



ADVANCE SCT LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration No. 200404283C)

THE PROPOSED BUSINESS DIVERSIFICATION FOR THE COMPANY

1. INTRODUCTION

On 19 June 2018, the Company announced the appointment of Mr. Teh Wing Kwan (“**Mr. Teh**”) as non-executive Chairman after he acquired a 28.7% interest in the Company as a substantial shareholder. On 24 July 2018, Mr. Teh was appointed as executive Chairman and Chief Executive Officer (“**CEO**”), with the key role of initiating corporate strategic reviews, setting new business directions, leading in implementation of growth initiatives and executing new investment strategies. The Company had also previously announced that it would evaluate growth initiatives and implement new investment parameters, which may include business diversification strategies under the leadership of Mr. Teh.

On 20 August 2018, the Company announced that it had entered into a non-binding letter of collaboration (the “**LOC**”) with the Tokyo-Stock Exchange listed Dai-Dan Co., Ltd and N&T Engineering Enterprises Pte Limited (“**N&T**”) (collectively, the “**Parties**”). Pursuant to the LOC, the Parties agreed to jointly explore and evaluate business opportunities in relation to mechanical and electrical (“**M&E**”) engineering works specifically for mission critical facilities and infrastructures in Singapore and other parts of Southeast Asia such as Thailand.

2. STRATEGIC REVIEW

Since the appointment of Mr. Teh as CEO of the Company, Mr. Teh has conducted a key strategic review which includes evaluating key growth initiatives, new investment parameters and business diversification strategies for the Group. Arising from such review, the Group proposes to venture into the highly specialised M&E and infrastructure engineering industry, including managing the supply chain and integrating or broadening the scope of M&E engineering projects to support smart facilities management and smart city applications. In implementing these key growth initiatives, the Company is also in the midst of evaluating various acquisition targets, exploring joint venture opportunities and discussing strategic collaboration structures.

The Company intends to:

- (a) procure, manage and implement M&E and infrastructure engineering projects in an integrated manner, including project financing and materials procurement;
- (b) participate in M&E engineering works by collaborating with strategic partners to integrate M&E expertise with deep machine learning bots powered by algorithms and predictive Artificial Intelligence (AI) analytics tools;

- (c) integrate M&E engineering with tech-driven smart facilities management (“**Smart FM**”) including system coding, system development, system integration and data analytics as part of the smart city applications; and
- (d) participate in structural engineering works for land transport infrastructure such as sub-structure works, elevated expressways, roads, tunnels and bridges and to integrate infrastructure engineering with smart M&E as part of the smart city initiatives.

In furtherance of the Group’s business diversification strategy and in conjunction with the strategic review stated above, the Company wishes to announce that the Group intends to diversify into the business of M&E and infrastructure engineering (the “**M&E and Infrastructure Engineering Business**”) which could potentially provide technical solutions in supporting Smart FM and smart city applications (the “**Smart M&E Business**”) (the “**Proposed Diversification**”).

The Company will convene an extraordinary general meeting (the “**EGM**”) to seek the approval of Shareholders of the Company (“**Shareholders**”) for the Proposed Diversification.

2. INFORMATION ON THE PROPOSED DIVERSIFICATION

2.1 The Proposed Diversification

The proposed M&E and Infrastructure Engineering Business

The Group intends to undertake the following business activities under the proposed M&E and Infrastructure Engineering Business in the geographical region of Singapore and other countries in Southeast Asia:

- (a) Design, customisation, operation, installation and maintenance of:
 - (i) mission critical facilities and infrastructures (“**MCFI**”) such as traffic control hub, roads and bridges, tunnels, aviation (terminals, air field and runway), telecommunication center and facilities, immigration and checkpoint facilities, data center, mass transit facilities, laboratories, hospitals, learning institutions and power substations; and
 - (ii) mission critical systems (“**MCS**”) such as tunnel plant monitoring control systems, traffic surveillance and control systems, railway electrical systems, train communication systems, tunnel radio rebroadcast break-in and communication systems, tunnel ventilation systems and dewatering systems, security surveillance and detection systems, public street lighting systems and fiber optic network systems.
- (b) Infrastructure engineering in respect of structural engineering for land transport infrastructure such as sub-structure works, elevated expressways, roads, tunnels and bridges; and integrating infrastructure engineering with smart M&E in supporting “self-aware” infrastructure such as tracking structural health and triggering condition-based maintenance as part of the smart city initiatives.

The proposed Smart M&E Business

The Group intends to undertake the following business activities under the proposed Smart M&E Business in the geographical region of Singapore and other countries in Southeast Asia:

- (a) Integration of M&E and infrastructure engineering with deep machine learning bots as powered by algorithms and predictive Artificial Intelligence (AI) and Internet-of-Things (IoT) analytics tools, including system coding, system development, system integration and data analytics in supporting Smart FM and smart city applications.

2.2 Rationale for the Proposed Diversification

The Group's existing business is the trading of exchange-regulated metal products. The Directors are of the view that primarily as a result of prevailing macroeconomic conditions, there may be uncertainty in the commodities market which may affect the Group's existing trading business.

The Proposed Diversification would allow the Group to venture into a highly specialised industry given the increasingly higher spending in upgrade and maintenance of MCFI, MCS and land transport infrastructure in Singapore and other countries in Southeast Asia, specifically ASEAN. In addition, the Company has also been following on the major developments in the industry since the announcement of the "smart nation" initiatives and the establishment of "GovTech" by the Singapore Government towards building smart nation infrastructure, platforms and specialised services through information communications and related engineering technology. More recently, the Company has also read the news in relation to the establishment of Infrastructure Asia to support Asia's economic and social growth through infrastructure development and will thus be following closely on such key initiatives.

The Company is therefore of the view that the Proposed Diversification represents a key strategic direction, an important turnaround decision and a business opportunity for the Company to venture into a highly specialised industry through potential acquisition of business targets with proven track records and potential joint venture or collaboration with other strategic partners. The Proposed Diversification will also minimise the reliance of the Company on its existing trading business and thus mitigating the exposure to the volatility of commodity prices.

2.3 Funding for the Proposed Diversification

The Company proposes that the initial funding for Proposed Diversification be constituted by (i) shareholders' loans and short-term advances, as well as (ii) loans from independent third parties. Upon approval of Shareholders at the EGM for the Proposed Diversification, the Company may consider tapping funds from (i) the equity market, (ii) the commercial banks, (iii) sophisticated investors and (iv) strategic partners to support the growth and expansion of the M&E and Infrastructure Engineering Business and the Smart M&E Business.

Concurrently, the Company will also continue to evaluate other strategic business targets which will allow the Company to execute the Proposed Diversification within the investment parameters to be set out in the circular to Shareholders.

3. INTEREST OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

None of the Directors or substantial shareholders of the Company has, any interest, direct or indirect, in the Proposed Diversification, other than through their respective shareholdings in the Company

4. FURTHER INFORMATION AND ACTION BY SHAREHOLDERS

A circular containing information in connection with, amongst others, the Proposed Diversification will be despatched to the Shareholders in due course. The Company will make further announcements relating to the Proposed Diversification as and when necessary.

By Order of the Board
ADVANCE SCT LIMITED

Teh Wing Kwan
Executive Chairman and Chief Executive Officer

7 November 2018