

## **AEMULUS HOLDINGS BERHAD (“AEMULUS” OR THE “COMPANY”)**

### **PROPOSED ACQUISITION OF LAND BY AEMULUS CORPORATION SDN BHD, A WHOLLY-OWNED SUBSIDIARY OF AEMULUS FOR A TOTAL PURCHASE CONSIDERATION OF RM9,930,025.00**

#### **1. INTRODUCTION**

The Board of Directors of Aemulus wishes to announce that its wholly-owned subsidiary, Aemulus Corporation Sdn Bhd (“**ACSB**” or “**Purchaser**”) had on 23 January 2017 entered into a Sale and Purchase Agreement (“**SPA**”) with The Penang Development Corporation (“**PDC**” or “**Vendor**”) for the purchase of all that piece of land situated in Daerah Barat Daya and forming part of Mukim 12 Plot 2 Bayan Lepas Industrial Park containing an area of 1.6283 acres (“**Land**”) for a total cash consideration of RM9,930,025.00 (“**Total Purchase Price**”) (“**Proposed Acquisition**”).

#### **2. DETAILS OF THE PROPOSED ACQUISITION**

- 2.1 The said Land is at present vested in the State Authority of Penang (“**State Authority**”). The Vendor has applied or shall apply at the Vendor’s cost and expense to the State Authority to alienate the Land to the Vendor in accordance with the *National Land Code, 1965* (“**NLC**”) for a term of sixty (60) years under Qualified Title for industrial use and ultimately to be held under a State Lease subject to the category of land use of “industry” and such other express conditions and restrictions in interest as shall be imposed by the relevant authorities (hereinafter referred to as the “**Category, Conditions and Restrictions**”);
- 2.2 The State Authority has agreed in principle to alienate the Land to the Vendor as aforesaid; and
- 2.3 The Vendor has agreed to sell and the Purchaser has agreed to purchase the Land upon such alienation free from all encumbrances on an ‘as is where is basis’ and with vacant possession but subject to the Category, Conditions and Restrictions as shall be imposed by the relevant authorities, all conditions and restrictions implied by the NLC and upon the terms and conditions herein contained.
- 2.4 The Land and any building erected thereon shall be used only for ‘Design & Assembling of Automated Test Equipment’ as approved by the Department of Environment.
- 2.5 The Land is currently vacant.
- 2.6 ACSB is unable to procure the net book value of the Land as ACSB is not privy to this information.

### **3. INFORMATION ON ACSB**

ACSB (Company No. 798015-M) is a private company incorporated in Malaysia and having its registered office at 51-13-A, Menara BHL Bank, Jalan Sultan Ahmad Shah, 10050 Penang.

ACSB's principal activities are designing and assembling of automated test equipment and test and measurement instruments and the provision of their related services and design consultancy services.

At present, ACSB's authorised share capital is RM50,000,000 comprising 479,691,640 ordinary shares of RM0.10 each and 20,308,360 Series 'A' redeemable convertible preference shares of RM0.10 each, of which RM20,847,877.50 comprising 208,478,775 ordinary shares of RM0.10 each has been fully issued and paid-up.

The existing directors of ACSB are Mr Ng Sang Beng, Mr Yeoh Chee Keong, Mr Kan Ky-Vern, Mr Wong Shee Kian and Ms Chok Kwee Bee.

ACSB is a wholly-owned subsidiary of Aemulus.

### **4. INFORMATION ON PDC**

PDC is a body corporate incorporated under the Penang Development Corporation Enactment 1971 and having its office at Bangunan Tun Dr Lim Chong Eu, No. 1 Persiaran Mahsuri, Bandar Bayan Baru, 11909 Bayan Lepas, Penang.

PDC is formed with the objective of spearheading Penang's socio-economic development, assisting in eradicating poverty and creating employment opportunities and improving the quality of life for the people of Penang. The core activities of the PDC, a self-funding statutory body, are land development, investment and entrepreneur development.

### **5. SALIENT TERMS OF THE SPA**

The salient terms of the SPA are as follows: -

#### **Agreement to Sell and Purchase**

5.1 The Vendor agrees to sell and the Purchaser agrees to purchase the Land on "as is where is basis" free from all encumbrances and with legal possession but subject to the Category, the Express Conditions and Restrictions in interest as shall be imposed by the relevant authorities, all conditions and restrictions implied by the NLC and upon the terms and conditions of the SPA for the Total Purchase Price which was derived based on rate of Ringgit Malaysia One Hundred Forty (RM140.00) per square foot.

5.2 The parties agree that the SPA is conditional upon the fulfilment of the following conditions: -

5.2.1 the Vendor obtaining the alienation approval and consent of the State Authority to sell the Land to the Purchaser within nine (9) months from the date of the SPA and forward a certified true copy of the alienation approval with consent of the State Authority to transfer to the Purchaser's Solicitors;

5.2.2 the Vendor obtaining from the appropriate authority the issue document of title in respect of the Land with a leasehold period of sixty (60) years commencing from the date of the issuance of the document of title subject to the Category, Conditions and Restrictions within twelve (12) months from the date of alienation approval stated in Clause 5.2.1 above;

(collectively referred to as the "**Conditions Precedent**").

5.3 All the specific period specified in each of the conditions under Clause 5.2 above shall be collectively referred to as the "**Approval Period**".

5.4 In the event that the issuance of the document of title to the Land, the alienation approval and the consent of the State Authority to sell the Land to the Purchaser is not obtained within the period as specifically provided in Clause 5.2.1 and Clause 5.2.2 above, the Vendor shall be granted an automatic extension of two (2) months from the expiry of the relevant Approval Period to obtain the issue document of title and/or the State Authority's Consent (hereinafter referred to as the "**First Extended Approval Period**").

5.5 In the event the Vendor still fails to procure the alienation approval with the State Authority's consent to transfer and/or the issuance of the document of title in respect of the Land within the First Extended Approval Period the Purchaser shall have the option to terminate the SPA by written notice within a period of fourteen (14) days thereof, failing which the period for the Vendor to obtain State Authority's consent to sell, the alienation approval and the issuance of the document of title in respect of the Land shall be deemed to be extended by a further period of six (6) months or a period to be mutually agreed upon in writing between the parties (hereinafter referred to as the "**Second Extended Approval Period**").

5.6 In the event the Purchaser exercises its option to terminate the SPA pursuant to Clause 5.5 above:

5.6.1 the Purchaser shall re-deliver vacant possession of the Land (if delivered prior to the termination) within one (1) month from the notice of termination by the Purchaser to the Vendor free from all occupiers, equipment, construction waste/debris or any building structure erected (whether or not any building shall then have been completely or partially erected on the Land) by or for the Purchaser on the Land. For the avoidance of doubt it is hereby declared that no compensation

whatsoever shall be payable by the Vendor in respect of any building structure; and

5.6.2 provided that vacant possession of the Land has been re-delivered to the Vendor as aforesaid in Clause 5.6.1 above, the Vendor shall within thirty (30) working days from the re-delivery of the vacant possession of the Land in compliance with this Clause, refund without interest to the Purchaser all monies paid by the Purchaser towards the Total Purchase Price, failing which, interest calculated at the rate and in the manner as set out in Section 5 of the Second Schedule of the SPA shall be due on the amounts of all monies paid by the Purchaser towards the Total Purchase Price from the day immediately after the thirty (30) working days period up until the actual date of refund in full. Thereafter, the SPA shall lapse and there shall be no claim made against the Vendor by the Purchaser whatsoever and further that the Vendor shall be entitled to deal with the Land in any manner that the Vendor shall deem fit without any further reference to the Purchaser.

5.7 Upon the fulfilment of the Conditions Precedent, the SPA shall become unconditional. The parties hereto agree that the date of the relevant party's solicitors' receipt of written notification and documentary evidence from the other party or its solicitors that the last of the Conditions Precedent has been fulfilled shall be the "**Unconditional Date**".

#### **Total Purchase Price and Payment**

5.8 The Purchaser shall make the installments of the Total Purchase Price to the Vendor in the manner and timeline stated below (hereinafter referred to as '**Respective Due Date(s)**'), and for avoidance of doubt it is hereby expressly agreed that no interest shall be payable by the Purchaser in respect of such installment before the expiration of the Respective Due Dates :-

- a) Twenty-percent (20%) of the Total Purchase Price amounting to a sum of Ringgit Malaysia One Million Nine Hundred Eighty-Six Thousand and Five (RM1,986,005.00) only upon execution of the SPA;
- b) Thirty percent (30%) of the Total Purchase Price amounting to a sum of Ringgit Malaysia Two Million Nine Hundred Seventy-Nine Thousand Seven and Sen Fifty (RM2,979,007.50) only within four (4) months from the date of the SPA; and
- c) Fifty percent (50%) of the Total Purchase Price amounting to a sum of Ringgit Malaysia Four Million Nine Hundred Sixty-Five Thousand Twelve and Sen Fifty (RM4,965,012.50) only within thirty (30) days from the fulfillment of Unconditional Date.

## 5.9 Possession

- (a) Upon full payment of the Total Purchase Price and all interest thereon, if any, and provided that the State Authority shall then have delivered to the Vendor the possession of the Land, the Vendor shall within fourteen (14) days deliver vacant possession of the Land on an 'as is where is basis' to the Purchaser.
- (b) Upon execution of the SPA whereupon Purchaser shall pay 50% of the Total Purchase Price plus 6% GST and pending fulfilment of the conditions precedent and payment of the full Total Purchase Price, the Purchaser shall be granted early access to the Land provided a written request has been made by the Purchaser to the Vendor and the Purchaser shall carry out whatsoever preliminary works and construction of building for the benefit of the Land at its own risk and without any compensation from the Vendor in the event the condition precedent cannot be fulfilled resulting in the termination of the SPA and on the Purchaser's undertaking to indemnify, protect and hold harmless the Vendor from and against all suits, actions, claims, demands, damages, losses, expenses and costs of every kind and description to which the Vendor may be subjected to which is caused by any act omission, default, breach or negligence due to or arising out or in connection with the occupation and use of the Land by the Purchaser.

## 6. BASIS OF CONSIDERATION

The Total Purchase Price of RM9,930,025.00 was calculated based upon the area of 1.6283 acres at RM140 per square foot which was arrived at on a willing-buyer and willing-seller basis after having considered the strategic location and prevailing market value of the same in the area surrounding the Land.

A valuation has been conducted by Henry Butcher Malaysia (Penang) Sdn Bhd. The valuation report dated 27 July 2016 stated that the market value of the Land as at 20 July 2016 with vacant possession and subject to the forthcoming individual title with a tenure of 60 years leasehold interest having an assumed unexpired leasehold term of 60 years, with all relevant fees and premiums for the issuance of a new individual title paid (if any), and with the category of land use stated for industrial use being good, registrable, marketable, free from all encumbrances, endorsements, statutory notices and outgoings is RM9,930,000.00.

Comparison approach was used in arriving the market value of the Land. This comparison approach entails comparing the subject property with similar properties that were sold recently. The characteristics, merits and demerits of these properties are noted and appropriate adjustments are then made to arrive at the market value of the subject property.

## **7. SOURCE OF FINANCING**

The Proposed Acquisition will be financed through internally-generated funds and bank borrowings.

## **8. RATIONALE**

The rationale of the Proposed Acquisition is to enable Aemulus and its subsidiary (“Aemulus Group”) to construct and possess its own corporate office building, instead of having its corporate and operations offices in rented property(ies).

## **9. PROSPECTS OF THE LAND**

The Proposed Acquisition will enable the Aemulus Group to build an office building on the Land to be acquired. The Board views it as a strategic move for the Aemulus Group to own the property and consolidate its existing operations located in Bayan Baru and Batu Maung under one roof, to improve and enhance operational efficiencies in long term. Cost reduction is expected to be derived from the efficiencies achieved.

With the new building, the Aemulus Group would have ample room to grow and strengthen its core competencies, such as expansion of the research and development function, attraction and retention of talents based on its strategic location, and enhancement of the supply chain management.

Aemulus plans to invest RM25 million for the next three years in research and development and in this project. The corporate office and design center with built-up area of 50,000 square feet are expected to be ready by December 2018. An area of 6000 square feet will be dedicated to *Leap-O-Pad* program. In line with Penang State @CAT objectives, the *Leap-O-Pad* program encompasses startup accelerators, mentorship, and the provision of laboratory and workspace.

## **10. RISK FACTORS**

The risk factors (which may not be exhaustive) pertaining to the Proposed Acquisition is that the Proposed Acquisition is currently pending completion and there is no certainty to the successful completion of the transaction. Upon any non-fulfilment of any condition or necessary procedure by PDC or by ACSB and notwithstanding the above, ACSB shall take all reasonable steps and procedures to ensure the completion of the Proposed Acquisition and safeguard the Group’s position.

## 11. LIABILITIES TO BE ASSUMED BY ACSB FOR THE PROPOSED ACQUISITION

ACSB will not assume any liabilities, including contingent liabilities and guarantees pursuant to this Proposed Acquisition except for the borrowing to finance the acquisition of the Land.

## 12. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

### 12.1 Share capital and substantial shareholders' shareholdings in Aemulus

The Proposed Acquisition will not have any effect on the share capital and substantial shareholders' shareholding of Aemulus as the Proposed Acquisition does not involve any issuance of shares.

### 12.2 Net assets ("NA") and gearing

The proforma effects of the Proposed Acquisition on the NA and gearing of the Group, based on the latest audited consolidated statement of financial position of the Group as at 30 September 2015 and the assumption that the Proposed Acquisition was effected on 30 September 2015 is set out below: -

	<b>Audited as at 30 September 2015</b>	<b>After the Proposed Acquisition</b>
Share Capital (RM)	43,885,000	43,885,000
Share premium (RM)	15,210,093	15,210,093
Merger deficit (RM)	(12,954,053)	(12,954,053)
Retained profits (RM)	22,068,565	22,068,565
Total equity (RM)	<u>68,209,605</u>	<u>68,209,605</u>
Number of shares in issue	438,850,000	438,850,000
Par value (RM)	0.10	0.10
Net assets per share (RM)	0.16	0.16
Cash and bank balances (RM)	32,858,980	30,872,975
Borrowing (RM)	127,745	8,071,765
Gearing (times)	0.00	0.12

Notes:-

- (a) The Total Purchase Price is expected to be funded by both internally-generated funds and bank borrowings. For illustration purpose only, the proforma effects above has been prepared assuming the Total Purchase Price is 80% funded by bank borrowings.
- (b) Gearing is computed based on total borrowings divided by total NA attributable to ordinary shareholders.
- (c) Other related expenses that are directly attributable to the Proposed Acquisition will be capitalised, such as professional fees and registration fees to the authorities.

### **12.3 Earnings and earnings per share**

The Proposed Acquisition is not expected to have any material impact on the Group's earnings for the current financial year ending 30 September 2017.

### **13. COMPLETION OF THE PROPOSED ACQUISITION**

Barring unforeseen circumstances, the Proposed Acquisition is expected to be completed by the second half of year 2018.

### **14. APPROVALS FOR THE PROPOSED ACQUISITION**

The Proposed Acquisition is not subject to approval being obtained from the shareholders of Aemulus and/or any regulatory authority(ies) except for the approval from the State Authority for the alienation of the Land and consent to sell the Land to the Purchaser.

### **15. INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS AND PERSONS CONNECTED TO SUCH DIRECTORS AND/OR MAJOR SHAREHOLDERS**

None of the Directors and major shareholders of the Company and persons connected with them has any direct or indirect interest in the Proposed Acquisition.

### **16. STATEMENT BY THE BOARD OF DIRECTORS**

The Board of Directors of Aemulus, after having considered all aspects of the Proposed Acquisition, is of the opinion that the Proposed Acquisition is in the best interest of the Aemulus Group.



**17. ADDITIONAL INFORMATION**

The Company has yet to appoint the consultants for the construction of the proposed office building as at the date of this announcement. Therefore, the Company is unable to provide an estimate for the total construction cost for the proposed office building. The source(s) of funds to finance the construction of the said proposed office building are expected to be funded by a combination of internally-generated funds and bank borrowings.

**18. HIGHEST PERCENTAGE RATIO**

The highest percentage ratio applicable for the Proposed Acquisition pursuant to Chapter 10 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad is 14.56%.

**19. DOCUMENT FOR INSPECTION**

The SPA and the valuation report are available for inspection at the Company's registered office at No. 51-13-A Menara BHL Bank, Jalan Sultan Ahmad Shah, 10050 Pulau Pinang during normal business hours from Mondays to Fridays (except public holidays) for a period of three (3) months from the date of this announcement.

This announcement is dated 23 January 2017.