



ADVANCED SYSTEMS AUTOMATION LIMITED

(Incorporated in the Republic of Singapore)

(Company Registration No. 198600740M)

(the “Company”)

PROPOSED ACQUISITION OF COMPANIES

1. INTRODUCTION

- 1.1. The board of directors (the “**Board**” or “**Directors**”) of the Company (together with its subsidiaries, the “**Group**”) wishes to announce that it has, on 8 April 2018 entered into a sale and purchase agreement (the “**SPA**”) with Mr. Seah Chong Hoe (the “**Vendor**”) for the sale and purchase of the entire issued and paid-up share capital of (i) Yumei Technologies Sdn. Bhd. (“**Yumei Tech**”), (ii) Yumei REIT Sdn. Bhd. (“**Yumei REIT**”) and (iii) Pioneer Venture Pte. Ltd. (“**Pioneer Venture**”) (collectively, the “**Sale Shares**”) (the “**Proposed Acquisition**”). For the purposes of this announcement (“**Announcement**”), Yumei Tech, Yumei REIT and Pioneer Venture are collectively known as the “**Target Companies**” and each a “**Target Company**”.
- 1.2. The aggregate purchase consideration for the purchase of the Sale Shares is S\$10 million (the “**Consideration**”) to be satisfied by the Company as follows:
- (a) on completion of the Proposed Acquisition (“**Completion**”), the Company shall allot and issue to the Vendor such number of new ordinary shares in the capital of the Company (the “**Consideration Shares**”) at an issue price of S\$0.001 (the “**Issue Price**”) per consideration share (“**Consideration Share**”), having an aggregate value of S\$6,500,000, without issuing fractions of a Consideration Share;
 - (b) the Company shall pay the sum of S\$1,500,000 in cash to the Vendor within the first year following Completion (the “**First Payment**”); and
 - (c) the Company shall pay the sum of S\$2,000,000 to the Vendor within the second year following Completion (the “**Balance Payment**”).
- The Issue Price is based on the volume weighted average price for trades done on the Company’s shares on the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) for the full market day on 6 April 2018 (being the market day preceding the date of the SPA).
- 1.3. The Proposed Acquisition constitutes a “discloseable transaction” under Chapter 10 of the Listing Manual of the SGX-ST Section B: Rules of Catalyst (the “**Catalist Rules**”). Please refer to Section 5 of this announcement for further details on the relative figures in respect of the Proposed Acquisition computed on the bases set out in Rule 1006 of the Catalist Rules.
- 1.4. Approvals

Based on the Issue Price, the number of Consideration Shares to be issued to the Vendor on Completion is 6,500,000,000 ordinary shares in the Company, representing approximately 41.08% of the existing issued and paid-up share capital of the Company of 15,824,126,058 Shares and 29.12% of the enlarged issued and paid-up share capital of the Company of 22,324,126,058 Shares following Completion. Subsequent to the issuance of the Consideration Shares, the Vendor will become a controlling shareholder of the Company.

The Consideration Shares will not be issued to the Vendor pursuant to any general share issue mandate granted by Shareholders.

- 1.5. The Proposed Acquisition is subject to specific approval of the shareholders of the Company (the “**Shareholders**”) at an extraordinary general meeting to be convened (the “**EGM**”) in accordance with Section 161 of the Companies Act, the Company’s Constitution and Rules 803, 805 and 806 of the Catalist Rules, for the allotment and issue of the Consideration Shares, that results in a transfer of controlling interests to the Vendor.

A circular setting out, *inter alia*, further details of the Proposed Acquisition (the “**Circular**”), together with a Notice of the EGM will be despatched to the Shareholders in due course.

The Company will be making an application to the SGX-ST, through its sponsor, SAC Capital Private Limited (the “**Sponsor**”), for the listing and quotation of the Consideration Shares on the Catalist.

2. DETAILS OF THE TARGET COMPANIES AND THE VENDOR

2.1 Yumei Tech

Yumei Tech is a company incorporated in Malaysia on 6 December 2005 and is principally engaged in the provision of (i) die-casting, (ii) plastic injection moulding components, and (iii) other finishing operations incorporating: precision machining, surface finishing and leakage treatment and sub-assembly of mechanical components.

Yumei Tech has an issued and paid-up share capital of MYR500,002 comprising 500,002 issued and paid-up ordinary shares.

2.2 Yumei REIT

Yumei REIT is a company incorporated in Malaysia on 7 May 2006 and is the asset management company for Yumei Tech.

Yumei REIT has an issued and paid-up share capital of MYR500,000 comprising 500,000 issued and paid-up ordinary shares.

2.3 Pioneer Venture

Pioneer Venture is a company incorporated in Singapore on 1 April 2005 and is principally engaged in the manufacturing of fabricated metal products except machinery and equipment. It has over ten years of experience in metal moulding technologies, manufacturing processes and integrated manufacturing solutions.

Pioneer Venture has an issued and paid-up share capital of S\$1,100,000 comprising 1,000,000 issued and paid-up ordinary shares.

2.4 The Vendor

The Vendor is an individual and is a director and shareholder of each of the Target Companies.

As of the date of this Announcement, the Vendor holds approximately 51% of the issued and paid-up share capital of Yumei Tech, 51% of the issued and paid-up share capital of Yumei REIT and 85% of the issued and paid-up share capital of Pioneer Venture. His spouse holds the remaining shares in the Target Companies (i.e. approximately 49% in Yumei Tech, 49% in Yumei REIT and 15% in Pioneer Venture.

As a condition to Completion, the Vendor shall procure that all the remaining shareholdings in the Target Companies not held by him will be transferred to him, such that prior to Completion, the Vendor will be the sole legal and beneficial owner of the Target Companies.

3. Principal Terms of the SPA

3.1 Consideration

The Consideration for the purchase of the Sale Shares is S\$10 million to be satisfied by the Company in the manner as described in paragraph 1.2 of this Announcement.

Each of the Consideration Shares shall be allotted and issued to the Vendor credited as fully paid and shall rank *pari passu* in all respects with the ordinary shares in the capital of the Company in issue at the date of its issuance, except that no Consideration Shares will rank for any dividend or other distribution declared, paid or made in respect of the financial year of the Company ended on 31 December 2017.

The Consideration was arrived at on an arm's length and on a 'willing buyer willing seller' basis, and after taking into account, among other factors, Profit Guarantee (as defined in paragraph 3.2) provided by the Vendor, the net asset value of the assets of the Target Companies as at 28 February 2018, in relation to which the Vendor has provided an undertaking for, as detailed in paragraph 3.3.

3.2 Profit Guarantee

Pursuant to the SPA, the Vendor undertakes that the aggregated amount of profits (before payment of taxes) of the Target Companies (the "**Actual Profit**") for 2018 and 2019 is not less than S\$3,000,000 (the "**Guaranteed Profit**") based on the consolidated audited financial statements of the Target Companies for (i) the financial year commencing 1 March 2018 and ending 28 February 2019 and (ii) the financial year commencing 1 March 2019 and ending 29 February 2020 (the "**Profit Guarantee**").

During the period of the Profit Guarantee (the "**Guarantee Period**"), the Vendor is restricted under the SPA from assigning, transferring, creating an encumbrance over (or otherwise agreeing to any of the foregoing) such number of Consideration Shares as shall at the Issue Price, have a value of S\$3,000,000 (the "**Restricted Shares**").

In the event that the Actual Profit in 2018 is equal to or more than S\$1,500,000, half of the Restricted Shares amounting to S\$1,500,000 shall be released from the restrictions described above. If the Actual Profits in 2018 and 2019 is less than the Guaranteed Profit, the Company shall be entitled to sell such number of Restricted Shares to make up the shortfall, failing which the Vendor shall be required to pay any amounts that the Company is unable to recover from the sale of the Restricted Shares.

3.3 Disclosure under Rule 1013 of the Catalist Rules

In consideration of the Profit Guarantee set out above, the Company provides the following information in accordance with Rule 1013(1) of the Catalist Rules.

- a. Rule 1013(1)(a) - Views of the Board in accepting the profit guarantee or the profit forecast and the factors taken into consideration and basis for such a view

The Board is of the view that the Profit Guarantee is reasonable and helps to safeguard the interests of the Company and the Shareholders, having taken into account, *inter alia*, the following factors:

- (i) The track record of the Target Companies and the potential of the business of the Target Companies;
- (ii) the terms and rationale of the Proposed Acquisition, the mechanisms for recovery of the Shortfall by the Company which are agreed by the Vendor and the Company in the event that the Profit Guarantee is not satisfied (as set out below);
- (iii) the value of the potential synergy of the Target Companies' businesses with the business of the Group and the widening of the Group's customer base as a result of such synergy.

b. Rule 1013(1)(b) - Principal assumptions including commercial bases and assumptions upon which the quantum of the Profit Guarantee is based

The principal assumptions, including commercial bases upon which the quantum of the Profit Guarantee is based, would include, *inter alia*, the following:

- (i) operating expenses will either remain constant or that there will be a corresponding increase in revenue when operating expenses increase;
- (ii) there will be no material changes in existing political, legal (including changes in legislation or regulations or rules), fiscal, market or economic conditions in Malaysia and Singapore where the Target Companies operate;
- (iii) there will be no material changes in the bases or rates of taxation or duties applicable to the Target Companies in the jurisdiction of Malaysia or Singapore;
- (iv) there will be no material loss of major customers, major suppliers, strategic partners which are essential for the operations of the Companies;
- (v) there will be no material capital expenditure during the period of the Profit Guarantee;
- (vi) there will be no interruption of the operations that will adversely affect the Target Companies as a result of a shortage in supply of raw materials or any other circumstances such as natural disasters, or changes in the regulatory regime in Malaysia or Singapore which are beyond management control; and
- (vii) there will be no material changes in the borrowings of the Target Companies and the prevailing interest rates;
- (viii) there will be no material changes in the key personnel of the Target Companies.

c. Rule 1013(1)(c) and Rule 1013(1)(d) - Manner and amount of compensation to be paid by the Vendor and safeguards put in place in the event that the profit guarantee or the profit forecast is not met

As mentioned in section 3.2 above, in the event the Actual Profit is less than the Guaranteed Profit, the Company shall be entitled to sell such number of Restricted Shares to make up the shortfall, failing which the Vendor shall be required to pay in cash any amounts that the Company is unable to recover from the sale of the Restricted Shares.

The Company will make the necessary announcements as required under Rule 1013(3) of the Catalist Rules in relation to whether the Profit Guarantee has been or has not been met, as well as any material variation or amendment to the terms of the SPA.

3.4 Minimum Net Asset Value

Pursuant to the SPA, the Vendor undertakes that the total consolidated net asset value of the Target Companies as at 28 February 2018 (the “**Actual NAV**”) shall be no less than S\$4 million (the “**Minimum NAV**”). For this purpose, prior to Completion, the Vendor shall procure an independent valuation of the assets of the Target Companies at the cost of the Vendor by an independent valuer to be approved by the Company. In the event the Actual NAV is less than the Minimum NAV, the Consideration shall be reduced by the amount of the shortfall by way of offset against the First Payment, the Balance Payment or a reduction of the number of Consideration Shares to be issued on Completion. If the shortfall is more than the Consideration, the Vendor shall pay the difference in cash to the Company.

3.5 Conditions Precedent

Completion is conditional upon certain conditions precedent having been satisfied (or waived by the Company), including but not limited to the following:

- (a) the results of legal, financial and technical due diligence investigations on the Target Companies conducted by the Company and its advisors being satisfactory to the Company, and all necessary rectification steps being completed on terms satisfactory to the Company, in respect of issues identified in the course of due diligence;
- (b) approval of the directors and/or shareholders of the Target Companies (as may be required) being obtained;
- (c) approval of the Board and Shareholders of the Company being obtained at an extraordinary general meeting to be convened;
- (d) the transfer of all the remaining shareholdings in the Target Companies not held by the Vendor such that the Vendor is the legal and beneficial owner of all the shares in the issued and paid-up share capital of the Target Companies;
- (e) no event, change or effect having occurred which has resulted or is likely to result in a material adverse change or material adverse deterioration in the position or prospects of any Target Company or its businesses (or no material contingent liability having arisen which if incurred would result in such a material adverse change or deterioration); and
- (f) the receipt of approval in-principle from the SGX-ST for the listing and quotation of the Consideration Shares on the SGX-ST upon the allotment and issue thereof, such approval not having been withdrawn prior to Completion, and all conditions set out in such approval being acceptable to the Company.

3.6 Long Stop Date

If any of the conditions is not fulfilled and not waived by mutual consent of the Vendor and the Company by 7 October 2018 (or such further date as the Parties may agree in writing) (“**Long Stop Date**”), the SPA shall cease (other than those provisions of the SPA which are expressed to survive termination of this SPA) shall terminate with immediate effect.

4. RATIONALE FOR THE PROPOSED ACQUISITION

The Proposed Acquisition allows the Group to improve its financial performance and achieve profitability through the acquisition of the profitable Target Companies. The Proposed Acquisition also results in the contribution of new skill sets in die-casting and plastic injection moulding for the Group, enabling it to offer a more comprehensive value proposition to a broader customer base across a wider region.

The Company wishes to tap on the strong customer base of the Target Companies, resulting in synergy of the Target Companies' businesses with the business of the Group. In addition, the Target Company has a business presence in Malacca, which is complementary to the locations in which the Group conducts its business.

5. RELATIVE FIGURES UNDER CHAPTER 10 OF THE CATALIST RULES IN RELATION TO THE PROPOSED ACQUISITION

Based on the latest announced and audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the financial year ended 31 December 2017 ("FY2017") (the "FY2017 Financial Statements"), the relative figures computed in respect of the Proposed Acquisition on the bases set out in Rule 1006 of the Catalist Rules are as follows:

Rule	Bases of computation	Size of relative figure (%)
1006(a)	Net asset value ("NAV") of assets being disposed of compared with the Group's net asset value.	Not Applicable ⁽¹⁾
1006(b)	Net profits ⁽²⁾ attributable to the assets acquired, compared with the Group's net loss.	(5.5) ⁽³⁾
1006(c)	The aggregate value of consideration given, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares.	63.2 ⁽⁴⁾
1006(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.	41.1 ⁽⁵⁾
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.	Not applicable ⁽⁶⁾

Notes:

- Not applicable as this is not a disposal.
- Net profits refer to profit before income tax, minority interests and exceptional items.
- Based on the aggregate unaudited net profits attributable to the Target Companies as at 28 February 2018 of S\$296,000, divided by the Group's audited net loss for the financial year ended 31 December 2017 of S\$5,343,000.
- Market capitalisation of the Company as at 6 April 2018 (based on the volume weighted average price of S\$0.001 per share of the Company on such date), being the last market day on which shares of the Company were traded on the SGX-ST prior to the date of signing of the SPA, is approximately S\$15,824,000.
- Total number of Consideration Shares to be issued to the Vendor is 6,500,000,000, as compared to the total number of shares in Company's share capital of 15,824,126,058. The shareholding of the Vendor in the Company after Completion is approximately 29.12%.
- Not applicable as the Company is not a mineral, oil and gas company.

As the relative figures computed on the basis set out in Rule(s) 1006 and (c) and (d) exceed 5% but is less than 75%, the Proposed Acquisition constitutes a "discloseable transaction" under Chapter 10 of the Catalist Rules.

6. FINANCIAL INFORMATION AND FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

6.1 Based on the unaudited financial statements of each of the Target Companies, the aggregate book value of the Target Companies (the "**Target Companies Book Value**") and net tangible asset value of the Target Companies Book Value before independent valuation of the assets as at 28 February 2018 are approximately S\$4,072,000 respectively.

6.2 The amount of S\$3.5 million, being the amount of the Consideration payable by the Company in cash to the Vendor, will be funded by the Company's internal resources. Part of the Consideration will be satisfied by way of issuing of Consideration Shares to the Vendor.

6.3 For illustration purposes only and based on the FY2017 Financial Statements, the financial effects of the Proposed Acquisition on the net tangible assets ("**NTA**") per Share and loss per share ("**LPS**") of the Company and the Group, as the case may be, are set out below. The *pro forma* financial effects analysis of the Proposed Acquisition have been prepared solely for illustrative purposes and do not purport to be indicative or a projection of the actual financial position of the Company and the Group immediately after completion of the Proposed Acquisition, and have been prepared based on the following key assumptions:

- (a) for the purposes of computing the NTA per Share of the Company, assuming that the Proposed Acquisition had been completed on 31 December 2017, being the end of FY2017;
- (b) for the purposes of computing the LPS of the Company, assuming that the Proposed Acquisition had been completed on 1 January 2017, being the beginning of FY2017; and
- (c) the computation does not take into account any expenses that may be incurred in relation to the Proposed Acquisition.

6.4 NTA per Share

The illustrative financial effects of the Proposed Acquisition on the NTA per Share of the Group for FY2017 are as follows:-

	Before the Proposed Acquisition	After the Proposed Acquisition
NTA (S\$'000) ⁽¹⁾	4,781	11,281
Number of issued Shares ⁽²⁾	15,824,126,058	22,324,126,058
NTA per Share (Singapore cents)	0.03	0.05

Note(s):

1. NTA is derived from total tangible assets minus total liabilities.
2. Based on the existing share capital of the Company comprising 15,824,126,058 Shares as at 31 December 2017.

6.5 LPS

The illustrative financial effects of the Proposed Acquisition on the LPS of the Group for FY2017 are as follows:-

	Before the Proposed Acquisition	After the Proposed Acquisition
(Loss) attributable to Shareholders (S\$'000)	(5,529)	(5,314)
Weighted average number of Shares#	10,871,791,559	16,399,110,822
Earnings/ (Loss) per Share (cents)	(0.05)	(0.03)

The weighted average number of ordinary shares had been restated for the effects of the rights issue that was completed on 14 June 2017.

7. INTEREST OF DIRECTORS AND CONTROLLING SHAREHOLDERS

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

8. DIRECTOR'S SERVICE CONTRACT

No director will be appointed to the Company in connection with the Proposed Acquisition

9. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement 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 SPA, the Proposed Acquisition, the Company and its subsidiaries, and 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 the announcement in its proper form and context.

10. EGM AND CIRCULAR

As set out in paragraph 1.4 of this Announcement above, the number of Consideration Shares to be issued to the Vendor on Completion is 6,500,000,000 ordinary shares in the Company, representing approximately 41.08% of the existing issued and paid-up share capital of the Company and 29.12% of the enlarged issued and paid-up share capital of the Company. The Vendor will become a controlling shareholder of the Company. Further, the Consideration Shares will not be issued to the Vendor pursuant to any general share issue mandate granted by Shareholders.

Pursuant to Rules 803 and 805 of the Catalist Rules, the Company has to obtain Shareholders' approval for the issuance of the Consideration Shares resulting in a transfer of controlling interests to the Vendor. The Circular containing further details on the Proposed Acquisition and enclosing a notice of EGM in connection therewith will be despatched to the Shareholders in due course.

11. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the SPA will be made available for inspection during normal business hours at Block 25 Kallang Avenue #06-01 Kallang Basin Industrial Estate, Singapore 339416, for a period of three months from the date of this Announcement.

By Order of the Board

Dato' Michael Loh Soon Gnee
Executive Chairman & Chief Executive Officer
Advanced Systems Automation Limited
9 April 2018

*This Announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, SAC Capital Private Limited ("**Sponsor**"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"). The Sponsor has not independently verified the contents of this announcement.*

This Announcement has not been examined or approved by the SGX-ST and the SGXST 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 Tay Sim Yee (Tel: (65) 6532 3829) at 1 Robinson Road, #21-02 AIA Tower, Singapore 048542.