



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

THE PROPOSED DISPOSAL OF THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF MICROFITS PTE. LTD.

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 29 February 2020 (“**Announcement**”) in relation to the Company’s entry into a non-binding letter of intent with M and R Manufacturing Sdn Bhd (the “**Purchaser**”) on the Company’s proposed disposal of the entire issued and paid-up share capital of Microfits Pte Ltd (“**Microfits**”), a wholly-owned subsidiary of the Company (the “**Sale Shares**”) (the “**Proposed Disposal**”).

Further to the Announcement, the Board is pleased to announce that the Company has on 31 October 2020 entered into a sale and purchase agreement (“**SPA**”) with the Purchaser in relation to the **Proposed Disposal**.

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

2 INFORMATION ON MICROFITS

Microfits was incorporated in Singapore on 9 July 1994 with a registered capital of S\$2,000,000.

Microfits is principally engaged in the business of manufacturing of automated molding machines and other back-ended assembly equipment for the semiconductor assembly process.

Based on the latest unaudited consolidated financial statements of the Group for the financial period ended 30 June 2020 (“**H1FY2020**”), (i) Microfits has a net tangible liabilities of approximately S\$9,248,000 as at 30 June 2020 and (ii) the net loss attributable to Microfits of approximately S\$530,000 for the period ended 30 June 2020.

3 INFORMATION ON THE PURCHASER

The Purchaser is a company incorporated in Malaysia on 22 August 1991 with a registered capital of RM6,290,000.

The Purchaser is in the principal business of, *inter alia*, designing and manufacturing high precision machine components, sub-module assembly and system integration and the carrying on of additional business activities in relation to the repair and maintenance of industrial machinery and equipment for wear and tear. The Purchaser is the parent company of M and R Integrated Solution Sdn Bhd, who is the buyer in relation to the Company's proposed disposal of its entire interest in ASA Multiplate (M) Sdn Bhd, as announced on 12 August 2020.

The shareholders of the Purchaser are unrelated to the Company's directors, substantial shareholders and their respective associates.

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 an aggregate purchase consideration of S\$100,000.00 (the "**Sale Consideration**"). The Sale Consideration shall be satisfied in cash by the Purchaser upon execution of the SPA Agreement.

The Sale Consideration and the terms of the SPA was arrived at after arms' length negotiations between the Company and the Purchaser on a 'willing buyer-willing seller' basis. The Sale Consideration takes into consideration, among other factors, (a) the net tangible liability value of Microfits of \$9,248,000 (before the Waiver (as defined below)) as at 30 June 2020, (b) the net loss attributable to Microfits of \$530,000 for the period ended 30 June 2020, and (c) potential retrenchment cost of \$528,000, which will be borne by the Purchaser.

In relation to the terms of the SPA, the Purchaser has agreed to assume all the receivables & payables, operations and employees of Microfits. Further, the Purchaser has agreed to undertake that from the date of the SPA that the Purchaser shall provide any and all necessary financial support and funding to Microfits for Microfits's payment of Microfits's existing indebtedness, borrowings and other such liabilities owed to the trade creditors of Microfits, and the payment of the salaries and wages of the Microfits's employees, as and when such financial support is required, pursuant to the terms of the SPA.

As the cost of maintaining Microfits is high, it is therefore in the best interests of the Company to dispose Microfits as soon as possible. The management of the Company ("**Management**") has considered the option of ceasing Microfits' operations, however the Board is of the view that the sale of Microfits is the best available option as ceasing the operations will incur a total estimated costs of S\$1.8 million (which includes retrenchment cost of approximately S\$528,000, payment of net liabilities of approximately S\$300,000, reinstatement cost of approximately S\$60,000, warranty cost of approximately S\$200,000 and Purchase Order commitment of S\$667,000. In addition, Microfits has been loss-making for several years and the Company does not foresee any sale of major equipment in this year.

The parties have appointed Savills Valuation and Professional Services (S) Pte Ltd as the independent valuer to perform a valuation of 100% equity interest in Microfits as at 31 July 2020. Based on the valuation report (the "**Valuation Report**"), the market value of 100% equity interest in Microfits using Summation Method under the Cost Approach is S\$63,000.

4.2 Loss on Disposal and Use of Proceeds

Based on the latest unaudited consolidated financial statements of the Group for **H1FY2020**, the book value and net tangible assets of Microfits is S\$139,000. There is no open market value for the shares in Microfits as they are not publicly traded. As at the date hereof, the book value of the shares to be transferred to the Proposed Disposal is S\$139,000 ("**Disposal Shares**").

As the Sale Consideration represents a loss of approximately S\$39,000 of the book value of Microfits, the Proposed Disposal is expected to result in a loss on disposal to the Group.

The Company intends to utilise the proceeds from the Proposed Disposal for the general working capital requirements of the Group.

4.3 Conditions Precedent

The completion of the Proposed Disposal ("**Completion**") is subject to:

- a) the Company obtaining all relevant approvals and consents, including approvals from governmental bodies (including but not limited to the Singapore Exchange Securities Trading Limited ("**SGX-ST**")), creditors and third parties necessary for consummation of the transactions contemplated at Completion and that the same shall not have been withdrawn or amended;
- b) the results of legal, financial and technical due diligence investigations on Microfits 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;
- c) to the extent that any debts, receivables, payables or otherwise exists from Microfits to the Company and its subsidiaries prior to Completion, any such balances of Microfits has been validly waived in full ("**Waiver**") by the Company via the execution of a deed of waiver or such other document as the Purchaser may reasonably require, or any such acts as may be reasonably required to procure the Waiver have been undertaken by the Company. As at the date of this announcement, the amount of debt owing by Microfits to Company had been waived was approximately S\$9,371,000; and
- d) delivery by the Company to the Purchaser of the following documents:
 - (i.) a list setting out all the intellectual property registered under the name of Microfits that is still valid and subsisting as at the date of the SPA; and
 - (ii.) a list setting out all the automolding machines sold by Microfits, including details relevant to any warranties, contingent liabilities or otherwise owed to the Microfits' customers that are still valid and subsisting as at the date of the SPA.

(collectively, "**Conditions Precedent**")

All Conditions Precedent shall be satisfied no later than 150 days from the date of the SPA or such later date as may be agreed among the parties in writing ("**Long Stop Date**"). If the Conditions Precedent have not been satisfied on or prior to such Long Stop Date, the parties may agree to terminate the SPA immediately and no party shall, subject to the terms of the SPA, have any further rights or obligations under the SPA against each other save for any antecedent breaches hereof.

4.4 Representations and Warranties

Pursuant to the terms of the SPA, the parties have furnished to each other various representations and warranties customary for transactions of a similar nature such as the Proposed Disposal.

4.5 Completion

Subject to the terms and conditions of the SPA, Completion shall take place within 150 days from the date of the SPA or such other date as the Company and the Purchaser may mutually agree in writing ("**Completion Date**").

The Completion of the Proposed Disposal is conditional upon, *inter alia*, the Purchaser delivering to the Company payment of the First Tranche Amount to a bank account of the Company as stipulated by the Company and the Company fulfilling the obligations set out in the SPA.

Without prejudice to any other rights and remedies a party may have, if by the Completion Date: (i) the Company does not comply with their obligations pursuant to the terms of the SPA; or (ii) the Purchaser does not comply with its obligations pursuant to the terms of the SPA, then either the Purchaser (in the case of default by the Company) or the Company (in the case of default by the Purchaser) may (at their respective election) upon notice to, as the case may be, the Company or the Purchaser:

- a) proceed to Completion as far as practicable;
- b) subject to the provisions in the SPA, defer Completion to such date and time as the Company or the Purchaser (as the case may be) may specify ("**Deferred Completion**" and the "**Deferred Completion Date**"); or
- c) subject to the provisions in the SPA, terminate the SPA without any liability on their part if Completion does not occur on the Completion Date or, in the event of a Deferred Completion, on the Deferred Completion Date.

4.6 Conditions Subsequent

Upon Completion, the following conditions subsequent will apply:

- a) Within 1 day from the date of Completion, the Company shall ensure the assignment of Mapletree Lease Blk 25 from Microfits to the Company or any of its subsidiaries;
- b) Within 30 days from the date of Completion, the Company and Purchaser shall procure the termination of the lease entered into between the Company and DBS Trustee Limited as trustee of Mapletree Industrial Trust in relation to Block 21, Kallang Avenue, #01-169, Kallang Basin Industrial Estate, Singapore 339412 (the "**Mapletree Lease Blk 21**"), and to procure the removal of all equipment and the reinstatement of the Mapletree Lease Blk 21 to its original condition as required under the terms of the Mapletree Lease Blk 21; and
- c) Upon the termination of the Mapletree Lease Blk 21, the Purchaser shall pay to the Company within 7 days the sum of \$24,219.76 (being the equivalent of the aggregate of 3 months' rent and service charge and Reinstatement Deposit as provided in the terms of the Mapletree Lease Blk 21) to the bank account of the Company.

5 RATIONALE FOR THE PROPOSED DISPOSAL

Microfits has been loss making since the financial year ended (“FY”) 2013 and has recorded losses of S\$1.8 million, S\$0.2 million, S\$1.2 million, S\$2.6 million and S\$0.7 million for FY2015, FY2016, FY2017, FY2018 and FY2019 respectively despite the implementation of cost cutting measures. Microfits is also in a net tangible liabilities position of S\$9,248,000 as at 30 June 2020 and the Company expects to incur a net cash outflow of S\$100,000 to S\$200,000 on Microfits per month.

The Proposed Disposal will allow the Group to realise its value by preventing further losses and deterioration of shareholders’ equity, and to streamline its existing business to focus more on its businesses and investment in Singapore and Malaysia.

6 FINANCIAL EFFECTS

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. The financial effects of the Proposed Disposal set out below have been prepared based on the Group’s audited consolidated financial statements for FY2019, on the assumptions that the expenses incurred for the Proposed Disposal are assumed to be insignificant and have been ignored for the purposes of computing the financial effects.:

For the avoidance of doubt, these financial effects do not take into account (i) any other corporate actions announced and undertaken by the Group; and (ii) any issuance of new shares, on or after 1 January 2020.

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 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)	(2,514)
Number of shares	22,324,126,058	22,324,126,058
Consolidated NTA per share (Singapore cents)	(0.01)	(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 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	5,176
Weighted average number of Shares	22,324,126,058	22,324,126,058
LPS (cents)	0.02	0.02

7 RULE 1006 OF THE CATALIST RULES

7.1 For the purposes of Chapter 10 of the Listing Manual Section B: Rules of Catalist (the “**Catalist Rules**”) of the SGX-ST, and in particular Rule 1005 of the Catalist Rules, under which separate transactions completed within the last twelve (12) months may be required to be aggregated and treated as if they were one transaction, the aggregated relative figures for the Proposed Disposal and the disposal of ASA Multiplate (M) Sdn Bhd (“**ASA Multiplate Disposal**”) as previously announced on 12 August 2020, computed on the bases set out in Rule 1006 of the Catalist Rules based on the latest announced consolidated financial statements of the Group for 6 months ended 30 June 2020 (“**H1FY2020**”) are as follows:

Catalist Rule	Bases of Calculation	Relative Figures for the Proposed Disposal	Relative Figures for ASA Multiplate Disposal	Relative Figures for the Proposed Disposal and ASA Multiplate Disposal
Rule 1006(a)	The net asset value of the assets to be disposed of, compared with the net asset value of the Group. This basis is not applicable to an acquisition of assets.	(15.1%) ⁽¹⁾	54.3% ⁽²⁾	39.2% ⁽³⁾
Rule 1006(b)	The net profits ⁽⁴⁾ attributable to the assets acquired or disposed of, compared with the Group's net profits.	40.2% ⁽⁵⁾	16.3% ⁽⁵⁾	56.4% ⁽⁵⁾
Rule 1006(c)	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.	42.5% ⁽⁶⁾	38.5% ⁽⁷⁾	81.0% ⁽⁸⁾
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.	Not applicable as this is a disposal.	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.	Not applicable as the Company is not a mineral, oil and gas company.	Not applicable as the Company is not a mineral, oil and gas company.

Notes:

- (1) For purposes of calculating the relative figure under Rule 1006(a) of the Catalist Rules, the net liabilities value of Microfits as at 30 June 2020 had been adjusted to take into account of the waiver amounting to S\$9,387,000 for amounts owing to the Company by Microfits as of 30 June 2020, resulting in an adjusted net assets value of S\$139,000. The net liability value of the Group as at 30 June 2020 is S\$923,000.
- (2) For purposes of calculating the relative figure under Rule 1006(a) of the Catalist Rules, the net liabilities value of ASA Multiplate as at 30 June 2020 had been adjusted to take into account of the waiver amounting to S\$8,513,000 (based on an exchange rate of S\$1 = RM3.07607) for amounts owing to the Company by ASA Multiplate as of 30 June 2020, resulting in an adjusted net liabilities value of S\$501,000 (based on an exchange rate of S\$1 = RM3.07607). The net liability value of the Group as at 30 June 2020 is S\$923,000.
- (3) For purposes of calculating the relative figure under Rule 1006(a) of the Catalist Rules, the adjusted aggregated net liabilities value of ASA Multiplate and Microfits of S\$362,000 as at 30 June 2020 is divided by the net liability value of the Group as of S\$923,000 at 30 June 2020.
- (4) “net profits” means profit or loss including discontinued operations that have not been disposed and before income tax and non-controlling interests.
- (5) Based on the unaudited financial statements of the Group for H1FY2020, the net loss attributable to ASA Multiplate and Microfits is S\$215,000 (based on an exchange rate of S\$1 = RM3.07607) and S\$530,000 respectively. The net loss attributable to the Group is approximately S\$1,320,000.
- (6) 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 of S\$100,000, and (ii) the waiver of \$9,387,000 as of 30 June 2020. The Company’s market capitalization of S\$22,324,126 was computed based on the Company’s existing issued and paid-up capital of 22,324,126,058 shares (“**Shares**”) and the volume weighted average price of S\$0.001 per Share on 30 October 2020, being the last trading day preceding the date of the SPA.
- (7) 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 of S\$90,000, and (ii) the waiver of S\$8,513,000 (based on an exchange rate of S\$1 = RM3.07607) as of 30 June 2020. The Company’s market capitalization of S\$22,324,126 was computed based on the Company’s existing issued and paid-up capital of 22,324,126,058 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 sales and purchase agreement entered into for ASA Multiplate Disposal.
- (8) 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 total consideration for the Proposed Disposal and ASA Multiplate Disposal of S\$590,000, and (ii) the total waiver of S\$17,901,000 as of 30 June 2020. The Company’s market capitalization of S\$22,324,126 was computed based on the Company’s existing issued and paid-up capital of 22,324,126,058 shares (“**Shares**”) and the volume weighted average price of S\$0.001 per Share on 30 October 2020, being the last trading day preceding the date of the SPA.

7.2 On the basis of Rule 1006(c) above, the Proposed Disposal is a major transaction as defined in Rule 1014 of the Catalist Rules. Accordingly, the Proposed Disposal will require the approval of the shareholders of the Company (“**Shareholders**”) at an extraordinary general meeting (“**EGM**”) to be convened. The Company will make the necessary announcements in connection with the date and time of the EGM subsequently and the circular will be despatched to Shareholders in due course. Further, as stated in the Company’s announcement on the SGX-ST dated 5 October 2020, the Company is required to obtain the shareholders’ approval for the ASA Multiplate Disposal by way of ratification at an EGM to be convened within 3 months from the completion of the ASA Multiplate Disposal. It is Company’s intention to convene an EGM to seek the shareholders’ approval concurrently for the Proposed Disposal and ASA Multiplate Disposal by way of ratification.

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 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 Group, 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 EGM AND CIRCULAR TO SHAREHOLDERS

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

12 DOCUMENTS AVAILABLE FOR INSPECTION

A copy of both the SPA and the Savills Independent Valuation Report are 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.

13 CAUTION IN TRADING

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' Sri Sopiyan B. Mohd. Rashdi
Chairman
Advanced Systems Automation Limited
2 November 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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