Advanced Systems Automation Limited

(Company Registration Number: 198600740M)
(Incorporated in the Republic of Singapore on 10 April 1986)

ENTRY INTO A NON-BINDING TERM SHEET IN RELATION TO THE PROPOSED DISPOSAL OF 67% OF THE ISSUED AND PAID-UP SHARE CAPITAL OF EMERALD PRECISION ENGINEERING SDN. BHD., A WHOLLY-OWNED SUBISIDIARY OF THE COMPANY

1. INTRODUCTION

1.1 The board of directors (the "**Board**" or "**Directors**") of Advanced Systems Automation Limited (the "**Company**", and together with its subsidiaries, the "**Group**") wishes to announce that the Company had on 11 November 2024 entered into a non-binding[1] term sheet (the "**Term Sheet**") with Ethereal Capital Sdn. Bhd. ("**ETHEREAL**" or the "**Purchaser**") in relation to the following transactions:

(a) the proposed disposal ("**Proposed Disposal**") by the Company of 67% of the issued and paid-up share capital of Emerald Precision Engineering Sdn. Bhd., a wholly-owned subsidiary of the Company (the "**Target**") ("**Sale Shares**"); and

(b) the proposed issuance of 15,000,000 Irredeemable Convertible Preference Shares ("**ICPS**") ("**Proposed Issuance of ICPS**") by the Target to the Purchaser at RM1.00 per ICPS, equivalent to an aggregate of RM15.0 million,

(the Proposed Disposal and the Proposed Issuance of ICPS shall collectively be referred to as the "**Proposed Transactions**", and the Company and ETHEREAL (or the Purchaser) shall collectively be referred to as the "**Parties**").

2. INFORMATION ON THE PURCHASER

The information presented herein relating to the Purchaser is based on information provided by the Purchaser. In respect of such information, the Company has not independently verified the accuracy and correctness of the same and the Company's responsibility is limited to ensuring that such information has been accurately and correctly extracted and reproduced in this announcement in its proper form and context.

2.1 The Purchaser is a regulated fund management company founded in 2022 by investment professionals with strong portfolio management track records which include award-winning funds. The Purchaser assists its customers to achieve their long-term financial goals by focusing on investing in companies with strong growth potential as well as other thematic fund management solutions to provide diversification alternatives to its customers.

2.2 None of the Purchaser, its directors and shareholders is related to the Directors, controlling shareholders of the Company, or their respective associates. As at the date of this announcement, the Purchaser, its directors and shareholders do not hold any shares in the share capital of the Company or any other shareholding interest (direct or indirect) in the Company.

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1 Save for customary boilerplate provisions which are legally binding, the term sheet is not intended to be legally binding. These customary boilerplate provisions, which are legally binding, include, amongst other things, exclusivity, payment by the Company of up to RM75,000 in professional fees incurred by the Purchaser on closing of the Proposed Transactions, confidentiality, governing law and dispute resolution.

3. INFORMATION ON THE TARGET

The Target is a private company limited by shares incorporated in Malaysia on 3 March 2000 and is a wholly-owned subsidiary of the Company. As at the date of this announcement, the Target has an issued and paid-up share capital of RM600,000.00, comprising 600,000 ordinary shares.

The Target's principal activities are in the fabrication of tooling, dies and related-molding of machined components, spare parts and other-related businesses. The Target mainly provides casting, machining, and assembly services, specialising in high mix and low-to-medium volume products namely precision machined components, system integration and modular assemblies, using metal materials such as aluminum, brass, bronze, copper, steely and alloys.

The Target does not hold any equity interest in another entity within or outside the Group.

4. SALIENT TERMS OF THE TERM SHEET

4.1 The Proposed Disposal

The summary of the principal terms of the Proposed Disposal as set out in the Term Sheet are as follows:

Purchaser	ETHEREAL and/or any investors it may procure
Target	Emerald Precision Engineering Sdn. Bhd.
Sale Shares	Proposed acquisition by the Purchaser of 400,000 existing ordinary shares of the Target, representing 67% of the issued and paid-up share capital of the Target, from the Company
Consideration	RM22.0 million in cash
Basis of Consideration	Based on [67%] of the mutually agreed pre-money valuation of the Target equivalent to RM33.0 million, which is derived from: (a) 8.93x Price/Earnings multiple of the audited profit after tax ("**PAT**") of the Target for the financial year ended 31 December 2023 of RM 3,694,137; and (b) 10.14x Price/Earnings multiple of the forecast PAT of the Target for the financial year ending 31 December 2024 of RM3,256,000 ("**FY2024 Forecast PAT**"). PAT is defined as the Target's net operating profits derived from operating income less operating expenses after provision of income tax(es). PAT excludes the impact of accounting revisions relating to accruals, capitalised income or expense items unless agreed to by ETHEREAL.
Clawback	In the event the Target fails to achieve the FY2024 Forecast PAT, as determined based on the audited financial statements of the Target, the Company shall transfer to the Purchaser, at no additional cost, such number of its ordinary shares in the Target resulting the Purchaser to have, together with the Sale Shares, a shareholding in the Target equivalent to the Consideration divided by the implied pre-money valuation of the Target at Price/Earnings multiple of 10.14x of the Target's audited PAT for the financial year ending 31 December 2024.

Other terms and conditions	The Proposed Disposal will be conditional on conditions precedents customary for transactions of such nature, including amongst other things, the Company having obtained the approval of its shareholders and regulatory authorities for the Proposed Disposal as well as the Purchaser being satisfied with its due diligence findings. Other substantive terms, including amongst other things, representations, warranties and reserved matters, will be further negotiated and discussed between the Parties and will be captured in the definitive agreements (comprising the sale and purchase agreement and shareholders agreement) to be entered into between the Parties.

4.2 **The Proposed Issuance of ICPS**

Contemporaneously with the closing of the Proposed Disposal, the Parties intend for the Target to issue the ICPS. The summary of the principal terms of the ICPS as set out in the Term Sheet are as follows:

Subscriber(s) of ICPS	Purchaser
Price per ICPS	RM1.00 per ICPS
Dividend on ICPS	Dividend of 7% per annum, cumulative and payable on an annual basis
Conversion Ratio of ICPS	53 ICPS for every one (1) new ordinary share in the Target
Conversion	Subject to anti-dilution provisions, the ICPS is convertible to ordinary shares of the Target at any time at the option of the holder of the ICPS or immediately prior to the public listing of the Target via an initial public offering or reverse-takeover exercise or is a requirement or as advised by a regulator or principal advisor to the initial public offering or reverse-takeover exercise.
Drag Along Rights	If there is a trade sale or asset sale, and the board of the Target and the holders of at least 60% of the outstanding ordinary shares of the Target (including ICPS on an as-converted basis) accept such offer, each shareholder of the Target shall be compelled to vote in favour of such trade sale or asset sale and sell and transfer all securities of the Target (including the ICPS, as applicable) to a bona fide third party purchaser.
Other terms and conditions	Other conditions customary for a transaction of such nature, including amongst other things, anti-dilutive provisions, liquidation preference, pre-emption rights and other protective provisions as may be required by the subscriber of ICPS, will be further negotiated and discussed between the Parties and will be captured in the definitive agreements to be entered into between the Parties.

4.3 **Exclusivity Period**

The Parties have agreed to an exclusivity period of 60 days commencing from the date of entry into the Term Sheet for the purposes of negotiating the Proposed Transactions contemplated therein ("**Exclusivity Period**"). During the Exclusivity Period, the Company and the Target shall not enter into discussions or negotiations with third parties in relation to the Proposed Transactions or any matter involving a transaction which would preclude, restrict or delay the transactions mentioned or contemplated in the Term Sheet including the Proposed Disposal and/or the Proposed Issuance of ICPS, or which is similar to the Proposed Disposal and/or the Proposed Issuance of ICPS. The Exclusivity Period is legally binding.

5. RATIONALE FOR PROPOSED TRANSACTIONS

The rationale for the Proposed Disposal is in line with the Group's diversification from its previous business of manufacturing of automated equipment for the encapsulation in semiconductors into the aquaculture industry. Following the Group's business diversification, the Group has been taking measures to dispose its relevant investments related to its previous business whilst simultaneously allowing the Group to monetise its investment value for the benefit of the shareholders of the Company. The proceeds from the Proposed Disposal will also allow the Group to strengthen its financial position and improve its cash position.

The Proposed Issuance of ICPS by the Target upon the closing of the Proposed Disposal serves as a purpose of new capitalisation of the Target for purposes of capital expenditure, working capital and further corporate extension. Following the further expansion of the Target, the Group would also be able to further benefit from its remaining shareholding in the Target and therefore further enhancing the value of the Group.

6. FURTHER ANNOUNCEMENTS

The Proposed Transactions will constitute a major transaction as defined under Chapter 10 of the Singapore Exchange Securities Trading Limited Listing Manual Section B: Rules of Catalist ("**Catalist Rules**") and will be subject to, *inter alia*, the approval of the shareholders of the Company at an extraordinary general meeting to be convened. The Company will make further announcements as and when appropriate, including information required under Chapter 10 of the Catalist Rules, when the definitive agreements have been entered into in relation to the Proposed Transactions.

7. INTEREST OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors or, as far as the Directors are aware, controlling shareholders of the Company has any interest, direct or indirect, in the Proposed Transactions or any other transactions contemplated under the Term Sheet (other than in his capacity as a director or shareholder of the Company).

8. CAUTIONARY STATEMENT

The Term Sheet is not intended to be legally binding between the Company and the Purchaser, except for certain provisions relating to the confidentiality, status of the Term Sheet, Exclusivity Period, governing law and dispute resolution. As such, the Proposed Transactions remain subject to the entry into the definitive agreements after negotiations between the Company and the Purchaser. There is no certainty or assurance that such definitive agreements will be entered into at this juncture, and if entered into, whether the Proposed Transactions or any other transactions contemplated therein can or will proceed.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company. Shareholders and potential investors of the Company are advised to read this announcement and any further announcements by the Company carefully. Persons who are in doubt as to the action they should take should seek their own professional advice and consult with their own stockbrokers, bank managers, solicitors or other professional advisors.

BY ORDER OF THE BOARD
ADVANCED SYSTEMS AUTOMATION LIMITED

Mr Seah Chong Hoe
Director
11 November 2024

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

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.

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