

ADVANCED HOLDINGS LTD.
(Incorporated in the Republic of Singapore)
(Registration No. 200401856N)

ENTRY INTO A TERM SHEET IN RELATION TO THE PROPOSED DISPOSAL OF A WHOLLY-OWNED SUBSIDIARY OF THE COMPANY

1. INTRODUCTION

1.1 Background information

The Board of Directors of Advanced Holdings Ltd. (the "**Company**", and together with its subsidiaries, the "**Group**") wishes to announce that its wholly-owned subsidiary, Advanced Engineering Holdings Pte. Ltd. (the "**Seller**"), had on 17 September 2024 entered into a term sheet (the "**CAEKSA Term Sheet**") with Advanced CAE Pte. Ltd. (the "**Buyer**"), pursuant to which the Seller has agreed to sell and the Buyer has agreed to buy the entire issued and paid-up share capital of Advanced CAE Saudi Arabia Company Ltd ("**CAEKSA**"). The proposed disposal of CAEKSA shall be referred to as the "**Proposed Disposal**".

1.2 Chapter 10 of the Catalist Rules

The Proposed Disposal constitutes a "disclosable" transaction under Chapter 10 of the Listing Manual Section B: Rules of Catalist (the "**Catalist Rules**") of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"). For further details on the relative figures in respect of the Proposed Disposal computed on the bases set out in Rule 1006 of the Catalist Rules, please refer to Section 5 of this Announcement.

1.3 Chapter 704(18) of the Catalist Rules

Upon the completion of the Proposed Disposal, CAEKSA will cease to be a subsidiary of the Group.

2. INFORMATION ON THE BUYER AND CAEKSA

2.1 Buyer

The Buyer, Advanced CAE Pte. Ltd., is a private company limited by shares incorporated in Singapore. The Buyer is involved in other manufacturing industries and construction installation. At the date of this announcement, the shareholder of the Buyer is Control and Applications System Pte. Ltd and the directors are Mr Quah Kim Tech and Ms Yang Xiaofei. The shareholder of Control and Applications System Pte. Ltd. is Ms Yang Xiaofei and the directors are Ms Anne Pauline Ng Poh Leng and Ms Yang Xiaofei.

As at the date of this announcement, Ms Yang Xiaofei owns 2,690,000 shares of the Company (or 2.66% of the total number of issued ordinary shares excluding treasury shares). Saved as disclosed, the Buyer (and its ultimate beneficial shareholders) does not have any shareholding interest, direct or indirect, in the Company, nor is the Buyer (and its ultimate beneficial shareholders) related to any of the Directors, Substantial Shareholders, or their respective associates of the Company. None of the Directors or Substantial Shareholders of

the Company or their respective associates has any shareholding interests, direct or indirect, in the Buyer, nor are any of the Directors, Controlling Shareholders and their respective associates related to the Buyer's directors, controlling shareholders or their respective associates.

2.2 CAEKSA

CAEKSA, a private company incorporated in the Kingdom of Saudi Arabia, is a wholly-owned subsidiary of the Company through the Seller. CAEKSA's principal activities are the installation and maintenance of measurement and control equipment.

Based on the unaudited financial statements of CAEKSA, the net tangible liabilities of CAEKSA is S\$152,522 as at 30 June 2024 and the loss before tax of CAEKSA is S\$149,213 for the financial period ended 30 June 2024 ("**1H2024**"). Taking into account the net tangible liabilities, the net losses of CAEKSA and the rationale for the Proposed Disposal as set out in Section 4 of this announcement, the Company deemed it not meaningful to conduct a valuation on CAEKSA for the purpose of the Proposed Disposal.

3. **PRINCIPAL TERMS OF THE PROPOSED DISPOSAL**

3.1 Proposed Disposal

Pursuant to the terms and subject to the conditions of the CAEKSA Term Sheet, the Seller shall sell to the Buyer and the Buyer shall purchase such number of ordinary shares in CAEKSA which constitutes the whole of the issued and paid-up share capital of CAEKSA (the "**CAEKSA Disposal Shares**").

3.2 Consideration

The consideration for the proposed disposal of CAEKSA is S\$1.00 (the "**CAEKSA Consideration**"), assuming that the definitive sale and purchase agreement ("**KSA SPA**") and the supplementary agreement ("**KSA SA**") for the sale and purchase of the CAEKSA Disposal Shares is entered into between the Seller and the Buyer by 31 October 2024. The Buyer shall and promptly make due payment of all applicable stamp duties and taxes in connection with the Proposed Disposal or its implementation thereof which are levied by the relevant competent authorities in the Kingdom of Saudi Arabia. The CAEKSA Consideration was arrived at by agreement between the Seller and the Buyer at arm's length, on a "willing-buyer, willing-seller" basis after taking into account the net liability value of the CAEKSA Disposal Shares, the losses incurred by CAEKSA and the rationale for the Proposed Disposal as set out in Section 4 of this announcement.

3.3 Conditions Precedent

The completion of the Proposed Disposal is subject to the customary conditions, including, *inter alia*, the following:

- (a) Majority of the debts owing from CAEKSA to the Seller and its related companies, amounting to approximately S\$334,600, will be novated to the Buyer. Accordingly, no repayment to the Group is expected from CAEKSA;
- (b) The Seller shall warrant to the Buyer the following:

- a. The recoverability of 70% of the accounts receivables on projects that were contracted between Saudi Arabic Basic Industries Company ("**SABIC**") and Advanced CAE (ME) Control System LLB ("**CAEME**") as per Appendix A ("**AR - CAEME Projects**") and work being performed by CAEKSA;
- b. 70% of the product warranty cost, on reimbursement basis, up to US\$45,000 for AR – CAEME Projects that were attained by CAEKSA; and
- c. The payment of additional taxes, interest and /or penalties levied by the tax authority of KSA incurred in prior years (before 2024) that have not been provided for.

Any payments arising from the above warranties must be communicated to the Seller as soon as practicable, upon receipt of any notification (or the event is known) and approval must be obtained from the Seller, prior to making such payments.

- (c) The Seller shall be entitled to 70% of the margin of the AR - CAEME Projects attained by CAEKSA, which amounts to US\$110,000; and
- (d) The signing of the KSA SPA and KSA SA by the Seller and the Buyer.

3.4 Loss from the Proposed Disposal

Based on the unaudited consolidated financial statements of the Group for 1H2024, the CAEKSA Consideration represents a loss of S\$180,080 over the net book value of the CAEKSA Disposal Shares.

4. **RATIONALE FOR THE PROPOSED DISPOSAL**

The Proposed Disposal is aligned with the Group's plan to exit from the business of engineering services to focus on its agri-technology operations. Following the disposal of Advanced CAE Pte. Ltd. on 1 December 2022 and Advanced CAE Ltd. on 9 January 2023 ("**Past Disposals**"), CAEKSA is the remaining operating entity of the Group in the business of engineering services. The Group is of the view that it is not commercially meaningful to continue managing the business of CAEKSA given the continued losses which would require continued additional financial support from the Group to maintain the operations of CAEKSA.

The Company has explored many avenues in divesting CAEKSA, including the possibility of winding up CAEKSA. However, there are still outstanding projects, several of which will only be completed by 31 March 2025 and some of the product warranties only ending on 31 December 2025. Accordingly, to commence voluntary liquidation, CAEKSA will remain in operation till 31 December 2025 (with reduced manpower after the completion of all projects). It is estimated that CAEKSA will make further losses of not less than S\$300,000 before the Company is able to commence liquidation. To complete these projects, CAEKSA will also require working capital funding of approximately S\$3 million. Furthermore, additional costs will be incurred for the winding up process, including the engagement of a liquidator and retrenchment costs which is estimated to be in excess of S\$80,000 and may take time to complete.

Upon the completion of the Proposed Disposal, the Company will be able to redirect its entire managerial efforts into its agri-technology operations.

In line with the above and having regard to the terms and timing of the Proposed Disposal, the Board is of the view that the Proposed Disposal is in the best interests of the Company, and

that the Company would benefit from the Proposed Disposal as it is an opportune and appropriate time for the Company to dispose of its remaining subsidiary in the Engineering Service segment.

5. RELATIVE FIGURES COMPUTED ON THE BASES SET OUT IN RULE 1006 OF THE CATALIST RULES

5.1 The relative figures computed on the relevant bases set out in Rule 1006 of the Catalist Rules in respect of the Proposed Disposal and based on the unaudited financial statements of the Group for 1H2024 are as follows:

Rule 1006	Base	Relative figure
(a)	The net asset value of the assets to be disposed of, compared with the Group's net asset value. This basis is not applicable to an acquisition of assets.	-0.49% ⁽¹⁾
(b)	The net loss attributable to the assets acquired or disposed of, compared with the Group's net loss.	8.25% ⁽²⁾
(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.	11.47% ⁽³⁾
(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 ⁽⁴⁾
(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets. If the reserves are not directly comparable, the Exchange may permit valuations to be used instead of volume or amount.	Not applicable ⁽⁵⁾

Notes:

- (1) Based on the aggregated net liability value of S\$154,522 of CAEKSA as at 30 June 2024 and the unaudited net asset value of the Group of S\$31,469,000 as at 30 June 2024.
- (2) Based on CAEKSA's unaudited loss before tax of S\$149,213 and the unaudited loss before tax of the Group of approximately S\$1,809,000 for 1H2024.

- (3) Based on the aggregated Consideration of S\$1.00, the accumulated debt written of S\$334,603, warranty provided on the accounts receivables and product of about S\$1,202,124 and deduct the margin receivable of about S\$143,000; and (ii) the Company's market capitalisation of approximately S\$12,152,204. The market capitalisation of the Company was computed based on the issued Shares of 101,268,367 Shares (excluding treasury shares) and the volume weighted average price of S\$0.12 per Share on 16 September 2024 (being the last day on which the Shares were traded prior to the entry of the CAEKSA Term Sheet).
- (4) Rule 1006(d) of the Catalist Rules is not applicable to a disposal of assets.
- (5) Rule 1006(e) of the Catalist Rules is not applicable as the Company is not a mineral, oil and gas company.
- 5.2 The relative figures for the Proposed Disposal as computed on the basis set out in Rule 1006 of the Catalist Rules does not exceed 50%. The relative figure computed on the basis of Rule 1006(a) and 1006(b) involves negative figures and the Proposed Disposal is expected to result in a loss on disposal of approximately S\$180,080, representing approximately 9.95% of the unaudited net loss of the Company of S\$1,809,000 for 1H2024.

Based on the above and pursuant to Rule 1007(1), Rule 1010 and the guidance provided in Practice Note 10A paragraph 4.4(e) of the Catalist Rules, the Proposed Disposal constitutes a discloseable transaction.

6. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

6.1 Bases and Assumptions

For the purposes of illustration only, the pro forma financial effects of the Proposed Disposal taken as a whole are set out below. The pro forma financial effects have been prepared based on the audited consolidated financial statements of the Group for the financial year ended 31 December 2023, and assuming there are no expenses in relation to the Proposed Disposal. The pro forma financial effects are only presented for illustration purposes and are not intended to reflect the actual future financial position and performance of the Company or the Group after the Proposed Disposal.

6.2 Net Tangible Assets attributable to shareholders ("NTA")

Assuming that the Proposed Disposal was completed on 31 December 2023, the *pro forma* financial effects of the Proposed Disposal on the consolidated NTA of the Group are as follows:

	Before the Proposed Disposal	After the Proposed Disposal
NTA of the Group (S\$'000)	33,282	33,102
Number of issued ordinary shares in the capital of the Group	101,268,367	101,268,367
NTA per share (cents)	32.87	32.69

6.3 Loss Per Share ("LPS")

Assuming that the Proposed Disposal had been completed on 1 January 2023, the *pro forma* financial effects of the Proposed Disposal on the consolidated LPS of the Group for financial year ended 31 December 2023 are as follows:

	Before the Proposed Disposal	After the Proposed Disposal
Loss attributable to owners of the Company (S\$'000)	3,575	3,755
Weighted average number of Shares	101,268,367	101,268,367
LPS (cents)	3.53	3.71

7. **INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS**

None of the Company's directors or controlling shareholders or their associates has any interest, direct or indirect, in the Proposed Disposal, other than through their respective shareholdings in the Company.

8. **DIRECTORS' SERVICE CONTRACTS**

No person is proposed to be appointed as a Director of the Company in connection with the Proposed Disposal. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

9. **DOCUMENTS AVAILABLE FOR INSPECTION**

A copy of the CAEKSA Term Sheet will be available for inspection during normal business hours at the Company's registered office at 21 Woodlands Close, #06-23 Primz Bizhub, Singapore 737854 for a period of three (3) months from the date of this Announcement.

10. **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 Proposed Disposal 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 this Announcement in its proper form and context.

11. FURTHER ANNOUNCEMENTS

The Company will make further announcements on the Proposed Disposal as appropriate or when there are further developments on the same.

12. CAUTION IN TRADING

Shareholders are advised to exercise caution in trading their Shares as there is no certainty or assurance as at the date of this Announcement that the Proposed Disposal will proceed to completion, as the CAEKSA Term Sheet is not legally binding on the parties relating to the transaction. Shareholders are advised to read this Announcement and any further announcements by the Company carefully. Shareholders should consult their stockbrokers, solicitors or other professional advisors if they have any doubts about the action they should take.

BY ORDER OF THE BOARD

Dr Wong Kar King
Managing Director

17 September 2024

*This announcement has been reviewed by the Company's sponsor, UOB Kay Hian Private Limited (the "**Sponsor**").*

*This announcement has not been examined or approved by the Singapore Exchange Securities Trading Limited ("**SGX-ST**") and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness or any of the statements or opinions made, or reports contained in this announcement.*

The contact person for the Sponsor is Mr Lance Tan, Senior Vice President, at 8 Anthony Road, #01-01, Singapore 229957, telephone (65) 6590 6881.