

## LETTER TO SHAREHOLDERS

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### 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 (*Independent Director*)  
Amos Leong Hong Kiat (*Independent Director*)  
Clement Leow Wee Kia (*Independent Director*)  
Kelvin Lum Wen-Sum (*Executive Director*)

#### Registered Office:

54 Serangoon North Avenue 4  
#05-02  
Singapore 555854

Date: 3 October 2016

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 3 October 2016 (the “**Notice**”) accompanying the annual report for financial year ended 30 June 2016 (the “**2016 Annual Report**”), convening the annual general meeting of the Company (the “**2016 AGM**”) which is scheduled to be held on 19 October 2016 and (b) ordinary resolution 11 in relation to the renewal of a share purchase mandate under the heading “Special Business” as set out in item 11 of the Notice.

##### 1.3 The Existing Share Purchase Mandate

At the annual general meeting of the Company held on 19 October 2015 (the “**2015 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 2015 and ordinary resolution 13 set out in the notice of annual general meeting of the Company dated 2 October 2015.

##### 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 13 at the 2015 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 2015 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 2015 AGM is due to expire on 19 October 2016, being the date of the forthcoming 2016 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 2016 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 2016 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 2016 AGM, are the same as previously approved by the Shareholders at the 2015 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 167,128,185 issued Shares as at 9 September 2016 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 2016 AGM, and no Shares are held by the Company as treasury shares, on or prior to the 2016 AGM, not more than 16,712,818 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 2016 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 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 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, for the purpose of any payment for a purchase of its Shares, the Company is considered solvent if:-

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

- 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 2016, 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 2016 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 16,712,818 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 16,712,818 Shares at the maximum price of \$0.396 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 16,712,818 Shares is \$6,618,276.

In the case of Off-Market Purchases by the Company and assuming that the Company purchases or acquires 16,712,818 Shares at the maximum price of \$0.415 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 16,712,818 Shares is \$6,935,819.

#### 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 2016 are set out below and assuming the following:

- (a) the Share Purchase Mandate had been effective 1 July 2015;
- (b) the purchase or acquisition of the maximum of 16,712,818 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 16,712,818 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 2015;
- (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
<b>At 30 June 2016</b>				
Share capital	89,566	86,257	89,566	86,257
Other reserves	(19,483)	(19,483)	2,350	2,350
Distributable profits				
- reserved for FY2016 proposed dividend <sup>(1)</sup>	3,008	3,008	3,008	3,008
- available for acquisition of share under Share Purchase Mandate	54,646	51,055	10,457	6,866
Shareholders' equity	127,737	120,837	105,381	98,481
Total borrowings <sup>(2)</sup>	3,818	6,134	-	2,316

	Group		Company	
	Per Audited Financial Statements \$'000	Proforma after Share Purchase \$'000	Per Audited Financial Statements \$'000	Proforma after Share Purchase \$'000
Cash and cash equivalents	40,036	35,452	16,938	12,354
Net cash	36,218	29,318	16,938	10,038
Current assets	86,308	81,724	17,486	12,902
Current liabilities	27,003	29,319	1,633	3,949
Net tangible assets (NTA)	86,524	79,624	105,381	98,481
Profit attributable to shareholders	9,598	9,316	4,615	4,333
Number of Shares as at 30 June 2016 ('000)	167,128	150,415	167,128	150,415
Weighted average number of shares outstanding during the financial year ended 30 June 2016 ('000)	167,128	150,415	N.A.	N.A.
<b>Financial ratios</b>				
NTA per share (cents) <sup>(4)</sup>	51.77	52.94	63.05	65.47
Current ratio (times) <sup>(5)</sup>	3.20	2.79	10.71	3.27
Gearing (%) <sup>(6)</sup>	Net Cash	Net Cash	Net Cash	Net Cash
Earnings per share or EPS (cents) <sup>(7)</sup>	5.74	6.19	NA	NA

#### Notes

- (1) Assumed that the proposed final tax-exempt (one-tier) dividend of 0.80 cent per share and special tax-exempt (one-tier) dividend of 1.00 cent per share are approved at the 2016 AGM. The dividend payable was determined based on the number of issued shares as at 30 June 2016.
- (2) Assumed that the purchase of Shares was financed by internal funds of \$4,302,000 (65%) and bank borrowings of \$2,316,000 (35%).
- (3) Interest expense on the additional bank borrowings is assumed to be \$139,000 (at 6% per annum) and loss of interest income as a result of the utilization of internal funds is assumed to be \$143,000 (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 2016.
- (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 2016.

**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
<b>At 30 June 2016</b>				
Share capital	89,566	89,566	89,566	89,566
Other reserves	(19,483)	(19,483)	2,350	2,350
Distributable profits				
- reserved for FY2016 proposed dividend <sup>(1)</sup>	3,008	3,008	3,008	3,008
- available for acquisition of share under Share Purchase Mandate	54,646	54,364	10,457	10,175
Treasury shares	-	(6,618)	-	(6,618)
Shareholders' equity	127,737	120,837	105,381	98,481
Total borrowings <sup>(2)</sup>	3,818	6,134	-	2,316
Cash and cash equivalents	40,036	35,452	16,938	12,354
Net cash	36,218	29,318	16,938	10,038
Current assets	86,308	81,724	17,486	12,902
Current liabilities	27,003	29,319	1,633	3,949
Net tangible assets (NTA)	86,524	79,624	105,381	98,481
Profit attributable to shareholders	9,598	9,316	4,615	4,333
Number of Shares as at 30 June 2016 ('000)	167,128	150,415	167,128	150,415
Weighted average number of shares outstanding during the financial year ended 30 June 2016 ('000)	167,128	150,415	N.A.	N.A.
<b>Financial ratios</b>				
NTA per share (cents) <sup>(4)</sup>	51.77	52.94	63.05	65.47
Current ratio (times) <sup>(5)</sup>	3.20	2.79	10.71	3.27
Gearing (%) <sup>(6)</sup>	Net Cash	Net Cash	Net Cash	Net Cash
Earnings per share or EPS (cents) <sup>(7)</sup>	5.74	6.19	NA	NA

**Notes**

(1) Assumed that the proposed final tax-exempt (one-tier) dividend of 0.80 cent per share and special tax-exempt (one-tier) dividend of 1.00 cent per share are approved at the 2016 AGM. The dividend payable was determined based on the number of issued shares as at 30 June 2016.

(2) Assumed that the purchase of Shares was financed by internal funds of \$4,302,000 (65%) and bank borrowings of \$2,316,000 (35%).



- (3) Interest expense on the additional bank borrowings is assumed to be \$139,000 (at 6% per annum) and loss of interest income as a result of the utilization of internal funds is assumed to be \$143,000 (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 2016.
- (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 2016.

### **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
<b><u>At 30 June 2016</u></b>				
Share capital	89,566	86,098	89,566	86,098
Other reserves	(19,483)	(19,483)	2,350	2,350
Distributable profits				
- reserved for FY2016 proposed dividend <sup>(1)</sup>	3,008	3,008	3,008	3,008
- available for acquisition of share under Share Purchase Mandate	54,646	50,882	10,457	6,693
Shareholders' equity	127,737	120,505	105,381	98,149
Total borrowings <sup>(2)</sup>	3,818	6,246	-	2,428
Cash and cash equivalents	40,036	35,232	16,938	12,134
Net cash	36,218	28,986	16,938	9,706
Current assets	86,308	81,504	17,486	12,682
Current liabilities	27,003	29,431	1,633	4,061
Net tangible assets (NTA)	86,524	79,292	105,381	98,149
Profit attributable to shareholders	9,598	9,302	4,615	4,319
Number of Shares as at 30 June 2016 ('000)	167,128	150,415	167,128	150,415
Weighted average number of shares outstanding during the financial year ended 30 June 2016 ('000)	167,128	150,415	N.A.	N.A.
<b><u>Financial ratios</u></b>				
NTA per share (cents) <sup>(4)</sup>	51.77	52.72	63.05	65.25
Current ratio (times) <sup>(5)</sup>	3.20	2.77	10.71	3.12
Gearing (%) <sup>(6)</sup>	Net Cash	Net Cash	Net Cash	Net Cash
Earnings per share or EPS (cents) <sup>(7)</sup>	5.74	6.18	NA	NA

## Notes

- (1) Assumed that the proposed final tax-exempt (one-tier) dividend of 0.80 cent per share and the proposed final special tax-exempt (one-tier) dividend of 1.00 cent per share are approved at the 2016 AGM. The dividend payable was determined based on the number of issued shares as at 30 June 2016.
- (2) Assumed that the purchase of Shares was financed by internal funds of \$4,508,000 (65%) and bank borrowings of \$2,428,000 (35%).
- (3) Interest expense on the additional bank borrowings is assumed to be \$146,000 (at 6% per annum) and loss of interest income as a result of the utilization of internal funds is assumed to be \$150,000 (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 2016.
- (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 2016.

## 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
<b><u>At 30 June 2016</u></b>				
Share capital	89,566	89,566	89,566	89,566
Other reserves	(19,483)	(19,483)	2,350	2,350
Distributable profits				
- reserved for FY2016 proposed dividend <sup>(1)</sup>	3,008	3,008	3,008	3,008
- available for acquisition of share under Share Purchase Mandate	54,646	54,350	10,457	10,161
Treasury shares	-	(6,936)	-	(6,936)
Shareholders' equity	127,737	120,505	105,381	98,149
Total borrowings <sup>(2)</sup>	3,818	6,246	-	2,428
Cash and cash equivalents	40,036	35,232	16,938	12,134
Net cash	36,218	28,986	16,938	9,706
Current assets	86,308	81,504	17,486	12,682
Current liabilities	27,003	29,431	1,633	4,061
Net tangible assets (NTA)	86,524	79,292	105,381	98,149
Profit attributable to shareholders	9,598	9,302	4,615	4,319
Number of Shares as at 30 June 2016 ('000)	167,128	150,415	167,128	150,415

	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 2016 ('000)	167,128	150,415	N.A.	N.A.
<b>Financial ratios</b>				
NTA per share (cents) <sup>(4)</sup>	51.77	52.72	63.05	65.25
Current ratio (times) <sup>(5)</sup>	3.20	2.77	10.71	3.12
Gearing (%) <sup>(6)</sup>	Net Cash	Net Cash	Net Cash	Net Cash
Earnings per share or EPS (cents) <sup>(7)</sup>	5.74	6.18	NA	NA

#### Notes

- (1) Assumed that the proposed final tax-exempt (one-tier) dividend of 0.80 cent per share and the proposed final special tax-exempt (one-tier) dividend of 1.00 cent per share are approved at the 2016 AGM. The dividend payable was determined based on the number of issued shares as at 30 June 2016.
- (2) Assumed that the purchase of Shares was financed by internal funds of \$4,508,000 (65%) and bank borrowings of \$2,428,000 (35%).
- (3) Interest expense on the additional bank borrowings is assumed to be \$146,000 (at 6% per annum) and loss of interest income as a result of the utilization of internal funds is assumed to be \$150,000 (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 2016.
- (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 2016.

**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 FY2016 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 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 the form of Appendix 8.3.1 to the Listing Manual and shall include, amongst others, details such as 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 total consideration (including stamp duties and clearing charges) paid or payable for the shares, the number of shares purchased as at the date of the announcement (on a cumulative basis), the number of issued shares excluding treasury shares and the number of treasury shares held after the purchase.

**No Purchases During Price Sensitive Periods** 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.

**Companies Act Notifications** The Companies Act stipulates that, within 30 days of the passing of a shareholders’ resolution to approve any purchase or acquisition of Shares, the Directors 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 60,384,380 issued Shares in the hands of the public, representing approximately 36.12% 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% or more, or if they, together holding between 30% and 50% of the Company’s voting rights, increase their voting rights in the company by more than 1% 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).

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

#### 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% or more, or in the event that such Directors and their concert parties hold between 30% and 50% of the Company's voting rights, if the voting rights of such Directors and their concert parties would increase by more than 1% in any period of six months. In calculating the percentages of voting rights of such Directors and their concert parties, treasury shares shall be excluded.

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

Shareholders and their concert parties will be subject to the provisions of Rule 14 if they acquire any Shares after the Company's purchase or acquisition of its Shares pursuant to the Share Purchase Mandate. For the purpose of the Take-over Code, an increase in the percentage of voting rights as a result of the Company's purchase or acquisition of its Shares will be taken into account whether a Shareholder and persons acting in concert with it have increased by more than 1% in any period of 6 months (if such parties hold between 30% and 50% of the Company's voting rights).

#### 2.10.4 **Directors' and Substantial Shareholder's Interests**

The shareholdings of Directors and substantial shareholders, as at the Latest Practicable Date, are set out in paragraph 3.

As at the Latest Practicable Date, Mr. David Lum Kok Seng, the legal and beneficial owner of Bevrian Pte. Ltd., is deemed to be interested in all Shares held by Bevrian Pte. Ltd. Mr. Kelvin Lum Wen-Sum is an executive Director and a son of Mr. David Lum Kok Seng. Bevrian Pte. Ltd., Mr. David Lum and Mr. Kelvin Lum (the "**Relevant Parties**") are presumed to be parties acting in concert in relation to the Company in respect of Bevrian Pte. Ltd.'s holding of approximately 59.53 percent. of the Shares. As the Relevant Parties' aggregate interest is more than 50 percent. of the total voting rights of the Company, the Share Purchase Mandate, even if exercised in full, will not result in them incurring any obligation to make a general offer under Rule 14 of the Take-over Code.

Based on the Register of Directors' Interests as at the Latest Practicable Date, none of the Directors will become obligated to make a mandatory offer in the event that the Company purchases the maximum of 10 percent. of the Shares (excluding Treasury Shares) pursuant to the Share Purchase Mandate.

**Shareholders are advised to consult their professional advisers and/or the Securities Industry Council at the earliest opportunity as to whether an obligation on their part, if any, to make a mandatory offer under the Take-over Code would arise by reason of any acquisition or purchase of Shares by the Company.**

- 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 2015 AGM as at the Latest Practicable Date.

2.11 **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	6,278,753	3.76	-	-	6,278,753	3.76
Ong Suat Lian	178,899	0.11	-	-	178,899	0.11
Kelvin Lum Wen-Sum	-	-	-	-	-	-
Jeffrey Staszak	30,000	0.02	-	-	30,000	0.02
Amos Leong Hong Kiat	-	-	30,000	0.02	30,000	0.02
Clement Leow Wee Kia	-	-	-	-	-	-

3.2 **Substantial Shareholders' Interests.** As at the Latest Practicable Date, the interests of the sole substantial Shareholder in Shares based on disclosures made via SGXnet by CIMB Bank Berhad on its behalf are as follows:

Substantial Shareholder	Direct Interest		Number of Shares Deemed Interest		Total Interest	
		%		%		%
Bevrian Pte. Ltd.*	-	-	99,493,446	59.53%	99,493,446	59.53%

\* *Bevrian Pte. Ltd.'s shares are held by its nominee, CIMB Securities (Singapore) Pte Ltd. Mr. David Lum Kok Seng, the legal and beneficial owner of Bevrian Pte. Ltd., is also 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 167,128,185 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 11, being the ordinary resolution relating to the proposed renewal of the Share Purchase Mandate, at the 2016 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 2016 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 2016 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 2016 AGM. The completion and return of the Proxy Form by a shareholder will not prevent him/her from attending and voting at the 2016 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 2016 AGM:

- (a) the annual report for the financial year ended 30 June 2016; and
- (b) the constitution of the Company.

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

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