



ASTI HOLDINGS LIMITED
(Company Registration No. 199901514C)
(Incorporated in the Republic of Singapore)
(the “**Company**”)

**PROPOSED ACQUISITION OF 100% SHAREHOLDING INTEREST IN EMERALD,
YUMEI TECHNOLOGIES, YUMEI REIT AND PIONEER VENTURE**

1. INTRODUCTION

The Board of Directors (the “**Board**” or “**Directors**”) of the Company (together with its subsidiaries, the “**Group**”) wishes to announce that it has entered into a sale and purchase agreement (“**SPA**”) on 26 February 2021 with Advanced Systems Automation Limited (Company Registration No. 198600740M) (the “**Vendor**”), for the proposed acquisition of:

- (a) 600,000 ordinary shares in the capital of Emerald Precision Engineering Sdn. Bhd. (“**Emerald**”), comprising 100% of the issued and paid-up share capital of Emerald;
- (b) 500,002 ordinary shares in the capital of Yumei Technologies Sdn. Bhd. (“**Yumei Technologies**”), comprising 100% of the issued and paid-up share capital of Yumei Technologies;
- (c) 500,000 ordinary shares in the capital of Yumei REIT Sdn. Bhd. (“**Yumei REIT**”), comprising 100% of the issued and paid-up share capital of Yumei REIT; and
- (d) 1,000,000 ordinary shares in the capital of Pioneer Venture Pte. Ltd. (“**Pioneer Venture**”), comprising 100% of the issued and paid-up share capital of Pioneer Venture,

(collectively referred to as the “**Target Companies**” and each a “**Target Company**”, and their shares collectively the “**Sale Shares**”), on the terms and conditions of the SPA (the “**Proposed Acquisition**”).

The Proposed Acquisition constitutes a major transaction under Rule 1014 of the listing manual (“**Listing Manual**”) of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) which requires approval of the shareholders of the Company (“**Shareholders**”).

2. INFORMATION ON THE VENDOR

The Vendor is a public company listed on the Catalist of the SGX-ST, and its sponsor is SAC Capital Private Limited (the “**Sponsor**”). The Vendor is engaged in the business of manufacturing electromechanical components and parts for semiconductor and consumer electronics industries.

For the completeness of disclosure, the Company has a 25.98% shareholding interest in the Vendor and is considered a controlling shareholder of the Vendor under the Listing Manual.

3. INFORMATION ON THE TARGET COMPANIES

3.1 The Target Companies

Emerald

Emerald is a company incorporated in Malaysia on 3 March 2000 and has an issued and paid-up capital of RM600,000 comprising 600,000 ordinary shares as at the date of the SPA. Emerald is an equipment contract manufacturing services provider in Asia, with a track record in the precision machining of parts and components for semiconductor, hard disk drives and other industries. Emerald's customers are predominantly based in Singapore and Malaysia.

Yumei Technologies

Yumei Technologies is a company incorporated in Malaysia on 6 December 2005 and has an issued and paid-up capital of RM500,002 comprising 500,002 ordinary shares as at the date of the SPA. Yumei Technologies is principally engaged in the provision of: (a) die-casting, (b) plastic injection moulding components and (c) other finishing operations incorporating precision machining, surface finishing, leakage treatment and sub-assembly of mechanical components.

Yumei REIT

Yumei REIT is a company incorporated in Malaysia on 7 May 2006 and has an issued and paid-up capital of RM500,000 comprising 500,000 ordinary shares as at the date of the SPA. Yumei REIT is the asset management company for Yumei Technologies.

Pioneer Venture

Pioneer Venture is a company incorporated in Singapore on 1 April 2005 and has an issued and paid-up capital of S\$1,100,000 comprising 1,000,000 ordinary shares as at the date of the SPA. Pioneer Venture is principally engaged in the manufacturing of fabricated metal products except machinery and equipment. It has over ten (10) years of experience in metal moulding technologies, manufacturing processes and integrated manufacturing solutions.

3.2 Financial Information on Target Companies

Based on the consolidated unaudited financial statements for the period from 1 January 2020 to 30 June 2020, the net asset value and net tangible assets (“**NTA**”) attributable to the shareholder of the Target Companies as at 30 June 2020 is approximately S\$12,632,000 and S\$12,632,000. The total assets and total liabilities of the Target Companies as at 30 June 2020 is S\$16,953,000 and 4,321,000, and it recorded a net profit before tax of S\$598,000.

3.3 Valuation Report

In connection with the Proposed Acquisition, the Company appointed an independent valuer, AVA Associates Limited (“**Independent Valuer**”), to assess and determine the value of the Sale Shares. Based on the valuation report in respect of the Sale Shares dated 30 November 2020 issued by the Valuer (the “**Valuation Report**”), the Market Value (as defined below) of the Sale Shares is S\$15,200,000. “Market Value” refers to the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

The Valuation Report was prepared in accordance with the income approach, utilising a discounted cash flow methodology to estimate the cash that is available (either to invest in new or existing businesses or to distribute) in each Target Company to both the debt holders and equity owners, to derive the enterprise value of each Target Company, as a going-concern entity operating independently.

4. RATIONALE FOR THE PROPOSED ACQUISITION

The objective of Proposed Acquisition is to diversify and increase the Group's revenue and help to enhance profitability, thereby bringing additional value to the Company and its Shareholders. The Company would also be able to reduce the outstanding indebtedness owing by the Vendor to Company, by setting off part of the indebtedness from the Base Consideration (as defined below).

5. CONSIDERATION AND SOURCE OF FUNDS

5.1. The aggregate consideration payable by the Company for the Proposed Acquisition (the "**Purchase Price**") comprises:

- (a) a base consideration component of S\$12,500,000 ("**Base Consideration**"), which shall be paid in accordance with paragraph 5.2; and
- (b) an earn-out consideration component of up to S\$3,000,000 ("**Earn-Out Consideration**"), which shall be paid in accordance with paragraph 5.3.

The Purchase Price was arrived at after arm's length negotiations between the Company and the Vendor on a willing-buyer and willing-seller basis, taking into account the net asset value of the assets of the Target Companies.

5.2. The Base Consideration shall be paid by the Company to the Vendor as follows:

- (a) upon the execution of this Agreement, the Company shall pay an amount of S\$1,000,000 as a refundable deposit (the "**Earnest Deposit**")
- (b) on the date of completion of the Proposed Acquisition (the "**Completion Date**"), an amount of up to S\$8,700,000 (representing all monies, including interest, owing by the Vendor to the Company up to the Completion Date) shall be set-off against the Base Consideration (the "**Set-off**");
- (c) on Completion Date, an amount equivalent to the Base Consideration less the amounts representing: (i) the Earnest Deposit; (ii) the Set-off; and (iii) the Deferred Consideration (as defined below), which is approximately S\$1,800,000, shall be paid (the "**Completion Amount**");
- (d) on Milestone 1 Payment Date (as defined below), a deferred consideration of S\$500,000 shall be paid; and
- (e) on Grand Milestone Payment Date (as defined below), a deferred consideration of S\$500,000 shall be paid (together with the payment under paragraph 5.2(d), referred to collectively as, the "**Deferred Consideration**").

The Purchase Price will be financed through the Group's internal sources of funds.

5.3. EARN-OUT CONSIDERATION

5.3.1. Milestones

For the purposes of this paragraph 5.3,

- (i) "**Milestone 1**" means the attainment of a net Group Companies Profit (as defined below) for the financial year ending 31 December 2021 ("**FY2021**") of not less than S\$1,500,000;

- (ii) **“Grand Milestone”** means the attainment of an aggregate net Group Companies Profit for FY2021 and the financial year ending 31 December 2022 (**“FY2022”**) of not less than S\$3,000,000;
- (iii) **“Milestone 1 Payment Date”** means the date falling three (3) months from the date of completion of CAA (as defined below) for FY2021;
- (iv) **“Grand Milestone Payment Date”** means the date falling three (3) months from the date of completion of CAA for FY2022 (together with **“Milestone 1 Payment Date”**, each, a **“Milestone Payment Date”**).
- (v) **“CAA”** refers to the special consolidated audited accounts prepared and derived from the audited financial statements of the Company and its subsidiaries for the relevant financial year ending 31 December by the Company’s external auditor of each Target Company, as organised and held under YME Holdings Pte Limited (the **“Nominee Holding Company”** or **“NHC”**) prepared in accordance with Singapore Financial Reporting Standards, including the relevant balance sheets, profit and loss accounts, cash flow statements, together with any reports, notes and documents annexed to them. The CAA shall be prepared and completed within ninety (90) days of acceptance of audited financial statements of the Company by the Shareholders in an annual general meeting for the relevant financial year;
- (vi) **“FY”** means financial year of the relevant accounts;
- (vii) **“Group Companies Profit”** means the aggregated amount of profits before tax of the Target Companies based on the CAA for that relevant financial year;
- (viii) **“Group Companies Loss”** means the aggregated amount of losses before tax of the Target Companies based on the CAA for that relevant financial year; and
- (ix) **“September 2022 Interim Profit/Loss”** means the profit or loss before tax for the period between 1st January 2022 up to 30th September 2022 based on the unaudited financial statements of the Target Companies prepared by the Company.

5.3.2. Earn-Out Consideration

The Earn-Out Consideration of up to S\$3,000,000 shall be payable to the Vendor, subject to and in the manner provided in paragraph 5.3.3, in the event the Target Companies attain Milestone 1 and/or the Grand Milestone.

5.3.3. Determination of Final Earn-Out Consideration and Satisfaction of Grand Milestone

The payment of any Earn-Out Consideration, if any, as set forth in paragraph 5.3.2 above shall be conditional upon, and subject to the following (as applicable):

- (a) On Milestone 1 Payment Date, the net Group Companies Profit or net Group Companies Loss for FY2021 shall be aggregated with the September 2022 Interim Profit/Loss and in the event, based on the aforesaid aggregation (the result of the aggregation is represented by **“X”**), there is:
 - (i) a net profit before tax **equal to or greater than** S\$1,500,000, then Milestone 1 is deemed satisfied, in which event only S\$1,500,000 of the Earn-Out Consideration shall be payable to the Vendor;
 - (ii) a net profit before tax **greater than zero but less than** \$1,500,000, then Milestone 1 is deemed partially satisfied, in which event such portion of the Earn-Out Consideration equal to **X** shall be payable to the Vendor; or
 - (iii) **zero profit or is a net loss before tax**, no portion of the Earn-Out Consideration shall be paid; and

- (b) On the Grand Milestone Payment Date, the net Group Companies Profit for FY2021 and FY2022 shall be aggregated, and based on the aforesaid aggregation (the result of the aggregation is represented by “Y”), there is:
- (i) a net profit before tax **equal to or greater than S\$3,000,000**, the Grand Milestone shall be deemed satisfied, and the remaining Earn Out Consideration payable to the Vendor shall be S\$3,000,000 less any payments already made pursuant to paragraph 5.3.3(a);
 - (ii) a net profit before tax **greater than zero but is less than S\$3,000,000** (i.e. the Grand Milestone is not achieved), then the remaining Earn-Out Consideration payable to the Vendor shall be an amount equal to Y less any payments already made pursuant to paragraph 5.3.3(a). Should there have been any partial payment of the Earn-Out Consideration made pursuant to paragraph 5.3.3(a) in such amounts that are in excess of Y, then the Vendor shall return any such amounts in excess of Y to the Company on the Grand Milestone Payment Date; or
 - (iii) **zero profit or is a net loss before tax**, then there should be no Earn-Out Consideration payable to the Vendor. Should there have been any partial payment of the Earn-Out Consideration made pursuant to paragraph 5.3.3(a), the Vendor shall return any such payments made under paragraph 5.3.3(a) to the Company on the Grand Milestone Payment Date.

6. SALIENT TERMS OF THE SPA

6.1. Conditions Precedent

The Proposed Acquisition is conditional upon satisfaction of certain conditions, including *inter alia*:-

- (a) the passing of a resolution by the Vendor’s shareholders (excluding the Vendor’s Interested Persons (as defined below) and any associate of the Vendor’s Interested Persons), to the extent necessary pursuant to Chapter 9 of the listing manual Section B: Rules of Catalist of the SGX-ST (“**Catalist Rules**”), approving the transactions contemplated by the SPA at a duly convened meeting of the Vendor (or any adjournment thereof). “**Vendor’s Interested Persons**” shall refer to (i) the directors, chief executive officer, or controlling shareholders of the Vendor; and (ii) any associate of such director, chief executive officer, or controlling shareholders;
- (b) the passing of a resolution by the Vendor’s shareholders, to the extent necessary pursuant to Chapter 10 of the Catalist Rules, approving the transactions contemplated by the SPA at a duly convened meeting of the Vendor (or any adjournment thereof);
- (c) the passing of a resolution by the Company’s Shareholders, to the extent necessary pursuant to Chapter 10 of the Listing Manual, approving the transactions contemplated by the SPA at a duly convened meeting of the Company (or any adjournment thereof);
- (d) the Company having undertaken its due diligence investigations in respect of the Target Companies, including but not limited to business, financial and legal due diligence, and the results of such due diligence being reasonably satisfactory to the Company;
- (e) all relevant regulatory consents or third-party approvals having been obtained in respect of the SPA and the transactions contemplated hereunder;
- (f) the SPA and the transactions contemplated by the SPA not being prohibited or restricted by any statute, order, rule, regulation, directive, guideline or request (whether or not having the force of law) promulgated by any legislative, executive or regulatory body or other authority of Singapore and any other relevant jurisdictions; and

- (g) the Company procuring the Nominee Holding Company to, and the Vendor procuring Mr Seah Chong Hoe to, enter into an employment agreement (“**Employment Agreement**”) appointing Mr Seah Chong Hoe as CEO of the Nominee Holding Company with effect from the Completion Date, on substantially the same terms as contained in his employment contract with the Vendor, subject to the Company’s prevailing employment policies.

6.2. Long Stop Date

If the conditions precedent in the SPA are not satisfied or waived on or before the expiry of the date falling nine (9) months from the date of the SPA or such later date as the Parties may mutually agree in writing (the “**Long Stop Date**”), then the SPA shall lapse and: (i) neither Party shall have any claim against the other under it, save for any claim arising from any antecedent breach of the SPA (other than for a breach of failing to ensure the satisfaction of the conditions precedent under the SPA); and (ii) the Earnest Deposit shall be refunded by the Vendor to the Company, free of interest, within seven (7) days from the date in which a Party receives a written notification from the other Party that any condition precedent in the SPA is not satisfied or waived by the Long Stop Date.

7. RELATIVE FIGURES ON THE BASES SET OUT IN RULE 1006 OF THE LISTING MANUAL

The relative figures computed on the applicable bases under Rule 1006 of the Listing Manual in respect of the Purchase Price and based on the unaudited consolidated financial statements of the Group for the six (6) months ended 30 June 2020 are as follows:

Rule 1006	Bases	Relative Figures
Rule 1006(a)	Net asset value of the assets to be disposed of, compared with the Group's net asset value	Not applicable
Rule 1006(b)	Net profits of attributable to the assets acquired, compared with the Group's net profits	-192.2% ^{(1) (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	65.8% ⁽³⁾
Rule 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
Rule 1006(e)	The aggregate volume or amount of proven and probable reserves to be disposed of, compared with the aggregate of the Group's proven and probable reserves	Not applicable

Notes:

- (1) "Net profits" means profit or loss including discontinued operations that have not been disposed and before income tax and non-controlling interests, as set out in Rule 1002(3)(b) of the Listing Manual.
- (2) The relative figure for Rule 1006(b) is negative in this instance as the net profits attributable to the Sale Shares is approximately S\$598,000, while the Group’s net loss is in the amount of approximately S\$311,000 based on the unaudited consolidated financial statements as at 30 June 2020.
- (3) The market capitalisation of the Company is in the amount of S\$23,570,000 as at 25 February 2021, and computed based on 654,731,486 ordinary shares and the closing price of S\$0.036 per share transacted on 25 February 2021, being the market day preceding the date of the SPA.

Notwithstanding that the relative figure computed on the basis set out in Rule 1006(b) is negative, the relative figure under Rule 1006 (c) of the Listing Manual exceeds 20%, and the Proposed Acquisition constitutes a major transaction for the purposes of Chapter 10 of the Listing Manual. Accordingly, the Proposed Acquisition is subject to the approval of the Shareholders.

8. APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

The Company wishes to announce that it has appointed CEL Impetus Corporate Finance Pte. Ltd. as its independent financial adviser (the "IFA") in relation to the Proposed Acquisition, as a matter of good corporate governance practice, in view of the common directorship and certain overlaps in the members of the management team of the Company and the Vendor. The advice of the IFA will be set out in the circular to be despatched to Shareholders in accordance with paragraph 13.

9. FINANCIAL EFFECTS ARISING FROM THE PROPOSED ACQUISITION

The financial effects of the Proposed Acquisition on the Group as set out below are for illustrative purposes only and do not reflect the actual financial performance or position of the Group after the Proposed Acquisition.

The financial effects set out below have been prepared based on the latest audited consolidated financial statements of the Group for financial year ended 31 December 2019 ("FY2019") and on the following key assumptions:

- (a) the effect on the net tangible assets ("NTA") per share of the Group is based on the assumption that the Proposed Acquisition had been effected at the end of FY2019; and
- (b) the effect on the earnings per share ("EPS") of the Group is based on the assumption that the Proposed Acquisition had been effected at the beginning of FY2019.

9.1. Net Tangible Assets

The effects of the Proposed Acquisition on the audited consolidated NTA per share of the Group for the most recent audited financial year ended 31 December 2019, assuming that the Proposed Acquisition had been effected on 31 December 2019, are summarised below:

	Before the Proposed Acquisition	After the Proposed Acquisition
NTA of the Group attributable to Shareholders (S\$'000)	74,801	78,631
Number of shares ('000)	654,731,486	654,731,486
NTA per share (S\$ cents)	11.42	12.01

9.2. Earnings Per Share

The effects of the Proposed Acquisition on the audited consolidated EPS of the Group for the most recent audited financial year ended 31 December 2019, assuming that the Proposed Acquisition had been effected on 1 January 2019, are summarised below:

	Before the Proposed Acquisition	After the Proposed Acquisition
Net profit attributable to Shareholders for FY2019 (S\$'000)	7,200	15,689
Weighted average number of shares ('000)	654,731,486	654,731,486
EPS (S\$ cents)	1.10	2.40

10. INTEREST OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

As at the date hereof, none of the Directors or controlling shareholders of the Company or their respective associates has any interest, direct or indirect, in the Proposed Acquisition, other than through their shareholdings in the Company.

11. SERVICE CONTRACTS

No person is to be appointed to the Board in connection with the Proposed Acquisition. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

12. DOCUMENT FOR INSPECTION

A copy of the SPA and Valuation Report is available for inspection during normal business hours at the Company's principal place of business at Blk 25 Kallang Avenue, #06-01, Kallang Basin Industrial Estate, Singapore 339416, for a period of three (3) months from the date hereof.

13. CIRCULAR

A circular setting out, *inter alia*, the details of the Proposed Acquisition and such other information as prescribed under Chapter 10 of the Listing Manual, together with a notice of the EGM to be convened, will be despatched by the Company to its Shareholders in due course. The Proposed Acquisition is condition, *inter alia*, on the Company obtaining approval of its Shareholders.

14. CAUTIONARY STATEMENT

Shareholders and potential investors should exercise caution when trading in the Company's shares, and where in doubt as to the action they should take, they should consult their financial, tax or other advisors.

BY ORDER OF THE BOARD

Dato' Michael Loh Soon Gnee
Executive Chairman and Chief Executive Officer
ASTI Holdings Limited
27 February 2021