



BAN LEONG TECHNOLOGIES LIMITED

(Company Registration No. 199303898C)
(Incorporated in the Republic of Singapore)

PROPOSED SUBSCRIPTION OF CONVERTIBLE NOTES IN BLUEDGE INTERNATIONAL LIMITED

1. INTRODUCTION

The Board of Directors (the “**Board**”) of Ban Leong Technologies Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) wishes to announce that the Company’s wholly-owned subsidiary, AV Labs International Pte. Ltd. (“**AV Labs**”) has on 29 March 2017 entered into a convertible notes agreement (“**Agreement**”) with Bluedge International Limited (“**Bluedge**”) and Mr. Guo Tiesheng (“**Major Shareholder**”) for the proposed subscription of convertible notes to be issued by Bluedge (“**Convertible Notes**”) worth for an aggregate principal amount of S\$2 million (“**Principal Amount**”) (the “**Proposed Transaction**”). The Convertible Notes are transferrable in whole or in part.

2. PROPOSED TRANSACTION

2.1 Information on Bluedge and the Major Shareholder, and rationale for the Proposed Transaction

Bluedge is an investment holding company incorporated in Hong Kong on 25 April 2016. It is an investment holding company with the Major Shareholder as its 90% majority shareholder.

The Major Shareholder also owns 70% of 北京亚特华通科技发展有限公司 (“**Bluedge China**”), a company which is principally engaged in the retail sale of computer peripherals, electronic accessories and other multimedia products, particularly in airports and railway stations in the People’s Republic of China (“**PRC**”).

The Major Shareholder is an independent unrelated third party. The Major Shareholder has more than 20 years’ experience in the Information and Communications Technology (ICT) products and services industry in the PRC, having worked in companies such as Lenovo Group Ltd, DC Holdings Ltd and ECS Technology (China) Limited. The Company hopes to leverage on the Major Shareholder’s experience and connections in the ICT products and services industry to increase its presence in the PRC.

Bluedge shall use 100% of the Principal Amount for business expansion.

2.2 Principal Amount

The Principal Amount of S\$2 million will be funded through internally generated funds.

2.3 Conditions Precedent

The obligations of the Company to subscribe for the Convertible Notes shall be conditional upon, *inter alia*, the following conditions precedent being fulfilled within 3 months from the date of the Agreement:

- 2.3.1 all third party and/or governmental consents, approvals and authorisations which are necessary or desirable in connection with the issue of the Convertible Notes and the utilisation of the Principal Amount;

- 2.3.2 AV Labs being satisfied in its sole and absolute discretion with the results of the due diligence investigations (whether legal, financial, contractual, tax or otherwise) carried out by the Investor in respect of the Group;
- 2.3.3 AV Labs being satisfied in its sole and absolute discretion that there has been no material adverse change, or events, acts or omissions likely to lead to such a change, in the business, assets, prospects, performance, financial position or results of operations of Bluedge and/or Bluedge China ("**Bluedge Group**"); and
- 2.3.4 All representations, warranties and undertakings, covenants and indemnities of all parties have been complied with and are true, accurate and correct as at the Completion Date (as defined in paragraph 2.4 below).

2.4 Completion

Completion shall take place at on the 5th business day after the fulfilment or waiver (as the case may be) of the conditions precedent referred to in paragraph 2.3 above ("**Completion Date**").

2.5 Conversion

The Convertible Notes may be converted in AV Labs' discretion into shares ("**Conversion Shares**") of the entity in the Bluedge Group ("**Target Company**") which undertakes an IPO, RTO or trade sale ("**Exit**"), at any time prior to maturity. The conversion price for each Conversion Share shall be a 20% discount to the price per ordinary share of the Target Company upon the Exit.

The Conversion Shares shall rank pari passu in all respects with all other existing ordinary shares in the Target Company and shall carry the right to receive all dividends and other distributions declared after the date of the conversion.

2.6 Other Material Terms

The Major Shareholder has provided a personal guarantee to AV Labs as part of the Proposed Transaction.

The Major Shareholder and Bluedge have jointly and severally granted to AV Labs a put option over the Conversion Shares, which is exercisable in AV Labs' discretion at any time after three months from the date of the issue of the Conversion Shares has elapsed, provided that the Target Company fails to complete the Exit within six months from the date of the issue of the Conversion Shares. The purchase price for the Conversion Shares shall be the Principal Amount.

The Bluedge Group shall, within 36 months from the date of the Agreement, undertake and complete a restructuring exercise such that Bluedge holds 100% of Bluedge China. In addition, the Major Shareholder shall hold an aggregate of at least 51% of the equity interest in each of the companies in the Bluedge Group on a fully-diluted basis prior to the Exit (whether directly or indirectly).

For so long as the Convertible Notes remain outstanding, the holders of the Convertible Notes ("**Noteholders**") comprising a majority in value of the Convertible Notes shall have the right to receive notice of, and materials provided in relation to, all board meetings of Bluedge.

2.7 Interest

The Convertible Notes will bear interest at a simple interest rate of 9% of the Principal Amount per annum. Interest shall be payable by Bluedge to the Noteholders annually in advance, with the first payment being deducted from the Principal Amount on the Completion Date.

Should an event of default occur, additional default interest shall accrue at a simple rate of 9% per annum retrospectively from the Completion Date until the date of actual repayment.

2.8 Maturity Date

The maturity date of the Convertible Notes is three years from the Completion Date.

2.9 Redemption

The redemption of the Convertible Notes shall take place within 30 days after Bluedge's receipt of a written notice of redemption issued by the Noteholders requiring the redemption of all the Convertible Notes then outstanding:

- (a) at any time upon the happening of an event of default provided in the Agreement;
- (b) immediately prior to the Exit; or
- (c) at any time after the Maturity Date.

3. RELATIVE FIGURES

The relative figures for the Proposed Transaction computed on the bases set out in Rule 1006 of Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST") are set out below:

Rule 1006 (a)	The net asset value of the assets to be disposed of, compared with the Group's net asset value	Not applicable
Rule 1006 (b)	The net profits attributable to the assets acquired or disposed of, compared with the Group's net profits	41.3% ⁽¹⁾
Rule 1006 (c)	The aggregate value of the consideration given or received, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares and returned shares	8.7% ⁽²⁾
Rule 1006 (d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	Not applicable
Rule 1006 (e)	The aggregate volume or amount of proven and probable reserves to be disposed of compared with the aggregate of the group's proven and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets	Not applicable

Notes:

- (1) Based on the announced unaudited profits before income tax, minority interests and extraordinary items of the Group for the half year ended 30 September 2016 and the estimated investment gain of S\$500,000, assuming that the Principal Amount had been converted into shares of Bluedge as at 30 September 2016.
- (2) Based on the Principal Amount of \$2 million and the Company's market capitalisation of \$23,044,400 on 28 March 2017 (being the market day preceding the date of the Agreement).

Although the relative figure under Rule 1006(b) above exceeds 20%, Rule 1014(2) of the Listing Manual states that a transaction need not be conditional upon shareholders' approval if the only limit breached was Rule 1006(b). Accordingly, the Proposed Transaction is a "discloseable transaction" as defined in Rule 1010 of the Listing Manual which does not require the approval of shareholders of the Company.

4. FINANCIAL EFFECTS OF THE PROPOSED TRANSACTION

The financial effects of the Proposed Transaction set out below are purely for illustrative purposes only and do not reflect the future financial position of the Company or the Group after the completion of the Proposed Transaction and/or full conversion of the Convertible Notes into Conversion Shares.

4.1 Net Tangible Assets ("NTA") Per Share

The effect of the Proposed Transaction on the NTA per share of the Group for FY2016, assuming that the Proposed Transaction had been effected at the end of FY2016 is as follows:

	Before the Proposed Transaction	After the Proposed Transaction
NTA (S\$'000) ⁽¹⁾	24,610,013	24,790,013
Number of shares ('000) ⁽²⁾	115,222,000	115,222,000
NTA per share (Singapore cents)	21.36	21.51

Notes:

- (1) Based on the audited net tangible assets of the Group as at 31 March 2016 and assuming the interest income of \$180,000 is received in advance.
- (2) Based on issued share capital of the Company as at the date of this Announcement, excluding 1,278,000 treasury shares and 681,818 returned shares.

4.2 Earnings Per Share ("EPS")

The effect of the Proposed Transaction on the EPS of the Group for FY2016, assuming that the Proposed Transaction had been effected at the beginning of FY2016 is as follows:

	Before the Proposed Transaction	After the Proposed Transaction but before the full conversion of the Convertible Notes into Conversion Shares
Net profit attributable to owners of the Company (S\$'000) ⁽¹⁾	2,892,251	3,072,251
Number of shares ('000) ⁽²⁾	115,222	115,222
Basic EPS (Singapore cents)	2.51	2.67

Notes:

- (1) Based on the audited profit before income tax, minority interests and extraordinary items of the Group for FY2016 and assuming the interest income of \$180,000 is received in advance.
- (2) Based on issued share capital of the Company as at the date of this Announcement, excluding 1,278,000 treasury shares and 681,818 returned shares.

5. SERVICE CONTRACT

There are no directors proposed to be appointed to the Company in connection with the Proposed Transaction.

6. INTEREST OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors or controlling shareholders of the Company has any interest, direct or indirect, in the Proposed Transaction, other than through their respective shareholdings (if any) in the Company.

7. DOCUMENTS FOR INSPECTION

A copy of the Agreement is available for inspection at the registered office of the Company at 150 Ubi Avenue 4, #04-01, Singapore 408825 during normal business hours for three months from the date of this announcement.

By Order of the Board

Ronald Teng Woo Boon
Managing Director
29 March 2017