

ACROMEC LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number 201544003M)



PROPOSED ACQUISITION OF THE REMAINING 40% OF THE ISSUED AND PAID UP SHARE CAPITAL OF GOLDEN HARVEST ENGINEERING PTE LTD

1. INTRODUCTION

The Board of Directors (the "**Board**") of ACROMEC Limited (the "**Company**", and together with its subsidiary, the "**Group**") wishes to announce that on 22 September 2020, the Company had entered into a conditional share sale and purchase agreement ("**SPA**") with Mr Liang Kum Keong ("**LKK**") and Mr Quek Ghee Leong ("**QGL**") (collectively, the "**Vendors**" and each a "**Vendor**") for the acquisition of the remaining 68,000 ordinary shares representing 40% of the total issued and paid-up share capital of Golden Harvest Engineering Pte Ltd ("**Golden Harvest**") ("**Proposed Acquisition**"). As at the date of this announcement, the Company holds 102,000 ordinary shares representing 60% of the total issued share capital of Golden Harvest.

Upon completion of the Proposed Acquisition ("**Completion**"), Golden Harvest will become a wholly-owned subsidiary of the Company.

Please refer to paragraph 3 for an overview of the principal terms of the SPA.

2. INFORMATION ON GOLDEN HARVEST AND THE VENDORS

2.1. Information on Golden Harvest

Golden Harvest is a company incorporated in Singapore and has an issued and paid-up share capital of S\$170,000 comprising 170,000 ordinary shares. It was established by the Vendors in 1998. It mainly provides maintenance services for the air-conditioning and mechanical ventilation systems of buildings. It also undertakes minor installation works as part of its suite of services. Its existing clients include owners of retail and commercial buildings.

On 23 November 2016, the Company announced that it had entered into a conditional share purchase agreement with the Vendors for the acquisition of 102,000 ordinary shares of Golden Harvest, representing 60% of its total issued and paid-up share capital ("**Partial Acquisition**"). The consideration for the Partial Acquisition was paid to the Vendors through a combination of cash and the allotment and issue of new ordinary shares in the capital of the Company ("**Shares**"). The Partial Acquisition was completed on 3 January 2017. Following the completion of the Partial Acquisition, Golden Harvest became a 60%-owned subsidiary of the Company.

Please refer to the Company's announcements dated 23 November 2016, 14 December 2016 and 3 January 2017 released on SGXNET at <https://www.sgx.com/securities/company-announcements> for further details on the Partial Acquisition.

2.2. Information on the Vendors

The Vendors are the current directors and employees of Golden Harvest and are not related, whether directly or indirectly, to the Company and/or its Directors, controlling shareholders or

their respective associates. As at the date of this announcement, save for the 2,252,933 Shares the Vendors do not have any other shareholding interest in the Company. The Company and the Directors have not independently verified the accuracy and correctness of the Vendors' shareholding information herein.

2.3. Financial information of Golden Harvest

Based on the latest unaudited management accounts of Golden Harvest, the net tangible assets of Golden Harvest as at 31 July 2020 was approximately S\$1,459,000, and the loss before tax of Golden Harvest for the financial period ended 31 July 2020 was approximately S\$(39,000). The net tangible assets as at 31 July 2020 and loss before tax for the financial period ended 31 July 2020 attributable to 40% of Golden Harvest amounted to approximately S\$583,600 and S\$(15,600) respectively.

3. **PRINCIPAL TERMS OF THE SPA**

3.1. Purchase Consideration

The purchase consideration for the Proposed Acquisition ("**Consideration**") shall be S\$550,000, payable in cash on the date of completion of the Proposed Acquisition ("**Completion**").

The Consideration was based on arm's length negotiations between the Company and the Vendors, after taking into consideration net tangible assets of Golden Harvest as at 31 July 2020 and its earnings for the past three financial years. No independent valuation was conducted for the Proposed Acquisition.

3.2. Conditions Precedent

Completion is conditional upon, *inter alia*, the following conditions having been fulfilled (or waived in writing) at least three (3) business days prior to the date of Completion, which is scheduled for 30 September 2020 (the "**Completion Date**"):-

- (a) [all outstanding amounts owing to Golden Harvest by each of the Vendors as at the date of the SPA having been fully repaid;]
- (b) each of the Vendors having entered into a deed of termination confirming the termination of their employment with Golden Harvest and the waiver of all past, present or future claims against the Company; and
- (c) all actions, conditions, things required to be taken, fulfilled and done (including, without limitation, the obtaining of any necessary approvals and consents) in order to enable the parties to lawfully enter into, exercise their rights and perform and comply with their obligations under the SPA and to ensure that those obligations are legally binding and enforceable, having been taken, fulfilled and done (including without limitation the parties having obtained approval of their respective board of directors and, if required, their respective shareholders).

3.3. Non-compete

Following Completion, the Vendors will resign as directors and employees of Golden Harvest. They will commit to a 12 month non-compete, during which period they will not (whether alone or jointly with another), in any capacity, directly or indirectly be involved in any business which competes with the business of Golden Harvest.

4. RELATIVE FIGURES UNDER RULE 1006 OF THE LISTING MANUAL (SECTION B: RULES OF CATALIST) OF THE SGX-ST ("CATALIST RULES")

4.1. Relative bases under Rule 1006 of the Catalist Rules

Based on the unaudited financial statements of the Group for financial half-year ended 31 March 2020 ("HY2020"), the relative figures of the Proposed Acquisition computed on the bases set out in Rule 1006 of the Catalist Rules are set out below:

Rule 1006	Bases of Calculation	Relative Figure (%)
(a)	Net asset value of the assets to be disposed of compared with the Group's net asset value	Not applicable
(b)	The net profits ⁽²⁾ attributable to the assets acquired, compared with Group's net profits	(5.57)% ⁽²⁾
(c)	Aggregate value of the consideration given, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares ⁽³⁾	3.24% ⁽⁴⁾
(d)	The number of consideration shares issued by the Company, compared with the number of Shares (excluding treasury shares) previously in issue	Not applicable ⁽⁵⁾
(e)	The aggregate volume of proved and probable reserves to be disposed of compared with the Group's probable and proved reserves	Not applicable ⁽⁶⁾

Notes:

- (1) Under Rule 1002(3) of the Catalist Rules, "net profits" means profit or loss before income tax, minority interests and extraordinary items.
- (2) Computed based on 40% of the profit before income tax, minority interest and extraordinary items of Golden Harvest for HY2020 of S\$25,000 and the loss before income tax, minority interests and extraordinary items of the Group for HY2020 of (S\$449,000).
- (3) The market capitalisation of the Company was determined by multiplying the total number of Shares, being 138,563,978 Shares (excluding treasury shares) by S\$0.1225 (being the volume weighted average traded price of such Shares on 21 September 2020, being the market day preceding the date of the SPA).
- (4) Computed based on the Consideration of S\$550,000 that will be paid to the Vendors compared to the market capitalisation of the Company amounting to approximately S\$16,974,087.
- (5) This is not applicable as no consideration shares will be issued in connection with the Proposed Acquisition.
- (6) This is not applicable as the Company is not a mineral, oil and gas company.

Pursuant to paragraph 4.4(b) of Practice Note 10A of the Catalist Rules, as the relative figure computed under Rule 1006(c) of the Catalist Rules does not exceed seventy-five per cent. (75%) and the net profit attributable to the asset to be acquired exceeds 5% of the Company's losses (taking into account only the absolute value), the Proposed Acquisition constitutes a

"discloseable transaction" as defined under Chapter 10 of the Catalist Rules and does not require Shareholders' approval.

5. RATIONALE FOR THE PROPOSED ACQUISITION

With Golden Harvest's expertise and track record in the maintenance services sector, the Group's maintenance segment business has been growing steadily over the years.

The maintenance business provides recurring revenue and income streams and adds stability to the Group's largely project-based business. The Board is of the view that the acquisition of the remaining 40% of Golden Harvest from the Vendors is in the best interest of the Shareholders as the Proposed Acquisition will further enhance the Group's existing maintenance segment business, thereby increasing its recurring business base.

The Proposed Acquisition will also allow the Company to provide maintenance services that cater to larger scale facilities through the consolidation and integration of resources of Golden Harvest and the Company's maintenance business currently operating through another subsidiary. It is envisaged that this integration will result in synergising and forming of a stronger and more equipped team as well as to better seize opportunities in the maintenance services sector.

6. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

6.1. Bases and assumptions

The financial effects of the Proposed Acquisition on (a) the consolidated net tangible assets ("**NTA**") per Share (as defined below); (b) the consolidated earnings per Share ("**EPS**"); and (c) net gearing levels of the Group, have been prepared based on the audited consolidated financial statements of the Group for financial year ended 30 September 2019 ("**FY2019**").

The financial effects below were prepared based on the following assumptions:

- (a) the financial effects of the Proposed Acquisition on the NTA per Share of the Group are computed assuming that the Proposed Acquisition had taken place on 30 September 2019;
- (b) the financial effects of the Proposed Acquisition on the EPS of the Group are computed assuming that the Proposed Acquisition had been completed on 1 October 2018; and
- (c) the expenses incurred in connection with the Proposed Acquisition amounts to approximately S\$18,000.

6.2. NTA per Share

The illustrative financial effects of the Proposed Acquisition on the NTA per Share of the Group as at 30 September 2019 are as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
NTA ⁽¹⁾ attributable to the owners of the Company (S\$'000)	7,027	7,231
Number of issued Shares	138,563,978	138,563,978
NTA per Share (cents)	5.07	5.22

Note:

- (1) NTA means total assets less the sum of total liabilities, non-controlling interests and intangible assets (net of non-controlling interests).

6.3. EPS

The illustrative financial effects of the Proposed Acquisition on the EPS of the Group for FY2019 are as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
Net Profit (S\$)	30	28
Weighted average number of Shares	138,563,978	138,563,978
Earnings per share (cents)	0.02	0.02

The above pro forma financial effects presented are theoretical in nature and only for illustration purposes. They do not represent the actual financial position and/or results of the Group.

7. **INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS**

As at the date hereof, save for their shareholdings in the Company and as disclosed herein, none of the Directors, controlling shareholders of the Company or their respective associate has any interest, direct or indirect, in the Proposed Acquisition.

8. **PROPOSED DIRECTOR(S)**

No person is proposed to be appointed as a Director of the Company in connection with the Proposed Acquisition. As such, no service agreements will be entered into in respect of the Proposed Acquisition.

9. DOCUMENT FOR INSPECTION

A copy of the SPA is available for inspection during normal business hours at the registered office of the Company at 4 Kaki Bukit Avenue 1 #04-04, Singapore 417939 for a period of three months from the date of this announcement.

10. FURTHER ANNOUNCEMENTS

Further announcements on the Proposed Acquisition will be made in due course as and when appropriate.

11. CAUTION IN TRADING

Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company. In particular, shareholders and potential investors should note that as there is no assurance that any business activities or transactions mentioned in this announcement will materialise. People who are in doubt as to the action they should take should consult their stockbrokers, solicitors or other professional advisors.

By Order of the Board

Lim Say Chin
Executive Chairman and Managing Director
23 September 2020

*This announcement has been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "**Sponsor**"). It has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "**Exchange**") and the Exchange assumes no responsibility for the contents of this document, including the correctness of any of the statements or opinions made or reports contained in this document.*

The contact person for the Sponsor is Mr. Joseph Au, 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318, sponsorship@ppcf.com.sg. [PPCF: Please note that our sponsor statement has changed to the above