



ADVANCED SYSTEMS AUTOMATION LIMITED

(Company Registration No. 198600740M)

(Incorporated in the Republic of Singapore)

**INDEPENDENT AUDITORS' OPINION ON THE AUDITED FINANCIAL STATEMENTS FOR THE
FINANCIAL YEAR ENDED 31 DECEMBER 2023**

1. Pursuant to Rule 704(4) of Listing Manual, Section B: Rules of Catalist (“**Catalist Rules**”) of the Singapore Exchange Securities Trading limited (“**SGX-ST**”), the Board of Directors (the “**Board**” or “**Directors**”) of Advanced Systems Automation Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that the Company’s independent auditors, Forvis Mazars LLP (formerly known as Mazars LLP) (the “**Auditors**”), had, without qualifying its audit opinion, included in its Independent Auditors’ Report a material uncertainty related to going concern in the Group’s and the Company’s audited financial statements for the financial year ended 31 December 2023 (“**FY2023**”) (“**Audited Financial Statements**”). A copy of the Independent Auditors’ Report and an extract of the relevant Notes to the Audited Financial Statements are attached to this announcement for information.
2. The Independent Auditors’ Report, together with the Audited Financial Statements, will form part of the Company’s annual report for FY2023 (“**2023 Annual Report**”) which will be released on the SGXNet in due course. Shareholders of the Company (“**Shareholders**”) are advised to read this announcement in conjunction with the 2023 Annual Report.
3. Notwithstanding the material uncertainty relating to going concern, the Audited Financial Statements have been prepared on a going concern basis as the Board is confident that the Group will generate positive cash flow based on a cash flow projection of twenty-four (24) months from the end of the financial year prepared by the management of the Group.
4. In preparing the cash flow projection, the Group has taken the following into consideration:
 - (i) in relation to the convertible loan (as disclosed in Note 20 to the Audited Financial Statements), Tranche 2 totalling of S\$2,500,000 will be drawn down by 31 October 2024 and converted into ordinary shares of the Company, of which an aggregate amount of S\$1,000,000 had been received on 30 July 2024;
 - (ii) the letter of undertaking obtained from an investor to undertake, subject to the approval of Shareholders, an additional funding of S\$10,000,000 into the Company within the next 12 months from the date of the Audited Financial Statements;
 - (iii) the letter of undertaking obtained from a Director, who is also a Shareholder of the Company, to not demand repayment for the amount owed to him of S\$1,927,000 as recorded under amount due to a director (as disclosed in Note 18 to the Audited Financial Statements), and deferred cash settlement (as disclosed in Note 19 to the Audited Financial Statements) for the next 12 months from the date of the Audited Financial Statements, if the Group’s and the Company’s financial situation does not allow for repayment; and

- (iv) positive cash flow generated from its operating activities.
5. The Board has assessed and confirmed that there is no breach of any loan covenants that may trigger the banks to demand full repayment of all bank facilities (bank overdraft and loans and borrowings amounting to an aggregate of S\$2,683,000) within the next 12 months from the date of the Audited Financial Statements.
 6. Accordingly, the Audited Financial Statements do not include adjustments relating to the recoverability and reclassification of recorded asset amounts or the amounts and reclassification of liabilities that might be necessary should the Group and the Company be unable to continue as going concerns.
 7. The Board is of the opinion that sufficient information has been disclosed for the trading of the Company's securities to continue in an orderly manner and the Board is not aware of any material information that requires disclosure but remains undisclosed as of the date of this announcement.
 8. Shareholders and potential investors are advised to read this announcement in conjunction with the 2023 Annual Report in their entirety. Shareholders and potential investors are reminded to exercise caution when dealing or trading in the securities of the Company and should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers if they are in doubt about the actions that they should take.

By Order of the Board

ADVANCED SYSTEMS AUTOMATION LIMITED

Dato' Sri Mohd Sopiyan B. Mohd Rashdi
Chairman
3 August 2024

This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, ZICO Capital Pte. Ltd. ("Sponsor"), in accordance with Rule 226(2)(b) of the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual Section B: Rules of Catalyst.

This announcement has not been examined or approved by 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.

The contact person for the Sponsor is Ms. Goh Mei Xian, Director, ZICO Capital Pte. Ltd. at 77 Robinson Road, #06-03 Robinson 77, Singapore 068896, telephone (65) 6636 4201.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
ADVANCED SYSTEMS AUTOMATION LIMITED

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Advanced Systems Automation Limited (the "Company") and its subsidiaries (the "Group") which comprise the statements of financial position of the Group and of the Company as at 31 December 2023, the statements of changes in equity of the Group and of the Company and the consolidated statements of profit or loss and other comprehensive income and cash flows of the Group for the financial year then ended, and notes to the financial statements, including a summary of material accounting policy information.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act 1967 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2023 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the financial year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2.1 in the accompanying financial statements, which indicates that as at 31 December 2023, the Group and Company were in capital deficiency positions of S\$7,249,000 and S\$6,864,000 respectively. The Group and Company's current liabilities exceeded its current assets by S\$1,464,000 and S\$6,593,000 respectively. In addition, the Group incurred a net loss of S\$4,017,000 for the financial year ended 31 December 2023. As stated in Note 2.1, these conditions along with other matters as set forth in Note 2.1, indicate the existence of a material uncertainty that may cast significant doubt on the Group's and the Company's ability to continue as going concern. Our opinion is not modified in respect of this matter.

Report on the Audit of Financial Statements (Continued)

Overview

Audit Approach

We designed a risk-based audit approach in identifying and assessing the risks of material misstatement at both the financial statement and assertion levels.

Materiality

As in all our audits, we exercised our professional judgement in determining our materiality, which was also affected by our perception of the financial information needs of the users of the financial statements, being the magnitude of misstatement in the financial statements that makes it probable for a reasonably knowledgeable person to change or be influenced in his economic decision.

Scope of audit

For the audit of the current financial year's financial statements, we identified 3 significant components which required a full scope audit of their financial information, either because of their size or/and their risk characteristics.

Out of the 3 significant components, 2 were audited by other Forvis Mazars offices as component auditor under our instructions and the remaining 1 was directly audited by us. We determined the component materiality and our level of involvement in their audit necessary for us, in our professional judgement, to obtain sufficient appropriate audit evidence as a basis for our opinion on the Group's financial statements as a whole.

Area of focus

We focused our resources and effort on areas which were assessed to have higher risks of material misstatement, including areas which involve significant judgments and estimates to be made by directors.

Report on the Audit of Financial Statements (Continued)

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current financial year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment assessment of intangible assets arising from the acquisition of Yumei Group (Note 12 to the financial statements)	
Key audit matter	Our audit response
<p>During the financial year, an impairment loss of S\$1,901,000 (2022: S\$Nil) had been recognised.</p> <p>The Group had performed an impairment assessment in accordance with SFRS(I) 1-36 <i>Impairment of Assets</i> ("SFRS(I) 1-36") to determine the recoverable amount of the intangible assets. This involved an estimate of the value-in-use of the cash-generating unit(s) ("CGU") to which intangible assets had been allocated. The value-in-use calculation required the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate present value.</p> <p>The recoverable amount was determined based on estimates of forecasted revenue, growth rate and discount rate. These estimates required significant judgement, and the determination of the recoverable amount is a key audit matter in our audit.</p>	<p>Our audit procedures included, and are not limited to, the following:</p> <ul style="list-style-type: none"> a) Obtained an understanding of the Group's process in assessing the goodwill for impairment; b) Reviewed the management's assessment of whether there is any indication of impairment for the intangible assets and, if any, the impairment required in accordance with SFRS(I) 1-36 as at 31 December 2023; c) Reviewed the recoverable amount determined by the management in the discounted cash flow projection, where found necessary, critically challenged the management's assessment and the assumptions used in their planned strategies around business expansion, revenue stream growth strategies, cost initiatives and discount rate by Forvis Mazars' in-house valuer; and d) Reviewed the appropriateness of the disclosures in respect of value-in-use calculations presented in the financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and the independent auditors' report thereon, which we obtained prior to the date of this report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Report on the Audit of Financial Statements (Continued)

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Report on the Audit of Financial Statements (Continued)

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also: (Continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by the subsidiary incorporated in Singapore have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditors' report is Lai Keng Wei.

FORVIS MAZARS LLP
(FORMERLY KNOWN AS MAZARS LLP)
Public Accountants and
Chartered Accountants

Singapore
31 July 2024

2.1 Going concern basis

The Group and Company were in capital deficiency positions of S\$7,249,000 (2022: S\$2,726,000) and S\$8,864,000 (2022: S\$1,912,000) respectively. The Group and Company's current liabilities exceeded its current assets by S\$1,464,000 (2022: S\$1,514,000) and S\$8,593,000 (2022: S\$8,496,000) respectively. In addition, the Group incurred a net loss of S\$4,017,000 (2022: net profit S\$23,000) for the financial year ended 31 December 2023. These conditions cast doubt on the appropriateness of the going concern assumption used by the Group and the Company.

Notwithstanding the above, the financial statements have been prepared on a going concern basis as the board of directors are confident that the Group will generate positive cash flow based on a cash flow projection of twenty-four months from the end of the financial year prepared by management.

In preparing the cash flow projection, the Group has taken the following into consideration:

- (i) In relation to the convertible loan as disclosed in Note 20, Tranche 2 totalling of S\$2,500,000 will be drawn down by 31 October 2024 and converted into ordinary shares of the Company, of which an aggregate amount of S\$1,000,000 had been received on 30 July 2024;
- (ii) The letter of undertaking obtained from an investor to undertake, subject to the approval of shareholders, an additional funding of S\$10,000,000 within the next 12 months from the date of financial statements into the Company.
- (iii) The letter of undertaking obtained from a director, who is also a shareholder of the Company, to not demand repayment for the amount owed to him of S\$1,927,000 (2022: S\$1,793,000) as recorded under amount due to a director in Note 18 and deferred cash settlement in Note 19 for the next 12 months from the date of financial statements, if the Group's and the Company's financial situation does not allow for repayment; and
- (iv) Positive cash flow generated from its operating activities.

The board of directors has assessed and confirmed there is no breach of any loan covenants that may trigger the banks to demand full repayment of all bank facilities (bank overdraft and loans and borrowings of S\$2,683,000 (2022: S\$2,941,000) respectively within the next 12 months from the date of financial statements.

Based on the above, the board of directors has assessed and are of the view that it is appropriate that the financial statements of the Group and Company be prepared on a going concern basis.

If the Group and the Company were unable to continue in operational existence for the foreseeable future, the Group and the Company may be unable to discharge their liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheet. In addition, the Group and the Company may have to reclassify non-current assets and liabilities as current assets and liabilities respectively. No such adjustments have been made to these financial statements.

ADVANCED SYSTEMS AUTOMATION LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

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18. Other liabilities

	<u>Group</u>		<u>Company</u>	
	<u>2023</u> S\$'000	<u>2022</u> S\$'000	<u>2023</u> S\$'000	<u>2022</u> S\$'000
Amount due to a director	330	196	330	196
Accrued operating expenses	1,344	1,195	202	209
Accrued directors' fee	127	127	127	127
	<u>1,801</u>	<u>1,518</u>	<u>659</u>	<u>532</u>

Amount due to a director

The amount due to a director is unsecured, interest-free, repayable on demand and is to be settled in cash.

Other liabilities denominated in foreign currencies as at 31 December 2023 and 2022 are as follows:

	<u>Group</u>		<u>Company</u>	
	<u>2023</u> S\$'000	<u>2022</u> S\$'000	<u>2023</u> S\$'000	<u>2022</u> S\$'000
Ringgit Malaysia	<u>983</u>	<u>821</u>	<u>-</u>	<u>-</u>

ADVANCED SYSTEMS AUTOMATION LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

19. Trade and other payables

	<u>Group</u>		<u>Company</u>	
	<u>2023</u> S\$'000	<u>2022</u> S\$'000	<u>2023</u> S\$'000	<u>2022</u> S\$'000
Current				
Trade payables	665	776	11	50
Other creditors	301	57	274	-
Deferred cash settlement	1,597	1,597	1,597	1,597
Loans due to a shareholder	400	400	400	400
Amounts due to subsidiaries	-	-	1,235	1,166
Amount due to a related party	318	298	318	298
Amount due to a corporate shareholder	1,893	3,019	1,886	3,019
	<u>5,174</u>	<u>6,147</u>	<u>5,721</u>	<u>6,530</u>
Non-current				
Loans due to a shareholder	1,649	1,560	1,649	1,560
Amount due to a related party	-	339	-	339
Amount due to a corporate shareholder	9,116	6,939	9,116	6,939
	<u>10,765</u>	<u>8,838</u>	<u>10,765</u>	<u>8,838</u>
Total trade and other payables	<u>15,939</u>	<u>14,985</u>	<u>16,486</u>	<u>15,368</u>

Trade payables

Trade payables are non-interest bearing. Trade payables are normally settled on 30 – 120 days (2022: 30 – 120 days) credit terms.

Amounts due to subsidiaries

The amounts due to subsidiaries are unsecured, interest-free, repayable on demand and are to be settled in cash except for outstanding balance of S\$400,000 (2022: S\$400,000) which bears floating interest rate ranging from 6.25% to 6.34% (2022: 1.99% to 4.63%) per annum, is repriced on a quarterly basis.

Loans due to a shareholder

Loans due to a shareholder of the Company, is unsecured and interest-free, except for the amount of S\$800,000 (2022: S\$800,000), which bears a fixed interest rate of 5% (2022: 5%) per annum and S\$997,000 (2022: S\$997,000), which bears a fixed interest rate of 5% (2022: floating interest rate ranging from 1.99% to 4.63%) per annum. The loans are repayable on yearly instalment and mature in 2028.

Amount due to a related party

Amount due to a related party is unsecured, interest-free, repayable on demand and is to be settled in cash.

Amount due to a corporate shareholder

Amount due to a corporate shareholder included an amount S\$1,614,000 (2022: S\$1,019,000) which is interest free and unsecured and S\$9,395,000 (2022: S\$8,939,000), which bears floating interest rates ranging from 6.25% to 6.34% (2022: 1.99% to 4.63%) per annum, repriced on a quarterly basis. The amount due to a corporate shareholder is repayable on yearly instalment and mature in 2029.

ADVANCED SYSTEMS AUTOMATION LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

20. Convertible notes

On 24 October 2023, the Company entered into a subscription agreement of the 5% redeemable convertible notes with an aggregate nominal value of up to S\$20,000,000 comprising three tranches, wherein the first tranche ("T1") and second tranche ("T2") comprise of a principal amount of S\$2,500,000 respectively and third tranche ("T3") comprise of a principal amount of S\$15,000,000, subjected to the approval by shareholders.

On 18 June 2024, the Company and the investor had mutually agreed to cancel T3 due to the conditions precedent for issuance of T3 had not been met.

On 31 October 2023, the Company drew down the T1 of the 5% redeemable convertible note amounting to S\$2.5 million. The T1 were unsecured, interest bearing at 5% per annum on the outstanding nominal value of the T1 and shall cease to bear interest on (a) conversion into shares; (b) the date of redemption of such notes; or (c) on maturity date and are payable quarterly in arrears.

The T1 entitle the notes holder to convert them into ordinary shares of the Company at any time between the date of issue of the T1 and up to the close of business on the day falling seven days prior to the maturity date. The conversion price shall be 90% of the average volume-weighted average price per share for the preceding 5 Business Days to the relevant Conversion Date of T1 on which shares were traded on the Stock Exchange of Singapore.

The Company may at any time and from time to time, redeem the issued T1 at 115% of the principal amount of the outstanding Notes, together with all accrued interest, or such other amount as may be agreed between the Company and the noteholder.

T1 must be converted by the noteholder on the date falling 12 months from the closing date of T1 with the maximum number of shares that T1 can be converted are 5,581,031,514 shares on a pre-consolidated basis prior to completion of the Proposed Share Consolidation pursuant to the General Mandate.

The T1 contain two components, debt component and embedded derivative (including conversion and early redemption options) component. The Group designated the T1 as financial liabilities as FVTPL as a whole.

The movement of the redeemable convertible loan notes for the year is set out as below:

<u>Group and Company</u>	S\$'000
As at 1 January 2023	-
Issue of redeemable convertible notes	2,500
Fair value loss	87
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As at 31 December 2023	<u>2,587</u>