



AVI-TECH ELECTRONICS LIMITED

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Dear Stakeholders

We refer to the Company's announcement dated 18 February 2020 in respect of the proposed corporate restructuring of Avi-Tech Electronics Limited.

We have explained the rationale for the proposed restructuring exercise in the announcement under paragraph 5 of the recent announcement, which is also extracted here below: -

"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)."

Nonetheless, we have received some shareholders' enquiries regarding the rationale for the proposed restructuring exercise and would take this opportunity to simplify our thoughts in the attached appendix to illustrate some of our points.