

PROPOSED SUBSCRIPTION OF NEW ORDINARY SHARES IN THE SHARE CAPITAL OF THE COMPANY

1. INTRODUCTION

The Board of Directors (the “**Board**”) of The Stratch Group Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to announce that the Company had on 15 August 2018 entered into a share subscription agreement (the “**Subscription Agreement**”) with Boulevard Capital Partners Limited (the “**Subscriber**”).

2. SALIENT TERMS OF THE SUBSCRIPTION AGREEMENT

Pursuant to the Subscription Agreement, the Subscriber has agreed to invest an aggregate amount of US\$20.0 million (the “**Subscription Consideration**”) in the Company by subscribing (or procuring other subscribers) (the “**Subscription**”) for new ordinary shares in the capital of the Company (“**Shares**”) at the subscription price of S\$0.066 per Share, which was the last traded price per Share done on the SGX-ST prior to the Company’s request for suspension of trading of its Shares on 11 August 2017. Based on an exchange rate of US\$1.00 to S\$1.34, the Subscriber will subscribe for a total of 406,060,606 new Shares (the “**Subscription Shares**”).

The Subscription Shares, shall be issued, fully paid and non-assessable and free of restrictions on transfer or charges, liens, pledges and other encumbrances whatsoever, and will rank pari passu with all Shares then outstanding.

Instalment Payments

The Subscriber has agreed to pay an initial instalment of the Subscription Consideration in the amount of US\$5,000,000 (the “**Initial Instalment**”) to the Company within 21 business days of the date of the Subscription Agreement. Within 10 business days of the fulfilment of all conditions precedent to the Subscription (as described below) (the “**Conditions Precedent**”), the Subscriber shall pay to the Company the remaining balance of the Subscription Consideration (the “**Final Instalment**”). At the sole discretion of the Subscriber, the Subscriber may pay to the Company any additional portion of the Subscription Consideration prior to the fulfilment of some or all the Conditions Precedent.

Conditions Precedent

The Subscriber’s obligation to pay the Final Instalment and the allotment and issuance of the Subscription Shares is subject to, among others:

- the Company obtaining all necessary approval from the shareholders of the Company (the “**Shareholders**”) for the allotment and issuance of the Subscription Shares, including approval of the Shareholders to waive their rights to receive a mandatory general offer from the Subscriber in connection with the allotment and

issue of the Subscription Shares under Rule 14 of the Singapore Code on Takeovers and Mergers (the “**Takeover Code**”);

- the Company obtaining consents and approvals from all relevant government bodies, stock exchanges and any other regulatory bodies in connection with the allotment and issuance of the Subscription Shares, including the in-principal approval of the SGX-ST for the additional listing application for the Subscription Shares, and the Securities Industry Council of Singapore having granted the Subscriber a waiver of its obligation to make a general offer under Rule 14 of the Takeover Code for Shares not owned or controlled by the Subscriber;
- the Company having taken all action necessary to obtain written confirmation of exemption under Section 274 and 275 of the Securities and Futures Act of Singapore (“**SFA**”) being applicable to the Subscription Shares;
- the allotment, issuance and subscription of the Subscription Shares not being prohibited by any statute, order, rule, regulation or directive promulgated or issued after the date of this Agreement by any legislative or regulatory body or authority of Singapore or any other jurisdiction, which is applicable to the Company;
- the Company having taken all action necessary to complete the conversion of all current and future loans and advances (the “**Loan Conversion**”) made to the Company by David Chew Khien Meow and Leong Sook Ching (collectively the “**Current Controlling Shareholders**”) into new Shares (the “**Loan Conversion Shares**”) concurrently with or prior to the allotment and issuance of the Subscription Shares, including any shareholder approval, governmental approvals, or SFA exemptions, and the absence of other legal prohibitions that may also be applicable to the allotment and issuance of the Loan Conversion Shares.

Appointment of Directors

Upon payment of the Initial Instalment, the Investor shall have the right to appoint one Director. From and after the completion of the Subscription, the Investor shall have the right to appoint up to three Directors. The Subscriber has also agreed that the Current Controlling Shareholders shall continue to have the right to appoint themselves as Executive Directors.

Rescission and Termination

Notwithstanding anything to the contrary contained in the Subscription Agreement, and without prejudice to its other rights or powers under the Subscription Agreement, the Subscriber may (but is not bound to), by notice to the Company given at any time prior to Completion, rescind or terminate the Subscription Agreement in any of the following circumstances:

- (a) if any of the Conditions Precedent has not been satisfied on or before 1 November 2018;
- (b) if there is a delisting of the Shares from the SGX-ST prior to the completion of the Subscription;

- (c) If the Company is in material breach of any of its warranties or undertakings contained in the Subscription Agreement;
- (d) if the SGX-ST shall make any ruling (or revoke any ruling previously made) or impose any conditions the effect of which would restrict or impede the issuance, subscription, registration, or listing of the Subscription Shares; and
- (e) if there is filed by or against the Company any petition for bankruptcy, liquidation, reorganisation, appointment of receiver, or similar law for protection of creditors not already set forth in the Company's public announcements previously made on the SGXNET.

Upon such notice being given by the Subscriber, the Company shall return to the Subscriber any portion of the Subscription Consideration previously paid by the Subscriber, upon such repayment the Subscription Agreement shall thereafter terminate and be of no further force and effect as between the parties, and no party shall bear any liability to the other party in respect thereof.

3. INFORMATION ABOUT THE SUBSCRIBER

Boulevard Capital Partners is the investment manager of Boulevard Opportunity Fund ("BOF"), SPV, a Cayman Islands registered private equity fund. BOF is a diversified global financial services firm, specialising in infrastructure investments in Asia and South America, including telecom towers assets in Central and South America. The Subscriber was introduced to the Company in the normal course of business dealings and networking.

4. RATIONALE AND USE OF PROCEEDS

The Company is proposing to undertake the Subscription as it will result in an injection of funds into the Company, enabling the Company to recapitalise its balance sheet and increase its working capital and resources available so as to improve its cash flow.

All of the proceeds from the Subscription will be utilised for working capital. The Company will make an announcement as to the use of the proceeds from the Subscription as and when such proceeds are materially disbursed and whether such a use is in accordance with the stated use and in accordance with the percentage allocated. Where there is any material deviation from the stated use of proceeds, the Company will announce the reasons for such deviation. Pending the deployment of the proceeds from the Subscription, such proceeds may be placed as deposits with financial institutions or invested in short term money markets or debt instruments or for any other purposes on a short term basis as the Directors may deem fit, from time to time.

5. MANDATE FOR THE ISSUE OF THE SUBSCRIPTION SHARES

The Company will, in due course, be convening an extraordinary general meeting to seek approval of Shareholders for the allotment and issuance of the Subscription Shares, as well as the approval of the Shareholders to waive their rights to receive a mandatory general

offer from the Subscriber in connection with the allotment and issue of the Subscription Shares under Takeover Code.

6. ENLARGED SHARE CAPITAL

As at the date of this announcement, the Company's issued share capital comprises 156,718,170 Shares. The completion of the Subscription is conditional upon the allotment and issuance of the Loan Conversion Shares. As at the date of this announcement, the Current Controlling Shareholders hold collectively shares representing approximately 34% of the total Shares outstanding. To maintain their current percentage of equity in the Company on a fully diluted basis, the Current Controlling Shareholders intend to convert existing amounts owed to them and future loans, amounting to approximately S\$15,405,620. Assuming that the entire amount of S\$15,405,620 is converted into Loan Conversion Shares at the same issue price of S\$0.066, a further 233,418,491 Loan Conversion Shares will be allotted and issued to the Current Controlling Shareholders, resulting in a total issued share capital comprising 796,197,267 Shares (including the Subscription Shares). As such, the Subscription Shares when allotted and issued shall comprise 51.0% of the entire issued share capital, and result in a transfer of a controlling interest in the Company to the Subscriber.

7. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors or controlling shareholders of the Company or their respective associates has any interest, direct or indirect, in the Subscription, other than their respective interests in the Shares (if any). None of the Directors or substantial shareholders of the Company or their respective associates have any connection (including business relationship) with the Subscriber.

BY ORDER OF THE BOARD

Leong Sook Ching
Executive Director/Company Secretary
15 August 2018