



ASIAN MICRO HOLDINGS LIMITED

COMPANY REGISTRATION No: 199701052K

PROPOSED DEBT CONVERSION AND ISSUE OF CONVERSION SHARES

1. INTRODUCTION

The board of directors (“**Board**”) of Asian Micro Holdings Limited (“**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that the Company had on 8 March 2019 entered into a conditional novation and debt capitalization agreement (“**NDCA**”) with Asian Micro Capital Sdn. Bhd., Leverage Income Sdn Bhd, ACI Industries Pte Ltd, AM NGV (S) Pte Ltd and the participating creditors, namely Lim Kee Liew @ Victor Lim and Leong Lai Heng (“**Participating Creditors**”) for: (i) the Novation (as defined below); and (ii) the proposed capitalization and conversion (“**Proposed Debt Conversion**”) of the Participating Debts (as defined below) and Company Salaries (as defined below) into new ordinary shares in the capital of the Company (“**Shares**”)(“**Conversion Shares**”) at the conversion price of S\$0.003 per Conversion Share (“**Conversion Price**”).

2. OVERVIEW

The details of the debts, amounting in aggregate to S\$1,130,622 as at the date of the NDCA, owing to the Participating Creditors is set out below:

- (a) RM1,430,000 (S\$474,760) being the principal loan granted by Lim Kee Liew @ Victor Lim to the Company’s subsidiary, Asian Micro Capital Sdn. Bhd (“**AMC**”) pursuant to a loan agreement dated 24 January 2018 (the “**AMC Director Loan**”). As at the date of the NDCA, the AMC Director loan remains outstanding and unpaid;
- (b) RM2,600,000 (S\$863,200) being the principal loan granted by Lim Kee Liew @ Victor Lim to the Company’s subsidiary, Leverage Income Sdn Bhd (“**LI**”) pursuant to a loan agreement dated 28 June 2017 (the “**LI Director Loan**”). As at the date of the NDCA, RM975,515 (S\$323,870) of the LI Director Loan remains outstanding and unpaid;
- (c) S\$151,992 being the amount of accrued salaries payable by the Company to Lim Kee Liew @ Victor Lim (“**LKL**”) in respect of CY2018, pursuant to a service agreement between the Company and Lim Kee Liew @ Victor Lim (the “**Company Salaries**”). As at the date of the NDCA, the Company Salaries remain outstanding and unpaid;

- (d) S\$90,000 being the amount of accrued salaries payable by ACI Industries Pte Ltd (“**ACI**”) to Leong Lai Heng in respect of CY2018, pursuant to a service agreement between the Company and Leong Lai Heng (the “**ACI Salaries**”). As at the date of the NDCA, the ACI Salaries remain outstanding and unpaid; and
 - (e) S\$90,000 being the amount of accrued salaries payable by AM NGV (S) Pte Ltd (“**AM NGV**”) to Leong Lai Heng in respect of CY2018, pursuant to a service agreement between the Company and Leong Lai Heng (the “**AM NGV Salaries**”). As at the date of the NDCA, the AM NGV Salaries remain outstanding and unpaid;
- ((i) AMC, LI, ACI and AM NGV are collectively referred to as the “**Participating Debtors**” and (ii) the aggregate amount of S\$978,630 owing by the Group to the Participating Creditors pursuant to the AMC Director Loan, the LI Director Loan, the ACI Salaries and the AM NGV Salaries, the “**Participating Debts**”).

Where a Participating Debt is denominated in RM, the S\$ equivalent was calculated based on the exchange rate of S\$1.00: RM3.012048.

Under the terms of the NDCA, each amount (in whole and not in part) owing by the Group to a Participating Creditor shall be converted into Conversion Shares at the Conversion Price.

Rule 812(1) of the Catalist Rules states that an issue must not be placed to an issuer’s directors and substantial shareholders unless specific shareholder for such an issue is obtained. Accordingly, Shareholders’ approval is required for the proposed issue of (i) 316,873,999 Conversion Shares to Lim Kee Liew @ Victor Lim; and (ii) 60,000,000 Conversion Shares to Leong Lai Heng.

The Company will be seeking specific approval from Shareholders for the issue and allotment of the Conversion Shares.

The Conversion Price of S\$0.003 is the weighted average price for trades done for the Shares on Catalist on 8 March 2019, being the last trading day Shares were traded on Catalist and the date of the NDCA.

Upon the conversion of the Participating Debts and Company Salaries into Conversion Shares at the Conversion Price, a total of 376,873,999 Conversion Shares will be issued and allotted to the Participating Creditors. This represents approximately 54.75% of the existing share capital of the Company and approximately 35.38% of the Company’s enlarged share capital after issuance and allotment of the Conversion Shares.

3. **SALIENT TERMS OF THE NDCA**

The salient terms of the NDCA and allotment and issue of the Conversion Shares are as follows:

- (a) **Novation:** Pursuant to the terms and conditions of the NDCA, the Company agreed with each of the Participating Debtors and each of the Participating Creditors, that as at the date of the NDCA, the Company shall be and is hereby substituted in the place of the Participating Debtor as the debtor in respect of the Participating Debts (“**Novation**”).
- (b) **Number of Conversion Shares:** Based on the relevant Participating Debt owed to each Participating Creditor and the Company Salaries owed to LKL, the number of Conversion Shares to be issued and allotted to each Participating Creditor (or their nominees) shall be as follows:
- (i) in respect of Lim Kee Liew @ Victor Lim, 316,873,999 Conversion Shares;
and
- (ii) in respect of Leong Lai Heng, 60,000,000 Conversion Shares.
- (c) **Conversion:** The debt owed by the Company to each Participating Creditor shall be convertible (in whole but not in part) into a relevant number of Conversion Shares at the Conversion Price.
- (d) **Conversion Price:** The Conversion Price of S\$0.003 represents the weighted average price for trades done for the Shares on Catalist on 8 March 2019, being the last trading day Shares were traded on Catalist and the date of the NDCA.
- The Conversion Price was agreed upon between the Company and the Participating Creditors based on arms’ length negotiations and taking into consideration the financial performance and condition and cash flow generation abilities of the Group and the desire of the Group to alleviate its debt burden as well as the support of the Participating Creditors for the Group’s future development.
- (e) **Ranking of Conversion Shares:** The Conversion Shares shall be issued unencumbered and free from any security interests, claims (including pre-emptive rights) or liens and will be freely transferable and shall rank *pari passu* in all respects with all other then existing Shares, except that such Conversion Shares shall not be entitled to any dividends, rights, allotments or other distributions, the record date of which is before the date of allotment of the Conversion Shares, and will be admitted to listing on Catalist.
- (f) **Completion:** Subject to the satisfaction and/or waiver of the Conditions Precedent (as defined below), completion shall take place on the Completion Date, whereupon the Company shall allot and issue the Conversion Shares and deliver the share certificate(s) relating to the Conversion Shares in the name of the Depository for the account of the Participating Creditors (or their nominees) (the “**Securities Accounts**”) and deliver or procure the delivery to the Depository of the said share certificate(s) or procure the crediting of such Conversion Shares in the Securities Account.

4. CONDITIONS PRECEDENT

The obligations of the Parties under the NDCA are subject to the fulfilment of the following conditions precedent:

- (a) the Company obtaining Shareholders' approval at an extraordinary general meeting for the allotment and issue of the Conversion Shares, pursuant to the terms and conditions of the NDCA;
- (b) the Company obtaining the listing and quotation and other requisite approval issued by the Singapore Exchange Securities Trading Limited ("**SGX-ST**") for the listing and quotation of the Conversion Shares on Catalist ("**Listing Approval**") and the Listing Approval not being revoked or amended, and if any conditions are attached to the Listing Approval ("**Listing Conditions**"), such Listing Conditions having been fulfilled on or before that date to the satisfaction of the SGX-ST or waived by the SGX-ST;
- (c) the allotment, issue, listing and quotation of the Conversion Shares not being prohibited by any applicable laws or regulations; and
- (d) the warranties contained in the NDCA being true, complete and accurate in all respects,

((a) – (d) collectively, the "**Conditions Precedent**").

The Company shall use its reasonable endeavours to procure the fulfilment of all the Conditions Precedent. The long stop date for the fulfilment of the Conditions Precedent is six (6) months from the date of NDCA, or such other date that the Parties may agree to in writing.

The Company will be making an application to the SGX-ST through its continuing sponsor for the listing of and quotation for the Conversion Shares on the Catalist of the SGX-ST, and will make the necessary announcement upon receipt of the listing and quotation notice from the SGX-ST.

5. RATIONALE

As at 31 December 2018, the Group has Shareholders' funds amounting to approximately S\$1,166,000 and total borrowings (including salaries) of approximately S\$1,184,000 and a working capital of approximately S\$629,000.

In view of the debt burden of the Group, the Company commenced discussions with the Participating Creditors on the Proposed Debt Conversion to augment its capital base by converting the Participating Debts and Company Salaries into equity of the Company. The issue of Conversion Shares would be in the interest of the Group, as it would relieve

them from the pressure of having to meet their short-term debt obligations. It would significantly strengthen the Group's balance sheet and improve its debt-equity position.

Consequently, this will improve the Group's financial position and provide/improve opportunities for the Group to raise funds from the public and financial institutions in future because of the Group's improved balance sheet. Likewise, it would free the Group's cash flow as the obligation to repay the Participating Debts and Company Salaries via cash will be settled via the issuance of Conversion Shares, so that the Group's cash can be used for other purposes.

The Board is of the opinion that the successful completion of the Proposed Debt Conversion would allow the Group to apply more of its cash flow towards its ongoing operations or other opportunities instead of being committed towards debt servicing and repayment. The Proposed Debt Conversion is also a show of confidence by the Participating Creditors in the future plans, viability and anticipated performance of the Group.

Upon completion of the Proposed Debt Conversion, the aggregate amount owing by the Group to the Participating Creditors will reduce from approximately S\$1,186,000 as at the date of the NDCA to approximately S\$55,000. This would help in the Group's efforts to raise new funds from investors, as well as the Group's efforts in seeking opportunities, options and/or funding to further improve the prospects of the Group.

6. CHANGES IN SHAREHOLDING INTERESTS OF THE PARTICIPATING CREDITORS

Following the completion of the Proposed Debt Conversion, the changes in shareholding interests of the Participating Creditors in the Company is set out as follows:

	Before Proposed Debt Conversion			After Proposed Debt Conversion		
	Direct Interest	Deemed Interest	Total % ⁽¹⁾	Direct Interest	Deemed Interest	Total % ⁽²⁾
Lim Kee Liew @ Victor Lim	186,058,469	159,529,855 ⁽³⁾	50.21	502,932,468	219,529,855 ⁽⁵⁾	67.83
Leong Lai Heng	140,984,174	204,604,150 ⁽⁴⁾	50.21	200,984,174	521,478,149 ⁽⁶⁾	67.83

Notes:

- (1) The percentage is calculated based on the total issued and paid-up share capital of 688,308,796 Shares as at the date of the NDCA.
- (2) The percentage is calculated based on the total issued and paid-up share capital of 1,065,182,795 Shares as at the date of the NDCA.
- (3) The deemed interest arose through (i) 496,000 shares held by DBS Nominees (Private) Limited; (ii) 11,699,105 shares held by Ultraline Technology (Singapore) Pte Ltd; and (iii) 5,590,576 shares held by

American Converters Industries Pte Ltd. He is also deemed to have interest in the 141,744,174 shares held by his spouse, Mdm Leong Lai Heng.

- (4) The deemed interest arose through (i) 760,000 shares held by United Overseas Bank Nominees (Private) Limited; (ii) 11,699,105 shares held by Ultraline Technology (Singapore) Pte Ltd; and (iii) 5,590,576 shares held by American Converters Industries Pte Ltd. She is also deemed to have interest in the 186,554,469 shares held by her spouse, Mr. Lim Kee Liew @ Victor Lim.
- (5) The deemed interest arose through (i) 496,000 shares held by DBS Nominees (Private) Limited; (ii) 11,699,105 shares held by Ultraline Technology (Singapore) Pte Ltd; and (iii) 5,590,576 shares held by American Converters Industries Pte Ltd. He is also deemed to have interest in the 201,744,174 shares held by his spouse, Mdm Leong Lai Heng.
- (6) The deemed interest arose through (i) 760,000 shares held by United Overseas Bank Nominees (Private) Limited; (ii) 11,699,105 shares held by Ultraline Technology (Singapore) Pte Ltd; and (iii) 5,590,576 shares held by American Converters Industries Pte Ltd. She is also deemed to have interest in the 503,428,468 shares held by her spouse, Mr. Lim Kee Liew @ Victor Lim.

As at the date of this announcement, Lim Kee Liew @ Victor Lim and Leong Lai Heng (“**Mr Lim and Mdm Leong**”) and parties acting in concert with them, namely American Converters Industries Pte Ltd and Ultraline Technology (S) Pte Ltd (each a company jointly owned by Mr Lim and Mdm Leong) and Lin Meijuan Sophia (daughter of Mr Lim and Mdm Leong) hold, directly or indirectly, in aggregate more than 50% of the total number of issued Shares. Since Mr Lim and Mdm Leong and parties acting in concert with them already collectively hold more than 50% of the total number of issued Shares, the Proposed Debt Conversion will not result in any of Mr Lim and Mdm Leong and parties acting in concert with them incurring an obligation to make a mandatory take-over offer under Rule 14 of the Singapore Code on Take-overs and Mergers.

7. THE PROPOSED ISSUANCE OF CONVERSION SHARES AS AN INTERESTED PERSON TRANSACTIONS

7.1 Interested Persons under Chapter 9 of the Catalist Rules

Lim Kee Liew @ Victor Lim is the Executive Chairman, Chief Executive Officer and Group Managing Director, holding 345,588,324 Shares (inclusive of both direct and deemed interests) as at the date of this announcement. Leong Lai Heng is a substantial shareholder of the Company, holding 345,588,324 Shares (inclusive of both direct and deemed interests) at the date of this announcement.

As such, the Participating Creditors are deemed to be interested persons under Chapter 9 of the Catalist Rules and the Proposed Debt Conversion constitutes an interested persons transaction (“**IPT**”).

Pursuant to Rule 915(8) of the Catalist Rules, an interested person transaction relating to director's fees and remuneration and employment remuneration is not required to comply with Rule 905, 906 and 907 of the Catalist Rules. As such, the Company Salaries, the ACI Salaries and the AM NGV Salaries payable to the Participating Creditors are not required to comply with Rule 905, 906 and 907 of the Catalist Rules.

7.2 Thresholds under Chapter 9 of the Catalyst Rules

Under Chapter 9 of the Catalyst Rules, where the value of a transaction with an interested person singly or in aggregation with the values of the other transactions conducted with the same interested person in the same financial year equals or exceeds 5% of the Group's latest audited net tangible assets ("NTA"), that transaction shall be subject to Shareholders' approval.

Based on the audited financial statements of the Group for the financial year ended 30 June 2018 ("FY2018"), the NTA of the Group is approximately S\$1,713,501.

7.3 Value of the IPT with Lim Kee Liew @ Victor Lim

As the Company intends to repay Lim Kee Liew @ Victor Lim by way of issue of Conversion Shares, the value of the interested person transaction (being the amount at risk to the Company and excluding the Company Salaries payable to Lim Kee Liew @ Victor Lim) is the aggregate amount of S\$798,630, representing approximately 46.61% of the NTA of the Group for FY2018. As such, Shareholders' approval is required for the proposed issue of the Conversion Shares to Lim Kee Liew @ Victor Lim pursuant to Rule 906(1)(a) of the Catalyst Rules.

7.4 Total interested person transactions

The Group had also entered into the following transactions with the following Participating Creditors for the current financial year:

- (a) Rental expense of S\$60,800 paid to ACI Technology (S) Pte Ltd, pursuant to a lease agreement entered into between the Company and ACI Technology (S) Pte Ltd for the lease of office premise and a lease agreement entered into between ACI Industries Pte Ltd and ACI Technology (S) Pte Ltd for the lease of factory space. ACI Technology (S) Pte Ltd is jointly owned by Lim Kee Liew @ Victor Lim and Leong Lai Heng.

Save as disclosed in this announcement, the Company has not entered into any other interested person transactions with each of the Participating Creditors as at the date of this announcement.

8. FINANCIAL EFFECTS OF THE PROPOSED ISSUE OF THE CONVERSION SHARES

The pro forma financial effects of the Proposed Debt Conversion on the Company are set out below based on the unaudited financial statements of the Company as at 31 December 2018. The objective of the financial effects analysis is to illustrate what the historical information of the Company or the Group might have been had such transactions been completed at an earlier date. **It is not intended to be a projection of the financial position or performance of the Company or the Group after the completion of the Proposed Debt Conversion.**

8.1 Capital

As at the date of this announcement, the existing share capital of the Company is S\$43,432,600 comprising 688,308,796 Shares. Upon completion of the Proposed Debt Conversions, the issued and paid-up share capital of the Company will be increased to S\$44,563,200, comprising 1,065,182,795 Shares.

8.2 Loss per Share

	Before Proposed Debt Conversion	After Proposed Debt Conversion
Loss after tax attributable to Shareholders (S\$'000)	(213)	(213)
Loss per Share attributable to Shareholders (S\$ cents)	(0.03)	(0.02)

8.3 Net tangible assets

	Before Proposed Debt Conversion	After Proposed Debt Conversion
NTA attributable to Shareholders (S\$'000)	1,278	2,409
Number of issued Shares	688,308,796	1,065,182,795
NTA attributable to Shareholders per Share (S\$ cents)	0.19	0.23

8.4 Gearing

	Before Proposed Debt Conversion	After Proposed Debt Conversion
Total borrowings (S\$'000)	852	59
Total Equity (S\$'000)	1,278	2,409
Gearing ratio (times)	0.67	0.02

9. DIRECTORS AND SUBSTANTIAL SHAREHOLDERS' INTEREST IN THE COMPANY

The interest of the Directors and substantial shareholders, direct or indirect, in the Shares as recorded in the Register of Directors' Shareholding and the Register of Substantial Shareholders respectively as at the date of this announcement are set out below:

	DIRECT INTEREST		DEEMED INTEREST		TOTAL INTEREST	
	Number of Shares	%	Number of Shares	%	Number of Shares	%
Directors						
Lim Kee Liew @ Victor Lim	186,058,469	27.03	159,529,855 ⁽¹⁾	23.18	345,588,324	50.21
Ng Chee Wee	14,077,586	2.05	-	-	14,077,586	2.05
Chue Wai Tat	-	-	-	-	-	-
Cheah Wee Teong	-	-	-	-	-	-
Lee Teck Meng Stanley	-	-	300,000 ⁽²⁾	0.04	300,000	0.04
Substantial Shareholders (other than Directors)						
Leong Lai Heng	140,984,174	20.48	204,604,150 ⁽³⁾	29.73	345,588,324	50.21

Notes:

- (1) The deemed interest arose through (i) 496,000 shares held by DBS Nominees (Private) Limited; (ii) 11,699,105 shares held by Ultraline Technology (Singapore) Pte Ltd; and (iii) 5,590,576 shares held by American Converters Industries Pte Ltd. He is also deemed to have interest in the 141,744,174 shares held by his spouse, Mdm Leong Lai Heng.
- (2) Lee Teck Meng Stanley deemed interest arose through Shares held by Maybank Kim Eng Securities Pte Ltd.
- (3) The deemed interest arose through (i) 760,000 shares held by United Overseas Bank Nominees (Private) Limited; (ii) 11,699,105 shares held by Ultraline Technology (Singapore) Pte Ltd; and (iii) 5,590,576 shares held by American Converters Industries Pte Ltd. She is also deemed to have interest in the 186,554,469 shares held by her spouse, Mr. Lim Kee Liew @ Victor Lim.

Save as disclosed above, the Directors and Substantial Shareholders do not have any interest, whether direct or indirect, in the Company.

10. AUDIT COMMITTEE STATEMENT

The Audit Committee, having reviewed the terms and conditions of the NDCA, the rationale for the Proposed Debt Conversion, the proposed issue of Conversion Shares, the Conversion Price and the financial effects of the proposed issue of Conversion Shares, is of the opinion that the terms of the NDCA and the proposed issue of Conversion Shares are on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders.

11. CIRCULAR

The Company will be seeking Shareholder's approval for the Proposed Debt Conversion and the proposed issue of the Conversion Shares at an extraordinary general meeting ("EGM") to be convened on a date to be announced later. A circular to Shareholders' containing, *inter alia*, information on the Proposed Debt Conversion and the proposed issue of the Conversion Shares will be despatched to the Shareholders in due course.

12. SHAREHOLDERS' APPROVALS

The Company will be seeking Shareholders' approval for the following resolutions during the EGM:

- (a) Approval of the Proposed Debt Conversion;
- (b) The issue of 316,873,999 Conversion Shares to Lim Kee Liew @ Victor Lim (or his nominee); and
- (c) The issue of 60,000,000 Conversion Shares to Leong Lai Heng (or her nominee).

Further details on the resolutions will be contained the circular to be despatched to the Shareholders in due course.

13. ABSTENTIONS FROM VOTING

Lim Kee Liew @ Victor Lim, Leong Lai Heng, and each of their associates will abstain from voting on the ordinary resolutions relating to (a), (b) and (c) in paragraph 12 above, and they will also not accept nominations to act as proxy, corporate representative or attorney unless that Shareholder appointing them indicates clearly how votes are to be cast in respect of such resolutions.

14. DOCUMENTS FOR INSPECTION

A copy of the NDCA is available for inspection during normal business hours at the registered office of the Company at 63 Hillview Avenue, #08-01 Lam Soon Industrial Building, Singapore 669569 for a period of three (3) months from the date of this announcement.

15. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this announcement constitutes

full and true disclosure of all material facts about the NDCA, the Proposed Debt Conversion and the proposed issue of the Conversion Shares, the issuer and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in this announcement 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 announcement in its proper form and context.

BY ORDER OF THE BOARD

Lim Kee Liew @ Victor Lim
Executive Chairman
8 March 2019

*This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor (**Sponsor**), RHT Capital Pte. Ltd. for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (**Exchange**). The Company's Sponsor has not independently verified the contents of this announcement including the correctness of any of the figures used, statements or opinions made.*

This announcement has not been examined or approved by the Exchange and the Exchange assumes no responsibility for the contents of this announcement including the correctness of any of the statements or opinions made or reports contained in this announcement.

*The contact person for the Sponsor is
Name: Mr Khong Choun Mun
Address: 9 Raffles Place, #29-01 Republic Plaza Tower 1, Singapore 048619
Telephone number: +65 6381 6757*