



SPRINTEX LIMITED
ABN: 38 106 337 599

ASX Code: SIX

23 April 2019

SPRINTEX SECURES \$5.4M RECAPITALISATION AGREES TO ACQUIRE BALANCE OF PRODUCTION JOINT VENTURE INTEREST

Sprintex Limited (ASX Code: **SIX**) (**Company**) is pleased to announce that it has reached agreements with relevant stakeholders to recapitalise and restructure the Sprintex group with a view to seeking the re-listing of the Company's securities, facilitate the future long-term growth of the Company and moving forward with the successful development of its current and new products. The recapitalisation will permit the Company to finalise and lodge its outstanding periodic reports (including financial statements for the 12 month period ending 30 June 2018 and for the half year to 31 December 2018 and the outstanding Appendix 4C and 4G) which have been delayed pending negotiation and agreement on the recapitalisation proposal and the associated issue of whether the Company could satisfy the auditors of the Company's ability to continue as a going concern. The Company anticipates lodging these reports with ASX within the next month.

Short term loans

New loans (**New Loans**) from existing investors, China Automotive Holdings Limited ("**CAHL**") of US\$1,525,000 (equivalent to approx. AUD2,128,400) and Wilson's Pipe Fabrication Pty Ltd ("**WPF**") of US\$450,000 (equivalent to approx. AUD628,000) are made in favour of the Company. CAHL, a substantial shareholder of the Company, is a related party of the Company by virtue of CAHL being an entity controlled by Mr. Richard Siemens, the non-executive Chairman of the Company. WPF is a related party of the Company by virtue of WPF being an entity controlled by Mr. Michael Wilson, a substantial shareholder and a non-executive Director of the Company.

The New Loans will be used by the Company for working capital purposes including the normalisation of trade creditors, settlement of all outstanding amounts under existing loan agreements and general working capital. The New Loans are unsecured.

Proposed recapitalisation plan

Share consolidation

1. The Company is proposing a 5-for-1 share consolidation of the shares in the Company whereby 5 existing shares will be consolidated into 1 new share ("**New Share**").
2. As a result, upon completion of the consolidation (but before the issue of shares as part of the recapitalisation) the issued share capital of the Company will comprise 20,000,000 New Shares (currently 100,000,000 fully paid ordinary shares).

Recapitalisation

Loan Conversions

3. Subject to the share consolidation above and subject to obtaining shareholder approval, CAHL and WPF have agreed to capitalise the New Loans and also their existing loans (US\$471,750 (equivalent to approximately AUD658,000) and AUD111,000, respectively) at the subscription price ("**Subscription Price**") of AUD0.425 per New Share. This will result in the issue of approximately 6.56 million New Shares to CAHL (or its nominee) and approximately 1.74 million New Shares to WPF (or its nominee), respectively.
4. Subject to the share consolidation, and subject to obtaining shareholder approval, Ganado Investments Corporation Ltd ("**GICL**") has also agreed to capitalise amounts owing by the Company (US\$1,110,000, which is equivalent to approximately AUD1,549,000) on the same terms and price as the loans to be capitalised by CAHL and WPF, resulting in the issue of approximately 3.65 million New Shares to GICL (or its nominee). Ganado, an unrelated third party, is an investment holding company, registered in St Lucia, which is controlled by Mrs Jennifer Saran.
5. It is anticipated that approximately 11.94 million New Shares will be issued as a result of the capitalisation of loans. These New Shares will rank equally in all respects with the Company's existing shares post-consolidation. The Company will apply to ASX for quotation of all of these New Shares.

Acquisition of remaining interests in the joint venture

6. The Company has also reached an agreement with AutoV Corporation Sdn. Bhd. (**AutoV**) to acquire their 50% interests in the Malaysian joint venture, Proreka Sprintex Sdn. Bhd., for consideration of US\$250,000 which will be fully settled by way of issuance of New Shares on the same terms and price as the loans to be capitalised by CAHL, WPF and GICL, resulting in the issue of approximately 0.82 million New Shares. Similarly, these New Shares will rank equally in all respects with the Company's existing shares post-consolidation. The Company will apply to ASX for quotation of these New Shares.

Upon completion of the acquisition, Sprintex will take full control of the joint venture which owns the facility that manufactures the Company's supercharger units. The Company anticipates completion under the acquisition will occur in June 2019 at the same time as the recapitalisation is given effect to. Shareholder approval for the issue of shares to AutoV Corporation will be sought under Listing Rule 7.1.

A summary of the material terms of the agreement is attached.

THE COMPANY POST RECAPITALISATION

Proposed capital structure

The expected capital structure of Sprintex following the completion of the various transactions outlined above on both a pre-consolidation and post-consolidation basis (with any resulting fractions of a share rounded up to the next whole number of shares), is set out below.

	Number of Shares (pre- consolidation)	Number of New Shares (post- consolidation)
Shares		
Shares on issue at the date of this letter	100,000,000	20,000,000
Shares to be issued under the Loan Conversions	-	11,939,765
Shares to be issued under the Acquisition as described in para. 6 above	-	820,984
TOTAL NUMBER OF SHARES	100,000,000	32,760,749

The Company does not have any options (or other convertibles) on issue as at the date of this announcement and does not propose to issue any options as part of the recapitalisation.

Substantial holders

The substantial holders of Sprintex following the completion of the various transactions outlined above on both a pre-transaction and post-transaction basis, assuming implementation of the share consolidation, are anticipated to be as set out below.

Substantial holder	Pre-transaction		Post-transaction	
	Number of shares (pre- consolidation)	% voting power	Number of New Shares (post- consolidation basis)	% voting power
China Automotive Holdings Ltd ¹	61,822,000 ¹	61.82%	18,920,635	57.75%
Michael John Wilson ²	15,166,090 ²	15.17%	4,772,204	14.57%
Quazar Enterprises Limited	10,332,390	10.33%	2,066,478	6.26%
Ganado Investments Corporation Ltd ³	-	-	3,644,706 ³	11.13%

Notes:

1. Richard Siemens, the non-executive chairman of the Company has an indirect interest in the Shares held by Citicorp Nominees Pty Limited as nominee for China Automotive Holdings Ltd. As at the date of this Announcement, Mr Siemens holds a relevant interest in 61,822,000 Shares on a pre-Consolidation basis. Mr Siemens is anticipated to be issued a further 6,556,235 million New Shares as part of the recapitalisation.
2. Michael Wilson, a non-executive director of the Company has a direct interest and an indirect interest (through the Wilson Superannuation Fund) in a total of 15,166,090 Shares on a pre-consolidation basis. Mr Wilson is anticipated to be issued a further 1,738,823 million New Shares as part of the recapitalisation.
3. Ganado Investments Corporation Ltd will have a direct interest in the New Shares to be issued as part of the recapitalisation.

Continuation of business

During this period of voluntary suspension, the Company has continued trading and has continued with the research and development of new products. In conjunction with the recent release to the industry of the new Jeep JL range, a new supercharger is being developed specifically for this product range, which also retro fits to existing Jeep vehicles. The Company has also continued research into the development of a new supercharger for a new range of engines.

Conditions to be satisfied

The proposed share issues to the parties above are conditional upon:

- a. the ASX confirming the conditions that the Company needs to satisfy in order for the recommencement of quotation of its shares on ASX (including with respect to the provision of outstanding financial statements (for the 12 months ending 30 June 2018 and the 6 months ending 31 December 2018), and Appendix 4C and Appendix 4G) and the Company determining that it is able to satisfy these conditions; and
- b. shareholder and other approvals required in order to give effect to the transactions under Listing Rules 7.1 and 10.11.

Further details regarding the proposed issue of shares and the share consolidation, including details of the proposed timetable, will be set out in the notice of meeting to be issued in relation to an extraordinary/annual general meeting of the Company proposed to be held in June 2019. Subject to the recapitalisation and the acquisition being given effect to, the Company will issue a cleansing prospectus to facilitate the trading of shares issued pursuant to the above transactions.

Voluntary suspension

This announcement does not lift the voluntary suspension in trading of the Company's shares.

The Company considers that, upon completion of the transactions outlines above, the Company's financial condition should be adequate to warrant the reinstatement of its securities for quotation on the ASX. The Company has commenced discussions with the ASX in this regard and will provide a further update to ASX in the near future. The reinstatement of the Company's securities for quotation is at the discretion of the ASX including with respect to satisfaction of Chapter 12 of the Listing Rules. There is no guarantee that the securities of the Company will be reinstated and if so when.

Next steps for shareholders

At the present time, shareholders are not required to take any action.

A shareholder meeting is expected to be convened in June 2019 with the purpose of seeking the necessary shareholder approvals to effect the transactions set out above.

In due course the Company will provide a further update to ASX regarding the recapitalisation process.

For further information please contact the Company Secretary on +61 8 9262 7277.

ROBERT MOLKENTHIN
COMPANY SECRETARY

Summary of agreement with AutoV Corporation Sdn. Bhd

The Company has entered into an Agreement with AutoV Corporation Sdn. Bhd. under which AutoV has agreed to sell all 1,000,000 ordinary shares and 4,000,000 redeemable convertible preference shares owned by AutoV (**Sale Shares**) in the issued share capital of Proreka Sprintex Sdn. Bhd. (Company No. 610952-H), a company incorporated in Malaysia (the **JVCo**).

The Sale Shares represent the remaining 50% of the issued share capital of the JVCo, not currently owned by the Company.

Consideration

The consideration payable under the Agreement is US\$250,000, to be satisfied by the allotment of 820,000 fully paid ordinary shares in the Company (**Consideration Shares**) to AutoV.

Dealing in the Consideration Shares by AutoV is subject to a moratorium of six months.

Conditions

Completion is subject to and conditional upon several conditions' precedent including;

- (a) the Company, AutoV and the JVCo, fulfilling all respective applicable requirements, including regulatory requirements, on disclosing and approving the transactions contemplated in the Agreement under applicable laws, rules and regulations;
- (b) the recapitalisation of the Company becoming unconditional;
- (c) ASX confirming, subject to completion of the recapitalisation, that trading of the ordinary shares in the Company shall be resumed; and
- (d) the ASX granting listing and quotation of the Consideration Shares.

If the above conditions precedent are not satisfied by 28 June 2019, subject to extension by agreement, the Agreement will terminate.

Warranties

Each of AutoV and the Company provide warranties standard for an agreement of this nature.