Shareholder**”) entitled to attend and vote at the EGM is entitled to appoint not more than two (2) proxies to attend and vote instead of him. A proxy need not be a Shareholder.
2. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 12 Ang Mo Kio Street 64, #01-01 UE BizHub CENTRAL, Singapore 569088 not less than 48 hours before the time appointed for holding the EGM.
3. By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the EGM and/or any adjournment thereof, a Shareholder (a) consents to the collection, use and disclosure of the Shareholder’s personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxy(ies) and/or representative(s) appointed for the EGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the EGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the “**Purposes**”), (b) warrants that where the Shareholder discloses the personal data of the Shareholder’s proxy(ies) and/or representative(s) to the Company (or its agents), the Shareholder has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (c) agrees that the Shareholder will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the Shareholder’s breach of warranty.

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PROXY FORM Extraordinary General Meeting

IMPORTANT

1. A relevant intermediary may appoint more than two (2) proxies to attend the Extraordinary General Meeting and vote (please see note 11 for the definition of "relevant intermediary").
2. For investors who have used their CPF monies to buy the Company's shares, this Circular is forwarded to them at the request of their CPF Approved Nominees and is sent solely **FOR INFORMATION ONLY**.
3. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
4. CPF investors who wish to vote should contact their CPF Approved Nominees.

*I/We (Name) (NRIC/Passport No.)
of (Address)
being *a shareholder/shareholders of MFS Technology Ltd (the "**Company**"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

*and/or

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing *him/her/them, the Chairman of the Extraordinary General Meeting (the "**EGM**"), as *my/our *proxy/proxies to attend and vote for *me/us on *my/our behalf at the EGM of the Company to be held 12 Ang Mo Kio Street 64, #01-01 UE BizHub CENTRAL Block A, Singapore 569088 on Friday, 26 February 2016 at 10.00 a.m. and at any adjournment thereof. If no person is named in the above boxes, the Chairman of the EGM shall be *my/our proxy/proxies to vote, for or against the special resolution to be proposed at the EGM as indicated hereunder, for *me/us on *my/our behalf, at the EGM and at any adjournment thereof.

*I/We direct *my/our *proxy/proxies to vote for or against the special resolution to be proposed at the EGM as indicated hereunder. If no specific direction as to voting is given, the *proxy/proxies will vote or abstain from voting at *his/her/their discretion, as *he/she/they will on any other matter arising at the EGM and at any adjournment thereof.

SPECIAL RESOLUTION	**No. of Votes "For"	**No. of Votes "Against"
To approve the Proposed Capital Reduction		

**Delete accordingly*

*** If you wish to exercise all your votes "For" or "Against" the Resolution, please tick (✓) within the relevant box provided. Alternatively, please insert the relevant number of Shares in the boxes provided.*

Dated this _____ day of _____ 2016

Total number of Shares in:	No. of Shares held
(a) CDP Register	
(b) Register of Members	

Signature(s) of shareholder(s) or
Common Seal of corporate shareholder

IMPORTANT: PLEASE READ NOTES OVERLEAF BEFORE COMPLETING THIS PROXY FORM

Notes:

1. A member of the Company ("**Shareholder**") entitled to attend and vote at the EGM is entitled to appoint not more than two (2) proxies to attend and vote instead of him. A proxy need not be a Shareholder.
2. Where a Shareholder appoints two (2) proxies, the proportion of the shareholding concerned (expressed as a percentage of the whole) to be represented by each such proxy shall be specified in the instrument appointing the proxy or proxies. The proposed appointments will be invalid where the proportions of shareholding concerned are not specified.
3. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or duly authorised officer.
4. A corporation which is a Shareholder may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at the EGM, in accordance with its Constitution and Section 179 of the Companies Act (Chapter 50 of Singapore).
5. The instrument appointing a proxy or proxies, together with the power of attorney or other authority (if any) under which it is signed, or a duly certified copy thereof, must be deposited at 12 Ang Mo Kio Street 64, #01-01 UE BizHub CENTRAL, Singapore 569088, not less than 48 hours before the time appointed for holding of the EGM. Completion and return of the proxy form by a Shareholder will not prevent him from attending and voting at the EGM if he so wishes. In such event, the relevant proxy form will be deemed to be revoked.
6. A Shareholder should insert the total number of shares in the Company ("**Shares**") held by him. If the Shareholder has Shares entered against his name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act (Chapter 289 of Singapore) (the "**Securities and Futures Act**")), he should insert that number of Shares. If the Shareholder has Shares registered in his name in the Register of Members of the Company, he should insert the number of Shares. If the Shareholder has Shares entered against his name in the Depository Register and Shares registered in his name in the Register of Members of the Company, he should insert the aggregate number of Shares. If no number is inserted, this form of proxy will be deemed to relate to all the Shares held by Shareholder.
7. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shareholders whose Shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such Shareholders are not shown to have Shares entered against their names in the Depository Register as at 72 hours before the time of the EGM as certified by The Central Depository (Pte) Limited to the Company.
8. A depositor shall not be regarded as a Shareholder entitled to attend the EGM and to speak and vote thereat unless his name appears on the Depository Register 72 hours before the time appointed for holding of the EGM.
9. On a poll, every Shareholder who is present in person or by proxy shall have one (1) vote for every Share of which he is the Shareholder. A person entitled to more than one (1) vote need not use all his votes or cast them the same way.
10. All Shareholders will be bound by the outcome of the EGM regardless of whether they have attended or voted at the EGM.
11. A Shareholder who is a relevant intermediary entitled to attend the EGM and vote is entitled to appoint more than two (2) proxies to attend and vote instead of such Shareholder, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such Shareholder. Where such Shareholder appoints more than two (2) proxies, the appointments shall be invalid unless the Shareholder specifies the number of Shares in relation to which each proxy has been appointed.

"Relevant intermediary" means:

- (a) a banking corporation licensed under the Banking Act (Chapter 19 of Singapore) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
 - (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act and who holds shares in that capacity; or
 - (c) the Central Provident Fund Board established by the Central Provident Fund Act (Chapter 36 of Singapore), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
12. By submitting an instrument appointing a proxy(ies) and/or representative(s), the Shareholder accepts and agrees to the personal data privacy terms set out in the Notice of EGM dated 4 February 2016.

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