



## AXCELASIA INC.

(Company Registration No.: LL12218)

(A Company incorporated under the Labuan Companies Act 1990, Malaysia)

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### PROPOSED ACQUISITION OF 100% SHAREHOLDING INTEREST IN AUDEX GOVERNANCE SDN BHD

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#### 1. INTRODUCTION

The Board of Directors (the “**Board**”) of Axcelasia Inc. (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to announce that the Company has entered into a conditional sale and purchase agreement dated 8 March 2017 (the “**Agreement**”) with Mah Siew Hoong and Mah Li Chen (collectively known as “**Vendors**”) for the acquisition of 100,000 ordinary shares (“**Sale Shares**”) representing 100% shareholding interest in Audex Governance Sdn Bhd (“**Audex**”) for a cash consideration of RM2.88 million (“**Proposed Acquisition**”).

#### 2. INFORMATION ON THE VENDORS

Mah Siew Hoong holds 99,998 ordinary shares representing 99.998% of the Sale Shares of Audex and Mah Li Chen holds 2 ordinary shares representing 0.002% of the Sale Shares of Audex. The Vendors are independent third parties and are not directly or indirectly related to the Company and/or its Directors, controlling shareholders or their respective associates.

#### 3. INFORMATION ON THE TARGET COMPANY

Audex is an exempt private limited company established under the laws of Malaysia, domiciled at Kuala Lumpur, Malaysia and has, at the date hereof, an issued and paid-up share capital of RM100,000 comprising 100,000 ordinary shares.

The principal activity of Audex is in the consultancy business and provider of corporate governance advisory services in Malaysia.

Based on the management accounts, the unaudited net tangible asset (“**NTA**”) of Audex as at 31 December 2016 was approximately RM750,000, and the unaudited net profit of Audex was RM40,000 for the financial year ended 31 December 2016.

#### 4. RATIONALE FOR AND BENEFIT OF THE PROPOSED ACQUISITION

Audex is in the consultancy business and provider of corporate governance advisory services in Malaysia. It has a fully dedicated team of qualified risk consultants and internal auditors that currently provides its specialised range of services to public listed and multinational companies with operations mainly in Malaysia and the Asia Pacific region. The rationale for the acquisition is to enable the Group to complement the services for corporate governance advisory services provided by Axcelasia Columbus Sdn Bhd, a subsidiary of the Company. Besides, there is potential for cross-selling opportunities within the Group to the enlarged customer base.



## 5. PRINCIPAL TERMS OF THE PROPOSED ACQUISITION

### 5.1 Sale Shares

The Proposed Acquisition involves the acquisition of the Sale Shares, free from all encumbrances.

### 5.2 Conditions Precedent

The Proposed Acquisition is conditional upon the fulfillment and satisfaction of, *inter alia*, the following conditions ("**Conditions Precedent**") within 30 days from this Agreement:

- (i) the Vendors have secured or securing the requisite approval of the Sale Shares from the other remaining shareholders, if any, in an extraordinary general meeting; and
- (ii) the Vendors shall furnish a letter from the owner and/or landlord of the Vendors' premises confirming that the current tenancy of the Vendors' premises will either be terminated or novated to the Vendors' or their nominee within three (3) months from the date of completion of the Proposed Acquisition.

If any of the Conditions Precedent is not fulfilled within 30 days from this Agreement, the Company shall have the option at its absolute discretion to:-

- (i) extend the period for fulfillment of the Conditions Precedent, by mutual consent;
- (ii) waive the Conditions Precedent and proceed to complete the Proposed Acquisition by paying the Second Payment (as defined herein); or
- (iii) terminate the Agreement.

in which event the Vendors shall then forthwith refund to the Company the Deposit (as defined herein) and the return of the Second Payment and the Third Payment to the Company, the Agreement shall be automatically determined and become null and void and be of no further effect and neither party will have any claims against the other in respect of this transaction.

### 5.3 Consideration

The cash consideration payable to the Vendors for the acquisition of the Sale Shares of RM2.88 million ("**Consideration**") comprises the following:

- (a) a sum of RM288,000 as deposit ("**Deposit**") for the Proposed Acquisition;
- (b) a sum of RM1,440,000 ("**Second Payment**") payable upon fulfillment of the Condition Precedent; and
- (c) a sum of RM1,152,000 ("**Third Payment**"), subject to the following downwards adjustment events (if any) to be carried out as at 30 June 2018:



- (i) only if the cumulative actual turnover of Audex between 1 January 2017 to 31 December 2017 is less than RM3,000,000, an amount equal to the difference between the targeted turnover of RM3,000,000 and the cumulative actual turnover for the same period multiplied by the factor of 2.13/3;
- (ii) such sum or sums equivalent to the amount of annual clients' fees payable by recurring clients of Audex who cannot be retained as at or on 30 June 2018;

The sum to be deducted for each such client not retained as at 30 June 2018, from the Third Payment shall be equal to the annual clients' fees reported to be payable by such client(s) of Audex as at 31 December 2017 multiplied by a the factor of 2.13/3;

- (iii) for all intent and purposes, the unaudited net tangible asset of Audex as at 31 December 2016 (based on the management accounts) shall be deemed to be the net tangible asset of Audex as at 31 December 2016 after the statutory audit of Audex has been completed ("2016 NTA") and if the 2016 NTA is less than the guaranteed net tangible asset of RM750,000 ("Guaranteed NTA"), an amount equal to the difference between the 2016 NTA and the Guaranteed NTA;
- (iv) an amount equal to all actual liabilities arising from any claims, including but not limited to any legal case accruing prior to the execution of this Agreement; and
- (v) all and any other liability of any nature arising prior to the execution of the Agreement that may surface that has not been disclosed by the Vendors as at the date of this Agreement.

The Company warrants and undertakes with the Vendors that if the 2016 NTA shall be above the Guaranteed NTA following the financial due diligence review and a follow up review in January 2017, such excess, if any, shall be distributed to Vendors either as bonus, directors' fee and/or dividend, as the case may be within one year from the date of completion of the Proposed Acquisition. Provided that in the event that the 2016 NTA is below the Guaranteed NTA, following the aforesaid review(s), such shortfall, if any, shall be deducted from the Third Payment;

The Consideration was arrived based on arm's length negotiations between the Company and the Vendors subject to the due diligence on Audex by the Company, taking into consideration the goodwill in relation to Audex's clients' fee volume of RM2,130,000 for the financial year ending 31 December 2017, and the unaudited net tangible assets of Audex of RM750,000 as at 31 December 2016.

## 6. SOURCE OF FUNDS FOR THE PROPOSED ACQUISITION

The Proposed Acquisition will be funded through Company's proceeds from the initial public offering ("IPO Proceeds").



As at the date of this announcement, the status on the use of the IPO Proceeds is as follows:

<u>Use of IPO Proceeds</u>	<u>Amount allocated in the Offer Document</u> <u>(S\$'000)</u>	<u>Amount reallocated on 22 Feb 2017</u> <u>(S\$'000)</u>	<u>Amount utilised</u> <u>(S\$'000)</u>	<u>Amount unutilised</u> <u>(S\$'000)</u>
Expand our business operations in Malaysia and the ASEAN region and enhance our range of professional services	6,000	4,000	(919) <sup>(1)</sup>	2,260
Enhance our Group's office and support infrastructure	500	500	(111)	389
Working capital	1,080	3,080	(1,080) <sup>(2)</sup>	2,000
Listing expenses to be borne by our Company	1,300	1,300	(1,300)	-
<b>Total</b>	<b>8,880</b>	<b>8,880</b>	<b>4,231</b>	<b>4,649</b>

Notes:

- (1) Taking into account the payment of Deposit amounting to RM288,000 (equivalent to approximately S\$90,000) for the Proposed Acquisition.
- (2) The amount of working capital was used for payment of operating expenses.

## 7. RELATIVE FIGURES UNDER CHAPTER 10 OF THE CATALIST RULES

The relative figures for the Proposed Acquisition computed on the bases set out in Rule 1006 of the SGX-ST Listing Manual Section B: Rules of Catalist ("Catalist Rules"), are as follows:-

<b>Rule</b>	<b>Bases</b>	<b>Relative Figure (%)</b>
1006 (a)	Net asset value of the assets to be disposed of compared with the Group's net asset value.	Not applicable
1006 (b)	Net profits attributable to the assets acquired, compared with the Group's net profits <sup>(1)</sup> .	(1.30)% <sup>(2)</sup>
1006 (c)	Aggregate value of the consideration given, compared with the Company's market capitalisation on 7 March 2017, being the market day preceding the date of the Agreement.	6.58% <sup>(3)</sup>
1006 (d)	Number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not applicable
1006 (e)	The aggregate volume or amount of proved and probable reserves to be disposed of compared with the aggregate of the Group's proved and probable reserves.	Not applicable



**Notes:-**

- (1) Under Catalist Rule 1002(3)(b), "net profit/loss" means profit or loss before income tax, minority interests and extraordinary items.
- (2) Computed based on Audex's unaudited profit before tax of approximately RM40,000 (equivalent to approximately S\$12,646) for the financial year ended 31 December 2016 ("FY2016"), compared to the Group's unaudited loss before tax of approximately RM3.08 million (equivalent to approximately S\$974,605) for FY2016. However, this comparison is not meaningful as the Company incurred a loss before tax for FY2016 while Audex was profitable in FY2016.
- (3) Based on the Consideration of S\$2.88 million (equivalent to approximately S\$0.9 million), and the Company's market capitalisation of approximately S\$14.11 million, which is determined by multiplying the issued share capital of the Company of 160,320,000 shares with the volume weighted average price of such shares transacted on 7 March 2017 (being the full market day immediately prior to the signing of the Agreement) of S\$0.088 per share.

Based on the above, the relevant relative figure as computed on the bases set out in Rule 1006(c) of the Catalist Rules exceed 5% but are less than 75%. Thus, the Proposed Acquisition constitutes a discloseable transaction as defined under Chapter 10 of the Catalist Rules.

## 8. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

Purely for illustrative purposes only, the pro forma financial effects of the Company after the Proposed Acquisition set out below are prepared based on the unaudited financial statements of the Group for FY2016 and do not reflect the actual future financial position of the Company following the completion of the Proposed Acquisition.

### 8.1 Loss Per Share

Assuming that Proposed Acquisition had been effected on 1 January 2016, the effects of the Proposed Acquisition on the Group's loss per share ("LPS") would be as follows:

	<b>Before the Proposed Acquisition</b>	<b>After the Proposed Acquisition</b>
Loss attributable to the owners of the Company (RM)	(3,132,322)	(3,092,322)
Number of shares issued	160,320,000	160,320,000
LPS (RM cents)	(1.95)	(1.93)

### 8.2 Net Tangible Asset Per Share

Assuming that the Proposed Acquisition had been effected on 31 December 2016, the effects of the Proposed Acquisition on the Group's net tangible assets ("NTA") per share would be as follows:



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	<b>Before the Proposed Acquisition</b>	<b>After the Proposed Acquisition</b>
NTA value attributable to the owners of the Company (RM)	31,333,956	32,083,956
Number of issued shares	160,320,000	160,320,000
NTA per share (RM cents)	19.54	20.01

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## **9. INTEREST OF DIRECTORS AND CONTROLLING SHAREHOLDERS**

None of the directors or controlling shareholders of the Company or their associates has any interest, direct or indirect, in the Proposed Acquisition save through their respective shareholdings in the Company (if any).

## **10. SERVICE AGREEMENT**

No new director will be appointed to the Board of the Company in connection with the Proposed Acquisition.

## **11. DIRECTORS' RESPONSIBILITY STATEMENT**

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

## **12. DOCUMENT AVAILABLE FOR INSPECTION**

The Agreement is available for inspection during normal business hours at the Company's Singapore office at 16 Raffles Quay #32-06 Hong Leong Building Singapore 048581 for three (3) months after the date of this announcement.

BY ORDER OF THE BOARD

Dato' Tang Swee Guan  
Finance Director  
9 March 2017

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Axcelasia Inc. (the "Company") was listed on Catalist of the Singapore Exchange Securities Trading Limited (the "SGX-ST") on 27 November 2015. The initial public offering of the Company was sponsored by PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor").

This announcement has been prepared by the Company and its contents have been reviewed by the Sponsor for compliance with the SGX-ST Listing Manual Section B: Rules of Catalist. The Sponsor has not verified the contents of this announcement.

This announcement has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this announcement, including the accuracy, completeness or correctness of any of the information, statements or opinions made or reports contained in this announcement.

The contact person for the Sponsor is Mr Lance Tan, Director, Continuing Sponsorship, at 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318, telephone (65) 6229 8088.