ACROMEC LIMITED
(incorporated in the Republic of Singapore)
(Company Registration Number: 201544003M)

JOINT VENTURE IN RELATION TO CO-WORKING LABORATORIES

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1. INTRODUCTION

1.1 The Board of Directors (the "**Board**") of Acromec Limited (the "**Company**" and together with its subsidiaries, the "**Group**") is pleased to announce that its wholly-owned subsidiary, Acromec Engineers Pte Ltd ("**AEPL**") has on 13 July 2021 entered into a conditional joint venture agreement ("**JV Agreement**") with Tako Ventures LLP (the "**JV Partner**"). The JV Agreement seeks to formalise a collaboration for co-working laboratories (the "**Joint Venture**"), further details as follows.

1.2 The JV Partner is a Singapore-incorporated limited liability partnership. Its partners are management members of a multinational corporation, which provides laboratory infrastructure solutions, including to the Group. To the knowledge of the Company, none of the partners and managers of the JV Partner are related to any of the directors or substantial shareholders of the Company nor their respective associates, nor do any of them have any shareholding interest in the Company.

2. JOINT VENTURE AGREEMENT

2.1 **Capital Structure**: The Joint Venture would be implemented through Life Science Incubator Pte Ltd ("**JVCo**"). JVCo has an issued and paid-up capital of S$50,000 comprising 50,000 ordinary shares. To formalise the Joint Venture, AEPL would acquire 15,000 ordinary shares ("**Acquisition Shares**") representing 30% shareholdings in the JVCo for S$15,000. On completion of such acquisition ("**Completion**"), JVCo would be 70% owned by the JV Partner, and 30% owned by AEPL.

2.2 **Business**: The principal business activities of the Joint Venture shall involve the building and developing of "co-working laboratories" for various external parties including companies and researchers to take up such laboratory space on demand and for limited periods of time depending on their project needs.

2.3 **Conditions**: Completion and the formalisation of the Joint Venture is subject to various conditions precedent. For Completion to occur, JVCo must have secured suitable tenancy for co-working laboratories on terms acceptable to AEPL, and must have also entered into an agreement with AEPL for demolition and fitting-out works to be performed in respect of such premises. As at the date hereof, JVCo has secured suitable tenancy for its first co-working laboratory premises at the German Centre, 25 International Business Park (the "**First Premises**").

2.4 **Respective Roles**: Following Completion, the JV Partner, as the majority 70% shareholder of JVCo, shall take a lead role in promoting and managing the business and/or interests of JVCo. AEPL, as the 30% shareholder of JVCo, is required to *inter alia* provide funding and take on engagements from JVCo to design and perform fitting-out works for co-working laboratories, leveraging on its core competencies and its track record as an established specialist engineering service provider in the field of controlled environments.

2.5 **Key Provisions**: The JV Agreement contains customary governance provisions and reserved matters in favour of AEPL. AEPL has the right to appoint one director to the board of directors of JVCo. The JV Partner has the right to appoint two directors to the board of directors of JVCo, one of which shall be the Chairman so long as the JV Partner has more than 50% shareholdings in the JVCo. Apart from the above, the JV Agreement provides for the following:

2.5.1 a management fee to be payable to the JV Partner for the first two (2) years of the Joint Venture which shall be 10% of the net profits (before tax) of the JVCo for each of these two (2) years;

2.5.2 a dividend policy whereby 60% of the distributable profits are to be used to repay any outstanding shareholders' loans, and if there are no outstanding loans, then the full extent of distributable profits are to be distributed to AEPL and the JV Partner *pro rata* to their shareholdings in the JVCo;

2.5.3 the right of a JVCo shareholder to compulsorily acquire the shares of the other shareholder in instances of *inter* alia material breach by the defaulting JVCo shareholder, a change in control in the defaulting JVCo shareholder, or if the defaulting JVCo shareholder becomes subject to an insolvency event; and

2.5.4 in certain agreed circumstances, such as if the tenancy for the First Premises is terminated or ceases prior to AEPL being paid in full for the fitting-out works performed, or if JVCo's accumulated losses exceed S$500,000, AEPL shall be entitled to acquire the JV Partner's shares at 80% of the fair value ascribed to such shares (or at nominal consideration if the JVCo is loss-making or in a net-liability position).

2.6 **Long-stop date**: The JV Agreement shall lapse and terminate if the conditions precedent stated therein are not satisfied (or waived) by the long-stop date of 15 August 2021.

3. RATIONALE

3.1 The Joint Venture is proposed as the Company has observed the rise in popularity of flexible co-working spaces, and believes that demand for co-working laboratory space is likely to increase given Singapore's drive to grow a biomedical sciences hub in Asia. Co-working laboratories are likely to appeal to entrepreneurs, early-stage bio and pharma companies who are keen to optimise cash flow and invest in talent and science at the onset, rather than physical space or equipment, particularly in the MedTech, BioTech and HealthTech spaces.

3.2 The Group can benefit from earning revenue from EPC engagements with JVCo and/or future tenants of JVCo who may require new laboratory premises as part of their expansion plans, as well as potential investment returns from JVCo. The Group can also leverage on the JV Partner's network and experience in scientific enterprises to secure further investments as well as contacts for equipment suppliers for the Group's controlled environment business.

4. CONTRIBUTION, FUNDING AND FINANCIAL EFFECTS

4.1 **Contribution to Joint Venture**: AEPL would be funding the initial phase works for the First Premises and its share of the 30% shareholdings in JVCo, estimated to be in the region of S$1.403 million. This comprises S$15,000 in cash to acquire the Acquisition Shares (calculated based on 30% of JVCo's current paid-up capital of S$50,000), with the balance S$1.388 million as an estimated amount of works performed or to be performed by AEPL to set-up the First Premises (such as for project management, fitting-out and demolition works) to which extended credit terms has been agreed. Payment in relation to such works constitute trade receivables arising in the ordinary course of business which will be repaid by JVCo to AEPL on agreed extended credit terms, summarised as follows:

Contribution by AEPL:		(In S$'000)
(A)	Subscription for Acquisition Shares in cash	**15**
(B)	Estimated value of works to be carried out	1,474
	Less: Payments by JVCo to date:	(86)
	Estimated value of works under trade receivables with extended credit terms:	**1,388***

*Trade receivables repayment with the following extended credit terms:

- Up to two years from operational date of First Premises — 945 Note 1
- By 15 September 2021 — 202 Note 2
- Within six months from completion of fitting out works — 241 Note 2

Notes:

1. Interest-free.
2. Attracts interest at 5% per annum. If not repaid by 15 September 2021 or within six months from completion of fitting out works respectively, for every $32,000 of outstanding amount, AEPL is entitled to increase its shareholdings in JVCo by 1% at nominal value of S$1.00.

4.2 **Source of Funds**: AEPL's contribution to the Joint Venture will be funded by the Group's internal resources and bank borrowings.

4.3 **Acquisition Shares**: Based on the latest management accounts of JVCo as at 30 June 2021, the book value and net tangible assets attributable to the Acquisition Shares was approximately S$16,227. Having regard that the Company is in the midst of setting up, and AEPL's acquisition of the Acquisition Shares is derived based on a dollar-to-dollar reimbursement for the paid-up capital paid by the JV Partner, no independent valuation was commissioned by the Company to value the Acquisition Shares. The net profits attributable to the Acquisition Shares, based on the latest management accounts of JVCo as at 30 June 2021, was approximately S$1,227.

4.4 **Assumptions**: The pro forma financial effects as set out below are prepared purely for illustrative purposes only and do not reflect the actual financial position of the Group after contributing the full extent of its investment in the Joint Venture. These pro forma financial effects have been prepared based on the latest announced audited consolidated accounts of the Group for the full-year ended 30 September 2020 ("**FY2020**").

4.5 **NTA**: For illustrative purposes and assuming that the Group had contributed the full extent of its investment in the Joint Venture at the end of FY2020, the effect of the Joint Venture on the net tangible assets ("**NTA**") of the Group is as follows:

	Before the Joint Venture	After the Joint Venture
NTA as at 30 September 2020 (S$'000)	5,987	5,988
No. of shares	138,563,978	138,563,978
NTA per share as at 30 September 2020 (S$ cents)	4.32	4.32

4.6 **EPS**: For illustrative purposes and assuming that the Group had contributed the full extent of its investment in the Joint Venture at the beginning of FY2020, the effect of the Joint Venture on the earnings per share ("**EPS**") of the Company is as follows:

	Before the Joint Venture	After the Joint Venture
Net profit/(loss) attributable to owners of the Company for FY2020 (S$'000)	(1,515)	(1,514)
Weighted average number of shares – Basic/diluted ('000)	138,563,978	138,563,978
EPS for FY2020 – basic/diluted (S$ cents)	(1.09)	(1.09)

5. <u>RELATIVE FIGURES</u>

5.1 Pursuant to Rule 1007(2) of the Listing Manual (Section B: Rules of Catalist) of the SGX-ST ("**Catalist Rules**"), the relative figures are computed based on an acquisition of the Acquisition Shares (30% shareholdings in JVCo). These relative figures computed under Rule 1006 of the Catalist Rules, based on the latest announced consolidated financial statements of the Group for the financial half-year ended 31 March 2021 ("**1H2021**"), are set out below:

Rule 1006(a) *: Net asset value of the assets to be disposed of, compared with the Group's net asset value*

Size of relative figure	Not applicable

Rule 1006(b) *: Net profits attributable to the assets acquired, compared with the Group's net profits*

Net profits(1) attributable to the assets acquired (S$)	1,227(2)
Group's net profits (S$)	29,000
Size of relative figure	4.2%

Rule 1006(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*

Value of the consideration given (S$)	1,403,000(4)
The Company's market capitalisation as at 12 July 2021(3)	13,856,398
Size of relative figure	10.1%

Rule 1006(d) *: Number of equity securities issued by the Company as consideration, compared with the number of equity securities previously in issue*

Size of relative figure	Not applicable(5)

Rule 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. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets*

Size of relative figure	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 30% of the profit before income tax, minority interest and extraordinary items of JVCo since incorporation in October 2020 up to 30 June 2021 and profit before income tax, minority interest and extraordinary items of the Group for 1H2021.

(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$0.10 (being the volume weighted average traded price of such Shares on 12 July 2021, being the market day preceding the date of the JV Agreement).

(4) Computed based on sum of Subscription in cash for Acquisition Share of S$15,000 and estimated value of works under extended credit terms of S$1,388,000 to the Joint Venture of S$1,403,000 pursuant to Practice Note 10A, Note 3.2(b)(ii) of the Catalist Rules, as described in paragraph 4.1 above.

(5) This is not applicable as no consideration shares will be issued.

(6) This is not applicable as the Company is not a mineral, oil and gas company.

5.2 As the relative figures computed under Rules 1006(b) and 1006(c) of the Catalist Rules each exceeds 5% but none of the relevant figures computed under Rule 1006 of the Catalist Rules exceeds 75%, the Joint Venture is classified as a discloseable transaction.

6. SERVICE CONTRACTS

No person will be appointed to the Board in connection with the Joint Venture.

7. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors or controlling shareholders of the Company or their respective associates has any interest, direct or indirect, in the Joint Venture other than through their respective directorships and/or shareholding interests in the Company.

8. DOCUMENT FOR INSPECTION

A copy of the JV Agreement 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 (3) months from the date of this announcement.

9. <u>FURTHER ANNOUNCEMENTS</u>

Further announcements on the Joint Venture will be made in due course as and when there are material developments.

By Order of the Board

Lim Say Chin
Executive Chairman and Managing Director
14 July 2021

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*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.*

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