

LETTER TO SHAREHOLDERS DATED 12 OCTOBER 2017

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

This Letter is issued by DISA Limited (formerly known as Equation Summit Limited) (the “**Company**”).

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

If you have sold or transferred all your ordinary shares in the capital of the Company held through The Central Depository (Pte) Ltd (the “**CDP**”), you need not forward this Letter to the purchaser or the transferee as arrangements will be made by CDP for a separate Letter to be sent to the purchaser or the transferee. If you have sold or transferred all your shares represented by physical share certificate(s), you should immediately forward this Letter, the Notice of Annual General Meeting and the enclosed Proxy Form to the purchaser or transferee or to the bank, stockbroker or agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

Your attention is drawn to page 21 of this Letter in respect of actions to be taken if you wish to attend and vote at the Annual General Meeting.

This Letter has not been examined or approved by the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) and the SGX-ST assumes no responsibility for the contents of this Letter, including the correctness of any of the statements or opinions made or reports contained in this Letter.

This Letter has been prepared by the Company and its contents have been reviewed by the Company’s sponsor, SAC Capital Private Limited (the “**Sponsor**”), for compliance with the relevant rules of the SGX-ST. The Sponsor has not independently verified the contents of this Letter. The contact person for the Sponsor is Mr Ong Hwee Li (Telephone: 65 6532 3829) at 1 Robinson Road, #21-02 AIA Tower, Singapore 048542.



DISA LIMITED

(formerly known as Equation Summit Limited)
(Company Registration Number: 197501110N)
(Incorporated in the Republic of Singapore)

LETTER TO SHAREHOLDERS

in relation to

- (1) PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE**
- (2) PROPOSED RATIFICATION OF THE BOARD’S DECISION NOT TO PROCEED WITH THE PROPOSED SHARE CONSOLIDATION**

IMPORTANT DATES AND TIMES

Last date and time for lodgement of Proxy Form	:	25 October 2017 at 10:30 a.m.
Date and time of Annual General Meeting	:	27 October 2017 at 10:30 a.m.
Place of Annual General Meeting	:	2 Bukit Merah Central Podium Block, Level 3, Room P301 Singapore 159835

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TABLE OF CONTENTS

1. DEFINITIONS	2
2. BACKGROUND	5
3. THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE	6
4. PROPOSED RATIFICATION OF THE BOARD'S DECISION NOT TO PROCEED WITH THE PROPOSED SHARE CONSOLIDATION	18
5. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS	20
6. DIRECTORS' RECOMMENDATION	20
7. ACTION TO BE TAKEN BY SHAREHOLDERS	21
8. DIRECTORS' RESPONSIBILITY STATEMENT	21
9. DOCUMENTS AVAILABLE FOR INSPECTION	21

DISA LIMITED

(formerly known as Equation Summit Limited)

(Company Registration Number: 197501110N)

(Incorporated in the Republic of Singapore)

Board of Directors:

Toh Hock Ghim (Non-Executive Chairman and Independent Director)
Chng Weng Wah (Managing Director and Chief Executive Officer)
Teo Khiam Chong (Executive Director)
Lim Soon Hock (Non-Executive and Non-Independent Director)
Lau Kay Heng (Independent Director)
Kan Ah Chye (Independent Director)
Loh Eu Tse Derek (Independent Director)

Registered Office:

50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

12 October 2017

To: The Shareholders of DISA Limited (formerly known as Equation Summit Limited) (the
“**Company**”)

Dear Sir/Madam,

(1) PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE

(2) PROPOSED RATIFICATION OF THE BOARD'S DECISION NOT TO PROCEED WITH THE PROPOSED SHARE CONSOLIDATION

1. DEFINITIONS

In this Letter, the following definitions shall apply throughout unless the context otherwise requires or otherwise stated:

“**ACRA**” : The Accounting and Corporate Regulatory Authority of Singapore

“**Act**” : The Companies Act (Cap. 50) of Singapore as amended or modified from time to time

“**AGM**” : An annual general meeting of the Company

“**Annual Report 2017**” : The annual report of the Company for the financial year ended 30 June 2017

“**associated company**” : A company in which at least twenty per cent. (20%) but not more than fifty per cent. (50%) of its shares are held by the Company or the Group and over which the Company has control

“**Board**” : The board of Directors of the Company from time to time

“**Catalist**” : The sponsor-supervised listing platform of the SGX-ST

“**CDP**” : The Central Depository (Pte) Limited

“Circular”	:	The circular to Shareholders dated 20 January 2017 issued by the Company
“Company”	:	DISA Limited
“Controlling Shareholder”	:	A person who: <ul style="list-style-type: none"> (a) holds directly or indirectly fifteen per cent. (15%) or more of the nominal amount of all voting shares in the Company; or (b) in fact exercises control over the Company
“Constitution”	:	The constitution of the Company, as amended, supplemented or modified from time to time
“Director”	:	A director of the Company (whether executive or non-executive) as at the date of this Letter and the term “Directors” shall be construed accordingly
“EGM”	:	An extraordinary general meeting of the Company
“EPS”	:	Earnings per Share
“Group”	:	The Company and its subsidiaries
“Latest Practicable Date”	:	22 September 2017, being the latest practicable date prior to the printing of this Letter
“Letter”	:	This letter to Shareholders dated 12 October 2017
“Market Day”	:	A day on which the SGX-ST is open for securities trading
“Market Purchase”	:	An on-market purchase of Shares by the Company effected on Catalist through one or more duly licensed stockbrokers or dealers appointed by the Company for the purpose
“Non-Executive Director”	:	A director (including an independent director) who does not perform any executive function in the Company or its subsidiaries
“Notice of AGM”	:	The notice of AGM as set out in the Annual Report 2017
“NTA”	:	Net tangible assets
“Off-Market Purchase”	:	An off-market purchase of Shares by the Company, otherwise than on a stock exchange, in accordance with an equal access scheme as defined in Section 76C of the Act
“Proposed Ratification”	:	The proposed ratification by the Shareholders of the Board’s decision not to proceed with the Proposed Share Consolidation

“Proposed Share Consolidation”	:	The consolidation of every 50 existing Shares held by Shareholders into one (1) consolidated Share, fractional entitlements to be disregarded, as approved by Shareholders at the EGM convened on 13 February 2017
“Proxy Form”	:	The proxy form as set out in the Annual Report 2017
“Rules of Catalist”	:	The Listing Manual Section B: Rules of Catalist of the SGX-ST, as amended or modified from time to time
“Securities Account”	:	A securities account maintained by a Depositor with CDP
“SGX-ST”	:	Singapore Exchange Securities Trading Limited
“Shareholders”	:	Registered holders of Shares in the Register of Members maintained by the Company, except that where the registered holder is CDP, the term “Shareholders” shall, in relation to such Shares, mean the persons to whose direct securities accounts maintained with CDP are credited with the Shares and any reference to Shares held by Shareholders shall include Shares standing to the credit of the respective Shareholders’ Securities Accounts
“Share(s)”	:	Ordinary share(s) in the capital of the Company
“Share Purchase”	:	A purchase of Shares by the Company pursuant to the Share Purchase Mandate
“Share Purchase Mandate”	:	A general mandate given by the Shareholders at a general meeting of the Company, authorising the Directors to purchase Shares or otherwise acquire its issued Shares in accordance with and in the manner prescribed by the Act and the Rules of Catalist and such other laws and regulations as may, for the time being, be applicable
“Sponsor”	:	SAC Capital Private Limited, being the continuing sponsor of the Company
“Substantial Shareholder”	:	A person who has an interest in not less than five per cent. (5%) of all the issued voting Shares
“Take-over Code”	:	The Singapore Code on Take-overs and Mergers
“treasury shares”	:	Has the meaning ascribed to it in Section 4 of the Act
“S\$” or “cents”	:	Singapore dollars and cents respectively
“%” or “per cent.”	:	Per centum or percentage

The terms **“Depositor”**, **“Depository Agent”** and **“Depository Register”** shall have the meanings ascribed to them respectively in Section 81SF of the Securities and Futures Act (Cap. 289) of Singapore or any statutory modification thereof, as the case may be.

The term “**subsidiary**” shall have the meaning ascribed to it in Section 5 of the Act.

Words importing the singular shall, where applicable, include the plural and *vice versa*, and words importing the one gender shall, where applicable, include all other and neuter genders. References to natural persons shall include corporations.

Any reference in this Letter to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any term defined under the Act or the Rules of Catalist or any statutory modification thereof and used in this Letter shall, unless otherwise provided, have the meaning ascribed to it under the Act or the Rules of Catalist or such modification thereof, as the case may be.

The headings in this Letter are inserted for convenience only and shall be ignored in construing this Letter.

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

Any discrepancies in the tables in this Letter between the listed amounts and the totals thereof are due to rounding.

2. BACKGROUND

The purpose of this Letter is to explain the rationale for, and to provide Shareholders with relevant information relating to the proposed renewal of the Share Purchase Mandate and the Proposed Ratification, being Resolution 9 and Resolution 10 proposed in the Notice of AGM respectively.

2.1 The Proposed Renewal of the Share Purchase Mandate

At the Company’s AGM held on 26 October 2016 (“**2016 AGM**”), the Shareholders approved, *inter alia*, the renewal of the Share Purchase Mandate which was first approved by the Shareholders on 31 October 2008.

The Share Purchase Mandate will expire on the date of the forthcoming AGM of the Company, which is scheduled to be held on 27 October 2017 at 10.30 a.m. (“**2017 AGM**”). Accordingly, the Company is proposing to seek Shareholders’ approval for the renewal of the Share Purchase Mandate at the 2017 AGM.

If approved at the 2017 AGM, the authority conferred by the Share Purchase Mandate will continue in force until the date the next AGM of the Company is held or is required by law to be held, whichever is earlier (whereupon it will lapse, unless renewed at such meeting) or until it is varied or revoked by the Shareholders in a general meeting.

The Company has not undertaken any purchase or acquisition of Shares pursuant to the Share Purchase Mandate approved by Shareholders at the 2016 AGM up to the Latest Practicable Date.

More details on the proposed renewal of the Share Purchase Mandate are set out in paragraph 3 below, of this Letter.

The resolution to approve the proposed renewal of the Share Purchase Mandate is set out under Resolution 9 of the Notice of AGM.

2.2 The Proposed Ratification

On 13 February 2017, the Company convened an EGM, where the Board sought and obtained the approval of the Shareholders for, *inter alia*, the Proposed Share Consolidation. On 25 May 2017, the Company provided an update on the status of the Proposed Share Consolidation by announcing that the Directors are of the view that it is not an appropriate time for the Company to undertake the Proposed Share Consolidation and accordingly, the cancellation of the Proposed Share Consolidation (the “**Update Announcement**”).

For completeness, as the Shareholders had approved the resolution authorising the Proposed Share Consolidation at the EGM convened on 13 February 2017, the Company intends to obtain the Shareholders’ ratification of the Board’s decision not to proceed with the Proposed Share Consolidation at the 2017 AGM.

More details on the Proposed Ratification are set out in paragraph 4 below, of this Letter.

The resolution to approve the Proposed Ratification is set out under Resolution 10 of the Notice of AGM.

3. THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE

3.1 Rationale for the renewal of the Share Purchase Mandate

The rationale for the Company to undertake the purchase or acquisition of its issued Shares is as follows:

- (a) In managing the business of the Group, the Directors strive to increase Shareholders’ value by improving, *inter alia*, the return on equity of the Group. Share purchase is one of the ways through which the return on equity of the Group can be enhanced.
- (b) Share purchase or acquisitions are an efficient, expedient and cost-efficient way for the Company to return surplus cash which is in excess of the capital requirements and possible investment needs of the Group to the Shareholders. In addition, the Share Purchase Mandate will allow the Company to have greater flexibility over, *inter alia*, the Company’s share capital structure, cash reserves and its dividend policy.
- (c) Share repurchase or acquisitions also help buffer short-term share price volatility and offset the effects of short-term speculators and investors and, in turn, bolster Shareholder confidence and employee morale.
- (d) Repurchased Shares which are held in treasury may be used and transferred for the purposes of or pursuant to any employees’ share or share option schemes as may be implemented by the Company.

The Share Purchase Mandate would afford the Company the flexibility to undertake share purchase or acquisitions at any time, up to the ten per cent. (10%) limit described in paragraph 3.2(a) below, and subject to market conditions, during the period when the Share Purchase Mandate is in force. The purchase or acquisitions of Shares may, depending on market conditions and funding arrangements at the time, enhance the EPS of the Company, and will only be made when the Directors believe that such purchase or acquisitions would benefit the Company and its Shareholders and in circumstances which would not have a material adverse effect on the financial position of the Company.

While the proposed renewal of the Share Purchase Mandate would authorise a purchase or acquisition of Shares by the Company up to the ten per cent. (10%) limit described in paragraph 3.2(a) below, Shareholders should note that the purchase or acquisition of Shares pursuant to the Share Purchase Mandate might not be carried out by the Company to the full ten per cent. (10%) limit as authorised.

3.2 Authority and Limits of the Share Purchase Mandate

The terms of the Share Purchase Mandate, if renewed at the 2017 AGM, are substantially the same as previously approved by Shareholders at the 2016 AGM. The authority for and limitations placed on purchases or acquisitions of Shares by the Company under the Share Purchase Mandate are as follows:

(a) Maximum Number of Shares

Only Shares which are issued and fully paid-up may be purchased or acquired by the Company.

In accordance with Rule 867 of the Rules of Catalist, the total number of Shares that may be purchased or acquired by the Company pursuant to the Share Purchase Mandate is limited to that number of Shares representing not more than ten per cent. (10%) of the total number of issued Shares of the Company, ascertained as at the date of the general meeting at which the Share Purchase Mandate is approved, i.e. the date of the 2017 AGM, unless:

- (i) the Company has, at any time during the period commencing from the date on which the last AGM of the Company was held or if no such meeting was held, the date it was required by law to be held before the resolution for the Share Purchase Mandate is passed, and expiring on the date on which the next AGM of the Company is held or is required by law to be held, whichever is the earlier, after the resolution for the Share Purchase Mandate is passed (“**Relevant Period**”), reduced its share capital by a special resolution under Section 78C of the Act; or
- (ii) the High Court of the Republic of Singapore has, at any time during the Relevant Period, made an order under Section 78G and 78I of the Act approving the reduction of share capital of the Company.

Any Shares which are held as treasury shares will be disregarded for purposes of computing the ten per cent. (10%) limit.

For illustrative purposes only, based on the issued and paid-up share capital of the Company as at the Latest Practicable Date, comprising 10,038,683,403 Shares, and assuming that no further Shares are issued on or prior to the date of the 2017 AGM, not more than 1,003,868,340 Shares (representing ten per cent. (10%) of the total number of issued Shares of the Company as at that date) may be purchased or acquired by the Company pursuant to the Share Purchase Mandate.

(b) Duration of Authority

Purchases or acquisitions of Shares may be made, at any time and from time to time, on and from the date of the 2017 AGM, at which the proposed renewal of the Share Purchase Mandate is approved, up to the earlier of:

- (i) the date on which the next AGM is held or required by law to be held; or

- (ii) the date on which the aggregate purchases or acquisition of the Shares pursuant to the Share Purchase Mandate are carried out to the full extent mandated as described in paragraph 3.2(a) above; or
- (iii) the date on which the authority conferred by the Share Purchase Mandate is revoked or varied by Shareholders in a general meeting,

whichever is the earliest.

(c) **Solvency**

Purchases or acquisitions of Shares may only be made if the Company is solvent.

The Company is considered solvent if:

- (i) there is no ground on which the Company could be found to be unable to pay its debts;
- (ii) if it is intended to commence winding up of the Company within the period of twelve (12) months immediately after the date of the payment, the Company will be able to pay its debts in full within the period of twelve (12) months after the date of commencement of the winding up or if it is not intended so to commence winding up, the Company will be able to pay its debts as they fall due during the period of twelve (12) months immediately after the date of the payment; and
- (iii) the value of the Company's assets is not less than the value of its liabilities (including contingent liabilities) and will not after the proposed purchase or acquisition become less than the value of its liabilities (including contingent liabilities).

(d) **Manner of Share Purchase or Acquisition of Shares**

Purchases or acquisitions of Shares may be made by way of:

- (i) Market Purchases, and/or
- (ii) Off-Market Purchases.

For Off-Market Purchases, the Directors may impose such terms and conditions which are not inconsistent with the Share Purchase Mandate, the Rules of Catalist and the Act as they consider fit in the interests of the Company in connection with or in relation to any equal access scheme or schemes. Such scheme or schemes must, however, satisfy all the following conditions:

- (i) offers for the purchase or acquisition of Shares shall be made to every person who holds Shares to purchase or acquire the same percentage of their Shares;
- (ii) all of those persons shall be given a reasonable opportunity to accept the offers made; and
- (iii) the terms of all the offers shall be the same, except that there shall be disregarded (1) differences in consideration attributable to the fact that offers may relate to Shares with different accrued dividend entitlements; (2) differences in consideration attributable to the fact that the offers relate to

Shares with different amounts remaining unpaid; and (3) differences in the offers introduced solely to ensure that each person is left with a whole number of Shares.

If the Company wishes to make an Off-Market Purchase in accordance with an equal access scheme, it will issue an offer document containing at least the following information:

- (i) terms and conditions of the offer;
- (ii) period and procedures for acceptances;
- (iii) the reasons for the proposed Share purchase or acquisition;
- (iv) the consequences, if any, of Share purchases or acquisitions by the Company that will arise under the Take-over Code or other applicable take-over rules;
- (v) whether the Share purchase or acquisition, if made, would have any effect on the listing of the Shares on Catalist;
- (vi) details of any Share purchases or acquisitions made by the Company in the previous twelve (12) months (whether Market Purchases or Off-Market Purchases in accordance with an equal access scheme), giving the total number of Shares purchased or acquired, the purchase or acquisition price per Share or the highest and lowest prices paid for the purchases or acquisitions, where relevant, and the total consideration paid for the purchases or acquisitions; and
- (vii) whether the Shares purchased by the Company will be cancelled or kept as treasury shares.

(e) **Purchase Price**

The purchase price (excluding brokerage, commission, applicable goods and services tax and other related expenses) to be paid for a Share will be determined by the Directors. The purchase price to be paid by the Company for the Shares as determined by the Directors (“**Maximum Price**” in each case below) must not exceed:

- (i) in the case of a Market Purchase, one hundred and five per cent. (105%) of the Average Closing Price (as defined below) of the Shares, and
- (ii) in the case of an Off-Market Purchase, one hundred and ten per cent. (110%) of the Average Closing Price (as defined below) of the Shares,

in either case, excluding related expenses of the purchase or acquisition.

For the above purposes:

“Average Closing Price” means the average of the last dealt prices (excluding any transaction that the SGX-ST requires to be excluded for this purpose) of a Share for the five (5) consecutive Market Days on which the Shares are transacted on Catalist, immediately preceding the date of the Market Purchase by the Company or, as the case may be, the date of the making of the offer (pursuant to an Off-Market Purchase), and deemed to be adjusted in accordance with the Rules of Catalist for any corporate action which occurs after the relevant five-day period, and

“date of the making of the offer” means the date on which the Company makes an offer for the purchase or acquisition of Shares from Shareholders, stating therein the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

3.3 Status of Purchased Shares

Shares purchased or acquired by the Company pursuant to the Share Purchase Mandate are deemed cancelled immediately on purchase or acquisition (and all rights and privileges attached to the Shares will expire on such cancellation) unless such Shares are held by the Company as treasury shares. The total number of issued Shares will be diminished by the number of Shares purchased or acquired by the Company, and which are not held as treasury shares.

3.4 Treasury Shares

Under the Act, Shares purchased or acquired by the Company may be held or dealt with as treasury shares. Some of the provisions on treasury shares under the Act are summarised below:

(a) **Maximum Holdings**

The number of Shares held as treasury shares cannot at any time exceed ten per cent. (10%) of the total number of issued Shares. Any Shares in excess of this limit shall be disposed of or cancelled in accordance with Section 76K of the Act within six (6) months beginning on the day of which that contravention occurs, or such further period as ACRA may allow.

(b) **Voting and Other Rights**

The Company cannot exercise any right in respect of treasury shares. In particular, the Company cannot exercise any right to attend or vote at meetings and for the purposes of the Act, the Company shall be treated as having no right to vote and the treasury shares shall be treated as having no voting rights.

In addition, no dividend may be paid, and no other distribution of the Company's assets may be made, to the Company in respect of treasury shares. However, the allotment of shares as fully paid bonus shares in respect of treasury shares is allowed. A subdivision or consolidation of any treasury share into treasury shares of a smaller amount is also allowed so long as the total value of the treasury shares after the subdivision or consolidation is the same as before.

(c) **Disposal and Cancellation**

Where Shares are held as treasury shares, the Company may at any time, but subject always to the Take-over Code:

- (i) sell the treasury shares for cash;
- (ii) transfer the treasury shares for the purposes of or pursuant to any share scheme, whether for employees, directors or other persons;
- (iii) transfer the treasury shares as consideration for the acquisition of shares in or assets of another company or assets of a person;
- (iv) cancel the treasury shares; or
- (v) sell, transfer or otherwise use the treasury shares for such other purposes as may be prescribed by the Minister for Finance of Singapore.

3.5 Source of Funds

Any purchase or acquisition of Shares must be made out of the Company's profits and/or capital as long as the Company is solvent, and the Company may use internal sources of funds, external borrowings, or a combination of internal resources and external borrowings, to finance such purchase or acquisition. However, in considering the option of external financing, the Directors will also consider the financial position of the Group, particularly the prevailing gearing level of the Group. The Directors will only make purchases or acquisitions of the Shares in circumstances that they believe will not result in any material adverse effect to the liquidity (for example, share trading volume), working capital and the overall financial position of the Group.

3.6 Financial Effects

The financial effects on the Company and the Group arising from purchases or acquisitions of Shares which may be made pursuant to the Share Purchase Mandate will depend on, *inter alia*, whether the Shares are purchased or acquired out of profits and/or capital of the Company, the number of Shares purchased or acquired and the price paid for such Shares and whether the Shares purchased or acquired are held in treasury or cancelled.

Where the Company finances the purchase or acquisition of Shares through external borrowings, the gearing level of the Group will increase and the current ratio of the Group will decrease.

Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of profits, such consideration (excluding brokerage, commission, goods and services tax and other related expenses) will correspondingly reduce the amount available for the distribution of cash dividends by the Company. Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of capital, the amount available for the distribution of cash dividends by the Company will not be reduced.

Where the Shares purchased or acquired by the Company are subsequently cancelled by the Company, the share capital of the Company will be correspondingly reduced. Where the Shares purchased or acquired by the Company are held as treasury shares, the total number of issued Shares would remain unchanged.

The illustrative financial effects on the Group, based on the audited financial statements of the Group for the financial year ended 30 June 2017, are based on the assumptions set out below:

(a) **Share Purchase Mandate**

It has been assumed that the Share Purchase Mandate was effective as at the Latest Practicable Date.

(b) **Number of Shares Acquired or Purchased**

Purely for illustrative purposes, on the basis of 10,038,683,403 Shares in issue as at the Latest Practicable Date and assuming no further Shares are issued, on or prior to the AGM, the purchase by the Company of 1% of its issued Shares will result in the purchase or acquisition of 100,386,834 Shares.

(c) **Maximum Price Paid for Shares Acquired or Purchased**

In the case of Market Purchases by the Company and assuming that the Company purchases or acquires 1% of its issued Shares at the maximum price of S\$0.0132 for one (1) Share (being the price equivalent to 5% above the Average Closing Price of the Shares for the five (5) consecutive Market Days on which the Shares were traded on Catalist immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 100,386,834 Shares is S\$1.325 million.

In the case of Off-Market Purchases by the Company and assuming that the Company purchases or acquires 1% of its issued Shares at the maximum price of S\$0.0139 for one (1) Share (being the price equivalent to 10% above the Average Closing Price of the Shares for the five (5) consecutive Market Days on which the Shares were traded on Catalist immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 100,386,834 Shares is S\$1.395 million.

(d) **Illustrative Financial Effects**

For illustrative purposes only and on the basis of the assumptions set out in paragraphs 3.6(a) and 3.6(b) above and the following:

- (i) the purchase or acquisition of 100,386,834 Shares by the Company pursuant to the Share Purchase Mandate by way of Market Purchases made entirely out of capital and held in treasury; and
- (ii) the purchase or acquisition of 100,386,834 Shares by the Company pursuant to the Share Purchase Mandate by way of Off-Market Purchases made entirely out of capital and held in treasury,

the financial effects of the purchase or acquisition of Shares by the Company pursuant to the Share Purchase Mandate on the audited financial statements of the Group for the financial year ended 30 June 2017 are set out below:

Scenario 1

Market Purchases of 1% of issued Shares made entirely out of capital and held in treasury.

S\$'000	Group		Company	
	Before Share Purchase	After Share Purchase	Before Share Purchase	After Share Purchase
Share capital	37,140	37,140	37,140	37,140
Treasury shares	–	(1,325)	–	(1,325)
Non-distributable reserves	4,358	4,358	3,666	3,666
Accumulated losses	(12,879)	(12,879)	(14,661)	(14,661)
Shareholders' fund	28,619	27,294	26,145	24,820
Non-controlling interests	(10,025)	(10,025)	–	–
Total equity	18,594	17,269	26,145	24,820
Net tangible assets	6,655	5,330	26,145	24,820
Cash and cash equivalents	20,165	18,840	19,547	18,222
Current assets	24,150	22,825	21,937	20,612
Current liabilities	4,115	4,115	1,025	1,025
Total borrowings ⁽¹⁾	12,033	12,033	12,033	12,033
Net loss after tax attributable to shareholders	(16,029)	(16,029)	(14,945)	(14,945)
Number of Shares ('000)	10,038,684	9,938,297	10,038,684	9,938,297
Financial Ratios				
NTA per share (cents)	0.07	0.05	0.26	0.25
Gearing (times) ⁽²⁾	N/A	N/A	N/A	N/A
Current ratio (times) ⁽³⁾	5.87	5.55	21.40	20.11
Loss per share (cents) ⁽⁴⁾	(0.16)	(0.16)	(0.15)	(0.15)

Scenario 2

Off-Market Purchases of 1% of issued Shares made entirely out of capital and held in treasury.

S\$'000	Group		Company	
	Before Share Purchase	After Share Purchase	Before Share Purchase	After Share Purchase
Share capital	37,140	37,140	37,140	37,140
Treasury shares	–	(1,395)	–	(1,395)
Non-distributable reserves	4,358	4,358	3,666	3,666
Accumulated losses	(12,879)	(12,879)	(14,661)	(14,661)
Shareholders' fund	28,619	27,224	26,145	24,750
Non-controlling interests	(10,025)	(10,025)	–	–
Total equity	18,594	17,199	26,145	24,750
Net tangible assets	6,655	5,260	26,145	24,750
Cash and cash equivalents	20,165	18,770	19,547	18,152
Current assets	24,150	22,755	21,937	20,542
Current liabilities	4,115	4,115	1,025	1,025
Total borrowings ⁽¹⁾	12,033	12,033	12,033	12,033
Net loss after tax attributable to shareholders	(16,029)	(16,029)	(14,945)	(14,945)
Number of Shares ('000)	10,038,684	9,938,297	10,038,684	9,938,297
Financial Ratios				
NTA per share (cents)	0.07	0.05	0.26	0.25
Gearing (times) ⁽²⁾	N/A	N/A	N/A	N/A
Current ratio (times) ⁽³⁾	5.87	5.53	21.40	20.04
Loss per share (cents) ⁽⁴⁾	(0.16)	(0.16)	(0.15)	(0.15)

Notes:

- (1) Total borrowings comprise liabilities arising from borrowings from banks and other financial institutions and outstanding debt securities.
- (2) Gearing is computed based on the ratio of total borrowings after deducting cash and cash equivalents to Shareholders' funds.
- (3) Current ratio is derived based on current assets over current liabilities.
- (4) Loss per share is derived based on net loss after tax attributable to shareholders over number of shares.

N/A - Not Applicable

SHAREHOLDERS SHOULD NOTE THAT THE FINANCIAL EFFECTS SET OUT ABOVE ARE FOR ILLUSTRATIVE PURPOSES ONLY (BASED ON THE ABOVEMENTIONED ASSUMPTIONS). Although the proposed renewal of the Share Purchase Mandate would authorise the Company to purchase or acquire up to 10% of the issued Shares, the Company may not necessarily purchase or acquire or be able to purchase or acquire the entire 10% of the issued Shares. In addition, the Company may cancel all or part of the Shares repurchased or hold all or part of the Shares repurchased in treasury. Shareholders should note that the above analysis is based on the audited financial statements of the Group for the financial year ended 30 June 2017 and is not necessarily representative of future financial performance.

3.7 Tax Implications

Pursuant to Section 10J of the Income Tax Act (Cap. 134) of Singapore, where a company buys back its own shares and makes payment out of contributed capital, it will not be regarded as a payment of dividend. Where a company buys back its own shares using its distributable profits, it is deemed as having paid a dividend to the shareholders from whom the shares are purchased or acquired.

Shareholders who are in doubt as to their respective tax positions or any tax implications, or who may be subject to tax in a jurisdiction outside Singapore, should consult their own professional tax advisers.

3.8 Reporting Requirements under the Act

Within thirty (30) days of the passing of a Shareholders' resolution to approve the purchases of Shares by the Company, the Company shall lodge a copy of such resolution with the ACRA. Within thirty (30) days of a purchase of Shares on Catalist or otherwise, the Company shall lodge with ACRA the notice of the purchase in the prescribed form, such notification including *inter alia*, details of the purchase, the total number of Shares purchased by the Company, the total number of Shares cancelled, the number of Shares held as treasury shares, the Company's issued ordinary share capital before the purchase and after the purchase of Shares, the amount of consideration paid by the Company for the purchase, and whether the Shares were purchased out of the profits or the capital of the Company.

Within thirty (30) days of the cancellation or disposal of treasury shares in accordance with the Act, the Directors shall lodge with ACRA the notice of cancellation or disposal of treasury shares in the prescribed form as required by ACRA.

3.9 Rules of Catalist

The Rules of Catalist require a listed company to ensure that at least 10% of the total number of issued shares (excluding treasury shares, preference shares and convertible equity securities) in a class that is listed, is at all times held by the public. The "public", as defined under the Rules of Catalist, are persons other than the directors, chief executive officer, Substantial Shareholders or Controlling Shareholders of the Company and its subsidiaries, as well as the associates of such persons. As at the Latest Practicable Date, approximately 67.04% of the issued Shares are in the hands of the public. No Shares were held by the Company as treasury shares as at the Latest Practicable Date. Assuming the Company had purchased or acquired Shares from the public up to the full 10% limit pursuant to the Share Purchase Mandate on the Latest Practicable Date, the percentage of the issued Shares held by public Shareholders as at that date would approximately be 66.71%.

The Company will not undertake purchases or acquisitions of its Shares pursuant to the Share Purchase Mandate to the extent that (i) the number of Shares held by the public would fall below 10% of the total number of issued Shares, thereby affecting the listing status of the Shares on Catalist, (ii) such purchases or acquisitions would cause market illiquidity or adversely affect the orderly trading of the Shares.

The Company does not have any individual shareholding limit or foreign shareholding limit.

3.10 Take-over Implications under the Take-over Code

Appendix 2 of the Take-over Code contains the Share Buy-Back Guidance Note. The take-over implications arising from any purchase or acquisition by the Company of its Shares are set out below:

3.10.1 Obligation to make a Take-over Offer

If, as a result of any purchase or acquisition by the Company of its Shares, the proportionate interest in the voting capital of the Company of a Shareholder and persons acting in concert with him increases, such increase will be treated as an acquisition for the purposes of Rule 14 of the Take-over Code. Consequently, a Shareholder or a group of Shareholders acting in concert with a Director could obtain or consolidate effective control of the Company and become obliged to make an offer under Rule 14 of the Take-over Code unless the conditions for exemption pursuant to paragraph 3(a) of Appendix 2 of the Take-over Code are satisfied.

3.10.2 Persons Acting in Concert

Under the Take-over Code, persons acting in concert comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), cooperate, through the acquisition by any of them of shares in a company to obtain or consolidate effective control of that company.

Unless the contrary is established, the Take-over Code presumes, *inter alia*, the following individuals and companies to be persons acting in concert with each other:

- (a) the following companies:
 - (i) a company;
 - (ii) the parent company of (i);
 - (iii) the subsidiaries of (i);
 - (iv) the fellow subsidiaries of (i);
 - (v) the associated companies of any of (i), (ii), (iii) or (iv);
 - (vi) companies whose associated companies include any of (i), (ii), (iii), (iv) or (v); and
 - (vii) any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the above for the purchase of voting rights;

- (b) a company with any of its directors (together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts), and
- (c) an individual and, *inter alia*, the close relatives thereof or any person who is accustomed to act in accordance with the instructions thereof.

The circumstances under which the Shareholders (including the Directors) and persons acting in concert with them respectively will incur an obligation to make a take-over offer under Rule 14 of the Take-over Code after a purchase or acquisition of Shares by the Company are set out in Appendix 2 of the Take-over Code.

3.10.3 **Effect of Rule 14 and Appendix 2**

In general terms, the effect of Rule 14 and Appendix 2 of the Take-over Code is that, unless exempted pursuant to paragraph 3(a) of Appendix 2 of the Take-over Code, the Directors and persons acting in concert with them will incur an obligation to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring Shares, the voting rights of such Directors and their concert parties would increase to 30% or more, or in the event that such Directors and their concert parties hold between 30% and 50% of the Company's voting rights, if the voting rights of such Directors and their concert parties would increase by more than 1% in any period of six months. In calculating the percentages of voting rights of such Directors and their concert parties, treasury shares shall be excluded.

Under Appendix 2 of the Take-over Code, a Shareholder not acting in concert with the Directors will not be required to make a takeover offer under Rule 14 if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Shareholder would increase to 30% or more, or, if such Shareholder holds between 30% and 50% of the Company's voting rights, the voting rights of such Shareholder would increase by more than 1% in any period of six months. Such Shareholder need not abstain from voting in respect of the resolution authorising the Share Purchase Mandate.

SHAREHOLDERS WHO ARE IN DOUBT AS TO THEIR OBLIGATIONS, IF ANY, TO MAKE A MANDATORY TAKE-OVER OFFER UNDER THE TAKE-OVER CODE AS A RESULT OF ANY PURCHASE OR ACQUISITION OF SHARES BY THE COMPANY SHOULD CONSULT THE SECURITIES INDUSTRY COUNCIL AND/OR THEIR PROFESSIONAL ADVISERS AT THE EARLIEST OPPORTUNITY.

3.10.4 **Application of the Take-over Code**

The number of Shares held by the Directors and Substantial Shareholders are set out in paragraph 5 below. In the event the Company purchases the maximum percentage of Shares permissible under the Share Purchase Mandate, the shareholdings and voting rights of:

- (a) each of the Directors and their concert parties (as defined in the Take-over Code) remain below 30%; and
- (b) the Substantial Shareholders and their concert parties (as defined in the Take-over Code) remain below 30%,

and accordingly, no mandatory take-over offer is required to be made pursuant to the Take-over Code.

The Directors are not aware of any other Shareholder who may become obligated to make a mandatory take-over offer for the Company in the event that the Company purchases or acquires the maximum number of Shares under the Share Purchase Mandate.

3.11 Announcement Requirements

The Rules of Catalist specify that a listed company shall announce all purchases or acquisitions of its shares not later than 9:00 a.m. (i) in the case of a Market Purchase, on the Market Day following the day of purchase or acquisition of any of its shares and (ii) in the case of an Off-Market Purchase under an equal access scheme, on the second Market Day after the close of acceptances of the offer made by the Company. Such announcement (which must be in the form of Appendix 8D to the Rules of Catalist) must include, *inter alia*, details of the date of the purchase, the total number of shares purchased, the number of shares cancelled, the number of shares held as treasury shares, the purchase price per share or the highest and lowest prices paid for such shares, as applicable, the total consideration (including stamp duties and clearing charges) paid or payable for the shares, the number of shares purchased as at the date of announcement (on a cumulative basis), the number of issued shares excluding treasury shares and the number of treasury shares held after the purchase.

3.12 No Purchases during Price Sensitive Developments

While the Rules of Catalist do not expressly prohibit any purchase of shares by a listed company during any particular time or times, because the listed company would be regarded as an “insider” in relation to any proposed purchase or acquisition of its issued shares, the Company will not undertake any purchase or acquisition of Shares pursuant to the proposed renewal of the Share Purchase Mandate at any time after a price sensitive development has occurred or has been the subject of a decision, until the price sensitive information has been publicly announced.

In particular, the Company will not purchase or acquire any Shares through Market Purchases or Off-Market Purchases during the period of one month immediately preceding the announcement of the Company’s full-year results and the period of two weeks before the announcement of each of the first three quarters of its financial year.

3.13 No Previous Purchase of Shares

The Company has not undertaken any purchase or acquisition of Shares pursuant to the Share Purchase Mandate approved by Shareholders at the 2016 AGM up to the Latest Practicable Date.

4. PROPOSED RATIFICATION OF THE BOARD’S DECISION NOT TO PROCEED WITH THE PROPOSED SHARE CONSOLIDATION

As stated in the announcement by the Company dated 27 December 2016 (the “**Initial Announcement**”) and the Circular, the main rationale for undertaking the Proposed Share Consolidation was, *inter alia*, (i) due to the relatively low prices of the Shares being traded; (ii) to reduce the percentage transaction cost for trading in each board lot of Shares, and (iii) to increase market interest and activity in the Shares and generally make the Shares more attractive to investors.

Since the Initial Announcement and the EGM convened on 13 February 2017, the price of the Shares traded on Catalist has been closing at a consistently higher level than during the time before the Announcement. In addition, trading volume of the Shares has also been

consistently higher than during the time before the Initial Announcement, indicating a higher level of liquidity and market interest. Accordingly, the Company had released the Update Announcement setting out the Board's view and the rationale for the Proposed Ratification. The table below shows the highest and lowest market prices for the months from August 2016, up to the date immediately preceding the Update Announcement, and the volume of traded Shares on Catalist for each month.

	Highest (S\$)	Lowest (S\$)	Volume of traded Shares (million)
August 2016	\$0.005	\$0.003	31
September 2016	\$0.005	\$0.002	78
October 2016	\$0.010	\$0.004	487
November 2016	\$0.013	\$0.009	760
December 2016	\$0.012	\$0.010	372
January 2016	\$0.035	\$0.013	2,861
February 2017	\$0.037	\$0.025	3,794
March 2017	\$0.032	\$0.025	1,407
April 2017	\$0.031	\$0.026	501
1 May 2017 to the date immediately preceding the Update Announcement	\$0.032	\$0.026	1,527

For the foregoing reasons and as stated in the Update Announcement, the Board is now of the view that the rationale for undertaking the Proposed Share Consolidation set out in the Circular is no longer as applicable under the current market circumstances. Accordingly, the Board has decided that it may not be in the best interests of the Company and the Shareholders to proceed with the Proposed Share Consolidation at this time.

For completeness, as the Shareholders had approved the resolution authorising the Proposed Share Consolidation at the EGM, the Company proposes to obtain the Shareholders' ratification of the Board's decision to not proceed with the Proposed Share Consolidation at the 2017 AGM.

As stated in the Company's announcement dated 17 February 2017, the Company had received the listing and quotation notice ("**L&Q Notice**") from the SGX-ST in respect of the listing and quotation of the new Shares arising from (i) up to 1,090,909,091 Conversion Shares (as defined in the Circular) and 196,363,636 Interest Shares (as defined in the Circular) pursuant to the Proposed Bond Subscription (as defined in the Circular); and (ii) up to 277,863,588 Consolidated Shares (as defined in the Circular) pursuant to the Proposed Share Consolidation.

As the Company will not be proceeding with the Proposed Share Consolidation at this time, only the L&Q Notice in respect of the 277,863,588 Consolidated Shares pursuant to the Proposed Share Consolidation will lapse.

In the event that Shareholders' approval is not obtained for the Proposed Ratification, the Board will determine if there is an appropriate time to undertake the Proposed Share Consolidation at a later date and the Company will make a separate announcement to provide Shareholders with more information regarding the Proposed Share Consolidation.

5. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

The interests of the Directors and Substantial Shareholders in the Shares as at the Latest Practicable Date are set out below:

	Direct Interest		Deemed Interest		Number of Shares comprised in outstanding options or awards granted by the Company	Total Interest	
	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾		No. of Shares	% ⁽¹⁾
Directors							
Chng Weng Wah	590,970,850	5.89	463,050,000 ⁽²⁾	4.61	–	1,054,020,850	10.50
Lau Kay Heng	–	–	–	–	2,500,000	–	–
Lim Soon Hock	–	–	–	–	–	–	–
Loh Eu Tse Derek	–	–	–	–	–	–	–
Kan Ah Chye	2,500,000	0.02	–	–	–	2,500,000	0.02
Teo Khiam Chong	–	–	445,589,700 ⁽³⁾	4.44	–	445,589,700	4.44
Toh Hock Ghim	–	–	–	–	5,000,000	–	–
Substantial Shareholders (other than Directors)							
Starbids Ventures Inc.	–	–	463,050,000 ⁽⁴⁾	4.61	–	463,050,000	4.61
Tang Wee Loke	640,212,900	6.38	57,000,000 ⁽⁵⁾	0.57	–	697,212,900	6.95
Wang Yu Huei	–	–	1,109,335,600 ⁽⁶⁾	11.05	–	1,109,335,600	11.05

Notes:

- (1) Based on 10,038,683,403 issued Shares as at the Latest Practicable Date.
- (2) This represents Mr. Chng Weng Wah's deemed interest of 463,050,000 Shares held by his sole proprietorship, Starbids Ventures Inc.
- (3) This represents Mr Teo Khiam Chong's deemed interest of 393,378,100 Shares held through Maybank Kim Eng Securities Pte Ltd and 52,211,600 Shares held through Raffles Nominees (Pte) Limited.
- (4) This represents Starbids Ventures Inc's deemed interest of 463,050,000 Shares held through Citibank Nominees Singapore Pte. Ltd.
- (5) This represents Mr. Tang Wee Loke's deemed interest of 55,000,000 Shares held by his spouse and 2,000,000 Shares held by his children.
- (6) This represents Mr. Wang Yu Huei's deemed interest of 1,109,335,600 Shares held through Raffles Nominees (Pte) Limited.

Save for their respective interests in the Company, none of the Directors or Substantial Shareholders has any direct or indirect interest in the proposed renewal of the Share Purchase Mandate or the Proposed Ratification.

6. DIRECTORS' RECOMMENDATION

Having considered, *inter alia*, the rationale of the proposed renewal of the Share Purchase Mandate and the Proposed Ratification, the Directors are of the opinion that the proposed renewal of the Share Purchase Mandate and the Proposed Ratification would be beneficial to, and is in the best interests of the Company. Accordingly, the Directors recommend that Shareholders vote in favour of the ordinary resolutions relating to the proposed renewal of the Share Purchase Mandate and the Proposed Ratification as set out in the Notice of AGM.

7. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who are unable to attend the 2017 AGM and wish to appoint a proxy to attend and vote at the 2017 AGM on their behalf should complete, sign and return the Proxy Form in accordance with the instructions printed thereon as soon as possible and in any event so as to arrive at the principal place of business of the Company at Block 1001, Jalan Bukit Merah, #06-11, Singapore 159455 not less than 48 hours before the time fixed for the 2017 AGM.

The sending of a Proxy Form by a Shareholder does not preclude him from attending and voting in person at the 2017 AGM if he finds that he is able to do so. In such event, the relevant Proxy Forms will be deemed to be revoked. A Depositor shall not be regarded as a member of the Company entitled to attend the 2017 AGM and to speak and vote thereat unless his name appears on the Depository Register 72 hours before the 2017 AGM.

8. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Letter and confirm, after making all reasonable enquiries, that to the best of their knowledge and belief, this Letter constitutes full and true disclosure of all material facts about the proposed renewal of the Share Purchase Mandate and the Proposed Ratification, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Letter misleading.

Where information in the Letter 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 the Letter in its proper form and context.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at the principal place of business of the Company at Blk 1001, Jalan Bukit Merah, #06-11, Singapore 159455 during normal business hours from the date of this Letter up to the date of the 2017 AGM:

- (a) the Constitution; and
- (b) the Annual Report 2017.

Yours faithfully,
For and on behalf of the Board

Chng Weng Wah
Managing Director

