



Avi-Tech Electronics Limited

Rationale for Proposed Restructuring

Partnering you to excellence

Legal Ring Fencing of Assets

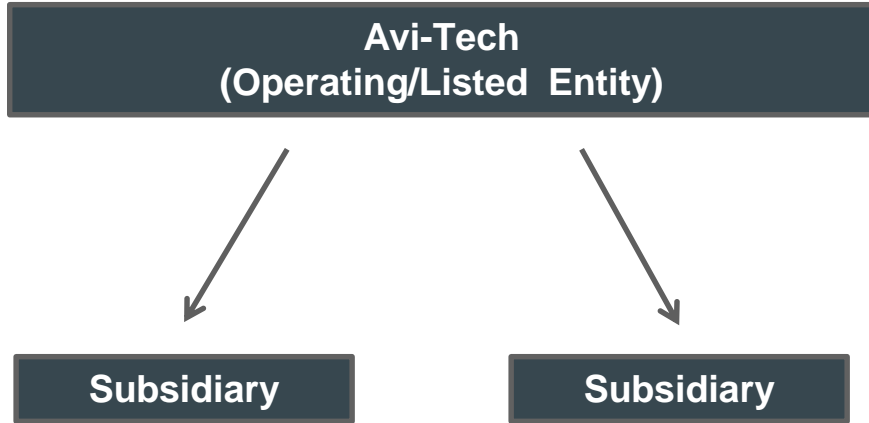


- Current listed entity is an operating entity with active business operations and thus, is subject to operational and claim risks exposure that may put the listed entity's assets (including its subsidiaries and cash) at risk.
- With the Restructuring exercise:
 - assets comprising excess cash in the current listed entity can be held by the New Holding Company (New Listed Holdco Entity), thereby ring fencing the cash from risks exposure, etc
 - new potential business, if acquired, can be ring fenced into a subsidiary of the New Listed Holdco Entity and can then be operated independently without undue concern of exposure of risks to the New Listed Holdco Entity

Legal Ring Fencing of Assets

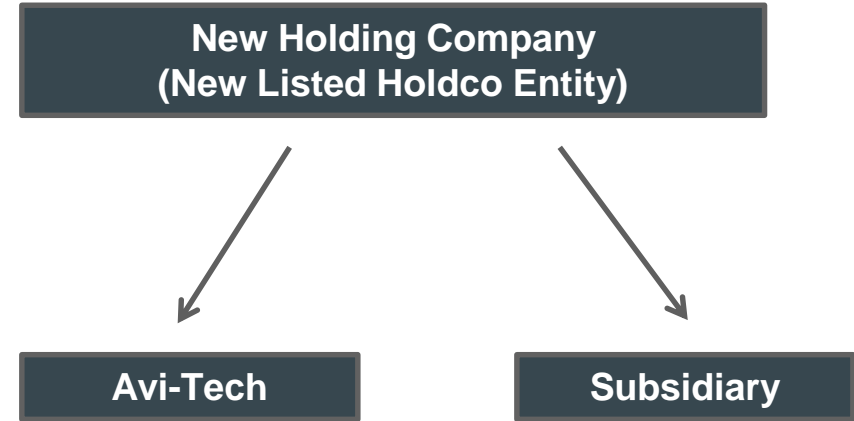


EXISTING STRUCTURE



- Current Group and subsidiaries face direct exposure to Avi-Tech's electronics business operational and claims risks

PROPOSED STRUCTURE

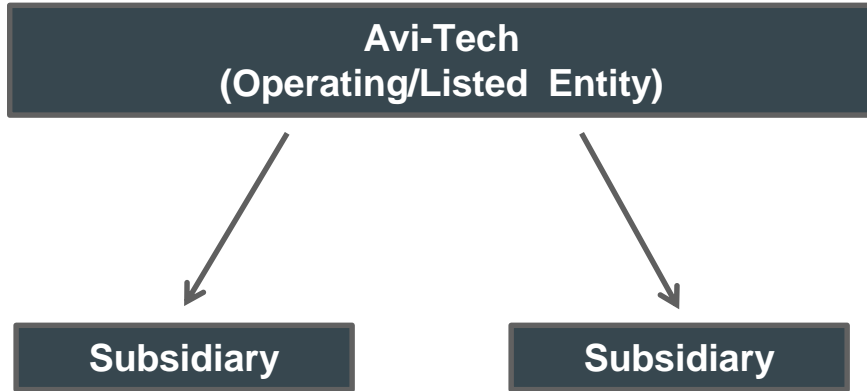


- Group and subsidiaries can continue to function independently and negative outcome/exposure from Avi-Tech's electronics business will have no direct impact on them
- Excess cash may be held by the New Listed HoldCo Entity

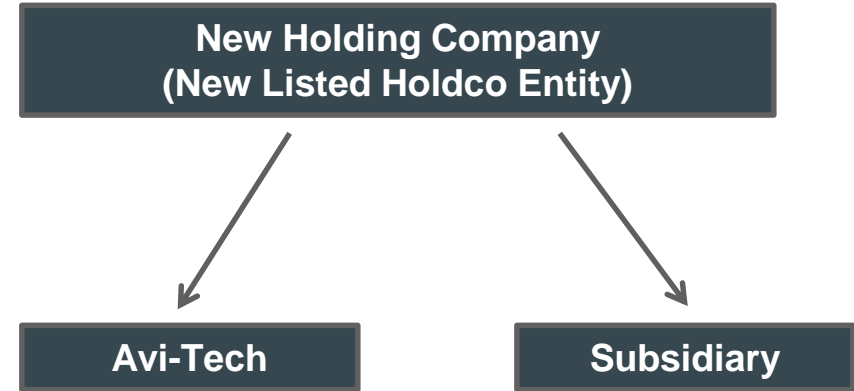
Going Concern Entity



EXISTING STRUCTURE



PROPOSED STRUCTURE



Scenarios: If the current electronic business becomes a non-core business and the Board intends to divest or sell part of the ownership of the business, subject to full compliance with requirements of the Listing Manual and shareholders' approval if required.

- Selling the electronic business means selling it together with the listed entity
- Alternatively, selling the assets of the business may involve significantly tedious process
- Selling the electronic business and still keep the listed entity and remaining other business units/subsidiaries intact
- Selling the electronic business (Avi-Tech) via selling of shares is easier and more cost efficient

Going Concern Entity



- The Group operates with a long term view as a going concern entity. The Group must always be prepared for challenging market conditions due to volatility in the global economy. Thus, as a going concern entity, the Group will need to explore areas and opportunities for growth to achieve sustainable growth over the long term.
- As a going concern entity, we must be able to transform with time. On that note, any business growth will peak and decline at a point in time and we must be able to have the option to divest when we deem that business has reached its peak. Thus, any business which may be deemed as our core business now, may not be our core business in the future.
- We would like to stress that the current restructuring exercise is purely a risk management and planning exercise for having more options. There are no plans currently to divest any part of our business or any companies in our Group. The Company is mindful at all times that any transactions involving acquisitions, disposals or diversification of the Group's business will be subject to the relevant Listing Rules, including Chapter 10 and Practice Note. 10.1 of the Listing Manual, and will take care to ensure compliance with the relevant Listing Rules and seek shareholders' approval when required.