



NORDIC
Group Limited

NORDIC GROUP LIMITED

(Company Registration Number: 201007399N)

TERM SHEET IN RELATION TO THE PROPOSED ACQUISITION OF THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF ERATECH PTE. LTD.

1. INTRODUCTION

The Board of Directors (the “**Board**”) of Nordic Group Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that the Company’s wholly-owned subsidiary, Avitools Singapore Pte. Ltd. (the “**Purchaser**”), has today entered into a non-binding term sheet (the “**Term Sheet**”) with Koh Hang Meng and Lai Foong Mee (the “**Vendors**”) to acquire the entire issued and paid-up share capital of Eratech Pte. Ltd. (the “**Proposed Acquisition**”).

Eratech Pte. Ltd. (“**Eratech**”) is principally engaged in the provision of precision machining and turnkey manufacturing services.

2. PRINCIPAL TERMS OF THE TERM SHEET

2.1 Purchase Consideration

The purchase consideration for the Proposed Acquisition (the “**Consideration**”) will be about S\$10.0 million, payable as follows:

- (a) an amount equivalent to 70% of the Consideration, payable in cash on completion of the Proposed Acquisition (the “**Completion**”); and
- (b) the balance payable within 6 months from the Completion.

Based on the unaudited financial statements of Eratech for the financial year ended 31 December 2021 (“**FY2021**”), the net tangible assets of Eratech as at 31 December 2021 was approximately S\$8.3 million.

The Consideration was negotiated between the Purchaser and the Vendors, taking into consideration the net tangible assets and earnings of Eratech and subject to the following conditions, amongst others:

- (i) the net tangible assets of Eratech as at the date of the Completion (the “**Completion Date**”) shall not be less than S\$8.3 million;
- (ii) the Consideration is subject to such downward or upward adjustment for impairment of trade and other receivables, work in progress, inventories and provisions for costs and accruals as may be mutually agreed; and
- (iii) Eratech will have cash and cash equivalent at bank of not less than S\$4.3 million on the Completion Date.

2.2 Conditions Precedent

The completion of the Proposed Acquisition is conditional upon, amongst others:

- (a) the Purchaser being satisfied with the results of the due diligence to be conducted by the Purchaser on the legal, financial and other affairs of Eratech;
- (b) the approval of the directors and shareholders of the Purchaser and the Company (where necessary);
- (c) the execution of definitive agreements, such as the sale and purchase agreement between the Purchaser and the Vendors; and
- (d) the receipt of all corporate, third party, governmental and regulatory approvals, where applicable.

2.3 Exclusivity

Under the Term Sheet, the Purchaser shall be granted a period of three months or any such longer period as mutually agreed to perform the formal due diligence, and to negotiate the definitive agreements for the Proposed Acquisition. During this period, the Vendors shall not solicit or initiate or enter into any negotiations or discussions with any other party for the disposal of any interest in Eratech unless the Purchaser concludes, at any time within the said period, that it no longer desires to pursue negotiations for the Proposed Acquisition with the Vendors and notifies the Vendors accordingly.

2.4 Non-Binding

Except for certain provisions relating to exclusivity and confidentiality, amongst others, the Term Sheet is not intended to be legally binding and it does not constitute any commitment by the Purchaser to invest in or acquire any interest in Eratech or by the Vendors to sell any interest in Eratech.

3. RATIONALE FOR THE PROPOSED ACQUISITION

In line with the Group's strategy to acquire new businesses in order to increase its range of products and services as well as penetrate new markets, the Proposed Acquisition presents the opportunity for the Group to widen its range of products and services as well as to tap into new customers in the precision engineering sector, thereby expanding its customer base. It is expected that Eratech will provide increased revenue for the Group's precision engineering division.

4. FINANCING

The Proposed Acquisition will be financed through internally generated funds and bank borrowings.

5. CHAPTER 10 OF THE LISTING MANUAL

Based on the latest announced consolidated financial statements of the Company for FY2021, the relative figures relating to the Proposed Acquisition, computed on the bases set out in Rule 1006 of the Listing Manual of Singapore Exchange Securities Trading Limited (the “Listing Manual”) are as follows:

Relative Figures under Rule 1006

(a) Net asset value of the assets to be disposed of, compared with the group’s net asset value	N.A.
(b) Net profits attributable to the assets acquired, compared with the group’s net profits	
Profit before income tax, minority interests and extraordinary items attributable to the acquired assets for FY2021 ⁽¹⁾ (S\$’000)	3,255
Profit before income tax, minority interests and extraordinary items attributable to the owners of the parent of the Group for FY2021 (S\$’000)	14,476
Size of relative figure	22.5%
(c) Aggregate value of the consideration given, compared with the issuer’s market capitalisation based on the total number of issued shares excluding treasury shares	
Value of the consideration given (S\$’ million)	10.0
Company’s market capitalisation as at 23 May 2022, being the market day immediately preceding the date of the Term Sheet on which shares were traded (S\$’ million) ⁽²⁾	153.3
Size of relative figure	6.5%
(d) Number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue	N.A.
(e) Aggregate volume of amount of proved and probable reserves to be disposed of, compared with the aggregate of the group’s proved and probable reserves	N.A.

Notes:

(1) Based on the unaudited financial statements of Eratech for FY2021.

(2) Based on the weighted average price of S\$0.395 per share and 388,000,000 issued shares (excluding treasury shares).

The relative figure under Rule 1006(b) of the Listing Manual exceeds 20% while the relative figure under Rule 1006(c) of the Listing Manual exceeds 5% but does not exceed 20%. Rule 1014(2) of the Listing Manual requires a transaction to be made conditional upon the approval of shareholders in general meeting if any of the relative figures exceeds 20%, but the rule does not apply in the case of an acquisition of profitable assets if the only limit breached is Rule 1006(b). Accordingly, the Proposed Acquisition will only constitute a “discloseable transaction” within the meaning of Rule 1010 of the Listing Manual and does not require the approval of shareholders of the Company.

6. FINANCIAL EFFECTS

Based on the audited financial statements of the Group for FY2021:

- (a) assuming that the Proposed Acquisition had been effected at the end of FY2021, the net tangible assets per share of the Group as at 31 December 2021 would have been the same at 25.2 cents; and
- (b) assuming that the Proposed Acquisition had been effected at the beginning of FY2021, the earnings per share of the Group for FY2021 would have been 4.4 cents instead of 3.6 cents.

7. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors (other than in his capacity as director or shareholder of the Company) has any interest, direct or indirect, in the Proposed Acquisition. The Directors are not aware of any controlling shareholders of the Company having any direct or indirect interest in the Proposed Acquisition.

8. GENERAL

Shareholders should note that there is no assurance that the Proposed Acquisition will be completed or will proceed at all as the Term Sheet is not legally binding.

The Company will make the necessary announcement upon the signing of the definitive agreement(s) relating to the Proposed Acquisition.

9. DOCUMENTS FOR INSPECTION

A copy of the Term Sheet is available for inspection during normal business hours at the registered office of the Company at 2 Tuas Avenue 10 Singapore 639126 for a period of three months from the date of this announcement.

BY ORDER OF THE BOARD

**CHANG YEH HONG
EXECUTIVE CHAIRMAN
24 MAY 2022**