



ADVANCED SYSTEMS AUTOMATION LIMITED

(Incorporated in the Republic of Singapore)

(Company Registration Number: 198600740M)

RESPONSES TO QUERIES FROM THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED

The board of directors (the “**Board**” or the “**Directors**”) of Advanced Systems Automation Limited (the “**Company**”) refers to the Company’s announcements dated 9 June 2021 (“**SPA Announcement**”) and 14 June 2021 (“**14 June Response Announcement**”) in relation to the proposed acquisition by the Company of 100% of the issued and paid-up share capital of Excelgames Interactive Asia Holdings Pte. Ltd. (the “**Target**”) (the “**Proposed Acquisition**”).

The Company sets out below its responses (the “**Responses**”) to further queries from the SGX-ST on the Company’s responses to queries relating to the Proposed Acquisition in the 14 June Response Announcement.

Unless otherwise defined herein, capitalized terms used in the Responses shall bear the same meaning ascribed to them in the SPA Announcement and the 14 June Response Announcement.

SGX Queries

1. **The Company responded that in arriving at the Base Consideration of S\$120 million, it had compared and referenced with companies in similar business as the Target Group achieving EV/EBITDA ratio of approximately 53.46 times. Please provide details on such comparable companies.**

Company’s Response:

Due to the lack of directly comparable companies, Parties have taken reference from the following list of companies as a starting point for negotiation. Parties are aware that these companies offer much broader product ranges than the Target Group and have accordingly engaged in further negotiations on an arms-length basis to arrive at the Condition Precedent that the Base Consideration of S\$120 million must be supported by the Target Valuation, determined by an independent valuer appointed by the Company, of more than S\$150 million.

Company	Exchange	EV/EBITDA	Business Description
Nintendo Co., Ltd	Japan	11.71	Manufacturer and distributor of games consoles (i.e. Nintendo Switch) and home-game products including cards.
Microsoft Corporation	US	27.92	Manufacturer and distributor of games consoles (i.e. X-Box) and video games.
Sony Group Corp	Japan/US	8.52	Manufacturer and distributor of games consoles (i.e. PlayStation) and video games.
Gamestop Corp	US	102.62	Retailer of video games, consumer electronics and gaming merchandise.
SegaSammy Holdings Inc	Japan	12.81	Developer and sales of video games content and toys
Razer Inc	Hong Kong	157.17	Developer and sales of gaming hardware and accessories, consumer electronics, financial services, and gaming hardware.
Average		53.46	

2. **The Target Group's trade and other receivables accounted for about 58% of its total current assets as at 31 March 2020.**

Please provide the following information:

- (a) a breakdown of the trade and other receivables;**
- (b) details of trade receivables and credit terms given to the debtors;**
- (c) the underlying transaction for the other receivables and whether this was incurred in the ordinary course of business; and**
- (d) the Board's assessment of the collectability of the trade and other receivables, and the basis of such assessment.**

Company's Response:

The Target Group has explained that it is unable to provide detailed responses to questions (a) to (d) at this stage because the consolidated financial statements of the Target Group are currently being prepared and not yet available. The Target Group's auditors have only recently commenced audit and consolidated accounts preparation on the Target Group following entry into the SPA on 9 June 2021. Further, as the Target Group Companies were previously held separately and this is the first time the Target Group Companies' accounts are being consolidated, the Target Group has been informed by its auditors that a reaudit will also have to be conducted.

The Company will make the necessary announcements in response to questions (a) to (d) when the audit on the Target Group has been completed and the consolidated financial statements of the Target Group are available.

3. **The Target Group's trade payables and accruals accounted for about 62% of the Group's current liabilities as at 31 March 2020.**

Please provide the following information:

- (a) a breakdown of the trade payables and accruals;**
- (b) nature of the accruals; and**
- (c) nature of prepayments and advances.**

Company's Response:

Please refer to the response to Question 2 above.

4. **The Target Group has inventory balance of S\$11m as at 31 Mar 2020.**

- (a) What do the inventories comprise of?**

Company's Response:

The Target Group has explained that its inventories consist mainly of video gaming products, digital game codes, pokemon chips and other gaming-related products.

(b) In view of the fast moving nature of the video and digital gaming business, have these inventory been assessed for obsolescence?

Company's Response:

The Target Group has explained that the inventories of around S\$11 million are around the average of 1-month sales. However, the re-audit of the accounts is ongoing and the auditors will be assessing whether any impairment is required.

- 5. The Company quoted two examples of RTO deals which have a “minimum cash requirement” condition. This does not answer the question of why it is in the interest of the Company to agree to the condition precedent for it to maintain a minimum of \$10m prior to completion of the RTO resulting in the need to raise funds now instead of undertaking all restructuring (eg: share consolidation) and corporate transactions including fund raising as part of the RTO process to be handled by a full sponsor. This is particularly so given that the funds are for partial satisfaction of RTO consideration, loan to Target and RTO transaction costs. We would also like to point out that in one of the case cited by the Company, the cash balance came from its own internal excess cash reserves after distributing bulk of its cash to shareholders. In the other case, the fund raising undertaken was conditional upon completion of the proposed RTO.**

Company's Response:

The Minimum Cash Requirement is a condition of the RTO requested by the Vendors. Similar to why special purpose acquisition companies (SPACs) are popular in United States to the extent that even “unicorns” from Singapore prefer to list there, issuers want to have certainty of cash availability when they complete a listing exercise. It is a condition of the Vendors and the Target that there should be certainty on availability of funds for their growth and expansion after the RTO exercise, failing which they may choose to list in another jurisdiction that can give them such certainty.

In its deliberation, the Board also took into consideration the following two key aspects of the Proposed Acquisition, that (1) the agreed Base Consideration is at a discount to the Target Valuation, which must be not less than S\$150 million, and (2) the implied valuation of the Company (on the basis of post-disposal of existing business and with cash to meet the Minimum Cash Requirement) of \$37.23 million. The Board is of the view that this is beneficial to existing Shareholders of the Company. Further, the Board notes that the Proposed Acquisition allows the shareholders of the Company to participate in a new business (being the Target Group) with good growth prospects going forward, based on the future direction of the Target Group's business shared by Vendors.

Having assessed the transaction in its entirety, the Board is of the view that the Minimum Cash Requirement, which was specifically requested by the Vendors and the Target, is acceptable to the Company.

6. The timetable provided in the announcement does not include some corporation actions mentioned in the RTO announcement. Please provide a detailed timetable for shareholders, to indicate all the key milestones, including the First Share Consolidation, Fund-raising, RTO share consolidation, issue of issue of vendor and introducer shares, completion of RTO.

Company's Response:

The timetable below is based on the Company's estimate as at the date of this announcement and is expected to change depending on the progress of due diligence, audit and the Purchaser Fundraising, which are not entirely within the Company's control.

	Event	RTO workstream	Purchaser Fundraising workstream
1.	Sign and announce SPA	9 June 2021	-
2.	Appointment of Valuer, IFA and other professionals	Between 14 June 2021 and 25 June 2021	-
3.	Announcement of Proposed Bonus Warrants Issue and Bonus Warrants Share Consolidation	17 June 2021	-
4.	Signing of definitive agreement in relation to the Purchaser Fundraising and announcement of Purchaser Fundraising	-	no later than 13 August 2021, being 45 business days from the date of the SPA
5.	Purchaser Fundraising EGM	-	no later than 7 September 2021
6.	Completion of Proposed Bonus Warrants Issue and Bonus Warrants Share Consolidation	17 August 2021	-
7.	First drawdown / receipt of Purchaser Fundraising ⁽¹⁾	-	no later than 9 September, being 3 months from the date of the SPA
8.	Preparation of Circular	June 2021 to September 2021	-
9.	Audit and preparation of MD&A	June 2021 to September 2021	-
10.	Completion of due diligence	September 2021	-
11.	Submission of RTO application	4Q 2021	-
12.	RTO EGM, Completion of RTO Share Consolidation, payment of Base Consideration (including issuance of Base Consideration Shares) and issuance of Introducer Shares, Completion of Proposed Acquisition	1Q 2022	-

⁽¹⁾ This refers to the first time the Company will receive funds from the Purchaser Fundraising. In the event the Company enters into a legally binding definitive agreement with Advance Opportunities Fund, Advance Opportunities Fund 1 and/or its group of funds through its respective nominated managers (the "**Subscribers**") for the convertible debt instruments, the Company will receive funds when it issues the convertible debt instruments to the Subscribers.

As the Company has not entered into any legally binding definitive agreement, the description of the milestone is referred to as Purchaser Fundraising as used in the SPA Announcement.

7. **The Company responded that it is in the process of appointing a full sponsor to be a joint-financial adviser with its current financial advisor, CEL Impetus (which is not a Full Sponsor). Please note that under the Catalist regime, a Full Sponsor is required to advise on proposed RTO. There is no concept of a joint-financial adviser as the Full Sponsor is responsible for assessing that the enlarged group post-RTO is suitable for listing after conducting due diligence, and advising on corporate restructuring and related transactions. Accordingly the Company must appoint a Full Sponsor to advise on the proposed RTO and all related corporate restructuring and corporate transactions.**

Company's Response:

The Company wishes to clarify that a Full Sponsor will be appointed and there is no intention to have a joint role for this. This arrangement will fully satisfy the regulatory requirements of Rule 1015(1)(a) and Practice Note 7D. The Company and the Vendors have decided to appoint financial advisers as additional help to complete the transaction expediently. The Full Sponsor has yet to be appointed and its scope of work will need to be finalised. However, based on the query above, the Company is aware that the Full Sponsor is responsible for assessing that the enlarged group post-RTO is suitable for listing after conducting due diligence, and advising on corporate restructuring and related transactions.

The financial adviser's role would be to provide assistance to the Company in its preparation of the transaction in order to satisfy the Full Sponsor's requirement on due diligence, corporate restructuring and related transactions. This may include gathering information required for the Full Sponsor's due diligence work, assisting in preparing management discussion and analysis, assisting in the preparation of financial forecasts, organising and liaising with parties involved in the transaction and other general matters relating to the Proposed Acquisition that the Company needs help on.

By Order of the Board

ADVANCED SYSTEMS AUTOMATION LIMITED

Dato' Sri Mohd. Sopiyan B. Mohd. Rashdi
Chairman
Advanced Systems Automation Limited
18 June 2021

*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 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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