



ASIAN MICRO HOLDINGS LIMITED

COMPANY REGISTRATION NO: 199701052K

THE PROPOSED CONVERSION OF THE OUTSTANDING DEBTS AMOUNTING TO S\$1,297,407 OWING TO CERTAIN CREDITORS OF THE COMPANY (COMPRISING DIRECTORS AND THEIR ASSOCIATES) INTO 44,738,172 NEW ORDINARY SHARES IN THE CAPITAL OF THE COMPANY AT THE ISSUE PRICE OF S\$0.029 FOR EACH NEW ORDINARY SHARE

1. INTRODUCTION

The Board of Directors (“**Directors**”) of the Company wishes to announce that the Company has on 26 August 2013 entered into a conditional settlement agreement (“**Settlement Agreement**”) with certain creditors (comprising certain Directors and associates of Directors, further details of which are provided under Paragraph 3.1 of this Announcement) (the “**Creditors**”, and each a “**Creditor**”), pursuant to which the Company will allot and issue 44,738,172 new ordinary shares in the share capital of the Company (“**Settlement Shares**”) to the Creditors as full and final settlement of an aggregate debt for an amount of S\$1,297,407 (“**Aggregate Debt**”) due and owing by the Company to the Creditors, at an issue price of S\$0.029 (“**Issue Price**”) for each Settlement Share (“**Proposed Debt Conversion**”).

The details of the Aggregate Debt are set forth in Appendix I of this Announcement.

2. SALIENT TERMS OF THE SETTLEMENT AGREEMENT

2.1 **Issue Price.** The Issue Price of S\$0.029 represents a 10% discount to the volume weighted average price of the shares of the Company (“**Shares**”) for trades done on the SGX-ST on 26 August 2013, being the day on which the Settlement Agreement was signed. The Issue Price was agreed upon between the Company and the Creditors based on arm’s length negotiations and taking into consideration the financial performance and condition, and cash flow generation abilities of the Company and its subsidiaries (“**Group**”), as well as the desire of the Group to alleviate its debt burden.

2.2 **Allotment and Issuance of Settlement Shares.** The Aggregate Debt shall be repaid by the Company to the Creditors by allotment and issuance of Settlement Shares at the Issue Price in such number and proportion as stipulated against its/his/her name in the table below:

Creditor	Amount of Aggregate Debt (S\$)	Number of Settlement Shares to be issued
Mr. Lim Kee Liew @ Victor Lim (“ Mr. Victor Lim ”)	202,523	6,983,552
Ms. Leong Lai Heng, Stella (“ Ms. Stella Leong ”)	375,997	12,965,414
Mr. Lin XiangLong Winchester (“ Mr. Winchester Lin ”)	231,637	7,987,483

Creditor	Amount of Aggregate Debt (S\$)	Number of Settlement Shares to be issued
Mr. Ng Chee Wee	140,000	4,827,586
Ultraline Technology (Singapore) Pte. Ltd. (" Ultraline Singapore ")	297,250	10,250,000
American Converters Industries Pte. Ltd. (" American Converters ")	50,000	1,724,137
Total	<u>1,297,407</u>	<u>44,738,172</u>

2.3 **Ranking of Settlement Shares.** Each Settlement Share shall be credited as fully paid up on allotment, and shall rank *pari passu* in all respects with the Shares then in issue except that they shall not rank for any entitlements, dividends, rights, allotments or other distributions (if any), the record date in respect of which falls on or prior to the date of issue of the Settlement Shares.

2.4 **Conditions Precedent.** The Proposed Debt Conversion is conditional upon the satisfaction of, *inter alia*, the following key conditions ("**Conditions Precedent**"):

- (a) the approval of the shareholders of the Company in respect of the Proposed Debt Conversion being obtained at the extraordinary general meeting ("**EGM**") to be convened by the Company ("**Shareholders' Approval**");
- (b) the Company receiving from the SGX-ST its approval for the listing and quotation notice in relation to the listing of and quotation for the Settlement Shares on the Catalist of the SGX-ST ("**SGX-ST's Approval**") and, to the extent that any conditions for listing of and quotation for the Settlement Shares on the SGX-ST are required to be fulfilled on or before the completion of the Proposed Debt Conversion, they are so fulfilled; and
- (c) the representations and warranties provided by the Company and each of the Creditors respectively under the Settlement Agreement remaining true and accurate as of the date of the Settlement Agreement and as at the Repayment Date (as defined below).

An application for the SGX-ST's Approval will be submitted by the Company in due course.

2.5 **Repayment Date.** Subject to the fulfilment of the Conditions Precedent, the Aggregate Debt shall be repayable by Company to the Creditors in full by way of Proposed Debt Conversion within three (3) Market Days from the date on which the last Condition Precedent is satisfied ("**Repayment Date**"), or such other date as the Parties may mutually agree.

3. INTERESTED PERSON TRANSACTION

3.1 Interested Person.

- (a) Mr. Victor Lim is a Director of the Company. Mr. Victor Lim and Ms. Stella Leong are spouses, and they are both Controlling Shareholders of the Company. As of the date of this Announcement, Mr. Victor Lim and Ms. Stella Leong have an aggregate shareholding interest (direct and indirect) of 49.52% and 49.52% in the existing share capital of the Company, respectively. Mr. Winchester Lin and Mr. Ng Chee Wee are Directors of the Company. Mr. Winchester Lin is also the son of Mr. Victor Lim and Ms. Stella Leong.
- (b) Each of Mr. Victor Lim and Ms. Stella Leong owns 50% respectively in the entire issued and paid up capital of Ultraline Singapore and American Converters.

3.2 Approval for Interested Person Transaction

Each of the Creditors are interested persons under Chapter 9 of the Catalist Rule (each an “Interested Person” and collectively, “Interested Persons”). Accordingly, the Proposed Debt Conversion in connection with the Aggregate Debt owing to the Interested Persons is an interested person transaction under Chapter 9 of the Catalist Rules. In view of the net liability position of the Company for the financial year ended 30 June 2013, the Company would be required to obtain the approval of its shareholders for any interested person transaction that the Company may enter into, regardless of the value of such transaction.

3.3 Current Total Value of Transactions with Interested Persons.

- (a) Current total value of interested person transactions (“IPTs”) with Mr. Victor Lim, Ms. Stella Leong and their associates comprising Mr. Winchester Lin, Ultraline Singapore, and American Converters) (“Controlling Shareholders Associates”)

The current total value of IPTs entered into by the Company and its entities at risk (as defined under Chapter 9 of the Catalist Rules) with Mr. Victor Lim, Ms. Stella Leong and Controlling Shareholders’ Associates (excluding any transactions which are less than S\$100,000 in value) for the current financial year up to the date of this Announcement (including the Proposed Debt Conversion) is approximately S\$1,157,400.

- (b) Current total value of IPTs with Mr. Ng Chee Wee

Save as disclosed in this Announcement in relation to the Proposed Debt Conversion, the Company and its entity at risk have not entered into any IPTs with Mr. Ng Chee Wee for the current financial year.

- 3.4 **Current Total Value of All Interested Person Transactions.** The current total value of all interested person transactions entered into by the Company and its entities at risk (as defined in Chapter 9 of the Catalist Rules) for the current financial year up to the date of this Announcement is approximately S\$1,500,000 (including the Proposed Debt Conversion).

4. ISSUANCE OF SHARES TO DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

- 4.1 Rules in relation to issuance of shares to Directors and Substantial Shareholders.** Rule 804 of the Catalist Rules provides that except in the case of an issue to shareholders made on a pro-rata basis, no directors or associate of a director may participate in an issue of equity securities unless shareholders have approved such specific allotment. Rules 812(1) and (2) of the Catalist Rules provides that an issue must not be placed to, *inter alia*, the issuer's directors and substantial shareholders, the immediate family members of the directors and substantial shareholders, and corporations in whose shares the issuer's directors and substantial shareholders have an aggregate interest of at least 10%, unless specific shareholders' approval is obtained for such placement and the directors and substantial shareholders abstain from voting on the resolution approving the placement.
- 4.2 Approval for issuance of shares to Directors and Substantial Shareholders.** As each of the Creditors is a person falling within the restrictions of Rule 812(1) of the Catalist Rules, shareholders' approval for the Proposed Debt Conversion would also be required under Rules 804, 812(1) and 812(2) of the Catalist Rules.

5. RATIONALE

The Proposed Debt Conversion is to facilitate the settlement of the Aggregate Debt through the conversion of debt to equity. The issuance of the Settlement Shares to the Creditors will effect a full and final settlement of all the Company's obligations on the Aggregate Debt. This will significantly reduce the immediate debt burden of the Group without adversely affecting its operating cash flow. Further, this will significantly strengthen the Group's balance sheet and improve its gearing ratio.

6. FINANCIAL EFFECTS OF THE PROPOSED DEBT CONVERSION

The financial effects of the Proposed Debt Conversion as set out below are strictly for illustrative purposes and are not indicative of the actual financial position and results of the Group following the Proposed Debt Conversion. The analysis below has been prepared solely for illustrative purposes and does not purport to be indicative or a projection of the results and financial position of the Company and the Group after completion of the Proposed Debt Conversion.

6.1 Share Capital

As at the date of this Announcement, the issued and paid-up ordinary capital of the Company is approximately S\$40,189,308 comprising 541,144,889 Shares. Upon completion of the Proposed Debt Conversion and the allotment and issuance of the Settlement Shares, the Company will have an enlarged issued share capital of approximately S\$41,486,715 comprising 585,883,061 Shares. The Settlement Shares, when issued, will represent approximately 8.27% of the issued share capital of the Company as at the date of this Announcement and would represent approximately 7.64% of the enlarged issued share capital of the Company after completion of the Proposed Debt Conversion.

6.2 Net Tangible Liabilities (“NTL”)

	Before Proposed Debt Conversion	After Proposed Debt Conversion
NTL attributable to shareholders (S\$'000)	(231)	(231)
NTL attributable to shareholders per Share (S\$ cent)	(0.043)	(0.040)

Note: Based on the assumption that the Proposed Debt Conversion is completed as at the end of the financial year ended 30 June 2013 (“FY2013”) and disregard any interest, revenue and/or return that may arise from the conversion.

6.3 Earnings per Shares (“EPS”)

	Before Proposed Debt Conversion	After Proposed Debt Conversion
Loss after tax attributable to shareholders (S\$'000)	(1,031)	(1,031)
Loss per Share attributable to shareholders (S\$ cents)	(0.21)	(0.19)

Note: Based on the assumption that the Proposed Debt Conversion is completed as at the beginning of FY2013 and disregard any interest, revenue and/or return that may arise from the conversion.

6.4 Gearing

	Before Proposed Debt Conversion	After Proposed Debt Conversion
Total Debts (S\$'000)	1,854	557
Total Deficit (S\$'000)	(231)	1,066
Gearing Ratio (times)	(8.03)	0.52

Note: Based on the assumption that the Proposed Debt Conversion is completed as at the end of the FY2013 and disregard any interest, revenue and/or return that may arise from the conversion.

7. INTEREST OF THE DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

The interest of Directors and Substantial Shareholders, direct or indirect, in the Shares as recorded in the Register of Directors’ Shareholding and the Register of Substantial Shareholders of the Company respectively as at the date of this Announcement are set out below:-

Directors and Substantial Shareholders	Direct interest		Indirect Interest	
	No. of Shares	(%)	No. of Shares	(%)
Directors				
Mr. Victor Lim	140,741,217	26.01	127,218,304 ⁽¹⁾⁽³⁾	23.51
Mr. Ng Chee Wee	3,200,000	0.59	-	-
Mr. Winchester Lin	13,550,000	2.50	-	-
Mr. Teo Kio Choon @ Chang Chiaw Choon	2,000,000	0.37	-	-
Mr. Chue Wai Tat	-	-	-	-
Substantial Shareholders (Other than Directors)				
Ms. Stella Leong	120,646,760	22.29	147,312,761 ⁽²⁾⁽³⁾	27.23

Notes:

- (1) Mr. Victor Lim's deemed interest arose through (i) 496,000 Shares held by DBS Nominees (Private) Limited; (ii) 1,449,105 Shares held by Ultraline Singapore; and (iii) 3,866,439 Shares held by American Converters. He is also deemed interested in the 121,406,760 Shares held by his spouse, Ms. Stella Leong.
- (2) Ms. Stella Leong's deemed interest arose through (i) 760,000 held by United Overseas Bank Nominees (Private) Limited; (ii) 1,449,105 Shares held by Ultraline Singapore; and (iii) 3,866,439 Shares held by American Converters. She is also deemed interested in the 141,237,217 Shares held by her spouse, Mr. Victor Lim.
- (3) Mr. Victor Lim and Ms. Stella Leong each owns 50% of the entire issued and paid-up share capital of Ultraline Singapore and American Converters.

Save as disclosed above, none of the Directors (other than in his capacity as Director or Shareholder of the Company) or Substantial Shareholders of the Company has any interest, direct or indirect, in the Company.

8. AUDIT COMMITTEE STATEMENT AND INDEPENDENT FINANCIAL ADVISER

8.1 Audit Committee Statement. The Audit Committee of the Company (excluding Mr. Victor Lim who is interested in the Propose Debt Conversion), after taking into consideration the rationale and the benefit for the Proposed Debt Conversion, is of the opinion that the Proposed Debt Conversion are on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders.

8.2 Independent Financial Advisor. Based on Rule 921(4)(b)(i) of the Catalist Rules and the views of the Audit Committee of the Company as provided under Paragraph 4.1 above, the Company is not required to appoint an independent financial adviser to advise the independent Directors as to whether the Proposed Debt Conversion is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders.

9. ABSENTATIONS FROM VOTING

Mr. Victor Lim, Ms. Stella Leong, Mr. Ng Chee Wee, Mr. Winchester Lin and each of their respective associates will abstain from voting on the Proposed Debt Conversion at the EGM. They will also not accept nominations to act as proxy, corporate representative or attorney, unless the shareholder(s) appointing them indicate clearly how votes are to be cast in respect of such resolution.

Each of Mr. Victor Lim and Ms. Stella Leong has also undertaken to ensure that his/her associates will abstain from voting at the EGM.

10. CIRCULAR

The Company will be seeking Shareholders' approval for the Proposed Debt Conversion at an EGM to be convened on a date to be announced. A circular to the shareholders containing, *inter alia*, information on the Settlement Agreement and Proposed Debt Conversion will be despatched to the shareholders in due course. In addition, copy of the Settlement Agreement is available for inspection at the registered office of the Company at 63 Hillview Avenue, #10-15, Lam Soon Industrial Building, Singapore 669569.

11. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors (including any Director who may have been delegated detailed supervision of the preparation of this Announcement and/or the Proposed Debt Conversion) have individually and collectively reviewed and approved the issue of this Announcement, and have taken all reasonable care to ensure that the facts stated expressed in this Announcement are fair and accurate in all material aspects and that no material facts have been omitted from this Announcement which would make any statement in this Announcement misleading, and they jointly and severally accept responsibility accordingly.

For and on behalf of the Board

Lim Kee Liew @ Victor Lim
Group Managing Director

Date: 26 August 2013

*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 SGX-ST. 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 SGX-ST and the SGX-ST 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 Lau Yan Wai.
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APPENDIX I
INFORMATION IN RESPECT OF THE AGGREGATE DEBT

Debt	Creditor	Aggregate Amount Due	Circumstances giving rise to the Debt
Debt 1	Mr. Lim Kee Liew @ Victor Lim (“ Mr. Victor Lim ”)	S\$202,523	<p>(i) An amount of S\$51,462, being the Director salaries due and payable by the Company to Mr. Victor Lim for the services rendered by him to the Company pursuant to the service agreement dated 25 August 2011 entered into between the Company and Mr. Victor Lim (“Victor’s Service Agreement”);</p> <p>(ii) An amount of S\$26,792, being the Directors salaries payable by the Company to Mr. Victor Lim for services rendered by him to the Company for the period commencing from the month of September 2013 to the month of December 2013 pursuant to Victor’s Service Agreement; and</p> <p>(iii) An amount of S\$124,269, being certain car benefits and entitlements payable by the Company to Mr. Victor Lim.</p>
Debt 2	Ms. Leong Lai Heng (“ Ms. Stella Leong ”)	S\$375,997	<p>(i) An amount of S\$134,629, being the salaries due and payable by the Company to Ms. Stella Leong for the services rendered by her to the subsidiaries of the Company (comprising ACI Industries Pte. Ltd. and AM NGV (S) Pte. Ltd.) (collectively, “Subsidiaries”) pursuant to the service agreement dated 25 August 2011 entered into between the Company and Ms. Stella Leong (“Stella’s Service Agreement”);</p> <p>(ii) An amount of S\$34,792, being the salaries payable by the Company to Ms. Stella Leong for the services rendered by her to the Subsidiaries pursuant to Stella’s Service Agreement for the period commencing from the month of September 2013 to the month of December 2013;</p> <p>(iii) An amount of S\$84,976, being certain car benefits and entitlements payable by the Company to Ms. Stella Leong;</p> <p>(iv) An amount of S\$25,600 (“Ultraline Thailand Rental”), being the rental payable by Asian Micro NGV Auto</p>

Debt	Creditor	Aggregate Amount Due	Circumstances giving rise to the Debt
			<p>Sales (Thailand) Co., Ltd. ("AM Auto Sales") to Ultraline Holding (Thailand) Co., Ltd. ("Ultraline Thailand") pursuant to the lease agreement dated 20 June 2012⁽¹⁾⁽²⁾; and</p> <p>(v) An amount of S\$96,000 ("AMT Rental"), being the rental payable by Asian Micro (Thailand) Co., Ltd. ("AMT") to Asian Micro Industries (Thailand) Co., Ltd. ("Asian Micro Industries") pursuant to the lease agreement dated 20 June 2012⁽³⁾⁽⁴⁾.</p>
Debt 3	Mr. Lin Xianglong Winchester (" Mr. Winchester Lin ")	S\$231,637	<p>(i) An amount of S\$63,441, being the Director salaries due and payable by the Company to Mr. Winchester Lin for the services rendered by him to the Company pursuant to the service agreement dated 25 August 2011 entered into between the Company and Mr. Winchester Lin ("Winchester's Service Agreement");</p> <p>(ii) An amount of S\$28,196, being the Director salaries payable by the Company to Mr. Winchester Lin for the services rendered by him to the Company for the period commencing from the month of September 2013 to December 2013 pursuant to the Winchester's Service Agreement; and</p> <p>(iii) An amount of S\$140,000, being certain car benefits and entitlements payable by the Company to Mr. Winchester Lin.</p>
Debt 4	Mr. Ng Chee Wee	S\$140,000	An amount of S\$140,000, being certain car benefits and entitlements payable by the Company to Mr. Ng Chee Wee.
Debt 5	Ultraline Technology (Singapore) Pte. Ltd (" Ultraline Singapore ")	S\$297,250	A loan amount of S\$297,250 (" Ultraline Singapore Loan ") pursuant to a loan agreement between Ultraline Singapore (as lender) and AM Auto Sales (as borrower) dated 11 April 2013 ⁽⁵⁾⁽⁷⁾ .
Debt 6	American Converters Industries Pte. Ltd. (" American ")	S\$50,000	Loan for an amount of S\$50,000 (" AM Converter Loan ") pursuant to a loan agreement between American Converters (as lender) and AM Auto Sales (as borrower)

Debt	Creditor	Aggregate Amount Due	Circumstances giving rise to the Debt
	Converters")		dated 20 August 2011 ⁽⁶⁾⁽⁷⁾ .

Notes:

- (1) The responsibilities, obligations and liabilities of AM Auto Sales in relation to the Ultraline Thailand Rental have been novated, conveyed, transferred to the Company absolutely and entirely pursuant to the novation agreement dated 26 August 2013 between the Company, Ultraline Thailand and AM Auto Sales.
- (2) The rights, interests, benefits, advantages and remedies in relation to the Ultraline Thailand Rental have been assigned by Ultraline Thailand to Ms. Stella Leong pursuant to the deed of assignment dated 26 August 2013 between Ultraline Thailand and Ms. Stella Leong.
- (3) The responsibilities, obligations and liabilities of AMT in relation to the AMT Rental have been novated, conveyed, transferred to the Company absolutely and entirely pursuant to the novation agreement dated 26 August 2013 between the Company, AMT and Asian Micro Industries.
- (4) The rights, interests, benefits, advantages and remedies in relation to the AMT Rental have been assigned by Asian Micro Industries to Ms. Stella Leong pursuant to the deed of assignment dated 26 August 2013 between Asian Micro Industries and Ms. Stella Leong.
- (5) The responsibilities, obligations and liabilities of AM Auto Sales in relation to the Ultraline Singapore Loan have been novated, conveyed, transferred to the Company absolutely and entirely pursuant to the novation agreement dated 26 August 2013 between the Company, Ultraline Singapore and AM Auto Sales.
- (6) The responsibilities, obligations and liabilities of AM Auto Sales in relation to AM Converter Loan have been novated, conveyed, transferred to the Company absolutely and entirely pursuant to the novation agreement dated 26 August 2013 between the Company, American Converters and AM Auto Sales.
- (7) Each of AM Auto Sales and AMT is a wholly-owned subsidiary of the Company.