

12 OCTOBER 2011

This Appendix ("**Appendix**") is circulated to the shareholders (the "**Shareholders**") of Avi-Tech Electronics Limited (the "**Company**") together with the Company's annual report ("**Annual Report**").

The purpose of this Appendix is to provide Shareholders with information relating to, and to seek their approval for, the proposed Renewal of the Share Buyback Mandate to be tabled at the forthcoming Annual General Meeting ("**AGM**") of the Company to be held on 27 October 2011 at 11:00 a.m. at 19A Serangoon North Avenue 5, 6th floor, Singapore 554859.

The Notice of AGM and Proxy Form are enclosed with the Annual Report. The Singapore Exchange Securities Trading Limited assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Appendix.



AVI-TECH ELECTRONICS LIMITED

(Company registration no. 198105976H)
(Incorporated in the Republic of Singapore)

APPENDIX

in relation to

THE PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE

DEFINITIONS

In this Appendix, the following definitions apply throughout unless the context otherwise requires:

“Act” or “Companies Act”	:	The Companies Act, Chapter 50, of Singapore as amended, supplemented or modified from time to time
“AGM”	:	The annual general meeting of the Company
“Board”	:	The board of Directors of the Company
“CDP”	:	Central Depository (Pte) Limited
“Company”	:	Avi-Tech Electronics Limited
“Directors”	:	The directors of the Company for the time being
“Group”	:	The Company and its subsidiaries
“Latest Practicable Date”	:	3 October 2011, being the latest practicable date prior to the printing of this Appendix
“Listing Manual”	:	The Listing Manual of the SGX-ST as amended, supplemented or modified from time to time
“Market Day”	:	A day on which the SGX-ST is open for trading in securities
“SGX-ST”	:	Singapore Exchange Securities Trading Limited
“Shareholders”	:	The registered holders of the Shares except that, where the registered holder is CDP, “Shareholders” shall, in relation to such Shares, mean the persons to whose direct securities accounts maintained with CDP are credited with the relevant Shares
“Share Buyback Mandate”	:	The mandate to enable the Company to purchase or otherwise acquire its issued Shares
“Shares”	:	The ordinary shares of the Company
“Take-over Code”	:	The Singapore Code on Take-overs and Mergers
“S\$” and “\$”	:	Singapore dollars
“%” or “per cent.”	:	per centum or percentage

The terms, “subsidiary” and “subsidiaries”, shall have the meanings ascribed to them in the Act. The term, “associated companies” of a corporation shall mean companies/corporations in which such corporation has between 20% and 50% (both inclusive) equity interest or control.

Words importing the singular shall, where applicable, include the plural and vice versa. Words importing the masculine shall, where applicable, include the feminine and neuter genders. References to persons shall include corporations.

Any reference in this Appendix to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Act or any statutory modification thereof and used in this Appendix shall, where applicable, have the same meaning assigned to it under the Act or any statutory modification thereof, as the case may be. Any reference to a time of day in this Appendix shall be a reference to Singapore time unless otherwise stated.

Any discrepancies in figures included in this Appendix between the amounts listed and the totals thereof are due to rounding. Accordingly, the figures shown as totals in this Appendix may not be the arithmetic aggregation of the figures that precede them.

AVI-TECH ELECTRONICS LIMITED

(Company registration no.: 198105976H)
(Incorporated in the Republic of Singapore)

Directors

Khor Thiam Beng (Non-Executive Chairman)
Lim Eng Hong (Chief Executive Officer)
Wilfred Teo Chu Khiong (Chief Financial Officer)
Goh Chung Meng (Independent Director)
Michael Grenville Gray (Independent Director)

Registered Office

19A Serangoon North
Avenue 5
Singapore 554859

12 October 2011

To: The Shareholders of Avi-Tech Electronics Limited

Dear Sir / Madam

PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE

1. INTRODUCTION

The Directors of the Company propose to table the adoption of the proposed renewal of the Share Buyback Mandate at the forthcoming AGM of the Company to be held on 27 October 2011 at 11:00 a.m. at 19A Serangoon North Avenue 5, 6th floor, Singapore 554859.

The purpose of this Appendix, which is circulated together with the Company's Annual Report, is to provide Shareholders with information relating to, and to seek their approval for, the proposed renewal of the Share Buyback Mandate.

The Share Buyback Mandate was originally approved by Shareholders at the Company's Annual General Meeting held on 29 October 2008. It was renewed at the Company's Annual General Meeting held on 29 October 2010 (the "2010 AGM") and will expire on the date of the forthcoming AGM to be held on 27 October 2011. If the proposed resolution for the renewal of the Share Buyback Mandate is approved at the AGM, the mandate shall, unless revoked or varied by the Company in general meeting, continue in force until the date on which the next AGM of the Company is held or is required by law to be held, whichever is the earlier.

2. RATIONALE

The approval of the proposed renewal of the Share Buyback Mandate will give the Company flexibility to undertake purchases or acquisitions of its own Shares subject to the terms and limits described in section 3 of this Appendix.

The Directors constantly seek to increase Shareholders' value and to improve, *inter alia*, the return on equity of the Group. A share buyback at the appropriate price level is one of the ways through which the return on equity of the Group may be enhanced.

Share buybacks provide the Company with a mechanism to facilitate the return of surplus cash over and above its ordinary capital requirements in an expedient, effective and cost efficient manner. It will also provide the Directors with greater flexibility over the Company's share capital structure with a view to enhancing the earnings and/or net tangible asset value per Share. The Directors further believe that share buybacks by the Company will help mitigate short term market volatility, offset the effects of short-term speculation and bolster Shareholder confidence.

If and when circumstances permit, the Directors will decide whether to effect the share purchases via market purchases or off-market purchases, after taking into account the amount of surplus cash available, the prevailing market conditions and the most cost-effective and efficient approach.

3. TERMS OF THE MANDATE

The authority and limitations placed on purchases and acquisition of Shares by the Company under the Share Buyback Mandate are summarised below:

3.1 Maximum number of Shares

Only Shares which are issued and fully paid-up may be purchased or acquired by the Company.

The total number of Shares that may be purchased or acquired by the Company pursuant to the Share Buyback Mandate is limited to that number of Shares representing not more than ten per cent. (10%) of the issued ordinary share capital of the Company as at the date of the approval of the Share Buyback Mandate (the “**Approval Date**”). Any Shares which are held as treasury shares will be disregarded for the purposes of computing the ten per cent. (10%) limit.

For illustrative purposes only, on the basis of 344,240,096 Shares (excluding treasury shares) in issue as at the Latest Practicable Date and assuming no further Shares are issued and no Shares are held by the Company as treasury shares on or prior to the Approval Date, the purchase by the Company of up to the maximum limit of ten per cent. (10%) of its issued Shares will result in the purchase of approximately 34,424,009 Shares.

3.2 Duration of authority

Purchases or acquisitions of Shares may be made, at any time and from time to time, on and from the Approval Date, up to the earlier of:

- (a) the date on which the next AGM is held or required by law to be held;
- (b) the date on which the share buybacks are carried out to the full extent mandated; or
- (c) the date on which the authority contained in the Share Buyback Mandate is varied or revoked.

3.3 Manner of purchase or acquisition

Purchases or acquisitions of Shares may be made by way of, *inter alia*:

- (a) on-market purchases (“**Market Purchase**”), transacted on the SGX-ST through the ready market or, as the case may be, any other stock exchange on which the Shares may for the time being be listed and quoted, through one or more duly licensed stockbrokers appointed by the Company for the purpose; and/or
- (b) off-market purchases (“**Off-Market Purchase**”), otherwise than on a securities exchange, in accordance with an equal access scheme(s) as may be determined or formulated by the Directors as they may consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act and the Listing Manual.

Under the Companies Act, an equal access scheme must satisfy all of the following conditions:

- (a) offers for the purchase or acquisition of issued Shares shall be made to every person who holds issued Shares to purchase or acquire the same percentage of their issued Shares;

- (b) all of those persons shall be given a reasonable opportunity to accept the offers made; and
- (c) the terms of all the offers are the same, except that there shall be disregarded:
 - (i) differences in consideration attributable to the fact that offers may relate to Shares with different accrued dividend entitlements;
 - (ii) differences in consideration attributable to the fact that offers relate to shares with different amounts remaining unpaid; and
 - (iii) differences in the offers introduced solely to ensure that each person is left with a whole number of Shares.

In addition, the Listing Manual provides that, in making an Off-Market Purchase, the Company must issue an offer document to all Shareholders which must contain at least the following information:

- (a) the terms and conditions of the offer;
- (b) the period and procedures for acceptances;
- (c) the reasons for the proposed share buyback;
- (d) the consequences, if any, of share buybacks by the Company that will arise under the Take-over Code or other applicable take-over rules;
- (e) whether the share buyback, if made, would have any effect on the listing of the Shares on the SGX-ST;
- (f) details of any share buyback made by the Company in the previous 12 months (whether Market Purchases or Off-Market Purchases), giving the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for the purchases, where relevant, and the total consideration paid for the purchases; and
- (g) whether the shares purchased by the Company will be cancelled or kept as treasury shares.

3.4 Maximum purchase price

The purchase price (excluding brokerage, stamp duties, applicable goods and services tax, stamp duties, clearance fees and other related expenses) to be paid for the Shares will be determined by the Directors.

However, the purchase price to be paid for the Shares as determined by the Directors must not exceed:

- (a) in the case of a Market Purchase, 105% of the Average Closing Price (as defined below) of the Shares; and
- (b) in the case of an Off-Market Purchase pursuant to an equal access scheme, 105% of the Average Closing Price (as defined below) of the Shares,

(the “**Maximum Price**”) in each case, excluding related expenses of the purchase or acquisition.

For the above purposes:

“**Average Closing Price**” means the average of the closing market prices of a Share over the last five (5) Market Days on which Shares are transacted on the SGX-ST or, as the case may be, such securities exchange on which the Shares are listed or quoted, immediately preceding the date of

the Market Purchase or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted, in accordance with the rules of the SGX-ST, for any corporate action that occurs after the relevant five (5) day period; and

“**date of the making of the offer**” means the date on which the Company makes an offer for the purchase or acquisition of Shares from Shareholders, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

4. SOURCE OF FUNDS FOR SHARE BUYBACK

The Company may only apply funds available for the purchase or acquisition of the Shares as provided for in its Articles of Association and in accordance with the applicable laws in Singapore. The Company will use internal resources and/or external borrowings to finance its purchase or acquisition of the Shares.

Where the purchase or acquisition of Shares is financed through internal resources, it will reduce the cash reserves of the Company, and thus the current assets and Shareholders' funds of the Company. This will result in an increase in the gearing ratios of the Company and a decline in the current ratios of the Company. The actual impact on the gearing and current ratios will depend on the number of Shares purchased or acquired and the prices at which the Shares are purchased or acquired.

Where the purchase or acquisition of Shares is financed through external borrowings or financing, there would be an increase in the gearing ratios of the Company and a decline in the current ratios of the Company, with the actual impact dependent on the number of Shares purchased or acquired and the prices at which the Shares are purchased or acquired.

However, the Directors do not propose to exercise the Share Buyback Mandate to such an extent as would have a material adverse effect on the working capital requirements of the Company or the gearing levels which, in the opinion of the Directors, are from time to time appropriate for the Company.

5. STATUS OF PURCHASED SHARES UNDER THE SHARE BUYBACK MANDATE

A Share purchased or acquired by the Company pursuant to the Share Buyback Mandate is deemed cancelled immediately on purchase or acquisition (and all rights and privileges attached to the Share will expire on such cancellation) unless such Share is held by the Company as a treasury share. Accordingly, the total number of issued Shares will be diminished by the number of Shares purchased or acquired by the Company and which are not held as treasury shares.

6. TREASURY SHARES

Under the Companies Act, Shares purchased or acquired by the Company may be held or dealt with as treasury shares. Some of the provisions on treasury shares under the Companies Act are summarised below:

6.1 Maximum holdings

The number of Shares held as treasury shares cannot at any time exceed ten per cent. (10%) of the total number of issued Shares.

6.2 Voting and other rights

The Company cannot exercise any right in respect of treasury shares. In particular, the Company cannot exercise any right to attend or vote at meetings and for the purposes of the Companies Act, the Company shall be treated as having no right to vote and the treasury shares shall be treated as having no voting rights.

In addition, no dividend may be paid, and no other distribution of the Company's assets may be made, to the Company in respect of treasury shares. However, the allotment of Shares as fully paid bonus Shares in respect of treasury shares is allowed. Also, a subdivision or consolidation of any treasury share into treasury shares of a smaller amount is allowed so long as the total value of the treasury shares after the subdivision or consolidation is the same as before.

6.3 Disposal and cancellation

Where Shares are held as treasury shares, the Company may at any time:

- (a) sell the treasury shares for cash;
- (b) transfer the treasury shares for the purposes of or pursuant to an employee's share scheme;
- (c) transfer the treasury shares as consideration for the acquisition of shares in or assets of another company or assets of a person;
- (d) cancel the treasury shares; or
- (e) sell, transfer or otherwise use the treasury shares for such other purposes as may be prescribed by the Minister for Finance.

Under the Listing Manual, an immediate announcement must be made of any sale, transfer, cancellation and/or use of treasury shares. Such announcement must include details such as the date of the sale, transfer, cancellation and/or use of such treasury shares, the purpose of such sale, transfer, cancellation and/or use of such treasury shares, the number of treasury shares which have been sold, transferred, cancelled and/or used, the number of treasury shares before and after such sale, transfer, cancellation and/or use, the percentage of the number of treasury shares against the total number of issued shares (of the same class as the treasury shares) which are listed on the SGX-ST before and after such sale, transfer, cancellation and/or use, and the value of the treasury shares if they are used for a sale or transfer, or cancelled.

7. FINANCIAL EFFECTS OF THE SHARE BUYBACK MANDATE

The financial effects on the Company and the Group arising from purchases or acquisition of Shares which may be made pursuant to the Share Buyback Mandate will depend on, *inter alia*, whether the Shares are purchased or acquired out of capital and/or retained profits of the Company, the number of Shares purchased or acquired, the consideration paid for such Shares and whether the Shares purchased or acquired are held as treasury shares or cancelled.

7.1 Purchase or acquisition out of capital or profits

Under the Companies Act, purchases or acquisitions of Shares by the Company may be made out of the Company's capital and/or retained profits so long as the Company is solvent.

Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of capital, such consideration (excluding brokerage, commission, applicable goods and services tax and other related expenses) will not affect the amount available for the distribution of cash dividends by the Company.

Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of retained profits, such consideration (excluding related brokerage, goods and services tax, stamp duties and clearance fees) will correspondingly reduce the amount available for the distribution of cash dividends by the Company.

7.2 Number of Shares acquired or purchased

Purely for illustrative purposes, on the basis of 344,240,096 Shares (excluding treasury shares) in issue as at the Latest Practicable Date and assuming no further Shares are issued on or prior to the AGM, the purchase by the Company of up to the maximum limit of ten per cent. (10%) of its issued Shares will result in the purchase of approximately 34,424,009 Shares (the “**Maximum Number of Shares**”).

7.3 Maximum price for Shares acquired or purchased

In the case of Market Purchases by the Company and assuming that the Company purchases the Maximum Number of Shares at the Maximum Price of S\$0.114 per Share (being the price equivalent to 105% of the Average Closing Price of the Shares traded on the SGX-ST for the five consecutive Market Days immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase is S\$3,939,828 (excluding ancillary expenses such as related brokerage, goods and services tax, stamp duties and clearance fees).

In the case of Off-Market Purchases by the Company and assuming that the Company purchases the Maximum Number of Shares at the Maximum Price of S\$0.114 per Share (being the price equivalent to 105% of the Average Closing Price of the Shares traded on the SGX-ST for the five consecutive Market Days immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase is S\$3,939,828 (excluding ancillary expenses such as related brokerage, goods and services tax, stamp duties and clearance fees).

7.4 Illustrative financial effects

For illustrative purposes only, assuming that the Company had on the Latest Practicable Date purchased the Maximum Number of Shares pursuant to the Share Buyback Mandate, the financial effects of:

- (a) the purchase of the Maximum Number of Shares by the Company at the Maximum Price pursuant to the Share Buyback Mandate by way of purchases made out of capital and profits and held as treasury shares; and
- (b) the purchase of the Maximum Number of Shares by the Company at the Maximum Price pursuant to the Share Buyback Mandate by way of purchases made out of capital and profits and cancelled,

on the audited financial statements of the Group and the Company for the financial year ended 30 June 2011 are as follows:

(A) PURCHASES MADE OUT OF CAPITAL AND PROFITS AND HELD AS TREASURY SHARES**Market / Off-Market Purchases**

	Group		Company	
	Before Share Purchase (S\$'000)	After Share Purchase (S\$'000)	Before Share Purchase (S\$'000)	After Share Purchase (S\$'000)
Share capital	31,732	31,732	31,732	31,732
Treasury shares	795	4,735	795	4,735
Reserves	30,423	30,423	32,492	32,492
Shareholders' funds	61,360	57,420	63,429	59,489
Net tangible assets	61,360	57,420	63,429	59,489
Current assets	55,798	51,858	52,856	48,916
Current liabilities	14,394	14,394	9,422	9,422
Working capital	41,404	37,464	43,434	39,494
Total borrowings	8,167	8,167	4,454	4,454
Cash and cash equivalents	37,522	33,582	36,924	32,984
Profit after tax and minority interest	1,059	1,059	2,794	2,794
Number of Shares	344,240,096	309,816,087	344,240,096	309,816,087
Financial Ratios				
NTA per Share (cents)	17.82	18.53	18.43	19.20
Basic earnings per Share (cents)	0.31	0.34	0.81	0.90
Gearing ratio (times)	0.13	0.14	0.07	0.07
Current ratio (times)	3.88	3.60	5.61	5.19

(B) PURCHASES MADE OUT OF CAPITAL AND PROFITS AND CANCELLED**Market / Off-Market Purchases**

	Group		Company	
	Before Share Purchase (S\$'000)	After Share Purchase (S\$'000)	Before Share Purchase (S\$'000)	After Share Purchase (S\$'000)
Share capital	31,732	31,732	31,732	31,732
Treasury shares	795	795	795	795
Reserves	30,423	26,483	32,492	28,552
Shareholders' funds	61,360	57,420	63,429	59,489
Net tangible assets	61,360	57,420	63,429	59,489
Current assets	55,798	51,858	52,856	48,916
Current liabilities	14,394	14,394	9,422	9,422
Working capital	41,404	37,464	43,434	39,494
Total borrowings	8,167	8,167	4,454	4,454
Cash and cash equivalents	37,522	33,582	36,924	32,984
Profit after tax and minority interest	1,059	1,059	2,794	2,794
Number of Shares	344,240,096	309,816,087	344,240,096	309,816,087
Financial Ratios				
NTA per Share (cents)	17.82	18.53	18.43	19.20
Basic earnings per Share (cents)	0.31	0.34	0.81	0.90
Gearing ratio (times)	0.13	0.14	0.07	0.07
Current ratio (times)	3.88	3.60	5.61	5.19

Shareholders should note that the financial effects set out above are for illustrative purposes only. Although the Share Buyback Mandate will authorise the Company to purchase or acquire up to ten per cent. (10%) of the issued Shares, the Company may not necessarily purchase or be able to purchase the entire ten per cent. (10%) of the issued Shares. In addition, the Company may cancel all or part of the Shares repurchased or hold all or part of the Shares repurchased in treasury.

8. LISTING RULES

The Listing Manual specifies that a listed company shall report all purchases or acquisitions of its shares to the SGX-ST not later than 9.00 a.m., (a) in the case of a Market Purchase, on the Market Day following the day of purchase or acquisition of any of its shares and (b) in the case of an Off-Market Purchase under an equal access scheme, on the second Market Day after the close of acceptances of the offer. Such announcement currently requires the inclusion of details of the total number of shares purchased, the purchase price per share or the highest and lowest prices paid for such shares, as applicable.

While the Listing Manual does not expressly prohibit any purchase of shares by a listed company during any particular time or times, because the listed company would be regarded as an “insider” in relation to any proposed purchase or acquisition of its issued shares, the Company will not undertake any purchase or acquisition of Shares pursuant to the Share Buyback Mandate at any time after a price sensitive development has occurred or has been the subject of a decision until the price sensitive information has been publicly announced. In particular, in line with the best practices guide on securities dealings issued by the SGX-ST, the Company would not purchase or acquire any Shares through Market Purchases during the period of two weeks and one month immediately preceding the announcement of the Company’s interim results and the annual (full-year) results respectively.

The Listing Manual requires a listed company to ensure that at least ten per cent. (10%) of any class of its listed securities must be held by public Shareholders. As at 28 September 2011, approximately 67.4% of the issued Shares are held by public Shareholders.

The Company will not carry out any share buyback unless at least ten per cent. (10%) of its listed securities can be maintained in the hands of public Shareholders and that the number of Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity or to affect orderly trading.

9. TAKE-OVER OBLIGATIONS

Appendix 2 of the Take-over Code contains the Share Buy-Back Guidance Note applicable as at the Latest Practicable Date. The take-over implications arising from any purchase or acquisition by the Company of its Shares are set out below:

9.1. Obligation to make a take-over offer

If, as a result of any purchase or acquisition by the Company of its Shares, a Shareholder’s proportionate interest in the voting capital of the Company increases, such increase will be treated as an acquisition for the purposes of Rule 14 of the Take-over Code. If such increase results in a change of effective control, or, as a result of such increase, a Shareholder or group of Shareholders acting in concert obtains or consolidates effective control of the Company, such Shareholder or group of Shareholders acting in concert could become obliged to make a mandatory take-over offer for the Company under Rule 14 of the Take-over Code.

9.2 Persons acting in concert

Under the Take-over Code, persons acting in concert comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), cooperate, through the acquisition by any of them of shares in a company, to obtain or consolidate effective control of that company.

Unless the contrary is established, the following persons will, *inter alia*, be presumed to be acting in concert:

- (a) A company with any of its directors (together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts);

- (b) A company with its parent company, subsidiaries, its fellow subsidiaries, any associated companies of the above companies, any company whose associated companies include any of the above companies and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the above for the purchase of voting rights;
- (c) A company with any of its pension funds and employee share schemes;
- (d) A person with any investment company, unit trust or other fund in respect of the investment account which such person manages on a discretionary basis;
- (e) A financial or other professional adviser, with its clients in respect of the shareholdings of the adviser and the persons controlling, controlled by or under the same control as the adviser and all the funds which the adviser manages on a discretionary basis, where the shareholding of the adviser and any of those funds in the client total 10% or more of the client's equity share capital;
- (f) Directors of a company, together with their close relatives, related trusts and companies controlled by any of them, which is subject to an offer where they have reason to believe a bona fide offer for their company may be imminent;
- (g) Partners; and
- (h) An individual, his close relatives, his related trusts, and any person who is accustomed to act according to the instructions and companies controlled by any of the above.

For further details, Shareholders are advised to refer to the Take-over Code.

The circumstances under which shareholders of a company (including directors of the company) and persons acting in concert with them respectively will incur an obligation to make a take-over offer under Rule 14 after a purchase or acquisition of shares by the company are set out in Appendix 2 of the Take-over Code.

9.3 Effect of Rule 14 and Appendix 2 of the Take-over Code

In general terms, the effect of Rule 14 and Appendix 2 is that, unless exempted, Directors of the Company and persons acting in concert with them will incur an obligation to make a takeover offer for the Company under Rule 14 if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Directors and their concert parties would increase to 30% or more, or if the voting rights of such Directors and their concert parties fall between 30% and 50% of the Company's voting rights, the voting rights of such Directors and their concert parties would increase by more than 1% in any period of six months.

Under Appendix 2, a Shareholder not acting in concert with the Directors of the Company will not be required to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Shareholder in the Company would increase to 30% or more, or, if such Shareholder holds between 30% and 50% of the Company's voting rights, the voting rights of such Shareholder would increase by more than 1% in any period of six months. Such Shareholder need not abstain from voting in respect of the resolution authorising the Share Buyback Mandate.

Shareholders who are in doubt are advised to consult their professional advisers and/or the Securities Industry Council and/or the relevant authorities at the earliest opportunity as to whether an obligation to make a take-over offer would arise by reason of any share purchases or acquisitions by the Company pursuant to the Share Buyback Mandate.

9.4 Directors' and Substantial Shareholders' Interests

The interests of the Directors and the substantial Shareholders of the Company as at the Latest Practicable Date, as recorded in the Register of Directors' Shareholdings and the Register of Substantial Shareholders maintained under the provisions of the Companies Act, are as follows:

<u>Director</u>	Direct Interest		Deemed Interest	
	Shares	%⁽¹⁾	Shares	%⁽¹⁾
Khor Thiam Beng	180,000	0.05	-	-
Lim Eng Hong	79,638,350	23.13	26,390,000	7.67
Wilfred Teo Chu Khiong	-	-	-	-
Goh Chung Meng	80,000	0.02	-	-
Michael Grenville Gray	880,000	0.26	-	-

<u>Substantial Shareholder</u>	Direct Interest		Deemed Interest	
	Shares	%⁽¹⁾	Shares	%⁽¹⁾
Lim Eng Hong	79,638,350	23.13	26,390,000	7.67
Loh Zee Lan, Nancy ⁽²⁾	20,590,000	5.98	-	-

<u>Shareholders related to Director⁽⁵⁾</u>	Direct Interest		Deemed Interest	
	Shares	%⁽¹⁾	Shares	%⁽¹⁾
Loh Zee Lan, Nancy ⁽²⁾	20,590,000	5.98	-	-
Lim Wei Ling, Elaine ⁽³⁾	5,680,000	1.65	-	-
Lim Tai Meng, Alvin ⁽⁴⁾	120,000	0.03	-	-

Note:

- (1) Based on the total issued and paid-up share capital of 344,240,096 Shares (excluding treasury shares) as at the Latest Practicable Date.
- (2) Loh Zee Lan, Nancy is the spouse of Lim Eng Hong.
- (3) Lim Wei Ling, Elaine is the daughter of Lim Eng Hong.
- (4) Lim Tai Meng, Alvin is the son of Lim Eng Hong.
- (5) Lim Eng Hong is deemed to be interested in the Shares held by Lim Tai Meng, Alvin, Lim Wei Ling, Elaine and Loh Zee Lan, Nancy.

9.5 Take-over Consequences

In the event that the Company undertakes Shares purchases or acquisitions of up to ten per cent. (10%) of the issued Shares of the Company as permitted by the Share Buyback Mandate:

- (a) the shareholdings and voting rights of Mr Lim Eng Hong may be increased from approximately 23.13% to approximately 25.71%; and
- (b) the shareholdings and voting rights of Mr Lim Eng Hong, Mr Lim Tai Meng, Alvin, Ms Lim Wei Ling, Elaine and Mdm Loh Zee Lan, Nancy (the "**Lim Family**") may be increased from an aggregate of approximately 30.80% to approximately 34.22%.

Accordingly, the aggregate of their shareholdings and voting rights may thus be increased by more than one per cent. (1%) within a six-month period and the Lim Family and their concert parties may be required to make a mandatory general offer for the Shares under Rule 14 read with Appendix 2 of the Take-over Code.

An application was made to the Securities Industry Council (“SIC”) on 9 September 2011 to exempt each of Mr Lim Eng Hong, Mr Lim Tai Meng, Alvin, Ms Lim Wei Ling, Elaine and Mdm Loh Zee Lan, Nancy and their concert parties from the requirement to make a general offer under Rule 14 of the Take-over Code if their aggregate shareholdings and voting rights should increase by more than one per cent. (1%) within a six-month period as a result of the Company purchasing its Shares pursuant to the Share Buyback Mandate to be renewed at the forthcoming AGM (the “Renewed Mandate”).

The SIC has, in its letter dated 28 September 2011, given its approval for the application subject to the following conditions:

- (a) the Appendix on the resolution to approve the Renewed Mandate contains advice to the effect that by voting for the resolution, Shareholders are waiving their rights to a general offer at the required price from the Lim Family and parties acting in concert with them who, as a result of the Company buying back its shares, would increase their percentage of total voting rights by more than one per cent. (1%) in any six-month period; the names of the Lim Family and their concert parties and their voting rights at the time of the resolution and after the proposed buy-back under the Renewed Mandate are disclosed in the same Appendix;
- (b) the resolution to approve the Renewed Mandate is approved by a majority of those Shareholders present and voting at the meeting on a poll who could not become obliged to make an offer as a result of the share buy-back under the Renewed Mandate;
- (c) the Lim Family and their concert parties abstain from voting and/or recommending Shareholders to vote in favour of the resolution to approve the Renewed Mandate; and
- (d) the Lim Family and their concert parties have not acquired and will not acquire any Shares between the date on which they know that the announcement of the proposed renewal of the Share Buyback Mandate is imminent and the earlier of:
 - (i) the date on which the Renewed Mandate expires; and
 - (ii) the date on which the Company announces it has bought back such number of Shares as authorised by the Renewed Mandate or the date the Company decides to cease buying back its Shares, as the case may be,

if such acquisitions, taken together with the share buy-back under the Renewed Mandate, would cause their aggregate voting rights in the Company to increase by more than one per cent. (1%) in the preceding six months.

If the Company ceases to buyback its Shares and the increase in the aggregate voting rights held by the Lim Family and their concert parties as a result of the Company repurchasing its Shares at the time of such cessation is less than one per cent. (1%) in any six-month period, the Lim Family and their concert parties will be allowed to acquire further voting rights in the Company. However, any increase in their percentage of total voting rights in the Company as a result of the Company’s repurchase of Shares will be taken into account together with any voting rights acquired by the Lim Family and their concert parties (by whatever means) in determining whether they have increased their aggregate voting rights in the Company by more than one per cent (1%) in any six-month period.

Shareholders should note that by voting in favour of the resolution relating to the Share Buyback Mandate to be proposed at the AGM, Shareholders are waiving their rights to a general offer at the required price from Mr Lim Eng Hong, Mr Lim Tai Meng, Alvin, Ms Lim Wei Ling, Elaine and Mdm Loh Zee Lan, Nancy and their concert parties.

Each of Mr Lim Eng Hong, Mr Lim Tai Meng, Alvin, Ms Lim Wei Ling, Elaine and Mdm Loh Zee Lan, Nancy has confirmed that he/she and his/her concert parties have not acquired and will not acquire any Shares between the date on which he/she knows that the announcement of the proposed renewal of the Share Buyback Mandate is imminent and the earlier of:

- (i) the date on which the authority of the Share Buyback Mandate expires; and
- (ii) the date the Company announces that it has bought back such number of Shares in the Company as authorised by the Share Buyback Mandate or the date it decides to cease buying back its Shares, as the case may be,

if such acquisitions, taken together with the proposed share buyback, would cause their aggregate voting rights in the Company to increase by more than one per cent. (1%) in the preceding six months.

Each of Mr Lim Eng Hong, Mr Lim Tai Meng, Alvin, Ms Lim Wei Ling, Elaine and Mdm Loh Zee Lan, Nancy and their concert parties will abstain from voting in favour of the resolution to approve the proposed renewal of the Share Buyback Mandate.

The Directors are not aware of any other Director and/or Shareholder who may become obligated to make a mandatory offer in the event that share buybacks are undertaken by the Company pursuant to the Share Buyback Mandate.

10. SHARES PURCHASED BY THE COMPANY

The Company has purchased 980,000 of its Shares pursuant to the Share Buyback Mandate approved by Shareholders at the 2010 AGM. The total consideration paid for the purchases was S\$176,980 (inclusive of brokerage and clearing fees). The highest price paid per share was S\$0.18 and the lowest price paid per share was S\$0.18.

11. DIRECTORS' RECOMMENDATIONS

The Directors (save for Mr Lim Eng Hong who shall abstain from making a recommendation) are of the opinion that the adoption of the proposed renewal of the Share Buyback Mandate is in the best interests of the Company. Accordingly, they recommend that Shareholders vote in favour of the proposed resolution at the forthcoming AGM of the Company, being the Special Business relating to the adoption of the proposed renewal of the Share Buyback Mandate.

12. ABSTENTION FROM VOTING

Each of Mr Lim Eng Hong, Mr Lim Tai Meng, Alvin, Ms Lim Wei Ling, Elaine and Mdm Loh Zee Lan, Nancy and their concert parties will abstain from voting in favour of the proposed resolution at the forthcoming AGM and will not accept nominations as proxy or otherwise for voting at the AGM in respect of the said Resolution, being the Special Business relating to the adoption of the proposed renewal of the Share Buyback Mandate, in view of the take-over consequences set out in paragraph 9.5 above.

13. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Appendix and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Appendix constitutes full and true disclosure of all material facts about the proposed renewal of the Share Buyback Mandate, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Appendix misleading. Where information in the Appendix 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 the Appendix in its proper form and context.

Yours faithfully

For and on behalf of the
Board of Directors of
AVI-TECH ELECTRONICS LIMITED

Khor Thiam Beng
Chairman