

AVI-TECH ELECTRONICS LIMITED
(Company Registration No. 198105976H)
(Incorporated in the Republic of Singapore)

THE PROPOSED CONSOLIDATION OF EVERY TWO (2) EXISTING ORDINARY SHARES IN THE CAPITAL OF THE COMPANY INTO ONE (1) ORDINARY SHARE (THE “PROPOSED SHARE CONSOLIDATION”)

1. INTRODUCTION

- 1.1 The board of directors (the “**Board**”) of Avi-Tech Electronics Limited (the “**Company**”) wishes to announce that the Company is proposing to undertake a share consolidation exercise to consolidate every two (2) existing ordinary shares (“**Existing Shares**”) in the capital of the Company (including treasury shares) into one (1) ordinary share (“**Consolidated Share**”).
- 1.2 As a result of the Proposed Share Consolidation, each shareholder of the Company (“**Shareholder**”) will receive one (1) Consolidated Share for every two (2) Existing Shares held prior to the Proposed Share Consolidation as at a books closure date to be determined by the Directors in their absolute discretion as they deem fit (“**Books Closure Date**”).

2. RATIONALE FOR THE PROPOSED SHARE CONSOLIDATION

- 2.1 The Directors believe that the Proposed Share Consolidation will generally be beneficial to the Company and its Shareholders.
- 2.2 In addition, the Monetary Authority of Singapore and the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) have introduced on 2 March 2015 a minimum trading price per share of S\$0.20 (the “**MTP**”) for issuers listed on the Mainboard of the SGX-ST as a continuing listing requirement to address risks associated with low-priced securities and to improve overall market quality. Issuers will be first assessed for compliance with the MTP requirement 12 months from 2 March 2015 (i.e. 1 March 2016). Issuers that fail to fulfill the MTP requirement at the first review date on 1 March 2016 or any of the subsequent quarterly reviews will be placed on the watch-list of the SGX-ST (the “**Watch-list**”). The assessment of whether the Company has met the MTP of S\$0.20 will be based on the Company’s volume-weighted average price of its shares for the six (6) months preceding the date of review. Issuers placed on the Watch-list on or after 1 March 2016 will have a 36-month period to exit from the Watch-list. Issuers who fail to exit from the Watch-list will be subject to delisting in accordance with the listing rules.
- 2.3 The Proposed Share Consolidation would facilitate the Company’s ability to satisfy the MTP requirement. The absolute price of the shares of the Company traded on the SGX-ST has been closing at a low level, with a volume-weighted average price of S\$0.1063 over the 6-month period prior to the date of this announcement. For illustrative purposes only, the theoretical adjusted 6-month volume-weighted average price of the Consolidated Shares after the Proposed Share Consolidation is estimated to be S\$0.2126 per share.
- 2.4 In determining the Proposed Share Consolidation ratio, the Company was mindful of balancing the need to maintain trading liquidity after completion of the Proposed Share Consolidation, while meeting the MTP requirement. The Company is optimistic that the share price would, upon completion of the Proposed Share Consolidation, fulfil the MTP requirement, on the basis that:
- (i) the Company has, on 12 February 2015, announced its return to profitability after a period of losses;
 - (ii) the Company has, as announced on 12 May 2015 and 26 August 2015, sustained its profitability and maintained a positive growth outlook; and

- (iii) the Company's balance sheet has remained steady and places the Company in a position to proactively seek new areas of partnership and opportunities to grow its businesses.

2.5 **Shareholders should note, however, that there is no assurance that the Proposed Share Consolidation will achieve the desired results, nor is there assurance that such results (if achieved) can be sustained in the longer term.**

3. INFORMATION ON THE PROPOSED SHARE CONSOLIDATION

3.1 Under the Proposed Share Consolidation, every two (2) Existing Shares registered in the name, or standing to the credit of the securities account, of each Shareholder or Depositor (as the case may be) as at the Books Closure Date will be consolidated into one (1) Consolidated Share. Each Consolidated Share will rank *pari passu* in all respects with each other. The Consolidated Shares will be traded in board lots of 100 Consolidated Shares.

3.2 Shareholders should note that the number of Consolidated Shares which they will be entitled to pursuant to the Proposed Share Consolidation, based on their holdings of Existing Shares as at the Books Closure Date, will be rounded down to the nearest whole Consolidated Share and any fractions of a Consolidated Share arising from the Proposed Share Consolidation will be aggregated and dealt with in such manner as the Directors may, in their absolute discretion, deem fit in the interests of the Company, including (i) disregarding, or (ii) aggregating and selling the same and retaining the net proceeds for the benefit of the Company. Affected Shareholders will not be paid for any fractions of a Consolidated Share which are disregarded.

3.3 Shareholders who hold less than two (2) Existing Shares as at the Books Closure Date will not be entitled to any Consolidated Shares and will no longer be Shareholders upon completion of the Proposed Share Consolidation. Such Shareholders who wish to remain as Shareholders upon completion of the Proposed Share Consolidation are advised to purchase additional Existing Shares so as to increase the number of Existing Shares held to a multiple of two (2) Shares prior to the Books Closure Date.

3.4 As at the date of this announcement, the Company has an issued and paid-up share capital of 342,422,096 Existing Shares (excluding 7,978,000 treasury shares). On the assumption that there will be no new shares issued by the Company up to the Books Closure Date and subject to Shareholders' approval being obtained for the Proposed Share Consolidation, following the completion of the Proposed Share Consolidation, the issued and paid-up share capital of the Company will become 171,211,048 Consolidated Shares (excluding 3,989,000 treasury shares on a post-consolidation basis).

3.5 The Proposed Share Consolidation will have no impact on the dollar value of the issued and paid-up share capital of the Company. The Proposed Share Consolidation will not involve the diminution of any liability in respect of unpaid capital or the payment to any Shareholder of any paid-up capital of the Company, and has no effect on the Shareholders' funds of the Group. Shareholders are not required to make any payment to the Company in respect of the Proposed Share Consolidation.

3.6 Subject to Shareholders' approval being obtained for the Proposed Share Consolidation at an extraordinary general meeting ("**EGM**") to be convened, Shareholders' holding of the Consolidated Shares arising from the Proposed Share Consolidation will be based on their holdings of Shares as at the Books Closure Date.

3.7 Shareholders who hold physical share certificates may wish to deposit the same with the Central Depository (Pte) Limited ("**CDP**") and have their Existing Shares credited to their securities accounts with CDP before the announcement of the Books Closure Date, as CDP will only accept the deposit of new share certificates of Consolidated Shares after the Books Closure Date.

4. ADJUSTMENTS TO OPTIONS

- 4.1 As at the date of this announcement, the Company has granted 670,000 options pursuant to the Avi-Tech Employee Share Option Scheme approved and adopted by the Company on 6 July 2007 (the “**Scheme**”) which remain outstanding (“**Options**”).
- 4.2 Pursuant to the rules of the Scheme, if there is a variation in the issued share capital of the Company (including by way of share consolidation), the committee overseeing the administration of Scheme (the “**Committee**”) may adjust the exercise price in respect of the Shares, the amount, class and/or number of Shares comprised in the Options to the extent unexercised and the rights attached thereto; and/or the amount, class and/or number of Shares in respect of which additional Options may be granted to the holders of the Options (the “**Participants**”), as they may determine to be appropriate, upon written confirmation of the Company’s auditors that such adjustment is fair and reasonable.
- 4.3 Pursuant to the rules of the Scheme, notwithstanding the above, no adjustment shall be made (a) if as a result, the Participant receives a benefit that a Shareholder does not receive; and (b) unless the Committee, after considering all relevant circumstances, considers it equitable to do so.
- 4.4 Accordingly, the Committee has determined that, upon completion of the Proposed Share Consolidation:
- (a) the exercise price of each outstanding Option under the Scheme shall be adjusted, such that it will be two times the original exercise price of each such outstanding Option; and
 - (b) the number of Shares comprised in each 1,000 outstanding Options under the Scheme will be reduced in the same proportion as the Existing Shares under the Proposed Share Consolidation, fractions to be disregarded, from 1,000 to 500.
- 4.5 The adjustment to the exercise price and the number of Shares comprised in each 1,000 outstanding Options under the Scheme will take effect on the date the Proposed Share Consolidation becomes effective. The holders of the Options granted under the Scheme will be notified separately on the adjustments.
- 4.6 In accordance with Rule 850 of the Listing Manual, the auditors of the Company have confirmed that the adjustment to the Options contemplated in this section 4 is fair and reasonable.
- 4.7 The Company intends to satisfy the exercise of the Options with treasury shares. Accordingly, in the event that all the Options are exercised prior to completion of the Proposed Share Consolidation and are satisfied by 670,000 treasury shares, the issued and paid-up share capital of the Company following the completion of the Proposed Share Consolidation will become 171,546,048 Consolidated Shares (excluding 3,654,000 treasury shares on a post-consolidation basis).
- 4.8 In the event that the Options are only exercised after completion of the Proposed Share Consolidation and are satisfied by treasury shares, up to 335,000 treasury shares (on a post-consolidated basis) will be transferred pursuant to the exercise of the Options.
- 4.9 In the event that the number of Options increases due to the grant of further Options or decreases due to the exercise or lapse of Options, the Company shall make the necessary disclosures in respect to, *inter alia*, the adjustments to the Options, in a circular containing, *inter alia*, further information on the Proposed Share Consolidation to be despatched to Shareholders in due course.

5. APPROVALS AND CONDITIONS

- 5.1 The Proposed Share Consolidation is subject to, *inter alia*, approval from the SGX-ST and the Shareholders at the EGM to be convened and the determination of the Books Closure Date

by the Directors in their absolute discretion as they deem fit in the interests of the Company and Shareholders.

- 5.2 An application will be made to the SGX-ST for the dealing in, listing and quotation of, *inter alia*, the 175,200,048 Consolidated Shares (including 3,989,000 treasury shares on a post-consolidation basis) pursuant to the Proposed Share Consolidation on the Mainboard of the SGX-ST.

6. DESPATCH OF CIRCULAR

Subject to the receipt of the approval in-principle from the SGX-ST, a circular containing, *inter alia*, further information on the Proposed Share Consolidation will be despatched to Shareholders in due course.

Meanwhile, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Company's securities. When in doubt, Shareholders and potential investors are advised to seek independent advice from their bankers, stockbrokers, solicitors or other professional advisers.

BY ORDER OF THE BOARD

Khor Thiam Beng
Chairman
2 September 2015