

PROPOSED RESTRUCTURING OF STRATECH SYSTEMS LIMITED BY WAY OF A SCHEME OF ARRANGEMENT UNDER SECTION 210 OF THE COMPANIES ACT (CHAPTER 50) OF SINGAPORE

1. INTRODUCTION

1.1 The board of directors (the “**Board**”) of Stratech Systems Limited (the “**Company**” and together with its subsidiaries, the “**Stratech Group**”) wishes to announce that the Company intends to implement a proposed restructuring of the Company (the “**Proposed Restructuring**”) by way of a scheme of arrangement (“**Scheme**”) under Section 210 of the Companies Act (Chapter 50) of Singapore (“**Companies Act**”). The Proposed Restructuring is intended to enable the establishment of a corporate structure where:

- (a) a newly-incorporated investment holding company, The Stratech Group Pte. Ltd. (to be renamed “The Stratech Group Limited.” on its conversion to public company status) (“**NewCo**”, and together with its subsidiaries following the Proposed Restructuring, the “**NewCo Group**”), will indirectly own 100% of the issued and paid-up share capital of the Company, and become the listed vehicle in place of the Company; and
- (b) the Company ceases its function as the listed vehicle within the Stratech Group and continues as the operational company carrying out its existing businesses.

The Company is of the view that the Proposed Restructuring will be able to, *inter alia*:

- (i) streamline the existing group structure and operations to provide leverage for the Stratech Group to expand its business globally across the numerous products and capabilities;
- (ii) achieve ease and flexibility for the Stratech Group to acquire new businesses, as well as expand and/or divest existing business segments as and when opportunities arise; and
- (iii) as a natural consequence of the Proposed Restructuring, by having NewCo (which is an investment holding company with no business operations) as the listed entity on the Singapore Exchange Securities Trading Limited (“**SGX-ST**”), ring-fence the listed entity from the NewCo Group’s operating entities and direct operating risks (including any possible claims and litigation arising in connection with the NewCo Group’s operations and business).

1.2 In connection with the Proposed Restructuring, the Board wishes to announce that the Company has today entered into an implementation agreement (the “**Implementation Agreement**”) with NewCo.

1.3 Pursuant to the terms of the Implementation Agreement, NewCo will acquire all the existing issued ordinary shares in the capital of the Company (“**Shares**”) held by shareholders of the Company (“**Shareholders**”) as at a time and date to be determined (“**Books Closure Date**”) by the Company

for purposes of determining the entitlements of Shareholders in respect of the Scheme (as defined herein). In consideration for the transfer of the Shares held by the Shareholders to NewCo's wholly-owned subsidiary, Stratech Pte. Ltd. ("**NewCo 2**"), NewCo will allot and issue to the Shareholders such number of new ordinary shares in the capital of NewCo ("**NewCo Shares**"), credited as fully paid, on the basis of one (1) new NewCo Share for every one (1) Share held by each Shareholder as at the Books Closure Date.

- 1.4 Upon completion of the Proposed Restructuring, the Company will become an indirect wholly-owned subsidiary of NewCo (through NewCo 2) and relinquish its status as a listed company on the Mainboard of the SGX-ST. It is intended that following the Proposed Restructuring, the NewCo Shares will be listed and traded on the SGX-ST.

2. INFORMATION ON THE STRATECH GROUP, NEWCO AND NEWCO 2

2.1 The Stratech Group and the Company

The Company is a public company limited by shares, whose shares are listed on the SGX-ST. As at the date of this announcement (the "**Announcement Date**"), the issued share capital of the Company is S\$112,708,766.33, comprising 1,567,183,371 Shares.

- 2.2 The Stratech Group delivers large-scale complex, real-time, mission critical systems for governments and businesses, serving industry sectors such as aerospace and defence, financial services, government, healthcare, homeland security and transportation (air, sea and land). The Company is principally engaged in the design, development, integration, implementation, maintenance and project management of information technology and advanced technology systems.

2.3 NewCo

NewCo was incorporated on 9 October 2014 as an exempt private limited company in Singapore. It is intended that NewCo shall be converted into a public company limited by shares prior to the holding of the Court Meeting (as defined herein). As at the Announcement Date, the issued and paid-up share capital of NewCo is S\$2.00, comprising two (2) ordinary shares held by David Chew Khien Meow and Leong Sook Ching as the subscriber shareholders ("**Subscriber Shareholders**"), holding one (1) NewCo Share each. As at the date of this announcement, the Subscriber Shareholders are directors and substantial shareholders of the Company. David Chew Khien Meow holds 441,918,405 Shares and Leong Sook Ching holds 90,832,852 Shares, representing approximately 28.20% and 5.80% of the issued and paid-up share capital of the Company respectively.

Subject to the completion of the Proposed Restructuring, the number of issued NewCo Shares will be increased by the number of new NewCo Shares issued pursuant to the Proposed Restructuring, details of which are set out in paragraph 3 of this announcement.

2.4 NewCo 2

NewCo 2 was incorporated on 10 October 2014 as a private limited company in Singapore as a wholly-owned subsidiary of NewCo and will be the immediate holding company of the Company on

completion of the Proposed Restructuring. As at the Announcement Date, the issued and paid-up share capital of NewCo 2 is S\$2, comprising 2 ordinary shares held by NewCo.

- 2.5 Upon completion of the Proposed Restructuring, NewCo's principal business activity will be that of investment holding. The Company will become an indirect wholly-owned operating subsidiary of NewCo (through NewCo 2) and continue to own and operate its existing businesses.
- 2.6 As at the Announcement Date, NewCo has two (2) directors, being David Chew Khien Meow and Leong Sook, who are currently the Executive Chairman, and Executive Director and Chief Corporate Officer, respectively, of the Company. It is currently contemplated that the other existing directors of the Company ("**Directors**"), being Sajjad Ahmad Akhtar, Chew Hai Chwee, Chew Heng Ching and Lim Kim Choon, will also be appointed as directors of NewCo ("**NewCo Directors**") on or prior to the date on which the Scheme, if approved, becomes effective in accordance with its terms (the "**Effective Date**").

3. THE SCHEME

- 3.1 The Scheme will involve, *inter alia*, the following:

- (a) a transfer of all the Shares held by the Shareholders as at the Books Closure Date to NewCo 2, a wholly-owned subsidiary of NewCo, as nominee of NewCo; and
- (b) in consideration for the transfer of the Shares held by the Shareholders, NewCo will allot and issue to the Shareholders such number of NewCo Shares, credited as fully paid, on the basis of one (1) NewCo Share for every one (1) Share held by each Shareholder as at the Books Closure Date.

- 3.2 Pursuant to the Scheme, the Shares are to be transferred by the Shareholders to NewCo 2 (a) fully paid; (b) free from any mortgage, assignment of receivables, debenture, lien, hypothecation, charge, pledge, title retention, right to acquire, security interest, option, pre-emptive or other similar right, right of first refusal, restriction, third-party right or interest, any other encumbrance, condition or security interest whatsoever or any other type of preferential arrangement (including, without limitation, a title transfer or retention arrangement) having similar effect ("**Encumbrances**"); and (c) together with all rights, benefits and entitlements attaching thereto as of the Announcement Date, including the right to receive and retain all dividends, rights and other distributions (if any) declared, paid or made by the Company on or after the date of the Announcement Date, save for any dividends that may be paid by the Company prior to the Books Closure Date.

- 3.3 The new NewCo Shares shall be allotted and issued by NewCo on the basis of one (1) new NewCo Share for every one (1) Share held by each Shareholder as at the Books Closure Date and shall be duly authorised, validly issued, credited as fully paid, free from any Encumbrances, and shall rank *pari passu* in all respects with one another as well as with the two (2) existing issued NewCo Shares held by the Subscriber Shareholders.

As the Subscriber Shareholders holding the existing two (2) NewCo Shares are also Shareholders, the Subscriber Shareholders have given undertakings to the Company and NewCo to waive each of their rights to receive one (1) new NewCo Share out of the total number of new NewCo Shares to be

issued to the Subscriber Shareholders pursuant to the Scheme (“**Subscriber Shareholders Undertakings**”). In this regard, based on the 441,918,405 Shares and 90,832,852 Shares held by David Chew Khien Meow and Leong Sook Ching respectively as at the Announcement Date, 441,918,404 NewCo Shares and 90,832,851 NewCo Shares will be issued to David Chew Khien Meow and Leong Sook Ching respectively pursuant to the Scheme.

- 3.4 The Scheme is subject to, *inter alia*, the approval of a majority in number of the Shareholders holding not less than three-fourths in value of the Shares who are present and voting (either in person or by proxy) at a meeting of Shareholders to be directed by the High Court of the Republic of Singapore (“**Court**”) and any adjournment thereof (“**Court Meeting**”), and the Scheme has to be sanctioned by the Court and thereafter the order of the Court sanctioning the Scheme has to be lodged with the Accounting and Corporate Regulatory Authority of Singapore (“**ACRA**”). Once effected, the Scheme and the Proposed Restructuring will be binding on the Company and all Shareholders.
- 3.5 Further information on the Proposed Restructuring and the terms and conditions upon which the Scheme will be implemented will be set out in the document to be despatched by the Company to the Shareholders (the “**Scheme Document**”) in due course.

4. PROPOSED RESTRUCTURING

- 4.1 The Proposed Restructuring is purely an internal restructuring exercise undertaken by the Company and NewCo to facilitate a migration of the shareholding interests of the Shareholders from an interest in the capital of the Company to shareholding interests in the capital of NewCo.
- 4.2 As the principal asset of NewCo immediately after the completion of the Proposed Restructuring will be the Shares, which are held through its wholly-owned subsidiary, NewCo 2, the Proposed Restructuring pursuant to the Scheme will not cause or result in any substantive change in the financial position of the NewCo Group compared to that of the Stratech Group prior to the Proposed Restructuring pursuant to the Scheme. In particular, the Proposed Restructuring does not involve the write-off of any debt of the Company and the aggregate assets and liabilities of the NewCo Group after the completion of the Proposed Restructuring pursuant to the Scheme will be substantially the same as that of the Stratech Group prior to completion of the Proposed Restructuring pursuant to the Scheme.
- 4.3 Upon completion of the Proposed Restructuring pursuant to the Scheme, there will be no substantive change to the corporate structure or business of the NewCo Group as compared to that of the Stratech Group, as it is intended that the Company’s listing will be transferred to NewCo, and the NewCo Group will continue to own and operate the existing businesses carried on by the Stratech Group prior to completion of the Proposed Restructuring pursuant to the Scheme.
- 4.4 The Scheme and the Proposed Restructuring will not cause or result in any substantive change in the shareholding composition or shareholding interests of the Shareholders, as the number of shareholders and shareholding composition of NewCo immediately after the completion of the Proposed Restructuring pursuant to the Scheme will be the same as that of the Company prior to completion of the Proposed Restructuring pursuant to the Scheme.

- 4.5 Subject to the Scheme being declared effective and completion of the Proposed Restructuring, all profit or loss attributable to the Company with effect from the Effective Date shall accrue to the NewCo Group, including for the avoidance of doubt, all expenses incurred by the Company and NewCo in connection with the Scheme and the Proposed Restructuring.

5. OTHER MATTERS RELATING TO THE PROPOSED RESTRUCTURING

Outstanding Options under the Stratech ESOS 2000 and Stratech ESOS 2011

- 5.1 As at the Announcement Date, the Company has (a) 1,983,000 outstanding options under the Company's employee share option scheme adopted at a general meeting of the Company held on 14 July 2000 ("**Stratech ESOS 2000**") entitling holders thereof to subscribe for a total of up to 1,983,000 Shares; and (b) 30,118,330 outstanding Options under the Company's employee share option scheme adopted at a general meeting of the Company held on 29 July 2011 ("**Stratech ESOS 2011**") entitling holders thereof to subscribe for a total of up to 30,118,330 Shares (of which 14,368,330 outstanding Options are currently exercisable into Shares), where such options ("**Options**") were granted under and pursuant to the terms of the Stratech ESOS 2000 and the Stratech ESOS 2011, respectively.
- 5.2 The exercise price(s) of the Options under the Stratech ESOS 2000 range from S\$0.060 to S\$0.076 and the dates of grant of such Options range from 3 January 2005 to 23 January 2006. The exercise price(s) of the Options under the Stratech ESOS 2011 range from S\$0.0166 to S\$0.0290 and the dates of grant of such Options range from 2 September 2011 to 6 August 2014. A Shareholders' mandate was obtained at a general meeting of the Company held on 29 July 2011 to terminate the Stratech ESOS 2000 and adopt the Stratech ESOS 2011. For details on the other terms and conditions of the Stratech ESOS 2000 and the Stratech ESOS 2011, please refer to the prospectus dated 24 July 2000 in respect of the initial public offering of the Company and the circular by the Company to Shareholders dated 13 July 2011, respectively.
- 5.3 All the Shares issued by the Company pursuant to the valid exercise of the outstanding Options granted under the Stratech ESOS 2000 or the Stratech ESOS 2011 prior to the date falling 10 market days prior to the Books Closure Date in connection with the Scheme ("**Options Exercise Cut Off Date**") will form part of the Shares which fall under the scope of, and be subject to, the Scheme.
- 5.4 As for the remaining outstanding Options which are not exercised by the Options Exercise Cut Off Date, pursuant to the Implementation Agreement, the Company and NewCo agree that, subject to the relevant approvals of the Shareholders and the shareholder(s) of NewCo being obtained for the Proposed Options Variation (as defined herein) and the entry into the ESOS Variation Agreements (as defined herein) by the relevant holders of such Options ("**Optionholders**"), the Optionholders will, pursuant to the Proposed Options Variation, continue to enjoy the same or substantially the same position or benefits under the options in NewCo after the completion of the Proposed Restructuring pursuant to the Scheme as they would have done in the Company prior to the completion of the Proposed Restructuring pursuant to the Scheme, as further set out in paragraph 5.5 below.
- 5.5 The Company intends to seek the agreement and consent of each of the Optionholders to the proposed novation of the rights and obligations in respect of the existing Options granted under the Stratech ESOS 2000 or the Stratech ESOS 2011 to the NewCo by way of entry into of deeds of

novation entered into between the Company, NewCo and the Optionholders ("**ESOS Variation Agreements**") pursuant to which the parties to the ESOS Variation Agreements will agree that subject to the Scheme becoming effective and on and from the Effective Date:

- (a) the Options shall be treated as rights to subscribe for NewCo Shares ("**NewCo Options**") granted or to be granted pursuant to The Stratch Group Employee Share Option Scheme 2014 ("**Proposed NewCo ESOS**") which was conditionally approved and adopted at a general meeting of NewCo held on 16 October 2014¹, and all references in the Options (including all applicable documents relating to the Options) to Shares shall be treated as references to new NewCo Shares which may be allotted and issued from time to time pursuant to the Proposed NewCo ESOS ("**NewCo Option Shares**");
- (b) the Options shall be subject to and deemed to have been issued pursuant to the terms of the Proposed NewCo ESOS; and
- (c) the terms and conditions of the Options (including but not limited to the number of shares under the Options, exercise price(s), vesting date(s), exercise period(s) (such exercise dates being as set out in the letter of offer granting the Options) and the date(s) of issue or grant of the Options) shall be as set out in the Proposed NewCo ESOS (which has substantially the same terms and conditions as the Stratch ESOS 2011 and shall allow the Optionholders to continue to enjoy the same position and benefits as they would have done under the Stratch ESOS 2000 or Stratch ESOS 2011),

(collectively, "**Proposed Options Variations**").

5.6 In order to give effect to the Proposed Options Variation, NewCo will also be a party to the ESOS Variation Agreements pursuant to which, *inter alia*:

- (a) NewCo has agreed to assume and undertake to perform all the obligations of the Company in respect of the Options and in particular, to allot and issue the relevant NewCo Option Shares to the Optionholders at the same exercise price and other terms stipulated under their respective Options, pursuant to the exercise of the Options by the Optionholders; and
- (b) the Company shall be released and discharged from all obligations with respect to the Options on and from the Effective Date (being also the effective date of the ESOS Variation Agreements).

5.7 Pursuant to the ESOS Variation Agreements and assuming the exercise of the Options as varied by the Variation Agreements, the Optionholders will become shareholders of NewCo, holding the same number of shares in NewCo (issued at the same exercise price after the completion of the Scheme and the Proposed Restructuring), as the number of Shares to be issued at such exercise price by the Company as provided under the existing terms of the Options.

¹

The Proposed NewCo ESOS is conditional upon and subject to the Scheme becoming effective in accordance with its terms and the approval of the Shareholders being obtained for the proposed adoption of the Proposed NewCo ESOS at the extraordinary general meeting of the Company to be held following the conclusion of the Court Meeting.

- 5.8 The obligations of the Company and NewCo under the ESOS Variation Agreements shall be conditional upon and subject to, *inter alia*, the Scheme becoming effective and the approvals of the Shareholders and the shareholder(s) of NewCo being obtained.

Termination of the Stratech ESOS 2011 by the Company

- 5.9 Subject to the Scheme becoming effective, the committee appointed by the Board to administer the Stratech ESOS 2011 shall terminate the Stratech ESOS 2011 with effect from the Effective Date.

Adoption of the Proposed NewCo ESOS

- 5.10 Subject to, *inter alia*, the Scheme being effective and the approval of the Shareholders being obtained, NewCo proposes to adopt and implement the Proposed NewCo ESOS, which was conditionally approved and adopted at a general meeting of NewCo held on 16 October 2014, with effect from the Effective Date. The terms and conditions of the Proposed NewCo ESOS will be substantially the same as the Stratech ESOS 2011. The size of the Proposed NewCo ESOS will be limited to the permissible thresholds under the Listing Manual of the SGX-ST ("**Listing Manual**") less the number of Shares previously issued and/or transferred in respect of all exercised Options granted under the Stratech ESOS 2011 and the number of NewCo Shares issued or issuable and/or transferred or transferable in respect of all Options which are to be varied pursuant to the Proposed Options Variation. The Proposed NewCo ESOS shall continue to be in force at the discretion of the committee appointed by the Board to administer the Proposed NewCo ESOS, and will be valid until 28 July 2021 (being the maximum term under the Stratech ESOS 2011, unless terminated or continued in accordance with the rules of the NewCo ESOS). Further information on the Proposed NewCo ESOS will be set out in the Scheme Document.
- 5.11 The key objective of the NewCo ESOS is to motivate employees and directors to optimise their performance standards and efficiency and to reward them for their significant contributions with participation in the equity of NewCo. To this end, employees and directors who are Controlling Shareholders (as defined in the Listing Manual) or their Associates (as defined in the Listing Manual) shall be treated equally, as these Controlling Shareholders and their Associates are important to the development and success of the NewCo Group. As such, subject to the absolute discretion of the committee appointed by the Board to administer the NewCo ESOS, Controlling Shareholders and their Associates who meet the criteria under the rules of the NewCo ESOS are eligible to participate in the NewCo ESOS. Participation in the NewCo ESOS by the Controlling Shareholders and their Associates must be approved by independent shareholders of NewCo. A separate resolution must be passed for each person and to approve the actual number and terms of NewCo Options to be granted to that participant.

In compliance with the spirit of the Listing Manual, the aggregate number of NewCo Shares over which NewCo Options may be granted under the NewCo ESOS to Controlling Shareholders and their Associates shall not exceed 25% of the NewCo Shares available under the NewCo ESOS, and the number of NewCo Shares over which NewCo Options may be granted under the NewCo ESOS to each Controlling Shareholder or his Associate(s) shall not exceed 10% of the NewCo Shares available under the NewCo ESOS, taking into account the aggregate number of Options previously granted to Controlling Shareholders and their Associates under the Stratech ESOS 2000 and Stratech ESOS 2011.

Outstanding Awards under the Stratech PSS

- 5.12 The Company has in place a performance share scheme adopted at a general meeting of the Company held on 4 June 2007 ("**Stratech PSS**"). As at the Announcement Date, (a) 26,663,395 Shares were previously issued and/or transferred by the Company pursuant to the awards previously granted under the Stratech PSS; and (b) there are no outstanding awards under the Stratech PSS.

Termination of the Stratech PSS by the Company

- 5.13 Subject to the Scheme becoming effective, the committee appointed by the Board to administer the Stratech PSS shall terminate the Stratech PSS with effect from the Effective Date.

Adoption of the Proposed NewCo PSS

- 5.14 Subject to, *inter alia*, the Scheme being effective and the approval of the Shareholders being obtained, NewCo proposes to adopt and implement The Stratech Group Performance Share Scheme 2014 ("**Proposed NewCo PSS**"), which was conditionally approved and adopted at a general meeting of NewCo held on 16 October 2014, with effect from the Effective Date. The terms and conditions of the Proposed NewCo PSS will be substantially the same as the Stratech PSS. The size of the Proposed NewCo PSS will be limited to the permissible thresholds under the Listing Manual less the number of Shares previously issued and/or transferred in respect of all awards granted and vested under the Stratech PSS. The Proposed NewCo PSS shall continue to be in force at the discretion of the committee appointed by the Board to administer the Proposed NewCo PSS, and will be valid until 3 June 2017 (being the maximum term under the Stratech PSS, unless terminated or continued in accordance with the rules of the Proposed NewCo PSS). Further information on the Proposed NewCo PSS will be set out in the Scheme Document.

6. CONDITIONS PRECEDENT

- 6.1 The Proposed Restructuring will be subject to the fulfilment of, *inter alia*, the following conditions precedent:
- (a) all Regulatory Approvals (as defined in the Implementation Agreement) having been obtained and not having been withdrawn on or before the date falling on the business day immediately preceding the Effective Date ("**Record Date**");
 - (i) confirmation from the Securities Industries Council of Singapore ("**SIC**") that the provisions of the Singapore Code on Take-overs and Mergers ("**Code**") will not apply to the Proposed Restructuring;
 - (ii) declaration from the Monetary Authority of Singapore ("**MAS**") that pursuant to Section 273(5) of the Securities and Futures Act (Chapter 289) of Singapore ("**SFA**"), Subdivisions (2) and (3) of Division 1 of Part XIII of the SFA (other than Section 257 of the SFA) do not apply to the offer of new NewCo Shares made pursuant to the Scheme; and

- (iii) confirmation from the SGX-ST that the provisions relating to new listing requirements and delisting requirements under Chapter 2 and Chapter 13 of the Listing Manual respectively will not apply to the Proposed Restructuring and the Scheme; and
 - (iv) the approval-in-principle from the SGX-ST for (A) the Scheme; (B) the Scheme Document; and (C) the listing and quotation for all the NewCo Shares;
- (b) all authorisations, consents, clearances, permissions and approvals as are necessary or required (for or in respect of the proposed acquisition by NewCo of all the Shares to be effected by way of the Scheme and the implementation of the Scheme) by NewCo or the Company under any and all applicable laws from all governmental authorities or (only in respect of the Company) from any third parties, having been obtained prior to the Record Date, and not having been withdrawn or revoked (if applicable) on or before the Record Date and if any of such authorisations is subject to any conditions or requires any actions or obligations to be taken or performed, all such actions having been duly taken or performed on or prior to the Record Date save where the failure to obtain any such authorisation, the withdrawal or revocation of any such authorisation, or the failure to meet any such condition or take any such action or perform any such obligation in relation to such authorisation would not have a material effect on NewCo or any one company of the Stratech Group (the **"Group Company"**);
- (c) the notification to the Singapore Economic Development Board by Stratech Aerospace Pte. Ltd. of the change in shareholdings of the Group Company, Stratech Aerospace Pte. Ltd., pursuant to paragraph 7(b), Annex 2, of the letter dated 11 December 2012 and addressed to Stratech Aerospace Pte. Ltd. in relation to the grant of the Development and Expansion Incentive to Stratech Aerospace Pte. Ltd.;
- (d) the approval of the Scheme by a majority in number of the Shareholders present and voting (either in person or by proxy) at the Court Meeting, such majority holding not less than three-fourths in value of the Shares held by the Shareholders present and voting either in person or by proxy at the Court Meeting;
- (e) sanction of the Scheme by the Court and a copy of the order of the Court sanctioning the Scheme having been lodged with ACRA;
- (f) the conversion of NewCo into a public company limited by shares and the adoption by NewCo of new memorandum and articles of association in a form to be agreed between NewCo and the Company;
- (g) between the date of the Implementation Agreement and up to the Record Date, no injunction or other order, legal or regulatory restraint, prohibition or condition preventing implementation of the Scheme (or the proposed transactions relating to the Scheme) having been issued by any Governmental Authority (as defined in the Implementation Agreement) or by any court of competent jurisdiction and remaining in effect as at the Record Date;
- (h) between the date of the Implementation Agreement and up to the Record Date, no Prescribed Occurrence (as set out in Schedule 1 to this announcement) in relation to the Company (or where applicable, any other Group Company) or NewCo (as the case may be)

occurs other than as required or contemplated by the Implementation Agreement or the Proposed Restructuring;

- (i) the Implementation Agreement not having been terminated at any time on or prior to the Record Date (as provided in the Implementation Agreement);
- (j) the Company's warranties (as provided under the Implementation Agreement) being true and correct, as of the date of the Implementation Agreement and as of the Record Date as though made on and as of that date unless otherwise provided in the Implementation Agreement and the Company having, as of the Record Date, performed and complied in all material respects with all covenants and agreements contained in the Implementation Agreement which are required to be performed by or complied with by the Company, on or prior to the Record Date;
- (k) NewCo's warranties (as provided under the Implementation Agreement) being true and correct, as of the date of the Implementation Agreement and as of the Record Date as though made on and as of that date unless otherwise provided in the Implementation Agreement and NewCo having, as of the Record Date, performed and complied in all material respects with all covenants and agreements contained in the Implementation Agreement which are required to be performed by or complied with by NewCo, on or prior to the Record Date; and
- (l) the Subscriber Shareholders delivering to NewCo the duly executed Subscriber Shareholders Undertakings.

As at the date hereof, the conditions set out in sub-paragraphs a(i) to (iii) and (l) above have been satisfied. Please refer to paragraph 7 below for further details.

- 6.2 The Scheme will only become effective if all the above-mentioned conditions precedent have been satisfied or waived (as the case may be) in accordance with the Implementation Agreement and a copy of the order of the Court has been lodged with ACRA.

7. REGULATORY APPROVALS

- 7.1 If the Scheme becomes effective in accordance with its terms, NewCo (through NewCo 2) will own the entire issued and paid-up share capital of the Company. The Company had applied to the SGX-ST and the SGX-ST had by way of a letter dated 3 June 2014, advised that (a) Chapter 2 (with the exception of Part I and II) and Listing Rules 1307, 1308 and 1309 of the Listing Manual are not applicable to the Proposed Restructuring and (b) the Company has to obtain Shareholders' approval and comply with Listing Rules 843 to 861 for the proposed variations to the Options and awards previously granted under the Stratech PSS². Shortly after the Effective Date, the Shares will be delisted and withdrawn from the SGX-ST.
- 7.2 An application will also be made by the Company to the SGX-ST for the listing of and quotation for all the NewCo Shares, including the existing NewCo Shares, the new NewCo Shares to be allotted and issued pursuant to the Scheme, the NewCo Option Shares and the NewCo Award Shares, on the

² As at the Announcement Date, there are no outstanding awards under the Stratech PSS. As such, no variation will be required to be made to the awards under the Stratech PSS.

SGX-ST. The Company will make the necessary announcement(s) upon receipt of the listing and quotation notice from the SGX-ST for the listing of and quotation for all the NewCo Shares.

- 7.3 The SIC had on 9 September 2014 confirmed that the provisions of the Code shall not apply to the Scheme and the Proposed Restructuring.
- 7.4 The MAS had on 5 August 2014, pursuant to Section 273(5) of the SFA, declared that Subdivisions (2) and (3) of Division 1 of Part XIII of the SFA (other than Section 257 of the SFA) shall not apply to the offer of new NewCo Shares made pursuant to the Scheme for a period of six (6) months from 5 August 2014. The declaration is subject to the conditions that:
- (a) the shareholders of and the composition of their shareholdings in NewCo immediately after the completion of the Proposed Restructuring and the Scheme shall be the same as that of the Company immediately prior to the completion of the Proposed Restructuring and the Scheme; and
 - (b) the Company shall issue a shareholders' circular (together with the notice summoning a meeting under Section 210 of the Companies Act) to all of its shareholders containing all relevant information relating to NewCo, the Proposed Restructuring and the Scheme in accordance with the Listing Manual.

8. TERMINATION

- 8.1 The Implementation Agreement may be terminated at any time on or prior to the Record Date as follows:
- (a) by either NewCo or the Company, if any court of competent jurisdiction or Governmental Agency (as defined in the Implementation Agreement) has issued an order, decree or ruling or taken any other action permanently enjoining, restraining or otherwise prohibiting or preventing the consummation of the Scheme, the Proposed Restructuring or the implantation of the Scheme (or the proposed transactions relating to the Scheme), and such order, decree, ruling, other action or refusal shall have become final and non-appealable;
 - (b) by either:
 - (i) NewCo, if the Company is in material breach of any provision of the Implementation Agreement or has failed to perform and comply in all material respects with any Conditions Precedent (as defined in the Implementation Agreement) which are expressed to be for the benefit of NewCo and has failed to cure such breach after reasonable notice of such breach has been given, on or prior to the Record Date; or
 - (ii) the Company, if NewCo is in material breach of any provision of the Implementation Agreement or has failed to perform and comply in all material respects with any Conditions Precedent (as defined in the Implementation Agreement) which are expressed to be for the benefit of the Company and has failed to cure such breach after reasonable notice of such breach has been given, on or prior to the Record Date,

in each case provided that either NewCo or the Company (as the case may be) has given written notice to the other party of its intention to terminate the Implementation Agreement. In this circumstance, the Implementation Agreement shall be terminated on the date falling five (5) Business Days (as defined in the Implementation Agreement) after the date of such notice of termination; and

- (c) by either NewCo or the Company, if the resolutions submitted to the Court Meeting are not approved (without amendment) by the requisite majorities of the Shareholders.

- 8.2 Notwithstanding anything contained in the Implementation Agreement, either NewCo or the Company may immediately terminate the Implementation Agreement (save for certain specified provisions) by notice in writing to the other party if any of the conditions precedent set out in the Implementation Agreement has not been satisfied (or, where applicable, has not been waived) by 5 February 2015 or such other date as the Company and NewCo may agree.

9. RATIONALE FOR AND BENEFITS OF THE PROPOSED RESTRUCTURING

- 9.1 The Scheme and the Proposed Restructuring is purely an internal restructuring exercise undertaken by the Company and NewCo to facilitate a migration of the shareholding interests of the Shareholders in the capital of the Company to shareholding interests in the capital of NewCo.

The Proposed Restructuring enables the establishment of a corporate structure where:

- (a) NewCo becomes an investment holding company indirectly owning 100% of the issued and paid-up share capital of the Company (through NewCo 2), and the listed vehicle in place of the Company; and
- (b) the Company ceases its function as the listed vehicle within the Stratech Group and continues as the operational company carrying out its existing businesses.

The Company is of the view that the Proposed Restructuring will be able to:

- (i) streamline the existing group structure and operations to provide leverage for the Stratech Group to expand its business globally across the numerous products and capabilities;
- (ii) achieve ease and flexibility for the Stratech Group to acquire new businesses, as well as expand and/or divest existing business segments as and when opportunities arise; and
- (iii) as a natural consequence of the Proposed Restructuring, by having NewCo (which is an investment holding company with no business operations) as the listed entity on the SGX-ST, ring-fence the listed entity from the NewCo Group's operating entities and direct operating risks (including any possible claims and litigation arising in connection with the NewCo Group's operations and business).

Further, the new corporate structure will provide the NewCo Group with greater flexibility in positioning itself to explore other possible investment opportunities, new businesses and business partnerships should they arise, and allow it to dedicate its efforts to focus on the development of

technology, products, systems and reference sites through the appropriate operating subsidiary. The Company also envisages the possibility of earning royalties and/or licence fees from the various product and technology patents presently registered, including any others arising from future research and development work to be carried out.

The proposed introduction of NewCo 2 as an intermediate holding company will provide the NewCo Group opportunities for future expansion, divestments or re-organisation of its business segments. It would also provide additional flexibility where strategic partners could invest in a specific business segment of the NewCo Group instead of the NewCo Group in its entirety, in the event the NewCo Group decides to reorganise its business segments subsequent to the Proposed Restructuring.

9.2 Future Plans for the Company and the NewCo Group

Following the completion of the Scheme, it is envisaged that a further internal reorganisation of the NewCo Group will take place for the purpose of streamlining the group structure. Details of such internal reorganisation will be announced as and when the Company carries out such internal reorganisation.

10. FINANCIAL EFFECTS OF THE PROPOSED RESTRUCTURING

10.1 For illustrative purposes only, the financial effects of the Proposed Restructuring set out below have been prepared based on the audited financial statements of the Stratech Group for the financial year ended 31 March 2014. The financial effects have been prepared on the following assumptions:

- (a) estimated expenses of S\$290,000 to be incurred in relation to the Proposed Restructuring;
- (b) the share capital of the NewCo is assumed to be based on the existing paid-up share capital of the Company as at 31 March 2014;
- (c) nil or minimal fair value arising from the variation of the Options issued pursuant to the Stratech ESOS 2000 or Stratech ESOS 2011;
- (d) none of the outstanding Options issued pursuant to the Stratech ESOS 2000 or Stratech ESOS 2011 are exercised;
- (e) the Scheme has been completed on 31 March 2014 for the purposes of computing the effect on the pro forma net asset value ("**NAV**") per share of the Stratech Group and the NewCo Group based on the audited consolidated financial statements of the Stratech Group for the financial year ended 31 March 2014;
- (f) the Scheme has been completed on 1 April 2013 for the purposes of computing the effect on the pro forma earnings per share ("**EPS**") for the Stratech Group and the NewCo Group based on the audited consolidated financial statements of the Stratech Group for the financial year ended 31 March 2014; and
- (g) the exchange ratio of one (1) new NewCo Share for one (1) Share, having regard to the Subscriber Shareholders Undertakings;

(i) Share capital

The effect of the Scheme on the issued share capital of the Company and NewCo are as follows:

Based on the audited consolidated financial statements of the Company for FY2014		Upon completion of Scheme			
Company		Company		NewCo	
Number of Shares	Share Capital (S\$)	Number of Shares	Share Capital (S\$)	Number of NewCo Shares	Share Capital (S\$)
1,567,183,371	112,708,766	1,567,183,371	112,708,766	1,567,183,371	112,708,766

(ii) EPS

The effect of the Scheme on the EPS of the Stratch Group and the NewCo Group are as follows:

	Before completion of Scheme	Upon completion of Scheme	
	Current Group	Current Group	NewCo Group
Loss attributable to shareholders for FY2014 (S\$)	1,459,251	1,169,251	1,169,251
Weighted average number of shares	1,565,539,535	1,565,539,535	1,565,539,535
Basic EPS (Singapore cents)	0.09	0.07 ^(*)	0.07 ^(*)

Note:

- (*) The decrease in the *basic EPS* upon completion of the Scheme is due to the estimated expenses of S\$290,000 to be incurred in relation to the Proposed Restructuring and the Scheme.

(iii) NAV

The effect of the Scheme on the NAV of the Stratech Group and the NewCo Group are as follows:

	Before completion of Scheme	Upon completion of Scheme	
	Current Group	Current Group	NewCo Group
Net assets as at 31 March 2014 (S\$)	5,943,468	5,653,468	5,653,468
NAV per share (Singapore cents)	0.38	0.36 ^(*)	0.36 ^(*)

Note:

(*) The decrease in the NAV upon completion of the Scheme is due to the estimated expenses of S\$290,000 to be incurred in relation to the Proposed Restructuring and the Scheme.

11. SCHEME DOCUMENT

- 11.1 Full details of the Scheme (including the recommendation of the Directors) and notice of the Court Meeting to approve the Scheme will be contained in the Scheme Document to be despatched to the Shareholders in due course. In the meantime, Shareholders are advised to exercise caution when trading in their shares, pending receipt of the Scheme Document.
- 11.2 Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor, accountant or other professional advisers immediately.

12. DISCLOSURE OF INTERESTS

12.1 Interests of the Directors in Shares

As set out in paragraph 2.3 of this announcement, as at the Announcement Date, the issued and paid-up share capital of NewCo is S\$2.00, comprising two (2) ordinary shares held by David Chew Khien Meow and Leong Sook Ching as the Subscriber Shareholders, holding one (1) NewCo Share each. As at the Announcement Date, the Subscriber Shareholders are directors and substantial shareholders of the Company. David Chew Khien Meow holds 441,918,405 Shares and Leong Sook Ching holds 90,832,852 Shares, representing approximately 28.20% and 5.80% of the issued and paid-up share capital of the Company respectively.

As set out in paragraph 3.3 of this announcement, the Subscriber Shareholders have, pursuant to the Subscriber Shareholders Undertakings, undertaken to the Company and NewCo to waive each of their rights to receive one (1) new NewCo Share out of the total number of new NewCo Shares to be

issued to the Subscriber Shareholders pursuant to the Scheme so that the Subscriber Shareholders will hold exactly the same number of NewCo Shares upon completion of the Proposed Restructuring as the number of Shares the Subscriber Shareholders each currently holds in the Company.

As at the Announcement Date, based on the information recorded in the Register of Directors' Shareholdings of the Company, the interests of the Directors in Shares and in the Options are as follows:

Interests of the Directors in Shares

Directors	Direct Interest		Deemed Interest	
	Number of Shares	%	Number of Shares	%
David Chew Khien Meow	441,918,405	28.20	90,832,852	5.80
Leong Sook Ching	90,832,852	5.80	441,918,405	28.20
Sajjad Ahmad Akhtar	855,173	0.05	-	-
Chew Hai Chwee	812,506	0.05	-	-
Chew Heng Ching	-	-	-	-
Lim Kim Choon	-	-	-	-

Interests of the Directors in Options to subscribe for Shares

Name of Director of the Company	Offer Date of Options	Number of Options granted	Number of Options accepted	Number of Options exercised	Number of outstanding Options	Exercise Price (S\$)	Option Period
David Chew Khien Meow	2 September 2011	9,182,830	9,182,830	-	9,182,830	0.0187	10 years
Leong Sook Ching	2 September 2011	3,935,500	3,935,500	-	3,935,500	0.0187	10 years
Lim Kim Choon	11 November 2011	500,000	500,000	-	500,000	0.0166	10 years
Chew Heng Ching	22 April 2014	500,000	500,000	-	500,000	0.017	10 years

12.2 Interests of Substantial Shareholders in Shares

As at the Announcement Date, based on the information recorded in the Register of Substantial Shareholders of the Company, the interests of shareholders holding 5% or more of the shares in the Company ("**Substantial Shareholders**") in the Shares are as follows:

Name of Substantial Shareholder	Direct Interest		Deemed Interest	
	Number of Shares	%	Number of Shares	%
David Chew Khien Meow	441,918,405	28.20	90,832,852	5.80
Leong Sook Ching	90,832,852	5.80	441,918,405	28.20

12.3 Interests of Directors in Options under Stratech ESOS 2000 and Stratech 2011

As at the Announcement Date, save as disclosed in Section 12.1 above, none of the Directors has any direct or indirect interests in any Options to acquire Shares.

12.4 Interests of Directors in Awards under Stratech PSS

Save as disclosed in previous annual reports of the Company, as at the Announcement Date, none of the Directors has any direct or indirect interests in any awards under the Stratech PSS to acquire Shares.

12.5 Holdings of NewCo Shares by the Company

As at the Announcement Date, the Company does not own or control any NewCo Shares nor has the Company agreed to acquire any NewCo Shares.

12.6 Save as disclosed in this announcement, none of the Directors or Substantial Shareholders of the Company has any interest, direct or indirect, in the Proposed Restructuring and the Scheme.

13. OVERSEAS SHAREHOLDERS

13.1 This announcement does not constitute an offer to sell or the solicitation of an offer to subscribe for or buy any security, nor is it a solicitation of any vote or approval in any jurisdiction, nor shall there be any sale, issuance or transfer of the securities referred to in this announcement in any jurisdiction in contravention of applicable law.

13.2 The applicability of the Scheme to persons not resident in Singapore may be affected by the laws of the relevant overseas jurisdiction. Accordingly, Shareholders who are not resident in Singapore ("**Overseas Shareholders**") should inform themselves about and observe any applicable legal requirements. Further details in relation to Overseas Shareholders will be contained in the Scheme Document.

14. DOCUMENTS FOR INSPECTION

Copies of the Implementation Agreement and the Subscriber Shareholder Undertakings will be made available for inspection during normal business hours at the registered offices of both the Company and NewCo for a period of three (3) months from the date of the Implementation Agreement or up until the date the Scheme becomes effective, whichever is the later.

BY ORDER OF THE BOARD

Leong Sook Ching
Executive Director/Company Secretary
16 October 2014

SCHEDULE 1

PRESCRIBED OCCURENCES

The Prescribed Occurrences set out in the Implementation Agreement are reproduced below:

*“For the purpose of this Agreement, “**Prescribed Occurrences**”, in relation to the Acquiror or the Group, as the case may be, means any of the following:*

- (1) Conversion of Shares: the Company converting all or any of its shares into a larger or smaller number of shares;*
- (2) Share Buy-back: the Company entering into a share buy-back agreement or resolving to approve the terms of a share buy-back agreement under the Companies Act or the equivalent companies or securities legislation;*
- (3) Alteration of Share Capital: the Company resolving to alter its share capital in any way;*
- (4) Dividends and other Distributions: the Company declaring, making or paying any dividends or any other form of distribution to its shareholders without the prior written approval of the Acquiror;*
- (5) Injunction: an injunction or other order issued by any court of competent jurisdiction or other legal restraint or prohibition preventing the consummation of the Scheme or the Acquisition or any part thereof by the Acquiror or the Company;*
- (6) Resolution for Winding Up: the Acquiror or any Group Company resolving that it be wound up;*
- (7) Appointment of Liquidator and Judicial Manager: the appointment of a liquidator, provisional liquidator, judicial manager and/or provisional judicial manager of the Acquiror or any Group Company;*
- (8) Order of Court for Winding Up: the making of an order by a court of competent jurisdiction for the winding up of the Acquiror or any Group Company;*
- (9) Composition: the Acquiror or any Group Company entering into any arrangement or general assignment or composition for the benefit of its creditors generally;*
- (10) Appointment of Receiver: the appointment of a receiver or a receiver and manager, in relation to the property or assets of the Acquiror or any Group Company;*
- (11) Insolvency: the Acquiror or any Group Company becoming or being deemed by law or a court to be insolvent, or stops or suspends or defaults on, or threatens to stop or suspend or default on, payment of its debts;*
- (12) Cessation of Business: the Acquiror or any Group Company ceases or threatens to cease for any reason to carry on business in its usual ordinary course; or*
- (13) Analogous Event: any event occurs which, under the laws of any jurisdiction, has an analogous or equivalent effect to any of the foregoing event(s).”*