



SYSMA HOLDINGS LIMITED

Company Registration No: 201207614H
(Incorporated in the Republic of Singapore on 28 March 2012)
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PROPOSED ACQUISITION OF KH ENGINEERING LIMITED AND ITS SUBSIDIARIES AND KH INSTRUMENTATION PTE. LTD.

1. INTRODUCTION

1.1 The Board of Directors of Sysma Holdings Limited (the “**Company**” together with its subsidiaries, the “**Group**”) wishes to announce that Sysma Jade Pte. Ltd. (“**Purchaser**”), a direct wholly-owned subsidiary of the Company has on the date of this announcement (“**Announcement**”) entered into:

- (a) three (3) separate share purchase agreements with each of Yap Chin Leong, Chan Kwan Choy and Tan Kim Kee (“**KHEL Sellers**”) in relation to the proposed acquisition of the entire issued and paid up share capital of KH Engineering Limited (“**KHEL**”); and
- (b) four (4) separate share purchase agreements with each of the KHEL Sellers and Syed Ibrahim Shaik Dawood (each a “**Seller**” and collectively, the “**Sellers**”) in relation to the proposed acquisition of the entire issued and paid up share capital of KH Instrumentation Pte. Ltd. (“**KHIPL**”)

(each a “**SPA**” and collectively, the “**SPAs**”).

1.2 For the purpose of this Announcement,

- (a) KHEL and KHIPL shall collectively be referred to as the “**Target Companies**” which together with their wholly-owned subsidiaries, the “**Target Group**”, and “**Target Group Company**” means each of them;
- (b) “**Proposed KHEL Acquisition**” shall refer to the proposed acquisition of KHEL;
- (c) “**Proposed KHIPL Acquisition**” shall refer to the proposed acquisition of KHIPL; and
- (d) “**Proposed Acquisition**” shall refer to the Proposed KHEL Acquisition and the Proposed KHIPL Acquisition collectively.

1.3 Completion of the Proposed KHIPL Acquisition is conditional upon the completion of the Proposed KHEL Acquisition.

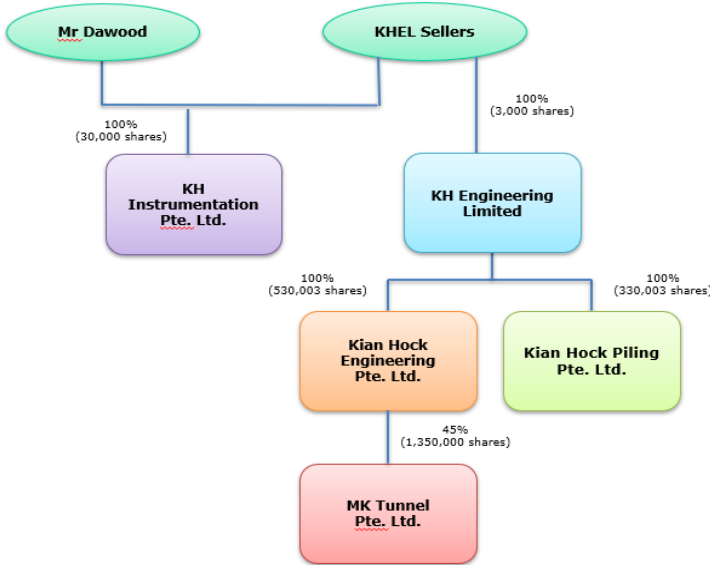
- 1.4 The Proposed Acquisition is in the ordinary course of business of the Company and constitutes a disclosable transaction under Chapter 10 of the Listing Manual of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) Section B: Rules of Catalyst (the “**Catalist Rules**”).
- 1.5 Upon the completion of the Proposed Acquisition (“**Completion**”), the Target Group will become indirect wholly-owned subsidiaries of the Company.

2. INFORMATION ON THE SELLERS AND THE TARGET

2.1 The information on the Sellers and the Target Group in paragraph 2 of this Announcement was provided by the Sellers, and has been extracted and reproduced in this Announcement.

Background of the Target Group

- 2.2 KHEL is a company limited by shares incorporated under the laws of the British Virgin Islands on 13 February 2018. KHEL has an issued and paid up share capital of US\$3,000 comprising 3,000 shares. As at the date of this Announcement, the directors of KHEL are the KHEL Sellers.
- 2.3 KHIPL is a company limited by shares incorporated under the laws of Singapore on 22 April 2010. KHIPL has an issued and paid up share capital of S\$30,000 comprising 30,000 shares. As at the date of this Announcement, the directors of KHIPL are the Sellers.
- 2.4 The Target Group comprises KHIPL and KHEL and its wholly-owned subsidiaries, Kian Hock Engineering Pte. Ltd. and Kian Hock Piling Pte. Ltd. (collectively, KHEL and its wholly-owned subsidiaries are referred to as the “**KHEL Group**”).
- 2.5 A group chart of the Target Group is set out below for illustration (“**Group Chart**”):



2.6 Further particulars of the Target Group are set out as follows:

Name	Date and place of Incorporation	Principal activities
<u>Target Companies</u>		
KH Engineering Limited	13 February 2018, British Virgin Islands	Investment holdings
KH Instrumentation Pte. Ltd.	22 April 2010, Singapore	Soil investigation, treatment and stabilisation (including grouting and instrumentation)
<u>Subsidiaries of KHEL</u>		
Kian Hock Engineering Pte. Ltd. (“KHEPL”)	20 June 2007, Singapore	Building Construction
Kian Hock Piling Pte. Ltd.	2 July 2010, Singapore	Foundation Works and Building Construction

2.7 The Target Group is principally engaged in the business of providing services in relation to foundation works and building construction and soil investigation, treatment and stabilisation in Singapore (“**Business**”).

2.8 Historical Financial Information of the Target Group

- (a) Based on the unaudited financial statements of the KHEL Group for the financial year ended 30 September 2019, the net tangible asset value attributable to the KHEL Group as at 30 September 2019 is approximately S\$17.3 million.
- (b) Based on the unaudited financial statements of KHIPL for the financial year ended 30 September 2019, the net tangible asset value attributable to KHIPL as at 30 September 2019 is approximately S\$1.9 million.

2.8 As shown in the Group Chart, KHEPL holds 1,350,000 shares in MK Tunnel Pte. Ltd. (“**MKTPL**”), representing 45% of the existing share capital of MKTPL. Prior to Completion, KHEPL intends to dispose of all its shares in MKTPL to the KHEL Sellers (“**Disposal of MKTPL**”) and accordingly, MKTPL would not form part of the Target Group to be acquired by the Purchaser.

Background of the Sellers

2.9 As at the date of this Announcement,

- (a) Each KHEL Seller is the legal and beneficial owner of 1,000 shares in KHEL (“**KHEL Sale Shares**”), representing approximately 33.3% of the existing share capital of KHEL; and
- (b) Each Seller is the legal and beneficial owner of 7,500 shares in KHIPL (“**KHIPL Sale Shares**”), representing 25% of the existing share capital of KHIPL,

(collectively, the KHEL Sale Shares and KHIPL Sale Shares are referred to as the “**Sale Shares**”).

- 2.10 None of the Sellers is related to any of the Company’s Directors, controlling Shareholders, chief executive officer or their respective associates. As at the date of this Announcement, the Sellers and their associates do not hold any shares in the Company (“**Shares**”).

3. RATIONALE FOR THE PROPOSED ACQUISITION

- 3.1 The Board is of the view that the Proposed Acquisition is a suitable opportunity to grow the Group’s business strategically and strengthen the future financial performance of the Group. The Proposed Acquisition will also enable the Company to diversify its revenue streams and to substantially increase its asset base and the scale of its business operations. In view of the foregoing, the Board believes that the Proposed Acquisition will enhance the long-term interests of the Company and its Shareholders.

- 3.2 The Board is of the view that the Proposed Acquisition does not change the risk profile of the Group, notwithstanding that the Proposed Acquisition will result in an expansion of the existing core business of the Group, based on the following factors:

- (i) the Proposed Acquisition will not increase the scale of the Company’s existing operations significantly. In addition, the relative figures for the Proposed Acquisition computed on the basis set out in Rule 1006(c) of the Catalist Rules does not exceed 100% (please refer to paragraph 5.1);
- (ii) the Proposed Acquisition will not result in a change of control of the Company, as no equity securities of the Company will be issued to any persons for the purposes of the Proposed Acquisition;
- (iii) the Proposed Acquisition will not have a significant adverse impact on the earnings, working capital and gearing of the Company. The Company will use its internal resources to finance the Proposed Acquisition. It is not intended to use external borrowings or seek funding from its shareholders or third parties through equity or debt offerings for the purposes of the Proposed Acquisition; and
- (iv) the business of the Target Group is construction-related and forms an integral part of the construction process as no construction can proceed without the completion of soil and piling works.

4. SALIENT TERMS OF THE PROPOSED ACQUISITION

4.1 Consideration

- (a) The aggregate consideration payable by the Company to the Sellers for the Proposed Acquisition is S\$30,400,000 (the “**Total Consideration**”). The Total Consideration was based on arm’s length negotiations and was arrived at after taking into account, *inter alia*, significant cash reserves of the Target Group, the operating and historical profits track record of the Target Group, profitability mainly from existing outstanding orders secured together with the business prospects and challenges within the construction industry.

- (b) The Total Consideration comprises:
- (i) S\$26,400,000 as the consideration for the Proposed KHEL Acquisition of KHEL ("**KHEL Consideration**"); and
 - (ii) S\$4,000,000 as the consideration for the Proposed KHIPL Acquisition ("**KHIPL Consideration**").

Proposed KHEL Acquisition

- (c) The KHEL Consideration shall be satisfied by the Purchaser to each of the KHEL Seller in the manner set out below.

In respect of each of Mr. Chan Kwan Choy and Mr. Tan Kim Kee, S\$8,000,000 each to be satisfied as follows:

- (i) the payment of S\$800,000 in cash as deposit on the date of the SPA;
- (ii) the payment of S\$6,400,000 in cash on the Completion Date (as defined below); and
- (iii) the payment of S\$800,000 in cash on the date of expiry of six (6) months from Completion Date ("**2nd Tranche Payment Date**").

In respect of Mr. Yap Chin Leong ("**Mr. Yap**"), S\$10,400,000 to be satisfied as follows:

- (i) the payment of S\$800,000 in cash as deposit on the date of the SPA;
- (ii) the payment of S\$6,160,000 in cash on the Completion Date;
- (iii) the payment of S\$800,000 in cash on the 2nd Tranche Payment Date; and
- (iv) the payment of S\$2,640,000 (the "**KHEL 3rd Tranche Consideration**") on the date falling two (2) years from the Completion Date.

The Company may elect in its sole discretion to satisfy the KHEL 3rd Tranche Consideration in cash or via the issue and allotment of such number of new ordinary shares in the issued share capital of KHEL based on terms to be mutually agreed between the Company and Mr. Yap, with the Company holding majority interests, subject to compliance with then prevailing Catalyst Rules.

Proposed KHIPL Acquisition

- (d) The KHIPL Consideration shall be satisfied by the Purchaser to each of the KHIPL Seller in the manner set out below:

In respect of each of Mr. Chan Kwan Choy, Mr. Tan Kim Kee and Mr. Yap, S\$1,000,000 each to be satisfied as follows:

- (i) the payment of S\$100,000 in cash as deposit on the date of the SPA;
- (ii) the payment of S\$800,000 in cash on the Completion Date; and
- (iii) the payment of S\$100,000 in cash on the 2nd Tranche Payment Date.

In respect of Mr. Syed Ibrahim Shaik Dawood (“**Mr. Dawood**”), S\$1,000,000 to be satisfied as follows:

- (i) the payment of S\$100,000 in cash as deposit on the date of the SPA;
 - (ii) the payment of S\$400,000 in cash on the Completion Date;
 - (iii) the payment of S\$100,000 in cash on the 2nd Tranche Payment Date; and
 - (iv) the payment of S\$400,000 (the “**KHIPL 3rd Tranche Consideration**”) on the date falling two (2) years from the Completion Date. The Company may elect in its sole discretion to satisfy the KHIPL 3rd Tranche Consideration in cash or via the issue and allotment of such number of new ordinary shares in the issued share capital of KHIPL based on terms to be mutually agreed between the Company and Mr. Dawood, with the Company holding majority interests, subject to compliance with then prevailing Catalyst Rules.
- (e) The Proposed Acquisition will be funded through internal resources.

Treatment of Deposit

- (f) In respect of the deposits set out in sub-paragraphs (c) and (d) above,
- (i) in the event that the SPA is terminated prior to Completion pursuant to a breach of the Seller’s Warranties (as defined below) or a non-satisfaction of any of the Seller’s Conditions Precedent (as defined below), each Seller shall refund his deposit entirely to the Purchaser; or
 - (ii) in the event that the SPA is terminated prior to Completion pursuant to a breach of the Purchaser’s warranties or a non-satisfaction of any of the Purchaser’s Conditions Precedent (as defined below), the Purchaser shall forfeit the deposit entirely to the Sellers.

4.2 **Conditions Precedent**

- (a) Condition precedent 7 as set out in Appendix A to this Announcement, requires all Seller’s Warranties to be true, complete and accurate in all material respects at Completion. The Company had taken into account the assets and cashflow of the Target Group, reflected in the audited accounts and management accounts of the Target Group in particular the cash reserves of the Target Group, in arriving at the Total Consideration. Under the SPAs, the Sellers had given a warranty that these accounts give a true and fair view of the assets and liabilities of the Target Group.

- (b) Completion is conditional upon, *inter alia*, the conditions precedent set out in Appendix A to this Announcement (the “**Conditions Precedent**”), being satisfied or waived in accordance with the terms of the relevant SPA.
- (c) If any of the Conditions Precedent (including Condition Precedent 7) are not satisfied or waived by the Purchaser or the Sellers (as the case may be) by 1 June 2020 (“**Longstop Date**”), being the expiry of six (6) months from the date of the SPA, or such other date as may be mutually agreed in writing between the parties, the SPA shall terminate automatically with immediate effect and no party shall have any claim against the other party save for antecedent breaches.

4.3 **Completion**

Completion is expected to take place on the date no later than 15 business days after the date on which all the Conditions Precedent (save for Conditions Precedent which are required to be fulfilled on the Completion Date) are fulfilled or waived by the Sellers or the Purchaser (as the case may be) (the “**Completion Date**”).

4.4 **Post Completion Undertakings**

- (a) Mr. Yap shall continue his employment with the Target Group up till the expiry of three (3) years from the Completion Date in accordance with the terms of his new employment letters to be entered into with each of KHEL and KHIPL on or around Completion Date. It is contemplated that Mr. Yap will be entitled to customary annual performance bonus and business generation incentive, like the rest of the other employees of the Group.
- (b) Mr. Dawood shall continue his employment with KHIPL up till the expiry of three (3) years from the Completion Date in accordance with the terms of his new employment letter to be entered into with KHIPL on or around Completion Date.
- (c) Save as provided above, the other Sellers shall continue their respective employment with the Target Companies up till the Completion Date.
- (d) Each Seller has given customary non-compete undertakings in the SPA, pursuant to which, he shall not, and shall procure that his respective affiliates shall not during the period of three (3) years from the Completion Date, directly or indirectly:
 - (i) be engaged in any business which is of the same or similar type to the business of the Target Group; or
 - (ii) solicit an employee of the Target Group with a view to his engagement or employment by another person.

4.5 **Cost and Expenses**

Each Party shall bear its/his own costs and expenses incurred in connection with the Proposed Acquisition.

4.6 Representations and Warranties

The Proposed Acquisition is subject to such further undertakings, representations and warranties from the Purchaser and the Sellers ("**Seller's Warranties**") as are customary for transactions of similar nature and as provided in the SPA.

5. RULE 1006 RELATIVE FIGURES FOR THE PROPOSED ACQUISITION

5.1 The relative figures of the Proposed Acquisition computed on the bases set out in Rule 1006 of Catalist Rules as set out below are computed based on the latest announced audited consolidated financial statements of the Group for the financial year ended 31 July 2019 ("**FY2019**").

Rule 1006 of the Catalist Rules	Bases	Relative Figures (%)
(a)	The net asset value of the assets to be disposed of, compared with the Group's net asset value.	Not applicable ⁽²⁾
(b)	The net profits ⁽¹⁾ attributable to the assets to be acquired, compared with the Group's net profits	154.0 ⁽³⁾
(c)	The aggregate value of the consideration given or received, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares	67.3 ⁽⁴⁾
(d)	The 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 ⁽⁵⁾
(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 ⁽⁶⁾

Notes:

- (1) "net profits" means profit or loss before income tax, minority interests and extraordinary items.
- (2) Not applicable, as the Proposed Acquisition is in relation to the acquisition of assets.
- (3) The Group's audited net profits in FY2019 was approximately S\$2.3 million and the unaudited net profits attributable to the Target Group was approximately S\$3.5 million for the financial year ended 30 September 2019.
- (4) The Company's market capitalisation was approximately S\$45.2 million as calculated by multiplying 252,348,600 ordinary shares in issue by the volume-weighted average price per share of S\$0.179 as at 29 November 2019 (being the last full market day preceding the date of the SPA). The Total Consideration is S\$30,400,000.
- (5) Not applicable as no equity securities of the Company will be issued as part of the Total Consideration.
- (6) Not applicable as the Proposed Acquisition is not a disposal of mineral, oil and gas assets.

5.2 Notwithstanding that the relative figure under Rule 1006(b) of the Catalist Rules exceeds 100%, Rule 1015(8) of the Catalist Rules provides that Rule 1015 does not apply in the case of an acquisition of profitable assets if the only limit breached is Rule 1006(b) of the Catalist Rules.

5.3 As the relative figures under Rule 1006 (c) of the Catalist Rules exceed 5% but are less than 75%, the Proposed Acquisition constitutes a "Discloseable Transaction" within the meaning of Rule 1010 of the Catalist Rules.

6. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

6.1 The financial effects of the Proposed Acquisition on the Group as set out below are strictly for illustrative purposes only and do not purport to be indicative or a projection of the results and financial position of the Company and the Group after the Proposed Acquisition.

6.2 The following financial effects of the Proposed Acquisition are computed based on the Group's audited consolidated financial statements for FY2019 and the following bases and assumptions:

- (a) the financial effects of the Proposed Acquisition on the earning per share ("**EPS**") of the Company are computed based on the assumption that the Proposed Acquisition is completed on 1 August 2018; and
- (b) the financial effects of the Proposed Acquisition on the net tangible assets ("**NTA**") of the Company are computed based on the assumption that the Proposed Acquisition is completed on 31 July 2019.

6.3 NTA Per Share

As at 31 July 2019	Before the Completion of the Proposed Acquisition	After the Completion of the Proposed Acquisition
NTA (S\$'000)	57,115	45,823
Number of shares	252,348,600	252,348,600
NTA per share (Singapore cents)	22.63	18.16

6.4 EPS

FY2019	Before the Completion of the Proposed Acquisition	After the Completion of the Proposed Acquisition
Earning/(Loss) attributable to owners of the Company (S\$'000)	1,102	3,891
Number of shares	252,348,600	252,348,600
Earning/(Loss) per share (Singapore cents)	0.44	1.54

7. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

The Purchaser intends to appoint two (2) representatives onto the board of each of KHEL and KHIPL to take effect at Completion.

Save as provided above, none of the Directors or controlling shareholders of the Company (other than in their capacity as Directors or Shareholders of the Company) have any interests (direct or indirect) in the Proposed Acquisition.

8. DOCUMENTS FOR INSPECTION

Copies of the SPAs will be made available for inspection during normal business hours at the Company's registered office at 2 Balestier Road #03-669 Balestier Hill Shopping Centre, Singapore 320002, for a period of three (3) months from the date of this announcement.

9. RESPONSIBILITY STATEMENT

The Directors of the Company collectively and individually accept full responsibility for the accuracy of the information given in this Announcement (save for information relating to the Sellers and the Target Group) 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 and the Group. The Directors are not aware of any facts the omission of which would make any statement in this Announcement misleading. Where information in this 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 this Announcement in its proper form and context.

10. CAUTIONARY STATEMENT

Shareholders and potential investors of the Company are advised to read this announcement and any further announcements by the Company carefully. Shareholders of the Company are advised to refrain from taking any action in respect of their securities in the Company which may be prejudicial to their interests, and to exercise caution when dealing in the securities of the Company. In the event of any doubt, shareholders of the Company should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers.

By the Order of the Board
Sysma Holdings Limited

Sin Soon Teng
Executive Chairman and Group Chief Executive Officer
Date: 2 December 2019

This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor") in accordance with Rules 226(2)(b) and 753(2) of the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalist.

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

The contact person for the Sponsor is Ms Gillian Goh, Director, Head of Continuing Sponsorship, at 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318 and sponsorship@ppcg.com.sg.

APPENDIX A

KEY CONDITIONS PRECEDENT

The obligation of the parties under each SPA to complete the Proposed Acquisition are conditional upon, *inter alia*, the following salient conditions precedent being satisfied, fulfilled or waived, as the case may be, before Completion:

Conditions to be satisfied by the Sellers

1. each Target Group Company having obtained, and at all times materially having complied with, and having done all that is necessary to maintain in full force and effect, any authorisation required under any applicable law to:
 - (i) enable the Purchaser to be registered as holder of any and all of the Sale Shares;
 - (ii) to give effect to all transactions contemplated under the SPA; and
 - (iii) carry on its business activities and operations in the usual way so as to undertake and maintain its Business as a going concern;

such authorisation not having been revoked, expired, amended or withdrawn on or before the Completion Date, and where any such authorisation is subject to conditions, such conditions being reasonably acceptable to the Purchaser and if required to be fulfilled by a particular date, being so fulfilled, and such authorisation remaining valid and in full force and effect, where applicable;
2. the rectification, or the procurement of such rectification, to the reasonable satisfaction of the Purchaser, by the Sellers, of all material issues or irregularities uncovered by the Purchaser and its representatives during the due diligence investigations on each Target Group Company or if unrectified, the provision of such indemnity by the Sellers to the Purchaser to address any such issues or irregularities;
3. all such other necessary approvals, waivers and consents which are material to the Business of the Target Group in connection with the SPAs having been granted (and not having been withdrawn, suspended, amended or revoked) by any existing lenders of any member of the Target Group or any third party who is a contracting party to such agreement, and where any approvals, waivers or consents are subject to conditions, such conditions being reasonably acceptable to the and if required to be fulfilled by a particular date, being so fulfilled, and such approvals, waivers or consents remaining valid and in full force and effect, where applicable;
4. there not having occurred any matter, fact or circumstance which, in the reasonable opinion of the Purchaser, results in, or is reasonably expected to result in:
 - (i) the revocation or cancellation of, or material amendment to the terms of any material licence, permit or ruling held by any Target Group Company which is necessary to the relevant Target Group Company to conduct its business or to own its assets or properties;
or
 - (ii) a material adverse effect on the Target Group taken as a whole;

5. no order being made, petition presented (which has not been discharged within 30 days from the presentation of such petition) or meeting convened for the purpose of considering a resolution in relation to an insolvency event of any Target Group Company;
6. no governmental agencies taking or threatening to take any action or having taken any steps which would or might make any transaction contemplated in the SPAs and all other transactions in connection therewith and incidental thereto void, illegal and/or unenforceable or otherwise materially restrict the same beyond the Longstop Date;
7. all Sellers' Warranties being true, complete, accurate and correct in all material respects at Completion;
8. no Target Group Company having received notice of any claim, action, injunction, order, directive or notice restraining or prohibiting the entering into or the consummation of the transactions contemplated by the SPA or seeking damages or other recourse in respect thereof, or notice that any of the foregoing is pending or threatened, which cannot be resolved prior to the Longstop Date;
9. in respect of Mr. Yap and Mr. Dawood, the delivery of their respective duly executed employment letters to the Company;
10. in respect of the KHIPL Acquisition only, the KHEL Acquisition having been completed; and
11. in respect of the KHEL Acquisition only, the Disposal of MKTPL having been completed;

Conditions to be satisfied by the Purchaser

12. the approval of the board of directors of the Purchaser for the Proposed Acquisition having been obtained and not having been withdrawn, suspended, amended or revoked on or before the Completion Date.