ASTI Holdings Limited
(Company Registration No. 199901514C)
(Incorporated in the Republic of Singapore)
(the "Company")

RESPONSES TO QUERIES
FROM THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED

The board of directors (the "**Board**" or "**Directors**") of ASTI Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") refers to the Company's announcements dated 18 December 2017, 20 March 2018 and 2 April 2018 (the "**Announcements**") in relation to the proposed disposal by the Company of 100% of the entire issued and paid-up capital of its wholly-owned subsidiary, Semiconductor Technologies & Instruments Pte Ltd ("**STI SG**") (the "**Proposed Disposal**").

Unless otherwise defined herein, capitalised terms used herein shall bear the same meaning ascribed to them in the Announcements.

The Company sets out below its responses to queries from the SGX-ST on the Proposed Disposal.

SGX Queries:

1. Rationale for and use of proceeds from the Proposed Disposal

The sale consideration ("Consideration") amount is S$90 million. However, the Net Proceeds is approximately S$72,800,000, after estimated expenses of S$17,200,000.

(a) Provide a breakdown of the transaction expenses estimated to amount to S$17,200,000;

Company's Response:

This is the success fee payable to the financial adviser for the Proposed Disposal, their role includes identifying potential buyers, evaluating, negotiating and advising on the Proposed Disposal

The success fee of S$17,200,000 is calculated based on certain formulae and agreed thresholds between the Company and the financial adviser.

(b) Disclose who are the recipients of this amount; and

Company's Response:

VSA Capital Shanghai Limited is the financial adviser and recipient of this amount. VSA Capital Shanghai Limited is not related to any directors or controlling shareholders of the Company.

(c) Justify the quantum of the payments to be made to the recipients.

Company's Response:

The success fee was to motivate the financial advisor to get the best deal for the Company. Under the circumstances, considering the total transaction value is potentially up to S$128,000,000 (i.e. the Consideration and Pre-Closing Dividend) (the "**Potential Total Transaction Value**"), the Company is of the view that the financial adviser has been successful in assisting the Company with the disposal of the STI Group.

In addition, by way of reference, the Company had previously received offers for the STI Group that were, even after deducting the success fee, substantially lower than the Potential Total Transaction Value. Accordingly, the Company is of the view that the success fees are justifiable.

2. Salient Terms of the Sale and Purchase Agreement

We note that the NAV of STI Group is S$62,724,000 as at 31 December 2017 and the profit before tax of the STI Group is S$2,280,000 for the financial year ended 31 December 2017. In addition, a pre-Closing dividend amounting to S$38 million will be paid by the STI Group to the Company.

(a) The Second Payment amounting to S$9 million (being 10% of the Consideration) is subject to an adjustment mechanism. The Consideration amount will be reduced if the NAV of the STI Group as at 30 June 2018 falls below S$69 million. Should there be a shortfall in the NAV of STI Group, the Consideration will be reduced based on the formula stated in section 5.2.3 of the Announcement.

(i) Given that the NAV of STI Group after the pre-Closing dividend as at 31 December 2017 is only S$24,724,000, what is the Company's basis for accepting S$69,000,000 as the minimum NAV to be achieved by STI Group for the Company to be entitled to the full amount of the Second Payment and not be subject to any deduction of the Consideration amount.

Company's response:

S$69,000,000 is based on the NAV before the Pre-Closing Dividend. As at 31 December 2017, the NAV of the STI Group is S$62,700,000. To be clear, the Pre-Closing Dividend will not be taken into consideration when calculating the minimum NAV as at 30 June 2018.

On that basis, based on STI Group's performance for the first two calendar months of FY2018 and the existing order book, the Company is of the view that the S$69,000,000 minimum NAV is achievable and, even if not met for unforeseen circumstances, any shortfall should not be excessive.

(ii) Disclose the maximum potential amount that may be deducted from the Consideration should there be a shortfall in the NAV of STI Group from the minimum required value of S$69 million.

Company's Response:

There is no cap on the maximum potential amount regarding shortfall in NAV. For example, if the determined NAV is S$59,000,000, the Company will not receive the Second Payment of S$9,000,000, and will need to pay S$1,000,000 to PDSTI.

However, based on the reason provided at 2(a)(i) above, the Company is of the view that the minimum NAV of S$69,000,000 is achievable or, even if there is a shortfall, such shortfall should not be excessive, barring any extreme unforeseen circumstances.

(b) The profit warranty requires the STI Group to earn an aggregate profit before tax of not less than S$17 million in 2018 and 2019 ("Target Profits"). Should the Target Profits not be met, the Company will not receive the full amount of the Third Payment (i.e. S$9 million).

(i) Please provide the following information required under Rule 1012 of the Listing Manual:

- **Details of the principal assumptions including commercial assumptions upon which the forecast is based;**
- **Confirmation from the issuer's auditors that they have reviewed the bases and assumptions, accounting policies and calculations for the forecast, and setting out their report on the bases, assumptions, policies and calculations;**
- **A report from the issuer's financial adviser, if one is appointed, confirming that it is satisfied that the forecast has been stated by the directors after due and careful enquiry. If no such adviser has been appointed in connection with the transaction, the issuer must submit a letter from the board of directors confirming that the forecast has been made by them after due and careful enquiry.**

Company's Response:

In the Company's view, the Profit Guarantee does not operate as a profit forecast and is instead a performance target that STI SG would need to meet in order for the Company to receive the full amount of the Third Payment. Accordingly, we had not provided the information required under Rule 1012 of the Listing Manual.

(ii) Disclose the maximum potential amount that may be deducted from the Consideration should the STI Group fail to meet the Target Profits.

Company's Response:

The SPA provides that:

(A) in the event that the Actual Profits are less than the Target Profits (i.e. S$17,000,000) (the "**Shortfall**"), the Parties shall jointly instruct the Escrow Agent to release an amount equal to the balance Third Payment (i.e. S$9,000,000) and (if the Shortfall is more than such balance Third Payment) the Company shall pay in cash an amount equal to the Shortfall minus such balance Third Payment, to the bank account of PDSTI; and

(B) if the Actual Profits are negative, any such losses shall not be taken into account and the Actual Profits shall be deemed as zero.

Accordingly, the maximum Shortfall will be S$17,000,000, and the maximum amount the Company will pay to PDSTI will be S$17,000,000 minus S$9,000,000, i.e. an aggregate sum of S$8,000,000.

On the assumption that the Consideration is S$90,000,000 and there are no adjustments in relation to the Second Payment, the maximum amount to be deducted from the Consideration in relation to the Third Payment will be S$17,000,000.

(c) **Dato' Michael Loh will be entering into consultancy agreement with STI SG. Please provide the key terms of the consultancy agreement and explain why the Company is not the recipient of the consultancy fee from STI SG.**

Company's Response:

The key terms of the consultancy agreement to be entered into between Dato' Michael Loh and STI SG have not been finalised as at the date of the Announcement and will be set out in the circular to the shareholders when the Company convenes an EGM to seek consent from the Shareholders for the Proposed Disposal.

The consultancy arrangement is to be entered between Dato' Michael Loh and the STI Group directly and Dato' Michael Loh will be acting as a consultant in his personal capacity. From that perspective, there is no basis for the Company to receive the consultancy fee.

The rationale for the consultancy arrangement is that PDSTI is of the view that Dato' Michael Loh's experience and guidance is critical for the STI Group, especially during the pre-Closing period and period of the Profit Guarantee. This is also of benefit to the Company as it allows for continuity of the management direction in order for the Profit Guarantee to be more readily met.

(d) **We refer to section 5.3.25 of the Announcement. Please clarify why the STI IP that is not required for the operation of the STI Group's business but which is needed by the Company or its affiliates or ASA is not transferred to the Company.**

Company's Response:

PDSTI will be conducting additional due diligence on the IP that is being transferred during the pre-Closing period and the Parties have agreed that, in the event it is confirmed such STI IP is not required by the STI Group's business, it will be removed from the list of IP that will be transferred to the STI Group. However, if it is determined that it will be required, PDSTI has also agreed to grant a royalty-free, perpetual and world-wide license to the Company and its affiliates.

By Order of the Board

Dato' Michael Loh Soon Gnee
Executive Chairman & Chief Executive Officer
ASTI Holdings Limited
9th April 2018