



Our Ref: REG/LC/GT/SH/NOC-ASA

1 July 2020

The Board of Directors

Advanced Systems Automation Limited
Blk 25 Kallang Avenue
#06-01 Kallang Basin Industrial Estate
Singapore 339416

Dear Sirs,

NOTICE OF COMPLIANCE (THE “NOTICE”)

**ADVANCED SYSTEMS AUTOMATION LIMITED
 (“ASA” OR THE “COMPANY”, TOGETHER WITH ITS SUBSIDIARIES, THE “GROUP”)**

1. Singapore Exchange Regulation (“**SGX RegCo**” or the “**Exchange**”) refers to the Company’s SGXNET announcement dated 1 July 2020 (Announcement Reference No: SG200701OTHR75QL) titled “Interested Person Transactions”) (the “**Announcement**”).

2. Background

2.1 ASTI Holdings Limited (“**ASTI**”), a company listed on the Mainboard of the SGX-ST, has been a controlling shareholder of the Company since 2006 (“**Controlling Shareholder**”). As at the date of the Announcement, ASTI owns approximately 25.98% of the total issued share capital of the Company.

2.2 On 1 July 2020, the Company announced that ASTI had extended loans to the Company from FY2010 to FY2019, (each an “**ASTI Loan**” and collectively, the “**ASTI Loans**”), for the Group’s day-to-day operations and working capital requirements.

2.3 The Company has also been receiving corporate support services from ASTI (the “**ASTI Corporate Support Services**”) since 2006 and to-date. The Company had, at its extraordinary general meeting (“**EGM**”) held on 24 October 2008, obtained Shareholders’ approval to ratify the ASTI Corporate Support Services for the financial year (“**FY**”) ended 31 December 2007 and a general mandate for the ASTI Corporate Support Services to continue for the FYs ended 31 December 2008 and 31 December 2009 (the “**2008 IPT Mandate**”). The 2008 IPT Mandate had continued in force until 31 December 2009, and accordingly had lapsed with effect from 1 January 2010.

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- 2.4 Following the lapse of the 2008 IPT Mandate on 1 January 2010, the Company had continued to receive the ASTI Corporate Support Services from ASTI from FY2010 till to-date without any approval or mandate from Shareholders.
- 2.5 Given that ASTI is the Controlling Shareholder of the Company, the ASTI Loans and ASTI Corporate Support Services, constitute interested persons transactions (“**IPTs**”) under Chapter 9 of the Catalist Rules. It is noted that the IPTs crossed 5% of the Group’s net tangible assets in certain years from FY2010 to FY2019. However, The Company did not announce nor obtain shareholders’ approval due to “an inadvertent oversight by the Company”.
- 2.6 The Company will seek shareholders’ approval to ratify and approve the past ASTI Loans and past ASTI Corporate Support Services (“**IPT Transactions**”) at an extraordinary general meeting (“**EGM**”) to be convened. A circular (“**Circular**”) containing, inter alia, information of the IPTs, together with the opinion and advice of Novus Corporate Finance Pte Ltd, the independent financial adviser (“**IFA**”), will be despatched to shareholders.

Interested Persons

- 2.7 Dato’ Michael Loh Soon Gnee (“**Dato’ Loh**”) is the former executive chairman (“**Executive Chairman**”), former chief executive officer (“**CEO**”) up until 7 April 2020 and controlling shareholder of the Company. He holds approximately 19.91% of the total issued share capital of the Company as at the date of the Announcement. In addition, Dato’ Loh owns 19.89% shareholding interest in ASTI and is also the executive chairman, CEO, and controlling shareholder of ASTI.
- 2.8 Accordingly, ASTI (being a Controlling Shareholder of the Company) and Dato’ Loh (being the Executive Chairman, CEO and controlling shareholder of the Company during the material periods), are each considered an interested person (“**Interested Person**”) and all transactions entered into (i) between the Group and ASTI; and (ii) between the Group and Dato’ Loh, will each constitute an “**IPT**” under Chapter 9 of the Catalist Rules.
- 2.9 Going forward, the Group anticipates that it will continue to rely on ASTI for the ASTI Corporate Support Services. The Company is therefore seeking Shareholders’ approval for the adoption of an IPT general mandate for the ASTI Corporate Support Services (“**IPT General Mandate**”), which are recurring in nature and necessary for the Group’s day-to-day operations.

Internal Audit

- 2.10 The Company has appointed Foo Kon Tan LLP as its internal auditor (“**Internal Auditor**”), and is currently undertaking a comprehensive review of its past IPTs, including the ASTI Loans, the ASTI Corporate Support Services, and transactions which may be deemed as IPTs under Chapter 9 of the Catalist Rules (the “**Internal Audit**”).

2.11 The Internal Auditor will also review future IPT transactions on a yearly basis and present their findings to the Audit Committee. At present, the Company is in the midst of finalising its new policies and procedures relating to IPTs and the Company will seek the advice of the Internal Auditor on best practices before implementation. Any new policies and procedures relating to IPTs that may be adopted will also be submitted to the Audit Committee and Board for their respective review and endorsement.

3. Exchange's Directives

3.1 Catalyst Rule 305(1)(b) provides that the Exchange may, for the purposes of ensuring that the market is fair, orderly and transparent, require an issuer to make specific disclosures. Catalyst Rule 305(1)(k) further provides that the Exchange may impose on Relevant Persons any other requirements which it considers appropriate.

3.2 Pursuant to Catalyst Rules 305(1)(b) and (k), the Exchange directs:

- (a) The Board and Audit Committee to disclose in the Circular:
 - (i) Circumstances leading to the failure to disclose and seek shareholders' approval for the ASTI Loans and ASTI Corporate Support Services;
 - (ii) The Group's current processes and procedures in monitoring and tracking IPTs and reasons for such lapses; and
 - (iii) Processes and procedures put in place to prevent future lapses.
- (b) The Audit Committee to scrutinize the bases taken into consideration by the IFA in arriving at its opinion on (i) the proposed ratification of the ASTI Loans and ASTI Corporate Support Services; and (ii) the IPT General Mandate. Thereafter, the Audit Committee must disclose in the Circular, its recommendation taking into consideration the IFA opinion, and provide basis on whether the IPT transactions were on normal commercial terms and not prejudicial to the interest of shareholders.
- (c) The Board to set out in the Circular, its plans and options in the event shareholders reject the resolution to ratify the past ASTI Loans and ASTI Corporate Support Services.
- (d) In relation to the ongoing Internal Audit of past IPTs:
 - (i) The Company to procure the Internal Auditor to report concurrently to SGX RegCo and the Audit Committee. SGX RegCo shall have the right to require the Internal Auditor to report solely to SGX RegCo, if required;
 - (ii) The Company to disclose via SGXNET, the findings of the Internal Audit on the past IPT Transactions; and
 - (iii) The Audit Committee to review the findings of the Internal Audit and announce on SGXNET, specific plans and timelines to implement the recommendations of the Internal Auditor. The Audit Committee is also required to update shareholders on how it is satisfied that there are adequate and effective internal controls over IPTs.

- (e) The Audit Committee to include in the scope of the annual internal audits, IPTs and the processes and procedures to monitor, track, disclose and / or seek approval for IPTs, for as long as the Group enters into IPTs.

- 3.3 Please note that this Notice is an official notification to the Company with immediate effect.

- 3.4 Pursuant to Catalist Rule 305(4), failure to comply with the requirements imposed by the Exchange shall be deemed to be a contravention of the Catalist Rules.

- 3.5 Please note that compliance with this Notice does not constitute a waiver of any kind, and SGX RegCo reserves the right to take disciplinary action against the Company and / or Relevant Persons for breaches of the Catalist Rules, including any failure to comply with the requirements imposed by the Exchange.

Yours faithfully,

June Sim
Senior Vice President
Head, Listing Compliance
Singapore Exchange Regulation

cc: Ms Tay Sim Yee, SAC Capital Pte. Ltd.