

**TO: COMPANY ANNOUNCEMENTS OFFICE
ASX LIMITED**

DATE: 11 JUNE 2015

MR YEHUDA SZENDER REFUSES TO SELL OR HAND OVER MOBILE PHONES

The Board of of Bisan Limited (ASX: BSN) advises that My Generation Smartphones (HK) Limited (a wholly owned subsidiary of the Company) has been unable to access the second hand smart phones (goods) from Mr. Yehuda Shmaya Szender ("Szender").

The smart phones were ordered by Szender from supplier Brightstar 20:20 UK Limited ("Brightstar UK") of the United Kingdom and shipped and delivered to Hong Kong for resale with a purchase cost value of ~AUD\$335,000

These smart phones were to be sold in Hong Kong and once sold it was intended that the next order would be placed with Brightstar UK.

However, the Board regrets to advise that following a visit to Hong Kong by a Director of the Company to establish the status of the goods, Szender has refused to provide access to the goods and will not sell or account for them.

After meeting with Szender in Hong Kong on the 3rd and 4th of June 2015, Szender advised that the grading of the 1,500 smart phones had just been completed and the phones were ready for sale.

Szender surprisingly advised that the sale of the goods could result in a potential loss of up to 40% but believed the sale loss would more likely be in the order of 25% of the cost value. In the service agreement with Szender he had forecasted to the company a minimum "NET MARGIN" of 4% profit.

Szender instructed Bisan to use its lawyers to prepare a document to reflect the sale of these goods which were agreed to be sold on the 5th of June 2015.

A draft document to reflect this and other requests by Szender was emailed to Szender on the 4th of June 2015.

However, despite numerous attempts to contact Szender by phone on his Hong Kong and Thailand numbers and by text message and email, Szender did not respond directly to the company by 5 pm on the 8th of June 2015.

The company had no alternative but to place the shares in trading halt in order to keep the market properly informed.

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The company sought legal advice immediately in Hong Kong on the morning of the 8th of June 2015. Szender was advised by text message and email before the trading halt of the company's planned actions and did not directly respond.

Key Terms of Service Agreement – Szender's Role

A summary of the key obligations of Szender under the Service Agreement are as follows:

- Szender is to work exclusively for MyGen HK during a defined period. The restraint applied Worldwide.
- Szender is to source, grade, buy and sell mobile phones.
- Szender is to negotiate the sale of mobile phones to key customers.
- Szender is to ensure that all relevant laws and regulations are complied with.
- Szender is to use due skill and care and use his best knowledge and expertise in the best interests of MyGen HK.
- Szender must ensure that he does not without the consent of MyGen HK assume or create directly or indirectly any obligation behalf of MyGen HK.

These latest events follow other acts by Szender that included but not limited to:

Unauthorised relocation of smart phones

This development follows on from the Company's earlier concerns, announced to the market, regarding Szender when the smart phones delivered to and stored at Kerry Logistics in Hong Kong were removed to another location without prior notice or approval of MyGen HK as required under the service agreement. The Board notes that three months storage fees had been prepaid to Kerry Logistics.

Upon the discovery of the removal of the phones, Szender sought to explain his position by reporting to the Company that he wanted to grade and refurbish the smart phones from D grade as purchased to at least C grade so as to obtain a higher margin on resale than the minimum 4% Szender represented he could achieve as outlined in the Service Agreement signed by the Company and Szender.

Unauthorised order

The Company also reports that Szender placed an order for a second batch of smart phones at a cost of ~AUD 500,000 with Brightstar UK without the knowledge or approval of MyGen HK and a clear breach of the service agreement - Szender was directed to cancel the order.

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This second order was not in the interests of MyGen HK or the Company. In particular:

- The order for the second batch of phones was made before the first batch was sold and was not in accordance with the business plan. The financial model provided by Szender relied on the first sale of goods to provide revenues / cash flow for Szender to purchase and sell a batch of phones each week so that he could reach his performance targets.
- MyGen HK had insufficient funds to pay for the second order unless the first batch of phones was sold.
- If MyGen HK had been unable to cancel the order then the financial commitment may have rendered MyGen HK insolvent.

Szender's actions in making the second order were a clear breach of the agreed operating procedures set out in the Service Agreement.

Unauthorised negotiations with Brightstar

More recently, Szender travelled to the United Kingdom and entered into negotiations with Brightstar UK involving an ongoing commitment to purchase phones without the MyGen HK's approval and then demanding that his travel costs be reimbursed. According to Szender, Brightstar UK did not entertain his approaches.

Again Szender attempted to cause MyGen HK financial commitments that it would have been unable to meet.

Attempt to obtain voting rights

The Services Agreement sets out in clear terms a performance based pathway under which Szender can earn equity in MyGen HK, and potentially exchange that interest, for an equity interest in the Company.

Notwithstanding the agreed terms, Szender recently insisted that the Company procure selected major shareholders to enter into "Voting Deeds" with him or his associates under which each relevant shareholder would "guarantee" to vote in favour of Szender exchanging his equity interest in MyGen HK for securities in the Company assuming that Szender met the performance targets and earned an interest in MyGen HK.

The Board sought advice from its Australian lawyer and the ASX and was advised that these arrangements were unacceptable and were likely to infringe the Corporations Act. The Company refused to entertain Szender's demands.

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Failure to sell phones

Since the establishment of the necessary banking facilities in Hong Kong, Szender was repeatedly asked why the first batch of phones had not been sold as Szender had represented to the Company that the phones would be turned over in not more than one week.

Szender failed to provide a satisfactory explanation and as a result the Board sent one Director to Hong Kong to investigate.

Whilst the Director was in Hong Kong, Szender refused to give him access to the phones or to show the Director the location where the phones are purportedly stored.

Szender also made the following demands which were rejected outright by the company

Unacceptable demands

At meetings in Hong Kong between Szender and the Director, on the 3rd and 4th of June 2015, Szender gave the Company an ultimatum to accept either of the following:

1. Szender was to be issued 15% of the capital of the Company now in exchange for his yet to be earned 60% interest in MyGen HK, **only then** would he sell the smart phones but at a significant loss.
2. Failing the above, Szender would hand back the phones in order for him not to be sued for the loss on the sale of the goods, provided he was paid a termination fee.

The Board considered the first option unacceptable and advised Szender that if he did not agree to sell the phones to return them.

Szender then agreed to sell the phones by the 5th of June 2015 and he requested that the Company's lawyers prepare a document to reflect this sale of goods with the loss amount he estimated to be in the order of 25% of the cost of goods. He also sought other benefits.

This document was emailed to him for execution on the 4th of June 2015.

Conclusion

The Company has appointed legal advisers in both Melbourne and Hong Kong to advise on the legal implications arising from Szender's conduct.

The Company is of the view that Szender has breached the Service Agreement and will seek to recover the goods and any losses suffered. As noted above, under the Service Agreement, Szender was to work exclusively for MyGen HK.

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The Board is disappointed with the situation but believes it is in full compliance with the Service Agreement and to date has fulfilled its obligations under that agreement.

Board of Directors
Bisan Limited