



ASIAN MICRO HOLDINGS LIMITED

COMPANY REGISTRATION NO: 199701052K

PROPOSED DEBT CAPITALISATION 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 24 August 2020 entered into a conditional novation and debt capitalisation agreement (“**Debt Capitalisation Agreement**”) with ACI Industries Pte Ltd (“**ACI Industries**”), AM NGV (S) Pte Ltd (“**AM NGV**”) and the participating creditors, namely Mr Lim Kee Liew @ Victor Lim (“**Mr Lim**”), Mdm Leong Lai Heng (“**Mdm Leong**”) and Mr Ng Chee Wee (“**Mr Ng**”) (Mr Lim, Mdm Leong and Mr Ng being collectively referred to as the “**Participating Creditors**”) for: (i) the Novation (as defined below); and the proposed capitalisation and conversion (“**Proposed Debt Capitalisation**”) of the Participating Debts (as defined below) into new ordinary shares (“**Conversion Shares**”) in the share capital of the Company at the conversion price of S\$0.002 per Conversion Share (“**Conversion Price**”) to the Participating Creditors.

2. OVERVIEW

The details of the debts, amounting in aggregate to S\$986,124 as at the date of the Debt Capitalisation Agreement, owing to the Participating Creditors is set out below:

- (a) S\$322,000 being the principal loan (“**Director Loan**”) granted by Mr Lim to the Company pursuant to a loan agreement dated 5 March 2019.
- (b) S\$403,317 being the salaries due from the Company to Mr Lim (“**Company Salaries**”).
- (c) S\$101,384 being the salaries due from the Company’s subsidiary, ACI Industries to Mdm Leong (“**ACI Salaries**”).
- (d) S\$135,423 being the salaries due from the Company’s subsidiary, AM NGV to Mdm Leong (“**AM NGV Salaries**”).
- (e) S\$24,000 being cash benefit due and owing to Mr Ng pursuant an employment agreement between the Company and Mr Ng, which is part of his remuneration (“**Cash Benefit**”).

((i) The Company, ACI Industries and AM NGV are collectively referred to as the “**Participating Debtors**” and (ii) the aggregate amount of S\$986,124 owing to the Participating Creditors pursuant to the Director Loan, Company Salaries, ACI Salaries,

AM NGV Salaries and Cash Benefit, which are to be converted to the Conversion Shares, are collectively referred to as the “**Participating Debts**”).

Under the terms of the Debt Capitalisation Agreement, each of the Participating Debts owing to a Participating Creditor shall be converted into Conversion Shares at the Conversion Price.

Rule 812(1) of the Catalist Rules states, *inter alia*, that an issue must not be placed to an issuer’s directors and substantial shareholders or their immediate family members unless specific shareholder for such an issue is obtained. Mr Lim is the Group’s Executive Chairman, Chief Executive Officer (“**CEO**”) and Group Managing Director and a substantial shareholder of the Company, while Mdm Leong is a substantial shareholder of the Company and Mr Lim’s spouse. Mr Ng is an Executive Director and Chief Financial Officer (“**CFO**”) of the Company. Accordingly, Shareholders’ approval is required for the proposed issue of Conversion Shares to Mr Lim, Mdm Leong and Mr Ng.

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

Upon the conversion of the Participating Debts into Conversion Shares at the Conversion Price, a total of 493,062,000 Conversion Shares will be issued and allotted to the Participating Creditors. This represents approximately 46.29% of the existing share capital of the Company and approximately 31.64% of the Company’s enlarged share capital after issuance and allotment of the Conversion Shares.

3. **SALIENT TERMS OF THE DEBT CAPITALISATION AGREEMENT**

The salient terms of the Debt Capitalisation Agreement and allotment and issue of the Conversion Shares are as follows:

- (a) **Novation:** The ACI Salaries and the AM NGV Salaries owed by ACI Industries and AM NGV respectively shall be novated to the Company, and the Company shall be substituted in the place of ACI Industries and AM NGV as debtor in respect of the ACI Salaries and the AM NGV Salaries (“**Novation**”).
- (b) **Conversion:** The Participating Debts 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. Based on the relevant Participating Debt owed to each Participating Creditor, the number of Conversion Shares to be issued and allotted to each Participating Creditor shall be as follows:
 - (i) in respect of Mr Lim, 362,658,500 Conversion Shares;
 - (ii) in respect of Mdm Leong, 118,403,500 Conversion Shares; and
 - (iii) in respect of Mr Ng, 12,000,000 Conversion Shares.

- (c) **Conversion Price:** The Conversion Price is S\$0.002 which represents the weighted average price for trades done for the ordinary shares in the capital of the Company ("**Shares**") on Catalist on 24 August 2020, being the last trading day Shares were traded on the Catalist board and the date of the Debt Capitalisation Agreement.

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.

- (d) **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.
- (e) **Completion:** Subject to the satisfaction and/or waiver of the Conditions Precedent (as defined below), the Novation and the capitalisation of the Participating Debts 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 Debt Capitalisation Agreement 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 of the Debt Capitalisation Agreement;
- (b) the Company obtaining approval from the SGX-ST for the listing and quotation of the Conversion Shares on Catalist, such approval not being revoked or amended, and if any conditions are attached to the 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 Debt Capitalisation Agreement being true, complete and accurate in all respects.

The Company shall use its reasonable endeavours to procure the fulfilment of all the conditions precedent referred to above. The long stop date for the fulfilment of the conditions precedent set out in the Debt Capitalisation Agreement is six (6) months from the date of Debt Capitalisation Agreement, 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 30 June 2020, the Group has Shareholders' funds amounting to approximately S\$1,733,000 and total borrowings (including salaries) of approximately S\$1,102,000 and a working capital of approximately S\$1,058,000.

In view of the debt burden of the Group, the Company commenced discussions with the Participating Creditors on the Proposed Debt Capitalisation to augment its capital base by converting the Participating Debts 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 the Balance Instalment 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 Capitalisation 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 Capitalisation 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 Capitalisation, the aggregate amount owing by the Group to the Participating Creditors will reduce from approximately S\$1,059,000 as at the date of Debt Capitalisation Agreement to approximately S\$73,000. 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 Capitalisation, the changes in shareholding interests of the Participating Creditors in the Company is set out as follows:

		Before Proposed Debt Capitalisation			After Proposed Debt Capitalisation		
		Direct Interest	Deemed Interest	Total % ⁽¹⁾	Direct Interest	Deemed Interest	Total % ⁽²⁾
Lim Kee Liew @ Victor Lim		460,932,468	200,984,255 ⁽³⁾	62.14	823,590,968	319,387,755 ⁽⁵⁾	73.35
Leong Lai Heng		200,984,174	460,932,549 ⁽⁴⁾	62.14	319,387,674	823,591,049 ⁽⁶⁾	73.35
Ng Chee Wee		16,227,586	-	1.52	28,227,586	-	1.81

Notes:

- (1) 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 Debt Capitalisation Agreement.
- (2) The percentage is calculated based on the total issued and paid-up share capital of 1,558,244,795 Shares after issuance and allotment of the Conversion Shares.
- (3) Mr Lim's deemed interest arose through (i) 5 Shares held by Ultraline Technology (Singapore) Pte Ltd; and (ii) 76 Shares held by American Converters Industries Pte Ltd. He is also deemed to have interest in the 200,984,174 Shares held by his spouse, Mdm Leong.
- (4) Mdm Leong's deemed interest arose through (i) 5 Shares held by Ultraline Technology (Singapore) Pte Ltd; and (ii) 76 Shares held by American Converters Industries Pte Ltd. She is also deemed to have interest in the 460,932,468 Shares held by her spouse, Mr Lim.
- (5) Mr Lim's deemed interest arose through (i) 5 Shares held by Ultraline Technology (Singapore) Pte Ltd; and (ii) 76 Shares held by American Converters Industries Pte Ltd. He is also deemed to have interest in the 319,387,674 Shares held by his spouse, Mdm Leong.
- (6) Mdm Leong's deemed interest arose through (i) 5 Shares held by Ultraline Technology (Singapore) Pte Ltd; and (ii) 76 Shares held by American Converters Industries Pte Ltd. She is also deemed to have interest in the 823,590,968 Shares held by her spouse, Mr Lim.

As at the date of this announcement, Mr Lim, 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), Sophia Lin Meijuan (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 Capitalisation 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 DEBT CAPITALISATION AND ISSUANCE OF CONVERSION SHARES AS AN INTERESTED PERSON TRANSACTIONS

7.1 Interested Persons under Chapter 9 of the Catalist Rules

Mr Lim is the Executive Chairman, CEO and Group Managing Director of the Group and a substantial shareholder of the Company holding 661,916,723 Shares (inclusive of both direct and deemed interests) as at the date of this announcement. Mdm Leong is a substantial shareholder of the Company, holding 661,916,723 Shares (inclusive of both direct and deemed interests) as at the date of this announcement. Mdm Leong is also the spouse of Mr Lim. Mr Ng is an Executive Director and CFO of the Company holding 16,227,586 Shares as 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 Capitalisation constitute interested persons transactions (“**IPTs**”).

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, ACI Salaries, AM NGV Salaries and Cash Benefit 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 Catalist Rules

Under Chapter 9 of the Catalist 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 2019 (“**FY2019**”), the NTA of the Group is approximately S\$1.89 million.

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

As the Company intends to repay Mr 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 Mr Lim) is the aggregate amount of S\$322,000, representing approximately 17.06% of the NTA of the Group for FY2019. As such, Shareholders' approval is required for the proposed issue of Conversion Shares to Mr Lim pursuant to Rule 906(1)(a) of the Catalist Rules.

7.4 Total interested person transactions

For the current financial year, the Group had paid rental expenses amounting to S\$58,400 to ACI Technology (S) Pte Ltd (“**ACI Technology**”) pursuant to:

- (i) a lease agreement entered into between the Company and ACI Technology for the lease of office premise; and

- (ii) a lease agreement entered into between ACI Industries and ACI Technology for the lease of factory space.

ACI Technology is jointly owned by Mr Lim and Mdm Leong.

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 DEBT CAPITALISATION AND ISSUE OF THE CONVERSION SHARES

The pro forma financial effects of the Proposed Debt Capitalisation on the Company are set out below based on the unaudited financial statements of the Company as at 30 June 2020. 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 Capitalisation.**

8.1 Capital

As at the date of this announcement, the existing share capital of the Company is S\$45,654,000 comprising 1,065,182,795 Shares. Upon completion of the Proposed Debt Capitalisation, the issued and paid-up share capital of the Company will be increased to S\$46,640,000, comprising 1,558,244,795 Shares.

8.2 Profit per Share

	Before Proposed Debt Capitalisation	After Proposed Debt Capitalisation
Profit after tax attributable to Shareholders (S\$'000)	22	22
Profit per Share attributable to Shareholders (Singapore cents)	0.002	0.001

8.3 Net tangible assets

	Before Proposed Debt Capitalisation	After Proposed Debt Capitalisation
NTA attributable to Shareholders (S\$'000)	1,733	2,719
Number of issued Shares	1,065,182,795	1,558,244,795
NTA attributable to Shareholders per Share (Singapore cents)	0.16	0.17

8.4 Gearing

	Before Proposed Debt Capitalisation	After Proposed Debt Capitalisation
Total borrowings (S\$'000)	431	109
Total Equity (S\$'000)	1,733	2,719
Gearing ratio (times)	0.25	0.04

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	460,932,468	43.27	200,984,255 ⁽¹⁾	18.87	661,916,723	62.14
Ng Chee Wee	16,227,586	1.52	-	-	16,227,586	1.52
Chue Wai Tat	-	-	-	-	-	-
Cheah Wee Teong	-	-	-	-	-	-
Lee Teck Meng Stanley	-	-	300,000 ⁽²⁾	0.03	300,000	0.03
Substantial Shareholders (other than Directors)						
Leong Lai Heng	200,984,174	18.87	460,932,549 ⁽³⁾	43.27	661,916,723	62.14

Notes:

- (1) Mr Lim's deemed interest arose through (i) 5 Shares held by Ultraline Technology (Singapore) Pte Ltd; and (ii) 76 Shares held by American Converters Industries Pte Ltd. He is also deemed to have interest in the 200,984,174 Shares held by his spouse, Mdm Leong.
- (2) Lee Teck Meng Stanley deemed interest arose through Shares held by Maybank Kim Eng Securities Pte Ltd.
- (3) Mdm Leong's deemed interest arose through (i) 5 Shares held by Ultraline Technology (Singapore) Pte Ltd; and (ii) 76 Shares held by American Converters Industries Pte Ltd. She is also deemed to have interest in the 460,932,468 Shares held by her spouse, Mr 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 Debt Capitalisation Agreement, the rationale for 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 Debt Capitalisation Agreement 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 Capitalisation 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 Capitalisation and the proposed issue of the Conversion Shares will be circulated 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 Capitalisation;
- (b) The issue of 362,658,500 Conversion Shares to Mr Lim (and/or his nominees);
- (c) The issue of 118,403,500 Conversion Shares to Mdm Leong (and/or her nominees); and
- (d) The issue of 12,000,000 Conversion Shares to Mr Ng (and/or his nominees),

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

13. ABSTENTIONS FROM VOTING

Mr Lim, Mdm Leong, 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.

Mr Ng and his associates will abstain from voting on the ordinary resolutions relating to (a) and (d) 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 Debt Capitalisation Agreement 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 Debt Capitalisation Agreement and the Proposed Debt Capitalisation, 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

Toh Li Ping, Angela
Company Secretary
Singapore
24 August 2020

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.

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