



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

SGX WAIVER FROM REQUIREMENT TO COMPLY WITH RULE 1014(2) AND RULE 1014(5) OF THE LISTING MANUAL SECTION B: RULES OF CATALIST OF THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED (THE "SGX-ST") (THE "CATALIST RULES")

1. INTRODUCTION

The board of directors (the "**Board**" or "**Directors**") of Advanced Systems Automation Limited (the "**Company**") and together with its subsidiaries, the "**Group**") refers to the announcement dated 12 August 2020 ("**Announcement**") in relation to the Company's entry into a sale and purchase agreement ("**SPA**") with M and R Manufacturing Sdn Bhd (the "**Purchaser**") in relation to the Company's proposed disposal of its entire interest in ASA Multiplate (M) Sdn Bhd. ("**ASA Multiplate**"), representing 90% of the issued and paid-up share capital of ASA Multiplate (the "**Sale Shares**") (the "**Proposed Disposal**") for an aggregate purchase consideration of S\$90,000 (the "**Consideration**").

Unless otherwise defined, all capitalised terms used herein shall bear the same meaning as ascribed in the Announcement.

2. RULE 1006 OF THE CATALIST

As stated in the Announcement, based on the audited financial statements of the Group for financial year ended 31 December 2019 ("**FY2019**"), the relative figures computed on the bases set out in Rule 1006 of the Catalist Rules are as follows:

Catalist Rule	Bases of Calculation	Relative Figures for the Proposed Disposal
Rule 1006(a)	Adjusted net liability value of the assets to be disposed of, being S\$529,000 compared with the Company's net asset value of S\$682,000. This basis is not applicable to an acquisition of assets.	(77.6%) ⁽¹⁾
Rule 1006(b)	Net loss of S\$919,000 attributable to the assets acquired or disposed of, compared with the Company's net loss of approximately S\$4,394,000.	20.9% ⁽²⁾
Rule 1006(c)	Aggregate value of the consideration given or received, compared with the issuer's market capitalization based on the total number of issued shares excluding treasury shares.	37.9% ⁽³⁾
Rule 1006(d)	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.

Notes

- (1) For purposes of calculating the relative figure under Rule 1006(a) of the Catalist Rules, the net liabilities value of ASA Multiplate as at 31 December 2019 had been adjusted to take into account the waiver amounting to S\$8,373,000 for amounts owing to the Company from ASA Multiplate ("**Waiver**") as of 31 December 2019, resulting in an adjusted net liabilities value of RM1.6 million representing S\$529,000 (based on an exchange rate of S\$1 = RM3,0437). The net asset value of the Group as at 31 December 2019 is S\$682,000.
- (2) Computed based on the net loss attributable to ASA Multiplate for FY2019 amounting to RM 2,796,000 which is equivalent to approximately S\$919,000 (based on an exchange rate of S\$1 = RM3.0437) and the net loss attributable to the Group amounting to S\$4,394,000.
- (3) The aggregate value of consideration received, for purposes of calculating the relative figure under Rule 1006(c) of the Catalist Rules, had been calculated based on the aggregate of (i) the Consideration, and (ii) the Waiver of S\$8,373,000 was computed based on the Company's existing issued and paid-up capital of 22,314,126,058 shares ("**Shares**") and the volume weighted average price of S\$0.001 per Share on 11 August 2020, being the last trading day preceding the date of the SPA.

The relative figures computed on the bases set out in Rule 1006(a) and Rule 1006(b) of the Catalist Rules involve negative figures and that the transaction does not fall within all the situations in paragraphs 4.3 and 4.4 of Practice Note 10A of the Catalist Rules. In such instance, as stated in paragraph 4.6 of Practice Note 10A of the Catalist Rules, the transaction would be deemed as a "Major Transaction" pursuant to Rule 1014 of the Catalist Rules. Further, under Rule 1014(5) of the Catalist Rules, where a disposal of assets is one where any of the relative figures as computed on the bases set out in Rule 1006 exceeds 75%, the issuer must appoint a competent and independent valuer to value the assets to be disposed.

3. APPROVAL OF THE WAIVER APPLICATIONS IN RELATION TO RULE 1014 OF THE CATALIST RULES

The Company, through its sponsor, had on 5 August 2020 submitted an application to the SGX-ST to seek a waiver from compliance with:

- (i) Rule 1014(2) of the Catalist Rules ("**Rule 1014(2) Waiver**") on the requirement to seek Shareholders' approval for the Proposed Disposal; and
- (ii) Rule 1014(5) of the Catalist Rules ("**Rule 1014(5) Waiver**") on the requirement to appoint a valuer to assess the value of ASA Multiplate

(together, the "**Waivers**").

The Board wishes to announce that the Company had, on 2 October 2020, received a letter from the SGX-ST informing the Company that the SGX-ST had no objections to granting the Waivers subject to the following conditions:

- (a) the Company announcing the Waivers granted, the reasons for seeking the Waivers, the conditions as required under Rule 106 of the Catalist Rules and if the conditions for the Waivers have been satisfied. If the conditions for the Waivers have not been met on the date of the announcement, the Company must make an update announcement when the conditions have all been met;
- (b) the Company obtaining shareholders' approval of the Proposed Disposal by way of ratification at an extraordinary general meeting (the "**EGM**") to be convened within 3 months from the completion of the Proposed Disposal; and

- (c) the shareholders (namely ASTI Holdings Limited, Michael Loh Soon Gnee, and Seah Chong Hoe) providing undertakings to the Company to: -
 - (i) vote in favour of the Proposed Disposal during the ratification EGM, and
 - (ii) not decrease their shareholdings in the Company as at the point of providing the undertakings until the conclusion of the EGM.

(collectively, “**Letters of Undertaking**”)

The Waivers will not be valid if any of the abovementioned conditions have not been fulfilled, and the Company is required to make an immediate disclosure via SGXNET if it is/will be in contravention of any laws and regulations governing the Company and the constitution of the Company (or the equivalent in the Company’s country of incorporation) arising from the Waivers.

As at the date of this announcement, the Waivers condition stated in paragraph 3(a) has been fulfilled. The Company will make an update announcement in respect of the other Waivers conditions as and when they are met.

4. REASONS FOR SEEKING THE WAIVERS

4.1. Reasons for seeking Rule 1014(2) Waiver

The Company had sought the Rule 1014(2) Waiver for the following reasons:

- (a) Expediting the process of the Proposed Disposal

The Company believes that if the Rule 1014(2) Waiver is granted, such that the approval of the shareholders of the Company at a general meeting does not have to be sought for the Proposed Disposal, it will expedite the process of the Proposed Disposal and hence reduce the further losses incurred by the Group because ASA Multiplate is a loss-making asset.

ASA Multiplate has been loss-making since the financial year ended 31 December 2015 (“**FY2015**”) and requires a monthly cash injection of between RM150,000 to RM250,000 from the Company, for its day-to-day operations. Given that the Company will be obtaining Letters of Undertaking from ASTI Holdings Limited, Dato’ Michael Loh Soon Gnee and Mr. Seah Chong Hoe (who collectively hold approximately 75.01% of the shares in the Company), having a general meeting for the purposes of obtaining approval of the shareholders of the Company will be merely a formality as the Company would already have the requisite majority to approve the Proposed Disposal once the Letters of Undertaking have been obtained. Accordingly, if the Rule 1014(2) Waiver is granted, the Company will be able to complete the Proposed Disposal sooner and this will remove the need for the monthly capital injections to be made into ASA Multiplate. This will in turn help ease the cash flow issues faced by the Company and improve the financial results of the Group.

- (b) Poor financial results of ASA Multiplate

Despite the various cost cutting measures implemented, ASA Multiplate has been loss-making since FY2015. Furthermore, the Company’s management does not foresee the situation turning around in the near future for ASA Multiplate.

Based on the information provided below, the Company also believes that the Proposed Disposal will not cause a material impact to the Group.

Net Tangible Assets (“NTA”)

The effects of the Proposed Disposal on the audited consolidated NTA per share of the Group as at 31 December 2019, assuming that the Proposed Disposal had been effected on 31 December 2019, are summarised below:

	Before the Proposed Disposal	After the Proposed Disposal
Consolidated NTA ⁽¹⁾ (S\$'000)	(2,202)	(1,636)
Number of shares	22,324,126,058	22,324,126,058
Consolidated NTA per share (Singapore cents)	(0.01)	(0.01)

Notes:

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

Loss per shares (“LPS”)

The effects of the Proposed Disposal on the audited consolidated LPS of the Group for FY2019, assuming that the Proposed Disposal had been effected at the beginning of FY2019, are summarised below:

	Before the Proposed Disposal	After the Proposed Disposal
Loss attributable to equity holders of the Company (S\$'000)	4,394	3,775
Weighted average number of Shares	22,324,126,058	22,324,126,058
LPS (cents)	0.02	0.02

As illustrated above, the NTA for the Group will improve after the Proposed Disposal and the Loss attributable to equity holders of the Company will also be reduced after the Proposed Disposal.

Furthermore, in relation to the waiver of debts of S\$8.6 million (based on an exchange rate of S\$1 = RM3.0437) between the Company and ASA Multiplate (“**Outstanding Debt**”) as of 31 July 2020, the Company has previously already made full provision for doubtful debt for the Outstanding Debt. The Company wishes to highlight that, even in a situation where ASA Multiplate is shut down or liquidated, the Company will still need to write off the Outstanding Debt as ASA Multiplate does not have the means and ability to pay the Outstanding Debt. In addition, the Company is of the view that they will not be able to find a buyer that will be willing to take up the Outstanding Debt as well as provide a consideration for the acquisition of ASA Multiplate from the Company, given that ASA Multiplate has been loss-making since FY2015 and has a net tangible liabilities position of RM27,094,000 as of 31 December 2019.

Lastly, the Company has considered alternative solutions such as shutting down or liquidating ASA Multiplate. However, in relation to shutting down ASA Multiplate, the Company will need to borrow additional funds in order to shut down ASA Multiplate, and will also incur additional costs, including (i) retrenchment costs of RM659,000; (ii) reinstatement costs of RM250,000; and (iii) the outstanding amount due to creditors of S\$530,000 (after writing off inter-company loans of approximately S\$8,373,000 as of 31 December 2019).

4.2. Reasons for seeking Rule 1014(5) Waiver

The Company had sought the Rule 1014(5) Waiver for the following reasons:

(a) Potentially very low or near zero valuation

ASA Multiplate has been loss making since FY2015. Despite the cost cutting measures implemented by ASA Multiplate and the change in management, ASA Multiplate was unable to turn around its financial situation and ASA Multiplate has not been investing in any plant, property or equipment for the past few years. In order to turn around the financial situation of ASA Multiplate, ASA Multiplate will likely require a huge capital investment in order for ASA Multiplate to get new customers. ASA Multiplate is in a net liabilities value of RM27.1 million as of 31 December 2019 and has been depending on monthly cash injection from the Company. Based on the foregoing, a qualified and experienced valuer has indicated a valuation of zero or near zero under the income approach valuation. Accordingly, the valuation may not be meaningful.

(b) Consideration

The Company have been trying to divest [the shares of] ASA Multiplate for over a year. However, due to the losses, net liability position and old equipment in relation to ASA Multiplate, the Company faced difficulties in finding a suitable purchaser to ASA Multiplate. The Company believes that even if the valuation is done, it is unlikely that the valuation will have any impact on the Consideration. The Purchaser may not be willing to increase the Sale Consideration given that ASA Multiplate is loss making and has a huge net liabilities value on their balance sheet.

(c) Cost

As the Group is also making losses, the Group has also implemented cost cutting measures and reduce any expenditures, where possible. The valuation report may cost the Group around S\$30,000.

(d) Time

The valuation process may exceed one month and may further delay the date of completion of the Proposed Disposal. As such, the Group may need to inject further cash into ASA Multiplate for their day to day operations, hence further draining the Group's resources.

(e) Possible alternative to the Proposed Disposal

If not for the Proposed Disposal, the Company has the intention to cease the operations of ASA Multiplate. This would cost the Company approximately RM2.7 million, which includes the retrenchment costs and the amount required to repay ASA Multiplate's creditors. Accordingly, in this situation, the Group will not be required to engage a valuer but will also be in a worse off situation.

5. EXTRAORDINARY GENERAL MEETING

The Company will be convening the EGM in due course for the purpose of seeking shareholders' approval for the Proposed Disposal by way of ratification and accordingly, the Company will in due course despatch the circular containing information relating to the Proposed Disposal.

6. FURTHER ANNOUNCEMENTS

The Company will make further announcements to update its Shareholders as and when there are material updates or developments in connection with the Proposed Disposal.

By Order of the Board

Dato' Sri Sopiyan B. Mohd. Rashdi
Chairman
Advanced Systems Automation Limited
5 October 2020

*This announcement has been reviewed by the Company's sponsor, SAC Capital Private Limited ("**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 of any of the statements or opinions made, or reports contained in this announcement.*

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