

## PROPOSED RENOUNCEABLE NON-UNDERWRITTEN RIGHTS ISSUE OF WARRANTS

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### 1. Introduction

The Board of Directors of Aztech Systems Ltd (the "**Company**") wishes to announce a proposed renounceable non-underwritten rights issue by the Company (the "**Rights Issue**") of up to 106,264,162 warrants ("**Warrants**") at an issue price of S\$0.02 ("**Issue Price**") for each Warrant, each Warrant carrying the right to subscribe for one (1) new ordinary share in the capital of the Company (each a "**New Share**" and collectively, the "**New Shares**") at an exercise price of S\$0.51 for each New Share (the "**Exercise Price**"), on the basis of one (1) Warrant for every four (4) existing ordinary shares in the capital of the Company ("**Shares**") held as at a books closure date to be determined by the Directors (the "**Books Closure Date**"), fractional entitlements to be disregarded.

The issue of the Warrants is proposed to be made pursuant to the general mandate obtained from shareholders of the Company ("**Shareholders**") at its Annual General Meeting held on 10 April 2007 (the "**Share Issue Mandate**"). The Share Issue Mandate authorises the Directors to allot and issue shares and convertible securities in the Company (whether by way of rights, bonus or otherwise) provided that the aggregate number of shares and convertible securities to be issued does not exceed fifty per cent. (50%) of the issued share capital of the Company at the time the Share Issue Mandate was obtained (after adjusting for new Shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which were outstanding or subsisting as at 10 April 2007, and any subsequent consolidation or subdivision of shares), subject to a sub-limit of twenty (20) per cent. if such issue is other than on a pro-rata basis to Shareholders.

The Company has appointed CIMB-GK Securities Pte. Ltd. ("**CIMB-GK**") as the manager of the Rights Issue.

### 2. Proposed Terms of the Rights Issue

#### 2.1 Eligibility

The Rights Issue is proposed to be made on a renounceable basis to entitled Shareholders whose registered addresses with the Company or The Central Depository (Pte) Limited ("**CDP**"), as the case may be, are in Singapore as at the Books Closure Date, or who have, at least five (5) market days prior to the Books Closure Date, provided to the Company or CDP, as the case may be, addresses in Singapore for the service of notices and documents ("**Entitled Shareholders**"). Fractional entitlements to the Warrants will be disregarded and will, together with the provisional allotments which are not taken up or allotted for any reason, be aggregated and allotted to satisfy excess applications (if any), or disposed of or otherwise dealt with in such manner as the Directors may, in their absolute discretion, deem fit.

For practical reasons and in order to avoid any violation of securities legislation in countries other than Singapore, the Warrants will not be offered to Shareholders with registered addresses outside Singapore as at the Books Closure Date and who have not, at least five (5) market days prior thereto, provided to the Company or CDP, as the case may be, addresses in Singapore for the service of notices and documents ("**Foreign Shareholders**"). If it is practicable to do so, arrangements may, at the discretion of the Company, be made for the provisional allotments of Warrants which would otherwise have been provisionally allotted to Foreign Shareholders to be sold "nil paid" on the SGX-ST as soon as practicable after dealings in the provisional allotments of the Warrants commence and the net proceeds arising therefrom will be dealt with in accordance with the terms set out in the offer information statement ("**Offer Information Statement**") to be issued by the Company in connection with the Rights Issue.

The Warrants will be payable in full upon acceptance and application. Entitled Shareholders will be at liberty to accept, decline or otherwise renounce or trade their provisional allotments of Warrants and will be eligible to apply for additional Warrants in excess of their provisional allotments under the Rights Issue. In the allotment of excess Warrants, preference will be given to Shareholders for rounding of odd lots, and substantial Shareholders and Directors will rank last in priority.

## 2.2 Terms of the Warrants

The Warrants will be issued in registered form and constituted by a deed poll setting out the terms and conditions of the Warrants ("**Deed Poll**"). Each Warrant will, subject to the terms and conditions in the Deed Poll, carry the right to subscribe for one New Share at the Exercise Price during the exercise period commencing on the date of issue of the Warrants and expiring on the market day immediately preceding the third (3<sup>rd</sup>) anniversary of the date of issue of the Warrants ("**Exercise Period**"). Any Warrant remaining unexercised at the end of the Exercise Period shall lapse and cease to be valid for all purposes.

The Exercise Price of S\$0.51 represents a premium of approximately 10.9% to the last transacted price of S\$0.46 per Share on the SGX-ST on 10 May 2007 (being the market day immediately preceding this announcement).

The Warrants will be listed and traded on the SGX-ST under the book-entry (scripless) settlement system. The listing of and quotation for the Warrants and the New Shares on the SGX-ST, if approved, is expected to be subject to, *inter alia*, **there being an adequate spread of holdings of the Warrants to provide for an orderly market in the Warrants**. Each board lot of the Warrants will consist of 1,000 Warrants or such other board lot size which the SGX-ST may require and as may be notified by the Company.

The New Shares arising from the exercise of Warrants will rank *pari passu* in all respects with the then existing issued Shares for any dividends, rights, allotments or other distributions, the record date for which falls on or after the exercise date of the Warrants, save as may be otherwise provided in the Deed Poll. The Exercise Price and the number of Warrants will be subject to adjustments under certain circumstances to be provided for in the Deed Poll.

### 2.3 Size of Rights Issue

Based on the issued share capital of the Company of 412,803,000 Shares (excluding treasury shares) as at the date of this announcement, a minimum of 103,200,750 Warrants will be issued pursuant to the Rights Issue, assuming that the Rights Issue is fully subscribed.

As at the date hereof, there are 15,603,650 outstanding share options (the "**Share Options**") granted under the Aztech Group Employee Share Option Scheme 2000 ("**ESOS**"), of which a maximum of 12,253,650 may be exercised ("**Exercisable Share Options**") prior to the Books Closure Date<sup>1</sup>. Assuming that all the Exercisable Share Options are exercised before the Books Closure Date, the issued share capital of the Company as at the Books Closure Date would comprise 425,056,650 Shares. On this basis, a maximum of 106,264,162 Warrants will be issued pursuant to the Rights Issue, assuming that the Rights Issue is fully subscribed.

Appropriate adjustments, if any, will be made to the Share Options granted or to be granted under the ESOS in connection with the Rights Issue.

The terms and conditions of the Rights Issue are subject to such changes as the Directors may deem fit. The final terms and conditions of the Rights Issue will be contained in the Offer Information Statement to be despatched by the Company to Entitled Shareholders in due course.

### 3. **Undertaking**

As at the date of this announcement, Mr Michael Mun Hong Yew (the "**Undertaking Shareholder**") beneficially owns 92,619,386 Shares, representing approximately 22.4% of the existing total number of issued Shares (excluding treasury shares which do not have voting rights). To show his support for the Rights Issue, the Undertaking Shareholder has on 11 May 2007, irrevocably and unconditionally undertaken to the Company (the "**Undertaking**"), *inter alia*:-

- (i) to subscribe and pay for and/or procure subscription and payment in full for all his entitlements to the 23,154,846 Warrants under the Rights Issue in accordance with the terms and conditions of the Rights Issue; and
- (ii) to subscribe and pay for and/or procure subscription and payment in full for up to a maximum of 83,109,316 Warrants which are not taken up by the other Shareholders of the Company or their renounees, by way of excess application pursuant to the Rights Issue.

The number of Warrants comprised under the Undertaking of the Undertaking Shareholder amounts to up to 106,264,162 Warrants in aggregate, being the maximum number of Warrants offered under the Rights Issue.

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<sup>1</sup> Throughout this announcement and for illustrative purposes only, the Books Closure Date is assumed to be a date before 13 December 2007 (being the date on which the remaining 3,350,000 Share Options will become exercisable).

#### **4. Purpose of the Rights Issue and Use of Proceeds**

The Directors believe that the Rights Issue will provide Shareholders with the opportunity to increase their equity participation in the Company, and potentially increase the Company's capital base and strengthen its balance sheet.

In light of the Undertaking, the net proceeds of the Rights Issue are expected to be approximately S\$1.9 million.

Assuming all the Warrants issued pursuant to the Rights Issue are exercised, the Company will receive further gross proceeds of between approximately S\$52.6 million and S\$54.2 million.

The Company intends to use the net proceeds from the Rights Issue and the net proceeds arising from any exercise of the Warrants for the Group's investments, repayment of borrowings and/or general working capital purposes.

Pending the deployment of the proceeds for the purposes mentioned above, such proceeds may be deposited with banks and/or financial institutions, invested in short-term money markets and/or marketable securities, or used for any other purpose on a short-term basis, as the Directors may deem fit.

#### **5. Financial Effects**

The financial effects of the Rights Issue as presented herein:-

- (a) are purely for illustrative purposes only and do not reflect a projection of the actual future financial performance or position of the Group after the Rights Issue;
- (b) are based on the audited consolidated financial statements of the Group for its financial year ended 31 December 2006 ("**FY2006**");
- (c) assume that the exercise of 4,930,000 Share Options and the share buy-back of 1,207,000 Shares during the period from 1 January 2007 to the date of this announcement had occurred on 1 January 2006 and under the relevant scenario, the Exercisable Share Options are exercised on 1 January 2006;
- (d) assume that the Warrants pursuant to the Rights Issue are issued and exercised, and the New Shares arising therefrom had been issued, on 1 January 2006;
- (e) save for the Rights Issue and as described in (c) above, have not been adjusted for the impact of any other transactions or events; and
- (f) assume that the Rights Issue is fully subscribed (in view of the Undertaking).

5.1 Share capital

	Assuming none of the Exercisable Share Options are exercised by the Books Closure Date		Assuming all of the Exercisable Share Options are exercised by the Books Closure Date	
	No. of Shares <sup>(1)</sup>	S\$	No. of Shares <sup>(1)</sup>	S\$
Issued and paid-up share capital before the Rights Issue	412,803,000	108,523,160	425,056,650	110,280,003
Issued and paid-up share capital immediately after the Rights Issue assuming that none of the Warrants are exercised	412,803,000	108,523,160	425,056,650	110,280,003
Add: New Shares to be issued assuming all the Warrants are exercised	103,200,750	52,632,383	106,264,162	54,194,723
Issued and paid-up share capital immediately after the Rights Issue assuming that all the Warrants are exercised	516,003,750	161,155,543	531,320,812	164,474,726

**Note:**

(1) This excludes treasury shares.

5.2 Net tangible assets (“NTA”)

	<b>Assuming none of the Exercisable Share Options are exercised by the Books Closure Date</b>	<b>Assuming all of the Exercisable Share Options are exercised on 1 January 2006</b>
Adjusted NTA as at 31 December 2006 <sup>(1)</sup> (S\$'000)	76,168	76,168
Add: Net proceeds from the exercise of the Exercisable Share Options (S\$'000)	-	1,354
NTA as at 31 December 2006 as adjusted for the exercise of the Exercisable Share Options (S\$'000)	76,168	77,522
Add: Net proceeds from the Rights Issue (S\$'000)	1,855	1,916
Estimated NTA after adjusting for the Rights Issue assuming that none of the Warrants are exercised (S\$'000)	78,023	79,438
Add: Proceeds from the exercise of all the Warrants (S\$'000)	52,632	54,195
Estimated NTA after adjusting for the Rights Issue assuming that all the Warrants are exercised (S\$'000)	130,655	133,633
Adjusted NTA per Share as at 31 December 2006 <sup>(1)</sup> (cents)	18.45	17.92
NTA per Share as at 31 December 2006 as adjusted for the exercise of the Exercisable Share Options (cents)	18.45	18.24
NTA per Share after adjusting for the Rights Issue assuming none of the Warrants are exercised (cents)	18.90	18.69
NTA per Share after adjusting for the Rights Issue assuming all the Warrants are exercised (cents)	25.32	25.15

**Note:**

- (1) The NTA and NTA per Share as at 31 December 2006 has been adjusted for the exercise of 4,930,000 Share Options and the share buy-back of 1,207,000 Shares during the period from 1 January 2007 to the date of this announcement.

### 5.3 Earnings per Share

	<b>Assuming none of the Exercisable Share Options are exercised by the Books Closure Date</b>	<b>Assuming all of the Exercisable Share Options are exercised on 1 January 2006</b>
Earnings attributable to Shareholders for FY2006 <sup>(1)</sup> (S\$'000)	20,038	20,038
Earnings per Share before the Rights Issue <sup>(2)</sup> (cents)	4.90	4.76
Earnings per Share after adjusting for the Rights Issue assuming none of the Warrants are exercised <sup>(2)</sup> (cents)	4.90	4.76
Earnings per Share after adjusting for the Rights Issue assuming all the Warrants are exercised <sup>(2)</sup> (cents)	3.91	3.80

**Notes:**

- (1) It is assumed that the proceeds from the Rights Issue and exercise of the Warrants have no impact on the profit attributable to Shareholders for FY2006.
- (2) The earnings per Share above are computed based on the weighted average number of Shares in issue (adjusted as the case may be).

### 5.4 Gearing

As at 31 December 2006, the Group was in a net cash position with borrowings amounting to approximately S\$20.0 million and cash and bank balances amounting to approximately S\$29.2 million.

The Rights Issue will increase the Group's cash and bank balances by the amount of net proceeds from the Rights Issue of approximately S\$1.9 million, and assuming all the Warrants issued pursuant to the Rights Issue are exercised, by the amount of further gross proceeds of up to S\$54.2 million.

## 6. Approvals

The Rights Issue is subject to, *inter alia*, the following:-

- (i) the approval in-principle of the SGX-ST for the dealing in, listing of and quotation for the Warrants and the New Shares on the Official List of the SGX-ST having been obtained; and
- (ii) the lodgement of the Offer Information Statement with the Monetary Authority of Singapore.

Application will be made to the SGX-ST for permission to deal in and for the listing of and quotation for the Warrants and the New Shares on the SGX-ST.

The Offer Information Statement containing the terms and conditions of the Rights Issue will be lodged with the Monetary Authority of Singapore and despatched to Entitled Shareholders in due course. The terms and conditions of the Rights Issue are subject to such changes as the Directors, after consultation with CIMB-GK, may deem appropriate.

By Order of the Board of Directors  
Aztech Systems Ltd

Pavani Nagarajah  
Company Secretary

11 May 2007