

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

**PROPOSED CORPORATE RESTRUCTURING OF AVI-TECH ELECTRONICS LIMITED BY WAY
OF A SCHEME OF ARRANGEMENT UNDER SECTION 210 OF THE COMPANIES ACT (CAP. 50)
OF SINGAPORE**

1. INTRODUCTION

- 1.1 **Restructuring.** The Company wishes to announce the proposed corporate restructuring of the Company (the “**Restructuring**”) by way of a scheme of arrangement (the “**Scheme**”), in accordance with Section 210 of the Companies Act, Chapter 50 of Singapore (the “**Companies Act**”). Pursuant to the Restructuring, it is proposed that a new holding company, Avi-Tech Holdings Pte. Ltd. (“**NewCo**”), will be interposed between the shareholders of the Company (the “**Shareholders**”) and the Company through the acquisition by NewCo of all the issued and paid-up ordinary shares in the capital of the Company (the “**Shares**”) in exchange for new ordinary shares in the capital of NewCo (the “**NewCo Shares**”) on a one-for-one basis.
- 1.2 **Delisting of the Company and Listing of NewCo.** Following completion of the Restructuring, subject to the approval of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”), the Company will become a wholly-owned subsidiary of NewCo and be delisted from the Official List of the SGX-ST, followed by the listing and quotation of the NewCo Shares on the Mainboard of the SGX-ST.
- 1.3 The Company and NewCo have entered into an agreement dated 18 February 2020 to, *inter alia*, implement the Scheme (“**Implementation Agreement**”).

2. INFORMATION ON THE COMPANY AND NEWCO

- 2.1 **The Company.** The Company is a public company limited by shares incorporated in Singapore on 31 December 1981 and whose Shares are listed on the Mainboard of the SGX-ST. The Company carries on the business of providing burn-in, manufacturing and printed circuit board assembly and engineering services (the “**Business**”).

As at the date of this Announcement (the “**Announcement Date**”), the Company has an issued and paid-up share capital of S\$30,759,000.00, comprising 171,046,041 ordinary shares (excluding treasury shares) in the capital of the Company. The Company currently holds 4,154,000 treasury shares, which will be cancelled pursuant to the Restructuring. The Company currently does not have any share option or share award scheme and there are no outstanding convertible securities.

As at the Announcement Date, the board of directors (the “**Board**” or the “**Directors**”) comprises the following:

- (i) Khor Thiam Beng (Non-Executive Chairman and Independent Director);
- (ii) Lim Eng Hong (Chief Executive Officer and Executive Director);
- (iii) Lim Tai Meng Alvin (Chief Operating Officer and Executive Director);
- (iv) Goh Chung Meng (Independent Director); and
- (v) Michael Grenville Gray (Independent Director).

- 2.2 **NewCo.** NewCo is a private limited company limited by shares incorporated in Singapore on 22 January 2020 with an issued and paid-up share capital of S\$1.00, comprising one (1) NewCo Share held by Mr. Lim Eng Hong (the “**Subscriber Shareholder**”), the Chief Executive Officer of the Company as at the Announcement Date. It is intended that NewCo shall be converted into a public company limited by shares prior to the holding of the Court Meeting (as defined herein). Upon completion of the Restructuring, the principal activity of NewCo will be that of an investment holding company. The Company will become a wholly-owned subsidiary of NewCo and will continue to operate the Business.

As at the Announcement Date, the sole director of NewCo is Mr. Lim Eng Hong, who is an existing Director.

It is currently contemplated that the following remaining Directors:

- (i) Khor Thiam Beng (Non-Executive Chairman and Independent Director);
- (ii) Lim Tai Meng Alvin (Chief Operating Officer and Executive Director);
- (iii) Goh Chung Meng (Independent Director); and
- (iv) Michael Grenville Gray (Independent Director);

will also be appointed as directors of NewCo on or prior to the date on which the Scheme, if approved, becomes effective in accordance with its terms (the “**Effective Date**”).

3. THE RESTRUCTURING

3.1 **The Scheme.** Under the Scheme:

- (i) all the Shares held by the Shareholders as at a record date to be announced by the Company (the “**Entitled Shareholders**”) on which the Transfer Books and the Register of Members of the Company will be closed in order to determine the entitlements of the Shareholders in respect of the Scheme (the “**Record Date**”) will be transferred to NewCo:
 - (a) fully paid-up;
 - (b) free from any charge, mortgage, lien, hypothecation, judgment, encumbrance, easement, security, title retention, preferential right, trust arrangement, rights of pre-emption or any other third-party rights or interests of any nature whatsoever or other security interest (“**Encumbrances**”); and
 - (c) together with all rights, benefits and entitlements attaching thereto, including the right to receive and retain all rights and other distributions (if any) declared, paid or made by the Company on or after the Announcement Date, save for any dividends that may be declared, announced or paid by the Company prior to the Record Date; and
- (ii) subject to paragraphs 3.2 and 9 below, in consideration for the transfer of the Shares held by the Entitled Shareholders, each of the Entitled Shareholders will be entitled to receive one (1) NewCo Share to be allotted and issued by NewCo in exchange for each Share owned by him and transferred to NewCo, such NewCo Shares shall be credited as duly authorised, validly issued, fully paid up and free from Encumbrances and shall rank *pari passu* in all respects with one another as well as the one (1) existing issued NewCo Share held by the Subscriber Shareholder.

- 3.2 **Irrevocable Undertaking.** As the Subscriber Shareholder holding the existing one (1) NewCo Share is also a Shareholder, the Subscriber Shareholder has given an irrevocable undertaking to the Company and NewCo to, *inter alia*, waive his right to receive one (1) new NewCo Share out of the total number of new NewCo Shares to be issued to the Subscriber Shareholder

pursuant to the Scheme (the “**Subscriber Shareholder Undertaking**”). Accordingly, based on the 48,194,875 Shares held by the Subscriber Shareholder as at the Announcement Date, 48,194,874 new NewCo Shares will be issued to the Subscriber Shareholder pursuant to the Scheme.

- 3.3 **Scheme Document.** Further information on the Scheme and the terms and conditions upon which the Scheme will be implemented by the Company and NewCo will be set out in the document to be issued by the Company to the Shareholders containing, *inter alia*, details of the Scheme (the “**Scheme Document**”).
- 3.4 **Restricted Share Plan.** Subject to, *inter alia*, the Shareholders’ approval of the Scheme being obtained at the Court Meeting, the Shareholders’ approval of a proposed restricted share plan being obtained at the extraordinary general meeting to be held after the Court Meeting and the Scheme becoming effective, NewCo proposes to adopt and implement a long-term incentive restricted share plan (the terms of which are to be finalised and approved) with effect from the Effective Date. Further information on the proposed restricted share plan will be set out in the Scheme Document.
- 3.5 **Delisting of the Company and Listing of NewCo.** Following the completion of the Restructuring, the Company will become a wholly-owned subsidiary of NewCo, and will, subject to the approval of the SGX-ST, be delisted from the Official List of the SGX-ST. Thereafter, subject to the approval of the SGX-ST, the NewCo Shares will be listed and quoted on the Mainboard of the SGX-ST. It is also contemplated that the Company may, following its delisting from the Mainboard of the SGX-ST, convert from a public listed to a private company.

4. SCHEME CONDITIONS

- 4.1 **Scheme Conditions.** The Scheme will be subject to and conditional upon the satisfaction or waiver (as the case may be) of, *inter alia*, the following conditions precedent:
- (a) **Shareholders’ Approval:** the approval of the Scheme by a majority in number of Shareholders present and voting, either in person or by proxy, at a meeting of the Shareholders to be convened by the High Court of the Republic of Singapore (the “**Court**”) to approve the Scheme (the “**Court Meeting**”), such majority holding at least three-fourths in value of the Shares held by the Shareholders present and voting either in person or by proxy at the Court Meeting, in compliance with the requirements under Section 210(3AB) of the Companies Act;
- (b) **Court Order:** sanction of the Scheme by the Court being granted by way of an order of the Court (the “**Court Order**”) and such Court Order having become final;
- (c) **ACRA Lodgement:** lodgement and registration of the Court Order with the Accounting and Corporate Regulatory Authority of Singapore pursuant to Section 210(5) of the Companies Act;
- (d) **Regulatory Approvals:** prior to the first application to the Court for an order to convene the Court Meeting, the following approvals having been obtained and not having been withdrawn or revoked on or the business day immediately preceding the Effective Date (the “**Scheme Record Date**”), on terms satisfactory to the Company:
- (i) declaration from MAS that pursuant to Section 273(5) of the SFA that Subdivisions (2) and (3) of Division 1 of Part XIII of the SFA (other than Section 257 of the SFA) shall not apply to the offer of the NewCo Shares made to the Shareholders pursuant to the Scheme and the Restructuring for a period of six (6) months from the date of the declaration and subject to any conditions as may be imposed by the MAS;
- (ii) confirmation from the SGX-ST that the Restructuring is not subject to the admission and delisting requirements under Chapters 2 and 13 of the Listing Manual of the SGX-ST (the “**Listing Manual**”); and

- (iii) approval in-principle from the SGX-ST for: (aa) the Scheme; (bb) the Scheme Document; and (cc) the listing of, and quotation for, all the NewCo Shares;
- (e) **Authorisations:** in addition to the approvals mentioned in paragraph 4.1(d) above:
- (i) in relation to NewCo, all consents, authorisations, waivers and approvals which are necessary or required to be obtained by NewCo (for or in respect of the Scheme and the Restructuring) under all applicable laws and regulations from any third parties or Governmental Agencies; and
 - (ii) in relation to the Company, all consents, authorisations, waivers and approvals which are necessary or required to be obtained by the Company (for or in respect of the Scheme and the Restructuring) under all applicable laws and regulations from any third parties or Governmental Agencies,
- (collectively, the “**Authorisations**”) having been obtained and such Authorisations not having been withdrawn or revoked (if applicable) on or before the Scheme Record Date, and if any of such Authorisations is subject to any conditions or requires any actions or obligations to be taken or performed, all such actions or obligations having been duly taken or performed on or prior to the Scheme Record Date save where the failure to obtain any such Authorisation, the withdrawal or revocation of any such Authorisation, or the failure to meet any such condition or take any such action or perform any such obligation in relation to such Authorisation would not have a material effect on the NewCo or the Company;
- (f) **No Legal or Regulatory Restraint:** between the date of the Implementation Agreement and up to the Scheme Record Date, no injunction or other order, legal or regulatory restraint, prohibition or condition preventing the consummation of the Restructuring or the implementation of the Scheme (or the proposed transactions relating to the Scheme and the Restructuring) having been issued by any Governmental Agency or by any court of competent jurisdiction and remaining in effect as at the Scheme Record Date;

4.2 Regulatory Approvals

- (a) **MAS.** By way of a letter dated 10 February 2020, the MAS had, pursuant to Section 273(5) of the SFA, declared that Subdivisions (2) and (3) of Division 1 of Part XIII of the SFA (other than Section 257 of the SFA) shall not apply to the offer of new NewCo Shares made pursuant to the Scheme and the Restructuring, for a period of six (6) months from 10 February 2020. The declaration is subject to the conditions that:
- (i) the shareholders of and the composition of their shareholdings in NewCo immediately after the completion of the Restructuring shall be the same as that of the Company immediately prior to the completion of the Restructuring; and
 - (ii) the Company shall issue a shareholders’ circular (together with the notice summoning a meeting under section 210 of the Companies Act) to all of the Shareholders containing all relevant information relating to NewCo, the Restructuring and the Scheme (including but not limited to the terms of the Scheme) for the Shareholders’ decisions in relation to the Scheme, in accordance with the SGX-ST Mainboard Rules and any other requirements which may be imposed by the SGX-ST.
- (g) **SGX-ST.** Based on the Company’s submissions and representations to the SGX-ST, the SGX-ST had on 21 November 2019 advised that the SGX-ST has no objection to the Restructuring, subject to, *inter alia*, satisfaction of the Scheme Conditions, submission of an undertaking from the NewCo to announce the use of the Company’s balance IPO proceeds and undertakings from each of NewCo’s directors and executive officers to comply with the Listing Manual.

The SGX-ST also advised it has no objection to waiving the admission and delisting requirements under Chapter 2 (with the exception of Part I and Part II) and Rules 1307, 1308 and 1309 of the Listing Manual.

In seeking the waiver from the SGX-ST, the Company submitted, *inter alia*, and as stated above, that the Scheme and the Restructuring involves the exchange of NewCo Shares for existing Shares on the basis of one (1) new NewCo Share for every one (1) existing Share held by a Shareholder as at the Record Date. It is therefore an internal restructuring exercise undertaken by the Company and NewCo to interpose NewCo as a new holding company between the Shareholders and the Company. Upon completion of the Restructuring, there will be no substantive change to the corporate structure or business of NewCo and its subsidiaries (the “**NewCo Group**”) as compared to that of the Company and its subsidiaries currently, as it is intended that the Company’s listing will be transferred to NewCo, and the NewCo Group will continue to own and operate the existing businesses carried on by the Company prior to completion of the Restructuring. The rationale for the Restructuring is set out below in paragraph 5.

The Company will in due course be applying to the SGX-ST for the listing of and quotation for all the NewCo Shares (including the existing NewCo Share, the new NewCo Shares to be allotted and issued pursuant to the Scheme and the new NewCo Shares which may be allotted and issued from time to time pursuant to the proposed restricted share plan in paragraph 3.4) on the Mainboard of the SGX-ST. The Company will make the necessary announcement(s) upon approval from SGX-ST for the listing of and quotation for all the NewCo Shares.

- (h) **SIC.** As the Restructuring is a corporate restructuring implemented by way of a scheme of arrangement where there is no change in the effective control of the Company, the provisions of the Singapore Code on Take-overs and Mergers are not applicable to the Restructuring.

5. RATIONALE FOR THE RESTRUCTURING

5.1 Currently, the Company is the listed vehicle carrying out the Business in Singapore. Following the Restructuring, the Company will relinquish its status as a listed vehicle and instead become a wholly-owned operating subsidiary of NewCo, continuing to focus on the Business. The Restructuring is an internal restructuring exercise undertaken by the Company and NewCo to interpose NewCo as a new holding company between the Shareholders and the Company. The principal business activity of NewCo upon completion of the Restructuring would be that of an investment holding company.

5.2 The Restructuring enables the establishment of a corporate structure where:

- (a) NewCo (which is an investment holding company with no business operations) becomes the listed vehicle in place of the Company and holds one hundred per cent. (100%) of the issued share capital of the Company; and
- (b) the Company ceases its function as the listed vehicle within the NewCo Group and continues as the operational company carrying out its existing Business.

5.3 The Company is of the view that the Restructuring will be able to:

- (a) achieve ease and flexibility for the NewCo Group to acquire new businesses, as well as expand and/or divest existing business segments as and when opportunities arise;
- (b) subject to compliance with the Listing Manual, allow the NewCo to acquire new businesses with a different risk profile from the current businesses of the Company and operate, grow and develop such new businesses under a separate subsidiary, without affecting and/or exposing the Company’s assets and current business to risks that may arise from new business lines; and

- (c) as a result of the Restructuring, by having NewCo (which is an investment holding company at the top of the group structure) as the listed entity on the SGX-ST, ring-fence the listed entity from the NewCo Group's operating entities and direct operating risks (including any possible claims, liabilities and litigation arising in connection with the NewCo Group's operations and business).

6. FINANCIAL EFFECTS OF THE RESTRUCTURING

6.1 For illustrative purposes only, the financial effects of the Restructuring set out below have been prepared based on the latest audited financial statements of the Company for the financial year ended 30 June 2019. The financial effects have been prepared on the following assumptions:

- (i) estimated expenses of S\$250,000 for the Restructuring;
- (ii) the share capital of the NewCo is assumed to be based on the paid-up share capital of the Company as at 30 June 2019 and the number of Shares in the capital of the Company is based on the total number as at 30 June 2019;
- (iii) for the purposes of computing the effect on the pro forma net tangible asset value ("NTA") per share of the Current Group and the NewCo Group, the Scheme has been completed on 30 June 2019;
- (iv) for the purposes of computing the effect on the pro forma earnings per share ("EPS") for the Current Group and the NewCo Group, the Scheme has been completed on 1 July 2018; and
- (v) the exchange ratio of one (1) new NewCo Share for every one (1) Share held by each Entitled Shareholder as at the Record Date.

6.2 Share Capital

The effect of the Scheme on the issued share capital of the Company and NewCo are as follows:

Before completion of Scheme		Upon completion of Scheme			
Company		Company		NewCo	
Number of shares ('000)	Share Capital (S\$) (S\$'000)	Number of shares ('000)	Share Capital (S\$) (S\$'000)	Number of shares ('000)	Share Capital (S\$) (S\$'000)
171,046	30,759	171,046	30,759	171,046	30,759

6.3 EPS

The effect of the Scheme on the EPS of the Current Group and NewCo Group are as follows:

	Before completion of Scheme	Upon completion of Scheme	
	Current Group	Current Group	NewCo Group
Profit attributable to shareholders (S\$'000)	4,646	4,396	4,396

Weighted average of number of shares ('000)	171,046	171,046	171,046
Basic EPS (Singapore cents)⁽¹⁾	2.72	2.57	2.57

Note:

- (1) The decrease in the EPS from 2.72 cents to 2.57 cents upon completion of the Scheme is due to estimated expenses of S\$250,000 to be incurred in connection with the Restructuring.

6.4 **NTA**

The effect of the Scheme on the NTA of the Current Group and NewCo Group are as follows:

	Before completion of Scheme	Upon completion of Scheme	
	Current Group	Current Group	NewCo Group
NTA (S\$'000)	49,544	49,294	49,294
NTA per share (Singapore cents)⁽¹⁾	28.97	28.82	28.82

Note:

- (1) The decrease in NTA per share from 28.97 cents to 28.82 cents upon completion of the Scheme is due to estimated expenses of S\$250,000 to be incurred in connection with the Restructuring.

7. **SCHEME DOCUMENT**

The Scheme Document containing full details of the Scheme and giving notice of the Court Meeting to approve the Scheme will be despatched to Shareholders in due course.

Shareholders are advised to refrain from taking any action in relation to their Shares which may be prejudicial to their interests until they or their advisers have considered the information set out in the Scheme Document.

Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor, accountant, tax adviser or other professional advisers.

8. **INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS**

- 8.1 **Interests.** Save as disclosed in this Announcement, none of the Directors or controlling shareholders of the Company has any interest, direct or indirect, in the Restructuring and the Scheme.

- 8.2 **Directors.** Based on the information recorded in the Register of Directors' Shareholdings of the Company, the interests of the Directors in the Shares as at the Announcement Date is as follows:

Directors	Direct Interest		Deemed Interest	
	Number of Shares	%⁽¹⁾	Number of Shares	%⁽¹⁾
Khor Thiam Beng	90,000	0.05	-	-
Lim Eng Hong	48,194,875	28.18	13,135,000	7.68
Lim Tai Meng Alvin	105,000	0.06	-	-
Goh Chung Meng	190,000	0.11	-	-
Michael Grenville Gray	870,000	0.51	-	-

Notes:

(1) Based on 171,046,041 Shares as at the Announcement Date and rounded to the nearest two (2) decimal places.

8.3 **Substantial Shareholders.** Based on the information recorded in the Register of Substantial Shareholders of the Company, the interests of the Substantial Shareholders, other than Directors, in the Shares as at the Announcement Date is as follows:

Name of Shareholder	Direct Interest		Deemed Interest	
	Number of shares	% ⁽¹⁾	Number of shares	% ⁽¹⁾
Loh Zee Lan Nancy	10,295,000	6.02	-	-

Notes:

(1) Based on 171,046,041 Shares as at the Announcement Date and rounded to the nearest two (2) decimal places.

8.4 As at the Announcement Date, the Company does not own or control any NewCo Shares nor has the Company agreed to acquire any NewCo Shares save for the Implementation Agreement.

9. OVERSEAS SHAREHOLDERS

This Announcement does not constitute an offer to sell or the solicitation of an offer to subscribe for or buy any security, nor is it a solicitation of any vote or approval in any jurisdiction, nor shall there be any sale, issuance or transfer of the securities referred to in this Announcement in any jurisdiction in contravention of applicable law.

The applicability of the Scheme to Shareholders whose addresses are outside Singapore, as shown on the Register of Members of the Company or in the records of The Central Depository (Pte) Limited, as the case may be (each, an “**Overseas Shareholder**”), may be affected by the laws of the relevant overseas jurisdictions. Accordingly, all Overseas Shareholders should inform themselves about, and observe, any applicable legal requirements in their own jurisdictions.

Where there are potential restrictions on sending the Scheme Document to any overseas jurisdiction, each of the Company and/or NewCo reserves the right not to send such documents to the Shareholders in such overseas jurisdiction. For the avoidance of doubt, the Scheme is being proposed to all Shareholders (including the Overseas Shareholders), including those to whom the Scheme Document will not be, or may not be, sent, provided that the Scheme Document does not constitute an offer or a solicitation to any person in any jurisdiction in which such offer or solicitation is unlawful and the Scheme is not being proposed in any jurisdiction in which the introduction or implementation of the Scheme would not be in compliance with the laws of such jurisdiction.

Overseas Shareholders who are in doubt about their positions should consult their own professional advisers in the relevant jurisdictions.

Further details in relation to Overseas Shareholders will be contained in the Scheme Document.

10. DOCUMENTS FOR INSPECTION

Copies of the Implementation Agreement and the Subscriber Shareholder Undertaking will be made available for inspection during normal business hours at the registered offices of the Company and NewCo at 19A Serangoon North Avenue 5, Singapore 554859, for a period of three (3) months from the Announcement Date or up to the Effective Date, whichever is later.

By ORDER OF THE BOARD

Khor Thiam Beng
Non-Executive Chairman &
Independent Director
18 February 2020