



(Incorporated in the Republic of Singapore)
(Company Registration No. 198600740M)

THE PROPOSED DISPOSAL OF MICROFITS (BEIJING) TECHNOLOGY CO., LTD (“MBT”) AS A DISCLOSABLE TRANSACTION

1 INTRODUCTION

The board of directors (the “**Board**” or “**Directors**”) of Advanced Systems Automation Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) is pleased to announce that the Company has on 28 September 2018 entered into a sale and purchase agreement (“**SPA**”) with Gao Xi Guo (the “**Purchaser**”) in relation to the Company’s proposed disposal of the entire issued and paid-up share capital of MBT (the “**Sale Shares**”) (the “**Proposed Disposal**”).

2 INFORMATION ON MBT

MBT was incorporated on 3 November 2006 with a registered capital of US\$11.08 million.

MBT is principally engaged in the business of designing, developing and manufacturing semiconductors for equipment and components which are used for, *inter alia*, the production of medical and scientific equipment.

3 INFORMATION ON THE PURCHASER

The Purchaser, a citizen of the People’s Republic of China, is the founder of Beijing Zhongjia Huitong Real Estate Development Co., Ltd. which has a registered capital of RMB100 million and is in the principal business of, *inter alia*, real estate development, professional contracting, property management and urban landscaping.

4 PRINCIPAL TERMS OF THE PROPOSED DISPOSAL

4.1 The Sale Consideration and Terms of Payment

The sale consideration for the Sale Shares shall be a nominal purchase consideration of RMB1 (the “**Sale Consideration**”). The Sale Consideration shall be satisfied wholly in cash at completion (the “**Completion**”).

The Sale Consideration was arrived at after arms’ length negotiations between the Company and the Purchaser on a ‘willing buyer-willing seller’ basis taking into consideration, among other factors, (a) the aggregate net asset value and net tangible asset of MBT of S\$37,000 as at 30 June 2018, (b) the net loss attributable to MBT of S\$540,000 for the 6 months ended 30 June 2018 (“**1HFY2018**”) and (c) Potential Relocation Costs (as defined in Section 5 below). No valuation was undertaken on MBT.

As the Sale Consideration of the Proposed Disposal is only RMB1, it is not meaningful to discuss the use of proceeds from the Proposed Disposal.

4.2 Conditions Precedent

The Completion of the Proposed Disposal is subject to:

- a) the Company having obtained all relevant approvals and consents, including approvals from all applicable governmental bodies (including but not limited to the Beijing Administration for Industry and Commerce and the Singapore Exchange Securities Trading Limited (“SGX-ST”), creditors and third parties necessary for the consummation of the transactions contemplated at Completion and the same shall not have been withdrawn or amended;
- b) the results of legal, financial and technical due diligence investigations on MBT conducted by the Purchaser and his advisors being satisfactory to the Purchaser, and all necessary rectification steps being completed on terms satisfactory to the Purchaser, in respect of issues identified in the course of due diligence; and
- c) to the extent that any receivables and payables exists from MBT to the Company and its subsidiaries prior to Completion, any such balances of MBT has been validly waived or repaid in full by the Company.

5 RATIONALE FOR THE PROPOSED DISPOSAL

MBT has been loss making since the financial year ended (“FY”) 2012 and has recorded losses of S\$5.4 million, S\$1.2 million and S\$2.0 million for FY2015, FY2016 and FY2017 respectively despite the implementation of cost cutting measures.

To date, MBT has incurred long outstanding payables to suppliers amounting to a total of S\$4.6 million as of 30 June 2018 of which 47% is presently overdue. In addition, MBT currently has a working capital deficit of approximately S\$57,000 and is likely to record a net liabilities position in the near future.

Furthermore, in light of the recent environmental curbs and other anti-pollution measures implemented by China’s relevant authorities in Beijing, the Company has noted that MBT may be forced to move out of Beijing as part of the move to reduce the air pollution in the city, just like many of the other suppliers that have since been required to leave Beijing, in time to come. The estimated costs of relocation in such an event is estimated to be approximately S\$5 million (“**Potential Relocation Costs**”), which include, *inter alia*, the costs of renovating the new premises, recruitment and training of new staff and partial retrenchment compensation to the employees due to relocation, which will further weigh down on the financial position of the Group.

In light of the above, the Proposed Disposal will provide relief for the Group as, *inter alia*, the trade payables of MBT and the Potential Relocation Costs will be taken over by the Purchaser. This will allow the Group to realise its value by preventing further losses and deterioration of shareholders’ equity, and to streamline its existing businesses to focus more on its businesses and investments in Singapore and Malaysia.

As there will be no material change in the nature of business as the Equipment Contract Manufacturing Services business segment includes other subsidiaries in similar business as MBT, and taking into consideration that MBT is loss-making, in a weak financial position and the Potential Relocation Costs to be incurred, the Board is of the view that the Proposed Disposal is in the best interests of the Company and its shareholders.

6 FINANCIAL EFFECTS

Based on the Group's latest unaudited financial statements for 1HFY2018, the Sale Consideration represents a deficit of approximately S\$37,000 over the unaudited net tangible asset value of MBT as at 30 June 2018. The waiver of the intercompany payable to the Company and its subsidiaries is approximately S\$2.55 million. The Company is expected to incur a loss on disposal of approximately S\$2.58 million.

The financial effects of the Proposed Disposal on the Group as set out below are for illustrative purposes only and are not intended to reflect the actual future financial performance or position of the Group immediately after the completion of the Proposed Disposal. The financial effects of the Proposed Disposal set out below have been prepared based on the Group audited consolidated financial statements for the year ended 31 December 2017 ("FY2017"):

6.1 Net Tangible Assets ("NTA")

The effects of the Proposed Disposal on the audited consolidated NTA per share of the Group as at 31 December 2017, assuming that the Proposed Disposal had been effected on 31 December 2017, are summarised below:

	Before the Proposed Disposal	After the Proposed Disposal
Consolidated NTA ⁽¹⁾ (S\$'000)	4,781	2,360
Number of shares	15,824,126,058	15,824,126,058
Consolidated NTA per share (Singapore cents)	0.03	0.01

(1) NTA is computed based on total assets less total liabilities and intangible assets.

6.2 Loss Per Share ("LPS")

The effects of the Proposed Disposal on the audited consolidated LPS of the Group for FY2017, assuming that the Proposed Disposal had been effected at the beginning of FY2017, are summarised below:

	Before the Proposed Disposal	After the Proposed Disposal
Loss attributable to equity holders of the Company (S\$'000)	5,529	6,746
Weighted average number of Shares	10,871,791,559	10,871,791,559
LPS (cents)	0.05	0.06

7 RULE 1006 OF THE CATALIST RULES

7.1 The relative figures of the Proposed Disposal computed on the bases set out in Rule 1006 of the Listing Manual Section B: Rules of Catalist (the “Catalist Rules”) of the Singapore Exchange Securities Trading Limited (“SGX-ST”) based on the latest announced consolidated financial statements of the Group for 1HFY2018 are as follows:

Catalist Rule	Bases of Calculation	Size of Relative Figures ⁽⁴⁾
Rule 1006(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.	0.4% ⁽²⁾
Rule 1006(b)	The net profits attributable to the assets acquired or disposed of, compared with the group's net profits.	31.9% ⁽³⁾
Rule 1006(c)	The aggregate value of the consideration given or received, compared with the issuer's market capitalisation based on the total number of issued shares excluding treasury shares.	16.1% ⁽⁴⁾
Rule 1006(d)	The number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not applicable as this is a disposal.
Rule 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, but not to an acquisition of such assets.	Not applicable as the Company is not a mineral, oil and gas company.

Notes:

- (1) The latest announced unaudited consolidated financial statements of the Group has been adjusted for the Proposed Acquisition of Yumei Tech, Yumei REIT and Pioneer Venture (the “Target Companies”) of which resolutions have been approved by Shareholders at the extraordinary general meeting held on 24 September 2018.
- (2) The net assets value of the Group of S\$2,879,000 is adjusted to take into account of the investment in Target Companies of S\$10.0 million less cash consideration of S\$3.50 million which resulted in adjusted net assets value of the Group of S\$9,379,000. For more details of the Proposed Acquisition, please refer to the circular dated 7 September 2018. For avoidance of doubt, the net asset value for MBT of S\$37,000, has not been adjusted for the waiver of liabilities of S\$2.55 million owing to ASA and its other subsidiaries, which is a condition precedent to the Proposed Disposal.
- (3) Pursuant to Rule 1002(3)(b) of the Catalist Rules, “net profits” is defined as profits before income tax, minority interests and extraordinary items. The Group’s loss before tax for 1HFY2018 was S\$1,693,000 and MBT’s loss before tax for 1HFY2018 was S\$540,000.
- (4) For the purpose of determining the relative figure under Rule 1006(c) of the Catalist Rules, the aggregate value of consideration used in the computation is based on the aggregate of Consideration and the waiver of liabilities owing to ASA and its other subsidiaries amounting to S\$2.55 million pursuant to Part VII, paragraph 16 of Practice Note 10A. The Company’s market capitalization of S\$15,824,000 was computed based on the Company’s existing issued and paid-up capital of 15,824,126,058 shares as at the date of this announcement and the volume weighted average price of S\$0.001 per share on 27 September 2018, being the last trading day preceding the date of the SPA.

7.2 As the relative figure calculated under Rule 1006(b) involves negative figures, the Company has consulted SGX-ST via the Sponsor in accordance with Rule 1007(1) on the treatment of the relative figure for Rule 1006(b). The SGX-ST has confirmed that the Proposed Disposal constitutes a discloseable transaction as defined in Chapter 10 of the Catalist Rules and accordingly the approval of the shareholders of the Company for the Proposed Disposal will not be required.

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 INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors and/or the controlling shareholders of the Company or any of their respective associates have any interest or are deemed to be interested in the Proposed Disposal, save for their respective directorship and/or shareholding interest in the Company.

10 MISCELLANEOUS

A copy of the SPA is available for inspection at the registered office of the Company at 25 Kallang Avenue, #06-01, Kallang Basin Industrial Estate, Singapore 339416, during normal business hours for three (3) months from the date of this announcement.

Shareholders and potential investors should note that the Proposed Disposal is subject to the fulfilment of the conditions precedent set out above and accordingly should exercise caution when trading in the shares of the Company. Persons who are in doubt as to the action they should take should consult their legal, financial, tax or other professional advisers

By Order of the Board

DATO' KHOR GARK KIM
Lead Independent Director
Advanced Systems Automation Limited
28 September 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 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 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 Tay Sim Yee (Tel: (65) 6232 3210) at 1 Robinson Road, #21-00 AIA Tower, Singapore 048542.