

LETTER TO SHAREHOLDERS

ELLIPSIZ LTD

(Incorporated in the Republic of Singapore)
Company Registration Number: 199408329R

Directors:

Chng Hee Kok (*Chairman and Independent Director*)
Melvin Chan Wai Leong (*Director and Chief Executive Officer*)
Ong Suat Lian (*Director and Chief Financial Officer*)
Jeffrey Staszak (*Lead Independent Director*)
Amos Leong Hong Kiat (*Independent Director*)
Clement Leow Wee Kia (*Independent Director*)

Registered Office:

54 Serangoon North Avenue 4
#05-02
Singapore 555854

Date: 2 October 2015

To: The Shareholders of Ellipsiz Ltd.

Dear Sir/Madam

PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE

1. BACKGROUND

1.1 SGX-ST

The SGX-ST takes no responsibility for the accuracy of any statements made, opinions expressed or reports contained in this Letter.

- 1.2 Please refer to (a) the notice of annual general meeting of Ellipsiz Ltd (the "**Company**") dated 2 October 2015 (the "**Notice**") accompanying the annual report for financial year ended 30 June 2015 (the "**2015 Annual Report**"), convening the annual general meeting of the Company (the "**2015 AGM**") which is scheduled to be held on 19 October 2015 and (b) ordinary resolution 13 in relation to the renewal of a share purchase mandate under the heading "Special Business" as set out in item 13 of the Notice.

1.3 The Existing Share Purchase Mandate

At the annual general meeting of the Company held on 17 October 2014 (the "**2014 AGM**"), the shareholders of the Company (the "**Shareholders**") had approved, *inter alia*, the renewal of the mandate (the "**Share Purchase Mandate**") to enable the Company to purchase or otherwise acquire issued ordinary shares in the capital of the Company (the "**Shares**") as permitted under and in accordance with the provisions of the Companies Act, Chapter 50, Singapore (the "**Companies Act**"). The authority and limitations on the Share Purchase Mandate were set out in the Company's letter to Shareholders dated 2 October 2014 and ordinary resolution 10 set out in the notice of annual general meeting of the Company dated 2 October 2014.

1.4 Proposed Renewal of the Share Purchase Mandate

The Share Purchase Mandate was expressed to take effect on the date of the passing of the ordinary resolution 10 at the 2014 AGM until the date on which the next annual general meeting of the Company is held or is required by law to be held, or until the date on which the authority conferred by the 2014 AGM is revoked or varied by the Company in general meeting, or until the date on which the share purchases or acquisitions have been carried out to the full extent mandated, whichever is the earliest.

As the Share Purchase Mandate granted at the 2014 AGM is due to expire on 19 October 2015, being the date of the forthcoming 2015 AGM, the directors of the Company (the "**Directors**") as at the date of this Letter, will be seeking Shareholders' approval for the proposed renewal of the Share Purchase Mandate at the forthcoming 2015 AGM.

- 1.5 The purpose of this letter is to provide Shareholders with information relating to the proposal for the renewal of the Share Purchase Mandate to be tabled at the 2015 AGM.

- 1.6 If a Shareholder is in any doubt as to the course of action he should take, he should consult his stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

2. RATIONALE FOR THE SHARE PURCHASE MANDATE

- 2.1 The rationale for the Share Purchase Mandate is set out below.

2.1.1 The Share Purchase Mandate will give the Company the flexibility to undertake purchases or acquisitions of its Shares at any time, subject to market conditions, during the period the Share Purchase Mandate is in force.

2.1.2 The Share Purchase Mandate will enable the Company to undertake purchases or acquisitions of Shares and to hold such purchased or acquired Shares in treasury. Treasury shares may be used in the manner provided in the Companies Act.

2.1.3 The Share Purchase Mandate will provide the Company with greater flexibility in managing its capital and maximizing returns to Shareholders. To the extent that the Company has capital and surplus funds which are in excess of its financial needs, taking into account its growth and expansion plans, the Share Purchase Mandate will facilitate the return of excess cash and surplus funds to Shareholders in an expedient, effective and cost-efficient manner. A share purchase programme will also allow management to manage and minimize the dilution impact (if any) associated with share schemes.

2.1.4 Share repurchase programmes help buffer short-term price volatility and off-set the effects of short-term speculators and investors and, in turn, bolster shareholder confidence and employee morale.

- 2.2 While the Share Purchase Mandate would authorize purchases or acquisitions of Shares up to the 10% limit described in paragraph 2.3.1 below, Shareholders should note that purchases or acquisitions of Shares pursuant to the Share Purchase Mandate may not be carried out to the full 10% limit as authorized and no purchases or acquisitions of Shares would be made in circumstances which would have or may have a material adverse effect on the financial position of the Company or result in the Company being de-listed from the Singapore Exchange Securities Trading Limited (“**SGX-ST**”). Further, no share purchase or acquisition is permitted if the Company is insolvent.

- 2.3 **Authority and Limits of the Share Purchase Mandate.** The authority and limitations placed on the purchases or acquisitions of Shares by the Company under the Share Purchase Mandate, if renewed at the 2015 AGM, are the same as previously approved by the Shareholders at the 2014 AGM, and are as summarized below.

2.3.1 **Maximum Number of Shares**

Only Shares which are issued and fully paid-up may be purchased or acquired by the Company. The total number of Shares which 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 10% of the total number of issued Shares of the Company as at the date the resolution authorizing the Share Purchase Mandate is passed. Any Shares which are held as treasury shares will be disregarded for purposes of computing the 10% limit.

Purely for illustrative purposes, based on a total of 557,094,216 issued Shares as at 10 September 2015 being the latest practicable date prior to the issue of this letter (the “**Latest Practicable Date**”), and assuming no further Shares are issued on or prior to the 2015 AGM, and no Shares are held by the Company as treasury shares, on or prior to the 2015 AGM, not more than 55,709,421 Shares may be bought by the Company pursuant to the proposed Share Purchase Mandate.

2.3.2 **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 2015 AGM, at which the renewal of the Share Purchase Mandate is approved, up to:

- (a) the date on which the next annual general meeting of the Company is held or required by law to be held; or
- (b) the date on which the authority conferred by the Share Purchase Mandate is revoked or varied in a general meeting of the Company; or

- (c) the date on which the share purchases have been carried out to the full extent mandated,

whichever is the earliest.

The Share Purchase Mandate may be renewed at each annual general meeting or other general meeting of the Company.

2.3.3 **Manner of Purchase or Acquisition**

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

- (a) on-market purchases ("**Market Purchases**"), transacted on the SGX-ST through the SGX-ST's trading system and/or through one or more duly licensed stockbrokers appointed by the Company for the purpose; and/or
- (b) off-market purchases ("**Off-Market Purchases**") effected pursuant to an equal access scheme or schemes as defined in Section 76C of the Companies Act.

In an Off-Market Purchase, the Directors may impose such terms and conditions which are not inconsistent with the Share Purchase Mandate, the SGX-ST Listing Manual (the "**Listing Manual**") and the Companies Act as they consider fit in the interests of the Company in connection with or in relation to any equal access scheme or schemes.

Under the Companies Act, an Off-Market Purchase 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 the offers introduced solely to ensure that each person is left with a whole number of Shares and (3) if applicable, differences in consideration attributable to the fact that offers relate to Shares with different amounts remaining unpaid.

Further, under the Listing Manual, if the Company wishes to make an Off-Market Purchase, it must issue an offer document to all Shareholders containing at least the following information:

- (i) terms and conditions of the offer;
- (ii) period and procedures for acceptances; and
- (iii) information required under Rules 883(2), (3), (4), (5) and (6) of the Listing Manual.

2.3.4 **Maximum Purchase Price**

The purchase price (excluding brokerage, commission, applicable goods and services tax, stamp duty, clearance fees and other related expenses) to be paid for a Share will be determined by the Directors and shall not exceed the maximum price as set out below:

- (a) in the case of a Market Purchase, 105% of the Average Closing Price of the Shares; and
- (b) in the case of an Off-Market Purchase, 110% of the Average Closing Price of the Shares.

"**Average Closing Price**" means the average of the last dealt prices of a Share for the five consecutive Market Days on which the Shares are transacted on the SGX-ST 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 the Off-Market Purchase, and in the case of a Market Purchase, deemed to be adjusted in accordance with the listing rules of the SGX-ST 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 announces its intention to make an offer for the purchase or acquisition of Shares from holders of Shares, stating therein the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

2.4 **Status of Purchased Shares.** Shares purchased or acquired by the Company 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.

2.5 **Treasury Shares.** Under the Companies 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 Companies Act and the Listing Manual are summarized below.

2.5.1 **Maximum Holdings**

The number of Shares held as treasury shares cannot at any time exceed 10% of the total number of issued Shares.

2.5.2 **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 shall not be entitled to receive dividends or any other distribution of the Company’s assets in respect of any treasury shares. The Company shall be treated as having no right to vote and the treasury shares shall be treated as having no voting rights.

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.

2.5.3 **Disposal and Cancellation**

Where Shares are held as treasury shares, the Company may at any time:

- (a) sell any of the treasury shares for cash;
- (b) transfer any of the treasury shares for the purposes of or pursuant to an employees’ share scheme;
- (c) transfer any of the treasury shares as consideration for the acquisition of shares in or assets another company or assets of a person;
- (d) cancel any of the treasury shares; or
- (e) sell, transfer or otherwise use any of the treasury shares for such other purposes as the Minister for Finance may by order prescribe.

2.5.4 **Listing Rule 704 (28)**

Pursuant to Rule 704(28) of the Listing Manual, the Company must immediately announce any sale, transfer, cancellation and/or use of treasury shares, stating the following:-

- (a) date of the sale, transfer, cancellation and/or use;
- (b) purpose of such sale, transfer, cancellation and/or use;
- (c) number of treasury shares sold, transferred, cancelled and/or used;
- (d) number of treasury shares before and after such sale, transfer, cancellation and/or use;

- (e) percentage of the number of treasury shares against the total number of shares outstanding in a class that is listed before and after such sale, transfer, cancellation and/or use; and
- (f) value of the treasury shares if they are used for a sale or transfer, or cancelled.

2.6 **Source of Funds.** The Companies Act permits the Company to purchase or acquire its own Shares out of capital, as well as from its profits, so long as it is in each case solvent.

The Company intends to use its internal sources of funds of the Company and its subsidiaries (the “**Group**”) and/or external borrowings to finance the Company’s purchase or acquisition of Shares. The Directors do not propose to exercise the Share Purchase Mandate to such extent that it would materially adversely affect the working capital requirements of the Group.

Under the Companies Act, any purchase or acquisition of Shares by the Company may be made out of the Company’s capital or profits. However, the Company is not permitted to purchase Shares if its directors or managers know that the Company is insolvent or may become insolvent as a result of the purchase or acquisition. In this connection, a company is deemed insolvent if:-

- (a) it is unable to pay its debts as they become due in the normal course of business at the time of the purchase and during the twelve months after the purchase;
- (b) the value of its assets is, or will after the purchase, become less than the value of its liabilities (including contingent liabilities), having regard to the most recent financial statements of the company and all other circumstances that the directors or managers of the company know or ought to know affect or may affect such values.

2.7 **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, the amount (if any) borrowed by the Group to fund the purchases or acquisitions, and whether the Shares purchased or acquired are held in treasury or cancelled. The financial effects on the Group, based on the audited financial statements of the Group for the financial year ended 30 June 2015, are based on the assumptions set out below.

2.7.1 Purchase or Acquisition out of Profits and/or Capital

Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of profits, such consideration (excluding brokerage commission, stamp duty, clearance fees, applicable 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.

2.7.2 Number of Shares Acquired or Purchased

Based on the number of issued and paid-up Shares as at the Latest Practicable Date and assuming no further Shares are issued, no Shares are purchased or acquired by the Company and no Shares are held by the Company as treasury shares, on or prior to the 2015 AGM, the purchases or acquisitions by the Company of up to the maximum limit of 10% of its issued Shares will result in the purchase or acquisition of 55,709,421 Shares.

2.7.3 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 55,709,421 Shares at the maximum price of \$0.103 for one Share (being the price equivalent to 105% of the Average Closing Price of the Shares for the five consecutive Market Days on which the Shares were traded in the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 55,709,421 Shares is \$5,738,070.

In the case of Off-Market Purchases by the Company and assuming that the Company purchases or acquires 55,709,421 Shares at the maximum price of \$0.108 for one Share (being the price equivalent to 110% of the Average Closing Price of the Shares for the five consecutive Market Days on which the Shares were traded in the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 55,709,421 Shares is \$6,016,617.

2.7.4 **Whether repurchased Shares are Cancelled or Held in Treasury**

If the Company chooses not to hold the purchased Shares in treasury, such Shares shall be cancelled and the total number of issued Shares of the Company shall be reduced accordingly. The Company shall:

- (a) reduce the amount of its share capital where the Shares were purchased or acquired out of the capital of the Company;
- (b) reduce the amount of its profits where the Shares were purchased or acquired out of the profits of the Company; or
- (c) reduce the amount of its share capital and profits proportionately where the Shares were made out of both the capital and profits of the Company,

by the total amount of the purchase price paid by the Company for the Shares cancelled.

Where the purchased Shares are held in treasury, the total issued Shares of the Company remains unchanged.

2.7.5 **Illustrative Financial Effects**

For illustrative purposes only and on the basis of the assumptions set above, 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 Company and the Group for the financial year ended 30 June 2015 are set out below and assuming the following:

- (a) the Share Purchase Mandate had been effective 1 July 2014;
- (b) the purchase or acquisition of the maximum of 55,709,421 Shares by the Company pursuant to the Share Purchase Mandate by way of Market Purchases made equally out of profits and capital and cancelled or held in treasury;
- (c) the purchase or acquisition of the maximum of 55,709,421 Shares by the Company pursuant to the Share Purchase Mandate by way of Off-Market Purchases made equally out of profits and capital and cancelled or held in treasury;
- (d) the said purchase or acquisition took place as at the beginning of the financial year on 1 July 2014;
- (e) there being no further issuance of Shares after the Latest Practicable Date.

Scenario 1(A)

Market purchases of up to a maximum of 10% made equally out of profits (5%) and capital (5%) and cancelled

	Group		Company	
	Per Audited Financial Statements \$'000	Proforma after Share Purchase \$'000	Per Audited Financial Statements \$'000	Proforma after Share Purchase \$'000
At 30 June 2015				
Share capital	89,566	86,697	89,566	86,697
Other reserves	(19,561)	(19,561)	4,502	4,502
Distributable profits				
- reserved for FY2015 proposed dividend ⁽¹⁾	2,228	2,228	2,228	2,228
- available for acquisition of share under Share Purchase Mandate	49,226	46,113	10,020	6,907
Shareholders' equity	121,459	115,477	106,316	100,334

	Group		Company	
	Per Audited Financial Statements \$'000	Proforma after Share Purchase \$'000	Per Audited Financial Statements \$'000	Proforma after Share Purchase \$'000
Total borrowings ⁽²⁾	8,294	10,302	-	2,008
Cash and cash equivalents	40,279	36,305	18,338	14,364
Net cash	31,985	26,003	18,338	12,356
Current assets	83,038	79,064	18,940	14,966
Current liabilities	30,987	32,995	10,618	12,626
Net tangible assets (NTA)	79,485	73,503	106,316	100,334
Profit attributable to shareholders	6,663	6,419	2,907	2,663
Number of Shares as at 30 June 2015 ('000)	557,094	501,385	557,094	501,385
Weighted average number of shares outstanding during the financial year ended 30 June 2015 ('000)	553,725	498,016	NA	NA
Financial ratios				
NTA per share (cents) ⁽⁴⁾	14.27	14.66	19.08	20.01
Current ratio (times) ⁽⁵⁾	2.68	2.40	1.78	1.19
Gearing (%) ⁽⁶⁾	Net Cash	Net Cash	Net Cash	Net Cash
Earnings per share or EPS (cents) ⁽⁷⁾	1.20	1.29	NA	NA

Notes

- (1) Assumed that the proposed final tax-exempt (one-tier) dividend of 0.20 cent per share and final special tax-exempt (one-tier) dividend of 0.20 cent per share are approved at the 2015 AGM. The dividend payable was determined based on the number of issued shares as at 30 June 2015.
- (2) Assumed that the purchase of Shares was financed by internal funds of \$3,730,000 (65%) and bank borrowings of \$2,008,000 (35%).
- (3) Interest expense on the additional bank borrowings is assumed to be \$120,000 (at 6% per annum) and loss of interest income as a result of the utilization of internal funds is assumed to be \$124,000 (at 4% per annum, net of tax).
- (4) NTA per Share equals to NTA (equity attributable to shareholders of the Company less intangible assets) divided by the number of Shares outstanding as at 30 June 2015.
- (5) Current ratio equals current assets divided by current liabilities.
- (6) Gearing equals to total borrowings net of cash and cash equivalents divided by shareholders' equity.
- (7) EPS equals to profit attributable to shareholders divided by the weighted average number of Shares outstanding during the financial year ended 30 June 2015.

Scenario 1(B)

Market purchases of up to a maximum of 10% made equally out of profits (5%) and capital (5%) and held in treasury

	Group		Company	
	Per Audited Financial Statements \$'000	Proforma after Share Purchase \$'000	Per Audited Financial Statements \$'000	Proforma after Share Purchase \$'000
At 30 June 2015				
Share capital	89,566	89,566	89,566	89,566
Other reserves	(19,561)	(19,561)	4,502	4,502
Distributable profits				
- reserved for FY2015 proposed dividend ⁽¹⁾	2,228	2,228	2,228	2,228
- available for acquisition of share under Share Purchase Mandate	49,226	48,982	10,020	9,776
Treasury shares	-	(5,738)	-	(5,738)
Shareholders' equity	121,459	115,477	106,316	100,334
Total borrowings ⁽²⁾	8,294	10,302	-	2,008
Cash and cash equivalents	40,279	36,305	18,338	14,364
Net cash	31,985	26,003	18,338	12,356
Current assets	83,038	79,064	18,940	14,966
Current liabilities	30,987	32,995	10,618	12,626
Net tangible assets (NTA)	79,485	73,503	106,316	100,334
Profit attributable to shareholders	6,663	6,419	2,907	2,663
Number of Shares as at 30 June 2015 ('000)	557,094	501,385	557,094	501,385
Weighted average number of shares outstanding during the financial year ended 30 June 2015 ('000)	553,725	498,016	NA	NA
Financial ratios				
NTA per share (cents) ⁽⁴⁾	14.27	14.66	19.08	20.01
Current ratio (times) ⁽⁵⁾	2.68	2.40	1.78	1.19
Gearing (%) ⁽⁶⁾	Net Cash	Net Cash	Net Cash	Net Cash
Earnings per share or EPS (cents) ⁽⁷⁾	1.20	1.29	NA	NA

Notes

(1) Assumed that the proposed final tax-exempt (one-tier) dividend of 0.20 cent per share and the proposed final special tax-exempt (one-tier) dividend of 0.20 cent per share are approved at the 2015 AGM. The dividend payable was determined based on the number of issued shares as at 30 June 2015.

(2) Assumed that the purchase of Shares was financed by internal funds of \$3,730,000 (65%) and bank borrowings of \$2,008,000 (35%).

- (3) Interest expense on the additional bank borrowings is assumed to be \$120,000 (at 6% per annum) and loss of interest income as a result of the utilization of internal funds is assumed to be \$124,000 (at 4% per annum, net of tax).
- (4) NTA per Share equals to NTA (equity attributable to shareholders of the Company less intangible assets) divided by the number of Shares outstanding as at 30 June 2015.
- (5) Current ratio equals current assets divided by current liabilities.
- (6) Gearing equals to total borrowings net of cash and cash equivalents divided by shareholders' equity.
- (7) EPS equals to profit attributable to shareholders divided by the weighted average number of Shares outstanding during the financial year ended 30 June 2015.

Scenario 1(C)

Off-market purchases of up to a maximum of 10% made equally out of profits (5%) and capital (5%) and cancelled

	Group		Company	
	Per Audited Financial Statements \$'000	Proforma after Share Purchase \$'000	Per Audited Financial Statements \$'000	Proforma after Share Purchase \$'000
<u>At 30 June 2015</u>				
Share capital	89,566	86,558	89,566	86,558
Other reserves	(19,561)	(19,561)	4,502	4,502
Distributable profits				
- reserved for FY2015 proposed dividend ⁽¹⁾	2,228	2,228	2,228	2,228
- available for acquisition of share under Share Purchase Mandate	49,226	45,962	10,020	6,756
Shareholders' equity	121,459	115,187	106,316	100,044
Total borrowings ⁽²⁾	8,294	10,400	-	2,106
Cash and cash equivalents	40,279	36,113	18,338	14,172
Net cash	31,985	25,713	18,338	12,066
Current assets	83,038	78,872	18,940	14,774
Current liabilities	30,987	33,093	10,618	12,724
Net tangible assets (NTA)	79,485	73,213	106,316	100,044
Profit attributable to shareholders	6,663	6,407	2,907	2,651
Number of Shares as at 30 June 2015 ('000)	557,094	501,385	557,094	501,385
Weighted average number of shares outstanding during the financial year ended 30 June 2015 ('000)	553,725	498,016	NA	NA
<u>Financial ratios</u>				
NTA per share (cents) ⁽⁴⁾	14.27	14.60	19.08	19.95
Current ratio (times) ⁽⁵⁾	2.68	2.38	1.78	1.16
Gearing (%) ⁽⁶⁾	Net Cash	Net Cash	Net Cash	Net Cash
Earnings per share or EPS (cents) ⁽⁷⁾	1.20	1.29	NA	NA

Notes

- (1) Assumed that the proposed final tax-exempt (one-tier) dividend of 0.20 cent per share and the proposed final special tax-exempt (one-tier) dividend of 0.20 cent per share are approved at the 2015 AGM. The dividend payable was determined based on the number of issued shares as at 30 June 2015.
- (2) Assumed that the purchase of Shares was financed by internal funds of \$3,910,000 (65%) and bank borrowings of \$2,106,000 (35%).
- (3) Interest expense on the additional bank borrowings is assumed to be \$126,000 (at 6% per annum) and loss of interest income as a result of the utilization of internal funds is assumed to be \$130,000 (at 4% per annum, net of tax).
- (4) NTA per Share equals to NTA (equity attributable to shareholders of the Company less intangible assets) divided by the number of Shares outstanding as at 30 June 2015.
- (5) Current ratio equals current assets divided by current liabilities.
- (6) Gearing equals to total borrowings net of cash and cash equivalents divided by shareholders' equity.
- (7) EPS equals to profit attributable to shareholders divided by the weighted average number of Shares outstanding during the financial year ended 30 June 2015.

Scenario 1(D)

Off-market purchases of up to a maximum of 10% made equally out of profits (5%) and capital (5%) and held in treasury

	Group		Company	
	Per Audited Financial Statements \$'000	Proforma after Share Purchase \$'000	Per Audited Financial Statements \$'000	Proforma after Share Purchase \$'000
At 30 June 2015				
Share capital	89,566	89,566	89,566	89,566
Other reserves	(19,561)	(19,561)	4,502	4,502
Distributable profits				
- reserved for FY2015 proposed dividend ⁽¹⁾	2,228	2,228	2,228	2,228
- available for acquisition of share under Share Purchase Mandate	49,226	48,970	10,020	9,764
Treasury shares	-	(6,016)	-	(6,016)
Shareholders' equity	121,459	115,187	106,316	100,044
Total borrowings ⁽²⁾	8,294	10,400	-	2,106
Cash and cash equivalents	40,279	36,113	18,338	14,172
Net cash	31,985	25,713	18,338	12,066
Current assets	83,038	78,872	18,940	14,774
Current liabilities	30,987	33,093	10,618	12,724
Net tangible assets (NTA)	79,485	73,213	106,316	100,044
Profit attributable to shareholders	6,663	6,407	2,907	2,651
Number of Shares as at 30 June 2015 ('000)	557,094	501,385	557,094	501,385

	Group		Company	
	Per Audited Financial Statements \$'000	Proforma after Share Purchase \$'000	Per Audited Financial Statements \$'000	Proforma after Share Purchase \$'000
Weighted average number of shares outstanding during the financial year ended 30 June 2015 ('000)	553,725	498,016	NA	NA
Financial ratios				
NTA per share (cents) ⁽⁴⁾	14.27	14.60	19.08	19.95
Current ratio (times) ⁽⁵⁾	2.68	2.38	1.78	1.16
Gearing (%) ⁽⁶⁾	Net Cash	Net Cash	Net Cash	Net Cash
Earnings per share or EPS (cents) ⁽⁷⁾	1.20	1.29	NA	NA

Notes

- (1) Assumed that the proposed final tax-exempt (one-tier) dividend of 0.20 cent per share and the proposed final special tax-exempt (one-tier) dividend of 0.20 cent per share are approved at the 2015 AGM. The dividend payable was determined based on the number of issued shares as at 30 June 2015.
- (2) Assumed that the purchase of Shares was financed by internal funds of \$3,910,000 (65%) and bank borrowings of \$2,106,000 (35%).
- (3) Interest expense on the additional bank borrowings is assumed to be \$126,000 (at 6% per annum) and loss of interest income as a result of the utilization of internal funds is assumed to be \$130,000 (at 4% per annum, net of tax).
- (4) NTA per Share equals to NTA (equity attributable to shareholders of the Company less intangible assets) divided by the number of Shares outstanding as at 30 June 2015.
- (5) Current ratio equals current assets divided by current liabilities.
- (6) Gearing equals to total borrowings net of cash and cash equivalents divided by shareholders' equity.
- (7) EPS equals to profit attributable to shareholders divided by the weighted average number of Shares outstanding during the financial year ended 30 June 2015.

The financial effects set out above are based on the respective aforementioned assumptions and are for illustrative purposes only. In particular, the above analyses are based on historical audited FY2015 numbers, and are not necessarily representative of future financial performance. In addition, the actual impact is dependent on the actual number and price of the Shares to be purchased or acquired by the Company.

Although the Share Purchase Mandate would authorize 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.

- 2.8 **Listing Rules and Companies Act Notifications.** Listing Rule 886 of the Listing Manual specifies that a listed company shall notify the SGX-ST of all purchases or acquisitions of its shares no later than 9.00 a.m. (a) in the case of a Market Purchase, on the market day (i.e., a day on which the SGX-ST is open for securities trading, "Market Day") following the day of purchase or acquisition of any of its shares; and (b) in the case of an Off-Market Purchase under an equal access scheme, on the second Market Day after the close of acceptance of the offer. The notification of such share purchase or acquisition to the SGX-ST shall be in such form and shall include such details that the SGX-ST may prescribe, such as details of the total number of shares purchased or acquired, the purchase price per share or the highest and lowest prices paid for such shares, as applicable.

The Listing Manual does not expressly prohibit any purchase or acquisition of shares by a listed company during any particular time or times. However, as a listed company would be considered an “insider” in relation to any proposed purchase or acquisition of its shares, the Company will not undertake to purchase or acquire Shares pursuant to the proposed Share Purchase Mandate at any time after a price sensitive development has occurred or has been the subject of a decision of the board of Directors until the price sensitive information has been publicly announced. In particular, the Company will not purchase or acquire any Shares during the period commencing one month immediately preceding the announcement of the Company’s full-year results and the period of two weeks immediately preceding the announcement of its first, second and third quarter results.

The Companies Act stipulates that, within 30 days of the passing of a shareholders’ resolution to approve any purchase or acquisition of Shares, the Company shall lodge a copy of such resolution with the Accounting and Corporate Regulatory Authority (“ACRA”). Within 30 days of a purchase or acquisition of Shares on the SGX-ST or otherwise, the Company shall lodge with ACRA a notice of the purchase or acquisition in the prescribed form. Such notification shall include, *inter alia*, details of the date of the purchase or acquisition, the total number of Shares purchased or acquired 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 and after the purchase or acquisition of Shares, the amount of consideration paid by the Company for the purchase of acquisition, and whether the Shares were purchased or acquired out of the profits or the capital of the Company.

2.9 **Listing Status of Shares** The Listing Manual requires a listed company to ensure that at least 10% of equity securities of any class that is listed is at all times held by the public. As at the Latest Practicable Date, there are 400,684,074 issued Shares in the hands of the public, representing approximately 71.92% per cent. of the issued Shares of the Company. Accordingly, the Company is of the view that there is a sufficient number of the Shares in issue held by public Shareholders which would permit the Company to undertake purchases or acquisitions of its Shares through Market Purchases up to the full 10% limit pursuant to the Share Purchase Mandate without affecting the listing status of the Shares on the SGX-ST. The Directors will also use their best efforts to ensure that, notwithstanding any purchase or acquisition of the Shares by the Company, a sufficient float in the hands of the public will be maintained so that the share purchases or acquisitions will not adversely affect the listing status of the Shares on the SGX-ST, cause market illiquidity or adversely affect the orderly trading of the Shares.

2.10 **Take-over Implications.** Pursuant to Appendix 2 of the Take-over Code which contains the Share Buy-Back Guidance Note, an increase of a shareholder’s proportionate interest in the voting rights of a company resulting from a share buy-back will be treated as an acquisition for the purposes of Rule 14 of the Takeover Code (“**Rule 14**”).

2.10.1 **Obligations to make a Take-over Offer**

Under Rule 14, a shareholder and persons acting in concert with the shareholder will incur an obligation to make a mandatory takeover offer if, *inter alia*, he and persons acting in concert with him increase their voting rights in the company to 30 per cent. or more, or if they, together holding between 30 per cent. and 50 per cent. of the Company’s voting rights, increase their voting rights in the company by more than 1 per cent. in any period of six months.

2.10.2 **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), co-operate, 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 companies referred to 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).

2.10.3 **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, 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 per cent. or more, or in the event that such Directors and their concert parties hold between 30 per cent. and 50 per cent. of the Company's voting rights, if the voting rights of such Directors and their concert parties would increase by more than 1 per cent. 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 take-over 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 per cent. or more, or, if such Shareholder holds between 30 per cent. and 50 per cent. of the Company's voting rights, the voting rights of such Shareholder would increase by more than 1 per cent. in any period of six months. Such Shareholder need not abstain from voting in respect of the resolution authorizing the Share Purchase Mandate.

Based on substantial shareholder notifications received by the Company under Division 4, Part IV of the Companies Act as at the Latest Practicable Date as set out in paragraph 3.2 below, the substantial shareholder of the Company would not become obliged to make a take-over offer for the Company under Rule 14 of the Take-over Code as a result of the purchase by the Company of the maximum limit of 10 per cent. of its issued Shares (excluding treasury shares) as at the Latest Practicable Date.

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.

2.11 **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 2014 AGM as at the Latest Practicable Date.

2.12 **Companies Act requirements.** The information required under Section 76C(2) and Section 76E(2) of the Companies Act are set out in paragraph 2 of this letter.

3. **DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS**

3.1 **Directors' Interests.** As at the Latest Practicable Date, the Directors' interests in Shares as recorded in the Register of Directors' Interests are as follows:

Directors	Direct Interest		Number of Shares Deemed Interest		Total Interest	
		%		%		%
Chng Hee Kok	-	-	-	-	-	-
Melvin Chan Wai Leong	20,929,177	3.76	-	-	20,929,177	3.76
Ong Suat Lian	596,333	0.11	-	-	596,333	0.11
Jeffrey Staszak	100,000	0.02	-	-	100,000	0.02
Amos Leong Hong Kiat	100,000	0.02	-	-	100,000	0.02
Clement Leow Wee Kia	-	-	-	-	-	-

- 3.2 **Substantial Shareholders' Interests.** As at the Latest Practicable Date, the interests of the substantial Shareholders in Shares as recorded in the Register of Substantial Shareholders are as follows:

	Direct Interest		Number of Shares Deemed Interest		Total Interest	
		%		%		%
Bevrian Pte Ltd*	130,301,300	23.39	-	-	130,301,300	23.39

* Mr. David Lum Kok Seng, the legal and beneficial owner of Bevrian Pt Ltd, is deemed to be interested in all shares in the capital of the Company held by Bevrian Pte Ltd.

The percentage is computed based on the number of shares or options divided by a total of 557,094,216 ordinary shares issued by the Company as at the Latest Practicable Date.

4. DIRECTORS' RECOMMENDATIONS

- 4.1 **Share Purchase Mandate.** The Directors are of the opinion that the proposed Share Purchase Mandate is in the best interests of the Company. Accordingly, they recommend that Shareholders vote in favour of Resolution 13, being the ordinary resolution relating to the proposed renewal of the Share Purchase Mandate, at the 2015 AGM.

5. 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 Share Purchase Mandate, 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 this 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 this letter in its proper form and context.

6. ACTION TO BE TAKEN BY SHAREHOLDERS

If a shareholder is unable to attend the 2015 AGM and wishes to appoint a proxy to attend, speak and vote on this behalf, he/she should complete, sign and return the Proxy Form attached to the Notice of the 2015 AGM in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the registered office of the Company at 54 Serangoon North Avenue 4, #05-02, Singapore 555854, by not later than 48 hours before the time appointed for the 2015 AGM. The completion and return of the Proxy Form by a shareholder will not prevent him/her from attending and voting at the 2015 AGM if he/she so wishes.

7. INSPECTION OF DOCUMENTS

The following documents are available for inspection at the registered office of the Company at 54 Serangoon North Avenue 4, #05-02, Singapore 555854 during normal business hours from the date of this Letter up to the date of the 2015 AGM:

- (a) the annual report for the financial year ended 30 June 2015; and
- (b) the Memorandum and Articles of Association of the Company.

Yours faithfully
For and on behalf of the Board of Directors of
Ellipsiz Ltd
Melvin Chan Wai Leong
Director and Chief Executive Officer

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