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

RESPONSES TO QUESTIONS FROM SECURITIES INVESTORS ASSOCIATION (SINGAPORE) FOR ANNUAL GENERAL MEETING ON 31 MAY 2021

The board of directors (the "**Board**" or the "**Directors**") of Advanced Systems Automation Limited (the "**Company**" or "**ASA**" and together with its subsidiaries, collectively the "**Group**") refers to the Company's annual report for the financial year ended 31 December 2020 ("**FY2020**") and the related documents published on 14 May 2021. The Company has received queries from Securities Investors Association (Singapore) and the Company wishes to provide the Company's responses to the queries raised as set out below.

Unless otherwise defined herein, capitalized terms used in this announcement shall bear the same meaning ascribed to them.

Q1. As highlighted in the letter to shareholders, the Company announced in February 2021 its intention to dispose of all its operating subsidiaries, Emerald Precision Engineering Sdn. Bhd., Yumei Technologies Sdn. Bhd. ("Yumei Tech"), Yumei REIT Sdn. Bhd. ("Yumei REIT") and Pioneer Venture Pte. Ltd. ("Pioneer Venture") to a controlling shareholder of the company, ASTI.

This follows the disposal of Microfits Pte. Ltd. ("MPL") and ASA Multiplate (M) Sdn. Bhd. ("ASAM") on 20 January 2021 and 31 December 2020 respectively. Upon completion of the proposed disposal, the company will cease to hold any operating business and will become a cash company as defined under Rule 1017 of the Catalist Rules.

(i) **Can the board clarify if the decision to dispose of Emerald Precision, Pioneer Venture and the Yumei** companies was **made by ASTI and if it was already taken when the company announced its intention to dispose of MPL and ASAM?**

Company's response:

The decision to dispose Emerald Precision, Pioneer Venture and the Yumei companies (collectively "**EPYC**") was made by the Board of ASA and not ASTI.

In late 2018 and early 2019, the management and the Board of ASA grappled with the future direction of ASA in view of the limited resources, loss-making subsidiaries, the Company's stock price trading at the lowest price, huge overheads, limited cashflow and limited options to raise funds.

The Group had to rely heavily on loans from its controlling shareholders, Mr Seah Chong Hoe, Dato Michael Loh Soon Gnee and ASTI Holdings Limited ("**ASTI**") for its operating activities and the Board and the management had pursued all possible options to raise funds but without any success. The Board then collectively made the decision to dispose the loss-making entities MPL and ASAM and to reduce the corporate overheads through retrenchment and slashing cost.

At the same time, the Management also had to consider on how to sustain the costs of a listed company, repay the huge outstanding debts and at the same time to seek returns for its shareholders. As EYPC are in the manufacturing business, a significant amount of capital investment is needed to ensure that it remains competitive and has surplus of funds to pursue future growth.

With Covid-19 pandemic affecting the business in FY2020 and limited opportunities to undertake fund-raising exercises, a decision was then made to dispose EYPC to ASTI and for ASA to rejuvenate itself by acquiring a viable business through a reverse takeover ("**RTO**").

(ii) What deliberations did the board have on the consequence of being designated a cash company should the proposed disposal of the operating subsidiaries succeed?

Company's response:

The Board has been monitoring the status and progress of Company's efforts in sourcing for a new business. The Board had been kept apprised by the Management during Board meetings on 2 possible new businesses which the Company was exploring to acquire. In the recent Board meeting in February 2021, the Board had provided its approval to the Management to proceed to negotiate further with the potential seller(s) of the new business on the details of the sales and purchase agreement ("SPA") which will thus result in a RTO. Prior to the approval, the Board had deliberated on few occasions on the proposed disposal of EPYC and the consequences of being deemed to be a "cash company".

The acquisition of Yumei Tech, Yumei REIT and Pioneer Venture Pte Ltd was only completed on 4 December 2018. The board had justified the acquisition in 2018 based on the following:

The proposed acquisition also results in the contribution of new skill sets in die- casting and plastic injection moulding for the group, enabling it to offer a more comprehensive value proposition to a broader customer base across a wider region. The company wishes to tap on the strong customer base of the Target Companies, resulting in synergy of the Target Companies' businesses with the business of the group. In addition, the Target Company has a business presence in Malacca, which is complementary to the locations in which the group conducts its business.

(iii) Did the group realise the benefits and synergies from the acquisition in the past two years, i.e. FY2019 and FY2020? If not, in what ways did the performance of the acquired companies deviate from management's projection?

Company's response:

In the earlier period just after the completion of the acquisition, the businesses to a certain extent were affected by the on-going US-China trade dispute while in FY2020 it was affected by Covid-19 pandemic. However, there were a few recent significant deals which we successfully won due to the collaboration between Yumei and Emerald. Pioneer Venture was able to take up orders with very short turnaround time by tapping on the production capabilities of Yumei Tech and Emerald.

The Company also managed to secure a deal to manufacture steel trailer wheels as announced on 28 July 2019. The Company was able to secure this deal with the lead from Mr Seah Chong Hoe.

(iv) Did the acquired companies (i.e. Yumei companies and Pioneer Venture) meet the profit guarantee of $3 million for the period from 1 March 2018 to 29 February 2020?

Company's response:

As announced on 11 March 2021, the profit of the acquired companies for the period from 1 March 2018 to 29 February 2020 amounted to S$1,826,889 which is less than the profit guarantee of S$3,000,000.

The shortfall amount of S$1,173,111 ("**Shortfall**") were due to, amongst others, the on-going US-China trade dispute, audit adjustments in relation to depreciation and closing stock, and the adoption of the Group's accounting policy by the Target Companies.

The Shortfall will be set off from the outstanding consideration amount of S$3,500,000 due to the Vendor, Mr Seah Chong Hoe and accordingly, the Vendor will be paid the balance amount of S$2,326,889 at a later date to be mutually agreed by Vendor and the Company.

Q2. The Company has stated its intention to acquire a new business as it proceeds with the disposal of the existing operations. Given the financial position of the Group, it will likely result in a reverse takeover or a very substantial acquisition.

(i) **Is the Company carrying out the search for a new business in a systematic and professional manner, possibly through investment bankers and professional advisors/brokers?**

Company's response:

The Company has approached a few financial advisory firms for possible target companies to acquire and has shortlisted a new business, of which the negotiations are at an advanced stage.

(ii) **Given that the executive director and chief executive officer, Mr Seah Chong Hoe, is the vendor of the Yumei companies and Pioneer Venture and is overseeing the operations, who is leading the search for the new business?**

Company's response:

The chief executive officer ("CEO"), Mr Seah Chong Hoe and the Vice President of Finance, Mr Anthony Loh were the key personnel involved in searching for new business. Prior to the resignation of Mr Anthony Loh, the Company was in an advanced stage of negotiations with the new business owners. Going forward, the CEO will be spearheading the negotiations.

(iii) **For the company's search for a new business, what is the sector/industry and geographical focus?**

Company's response:

The main criteria for the new businesses are:

1. Sector/industries with high growth and good potential;
2. Companies which have good growth track record;
3. New businesses with sustainable and viable business with long-term prospect of profitability and growth;
4. New businesses which are appropriately priced so that the existing shareholders are not in total disadvantaged.

The Group does not have any geographical restrictions in its search for a new business.

(iv) **What advantages/benefits/value-add can the company confer to the new business? Furthermore, how does it look to compete with direct listing and/or the possible means of listing through SPACs?**

Company's response:

With the completion of the disposal of Yumei companies and Emerald, ASA will be a "clean shell" and will be able to attract a few possible suitors. ASA has a significant number of shareholders and are able to meet the minimum public float requirements following completion of RTO. For the avoidance of doubt, the main objective of acquiring a new business, is for ASA to diversify into viable business that is able to deliver long term sustainable growth.

ASA is not seeking a new listing and as such, it is not relevant to compare the different routes of listing, whether by IPO or SPAC. As mentioned, ASA is acquiring new viable business and as the acquisition will result in a RTO, ASA will comply with necessary listing requirements. The choice of direct listing, RTO or listing through SPACs will have to be made by the new business owners that we are currently in discussion with.

The company has accumulated losses of $(148.7) million (page 9).

(v) **What are the investment criteria used in the search for the new business? What guidance has the board given to management in the search for a new business that can deliver sustainable long-term value to all shareholders, especially minority shareholders?**

Company's response:

Refer to the response to Q2 (iii).

Q3. On 1 July 2020, the Singapore Exchange Regulation (SGX Regco) issued a Notice of compliance to the company as it had not sought shareholders' approval even though it engaged ASTI (deemed an Interested Person) for the provision of corporate support services from 2010 to 2020 without the approval or mandate from shareholders.

It is noted that the interested persons transactions (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".

The notice and the circular of the EGM were published on 4 February 2021.

(i) Can the company elaborate further on the nature and scope of the "ASTI Corporate Support Services"?

Company's response:

The nature and scope of the ASTI Corporate Support Services can be found in paragraph 3.3 of ASA IPT Circular dated 4 February 2021.

(ii) Are the company, its officers and the board of directors familiar with the listing rules? If so, how was it possible that the "inadvertent oversight" persisted for 10 years?

Company's response:

As mentioned in Paragraph 3.12.1 of ASA IPT Circular dated 4 February 2021, the ASTI Corporate Support Services were not regarded as interested person transactions ("**IPTs**") by the Company as it had previously received professional advice that the ASTI Corporate Support Services were deemed reimbursements to ASTI for the purpose of employee remuneration.

In addition, as mentioned in Paragraph 3.12.3 of ASA IPT Circular, the ASTI Loans Interest Payments were not regarded as IPTs as the Company had interpreted the professional advice received that disclosure of the interest payments is not required if each individual transaction (being the monthly interest payment) was below S$100,000. In light that such transactions were not regarded as IPTs by the Company, the Company did not aggregate the transactions pursuant to Catalist Rules 905(2) and 906(1)(b).

With regard to the ASTI Loans interest payments, it was noted that the company had interpreted the professional advice received that the disclosure of the interest payments is not required if each individual transaction (being the monthly interest payment) was below S$100,000.

(iii) Can the board disclose if management had presented the interpretation of the professional advice to the board and if the board had explicitly approved the interpretation of the professional advice? If not, had the board deliberated on the issue of the ASTI loans and the associated interest payments in past board meetings?

Company's response:

The Management presented the interpretation of the professional advice to the Board and the Board had accepted the interpretation. The Company had interpreted the professional advice received that disclosure of the interest payments is not required if each individual transaction (being the monthly interest payment) was below S$100,000. As a result, such transactions were not regarded as IPTs by the Company, and the Company did not aggregate the transactions pursuant to Catalist Rules 905(2) and 906(1)(b).

Based on the foregoing, for the subsequent years up till the discovery of the lapses in end 2018, the Management did not present these transactions as IPTs to the Board during Board meetings.

(iv) How can the board and the company assure shareholders that they are familiar with the listing rules and will act in the best interests of all shareholders (especially minority shareholders) as the company searches for a new business that will likely result in a RTO/VSA?

Company's response:

In the search of new business, the Board and the Company will ensure that the RTO will be in the best interest of the shareholders by applying the points mentioned in Q2(iii). The Board and the Company will appoint professionals including financial advisors and lawyers to conduct the appropriate due diligence on the target company during the process of RTO/VSA.

By Order of the Board

Dato' Sri Mohd Sopiyan B Mohd Rashdi
Chairman
Advanced Systems Automation Limited
29 May 2021

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*This announcement has been reviewed by the Company's sponsor, SAC Capital Private Limited (the "**Sponsor**)". It has not been examined or approved by the Singapore Exchange Securities Trading Limited (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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