

CIRCULAR DATED 4 February 2021

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IF YOU ARE IN DOUBT ABOUT ITS CONTENTS OR THE ACTION THAT YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT, TAX ADVISER OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

If you have sold or transferred all your shares in the capital of Advanced Systems Automation Limited (the "**Company**") held through The Central Depository (Pte) Limited ("**CDP**"), you need not forward this Circular to the purchaser or the transferee as arrangements will be made by CDP for a separate Circular to be sent to the purchaser or the transferee. If you have sold or transferred all your ordinary shares in the capital of the Company represented by physical share certificate(s), you should forward this Circular together with the Notice of Extraordinary General Meeting and the enclosed Proxy Form immediately to the purchaser or the transferee or to the stockbroker, bank or agent through whom the sale or transfer was effected for onward transmission to the purchaser or the transferee.

This Circular has been prepared by the Company and its contents have been reviewed by the Company's sponsor, SAC Capital Private Limited (the "**Sponsor**").

This Circular has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this Circular, including the correctness of any of the statements or opinions made or reports contained in this Circular.

The contact person for the Sponsor is Ms Tay Sim Yee (Tel: (65) 6232 3210) at 1 Robinson Road, #21-00 AIA Tower, Singapore 048542.



ADVANCED SYSTEMS AUTOMATION LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number: 198600740M)

CIRCULAR TO SHAREHOLDERS

IN RELATION TO

- (1) PROPOSED RATIFICATION OF THE ASTI LOANS**
- (2) PROPOSED RATIFICATION OF THE ASTI CORPORATE SUPPORT SERVICES**
- (3) PROPOSED ADOPTION OF THE IPT GENERAL MANDATE**
- (4) PROPOSED ENTRY INTO THE NEW CONSOLIDATED LOAN AGREEMENT WITH ASTI AS AN INTERESTED PERSON TRANSACTION**
- (5) PROPOSED ENTRY INTO THE NEW LOAN AGREEMENT WITH DATO' MICHAEL LOH SOON GNEE AS AN INTERESTED PERSON TRANSACTION**
- (6) PROPOSED ENTRY INTO THE NEW LOAN AGREEMENT WITH MR. SEAH CHONG HOE AS AN INTERESTED PERSON TRANSACTION**

Independent Financial Adviser to the Relevant Directors



NOVUS CORPORATE FINANCE PTE. LTD.

(Incorporated in the Republic of Singapore)
(Company Registration Number: 201723484W)

Legal Advisor in relation to the Proposed Resolutions

SHOOK LIN & BOK LLP

(Registered in Singapore under the Limited Liability Partnerships Act (Chapter 163A) with limited liability)
(Unique Entity No. T07LL0924K)

IMPORTANT DATES AND TIMES:

Last date and time for lodgement of Proxy Form : 16 February 2021 at 3 p.m.
Date and time of Extraordinary General Meeting : 19 February 2021 at 3 p.m.
Place of Extraordinary General Meeting : The Extraordinary General Meeting will be held by way of electronic means.

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DEFINITIONS

In this Circular, the following definitions apply throughout unless otherwise stated:

<u>Companies within the Group</u>	:	Advanced Systems Automation Limited
Company” or “ASA” “Group”	:	The Company and its subsidiaries collectively
<u>General</u>		
“2008 IPT Mandate”	:	The IPT mandate for the ASTI Corporate Support Services obtained in 2008 as set out in Section 3.1.4 of this Circular
“Aggregate IPTs”	:	Refers to the aggregate of the ASTI Loans Interest Payments and the ASTI Corporate Support Services Payments
“AGM”	:	The annual general meeting of the Shareholders
“Associates”	:	(a) in relation to any director, chief executive officer, substantial shareholder or controlling shareholder (being an individual) means: <ul style="list-style-type: none">i. his immediate family;ii. the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; andiii. any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more, and (b) in relation to a substantial shareholder or a controlling shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more
“ASA Multiplate”	:	Means ASA Multiplate (M) Sdn Bhd
“ASTI”	:	Means ASTI Holdings Limited
“ASTI Group”	:	Means ASTI and its subsidiaries
“ASTI Corporate Support Services”	:	Has the meaning as ascribed under Section 3.3 of this Circular
“ASTI Corporate Support Services Payments”	:	Has the meaning as ascribed under Section 3.3 of this Circular
“ASTI Corporate Support Services Agreement”	:	Refers to the agreement entered into between ASTI and the Company which stipulated that ASTI is entitled to charge the Company the ASTI Corporate Support Services Payments
“ASTI Loan” and “ASTI Loans”	:	Has the meaning as ascribed under Section 3.1.3 of this Circular
“ASTI Loans Interest Payments”	:	Has the meaning as ascribed under Section 3.1.3 of this Circular

“Audit Committee”	:	The audit committee of the Company for the time being
“Board” or “Board of Directors”	:	The board of Directors of the Company
“Catalist”	:	The Catalist Board of the SGX-ST
“Catalist Rules”	:	The Listing Manual Section B: Rules of Catalist of the SGX-ST, as amended, modified or supplemented from time to time
“CDP”	:	The Central Depository (Pte) Limited
“Companies Act”	:	The Companies Act (Chapter 50) of Singapore as amended, supplemented or modified from time to time
“Consolidated ASTI Loan”	:	Has the meaning as ascribed under Section 5.1 of this Circular
“Consolidated ASTI Loan Transaction Value”	:	Has the meaning as ascribed under Section 5.2 of this Circular
“controlling shareholder”	:	A person who: <ul style="list-style-type: none"> (a) holds directly or indirectly 15% or more of the total number of issued shares (excluding treasury shares) in a company; or (b) in fact exercises control over a company
“Dato’ Loh”	:	Means Dato’ Michael Loh Soon Gnee
“Dato’ Loh Loan Agreements”	:	Has the meaning as ascribed under Section 6.4 of this Circular
“Director”	:	A director for the time being of the Company
“EGM”	:	The extraordinary general meeting of the Shareholders, notice of which is set out on pages 95 to 97 of this Circular
“Entity at Risk”	:	Has the meaning as ascribed under Section 2.5 of this Circular
“Estimated ASTI Costs”	:	Has the meaning as ascribed under Section 4.4(ii) of this Circular
“Financial Institutions”	:	Has the meaning as ascribed under Section 8.1(a) of this Circular
“FY” or “Financial Year”	:	Financial year ended or ending 31 December
“IFA” or “Independent Financial Adviser”	:	Novus Corporate Finance Pte. Ltd., the independent financial adviser to the Relevant Directors in relation to the Proposed Ratification of the ASTI Loans, the Proposed Ratification of the ASTI Corporate Support Services, the Proposed Adoption of the IPT General Mandate, the Proposed Entry into the New Consolidated Loan Agreement with ASTI as an Interested Person Transaction, the Proposed Entry into the New Loan Agreement with Dato’ Michael Loh Soon Gnee as an Interested Person Transaction, and the Proposed Entry into the New Loan Agreement with Mr. Seah Chong Hoe as an Interested Person Transaction

"IFA Letter"	The letter dated 4 February 2021 from the IFA to the Relevant Directors in relation to the Proposed Ratification of the ASTI Loans, the Proposed Ratification of the ASTI Corporate Support Services, the Proposed Adoption of the IPT General Mandate, the Proposed Entry into the New Consolidated Loan Agreement with ASTI as an Interested Person Transaction, the Proposed Entry into the New Loan Agreement with Dato' Michael Loh Soon Gnee as an Interested Person Transaction and the Proposed Entry into the New Loan Agreement with Mr. Seah Chong Hoe as an Interested Person Transaction, a copy of which is set out in the Appendix of this Circular
"Interested Person"	: A director, chief executive officer or controlling shareholder of the Company, or an associate of any such director, chief executive officer or controlling shareholder
"Interested Person Transactions" or "IPTs"	: All interested person transactions (within the meaning of Chapter 9 of the Catalist Rules) entered or to be entered between the Group with Interested Persons, including the Mandated Transactions, and "Interested Person Transaction" shall be construed accordingly
"IPT Announcement"	: The announcement dated 1 July 2020 in relation to, <i>inter alia</i> , the Proposed Ratification of the ASTI Loans, Proposed Ratification of the ASTI Corporate Support Services, Proposed Adoption of the IPT General Mandate and Proposed Entry into the New Loan Agreement with Dato' Michael Loh Soon Gnee as an Interested Person Transaction
"IPT General Mandate"	: The proposed Shareholders' general mandate described in Section 4 of this Circular to be obtained by the Company at the EGM and on the terms set out in the Notice of EGM and pursuant to Chapter 9 of the Catalist Rules permitting companies within the Group, or any of them, to enter into the category of IPTs as set out in Section 4.3 of this Circular, with ASTI, provided that such transactions are on an arm's length basis, on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders
"IPT Register"	: Has the meaning as ascribed under Section 8.3.2 of this Circular
"July Loan Agreement"	: Has the meaning as ascribed under Section 6.4 of this Circular
"Loan Quotations"	: Has the meaning as ascribed under Section 8.1(a) of this Circular
"Latest Practicable Date"	: 31 January 2021 being the latest practicable date prior to the printing of this Circular
"LSG Loan Agreement"	: Has the meaning as ascribed under Section 6.1 of this Circular
"Mainboard"	: The Mainboard of the SGX-ST
"Mandated Interested Person"	: ASTI Group
"Mandated Transactions"	: Interested Person Transactions conducted under the Proposed IPT Mandate as set out in Section 4.3 of this Circular
"May Loan Agreement"	: Has the meaning as ascribed under Section 6.4 of this Circular
"Microfits"	: Means Microfits Pte Ltd

“Mr. Seah”	:	Means Mr. Seah Chong Hoe
“New IA”	:	Refers to the new internal auditor, being Foo Kon Tan Advisory Services Pte Ltd
“New Loans”	:	Means the Consolidated ASTI Loan, LSG Loan Agreement, and the SCH Loan Agreement
“Notice of Compliance”	:	Has the meaning as ascribed under Section 3.7 of this Circular
“Notice of EGM”	:	The notice of the EGM which is set out on pages 95 to 97 of this Circular
“NTA”	:	Net tangible asset
“Proposed Acquisition”	:	Has the meaning as ascribed under Section 3.12.4(i) of this Circular
“Proposed Adoption of the IPT General Mandate”	:	A general mandate to be given by Shareholders pursuant to Chapter 9 of the Catalist Rules to authorise the Entity at Risk to enter into the Mandated Transactions with the Mandated Interested Person
“Proposed Entry into the New Consolidated Loan Agreement with ASTI as an Interested Person Transaction”	:	Has the meaning as ascribed under Section 5.4 of this Circular
“Proposed Entry into the New Loan Agreement with Dato’ Michael Loh Soon Gnee as an Interested Person Transaction”	:	Has the meaning as ascribed under Section 6.5 of this Circular
“Proposed Entry into the New Loan Agreement with Mr. Seah Chong Hoe as an Interested Person Transaction”	:	Has the meaning as ascribed under Section 7.4 of this Circular
“Proposed Ratification of the ASTI Loans”	:	Has the meaning as ascribed under Section 3.5 of this Circular
“Proposed Ratification of the ASTI Corporate Support Services”	:	Has the meaning as ascribed under Section 3.6 of this Circular
“Proposed Ratification Transactions”	:	Has the meaning as ascribed under Section 3.4.5 of this Circular
“Proposed Resolutions”	:	Means collectively, the Proposed Ratification of the ASTI Loans, the Proposed Ratification of the ASTI Corporate Support Services, the Proposed Adoption of the IPT General Mandate, the Proposed Entry into the New Consolidated Loan Agreement with ASTI as an Interested Person Transaction, the Proposed Entry into the New Loan Agreement with Dato’ Michael Loh Soon Gnee as an Interested Person Transaction, and the Proposed Entry into the New Loan Agreement with Mr. Seah Chong Hoe as an Interested Person Transaction

“Relevant ASTI Staff”	Has the meaning as ascribed under Section 4.4(i) of this Circular
“Relevant Directors”	: The Directors who are considered to be independent for the purpose of making the recommendations to Shareholders in respect of (i) all the Proposed Resolutions, being Dr. Kenneth Yu Keung Yum and Mr. Steven Shen Hing; (ii) all the Proposed Resolutions except relating to SCH Loan Agreement, being Mr. Seah Chong Hoe; and (iii) Proposed Resolutions relating to LSG Loan Agreement and SCH Loan Agreement, being Dato’ Sri Mohd. Sopiyan B. Mohd. Rashdi
“Rights Issue 2012”	: Has the meaning as ascribed under Section 3.2.3 of this Circular
“Rights Issue 2017”	: Has the meaning as ascribed under Section 3.2.3 of this Circular
“SCH Loan Agreement”	: Has the meaning as ascribed under Section 7.1 of this Circular
“SFA”	: The Securities and Futures Act, Chapter 289 of Singapore, as amended, modified or supplemented from time to time
“SGX RegCo”	: Refers to Singapore Exchange Regulation
“Shares”	: Ordinary shares in the capital of the Company
“Shareholders”	: Registered holders of Shares except that where the registered holder is CDP, the term “Shareholders” in relation to Shares held by CDP shall mean the persons named as Depositors in the Depository Register maintained by CDP and to whose securities accounts such Shares are credited
“SIBOR”	: Means the Singapore Interbank Offered Rate
“subsidiaries”	: Has the meaning ascribed to it in the Companies Act
“Substantial Shareholder”	: A Shareholder whose interests in the Company’s issued share capital are equal to or more than 5 per cent. (5%)
“S\$”, “SGD” or “\$” and “cents”	: Singapore dollars and cents respectively
“Telford”	: Means Telford Service Sdn Bhd which is a subsidiary of ASTI
“Telford Loan”	: Has the meaning as ascribed under Section 3.2.2 of this Circular
“Yumei Group”	: Means Yumei Technologies Sdn. Bhd., Yumei REIT Sdn. Bhd. and Pioneer Venture Pte Ltd
“Yumei Group Loans”	: Has the meaning as ascribed under Section 3.2.1 of this Circular
“Yumei Services Agreement”	: Has the meaning as ascribed under Section 7.5 of this Circular

The term “**Depositor**” and “**Depository Agent**” shall have the same meanings ascribed to them respectively in Section 81SF of the SFA.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Act or any statutory modification thereof and used in this Circular shall have the meaning assigned to it under the said Act.

Words importing the singular number shall include the plural number where the context admits and vice versa. Words importing the masculine gender shall include the feminine gender where the context admits. Reference to persons shall, where applicable, include corporations.

Any reference to a time of a day in this Circular is a reference to Singapore time.

LETTER TO SHAREHOLDERS

ADVANCED SYSTEMS AUTOMATION LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number: 198600740M)

Directors :

Mr. Seah Chong Hoe (Executive Director and Chief Executive Officer)
Dato' Sri Mohd. Sopiyan B. Mohd. Rashdi (Independent Director and Non-Executive Chairman)
Dr. Kenneth Yu Keung Yum (Independent Director)
Mr. Steven Shen Hing (Independent Director)

Registered Office :

Block 25 Kallang Avenue #06-01
Kallang Basin Industrial Estate
Singapore 339416

4 February 2021

To the Shareholders of Advanced Systems Automation Limited

Dear Sir / Madam,

- (1) **PROPOSED RATIFICATION OF THE ASTI LOANS**
- (2) **PROPOSED RATIFICATION OF THE ASTI CORPORATE SUPPORT SERVICES**
- (3) **PROPOSED ADOPTION OF THE IPT GENERAL MANDATE**
- (4) **PROPOSED ENTRY INTO THE NEW CONSOLIDATED LOAN AGREEMENT WITH ASTI AS AN INTERESTED PERSON TRANSACTION**
- (5) **PROPOSED ENTRY INTO THE NEW LOAN AGREEMENT WITH DATO' MICHAEL LOH SOON GNEE AS AN INTERESTED PERSON TRANSACTION**
- (6) **PROPOSED ENTRY INTO THE NEW LOAN AGREEMENT WITH MR. SEAH CHONG HOE AS AN INTERESTED PERSON TRANSACTION**

1. INTRODUCTION

1.1 EGM

The Directors are convening an EGM to seek Shareholders' approval in relation to the following:

- (a) the Proposed Ratification of the ASTI Loans;
- (b) the Proposed Ratification of the ASTI Corporate Support Services;
- (c) the Proposed Adoption of the IPT General Mandate;
- (d) the Proposed Entry into the New Consolidated Loan Agreement with ASTI as an Interested Person Transaction;
- (e) the Proposed Entry into the New Loan Agreement with Dato' Michael Loh Soon Gnee as an Interested Person Transaction; and
- (f) the Proposed Entry into the New Loan Agreement with Mr. Seah Chong Hoe as an Interested Person Transaction

(collectively, the "**Proposed Resolutions**").

LETTER TO SHAREHOLDERS

1.2 Circular to Shareholders

The purpose of this Circular is to provide Shareholders with information in respect of the matters set out in Section 1.1 above and to seek Shareholders' approval at the EGM for each of the Proposed Resolutions as set out in the Notice of EGM on pages 95 to 97 of this Circular. This Circular has been prepared solely for the purpose set out herein and may not be relied upon by any persons (other than Shareholders) nor for any other purpose.

2. CHAPTER 9 OF THE CATALIST RULES

- 2.1 Chapter 9 of the Catalist Rules governs transactions in which a listed company or any of its subsidiaries or associated companies (known as an **"entity at risk"**) enters into or proposes to enter into with a party who is an interested person of the listed company. The purpose is to guard against the risk that interested persons could influence the listed company, its subsidiaries or associated companies to enter into transactions with it that may adversely affect the interests of the listed company or its shareholders.
- 2.2 Under Chapter 9 of the Catalist Rules, where there is a transaction between an interested person and an entity at risk, and the value of the transaction alone or in aggregation with other transactions conducted with the same interested person during the same FY reaches or exceeds certain materiality thresholds (which are based on the listed company's latest audited NTA, unless the transaction is excluded as described below, the listed company is required under Rule 905 of the Catalist Rules to make an immediate announcement for an interested person transaction of a value equal to, or exceeding:
- (a) 3% of the listed company's latest audited consolidated NTA; or
 - (b) 3% of the listed company's latest audited consolidated NTA, when aggregated with the values of all other transactions entered into with the same interested person (as construed under Chapter 9 of the Catalist Rules) during the same FY.
- 2.3 The listed company is also required under Rule 906 of the Catalist Rules to make an immediate announcement and seek its shareholder's approval for an interested person transaction of a value equal to, or exceeding:
- (a) 5% of the listed company's latest audited consolidated NTA; or
 - (b) 5% of the listed company's latest audited consolidated NTA, when aggregated with the values of all other transactions entered into with the same interested person (as construed under Chapter 9 of the Listing Manual) during the same FY.
- 2.4 These requirements do not apply to transactions that are below S\$100,000 in value or certain transactions which, by reason of the nature of such transactions, are not considered to put the listed company at risk to its interested person and hence are excluded from the ambit of Chapter 9 pursuant to Rules 905(3) and 906(2) of the Catalist Rules.
- 2.5 For the purposes of Chapter 9 of the Catalist Rules:
- (a) an **"entity at risk"** means:
 - (i) the listed company;
 - (ii) a subsidiary of the listed company that is not listed on the SGX-ST or on an approved exchange; or

LETTER TO SHAREHOLDERS

- (iii) an associated company of the listed company that is not listed on the SGX-ST or an approved exchange, provided that the listed company and/or its subsidiaries (the “**listed group**”), or the listed group and its interested person(s), has control over the associated company;
- (b) an “**interested person**” means a director, chief executive officer or controlling shareholder of the listed company or an associate of any such director, chief executive officer or controlling shareholder;
- (c) an “**associate**” in relation to an interested person who is a director, chief executive officer or controlling shareholder, includes an immediate family member (that is, the spouse, child, adopted child, step-child, sibling or parent) of such director, chief executive officer or controlling shareholder, the trustees of any trust of which the director/ his immediate family, the chief executive officer/his immediate family or the controlling shareholder/his immediate family is a beneficiary, or in the case of a discretionary trust, is a discretionary object, and any company in which the director/his immediate family, the chief executive officer/his immediate family or the controlling shareholder/his immediate family has or have an aggregate interest (directly or indirectly) of 30% or more, and, where a controlling shareholder is a corporation, its subsidiary or holding company or fellow subsidiary or a company in which it and/or they have (directly or indirectly) an interest of 30% or more.
- (d) an “**approved exchange**” means a stock exchange that has rules which safeguard the interest of shareholders against IPTs according to similar principles as Chapter 9;
- (e) an “**interested person transaction**” means a transaction between an entity at risk and an interested person; and
- (f) a “**transaction**” includes the provision or receipt of financial assistance the acquisition, disposal or leasing of assets; the provision or receipt of services; the issuance or subscription of securities; the granting of or being granted options; and the establishment of joint ventures or joint investments, whether or not entered into in the ordinary course of business, and whether entered into directly or indirectly.

3. THE PROPOSED RATIFICATION OF THE IPTS WITH ASTI

3.1 Background

- 3.1.1 ASTI is a public company incorporated in Singapore on 27 March 1999 and is listed on the Mainboard of the SGX-ST. The principal activities of ASTI are investment holdings and acting as corporate manager and advisor in connection with the administration and organization of the businesses of its subsidiary companies. ASTI Group provides tape & reel packaging services and integrated circuit programming services to renowned original equipment manufacturers, contract manufacturers and component distributors globally. ASTI has been a controlling shareholder of the Company since 2006. As at the Latest Practicable Date, ASTI owns 5,800,791,930 Shares, representing approximately 25.98% of the total issued share capital of the Company.
- 3.1.2 As ASTI is considered to be a controlling shareholder of the Company, all transactions entered into between the Group and ASTI will each constitute an Interested Person Transaction.

LETTER TO SHAREHOLDERS

- 3.1.3 As announced by the Company in the IPT Announcement, the Company had over the years, entered into loan agreements with ASTI (each an “**ASTI Loan**” and together, the “**ASTI Loans**”), with ASTI as the lender and the Company as the borrower in order for the Company to be able to finance the Group’s day-to-day operations and its working capital requirements, the details of which are set out in Section 3.2 of this Circular below. The Company however has not obtained the approval of the Shareholders for the interest payments for the ASTI Loans (“**ASTI Loans Interest Payments**”) due to an inadvertent oversight by the Company to seek specific approval of its Shareholders for the ASTI Loans.
- 3.1.4 As stated in the IPT Announcement, the Company has also been receiving ASTI Corporate Support Services since 2006 and to-date. The Company had, at its extraordinary general meeting held on 24 October 2008, obtained Shareholders’ approval to ratify the ASTI Corporate Support Services for the 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 (“**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. Following the lapse of the 2008 IPT Mandate, the Company continued to receive the ASTI Corporate Support Services from ASTI from 1 January 2010 to-date without any approval or mandate from the Shareholders. This was due to an inadvertent oversight by the Company to seek for a renewal of the 2008 IPT Mandate.
- 3.1.5 As the aggregate values of the ASTI Loans Interest Payments and ASTI Corporate Support Services had exceeded five per cent (5.0%) of the Group’s respective year’s latest audited NTA or the Company’s market capitalization (as may be applicable) for FY2011, FY2012, FY2016, FY2017 and FY2019, the Company is proposing to convene an EGM to seek Shareholders’ ratification and approval of the Proposed Ratification of the ASTI Loans and the Proposed Ratification of the ASTI Corporate Support Services as discussed under Sections 3.2 and 3.3 of this Circular respectively. The Company has appointed Foo Kon Tan Advisory Services Pte Ltd as their internal auditor (the “**New IA**”), 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.

3.2 The ASTI Loans

As previously disclosed by the Company in its previous annual reports and the circulars in relation to the Rights Issue 2012 and Rights Issue 2017, the Company has from FY2007 to FY2018 entered into various ASTI Loans and a number of which are still outstanding as of the date of this Circular. As at the Latest Practicable Date, the total outstanding amount due to ASTI payable on demand is S\$7,091,663, of which the outstanding interest payments (from December 2018 to January 2021) is S\$459,867.

Each of the ASTI Loans are unsecured and are due as and when recalled by ASTI. The respective values of the ASTI Loans from FY2010 up to FY2019 are set out in the table under Section 3.2.2 below.

3.2.1 Rationale for and Benefits of the ASTI Loans

As the Group was previously unable to obtain the necessary bank financing due to the lack of assets that can be used as collateral and its poor financial results, the Group had been relying substantially on the ASTI Loans for financing the Group’s general working capital requirements and to meet the Group’s current liabilities as and when they fall due. This has allowed the Group to continue its operations with minimal disruption

However, for completeness, due to the Covid-19 situation in Singapore, the Group was able to obtain unsecured bank loans denominated in SGD approved by financial institutions to one of the subsidiaries in the Yumei Group in FY2020 under the Enterprise Financing Scheme – Temporary Bridging Loan programme operated by Enterprise Singapore.

LETTER TO SHAREHOLDERS

Furthermore, in FY2019, the Yumei subsidiaries also had pre-existing bank loans denominated in SGD and RM (together, the “Yumei Group Loans”).

3.2.2 ASTI Loans Interest Payments as IPTs

Under Rule 909(3) of the Catalist Rules, in the case of the borrowing of funds from an interested person, the value of the transaction is the interest payable on the borrowing. The ASTI Loans were granted to the Company pursuant to several loan agreements entered into between ASTI as the lender, and the Company as the borrower.

The value of the IPT is the interest payable on the outstanding ASTI Loans for each FY. The ASTI Loans were payable in 6 months, but had been renewed subsequently. Details of the ASTI Loans from FY2010 to FY2020 are set out below.

For completeness, the interest rates charged by ASTI for FY2010 to FY2013 and FY2015 to FY2018 were pegged at a rate that is 0.5% above ASTI’s cost of funds at the time of drawdown. For the ASTI Loans drawn in FY2014, the cost of funds was at a fixed rate of 3.5%. As for FY2019 to FY2020, the interest rate levied by ASTI is pegged to the sum of the prevailing 1-month SIBOR and the Inland Revenue Authority of Singapore’s indicative margin for related party loans (“IRAS’s indicative margin”). There was a loan agreement entered into between the Company and Telford on 1 January 2019, wherein Telford extended a loan denominated in Malaysian Ringgit to the Company (“Telford Loan”). The interest rate of the Telford Loan is pegged to the average prevailing 12-month average Malaysian Ringgit fixed deposit rate from Bank Negara Malaysia.

Financial Year	Total interest-bearing loans owed to ASTI as at financial year end ⁽¹⁾ (S\$)	Range of interest rates	Value of ASTI Loan Interest Payments (S\$)	Last audited NTA of the Group or market capitalisation as at the prior year (S\$)	ASTI Loan Interest Payments as a percentage against the audited NTA as at the prior year
FY2020	6,631,796 ⁽²⁾	2.25% to 3.75% ⁽³⁾⁽⁵⁾	193,185	22,324,000 ⁽⁷⁾	0.87%
FY2019	6,632,055 ⁽²⁾	3.24% to 3.39% ⁽³⁾⁽⁵⁾	224,396	2,181,000 ⁽⁶⁾ (restated)	10.3%
FY2018	6,632,357 ⁽²⁾	3.39% to 5.33% ⁽⁴⁾⁽⁵⁾	208,980	4,781,000	4.4%
FY2017	3,969,263	3.92% to 4.13% ⁽⁴⁾	223,101	7,912,000 ⁽⁷⁾	2.8%
FY2016	7,858,554	3.88% to 4.32% ⁽⁴⁾	303,533	2,090,000	14.5%
FY2015	7,373,766	3.42% to 4.10% ⁽⁴⁾	196,351	17,768,000	1.1%
FY2014	3,972,167	3.50%	63,714	15,540,000 ⁽⁸⁾ (restated)	0.4%
FY2013	Nil	3.38% ⁽⁴⁾	34,475	16,363,000	0.2%
FY2012	1,257,675	3.38% to 4.91% ⁽⁴⁾	551,578	4,968,000 ⁽⁷⁾	11.1%

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FY2011	28,060,008	2.35% to 2.44% ⁽⁴⁾	731,569	16,560,000 ⁽⁷⁾	4.4%
FY2010	28,867,806	2.44% to 2.57% ⁽⁴⁾	772,518	44,815,000 ⁽⁷⁾	1.7%

Notes:

- (1) *The total amount of the interest-bearing loans owed to ASTI as at the end of each relevant FY excludes any interest outstanding as the end of the respective FY.*
- (2) *The difference in the figures are due to foreign currency exchange fluctuations as the ASTI Loans comprise loans denominated in SGD and Malaysian Ringgit.*
- (3) *The interest rate is pegged to the sum of the prevailing 1-month SIBOR and the Inland Revenue Authority of Singapore's indicative margin. For FY2019, the interest rate is fixed throughout the financial year. For FY2020, due to the drastic drop in the SIBOR, the monthly interest rate used for the period from January 2020 to June 2020 is 3.74% per annum (based on 1-month SIBOR of 1.74% per annum plus IRAS's indicative margin of 2% per annum), and the monthly interest rate from July 2020 to December 2020 is repriced to 2.25% per annum (based on 1 month- SIBOR of 0.25% per annum plus IRAS's indicative margin of 2.00% per annum).*
- (4) *The interest rate is repriced every quarter. As such, the range stated includes the lowest and highest interest rate charged for the respective FY. For FY2013, the interest rate for every quarter is the same.*
- (5) *The interest rate for the Telford Loan is 5.00%, 3.24% and 2.85% for FY2018, FY2019 and FY2020 respectively.*
- (6) *The audited NTA of FY2018 is restated because the results of the independent valuation report had not been received as at the date which the financial statements for FY2018 were authorized for issuance, and the allocation of purchase price to the identifiable assets and liabilities was only completed in 2019. In addition, the Company also made certain restatements in connection with the acquisition of Yumei Group.*
- (7) *As the Group's audited NTA as at 31 December 2009, 31 December 2010, 31 December 2011, 31 December 2016 and 31 December 2019 are negative, it is not meaningful to adopt the NTA as the basis to compute the materiality thresholds in relation to Rules 905 and 906 of the Catalist Rules for the said respective FYs. Upon consultation with SGX-ST, through the Sponsor, the SGX-ST has advised the Company to determine the materiality of IPTs for the purpose of Rules 905 and 906 of the Catalist Rules based on the Company's market capitalisation for the said respective FYs.*
- (8) *The audited NTA of FY2013 is restated because the results of the independent valuation report had not been received as at the date which the financial statements for FY2013 were authorized for issuance, and the allocation of purchase price to the identifiable assets and liabilities was only completed in 2014. In addition, the Company also made certain restatements in connection with the acquisition of ASA Multiplate.*

3.2.3 Payments of interest under the ASTI Loans

Most of the ASTI Loans and the ASTI Loans Interest Payments charged have been paid over the years via the subscription monies for the two rights issues undertaken by the Company in 2012 ("**Rights Issue 2012**") and 2017 ("**Rights Issue 2017**") (in accordance with the respective circulars which provided for how the subscription monies were to be spent) and its own funds generated from its operations. For both of the Rights Issue 2012 and Rights Issue 2017, ASTI had subscribed for its *pro-rata* entitlement of its rights shares

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under the respective rights issue. With respect to the Rights Issue 2017, a total amount of approximately S\$4.35 million was deducted from the outstanding amount of ASTI Loans (including the ASTI Loans Interest Payments) amounting to S\$8.26 million as at 31 March 2017, as settlement for ASTI's subscription to their *pro-rata* entitlement to their rights shares. For Rights Issue 2012, a total amount of approximately S\$16.62 million, being subscription monies for ASTI's *pro-rata* entitlement of its rights shares and excess rights shares was set-off against the ASTI Loans (including the ASTI Loans Interest Payments) of approximately S\$28.2 million as of 8 March 2012. Further, part of the proceeds raised from the Rights Issue 2012, amounting to S\$5.5 million was used to repay part of the outstanding ASTI Loans (including the ASTI Loans Interest Payments) then.

3.3 The ASTI Corporate Support Services

The Company has also been receiving ASTI Corporate Support Services from ASTI since 2006, when ASTI became a controlling shareholder of the Company. The ASTI Corporate Support Services mainly comprise of back-room and administrative support, including the following: -

- (i) book-keeping, accounting and finance services including managing existing and fresh bank financing and credit facilities as well as consultation on external audit and tax matters,
- (ii) IT accounting software, emails and data servers, IT support and website maintenance;
- (iii) routine legal matters for operational, compliance and administrative functions;
- (iv) consultation on and assistance in business development areas including in relation to the acquisition of new product agencies and technologies, seeking out technology and potential joint venture partners and in carrying out feasibility studies in connection with proposed new investments and joint ventures;
- (v) corporate planning work for the advancement of the Group;
- (vi) provision of human resource, including training and recruitment, administrative and management of information systems support;
- (vii) provision of corporate affairs and communication support;
- (viii) provision of patent administration and maintenance;
- (ix) secretarial and registration and other related services; and
- (x) obtaining information and liaising with the relevant authorities on any relevant government grants, or awards which shall include assisting in the applications.

Pursuant to the ASTI Corporate Support Services Agreement, ASTI is entitled to charge the Company up to S\$600,000 per annum (the "**ASTI Corporate Support Services Payments**"). The amount of S\$600,000 per annum is the maximum amount that ASA will make for the ASTI Corporate Support Services Payments, which had been agreed upon between the Company and ASTI. It was arrived at, after taking into consideration, the amount charged for the ASTI Corporate Support Services Payments for previous years, as set out in Section 3.3.2 of this Circular, the staff costs from the above services, costs of using the office equipment and data servers and licensing fees for IT accounting and computer software and any other relevant services that may be required by the Company, which are attributable to the Group. In relation to determining the staff costs from the above services, the Company has also considered the following factors: (i) the type of services required by the Company from ASTI, for instance the provision of the finance, human resource, administrative and legal services; (ii) the number of employees involved in

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supporting the Company and the percentage of their time spent on matters that are related to the Company; and (iii) the remuneration of the relevant employees that are involved in providing the relevant services to the Company. The Company then derived the amount based on the aggregate pro-rated remuneration of the relevant staff, factoring in the time the relevant staff spent on matters related to the Company. For the avoidance of doubt, moving forward, should the estimated costs for each year falls below S\$600,000, the amount of ASTI Corporate Support Services Payments will be rounded down to the nearest multiple of S\$50,000 accordingly, as appropriate, and in any case, below the maximum amount of S\$600,000. As indicated in Section 3.3.2 below, the ASTI Corporate Support Services Payments for FY2019 and FY2020 was S\$400,000, due to lower staff costs incurred as a result of staff attrition.

The ASTI Corporate Support Services Payments have remained unchanged over the years as the increase in staff cost throughout the years has been offset by staff attrition (save for FY2010, FY2011, FY2019 and FY2020 where the payment due was reduced).

3.3.1 Rationale for and Benefits of the ASTI Corporate Support Services

The ASTI Corporate Support Services allows the Group to outsource non-core business activities and to leverage and benefit from the economies of scale already enjoyed by ASTI through the centralization of all ASTI Corporate Support Services for ASTI's other subsidiaries and associates.

This not only allows the Group to enjoy operational and financial leverage in its dealings with third parties, but to also allow the Company to be able to concentrate on its core business, to operate smoothly and to comply with the relevant requirements of the Catalist Rules and applicable laws.

3.3.2 ASTI Corporate Support Services as an IPT

As the Company has been receiving the ASTI Corporate Support Services since FY2006 and to-date, the Company has accordingly been making payments to ASTI every year since 2007 (except for FY2018 as the Corporate Support Services Payment was waived for that year and FY2019 and FY2020 Corporate Support Services Payment were accrued). The value of the IPT of the ASTI Corporate Support Services will be the ASTI Corporate Support Services Payments payable by the Company to ASTI, the details for the same from FY2010 to FY2020 are as set out below:

Financial year	Value of the ASTI Corporate Support Services	Last audited NTA of the Group or market capitalisation as at the prior year (S\$)	Value of the ASTI Corporate Support Services as a percentage against the audited NTA or market capitalisation as at the prior year
FY2020	S\$400,000 ⁽¹⁾	22,324,000 ⁽⁴⁾	1.79%
FY2019	S\$400,000 ⁽¹⁾⁽²⁾	2,181,000 ⁽³⁾ (restated)	18.3%
FY2018	Waived ⁽²⁾	4,781,000	Not applicable
FY2017	S\$600,000	7,912,000 ⁽⁴⁾	7.6%
FY2016	S\$600,000	2,090,000	28.7%
FY2015	S\$600,000	17,768,000	3.4%

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FY2014	S\$600,000	15,540,000 ⁽⁵⁾ (restated)	3.9%
FY2013	S\$600,000	16,363,000	3.7%
FY2012	S\$600,000	4,968,000 ⁽⁴⁾	12.1%
FY2011	S\$300,000 ⁽⁶⁾	16,560,000 ⁽⁴⁾	1.8%
FY2010	S\$450,000 ⁽⁶⁾	44,815,000 ⁽⁴⁾	1.0%

Notes:

- (1) *The fees for FY2019 and FY2020 were lower due to lower staff costs incurred as a result of staff attrition.*
- (2) *Upon discovery of the inadvertent oversight in 2018 to seek for a renewal of the shareholders' mandate for the ASTI Corporate Support Services required, each of the Board of ASA and ASTI, having considered the respective interests of the Group and the ASTI Group, had mutually agreed for a waiver of the ASTI Corporate Support Services Payment for FY2018. However, as the Board of ASTI is of the view that sufficient time had been given to ASA for the requisite ratification of the ASTI Corporate Support Services, no further waiver had been given in respect of the ASTI Corporate Support Services Payment for FY2019. The Company had been unable to resolve the outstanding issues for the matters contemplated in this Circular due to the matters arising from the year-end audit for FY2019. The Company had accordingly accrued S\$400,000 for the ASTI Corporate Support Services in FY2019 and FY2020 respectively. Notwithstanding which, the Company will not make and/or convert into a debt under the Consolidated ASTI Loan Agreement (as defined under Section 5.1 of the Circular) the ASTI Corporate Support Services Payment for FY2019 and FY2020 until Shareholders' approval for the Proposed Adoption of the IPT General Mandate is obtained.*
- (3) *The audited NTA of FY2018 is restated because the results of the independent valuation report had not been received as at the date which the financial statements for FY2018 were authorized for issuance, and the allocation of purchase price to the identifiable assets and liabilities was only completed in 2019. In addition, the Company also made certain restatements in connection with the acquisition of Yumei Group.*
- (4) *As the Group's audited NTA as at 31 December 2009, 31 December 2010, 31 December 2011, 31 December 2016 and 31 December 2019 are negative, it is not meaningful to adopt the NTA as the basis to compute the materiality thresholds in relation to Rules 905 and 906 of the Catalist Rules for the said respective FYs. Upon consultation with SGX-ST, through the Sponsor, SGX-ST has advised the Company to determine the materiality of IPTs for the purpose of Rules 905 and 906 of the Catalist Rules based on the Company's market capitalisation for the said respective FYs.*
- (5) *The audited NTA of FY2013 is restated because the results of the independent valuation report had not been received as at the date which the financial statements for FY2013 were authorized for issue, and the allocation of purchase price to the identifiable assets and liabilities was only completed in 2014. In addition, the Company also made certain restatements in connection with the acquisition of ASA Multiplate.*
- (6) *The ASTI Corporate Support Services Payments were lower for FY2011 and FY2010 as a discount on these years were given by ASTI.*

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3.4 The Aggregation of IPTs entered into with ASTI

3.4.1 As the Catalist Rules requires IPTs to be aggregated with other transactions entered into with the same interested person (excluding any IPTs below S\$100,000) during the same FY, the ASTI Loans Interest Payments and the ASTI Corporate Support Services Payments for the same FY will therefore have to be aggregated. Accordingly, notwithstanding that the ASTI Loans Interest Payments for FY2014 and FY2013 were less than S\$100,000, for purposes of calculating the materiality thresholds of the IPTs with ASTI in relation to Rules 905 and 906 of the Catalist Rules, the interest payments on the ASTI Loans have been aggregated with the value of the ASTI Corporate Support Services.

3.4.2 Accordingly, the details of the IPTs with ASTI from FY2010 to FY2020, being the aggregate of the ASTI Loans Interest Payments and the Corporate Support Services (collectively, the “Aggregate IPTs”), are set out below:

Financial year	Total value of Aggregate IPTs	Total value of the Aggregate IPTs as a percentage against the audited NTA or market capitalisation as at prior year
FY2020	S\$593,185	2.7% ⁽¹⁾
FY2019	S\$624,396	28.6%
FY2018	S\$208,980	4.4%
FY2017	S\$823,101	10.4% ⁽¹⁾
FY2016	S\$903,533	43.2%
FY2015	S\$796,351	4.5%
FY2014	S\$663,714	4.3%
FY2013	S\$634,475	3.9%
FY2012	S\$1,151,578	23.2% ⁽¹⁾
FY2011	S\$1,031,569	6.2% ⁽¹⁾
FY2010	S\$1,222,518	2.7% ⁽¹⁾

Notes:

(1) As the Group’s audited NTA as at 31 December 2009, 31 December 2010, 31 December 2011, 31 December 2016 and 31 December 2019 are negative, it is not meaningful to adopt the NTA as the basis to compute the materiality thresholds in relation to Rules 905 and 906 of the Catalist Rules for the said respective FYs. Upon consultation with SGX-ST, through the Sponsor, SGX-ST has advised the Company to determine the materiality of IPTs for the purpose of Rules 905 and 906 of the Catalist Rules based on the Company’s market capitalisation for the said respective FYs.

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3.4.3 On an aggregated basis, based on the latest audited NTA for the respective years, the Aggregate IPTs for: -

- (i) FY2019 is valued at S\$624,396 which represents approximately 28.6% of the Group's audited NTA as of 31 December 2018; and
- (ii) FY2016 is valued at S\$903,533 which represents approximately 43.2% of the Group's audited NTA as of 31 December 2015.

3.4.4 Further, as detailed in Sections 3.2.2 and 3.3.2 of this Circular, the Company's market capitalisation is used as a basis to compute the materiality thresholds in respect of Catalist Rules 905 and 906 for FY2020, FY2017, FY2012, FY2011 and FY2010. Based on the table above and the respective market capitalisation for the respective years, on an aggregated basis, the Aggregate IPTs for: -

- (i) FY2017 is valued at S\$823,101 which represents approximately 10.4% of the Company's market capitalisation as of 31 December 2016;
- (ii) FY2012 is valued at S\$1,151,578 which represents approximately 23.2% of the Company's market capitalisation as of 31 December 2011; and
- (iii) FY2011 is valued at S\$1,031,569 which represents approximately 6.2% of the Company's market capitalization as of 31 December 2010.

3.4.5 Given that the Aggregate IPTs mentioned in Sections 3.4.3 and 3.4.4 of this Circular have each crossed the 5.0% threshold under Rule 906(1)(b) of the Catalist Rules, Shareholders' prior approval to the ASTI Loans and the ASTI Corporate Support Services should have been obtained (the "**Proposed Ratification Transactions**").

3.5 The Proposed Ratification of the ASTI Loans

Accordingly, the Company now intends to ratify and seek Shareholders' approval of the prior ASTI Loans for FY2019, FY2017, FY2016, FY2012 and FY2011 at the EGM (the "**Proposed Ratification of the ASTI Loans**").

3.6 The Proposed Ratification of the ASTI Corporate Support Services

In addition, the Company also intends to ratify and seek Shareholders' approval for the ASTI Corporate Support Services Payments for FY2019, FY2017, FY2016, FY2012 and FY2011 at the EGM (the "**Proposed Ratification of the ASTI Corporate Support Services**").

3.7 Notice of Compliance

In view that the Company did not announce nor obtain Shareholders' approval for the ASTI Loans and ASTI Corporate Support Services given that the IPTs crossed 5% of the Group's NTA or the Company's market capitalization (as the case may be) for FY2019, FY2017, FY2016, FY2012 and FY2011 SGXRegCo issued a notice of compliance ("**Notice of Compliance**") to the Company on 1 July 2020, directing:

- (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.

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- (b) The Audit Committee to scrutinize the bases taken into consideration by the IFA in arriving at its opinion on the (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 recommendations taking into consideration the IFA opinion, and provide basis on whether the IPT 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 is 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 is to disclose via SGXNET, the findings of the internal audit on the past IPTs;
 - (iii) The Audit Committee is 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; and
 - (iv) The Audit Committee is to include in the scope of 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.
- 3.8 In relation to section 3.7(a) above, the Company has disclosed:
- (a) Circumstances leading to the failure to disclose and seek Shareholders' approval for the ASTI Loans and ASTI Corporate Support Services in section 3.12 of the Circular;
 - (b) The Group's current processes and procedures in monitoring and tracking IPTs and reasons for such lapses in section 4.7 of the Circular; and
 - (c) Processes and procedures put in place to prevent future lapses section 4.4 and section 8 of the Circular.
- 3.9 In relation to section 3.7(b) above, the Company has disclosed the Audit Committee's basis for recommending Shareholders to vote in favor of the Proposed Ratification of the ASTI Loans and ASTI Corporate Support Services and the IPT General Mandate, taking into consideration of IFA's opinion in section 12 of the Circular.
- 3.10 In relation to section 3.7(c) above, the Company has disclosed its plans and options in the event Shareholders reject the resolution to ratify the past ASTI Loans and ASTI Corporate Support Services in section 3.13 of the Circular.
- 3.11 In relation to section 3.7(d) above, the Company has provided a confirmation to SGX RegCo and the Sponsor that:
- (a) the Company will procure the internal auditor to report concurrently to SGX RegCo and the Audit Committee;

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- (b) the Company will disclose the findings of the internal audit on the past IPTs via SGXNET;
- (c) the Audit Committee will review the findings of the internal audit and ensure that specific plans and timelines to implement the recommendations of the internal auditor are announced. The Audit Committee shall be satisfied that there are adequate and effective internal controls over IPTs and update shareholders on their opinion and basis accordingly; and
- (d) the Audit Committee will include IPTs and its processes and procedures as part of the internal audit scope on an annual basis, for as long as the Group enters into IPTs.

3.12 Background information of the Proposed Ratification Transactions

- 3.12.1 The inadvertent oversight was discovered when the former Financial Controller enquired with the Sponsor whether the ASTI Corporate Support Services should be deemed as IPTs. Thereafter, the Sponsor sought clarification from the Company regarding the nature of the ASTI Corporate Support Services, and the reason(s) for these services being deemed as non-IPTs throughout the years. The Company informed the Sponsor that this was the case as the Company had previously received professional advice that the ASTI Corporate Support Services were deemed reimbursements to ASTI for the purpose of employee remuneration, and accordingly, were considered "transactions" that are not required to comply with Chapter 9 of the Catalist Rules.
- 3.12.2 However, having taken into consideration the Company's representations, the Sponsor was of the view that the ASTI Corporate Support Services should be deemed as IPTs and thus be subject to Chapter 9 of the Catalist Rules. In view that the ASTI Corporate Support Services should be deemed as IPTs, the ASTI Corporate Support Services were aggregated with the ASTI Loans Interest Payments for each respective year accordingly, as these transactions were conducted with the same interested person pursuant to Rule 905(2) and 906(1)(b) of the Catalist Rules.
- 3.12.3 As the ASTI Corporate Support Services were not appropriately considered as IPTs by the Company, these services were hence not aggregated with the ASTI Loans Interest Payments over the years. It was also noted that there was no disclosure being made on the ASTI Loans Interest Payments pursuant to Rules 905 and 907 of the Catalist Rules despite that such interest payments should be regarded as IPTs. This was because the monthly interest incurred under the ASTI Loans amounted to less than S\$100,000 per month and thus the Company had deemed each of these monthly transactions to fall below the de minimis threshold of S\$100,000 as provided under Rule 905(3) and 906(2) of the Catalist Rules (even though the monthly interest should have been aggregated within the same financial year). In this regard, it was noted that 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.
- 3.12.4 Upon discovery of the inadvertent oversight towards the end of 2018, the Company, under the advice of its professional advisors, had commenced the process of ratifying these IPTs by, *inter alia*, extracting the relevant figures and values of the IPTs and identifying the respective financial years for which the value of the IPTs had crossed the materiality thresholds pursuant to Rule 906(1) of the Catalist Rules. The Company had also began obtaining quotes from the relevant professionals and appointing an independent financial adviser, internal auditors and lawyers for the purposes of drafting and preparing the circular to the Shareholders.

However, due to the following developments and transactions that had occurred during FY2019 as set out below, the Company required additional time to prepare for the ratification of these IPTs:

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- (i) The Company had, on 7 September 2018, issued the circular to seek Shareholders' approval for, amongst others, the proposed issuance and allotment of consideration shares and the proposed transfer of controlling interest to Mr. Seah, Executive Director and Chief Executive Officer of the Company, in relation to the proposed acquisition of Yumei Group ("**Proposed Acquisition**"). The Proposed Acquisition was subsequently completed on 4 December 2018;
- (ii) The Company was also involved in several other transactions, including, but not limited to, the proposed disposal of Microfits (Beijing) Technology Co., Ltd, its wholly-owned subsidiary, which was announced on 28 September 2018;
- (iii) The Company had also been involved in the preparation of the unaudited full year financial statements results announcement of the Group for FY2018, which required additional time and resources due to the completion of the Proposed Acquisition. The Company had also obtained a one-month extension for the release of its results announcement for FY2018;
- (iv) Subsequent to the release of its unaudited financial statement results announcement for FY2018, the Company was in the midst of preparing for the audit of the Group for FY2018, and the preparation of its annual report. However the Company had to apply for an extension of time to release its annual report and to hold its annual general meeting for FY2018 (please refer to the Company's announcements dated 3 July 2019, 13 June 2019, 16 May 2019, 18 April 2019 and 15 April 2019 for more details as the Group and its external auditors, Ernst & Young LLP were unable to finalize its audit for FY2018 in time due to certain outstanding matters that prevented it from finalising the accounts and the annual report for FY2018, and the said annual report was only released on 15 July 2019; and
- (v) In the midst of preparation of the IPT Announcement, the Company was informed that its former subsidiary, ASA Multiplate intended to enter into a tenancy agreement with Telford. As provided provided under Rule 916(1) of the Catalist Rules, the Company could rely on the exemption to seek shareholders' approval for the transaction if the lease duration is not more than 3 years, and the terms of the lease are supported by independent valuation. Taking this into consideration, the Company proceeded to obtain a valuation report for the rental premises, which was obtained in January 2020, while preparing the IPT announcement and including the said transaction, as set out in the IPT announcement.

In the midst of preparation of this Circular, the Company had also entered into a sale and purchase agreement dated 11 August 2020 with M and R Integrated Solution Sdn Bhd in relation to the proposed disposal of its entire interest in ASA Multiplate. representing 90% of the issued and paid-up share capital in ASA Multiplate. The Company has also separately entered into a sale and purchase agreement dated 31 October 2020 with M and R Manufacturing Sdn Bhd in relation to the Company's proposed disposal of its entire issued and paid-up share capital of Microfits. Both disposals of ASA Multiplate and Microfits were subsequently completed on 31 December 2020 and 20 January 2021 respectively.

With the conclusion of the above-mentioned transactions and developments, the Company intends to ratify and seek Shareholders' approval for the Proposed Ratification Transactions.

3.13 Plans and Options of the Company

As at the Latest Practicable Date, the outstanding ASTI Loans stands at S\$6,631,796 and an aggregate of S\$459,867 of interest payments under the ASTI Loans are still owed to ASTI.

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Separately, all the ASTI Corporate Support Services Payments since FY2010 have been paid except for ASTI Corporate Support Services received in FY2018 (the fees of which was waived by ASTI), FY2019, FY2020 and up to the Latest Practicable Date. The total outstanding ASTI Corporate Support Services Payments is S\$833,333 which requires ratification and Shareholders' approval of the Proposed Ratification of the ASTI Corporate Support Services before payment can be made and/or conversion into a debt under the Consolidated ASTI Loan Agreement (as defined under Section 5.1 of the Circular).

In the event the Shareholders do not approve the Proposed Ratification Transactions, the Company will not be able to recover any of the monies which have already been paid to ASTI. As stated in section 3.2.3, most of the ASTI Loan Interest Payments and ASTI Corporate Support Services Payments charged have been paid over the years via the subscription monies for ASTI's subscription to their *pro-rata* entitlement to their right shares and excess right shares in the Rights Issue 2012 and Rights Issue 2017. Further, part of the proceeds raised from the Rights Issue 2012 was used to repay part of the outstanding ASTI Loans (including the ASTI Loans Interest Payments) then. It is almost impossible to sustain any claim for repayment of the ASTI Loan Interest Payments and ASTI Corporate Support Services Payments given that the ASTI Loans and ASTI Corporate Support Services have been duly utilised by the Company.

Further, should the Shareholders not vote in favour of the Proposed Ratification Transactions, ASTI may commence legal proceedings against the Company as the Company cannot refuse to settle the outstanding ASTI Loans, ASTI Loan Interest Payments and ASTI Corporate Support Services. This is because ASTI has the right to demand payment of the outstanding ASTI Loans, ASTI Loans Interest Payments and ASTI Corporate Support Services and commence legal proceedings to enforce their rights and may, in all probability, obtain a judgment against the Company. In such a circumstance, the Company will be liable to pay the ASTI Loans, ASTI Loan Interest Payments and ASTI Corporate Support Services and the legal costs involved.

In the event the Proposed Ratification of the ASTI Corporate Support Services and Proposed Adoption of IPT General Mandate resolutions are not approved, the Company will also have to cease utilising the ASTI Corporate Support Services, which is highly prejudicial to the interest of the Company as the Company will be put to greater cost, expenses and inconvenience to constitute its own finance, legal, human resource and administrative team and to purchase its own office space and set of equipment.

4. THE PROPOSED ADOPTION OF THE IPT GENERAL MANDATE

4.1 Rationale for and Benefit of the IPT General Mandate

4.1.1 As the ASTI Corporate Support Services provided by ASTI are necessary for the Group's day-to-day operations and it allows the Group to enjoy various economies of scale, it would therefore not be prudent to cease the ASTI Corporate Support Services as such an action would be highly prejudicial to the interest of the Company, and will not be in the best interest of the Shareholders. The Company therefore intends to continue relying on ASTI for the provision of ASTI Corporate Support Services. Accordingly, the Company intends to seek Shareholders' approval for the Proposed Adoption of the IPT General Mandate provided such IPTs are carried on normal commercial terms and will not be prejudicial to the Company and/or its minority shareholders. The IPT General Mandate if granted by shareholders, will be subject to annual renewal.

4.1.2 As the ASTI Corporate Support Services will continue to accrue every year, Shareholders' approval will have to be obtained each time the 5.0% threshold under Rule 906(1) of the Catalist Rules is exceeded. The Proposed Adoption of the IPT General Mandate will eliminate the need for the Company to announce and convene separate general meetings on each occasion to seek Shareholders' approval for such transactions. This will substantially reduce the expenses associated with the convening of general meetings (including the engagement of external advisers and preparation of documents) on an ad-

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hoc basis, will improve administrative efficacy considerably and will allow manpower resources and time to be channelled towards attaining other business objectives available to the Company.

- 4.1.3 The Company is therefore now seeking Shareholders' approval for the IPT General Mandate pursuant to the requirements of Chapter 9 of the Catalist Rules to allow the Entity at Risk to enter into, in the ordinary course of business, any of the Mandated Transactions with ASTI, provided that such transactions are made on normal commercial terms, and will not be prejudicial to the interests of the Company and its minority Shareholders, and in accordance with the review procedures for such transactions.

4.2 Classes of Interested Persons

The IPT General Mandate will apply to the Mandated Transactions that are carried out between any Entity at Risk and the Mandated Interested Person, ASTI Group.

4.3 Nature and scope of the Mandated Transactions with ASTI

The IPT General Mandate will apply to the following category of transactions with ASTI:

ASTI Corporate Support Services

The IPT General Mandate covers the ASTI Corporate Support Services, which includes the receipt of management and support services from ASTI, such as in the areas of finance, treasury, investment risk review, governmental relations, business development, management information systems, human resources and staff secondment, management and development, accounting, legal, corporate secretarial, public relations, tax, internal audit, central purchasing and other administrative services including computer-based services, and payments in relation to the same.

For the avoidance of doubt, there will be no sale or purchase of assets, undertakings or businesses covered under the scope of the IPT General Mandate. IPTs which do not come within the ambit of the IPT General Mandate (including any renewal thereof) will be subject to the requirements of Chapter 9 of the Catalist Rules and/or other applicable provisions of the Catalist Rules.

4.4 Guidelines and Review Procedures

Having regard to the nature of the IPTs and the criteria in establishing the review procedures which are to ensure that such review procedures are adequate and/or commercially practicable in ensuring that the IPTs will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and the minority Shareholders, the guiding principle is that all IPTs with Interested Persons shall be conducted in accordance with the Group's usual business practices and pricing policies, consistent with the usual profit margins, prices, fees or rates extended to or received by the Group for the same or substantially similar type of transactions between the Group and unrelated third parties, and the terms of the IPTs are (a) not more favourable to the Interested Persons compared to those extended to unrelated third parties, or (b) not less favourable to the Group than the terms offered by unrelated third parties.

The Group will establish the following review procedures for the ASTI Corporate Support Services:

- (i) the Group will obtain from ASTI, on a quarterly basis, the details of all the staff in the relevant departments of ASTI (the "**Relevant ASTI Staff**") who had provided services to the Group during the quarter pursuant to the Corporate Support Services Agreement. Such details will include the following:
 - a. the name of the Relevant ASTI Staff;

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- b. the monthly remuneration (including but not limited to salary, bonus and employer CPF contribution) of the Relevant ASTI Staff;
- (ii) the resultant estimated costs incurred by the ASTI Group for the provision of the ASTI Corporate Support Services to the Group (the “**Estimated ASTI Costs**”) which shall be determined on a pro-rated basis taking into consideration, *inter alia*, the remuneration and estimated percentage of time spent by the Relevant ASTI Staff assigned to perform the services to the Group for that quarter;
- (iii) an Executive Director or Chief Executive Officer of the Company (or an officer of equivalent rank as designated by the Audit Committee), who shall not have any direct or indirect interest in the ASTI Corporate Support Services, will review and endorse the Estimated ASTI Costs at the end of each quarter. In the event that the Group is of the view that the Estimated ASTI Costs for a particular quarter may not be accurate or are estimated to be lower than the ASTI Corporate Support Services Payments of S\$150,000 for that particular quarter (on the basis that the ASTI Corporate Support Services Payments are capped at S\$600,000 per annum), the Group will inform the ASTI Group and record the ASTI Corporate Support Services Payments based on a mutually-agreed Estimated ASTI Costs for that quarter based on, *inter alia*, the estimated time spent by the Relevant ASTI Staff; and
- (iv) the finance department of the Company will, on an annual basis, tabulate the aggregate quarterly Estimated ASTI Costs (collectively, the “**Aggregate Costs**”). In the event that the Aggregate Costs are lower than S\$600,000, the Group will seek a refund of the shortfall from the ASTI Group and/or re-negotiate with the ASTI Group on the ASTI Corporate Support Services Payments stipulated in the ASTI Corporate Support Services Agreement, taking into consideration relevant factors including, but not limited to, the on-going requirements of the Group for the Relevant ASTI Staff, the estimated percentage of time spent by the Relevant ASTI Staff, the efficiency, expertise and familiarity of the work processes of the Relevant ASTI Staff, and additional staff costs to be incurred by the Group if it were to hire its own permanent staff and any other related costs. Should the Aggregate Costs fall below S\$600,000 per annum, the ASTI Corporate Support Service Payments will be rounded down to the nearest multiple of S\$50,000.

In addition to the above, the Company will implement additional guidelines and review procedures as set out in sections 8.2 to 8.6 to ensure that the ASTI Corporate Support Services are undertaken on an arm’s length basis and on normal commercial terms.

4.5 Expiry and Renewal of the IPT General Mandate

The IPT General Mandate will take effect from the date of receipt of Shareholders’ approval, and will (unless revoked or varied by the Company in general meeting) continue in force until the next AGM of the Company and will apply to IPTs entered into with ASTI from the date of receipt of Shareholders’ approval. Approval from Shareholders will be sought for the renewal of the IPT General Mandate at each subsequent AGM, subject to satisfactory review by the Audit Committee of its continued application to the IPTs with ASTI.

4.6 Disclosure to Shareholders of the IPTs

In accordance with Rule 920(1)(a) of the Catalist Rules, the Company will disclose in its annual report the aggregate value of the IPTs conducted pursuant to the IPT General Mandate during the FY under review (as well as in the Company’s annual reports for subsequent FYs that the IPT General Mandate continues to be in force). In addition, the Company will announce the aggregate value of the IPTs conducted pursuant to the IPT General Mandate for the financial periods which the Company is required to report on (pursuant to Rule 705 of the Catalist Rules) within the time required for the announcement

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of such report. These disclosures will be in the format set out in Rule 907 of the Catalyst Rules, as shown below, which includes the disclosure of all other IPTs carried out during the relevant financial periods and FY under review as well.

Name of interested person	Nature of relationship	Aggregate value of all interested person transactions entered into during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under the shareholders' mandate pursuant to Catalyst Rule 920)	Aggregate value of all interested person transactions conducted under the shareholders' mandate pursuant to Catalyst Rule 920 (excluding transactions less than S\$100,000)

Previously, the Company had inadvertently omitted to disclose accordingly in the respective annual reports pursuant to Rule 907 of the Catalyst Rules, despite that the Aggregate IPTs (being the ASTI Loans Interest Payments and the ASTI Corporate Support Services) amounted to over S\$100,000 in the FYs from FY2010 to FY2017.

Separately, the Company has also not made any separate announcements as required under Rule 905 of the Catalyst Rules in relation to the ASTI Loans Interest Payments and ASTI Corporate Support Services from FY2010 to FY2019.

As mentioned in Section 3.1.4 of this Circular, 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 to-date without any approval or mandate from Shareholders. Despite the expiry of the 2008 IPT Mandate in FY2010, the Company had incorrectly disclosed the ASTI Corporate Support Services as IPTs conducted under the Shareholders' mandate (as required under Catalyst Rule 907) in the annual report for FY2010). The annual reports for the subsequent years up till FY2017 did not reflect the ASTI Corporate Support Services as IPTs pursuant to Rule 907 of the Catalyst Rules as well.

4.7 Interim remedial actions taken by the Company

Upon discovery of the inadvertent oversight to seek the requisite Shareholders' approval for the ASTI Loans Interest Payments and ASTI Corporate Support Services required in accordance to Rule 906(1) of the Catalyst Rules, the Company has not made any further principal and interest payment to ASTI from December 2018 and to-date for the ASTI Loans.

The Board had confirmed to the Sponsor, along with a confirmation from the Company to the Board, that the Company will not enter into any more loan agreements with ASTI and that it will not repay the outstanding ASTI Loans and the interest outstanding from FY2018 to-date, until the requisite Shareholders' approval is sought for the ratification and approval of the Proposed Ratification of the ASTI Loans, as payment of the same will not be in compliance with the Catalyst Rules.

As the Board is of the view that ceasing the ASTI Corporate Support Services will be highly prejudicial to the interest of the Company, and will not be in the best interest of the Shareholders as these Corporate Support Services are necessary for the Group's day-to-day operations and it allows the Group to enjoy economies of scale by utilizing such ASTI Corporate Support Services as discussed in Section 3.3.1 of this Circular, the Board is of the view that the ASTI Corporate Support Services should be allowed to continue for the time being. The Company however will not make any payment to ASTI for the ASTI Corporate Support Services in the meantime until the Proposed Adoption of the IPT General

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Mandate has been approved by the Shareholders and ASTI has also agreed to waive the payments due under the ASTI Corporate Support Services for FY2018 upon discovery of the failure to seek the requisite shareholders' approval for the Aggregate IPTs.

From FY2013 up to FY2018, the Company had engaged Baker Tilly TFW LLP as the internal auditors. There were no internal auditors appointed for FY2010 and FY2012. As for FY2011, the Company had engaged Deloitte & Touche Enterprise Risk Services Pte Ltd to review the internal controls of certain areas in the Company. The IPTs were not included as part of the internal auditors' scope of work for those years in which internal audit was carried out by the internal auditors.

Upon the discovery of the oversight, the Company has since engaged the New IA to review the Group's current IPT procedures and to recommend improvements in relation to the same. The New IA will also review future IPT transactions on a yearly basis and present their findings to the Audit Committee.

For completeness, the Company's previous management was aware of the IPT requirements and had adhered to the IPT processes such as the annual submission by directors, the quarterly review and updating of the IPT list and the quarterly IPT disclosure announcement was presented to and approved by the Audit Committee and Board before the release of such announcement.

Despite the foregoing, there was an inadvertent oversight by the Company for the various IPTs due to the following reasons:

- (i) In relation to the ASTI Loans Interest Payments, as each interest payment for the ASTI Loans per month were below S\$100,000, the Company treated the ASTI Loans Interest Payment as exempted under Chapter 9 of the Catalist Rules. The Company had also interpreted from the professional advice received at that time that the professional advisors concurred with this position.
- (ii) In relation to the ASTI Corporate Support Services, a 2008 IPT Mandate was obtained on 22 October 2008 and the said mandate was to continue for FY2008 and FY2009. Following the lapse of the 2008 IPT Mandate on 1 January 2010, the Company had failed to seek a fresh mandate as the Company had treated the ASTI Corporate Support Services transactions as a recovery of expenses paid on behalf of the Company and as such were not deemed as IPTs by the Company.

The Company has since implemented new policies and procedures relating to IPTs to prevent future breaches.

Since 1 July 2019, the Company has already started adopting its new policies and procedures relating to IPTs. The revised IPT policy was drawn up, taking into account of the advice from the New IA. Moving forward, any new policies and procedures relating to IPTs that may be adopted, the Company will seek the advice from the New IA on best practices before implementation and the said policy will also be submitted to the Audit Committee and Board for their respective review and endorsement.

In addition, moving forward the Company will be disclosing to the Audit Committee and Board at the quarterly Audit Committee and Board meetings all transactions with Interested Persons regardless of whether:

- (i) the transaction is considered an IPT pursuant to Chapter 9 of the Catalist Rules;
- (ii) the individual transaction is below the de minimis threshold of S\$100,000 as provided under Rule 905(3) and 906(2);
- (iii) the relevant thresholds under Chapter 9 of the Catalist Rules are met (requiring an immediate announcement or the approval of the Shareholders or otherwise).

This will allow both the Audit Committee and Board to review and discuss such transactions

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with management so that the appropriate actions can be taken.

The Audit Committee having reviewed the interim measures taken by the Company as provided in Section 4.7 of this Circular, is satisfied with the measures to be taken/taken by the Group. The Audit Committee will also endeavor to implement the policies as recommended by the New IA in due course.

4.8 Confirmation by the Board

Taking into consideration the above interim remedial actions, the Board also confirms and undertakes the following:

- (i) The non-disclosure of the IPTs and failure to seek the requisite shareholders' approval for the said IPTs is an isolated event and save for these IPTs, the Board is not aware of any other matters which warrant disclosure under the Catalist Rules and are not being disclosed to the public.
- (ii) The Board undertakes that it will include the review of the adequacy and effectiveness of the interested person transactions policy and procedures as part of the scope of the internal audit on an annual basis.
- (iii) The payment for the ASTI Corporate Support Services allows the Group to outsource its administrative functions, and to leverage and benefit from the economies of scale already enjoyed by ASTI through the centralization of all ASTI Corporate Support Services for ASTI's other subsidiaries and associates. Additionally, ASTI had not been revising the fees for ASTI Corporate Support Services for several years, and had offered discounts in the fees charged for FY2010 and FY2011, including the waiver of fees in FY2018. The fees for FY2019 and FY2020 were lower due to lower staff costs incurred as a result of staff attrition.
- (iv) Accordingly, the Board is of the view that there had been no prejudice to the Shareholders as the Proposed Ratification Transactions had been undertaken to support the business and the operations of the Group, which are carried out in the interests of the Company.
- (v) Anthony Loh, being the current Vice President, Finance of the Group has over 20 years of experience in finance and extensive working experience in multinational corporations, Temasek-linked companies and small and medium-sized enterprises. Accordingly, the Audit Committee and the Board are of the view that there is sufficient manpower and expertise in the Finance Department of the Company to handle the financial and compliance matters of the Group.
- (vi) Taking into consideration the above remedial actions taken by the Company set out in Section 4.7 above, as well as the expertise and experience of the finance function of the Group, the Board is of the view that the remedial actions, in addition to the Group's existing internal controls, will be adequate and effective for the internal controls of the Group.

5 THE PROPOSED ENTRY INTO THE NEW CONSOLIDATED LOAN AGREEMENT WITH ASTI AS AN INTERESTED PERSON TRANSACTION

5.1 Overview

As at the Latest Practicable Date, a total of S\$6,631,796 has been extended by ASTI to the Company under all the existing ASTI Loans. Moving forward, the Company proposes to consolidate all existing ASTI Loans by terminating all existing ASTI Loans and entering into a single loan agreement with ASTI ("**Consolidated ASTI Loan**"). In addition, at the end of the first month after every financial year (i.e. in January of the next FY), any unpaid ASTI Corporate Support Services and unpaid ASTI Loans Interest Payments will be treated as a

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debt incurred by the Company and automatically be deemed as a loan extended by ASTI, subject to a loan facility of S\$10,000,000.

Currently, the aggregate unpaid ASTI Corporate Support Services and unpaid ASTI Loans Interest Payments amounting to S\$25,932, S\$624,396 and S\$593,185 for FY2018, FY2019 and FY2020 respectively have not been converted to a debt yet and will be converted accordingly upon obtaining Shareholders' approval for the Proposed Entry into the New Consolidated Loan Agreement with ASTI. The ASTI Corporate Support Services for FY2018 was waived.

While the interest payments under the Consolidated ASTI Loan for FY2020 do not cross the 5% threshold under Rule 906 of the Catalist Rules and hence do not require the approval of the Shareholders, the Company intends to seek the approval of the independent Shareholders now for the proposed entry into the Consolidated ASTI Loan so that the Company will not be required to seek the approval of independent Shareholders in the event that the 5% threshold is subsequently crossed.

5.2 Principal Terms of the Consolidated ASTI Loan

Proposed Loan Facility : Loan facility of up to S\$10,000,000, with S\$6,631,796 (which is the equivalent sum that has already been extended to the Company under the existing ASTI Loans) to be deemed extended upon the entry of the Consolidated ASTI Loan

Lender : ASTI Holdings Limited

Borrower : Advanced Systems Automation Limited

Drawdown : At the end of the first month (i.e. January) after every financial year, any unpaid ASTI Corporate Support Services Payments and unpaid ASTI Loan Interest Payments will be treated as a debt incurred by the Company and automatically be considered as a loan extended by ASTI, subject to the facility limit of S\$10,000,000

For the avoidance of doubt, other than the existing ASTI Loans amounting to S\$6,631,796 being deemed as drawdown and the conversion of unpaid ASTI Corporate Support Services Payments and unpaid ASTI Loan Interest Payments into a debt, no new funds will be drawn down from the loan facility.

Repayment : The borrower shall pay to the order of lender the principal amount of the loan and unpaid interest by the Scheduled Repayment Date and the parties agree that the loan is payable on demand

The borrower may prepay all or any part of the loan (including accrued interest thereon) from time to time and at any time, in whole or in part.

"Scheduled Repayment Date" is defined to mean 3 years from the date of the disbursement of the loan by the lender to the borrower.

For the avoidance of doubt, the Scheduled Repayment Date is 31 December 2023.

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Interest : The interest rate shall be pegged to the sum of the
Rate : prevailing 1-month SIBOR (or such other rate that
might replace the SIBOR) and the Inland Revenue
Authority of Singapore's indicative margin for related-
party loans and/or the average prevailing 12-month
average Malaysian Ringgit fixed deposit rate from Bank
Negara Malaysia, as the case may be, per annum
commencing on the date of the disbursement until such
sum is repaid in full

Such interest shall accrue monthly on the amount of
the loan extended by ASTI. The amount of loan
extended by ASTI will be determined by the Company
in January of each financial year, factoring in any
unpaid ASTI Corporate Support Services Payments
and unpaid ASTI Loan Interest Payments accrued in
the preceding year.

As an illustration, based on the prevailing 1-month SIBOR of 0.25% and the Inland Revenue Authority of Singapore's indicative margin for related party loans of 2.75% per annum as at the Latest Practicable Date, the interest rate of the Consolidated ASTI Loan will be 3.00% per annum and the maximum value at risk to the Company is S\$900,000 being the total value of the interest payments due under the Consolidated ASTI Loan for a 3 year period assuming the full loan facility of S\$10,000,000 is extended by ASTI ("**Consolidated ASTI Loan Transaction Value**"), which represents approximately 4.0% of the Company's market capitalisation as at 31 December 2019.

For the avoidance of doubt, as the Group's latest audited NTA as at 31 December 2019 is negative, the Company used the market capitalisation of the Company as at 31 December 2019 as the benchmark to calculate the relevant threshold under Rule 905(1) of the Catalist Rules. As the Consolidated ASTI Loan Transaction Value does not exceed the 5% threshold under Rule 906 of the Catalist Rules, the proposed entry into the Consolidated ASTI Loan is not subject to the approval of the independent Shareholders. Notwithstanding, the Company still intends to seek the approval of the independent Shareholders for the proposed entry into the Consolidated ASTI Loan so that the Company will not be required to seek the approval of independent Shareholders in the event that the 5% threshold is subsequently crossed.

5.3 Rationale and benefit of the Consolidated ASTI Loan

The Company is of the view that the entry into the Consolidated ASTI Loan will have the benefit of allowing the Company and the Group to continue their operations with minimal restrictions. In addition, approving the entry into the Consolidated ASTI Loan will also provide the Company with the ability and flexibility to pay the interest payments due under the Consolidated ASTI Loan in the event that the 5% threshold under Rule 906 of the Catalist Rules is subsequently crossed.

The interest rate charged by ASTI for the provision of the Consolidated ASTI Loan is, in the Company's view, no less favourable than the rates charged by third party financial institutions.

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5.4 The Proposed Entry into the New Consolidated Loan Agreement with ASTI as an Interested Person Transaction

Accordingly, the Company now intends to seek Shareholders' approval for the entry into the Consolidated ASTI Loan at the EGM (the "**Proposed Entry into the New Consolidated Loan Agreement with ASTI as an Interested Person Transaction**").

5.5 Total Value of Interested Person Transactions with ASTI

The Company's former subsidiary, ASA Multiplate (M) Sdn Bhd, entered into a tenancy agreement with Telford on 1 July 2019 ("**Tenancy Agreement**"). The value of the Tenancy Agreement is S\$177,282. The Tenancy Agreement has been terminated on 31 December 2020, following the disposal of ASA Multiplate.

For FY2020 and up to Latest Practicable Date:

- (i) the aggregate value of all transactions between the Company and ASTI (excluding transactions which are less than S\$100,000, the ASTI Corporate Support Services, ASTI Loan Interest Payments and the Proposed Entry of the New Consolidated Agreement) is approximately S\$118,188, which represents approximately 0.5% of the FY2019 market capitalisation; and
- (ii) the total value of all IPTs entered into by the Company and ASTI is approximately S\$2,261,000, which represents approximately 10.1% of the FY2019 market capitalisation.

For the avoidance of doubt, as the Group's latest audited NTA as at 31 December 2019 is negative, the Company used the market capitalisation of the Company as at 31 December 2019 as the benchmark to calculate the relevant threshold under Rule 905(1) of the Catalyst Rules.

6 THE PROPOSED ENTRY INTO THE NEW LOAN AGREEMENT WITH DATO' MICHAEL LOH SOON GNEE AS AN INTERESTED PERSON TRANSACTION

6.1 Overview

Dato' Loh who is the former Executive Chairman and former Chief Executive Officer of the Company up until 7 April 2020 and is a controlling shareholder of the Company. He holds 4,444,444,444 Shares, representing approximately 19.91% of the total issued share capital of the Company as at the Latest Practicable Date. Dato' Loh also owns 19.89% shareholding interest in ASTI and he is also the Executive Director and Chief Executive Officer, as well as a controlling shareholder of ASTI.

Accordingly, Dato' Loh (being a controlling shareholder of the Company) is considered an Interested Person and all transactions entered into between the Group and Dato' Loh will each constitute an IPT for the purposes of Chapter 9 of the Catalyst Rules.

The Company intends to enter into a loan agreement with Dato' Loh, pursuant to which Dato' Loh will extend loans of up to S\$2.5 million for a period of 1 year with an interest rate of 5% per annum ("**LSG Loan Agreement**"). The LSG Loan Agreement will be denominated in Singapore dollars, will be unsecured and due as and when recalled by Dato' Loh. Dato' Loh has also provided a letter of financial undertaking and continuing financial support to the Company that, *inter alia*, he will not demand repayment of the amounts due from the Company until such time the Company is in a position to repay the balance without prejudicing its ability to continue as a going concern.

The value at risk of the LSG Loan Agreement to the Company, being the interest payable to Dato' Loh, is S\$125,000, which represents approximately 0.6% of the market capitalisation of the Group as at 31 December 2019.

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6.2 The Principal Terms of the LSG Loan Agreement

The principal terms of the LSG Loan Agreement are set out below:

Principal Amount	:	S\$2,500,000
Lender	:	Dato' Michael Loh Soon Gnee
Borrower	:	Advanced Systems Automation Limited
Repayment	:	The borrower shall pay to the order of lender the principal amount of the loan and unpaid interest by the Scheduled Repayment Date and the parties agree that the loan is payable on demand

The borrower may prepay all or any part of the loan (including accrued interest thereon) from time to time and at any time, in whole or in part.

"Scheduled Repayment Date" is defined to mean twelve months from the date of the drawdown of the loan by the lender to the borrower.

Interest Rate	:	5% per annum commencing on the date of the drawdown until such sum is repaid in full
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Such interest shall accrue monthly on the outstanding principal amount of the loan. No interest shall be charged on any accrued interest.

6.3 Rationale for and Benefits of the LSG Loan Agreement

As the Group was unable to obtain the necessary bank financing, except for the Yumei Group Loans, and to allow the Group to continue its operations with minimal disruptions, the Company expects to rely on the LSG Loan Agreement for the Group's working capital requirements and to meet the Group's current liabilities as and when they fall due.

6.4 Current and on-going IPTs with Dato' Loh

At present, Dato' Loh has on 30 May 2019 (the "**May Loan Agreement**") and 29 July 2019 (the "**July Loan Agreement**") extended loans amounting to S\$500,000.00 and S\$300,000.00 respectively to the Company. Both loans are denominated in Singapore dollars, are unsecured and are due as and when recalled by Dato' Loh.

The principal terms of the May Loan Agreement and July Loan Agreement are set out below:

6.4.1 The May Loan

Principal Amount	:	S\$500,000.00
Lender	:	Dato' Michael Loh Soon Gnee
Borrower	:	Advanced Systems Automation Limited
Repayment	:	The borrower shall pay to the order of lender the principal amount of the loan and unpaid interest by the Scheduled Repayment Date and the parties

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agree that the loan is payable on demand.

The borrower may prepay all or any part of the loan (including accrued interest thereon) from time to time and at any time, in whole or in part.

“Scheduled Repayment Date” is defined to mean six months from the date of the disbursement of the loan by the lender to the borrower.

Interest Rate : 5% per annum commencing on the date of the disbursement until such sum is repaid in full

Such interest shall accrue monthly on the outstanding principal amount of the loan. No interest shall be charged on any accrued interest.

6.4.2 The July Loan

Principal Amount : S\$300,000.00

Lender : Dato’ Michael Loh Soon Gnee

Borrower : Advanced Systems Automation Limited

Repayment : The borrower shall pay to the order of lender the principal amount of the loan and unpaid interest by the Scheduled Repayment Date and the parties agree that the loan is payable on demand.

The borrower may prepay all or any part of the loan (including accrued interest thereon) from time to time and at any time, in whole or in part.

“Scheduled Repayment Date” is defined to mean six months from the date of the disbursement of the loan by the lender to the borrower.

Interest Rate : 5% per annum commencing on the date of the disbursement until such sum is repaid in full

Such interest shall accrue monthly on the outstanding principal amount of the loan. No interest shall be charged on any accrued interest.

The value-at-risk to the Group, being the aggregate interest payable to Dato’ Loh for the May Loan Agreement and July Loan Agreement, stands at S\$40,110 for FY2020 and is below S\$100,000, and Rules 905(1), 905(2) and 906(1) of the Catalist Rules hence did not apply to the May Loan Agreement and July Loan Agreement.

However, upon the proposed entry of the LSG Loan Agreement, the total value of all IPTs with Dato’ Loh for FY2020 and up to Latest Practicable Date, including the May and July Loans, will be S\$168,507. As the S\$100,000 threshold will be crossed, Rules 905(1), 905(2) and 906(1) of the Catalist Rules will hence apply to the May Loan Agreement, July Loan Agreement and the LSG Loan Agreement (the “**Dato’ Loh Loan Agreements**”).

While the interest payments under the Dato’ Loh Loan Agreements at present do not cross the 5% threshold under Rule 906 of the Catalist Rules and hence do not require the approval of the Shareholders, the Company intends to seek the approval of the independent

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Shareholders now for the Proposed Entry into the LSG Loan Agreement so that the Company will not be required to seek the approval of independent Shareholders in the future when the 5% threshold is subsequently crossed.

Under the first limb of Rule 908(1) of the Catalist Rules, it provides that transactions between (a) an entity at risk and a primary interested person; and (b) an entity at risk and an associate of that primary interested person, are deemed to be transactions between an entity at risk with the same interested person. The first limb of Rule 908(1) of the Catalist Rules will therefore only require the IPTs of ASTI and Dato' Loh to be aggregated in the event that ASTI is deemed an associate of Dato' Loh.

The second limb of Rule 908(1) of the Catalist Rules provides that transactions between (i) an entity at risk and a primary interested person; and (ii) an entity at risk and another primary interested person, are deemed to be transactions between an entity at risk with the same interested person if the primary interested person is also an associate of the other primary interested person. As both ASTI and Dato' Loh can each be considered primary interested persons with respect to ASA, the aggregation of their IPTs is only required in the event that ASTI is considered an associate of Dato' Loh.

While Dato' Loh holds 19.89% of the shares in ASTI and is hence considered a controlling shareholder of ASTI, he does not however hold the 30% threshold required to consider ASTI as an associate of Dato' Loh. The IPTs of Dato' Loh and ASTI will hence not be required to be aggregated under Rule 908(1) of the Catalist Rules.

6.5 The Proposed Entry into the New Loan Agreement with Dato' Michael Loh Soon Gnee as an Interested Person Transaction

Accordingly, the Company now intends to seek Shareholders' approval for the proposed entry into the LSG Loan Agreement at the EGM ("**Proposed Entry into the New Loan Agreement with Dato' Michael Loh Soon Gnee as an Interested Person Transaction**").

6.6 Total Value of Interested Person Transactions with Dato' Loh

For FY2020 and up to Latest Practicable Date, other than the interest incurred under the May Loan and July Loan and LSG Loan Agreement, no other transactions have been entered into between the Group and Dato' Loh. Accordingly, the total value of all IPTs entered into between the Group and Dato' Loh is approximately S\$168,507, which represents approximately 0.75% of the FY2019 market capitalisation.

7 THE PROPOSED ENTRY INTO THE NEW LOAN AGREEMENT WITH MR. SEAH CHONG HOE AS AN INTERESTED PERSON TRANSACTION

7.1 Overview

Mr. Seah Chong Hoe ("**Mr. Seah**") is an Executive Director, Chief Executive Officer, and a controlling shareholder of the Company. He holds 6,500,000,000 Shares, representing approximately 29.12% of the total issued share capital of the Company as at the Latest Practicable Date. Accordingly, Mr. Seah (being an Executive Director, Chief Executive Officer, and controlling shareholder of the Company) is considered an Interested Person and all transactions entered into between the Group and Mr. Seah will each constitute an IPT for the purposes of Chapter 9 of the Catalist Rules.

The Company intends to enter into a loan agreement with Mr. Seah, pursuant to which Mr. Seah will extend loans of up to S\$2.5 million for a period of 1 year with an interest rate of 5% per annum ("**SCH Loan Agreement**"). The SCH Loan Agreement will be denominated in Singapore dollars, will be unsecured and due as and when recalled by Mr. Seah. Mr. Seah has also provided a letter of financial undertaking and continuing financial support to the Company that, *inter alia*, he will not demand repayment of the amounts due from the Company until such time the Company is in a position to repay the balance without

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prejudicing its ability to continue as a going concern.

The value at risk of the SCH Loan Agreement to the Company, being the interest payable to Mr Seah, is S\$125,000, which represents approximately 0.6% of the market capitalisation of the Group as at 31 December 2019.

While the interest payments under the SCH Loan Agreement at present does not cross the 5% threshold under Rule 906 of the Catalist Rules and hence do not require the approval of the Shareholders, the Company intends to seek the approval of the independent Shareholders presently for the Proposed Entry into the SCH Loan Agreement so that the Company will not be required to seek the approval of independent Shareholders in the future in which the 5% threshold is subsequently crossed.

7.2 The Principal Terms of the SCH Loan Agreement

The principal terms of the SCH Loan Agreement are set out below:

Principal Amount	:	S\$2,500,000
Lender	:	Seah Chong Hoe
Borrower	:	Advanced Systems Automation Limited
Repayment	:	The borrower shall pay to the order of lender the principal amount of the loan and unpaid interest by the Scheduled Repayment Date and the parties agree that the loan is payable on demand

The borrower may prepay all or any part of the loan (including accrued interest thereon) from time to time and at any time, in whole or in part.

“Scheduled Repayment Date” is defined to mean twelve months from the date of the drawdown of the loan by the lender to the borrower.

Interest Rate	:	5% per annum commencing on the date of the drawdown until such sum is repaid in full
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Such interest shall accrue monthly on the outstanding principal amount of the loan. No interest shall be charged on any accrued interest.

7.3 Rationale for and Benefits of the SCH Loan Agreement

As the Group was unable to obtain the necessary bank financing, except for the Yumei Group Loans, and to allow the Group to continue its operations with minimal disruptions, the Company expects to rely on the SCH Loan Agreement for the Group’s working capital requirements and to meet the Group’s current liabilities as and when they fall due.

7.4 The Proposed Entry into the New Loan Agreement with Mr. Seah Chong Hoe as an Interested Person Transaction

Accordingly, the Company intends to seek the approval of Shareholders for the proposed entry into the SCH Loan Agreement at the EGM (“**Proposed Entry into the New Loan Agreement with Mr. Seah Chong Hoe as an Interested Person Transaction**”).

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7.5 Current and on-going IPTs with Mr Seah

At present, Pioneer Venture Pte Ltd (a subsidiary of ASA) has entered into a services Agreement with Yumei Plastic Pte. Ltd. wherein a sum of S\$96,000 is payable by Pioneer Venture Pte Ltd to Yumei Plastic Pte. Ltd. per year, which will continue for a period of three years (“**Yumei Services Agreement**”). As Yumei Plastic Pte. Ltd. is jointly owned by Mr Seah and his wife, it is considered an Associate of Mr Seah and accordingly, an Interested Person, for the purposes of Chapter 9 of the Catalist Rules.

For FY2020 and up to Latest Practicable Date, save for the above and the SCH Loan Agreement, no other transactions have been entered into between the Group and Mr Seah. Accordingly, the total value of all Interested Person Transactions entered into between the Group and Mr Seah is approximately S\$229,000, which represents approximately 1.0% of the market capitalisation of the Group as at 31 December 2019.

7.6 Aggregated IPTs

The total value of all Interested Person Transactions entered into by the Group and all Interested Persons during FY2020 and up to the Latest Practicable Date (including the Proposed Adoption of the IPT General Mandate, Proposed Entry into the New Consolidated Loan Agreement with ASTI, LSG Loan Agreement, SCH Loan Agreement and Yumei Services Agreement), is approximately S\$2,541,000, which represents 11.4% of the market capitalisation of the Group as at 31 December 2019.

8 IPT REVIEW PROCEDURES

8.1 Review procedures in relation to the New Loans

In addition to the review procedures in relation to the ASTI Corporate Support Services, the Group has also established review procedures in relation to the New Loans to ensure that all transactions with the relevant Interested Persons in relation to the New Loans are conducted on normal commercial terms and are not prejudicial to the interests of the Company and the Independent Shareholders.

The Review Procedures with regard to the New Loans are as follows:

(a) Obtaining of comparable quotations for comparison

Prior to any drawdown of the New Loans, the Group will obtain quotations from at least two other unrelated banks and/or financial institutions (the “**Financial Institutions**”) for the loan interest rates and terms of a substantially equivalent amount and for an equivalent period of the New Loans (the “**Loan Quotations**”).

(b) Independent review and approval prior to loan drawdown

Prior to any drawdown of the New Loans, the Vice President of Finance of the Company (or an officer of equivalent rank as designated by the Audit Committee) who has no direct or indirect interest in the transaction will review the terms of the loans under the New Loans against the Loan Quotations, and seek the approval of the Board for the transaction provided that the terms offered under the New Loans are not less favourable than those charged by the unrelated Financial Institutions, taking into consideration other relevant factors including, but not limited to, the administration fees payable, speed of loan approval, restrictions on fund usage and requisite security or collateral.

In the event that the quotations from at least two other unrelated Financial Institutions are not available for comparison, the Vice President of Finance of the Company (or an officer of equivalent rank as designated by the Audit Committee)

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who has no direct or indirect interest in the transaction will evaluate the benefits of and rationale for drawing down the New Loans to determine whether the terms of the New Loans are fair and reasonable, and seek the approval of the Board accordingly. Factors to be taken into consideration would include, but not be limited to, the availability of lenders, speed of loan approval, terms of recent loans obtained from unrelated Financial Institutions (where available), loan amount, the Reference Rates (as defined below), restrictions on fund usage and requisite security or collateral.

(c) Periodic monitoring by finance department

In respect of the outstanding loans drawn down under the New Loans, in order to ensure that the corresponding interest rates charged under the relevant New Loans remain competitive, the finance department of the Company will undertake the following:

- (a) review, at least on a quarterly basis, the relevant loan interest rates with reference to the prevailing prime lending rate published by the Association of Banks in Singapore (the “**Reference Rate**”); and
- (b) obtain, at least on an annual basis, the Loan Quotations from unrelated Financial Institutions (where available) for the interest rates and terms of a substantially equivalent amount and for an equivalent period of the amount(s) drawn down under the New Loans.

The finance department of the Company will review the relevant loan interest rates with reference to the relevant Reference Rate and/or the Loan Quotations (where available) to determine whether it would be in the interest of the Group to refinance or re-negotiate the interest rates on such outstanding loans.

In the event that the interest rates charged under the New Loans are determined to be uncompetitive and/or the Group is able to obtain comparable loan facilities at more competitive terms from other unrelated Financial Institutions, the Company will seek to re-negotiate the interest rates on the outstanding New Loans, failing which the Group may re-finance the relevant loans. Factors to be taken into consideration would include, but not be limited to, the applicable interest rates for the remaining loan tenures, the Reference Rates and/or the Loan Quotations (where available), administration fees payable, speed of loan approval, restrictions on fund usage and requisite security or collateral. In the event that the basis for determining interest rates of the New Loans will be different from those stated in this Circular, the Company will consult the Audit Committee and the Board of Directors.

8.2 Approval and Review Threshold Limit

In addition to and as part of the guidelines and review procedures set out in section 4.4 (in relation to the IPT General Mandate) and section 8.1 (in relation to the New Loans) above, all future IPTs (of transactions with a value, whether considered individually or upon aggregation in accordance with Rules 905(5) and 906(4) of the Catalist Rules, equal to or exceeding S\$100,000) where the value is equal to or exceeds three per cent (3%) of the Group’s audited NTA (based on the latest audited consolidated accounts) or the Company’s market capitalisation as at the most recently completed financial year end (as the case may be) shall require the prior review and approval of the Board. Furthermore, if the NTA continues to be negative, the Company will consult the SGX-ST on the appropriate benchmark to use to calculate the threshold pursuant to Rule 905(4) and 906(3) of the Catalist Rules.

The approval threshold set out above is adopted by the Company after taking into account, *inter alia*, the nature, volume, recurrent frequency and size of the transactions as well as the Group’s day-to-day operations, administration and businesses. The threshold limit is arrived

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at with the view to strike a balance between (a) maximising the operational efficiency for the day-to-day business operations of the Group; and (b) maintaining adequate internal controls and governance in relation to the IPTs with the Interested Persons. The approval threshold acts as an additional safeguard to supplement the review procedures which will be implemented by the Company for IPTs with the Interested Persons.

8.3 Additional review procedures for Interested Person Transactions

8.3.1 Maintenance of list of Interested Persons

The finance department of the Company will maintain a list of Interested Persons and their associates (which is to be updated immediately if there are any changes that the Company is aware of) to enable identification of the Interested Persons. The list of Interested Persons will be reviewed at least on a quarterly basis by the Audit Committee or for such period as determined by them. The list of Interested Persons will be disseminated to the relevant management and finance staff of the Group, along with the relevant instructions and/or memorandum to inform the relevant management and staff of the Group to update the finance department of the Company of any IPTs, for the purposes of entering into the IPTs.

8.3.2 Register of IPTs

The finance department of the Company will monitor the IPTs of the Group on an on-going basis or at least on a quarterly basis and match the counterparty name against the list of Interested Person to identify IPTs. The finance department will then prepare and maintain an interested person transaction register to record all IPTs (including the ASTI Corporate Support Services, the New Loans and any IPTs which are below S\$100,000 in value) (the "IPT Register"). The IPT Register will include details on the identity of the Interested Persons, the quantum of the IPTs, the nature and scope of the IPTs, the basis and rationale for entry into the IPTs (including the ASTI Corporate Support Services and the New Loans), other supporting evidence obtained to support the transactions and the approving authority.

8.3.3 Periodic reviews by Audit Committee

The Audit Committee will, at least on a quarterly basis, review the IPT Register to ensure that the IPTs (including the ASTI Corporate Support Services and the New Loans) have been conducted in accordance with the established review procedures. Such review includes the examination of the IPTs (including the ASTI Corporate Support Services and the New Loans), the review procedures (including the review procedures under the IPT General Mandate and the New Loans) and the supporting documents of the IPTs (including the ASTI Corporate Support Services and the New Loans) or such other information deemed necessary by the Audit Committee.

If, during the periodic review by the Audit Committee, the Audit Committee is of the view that the established review procedures are not adequate and/or commercially practicable to ensure that the IPTs (including the ASTI Corporate Support Services and the New Loans) will be transacted on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders, it will (in consultation with the Directors) modify and/or adopt such new review procedures as may be appropriate and the Company will seek a fresh mandate from its minority Shareholders based on the new review procedures to ensure that future transactions of a similar nature will be on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders. All new IPTs will be reviewed and approved by the Audit Committee prior to entry while a fresh mandate is being sought from the Shareholders. The Audit Committee has the right, when it deems fit, to require the appointment of independent sources or advisers from external or professional sources to provide additional information or review of the internal controls pertaining to the IPTs (including the ASTI Corporate Support Services and the New Loans).

For the purposes of the review process, if a member of the Audit Committee has an interest

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in the IPTs to be reviewed by the Audit Committee, he shall disclose his interest and will abstain from reviewing and approving that transaction. For example, where two members of the Audit Committee have an interest each in an IPT to be reviewed by the Audit Committee, the review of that IPT will be undertaken by the remaining member(s) of the Audit Committee.

8.4 Annual reviews by internal auditor and the Group

The internal auditor of the Group will, on an annual basis, conduct a review of the IPTs (including the ASTI Corporate Support Services and New Loans), which will include, amongst others, the adherence with the review procedures for the monitoring of the IPTs (including the ASTI Corporate Support Services and the New Loans and the adequacy of the review procedures under the IPT General Mandate and the New Loans). The Audit Committee shall review the findings in the internal audit report to ensure that, *inter alia*, the IPTs (including ASTI Corporate Support Services and the New Loans) have been conducted in accordance with the review procedures and that the relevant approvals have been obtained.

In addition, the Group will undertake, on an annual basis, a review of the internal procedures to ensure that all relevant management and finance staff of the Group are fully informed of and familiar with the nature and classification of interested person transactions, as well as the compliance and disclosure obligations under the Catalist Rules and relevant laws and regulations.

The Company currently has an IPT policy in place, which contains all the procedures and protocols the management and staff of the Company should follow in relation to IPTs. This IPT policy has been circulated the management and staff of the Company.

8.5 Periodic disclosures

The finance department of the Company will monitor, on an on-going basis or at least on a quarterly basis, the aggregate quantum of the “amount at risk” to the Group pursuant to Chapter 9 of the Catalist Rules which arise from entering into the IPTs (including the ASTI Corporate Support Services and the New Loans) to ensure that all disclosure, approval and other requirements on interested person transactions, including those required by prevailing Catalist Rules, legislation and accounting standards, will be complied with.

Pursuant to Chapter 9 of the Catalist Rules, the Company will disclose the aggregate value of the IPTs (including the ASTI Corporate Support Services and the New Loans) in its financial statements and/or annual reports in accordance with the format as set out in Rule 907 of the Catalist Rules.

8.6 Abstention

For the purposes of the above review process, a Director who is not considered independent in respect of the IPTs (including the ASTI Corporate Support Services and the New Loans) shall abstain from voting on any relevant board resolution and/or abstain from participating in the decision by the Audit Committee and/or the Board (as the case may be) during their review of the review procedures or during their review or approval of any interested person transactions.

8.7 Additional announcements and/or shareholder approvals

The Company will make the requisite announcements and/or seek approval from its minority Shareholders if there are changes made to the terms stipulated under the ASTI Corporate Support Services Agreement and the New Loans in accordance with the requirements of Chapter 9 of the Catalist Rules.

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9 OPINION OF THE INDEPENDENT FINANCIAL ADVISER

Pursuant to Chapter 9 of the Catalist Rules, Novus Corporate Finance Pte. Ltd. was appointed as the IFA to opine on whether:

- (a) the prior ASTI Loans for FY2011, FY2012, FY2016, FY2017 and FY2019 (being the subject of the Proposed Ratification of the ASTI Loans and the ASTI Corporate Support Services Payments for FY2011, FY2012, FY2016, FY2017 and FY2019 (being the subject of the Proposed Ratification of the ASTI Corporate Support Services) were on normal commercial terms and were not prejudicial to the interests of the Company and its minority Shareholders;
- (b) the guidelines and review procedures for determining the ASTI Corporate Support Services Payments under the IPT General Mandate, if adhered to, are sufficient to ensure that the ASTI Corporate Support Services will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders; and
- (c) the New Loans will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

A copy of the IFA Letter is set out in Appendix of this Circular. Shareholders are advised to read the IFA Letter carefully.

The following is an extract from Section 13 of the IFA Letter and should be read by Shareholders in conjunction with, and in the full context of, the full text of the IFA Letter. All terms and expressions used in the extract below shall have the same meanings as those defined in the IFA Letter, unless otherwise stated.

“In arriving at our opinion in respect of the Interested Person Transactions, we have taken into consideration, inter alia, the following factors summarised below as well as elaborated elsewhere in this Letter. The following should be read in conjunction with, and in the context of, the full text of this Letter:

- (a) *In respect of the evaluation of the Past ASTI Loans:*
 - (i) *the rationale for and benefits of the Past ASTI Loans;*
 - (ii) *the assessment of the key terms of the Past ASTI Loans in FY2011, FY2012, FY2016, FY2017 and FY2019; and*
 - (iii) *other relevant considerations in relation to the Past ASTI Loans;*
- (b) *In respect of the evaluation of the Past ASTI CS Services:*
 - (i) *the rationale for and benefits of the Past ASTI CS Services;*
 - (ii) *the assessment of the ASTI CSS Payments incurred for the Past ASTI CS Services in FY2011, FY2012, FY2016, FY2017 and FY2019; and*
 - (iii) *other relevant considerations in relation to the Past ASTI CS Services;*
- (c) *In respect of the evaluation of the IPT General Mandate:*
 - (i) *the rationale for and benefits of the IPT General Mandate;*

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- (ii) *the guidelines and review procedures in relation to the IPT General Mandate; and*
- (iii) *other relevant considerations in relation to the IPT General Mandate;*
- (d) *In respect of the evaluation of the Consolidated ASTI Loan:*
 - (i) *the rationale for and benefits of the Consolidated ASTI Loan;*
 - (ii) *the assessment of the key terms of the Consolidated ASTI Loan;*
 - (iii) *the review procedures of the Group in relation to loans from interested persons; and*
 - (iv) *other relevant considerations in relation to the Consolidated ASTI Loan; and*
- (e) *In respect of the evaluation of the Proposed Loans:*
 - (i) *the rationale for and benefits of the Proposed Loans;*
 - (ii) *the assessment of the key terms of the Proposed Loans;*
 - (iii) *the review procedures for the drawdown of the Proposed Loans;*
 - (iv) *the historical financial performance and condition of the Group; and*
 - (v) *other relevant considerations in relation to the Proposed Loans.*

Having regard to the considerations set out above and subject to the qualifications and assumptions set out in this Letter, we are of the opinion that:

- (a) ***the Past ASTI Loans for FY2011, FY2012, FY2016, FY2017 and FY2019 (being the subject of the proposed ratification of the ASTI Loans) and the ASTI CSS Payments for FY2011, FY2012, FY2016, FY2017 and FY2019 (being the subject of the proposed ratification of the Past ASTI CS Services) were on normal commercial terms and were not prejudicial to the interests of the Company and the Independent Shareholders;***
- (b) ***the guidelines and review procedures for determining the ASTI CSS Payments under the IPT General Mandate, if adhered to, are sufficient to ensure that the ASTI Corporate Support Services will be conducted on normal commercial terms and will not be prejudicial to the interests of the Company and the Independent Shareholders; and***
- (c) ***the Consolidated ASTI Loan and the Proposed Loans are on normal commercial terms and are not prejudicial to the interests of the Company and the Independent Shareholders."***

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10 DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

Interests in Shares

The interests of the Directors and Substantial Shareholders in the Shares of the Company as at the Latest Practicable Date are as follows:

	Direct Interest		Deemed Interest		Total Interest	
	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾
Directors						
Dato' Sri Mohd. Sopiyan B. Mohd. Rashdi	-	-	-	-	-	-
Dr. Kenneth Yu Keung Yum	-	-	-	-	-	-
Mr. Steven Shen Hing	-	-	-	-	-	-
Seah Chong Hoe	6,500,000,000	29.12	-	-	6,500,000,000	29.12
Substantial Shareholder (other than Directors)						
Dato' Michael Loh Soon Gnee	4,444,444,444	19.91	-	-	4,444,444,444	19.91
ASTI	5,800,791,930	25.98	-	-	5,800,791,930	25.98

Note:

- (1) Based on the share capital at the Latest Practicable Date.

Save as disclosed above and:

- (a) the fact that Dato' Loh, who is the former executive chairman and former chief executive officer of the Company up until 7 April 2020 and controlling shareholder of the Company, is a controlling shareholder, director and executive chairman of ASTI;
- (b) the fact that Dato' Sri Mohd. Sopiyan B. Mohd. Rashdi, who is an independent director of the Company, is also an independent director of ASTI; and
- (c) the shareholdings of the directors, controlling shareholders and substantial shareholders in the Company (if any),

none of the directors, controlling shareholders or substantial shareholders of the Company, or their respective associates, has any interest, direct or indirect, in the Proposed Resolutions.

11 ABSTENTION FROM VOTING

ASTI, Dato' Loh and their respective Associates have undertaken to abstain from voting on the Proposed Resolutions (except for the Proposed Entry into the New Loan Agreement with Mr Seah Chong Hoe as an Interested Person Transaction) in respect of their shareholdings in the Company, and will not accept nominations as proxy or otherwise for voting at the EGM in relation to the Proposed Resolutions (except for the Proposed Entry into the New Loan Agreement with Mr Seah Chong Hoe as an Interested Person Transaction) for other

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Shareholders, unless the Shareholder concerned has given specific instructions as to the manner in which his votes are to be cast at the EGM.

Mr. Seah and his Associates has undertaken to abstain from voting on the Proposed Resolution in respect of the SCH Loan Agreement, and will not accept nominations as proxy or otherwise for voting at the EGM in relation to the Proposed Resolution in respect of the SCH Loan Agreement for other Shareholders, unless the Shareholder concerned has given specific instructions as to the manner in which his votes are to be cast at the EGM.

12 STATEMENT OF THE AUDIT COMMITTEE

Taking into consideration the IFA opinion, the Audit Committee has reviewed the terms relating to the Proposed Ratification Transactions and is satisfied that the Proposed Ratification Transactions had been carried out on normal commercial terms and were not prejudicial to the interests of our Company and our minority Shareholders. In forming this view, the Audit Committee took into account:

- (i) the effective interest rates for the past ASTI Loans in FY2011, FY2012, FY2016, FY 2017 and FY 2019 (the “**Relevant Periods**”) were lower than the average prime lending rate of financial institutions in Singapore or average base lending rate of commercial banks in Malaysia as well as the interest rate of Dato’ Loh’s loans extended in FY2019 and the interest rate levied on loans obtained from financial institutions by Yumei Group (as the case may be) in each of the financial years;
- (ii) the past ASTI Corporate Support Services Payments during the Relevant Periods were lower than the estimated costs incurred by ASTI in providing the Corporate Support Services to the Group;
- (iii) that the Proposed Ratification Transactions have, as at the Latest Practicable Date, been conducted in accordance with the review procedures as detailed in Section 4.4 and 8 of this Circular; and
- (iv) that the Proposed Ratification Transactions between the Latest Practicable Date and the date on which the EGM is convened will be reviewed and approved in accordance with these review procedures as set out in Section 4.4 and 8 of this Circular.

The Audit Committee confirms that it does not take a different view to the IFA that the guidelines and review procedures set out in Sections 4.4, 8.2 and 8.3 of this Circular for determining the ASTI Corporate Support Services Payments under the IPT General Mandate, if adhered to, are sufficient to ensure that the ASTI Corporate Support Services will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

The Audit Committee has reviewed the terms relating to the New Loans and is satisfied that the New Loans had been carried out on normal commercial terms and were not prejudicial to the interests of our Company and our minority Shareholders. In forming this view, the Audit Committee took into consideration (i) the IFA’s opinion and advice; (ii) that the New Loans have, as at the Latest Practicable Date, been conducted in accordance with the review procedures as detailed in Section 8 of this Circular; and (iii) the New Loans will be reviewed and approved in accordance with the review procedures as set out in Section 8 of this Circular, from the Latest Practicable Date to the date of the EGM.

The Audit Committee confirms that it does not take a different view to the IFA that the guidelines and review procedures set out in Section 8 of this Circular, if adhered to, are sufficient to ensure that the New Loans will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders

LETTER TO SHAREHOLDERS

13 RECOMMENDATION BY THE RELEVANT DIRECTORS

- 13.1 Having considered the rationale for each of the Proposed Resolutions, and taking into account the IFA Letter, Dr. Kenneth Yu Keung Yum and Mr. Steven Shen Hing are of the opinion that the Proposed Resolutions are in the best interests of the Company.

Dato' Sri Mohd. Sopiyan B. Mohd. Rashdi shall abstain from making recommendations to Shareholders in relation to the Proposed Ratification Transactions, Proposed Adoption of the IPT General Mandate and Proposed Entry into the New Consolidated Loan Agreement with ASTI in view that he is also an independent director of ASTI. Having considered the rationale and benefits of the Proposed Entry into the New Loan Agreement with Dato' Michael Loh Sonn Gnee as an Interested Person Transaction and the Proposed Entry into the New Loan Agreement with Mr Seah Chong Hoe as an Interested Person Transaction and the advice of the IFA, Dato' Sri Mohd. Sopiyan B. Mohd. Rashdi is of the opinion that the aforementioned resolutions are in the best interests of the Company.

Mr Seah, who is the interested person in respect of the Proposed Entry into the New Loan Agreement with Mr Seah Chong Hoe as an Interested Person Transaction, shall abstain from participating in the Board's review and approval, and from making any recommendations to Shareholders in relation to the loan extended by him. Having carefully considered the rationale of all the Proposed Resolutions (other than the resolution in relation to the SCH Loan Agreement) and taking into account the IFA Letter, Mr. Seah is of the opinion that the Proposed Resolutions (except for the resolution in relation to the SCH Loan Agreement), are in the best interests of the Company.

Accordingly, subject to the foregoing, the Relevant Directors recommend that the Shareholders vote in favour of the Proposed Resolutions as set out in the Notice of EGM on pages 95 to 97 of this Circular.

- 13.2 The Relevant Directors, in rendering their recommendation, have not had regard to the specific investment objectives, financial situation, tax position or unique needs and constraints of any individual Shareholder. As different Shareholders would have different investment objectives and profiles, the Relevant Directors recommend that any individual Shareholder who may require advice in the context of his specific investment portfolio, should consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

14 EXTRAORDINARY GENERAL MEETING

The EGM, notice of which is set out on pages 95 to 97 of this Circular, will be held by electronic means, on 19 February 2021 at 3.00 p.m. for the purpose of considering and, if thought fit, passing with or without modifications, the resolutions set out in the Notice of EGM. Copies of the Notice of EGM will be dispatched to members and made available on the Company's website at www.asa.com.sg, and on the SGX website at <https://www.sgx.com/securities/company-announcements>. Further information on the arrangements by which the EGM can be electronically accessed are set out in the Notice of EGM.

15 ACTION TO BE TAKEN BY SHAREHOLDERS

All Shareholders must vote by proxy only. Shareholders must appoint the Chairman to act as their proxy, and depositor proxy forms appointing such person other than the Chairman shall be deemed to appoint the Chairman as proxy. Shareholders should specifically direct the Chairman on how they wish to vote for or vote against (or abstain from voting on) the resolutions in the depositor proxy form attached to this Circular. If no specific direction as to voting is given, the Chairman may vote or abstain from voting at his/her discretion. Due to the current Covid-19 situation in Singapore, Shareholders will only be able to attend the EGM via electronic means.

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16 CONSENT

The IFA has given and has not withdrawn its written consent to the issue of this Circular with the inclusion herein of and references to its name and to act in such capacity in relation to this Circular.

17 DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed Resolutions, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading. Where information in the Circular has been extracted from, published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the Circular in its proper form and context.

18 DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at Block 25 Kallang Avenue, #06-01, Kallang Basin Industrial Estate, Singapore 339416, during normal business hours from the date of this Circular up to and including the time and date of the EGM:

1. Constitution of the Company;
2. annual report of the Company for the FY ended 31 December 2019;
3. the IFA Letter;
4. the consent letter from the IFA; and
5. Deed of undertaking from the Company in relation to the Notice of Compliance issued to the Company by SGX RegCo.

Yours faithfully
For and behalf of the Board of Directors of
ADVANCED SYSTEMS AUTOMATION LIMITED

Dato' Sri Mohd. Sopiyan B. Mohd. Rashdi
Chairman

APPENDIX – LETTER FROM THE IFA TO THE RELEVANT DIRECTORS IN RELATION TO THE INTERESTED PERSON TRANSACTIONS

APPENDIX – LETTER FROM THE IFA TO THE RELEVANT DIRECTORS IN RELATION TO THE INTERESTED PERSON TRANSACTIONS

NOVUS CORPORATE FINANCE PTE. LTD.

(Incorporated in the Republic of Singapore)
(Company Registration Number: 201723484W)

9 Raffles Place
#17-05 Republic Plaza Tower 1
Singapore 048619

4 February 2021

To: The Relevant Directors of Advanced Systems Automation Limited (the “**Company**”)

In respect of the ratification of the Past IPTs, the IPT General Mandate, the Consolidated ASTI Loan	In respect of the LSG Loan	In respect of the SCH Loan
Mr. Seah Chong Hoe Dr. Kenneth Yu Keung Yum Mr. Steven Shen Hing	Dato’ Sri Mohd. Sopiyan B. Mohd. Rashdi Mr. Seah Chong Hoe Dr. Kenneth Yu Keung Yum Mr. Steven Shen Hing	Dato’ Sri Mohd. Sopiyan B. Mohd. Rashdi Dr. Kenneth Yu Keung Yum Mr. Steven Shen Hing

Dear Sirs

INDEPENDENT FINANCIAL ADVICE TO THE RELEVANT DIRECTORS OF ADVANCED SYSTEMS AUTOMATION LIMITED IN RESPECT OF THE INTERESTED PERSON TRANSACTIONS (AS DEFINED HEREIN)

*Unless otherwise defined or the context otherwise requires, all terms defined in the circular dated 4 February 2021 (the “**Circular**”) issued by the Company to the shareholders of the Company (the “**Shareholders**”) shall have the same meanings herein.*

1. INTRODUCTION

The Company is proposing to seek the approval of the Shareholders for the following interested person transactions:

- (a) the ratification of certain past interested person transactions between the Company and its subsidiaries (collectively, the “**Group**”) and ASTI Holdings Limited (“**ASTI**”) and its subsidiaries (collectively, the “**ASTI Group**”);
- (b) the proposed adoption of a general mandate (the “**IPT General Mandate**”) for the provision of corporate support services (the “**ASTI Corporate Support Services**”) by the ASTI Group to the Group at an annual fee of up to S\$600,000 (the “**ASTI CSS Payment(s)**”);
- (c) the proposed entry into a new consolidated loan agreement with ASTI to consolidate all the existing loans from ASTI by terminating all existing loans and entering into a single loan agreement with ASTI (the “**Proposed Entry into the New Consolidated Loan Agreement with ASTI**”); and

- (d) the proposed entry into loan agreements with Dato' Michael Loh Soon Gnee ("**Dato' Loh**") (the "**LSG Loan Agreement**") and Mr. Seah Chong Hoe ("**Mr. Seah**") (the "**SCH Loan Agreement**") for loans of a principal amount of up to S\$2.5 million each for a period of one year (collectively, the "**Proposed Loans**"),

(collectively, the "**Interested Person Transactions**").

ASTI is a controlling shareholder of the Company with a direct interest in 5,800,791,930 ordinary shares in the Company (the "**Shares**") representing approximately 25.98% of the issued share capital of the Company (excluding treasury Shares) as at 31 January 2021 (the "**Latest Practicable Date**").

Dato' Loh, the former executive chairman and chief executive officer and currently a controlling shareholder of the Company with a direct interest in 4,444,444,444 Shares (representing approximately 19.91% of the issued share capital of the Company (excluding treasury Shares)) is also the executive chairman and chief executive officer and a controlling shareholder of ASTI with a direct equity interest of approximately 19.89% in ASTI as at the Latest Practicable Date.

Mr. Seah is an Executive Director, Chief Executive Officer and a controlling shareholder of the Company with a direct interest in 6,500,000,000 Shares representing approximately 29.12% of the issued share capital of the Company (excluding treasury Shares) as at the Latest Practicable Date.

Accordingly, each of ASTI, Dato' Loh and Mr. Seah is deemed to be an "interested person" under Chapter 9 of Section B: Rules of Catalist of the Listing Manual (the "**Catalist Rules**") of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**").

Ratification of certain past interested person transactions

Between the financial years ("**FY**") ended 31 December 2007 and 31 December 2018, the Group had obtained loans from ASTI (the "**ASTI Loans**") to finance the Group's day-to-day operations and for the Group's working capital purposes. In addition, the Group had received the ASTI Corporate Support Services from the ASTI Group since 2006 and up to the Latest Practicable Date.

Pursuant to Rule 906 of the Catalist Rules, the approval from the Shareholders would be required for any interested person transaction of a value equal to or more than (a) 5% of the latest audited net tangible assets ("**NTA**") of the Group, or (b) 5% of the Group's latest audited NTA when aggregated with other transactions entered into with the same interested person during the same financial year (the "**5% Threshold**"). The aggregate interest expenses under the interest-bearing ASTI Loans (the "**ASTI Loans Interest Payments**") for each of the financial years ended 31 December 2011 ("**FY2011**"), 31 December 2012 ("**FY2012**"), 31 December 2016 ("**FY2016**"), 31 December 2017 ("**FY2017**") and 31 December 2019 ("**FY2019**") (collectively, the "**Past ASTI Loans**") and the ASTI CSS Payments made by the Company to ASTI for each of FY2011, FY2012, FY2016, FY2017 and FY2019 (collectively, the "**Past ASTI CS Services**"), and together with the Past ASTI Loans, the "**Past IPTs**") had exceeded the 5% Threshold in FY2011, FY2012, FY2016, FY2017 and FY2019 respectively (the "**Relevant Periods**"), for which the approval of the Shareholders would have been required¹. The Company had not previously obtained the approval of the Shareholders for the Past IPTs due to an inadvertent oversight by the Company.

¹ As the Group's audited NTA as at 31 December 2011 and 31 December 2016 were negative, it is not meaningful to adopt the NTA of the Group as the basis to compute the materiality thresholds in relation to Rules 905 and 906 of the Catalist Rules for the respective financial years. The Company had, upon consultation with the SGX-ST, used the Company's market capitalisation for the relevant financial years to determine the materiality of the interested person transactions.

IPT General Mandate for the ASTI Corporate Support Services

Going forward, the Group intends to continue to rely on the ASTI Group for the provision of the ASTI Corporate Support Services to the Group, which are of a recurrent nature and necessary for the Group's day-to-day operations. Accordingly, the Company intends to adopt the IPT General Mandate for such services. Pursuant to Rule 920 of the Catalist Rules, the Company would be required to seek the approval of the Shareholders for the IPT General Mandate for the provision of the ASTI Corporate Support Services by the ASTI Group to the Group.

Proposed Entry into the New Consolidated Loan Agreement with ASTI

As at the Latest Practicable Date, the total amount of the ASTI Loans (excluding interest expenses) amounted to S\$6,631,796. The Company proposes to consolidate all the existing ASTI Loans and enter into a single loan agreement with ASTI. In addition, at the end of the first month of every financial year (i.e. in January of the next financial year), any unpaid ASTI CSS Payments and unpaid ASTI Loans Interest Payments will be treated as a debt incurred by the Company and automatically be deemed as a loan extended by ASTI subject to a loan facility limit of S\$10.0 million (the "**Consolidated ASTI Loan**"). The interest rate of the Consolidated ASTI Loan will be based on the prevailing one-month Singapore Interbank Offered Rate ("**SIBOR**") (or such other rate that might replace SIBOR) plus the Inland Revenue Authority of Singapore (the "**IRAS**") indicative margin for related-party loans (the "**IRAS RPT Margin**") and the average prevailing 12-month average Malaysian Ringgit ("**RM**") fixed deposit rate from Bank Negara Malaysia ("**BNM**"), as the case may be.

While the interest payments under the Consolidated ASTI Loan for FY2020 do not cross the 5% Threshold, the Company intends to seek the approval of the Shareholders for the Proposed Entry into the New Consolidated Loan Agreement with ASTI so that the Company will not be required to seek the approval of the Shareholders in the future in the event that the 5% Threshold is subsequently crossed.

Proposed Loans

The Company intends to enter into the LSG Loan Agreement and the SCH Loan Agreement with Dato' Loh and Mr. Seah respectively for a loan amount of up to S\$2.5 million each for a period of one year with an interest rate of 5.0% per annum. While the interest payments under the LSG Loan Agreement and the SCH Loan Agreement for FY2020 do not cross the 5% Threshold, the Company intends to seek the approval of the Shareholders for the proposed entry into the LSG Loan Agreement (the "**Proposed Entry into the LSG Loan Agreement**") and the proposed entry into the SCH Loan Agreement (the "**Proposed Entry into the SCH Loan Agreement**") so that the Company will not be required to seek the approval of the Shareholders in the future in the event that the 5% Threshold is subsequently crossed.

In view of the above, the Company is convening an extraordinary general meeting (the "**EGM**") to seek the approval of the Shareholders who are independent of the Past IPTs, the ASTI Corporate Support Services, the Consolidated ASTI Loan and the Proposed Loans (the "**Independent Shareholders**") for (a) the ratification of the Past IPTs, (b) the proposed adoption of the IPT General Mandate, (c) the Proposed Entry into the New Consolidated Loan Agreement with ASTI, (d) the Proposed Entry into the LSG Loan Agreement, and (e) the Proposed Entry into the SCH Loan Agreement.

Novus Corporate Finance Pte. Ltd. ("**NCF**") has been appointed by the Company as the independent financial adviser (the "**IFA**") in connection with the Interested Person Transactions pursuant to Rule 920(1)(b)(v) and Rule 921(4)(a) of the Catalist Rules (as the case may be) to render an opinion as to whether (a) the Past ASTI Loans for FY2011, FY2012, FY2016, FY2017 and FY2019 (being the subject of the proposed ratification of the Past ASTI Loans) and the ASTI CSS Payments for FY2011, FY2012, FY2016, FY2017 and FY2019 (being the subject of the proposed ratification of the Past ASTI CS Services) were on normal commercial terms and were not prejudicial to the interests of the Company and the Independent Shareholders, (b) the guidelines and review procedures for determining the ASTI CSS Payments under the IPT General Mandate, if adhered to, are sufficient to ensure that the ASTI Corporate Support

Services will be conducted on normal commercial terms and will not be prejudicial to the interests of the Company and the Independent Shareholders, and (c) the Consolidated ASTI Loan and the Proposed Loans are on normal commercial terms and are not prejudicial to the interests of the Company and the Independent Shareholders.

This letter ("**Letter**") has been prepared pursuant to Rule 920(1)(b)(v) and Rule 921(4)(a) of the Catalist Rules as well as for the use by the directors of the Company (the "**Directors**") who are deemed to be independent (the "**Relevant Directors**") for the purposes of making recommendations to the Independent Shareholders in respect of the relevant Interested Person Transactions.

2. TERMS OF REFERENCE

We have been appointed as the IFA pursuant to Rule 920(1)(b)(v) and Rule 921(4)(a) of the Catalist Rules (as the case may be) to render an opinion to the Relevant Directors (as the case may be) on whether (a) the Past ASTI Loans for FY2011, FY2012, FY2016, FY2017 and FY2019 (being the subject of the proposed ratification of the Past ASTI Loans) and the ASTI CSS Payments for FY2011, FY2012, FY2016, FY2017 and FY2019 (being the subject of the proposed ratification of the Past ASTI CS Services) were on normal commercial terms and were not prejudicial to the interests of the Company and the Independent Shareholders, (b) the guidelines and review procedures for determining the ASTI CSS Payments under the IPT General Mandate, if adhered to, are sufficient to ensure that the ASTI Corporate Support Services will be conducted on normal commercial terms and will not be prejudicial to the interests of the Company and the Independent Shareholders, and (c) the Consolidated ASTI Loan and the Proposed Loans are on normal commercial terms and are not prejudicial to the interests of the Company and the Independent Shareholders.

We were neither a party to the negotiations entered into by the Company in relation to the Interested Person Transactions nor were we involved in the deliberations leading up to the decision of the Directors to undertake the Interested Person Transactions. Accordingly, we do not, by this Letter, warrant the merits of the Interested Person Transactions other than to express our opinion on the Interested Person Transactions.

Our terms of reference do not require us to evaluate or comment on the rationale for or the legal, commercial or strategic merits of the Interested Person Transactions. We are also not addressing the relative merits of the Interested Person Transactions as compared to any alternative transactions which may previously have been considered by the Company or that otherwise may become available to the Company in the future. Such evaluations and comments are and remain the sole responsibility of the Directors, although we may draw upon their views or make such comments in respect thereof (to the extent deemed necessary or appropriate by us) in arriving at our opinion as set out in this Letter.

In the course of our evaluation, we have relied on, and assumed without independent verification, the accuracy and completeness of published information relating to the Company and the Group. We have also relied on the information and representations, whether written or verbal, including relevant financial analyses, estimates and representations contained in the Circular, provided by the management of the Company (the "**Management**"), the Directors and the Company's solicitors (where relevant). We have not independently verified such information or representations, whether written or verbal, and accordingly cannot and do not make any representation or warranty, express or implied, in respect of, and do not accept any responsibility for, the accuracy, completeness or adequacy of such information or representations. We have nevertheless made reasonable enquiries and exercised our judgement as we deemed necessary and have found no reason to doubt the reliability of the information or representations.

We have relied upon the assurances of the Directors that upon making all reasonable inquiries and to the best of their respective knowledge, information and belief, (a) all material information in connection with the Interested Person Transactions, the Company and/or the Group has been disclosed to us, (b) such information is true, complete and accurate in all material aspects,

and (c) there is no other information or fact, the omission of which would cause any information disclosed to us or the facts of or in relation to the Interested Person Transactions, the Company and/or the Group stated in the Circular to be inaccurate, incomplete or misleading in any material respect. The Directors collectively and individually accept responsibility accordingly.

For the purposes of our assessment of the Interested Person Transactions and reaching our opinion thereon, we have not conducted a comprehensive independent review of the business, operations or financial condition of the Company and/or the Group. We have also not relied upon any financial projections or forecasts in respect of the Company and/or the Group. We will not be required to express, and we do not express, any view on the growth prospects and earnings potential of the Company and/or the Group in connection with our opinion set out in this Letter.

We have not made any independent evaluation or appraisal of the assets and liabilities of the Company and/or the Group. As such, we have relied on the disclosures and representations made by the Company on the value of the assets, liabilities and profitability of the Company and/or the Group. We have also not been furnished with any independent evaluation or appraisal of the assets and liabilities of the Group.

Our opinion as set out in this Letter is based on the market, economic, industry, monetary and other conditions in effect on, and the information provided to us as at, the Latest Practicable Date. Such conditions may change significantly over a relatively short period of time and we assume no responsibility to update, revise or reaffirm our opinion in light of any subsequent development after the Latest Practicable Date that may affect our opinion contained herein.

In rendering our opinion, we did not have regard to the specific investment objectives, financial situation, tax status, risk profiles or unique needs and constraints of any individual Shareholder. As each Shareholder would have different investment objectives and profile, we would advise the Relevant Directors to recommend that any individual Shareholder who may require specific advice in relation to his investment objectives or portfolio should consult his stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

The Company has been separately advised by its own advisers in the preparation of the Circular (other than this Letter). Accordingly, we take no responsibility for and express no views, express or implied, on the contents of the Circular (other than this Letter).

Our opinion in respect of the Interested Person Transactions, as set out in paragraph 13 of this Letter, should be considered in the context of the entirety of this Letter and the Circular.

3. THE PROPOSED RATIFICATION OF THE PAST IPTS

3.1 Proposed Ratification of the Past ASTI Loans

3.1.1 Background of the Past ASTI Loans

ASTI is a public company incorporated in Singapore on 27 March 1999 and is listed on the Mainboard of the SGX-ST. The principal activities of ASTI are investment holdings and acting as corporate manager and advisor in connection with the administration and organisation of the businesses of its subsidiary companies. The ASTI Group provides tape and reel packaging services and integrated circuit programming services to renowned original equipment manufacturers, contract manufacturers and component distributors globally. ASTI has been a controlling shareholder of the Company since 2006. As at the Latest Practicable Date, ASTI owns 5,800,791,930 Shares, representing approximately 25.98% of the total issued share capital of the Company. As ASTI is considered to be a controlling shareholder of the Company, all transactions entered into between the Group and ASTI will each constitute an interested person transaction.

As previously disclosed by the Company in its previous annual reports and the circulars in relation to the 2012 Rights Issue (as defined herein) and the 2017 Rights Issue (as defined herein), the Company had from FY2007 to FY2018 entered into loan agreements with ASTI, with ASTI as the lender and the Company as the borrower in order for the Company to be able to finance the Group's day-to-day operations and its working capital requirements, further details of which are set out in section 3.2 of the Circular. The Company however has not obtained the approval of the Shareholders for the interest payments for the ASTI Loans due to an inadvertent oversight by the Company to seek specific approval of its Shareholders for the ASTI Loans. As at the Latest Practicable Date, the total outstanding amount due to ASTI payable on demand is S\$7,091,663, of which the outstanding interest payments (from December 2018 to January 2021) is S\$459,867.

Each of the ASTI Loans are unsecured and are due as and when recalled by ASTI. The respective values of the ASTI Loans from FY2010 and up to FY2019 are set out in the table under section 3.2.2 of the Circular.

3.1.2 ASTI Loans Interest Payments as Interested Person Transactions

Under Rule 909(3) of the Catalist Rules, in the case of the borrowing of funds from an interested person, the value of the transaction is the interest payable on the borrowing. The ASTI Loans were granted to the Company pursuant to several loan agreements entered into between ASTI as the lender, and the Company as the borrower.

For completeness, the interest rates charged by ASTI for FY2010 to FY2013 and FY2015 to FY2018 were pegged at a rate that is 0.5% above ASTI's cost of funds at the time of drawdown. For the ASTI Loans drawn in FY2014, the cost of funds was at a fixed rate of 3.5%. As for FY2019 to FY2020, the interest rate levied by ASTI is pegged to the sum of the prevailing one-month SIBOR and the IRAS RPT Margin. There was a loan agreement entered into between the Company and Telford Service Sdn Bhd ("**Telford**") on 1 January 2019, wherein Telford extended a loan denominated in RM to the Company ("**Telford Loan**"). The interest rate of the Telford Loan is pegged to the average prevailing 12-month average RM fixed deposit rate from BNM.

The value of the interested person transaction is the interest payable on the outstanding ASTI Loans for each financial year. The ASTI Loans were payable in 6 months, but had been renewed subsequently. The details of the ASTI Loans from FY2010 to FY2020 are set out as follows.

Financial Year	Total interest-bearing loans owed to ASTI as at financial year end ⁽¹⁾ (S\$)	Range of interest rates	Value of ASTI Loans Interest Payments (S\$)	Last audited NTA of the Group or market capitalisation as at the prior year (S\$)	ASTI Loans Interest Payments as a percentage against the audited NTA as at the prior year
FY2020	6,631,796 ⁽²⁾	2.25% to 3.75% ⁽³⁾⁽⁵⁾	193,185	22,324,000 ⁽⁷⁾	0.87%
FY2019	6,632,055 ⁽²⁾	3.24% to 3.39% ⁽³⁾⁽⁵⁾	224,396	2,181,000 ⁽⁶⁾ (restated)	10.3%
FY2018	6,632,357 ⁽²⁾	3.39% to 5.33% ⁽⁴⁾⁽⁵⁾	208,980	4,781,000	4.4%
FY2017	3,969,263	3.92% to 4.13% ⁽⁴⁾	223,101	7,912,000 ⁽⁷⁾	2.8%
FY2016	7,858,554	3.88% to 4.32% ⁽⁴⁾	303,533	2,090,000	14.5%

Financial Year	Total interest-bearing loans owed to ASTI as at financial year end ⁽¹⁾ (S\$)	Range of interest rates	Value of ASTI Loans Interest Payments (S\$)	Last audited NTA of the Group or market capitalisation as at the prior year (S\$)	ASTI Loans Interest Payments as a percentage against the audited NTA as at the prior year
FY2015	7,373,766	3.42% to 4.10% ⁽⁴⁾	196,351	17,768,000	1.1%
FY2014	3,972,167	3.50%	63,714	15,540,000 ⁽⁸⁾ (restated)	0.4%
FY2013	Nil	3.38% ⁽⁴⁾	34,475	16,363,000	0.2%
FY2012	1,257,675	3.38% to 4.91% ⁽⁴⁾	551,578	4,968,000 ⁽⁷⁾	11.1%
FY2011	28,060,008	2.35% to 2.44% ⁽⁴⁾	731,569	16,560,000 ⁽⁷⁾	4.4%
FY2010	28,867,806	2.44% to 2.57% ⁽⁴⁾	772,518	44,815,000 ⁽⁷⁾	1.7%

Notes:

- (1) The total amount of the interest-bearing loans owed to ASTI as at the end of each relevant financial year excludes any interest outstanding as the end of the respective FY.
- (2) The difference in the figures is due to foreign currency exchange fluctuations as the ASTI Loans comprise loans denominated in SGD and RM.
- (3) The interest rate is pegged to the sum of the prevailing one-month SIBOR and the IRAS RPT Margin. For FY2019, the interest rate is fixed throughout the financial year. For FY2020, due to the drastic drop in the SIBOR, the monthly interest rate used for the period from January 2020 to June 2020 is 3.74% per annum (based on the one-month SIBOR of 1.74% per annum plus the IRAS RPT Margin of 2.00% per annum), and the monthly interest rate from July 2020 to December 2020 is repriced to 2.25% per annum (based on the one-month SIBOR of 0.25% per annum plus the IRAS RPT Margin of 2.00% per annum).
- (4) The interest rate is repriced every quarter. As such, the range stated includes the lowest and highest interest rate charged for the respective financial year. For FY2013, the interest rate for every quarter is the same.
- (5) The interest rate for the Telford Loan is 5.00%, 3.24% and 2.85% per annum for FY2018, FY2019 and FY2020 respectively.
- (6) The audited NTA of FY2018 is restated because the results of the independent valuation report had not been received as at the date which the financial statements for FY2018 were authorised for issuance, and the allocation of purchase price to the identifiable assets and liabilities was only completed in 2019. In addition, the Company also made certain restatements in connection with the acquisition of (a) Yumei Technologies Sdn. Bhd., (b) Yumei REIT Sdn. Bhd., and (c) Pioneer Venture Pte. Ltd. (collectively, the "Yumei Subsidiaries").
- (7) As the Group's audited NTA as at 31 December 2009, 31 December 2010, 31 December 2011, 31 December 2016 and 31 December 2019 are negative, it is not meaningful to adopt the NTA as the basis to compute the materiality thresholds in relation to Rules 905 and 906 of the Catalist Rules for the said respective financial years. Upon consultation with SGX-ST, through the sponsor of the Company (the "Sponsor"), the SGX-ST has advised the Company to determine the materiality of interested person transactions for the purpose of Rules 905 and 906 of the Catalist Rules based on the Company's market capitalisation for the said respective Fys.
- (8) The audited NTA of FY2013 is restated because the results of the independent valuation report had not been received as at the date which the financial statements for FY2013 were authorised for issuance, and the allocation of purchase price to the identifiable assets and liabilities was only completed in 2014. In addition, the Company also made certain restatements in connection with the acquisition of ASA Multiplate (M) Sdn. Bhd.

3.1.3 Payments of interest under the ASTI Loans

Most of the ASTI Loans and the ASTI Loans Interest Payments have been paid over the years via the subscription monies for the 2 rights issues undertaken by the Company in 2012 (the “**2012 Rights Issue**”) and 2017 (the “**2017 Rights Issue**”) (in accordance with the respective circulars which provided for how the subscription monies were to be spent) and its own funds generated from its operations. For both of the 2012 Rights Issue and the 2017 Rights Issue, ASTI had subscribed for its *pro-rata* entitlement of its rights shares under the respective rights issue. With respect to the 2017 Rights Issue, a total amount of approximately S\$4.35 million was deducted from the outstanding amount of the ASTI Loans (including the ASTI Loans Interest Payments) amounting to S\$8.26 million as at 31 March 2017, as settlement for ASTI’s subscription to their *pro-rata* entitlement to their rights shares. For the 2012 Rights Issue, a total amount of approximately S\$16.62 million, being subscription monies for ASTI’s *pro-rata* entitlement of its rights shares and excess rights shares was set-off against the ASTI Loans (including the ASTI Loans Interest Payments) of approximately S\$28.2 million as of 8 March 2012. Further, part of the proceeds raised from the 2012 Rights Issue amounting to S\$5.5 million was used to repay part of the outstanding ASTI Loans (including the ASTI Loans Interest Payments) then.

3.1.4 Rationale for and Benefits of the Past ASTI Loans

The rationale for and benefits of the Past ASTI Loans are set out in section 3.2.1 of the Circular, and Shareholders are advised to read the information carefully.

3.2 **Proposed Ratification of the Past ASTI CS Services**

3.2.1 Background of the Past ASTI CS Services

The Company has also been receiving the ASTI Corporate Support Services from ASTI since 2006 and to-date, when ASTI became a controlling shareholder of the Company. The Company had, at its extraordinary general meeting held on 24 October 2008, obtained Shareholders’ approval to ratify the ASTI Corporate Support Services for FY2007 and a general mandate for the ASTI Corporate Support Services to continue for the FYs ended 31 December 2008 and 31 December 2009 (“**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. Following the lapse of the 2008 IPT Mandate, the Company continued to receive the ASTI Corporate Support Services from ASTI from 1 January 2010 to-date without any approval or mandate from the Shareholders. This was due to an inadvertent oversight by the Company to seek for a renewal of the 2008 IPT Mandate.

3.2.2 Details of the ASTI Corporate Support Services

The ASTI Corporate Support Services mainly comprise of back-room and administrative support, including the following:

- (a) book-keeping, accounting and finance services including managing existing and fresh bank financing and credit facilities as well as consultation on external audit and tax matters;
- (b) IT accounting software, emails and data servers, IT support and website maintenance;
- (c) routine legal matters for operational, compliance and administrative functions;
- (d) consultation on and assistance in business development areas including in relation to the acquisition of new product agencies and technologies, seeking out technology and potential joint venture partners and in carrying out feasibility studies in connection with proposed new investments and joint ventures;
- (e) corporate planning work for the advancement of the Group;

- (f) provision of human resource, including training and recruitment, administrative and management of information systems support;
- (g) provision of corporate affairs and communication support;
- (h) provision of patent administration and maintenance;
- (i) secretarial and registration and other related services; and
- (j) obtaining information and liaising with the relevant authorities on any relevant government grants, or awards which shall include assisting in the applications.

Pursuant to the agreement entered into between ASTI and the Company which stipulated that ASTI is entitled to charge the Company on the ASTI CSS Payments (the “**ASTI Corporate Support Services Agreement**”), ASTI is entitled to charge the Company up to S\$600,000 per annum. The amount of S\$600,000 per annum is the maximum amount that the Company will make for the ASTI CSS Payments, which had been agreed upon between the Company and ASTI. It was arrived at, after taking into consideration, the amount charged for the ASTI CSS Payments for previous years as set out in section 3.3.2 of the Circular, the staff costs from the above services, the costs of using the office equipment and data servers and licensing fees for IT accounting and computer software and any other relevant services that may be required by the Company which are attributable to the Group. In relation to determining the staff costs from the above services, the Company has considered (a) the type of services required by the Company from ASTI, for instance the provision of the finance, human resource, administrative and legal services; (b) the number of employees involved in supporting the Company and the percentage of their time spent on matters that are related to the Company; and (c) the remuneration of the relevant employees that are involved in providing the relevant services to the Company. The Company then derived the amount based on the aggregate pro-rated remuneration of the relevant staff, factoring in the time the relevant staff spent on matters related to the Company. For the avoidance of doubt, moving forward, should the estimated costs for each year falls below S\$600,000, the amount of ASTI CSS Payments will be rounded down to the nearest multiple of S\$50,000 accordingly, as appropriate, and in any case, below the maximum amount of S\$600,000. As indicated in section 3.3.2 of the Circular, the ASTI CSS Payments for FY2019 and FY2020 was S\$400,000, due to lower staff costs incurred as a result of staff attrition.

The ASTI CSS Payments have remained unchanged over the years as the increase in staff cost throughout the years has been offset by staff attrition (save for FY2010, FY2011, FY2019 and FY2020 where the payment due was reduced).

3.2.3 ASTI Corporate Support Services as Interested Person Transactions

As the Company has been receiving the ASTI Corporate Support Services since FY2006 and to-date, the Company has accordingly been making payments to ASTI every year since 2007 (except for FY2018 as the ASTI CSS Payment was waived for that year and for FY2019 and FY2020 where the ASTI CSS Payments were accrued). The value of the interested person transaction of the ASTI Corporate Support Services will be the ASTI CSS Payments payable by the Company to ASTI. The details of the ASTI CSS Payments from FY2010 to FY2020 are set out as follows:

Financial year	Value of the ASTI Corporate Support Services	Last audited NTA of the Group or market capitalisation as at the prior year (S\$)	Value of the ASTI Corporate Support Services as a percentage against the audited NTA or market capitalisation as at the prior year
FY2020	S\$400,000 ⁽¹⁾	22,324,000 ⁽⁴⁾	1.79%

Financial year	Value of the ASTI Corporate Support Services	Last audited NTA of the Group or market capitalisation as at the prior year (S\$)	Value of the ASTI Corporate Support Services as a percentage against the audited NTA or market capitalisation as at the prior year
FY2019	S\$400,000 ⁽¹⁾⁽²⁾	2,181,000 ⁽³⁾ (restated)	18.3%
FY2018	Waived ⁽²⁾	4,781,000	Not applicable
FY2017	S\$600,000	7,912,000 ⁽⁴⁾	7.6%
FY2016	S\$600,000	2,090,000	28.7%
FY2015	S\$600,000	17,768,000	3.4%
FY2014	S\$600,000	15,540,000 ⁽⁵⁾ (restated)	3.9%
FY2013	S\$600,000	16,363,000	3.7%
FY2012	S\$600,000	4,968,000 ⁽⁴⁾	12.1%
FY2011	S\$300,000 ⁽⁶⁾	16,560,000 ⁽⁴⁾	1.8%
FY2010	S\$450,000 ⁽⁶⁾	44,815,000 ⁽⁴⁾	1.0%

Notes:

- (1) The fees for FY2019 and FY2020 were lower due to lower staff costs incurred as a result of staff attrition.
- (2) Upon discovery of the inadvertent oversight in 2018 to seek for a renewal of the shareholders' mandate for the ASTI Corporate Support Services required, each of the board of directors of the Company and ASTI, having considered the respective interests of the Group and the ASTI Group, had mutually agreed for a waiver of the ASTI CSS Payment for FY2018. However, as the board of directors of ASTI is of the view that sufficient time had been given to the Company for the requisite ratification of the ASTI Corporate Support Services, no further waiver had been given in respect of the ASTI CSS Payment for FY2019. The Company had been unable to resolve the outstanding issues for the matters contemplated in the Circular due to the matters arising from the year-end audit for FY2019. The Company had accordingly accrued S\$400,000 for the ASTI Corporate Support Services in FY2019 and FY2020 respectively. Notwithstanding which, the Company will not make and/or convert into a debt under the Consolidated ASTI Loan Agreement (as defined under section 5.1 of the Circular) the ASTI CSS Payment for FY2019 and FY2020 until Shareholders' approval for the proposed adoption of the IPT General Mandate is obtained.
- (3) The audited NTA of FY2018 is restated because the results of the independent valuation report had not been received as at the date which the financial statements for FY2018 were authorised for issue, and the allocation of purchase price to the identifiable assets and liabilities was only completed in 2019. In addition, the Company also made certain restatements in connection with the acquisition of Yumei Subsidiaries.
- (4) As the Group's audited NTA as at 31 December 2009, 31 December 2010, 31 December 2011, 31 December 2016 and 31 December 2019 are negative, it is not meaningful to adopt the NTA as the basis to compute the materiality thresholds in relation to Rules 905 and 906 of the Catalist Rules for the respective FYs. Upon consultation with the SGX-ST, through the Sponsor, the SGX-ST had advised the Company to determine the materiality of the interested person transactions for the purpose of Rules 905 and 906 of the Catalist Rules based on the Company's market capitalisation for the said respective financial years.
- (5) The audited NTA of FY2013 is restated because the results of the independent valuation report had not been received as at the date which the financial statements for FY2013 were authorised for issue, and the allocation of purchase price to the identifiable assets and liabilities was only completed in 2014. In addition, the Company also made certain restatements in connection with the acquisition of ASA Multiplate (M) Sdn. Bhd.
- (6) The ASTI CSS Payments were lower for FY2011 and FY2010 as a discount on these years were given by ASTI.

As set out in section 3.4.5 of the Circular, given that the aggregate interested person transactions (the "**Aggregate IPTs**") as mentioned in sections 3.4.3 and 3.4.4 of the Circular have each crossed the 5.0% Threshold under Rule 906(1)(b) of the Catalist Rules, Shareholders' prior approval to the ASTI Loans and the ASTI Corporate Support Services should have been obtained. Further details of the Aggregate IPTs have been set out in section 3.4 of the Circular.

3.2.4 Rationale for and Benefit of the Past ASTI CS Services

The rationale for and benefits of the Past ASTI CS Services are set out in section 3.3.1 of the Circular, and Shareholders are advised to read the information carefully.

3.3 **Background Information on the Past IPTs**

The background of the inadvertent oversight of the Past IPTs and the requirement of additional time to prepare for the ratification of the Past IPTs have been set out in section 3.12 of the Circular, and Shareholders are advised to read the information carefully.

3.4 **Plans and Options of the Company**

The plans and options of the Company in the event that the Shareholders do not approve the Past IPTs at the EGM have been set out in section 3.13 of the Circular, and Shareholders are advised to read the information carefully.

3.5 **Notice of Compliance**

In view that the Company did not announce or obtain the Shareholders' approval for the ASTI Loans and the ASTI Corporate Support Services given that the value of such interested person transactions crossed the 5% Threshold for FY2019, FY2017, FY2016, FY2012 and FY2011, the Singapore Exchange Regulation (the "**SGX RegCo**") had issued a notice of compliance (the "**Notice of Compliance**") to the Company on 1 July 2020 and had directed that, *inter alia*, the Audit Committee to scrutinise the bases taken into consideration by the independent financial adviser in arriving at its opinion on (a) the proposed ratification of the ASTI Loans and the ASTI Corporate Support Services, and (b) the IPT General Mandate. Thereafter, the Audit Committee must disclose in the Circular, its recommendations taking into consideration the opinion of the independent financial adviser, and provide basis on whether the interested person transactions were on normal commercial terms and were not prejudicial to the interests of Shareholders. Further details on the Notice of Compliance have been set out in section 3.7 of the Circular.

4. **THE PROPOSED ADOPTION OF THE IPT GENERAL MANDATE**

4.1 **Nature and Scope of the IPT General Mandate**

The IPT General Mandate covers the ASTI Corporate Support Services, which includes the receipt of management and support services from ASTI, such as the areas of finance, treasury, investment risk review, governmental relations, business development, management information systems, human resources and staff secondment, management and development, accounting, legal, corporate secretarial, public relations, tax, internal audit, central purchasing and other administrative services including computer-based services, and payments in relation to the same.

For the avoidance of doubt, there will be no sale or purchase of assets, undertakings or businesses covered under the scope of the IPT General Mandate. Interested person transactions which do not come within the ambit of the IPT General Mandate (including any renewal thereof) will be subject to the requirements of Chapter 9 of the Catalist Rules and/or other applicable provisions of the Catalist Rules.

4.2 **Classes of Interested Persons**

The IPT General Mandate will apply to the interested person transactions conducted under the IPT General Mandate between any Entity at Risk (as defined in section 2.5 of the Circular) and the ASTI Group.

4.3 **Rationale for and Benefits of the IPT General Mandate**

The rationale for and benefits of the IPT General Mandate are set out in section 4.1 of the Circular, and Shareholders are advised to read the information carefully.

4.4 **Guidelines and Review Procedures for the IPT General Mandate**

The guidelines and review procedures for the IPT General Mandate are set out in section 4.4 of the Circular, and Shareholders are advised to read the information carefully.

4.5 **Expiry and Renewal of the IPT General Mandate**

The IPT General Mandate will take effect from the date of receipt of Shareholders' approval, and will (unless revoked or varied by the Company in general meeting) continue in force until the next annual general meeting of the Company ("**AGM**") and will apply to interested person transactions entered into with ASTI from the date of receipt of Shareholders' approval. Approval from Shareholders will be sought for the renewal of the IPT General Mandate at each subsequent AGM, subject to satisfactory review by the Audit Committee of its continued application to the interested person transactions with ASTI.

4.6 **Disclosure to Shareholders of the Interested Person Transactions**

In accordance with Rule 920(1)(a) of the Catalist Rules, the Company will disclose in its annual report the aggregate value of the interested person transactions conducted pursuant to the IPT General Mandate during the financial year under review (as well as in the Company's annual reports for subsequent FYs that the IPT General Mandate continues to be in force). In addition, the Company will announce the aggregate value of the interested person transactions conducted pursuant to the IPT General Mandate for the financial periods which the Company is required to report on (pursuant to Rule 705 of the Catalist Rules) within the time required for the announcement of such report. These disclosures will be in the format set out in Rule 907 of the Catalist Rules, which includes the disclosure of all other interested person transactions carried out during the relevant financial periods and FY under review as well.

The Company had previously inadvertently omitted to disclose accordingly in the respective annual reports pursuant to Rule 907 of the Catalist Rules, despite that the Aggregate IPTs (being the ASTI Loans Interest Payments and the ASTI Corporate Support Services) amounted to over S\$100,000 in the FYs from FY2010 to FY2017. The Company has also not made any separate announcements as required under Rule 905 of the Catalist Rules in relation to the ASTI Loans Interest Payments and ASTI Corporate Support Services from FY2010 to FY2019.

As mentioned in section 3.1.4 of the Circular, 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 and to-date without any approval or mandate from Shareholders. Despite the expiry of the 2008 IPT Mandate in FY2010, the Company had incorrectly disclosed the ASTI Corporate Support Services as interested person transactions conducted under the Shareholders' mandate (as required under Catalist Rule 907) in the annual report for FY2010). The annual reports for the subsequent years up till FY2017 did not reflect the ASTI Corporate Support Services as interested person transactions pursuant to Rule 907 of the Catalist Rules as well.

4.7 Interim Remedial Actions Taken by the Company

Upon discovery of the inadvertent oversight to seek the requisite Shareholders' approval for the ASTI Loans Interest Payments and ASTI Corporate Support Services required in accordance to Rule 906(1) of the Catalyst Rules, the Company has not made any further principal and interest payment to ASTI from December 2018 and to-date for the ASTI Loans.

The Directors had confirmed to the Sponsor, along with a confirmation from the Company to the Directors, that the Company will not enter into any more loan agreements with ASTI and that it will not repay the outstanding ASTI Loans and the interest outstanding from FY2018 and to-date, until the requisite Shareholders' approval is sought for the ratification and approval of the proposed ratification of the ASTI Loans as payment of the same will not be in compliance with the Catalyst Rules.

As the Directors are of the view that ceasing the ASTI Corporate Support Services will be highly prejudicial to the interest of the Company and will not be in the best interest of the Shareholders as the ASTI Corporate Support Services are necessary for the Group's day-to-day operations and it allows the Group to enjoy economies of scale by utilising such ASTI Corporate Support Services as discussed in section 3.3.1 of the Circular, the Directors are of the view that the ASTI Corporate Support Services should be allowed to continue for the time being. The Company however will not make any payment to ASTI for the ASTI Corporate Support Services in the meantime until the proposed adoption of the IPT General Mandate has been approved by the Shareholders and ASTI has also agreed to waive the payments due under the ASTI Corporate Support Services for FY2018 upon discovery of the failure to seek the requisite shareholders' approval for the Aggregate IPTs.

Further details of the interim remedial actions taken by the Company are set out in section 4.7 of the Circular, and Shareholders are advised to read the information carefully.

5. THE PROPOSED ENTRY INTO THE NEW CONSOLIDATED LOAN AGREEMENT WITH ASTI

5.1 Overview of the Consolidated ASTI Loan

As at the Latest Practicable Date, a total of S\$6,631,796 has been extended by ASTI to the Company under all the existing ASTI Loans. Moving forward, the Company proposes to consolidate all existing ASTI Loans by terminating all existing ASTI Loans and entering into a single loan agreement with ASTI. In addition, at the end of the first month after every financial year (i.e. in January of the next FY), any unpaid ASTI CSS Payments and unpaid ASTI Loans Interest Payments will be treated as a debt incurred by the Company and automatically be deemed as a loan extended by ASTI, subject to a loan facility limit of S\$10,000,000.

Currently, the aggregate unpaid ASTI CSS Payments and unpaid ASTI Loans Interest Payments amounting to S\$25,932, S\$624,396 and S\$593,185 for FY2018, FY2019 and FY2020 respectively have not been converted to a debt yet and will be converted accordingly upon obtaining Shareholders' approval for the Proposed Entry into the New Consolidated Loan Agreement with ASTI. The ASTI CSS Payment for FY2018 was waived.

While the interest payments under the Consolidated ASTI Loan for FY2020 do not cross the 5% Threshold under Rule 906 of the Catalyst Rules and hence do not require the approval of the Shareholders, the Company intends to seek the approval of the Independent Shareholders for the proposed entry into the Consolidated ASTI Loan so that the Company will not be required to seek the approval of the Independent Shareholders in the event that the 5% Threshold is subsequently crossed.

5.2 Principal Terms of the Consolidated ASTI Loan

Proposed loan facility	:	Loan facility of up to S\$10,000,000, with S\$6,631,796 (which is the equivalent sum that has already been extended to the Company under the existing ASTI Loans) to be deemed to be extended upon the entry of the Consolidated ASTI Loan
Lender	:	ASTI Holdings Limited
Borrower	:	Advanced Systems Automation Limited
Drawdown	:	<p>At the end of the first month (i.e. January) after every financial year, any unpaid ASTI CSS Payments and unpaid ASTI Loans Interest Payments will be treated as a debt incurred by the Company and automatically be considered as a loan extended by ASTI, subject to the facility limit of \$10,000,000.</p> <p>For the avoidance of doubt, other than the existing ASTI Loans amounting to S\$6,631,796 being deemed as drawdown and the conversion of unpaid ASTI CSS Payments and unpaid ASTI Loans Interest Payments into a debt, no new funds will be drawn down from the loan facility.</p>
Repayment	:	<p>The borrower shall pay to the order of lender the principal amount of the loan and unpaid interest by the Scheduled Repayment Date and the parties agree that the loan is payable on demand.</p> <p>The borrower may prepay all or any part of the loan (including accrued interest thereon) from time to time and at any time, in whole or in part.</p> <p>"Scheduled Repayment Date" under the Consolidated ASTI Loan refers to 3 years from the date of the disbursement of the loan by the lender to the borrower.</p> <p>For the avoidance of doubt, the Scheduled Repayment Date is 31 December 2023.</p>
Interest rate	:	<p>The interest rate shall be pegged to the sum of the prevailing one-month SIBOR (or such other rate that might replace the SIBOR) and the IRAS RPT Margin and/or the average prevailing 12-month average RM fixed deposit rate from BNM, as the case may be, per annum commencing on the date of the disbursement until such sum is repaid in full.</p> <p>Such interest shall accrue monthly on the amount of the loan extended by ASTI. The amount of loan extended by ASTI will be determined by the Company in January of each financial year, factoring in any unpaid ASTI CSS Payments and unpaid ASTI Loans Interest Payments accrued in the preceding year.</p>

As an illustration, based on the prevailing one-month SIBOR of 0.25% and the IRAS RPT Margin of 2.75% per annum as at the Latest Practicable Date, the interest rate of the Consolidated ASTI Loan will be 3.00% per annum and the maximum value at risk to the Company is S\$900,000 being the total value of the interest payments due under the Consolidated ASTI Loan for a 3 year period assuming the full loan facility of S\$10,000,000 is extended by ASTI (the "**Consolidated ASTI Loan Transaction Value**"), which represents approximately 4.0% of the Company's market capitalisation as at 31 December 2019.

5.3 Rationale for and Benefit of the Consolidated ASTI Loan

The rationale for and benefit of the Consolidated ASTI Loan are set out in section 5.3 of the Circular, and Shareholders are advised to read the information carefully.

6. THE PROPOSED ENTRY INTO THE NEW LOAN AGREEMENT WITH DATO' LOH

6.1 Overview of the LSG Loan Agreement

Dato' Loh, who is the former executive chairman and former chief executive officer of the Company up until 7 April 2020, is a controlling shareholder of the Company. He holds 4,444,444,444 Shares, representing approximately 19.91% of the total issued share capital of the Company as at the Latest Practicable Date. Dato' Loh also owns 19.89% shareholding interest in ASTI and he is also the executive chairman and chief executive officer, as well as a controlling shareholder of ASTI. Accordingly, Dato' Loh (being a controlling shareholder of the Company) is considered an interested person and all transactions entered into between the Group and Dato' Loh will each constitute an interested person transaction for the purposes of Chapter 9 of the Catalyst Rules.

The Company intends to enter into the LSG Loan Agreement with Dato' Loh, pursuant to which Dato' Loh will extend loans of up to S\$2.5 million for a period of one year with an interest rate of 5% per annum. The LSG Loan Agreement will be denominated in SGD, unsecured and due as and when recalled by Dato' Loh. Dato' Loh has also provided a letter of financial undertaking and continuing financial support to the Company that, *inter alia*, he will not demand repayment of the amounts due from the Company until such time the Company is in a position to repay the balance without prejudicing its ability to continue as a going concern.

The value at risk of the LSG Loan Agreement to the Company, being the interest payable to Dato' Loh, is S\$125,000, which represents approximately 0.6% of the market capitalisation of the Group as at 31 December 2019.

6.2 Principal Terms of the LSG Loan Agreement

The principal terms of the LSG Loan Agreement are set out below:

Principal Amount	: S\$2,500,000
Lender	: Dato' Michael Loh Soon Gnee
Borrower	: Advanced Systems Automation Limited
Repayment	The borrower shall pay to the order of lender the principal amount of the loan and unpaid interest by the Scheduled Repayment Date and the parties agree that the loan is payable on demand
	The borrower may prepay all or any part of the loan (including accrued interest thereon) from time to time and at any time, in whole or in part.
	"Scheduled Repayment Date" under the LSG Loan Agreement refers to 12 months from the date of the drawdown of the loan by

the lender to the borrower.

Interest rate : 5% per annum commencing on the date of the drawdown until such sum is repaid in full. Such interest shall accrue monthly on the outstanding principal amount of the loan. No interest shall be charged on any accrued interest.

6.3 Current and On-going Interested Person Transactions with Dato' Loh

At present, Dato' Loh has on 30 May 2019 (the "**May Loan Agreement**") and 29 July 2019 (the "**July Loan Agreement**") extended loans amounting to S\$500,000 (the "**May Loan**") and S\$300,000 (the "**July Loan**") respectively to the Company. Both loans are denominated in SGD, unsecured and are due as and when recalled by Dato' Loh.

The principal terms of the May Loan Agreement and July Loan Agreement are set out as follows:

The May Loan

Principal Amount : S\$500,000.00

Lender : Dato' Michael Loh Soon Gnee

Borrower : Advanced Systems Automation Limited

Repayment : The borrower shall pay to the order of lender the principal amount of the loan and unpaid interest by the Scheduled Repayment Date and the parties agree that the loan is payable on demand.

The borrower may prepay all or any part of the loan (including accrued interest thereon) from time to time and at any time, in whole or in part.

"Scheduled Repayment Date" under the May Loan Agreement refers to 6 months from the date of the disbursement of the loan by the lender to the borrower.

Interest rate : 5% per annum commencing on the date of the disbursement until such sum is repaid in full. Such interest shall accrue monthly on the outstanding principal amount of the loan. No interest shall be charged on any accrued interest.

The July Loan

Principal Amount : S\$300,000.00

Lender : Dato' Michael Loh Soon Gnee

Borrower : Advanced Systems Automation Limited

Repayment : The borrower shall pay to the order of lender the principal amount of the loan and unpaid interest by the Scheduled Repayment Date and the parties agree that the loan is payable on demand.

The borrower may prepay all or any part of the loan (including accrued interest thereon) from time to time and at any time, in whole or in part.

"Scheduled Repayment Date" under the July Loan Agreement refers to 6 months from the date of the disbursement of the

loan by the lender to the borrower.

Interest rate 5% per annum commencing on the date of the disbursement until such sum is repaid in full. Such interest shall accrue monthly on the outstanding principal amount of the loan. No interest shall be charged on any accrued interest.

The value-at-risk to the Group, being the aggregate interest payable to Dato' Loh for the May Loan Agreement and July Loan Agreement, amounted to S\$40,110 for FY2020 and is below S\$100,000 threshold, and Rules 905(1), 905(2) and 906(1) of the Catalist Rules hence did not apply to the May Loan Agreement and July Loan Agreement.

However, upon the Proposed Entry into the LSG Loan Agreement, the total value of all interested person transactions with Dato' Loh for FY2020 and up to the Latest Practicable Date, including the May Loan and the July Loan, will be S\$168,507. As the S\$100,000 threshold will be crossed, Rules 905(1), 905(2) and 906(1) of the Catalist Rules will hence apply to the May Loan Agreement, July Loan Agreement and the LSG Loan Agreement (the "**Dato' Loh Loan Agreements**").

While the interest payments under the Dato' Loh Loan Agreements at present do not cross the 5% Threshold under Rule 906 of the Catalist Rules and hence do not require the approval of the Independent Shareholders, the Company intends to seek the approval of the Independent Shareholders for the Proposed Entry into the LSG Loan Agreement so that the Company will not be required to seek the approval of Independent Shareholders in the future when the 5% Threshold is subsequently crossed.

6.4 Rationale for and Benefits of the LSG Loan Agreement

The rationale for and benefits of the LSG Loan Agreement are set out in section 6.3 of the Circular, and Shareholders are advised to read the information carefully.

7. THE PROPOSED ENTRY INTO THE NEW LOAN AGREEMENT WITH MR. SEAH

7.1 Overview of the SCH Loan Agreement

Mr. Seah is the Executive Director, Chief Executive Officer, and a controlling shareholder of the Company. He holds 6,500,000,000 Shares, representing approximately 29.12% of the total issued share capital of the Company as at the Latest Practicable Date. Accordingly, Mr. Seah (being the Executive Director, Chief Executive Officer, and controlling shareholder of the Company) is considered an interested person and all transactions entered into between the Group and Mr. Seah will each constitute an interested person transaction for the purposes of Chapter 9 of the Catalist Rules.

The Company intends to enter into the SCH Loan Agreement with Mr. Seah, pursuant to which Mr. Seah will extend loans of up to S\$2.5 million for a period of one year with an interest rate of 5% per annum. The SCH Loan Agreement will be denominated in SGD, unsecured and due as and when recalled by Mr. Seah. Mr. Seah has also provided a letter of financial undertaking and continuing financial support to the Company that, *inter alia*, he will not demand repayment of the amounts due from the Company until such time the Company is in a position to repay the balance without prejudicing its ability to continue as a going concern.

The value at risk of the SCH Loan Agreement to the Company, being the interest payable to Mr. Seah, is S\$125,000 which represents approximately 0.6% of the market capitalisation of the Group as at 31 December 2019.

While the interest payments under the SCH Loan Agreement at present does not cross the 5% Threshold under Rule 906 of the Catalist Rules and hence do not require the approval of the Shareholders, the Company intends to seek the approval of the Independent Shareholders for the Proposed Entry into the SCH Loan Agreement so that the Company will not be required to seek the approval of Independent Shareholders in the future when the 5% Threshold is subsequently crossed.

7.2 **Principal Terms of the LSG Loan Agreement**

The principal terms of the SCH Loan Agreement are set out as follows:

Principal Amount	:	S\$2,500,000.
Lender	:	Seah Chong Hoe
Borrower	:	Advanced Systems Automation Limited
Repayment	:	The borrower shall pay to the order of lender the principal amount of the loan and unpaid interest by the Scheduled Repayment Date and the parties agree that the loan is payable on demand The borrower may prepay all or any part of the loan (including accrued interest thereon) from time to time and at any time, in whole or in part. "Scheduled Repayment Date" under the SCH Loan Agreement refers to 12 months from the date of the drawdown of the loan by the lender to the borrower.
Interest Rate	:	5% per annum commencing on the date of the drawdown until such sum is repaid in full. Such interest shall accrue monthly on the outstanding principal amount of the loan. No interest shall be charged on any accrued interest.

7.3 **Current and On-going Interested Person Transactions with Mr. Seah**

At present, Pioneer Venture Pte Ltd (a subsidiary of the Company) has entered into a services Agreement with Yumei Plastic Pte. Ltd. wherein a sum of \$96,000 is payable by Pioneer Venture Pte Ltd to Yumei Plastic Pte. Ltd. per year, which will continue for a period of 3 years (the "**Yumei Services Agreement**"). As Yumei Plastic Pte. Ltd. is jointly owned by Mr. Seah and his wife, it is considered an associate of Mr. Seah and accordingly, an interested person, for the purposes of Chapter 9 of the Catalist Rules

For FY2020 and up to the Latest Practicable Date, save for the above and the SCH Loan Agreement, no other transactions have been entered into between the Group and Mr. Seah. Accordingly, the total value of all interested person transactions entered into between the Group and Mr. Seah is approximately S\$229,000 which represents approximately 1.0% of the market capitalisation of the Group as at 31 December 2019.

7.4 **Rationale for and Benefits of the SCH Loan Agreement**

The rationale for and benefits of the LSG Loan Agreement are set out in section 7.3 of the Circular, and Shareholders are advised to read the information carefully.

8. EVALUATION OF THE PAST ASTI LOANS

In our evaluation of the Past ASTI Loans, we have reviewed and examined the following factors which have a significant bearing on our assessment:

- (a) the rationale for and benefits of the Past ASTI Loans;
- (b) an assessment of the key terms of the Past ASTI Loans in FY2011, FY2012, FY2016, FY2017 and FY2019; and
- (c) other relevant considerations in relation to the Past ASTI Loans.

8.1 Rationale for and Benefits of the Past ASTI Loans

It is not within our terms of reference to comment or express an opinion on the merits of the Past ASTI Loans. Nevertheless, we have reviewed the rationale for and benefits of the Past ASTI Loans as set out in section 3.2.1 of the Circular which is reproduced in italics below:

"As the Group was previously unable to obtain the necessary bank financing due to the lack of assets that can be used as collateral and its poor financial results, the Group had been relying substantially on the ASTI Loans for financing the Group's general working capital requirements and to meet the Group's current liabilities as and when they fall due. This has allowed the Group to continue its operations with minimal disruption.

However, for completeness, due to the Covid-19 situation in Singapore, the Group was able to obtain unsecured bank loans denominated in SGD approved by financial institutions to one of the subsidiaries in the Yumei Group in FY2020 under the Enterprise Financing Scheme – Temporary Bridging Loan programme operated by Enterprise Singapore. Furthermore, in FY2019, the Yumei subsidiaries also had pre-existing bank loans denominated in SGD and RM (together, the "Yumei Group Loans")."

8.2 Assessment of the Key Terms of the Past ASTI Loans in FY2011, FY2012, FY2016, FY2017 and FY2019

The Group had between FY2007 and FY2018 obtained loans from the ASTI Group to finance the Group's day-to-day operations and for the Group's general working capital purposes. Due to an inadvertent oversight, the Company had not obtained the approval of the Shareholders before drawing down the Past ASTI Loans in FY2011 (the "**FY2011 Past ASTI Loans**"), FY2012 (the "**FY2012 Past ASTI Loans**"), FY2016 (the "**FY2016 Past ASTI Loans**"), FY2017 (the "**FY2017 Past ASTI Loans**") and FY2019 (the "**FY2019 Past ASTI Loans**"). Save for the Past ASTI Loans in FY2019, all the Past ASTI Loans were denominated in SGD. The FY2019 Past ASTI Loans comprise loans denominated in SGD (the "**FY2019 SGD Past ASTI Loans**") and in RM (the "**FY2019 RM Past ASTI Loans**")

8.2.1 Interest Rates

Based on our discussions with the Management, we understand that (a) save for the SGD Yumei Pre-Existing Unsecured Loans (as defined herein) and the RM Yumei Pre-Existing Secured Loans (as defined herein) in FY2019², the Group was unable to obtain any bank loans in, *inter alia*, FY2011, FY2012, FY2016, FY2017 and FY2019, and (b) the Past ASTI Loans extended to the Group by the ASTI Group were predominantly funded from the ASTI Group's bank borrowings (the "**ASTI Borrowings**"). Accordingly, our evaluation methodology on the interest rates of the Past ASTI Loans is set out as follows:

² In FY2018, the Company acquired the Yumei Subsidiaries from Mr. Seah (the "**Yumei Acquisition**"). We understand from the Management that the SGD Yumei Pre-Existing Unsecured Loans and the RM Yumei Pre-Existing Secured Loans had been undertaken by the Yumei Subsidiaries prior to the Yumei Acquisition and were subsequently consolidated in the Group's financial statements, hence the key terms of such bank loans have been set out herein solely for illustrative purposes.

- (a) comparing the effective interest rate(s) (the “**Effective Interest Rate(s)**”) of the Past ASTI Loans (excluding the FY2019 RM Past ASTI Loans) with the average prime lending rate (the “**Average PLR**”) of financial institutions in Singapore during the Relevant Periods. In respect of the FY2019 RM Past ASTI Loans, we have made comparison of its Effective Interest Rate with the average base lending rate (the “**Average BLR**”) of commercial banks in Malaysia in FY2019.

The Effective Interest Rates of the Past ASTI Loans are computed by dividing the total interest expense charged by ASTI by the average daily outstanding loan amount of the Past ASTI Loans for a given financial year.

The prime lending rate (the “**PLR**”) is the lowest interest rate charged by commercial banks in Singapore to their creditworthy customers, and the Average PLR was obtained from the statistics published on the website of the Monetary Authority of Singapore (the “**MAS**”)³ as compiled from the quotations of 10 leading banks and finance companies in Singapore.

The base lending rate (the “**BLR**”) is the interest rate that commercial banks in Malaysia quote to their best customers, and the Average BLR was obtained from the statistics published on the website of BNM⁴;

- (b) comparing the Effective Interest Rates of the Past ASTI Loans with the interest rates of the ASTI Borrowings denominated in SGD for the Relevant Periods, in view that the Past ASTI Loans were predominantly funded from the ASTI Borrowings;
- (c) in respect of FY2019, comparing the Effective Interest Rate of the FY2019 SGD Past ASTI Loans with (i) the interest rate of the unsecured SGD loans granted by Dato’ Loh to the Group in May 2019 and July 2019 pursuant to the May Loan Agreement and the July Loan Agreement (collectively, the “**FY2019 Dato’ Loh Loans**”), and (ii) the interest rates of the pre-existing unsecured bank loans of the Yumei Subsidiaries denominated in SGD which were obtained before the Yumei Acquisition (the “**SGD Yumei Pre-Existing Unsecured Loans**”) in FY2019; and
- (d) in respect of FY2019, comparing the Effective Interest Rate of the FY2019 RM Past ASTI Loans with the interest rates of the pre-existing secured bank loans of the Yumei Subsidiaries denominated in RM which were obtained before the Yumei Acquisition (the “**RM Yumei Pre-Existing Secured Loans**”) in FY2019, in view that the Group does not have any unsecured loans denominated in RM in FY2019.

Due to the long passage of time since FY2011 and FY2012, there were practical limitations in obtaining the average daily outstanding loan amount from the Company to compute the Effective Interest Rates of the FY2011 Past ASTI Loans and the FY2012 Past ASTI Loans. In this regard, based on the information made available to us, we have used, as a conservative proxy, the compounding effect of the actual monthly interest rates of the FY2011 Past ASTI Loans and the FY2012 Past ASTI Loans which were repriced every quarter for the computation of the Effective Interest Rates. For the same reasons, the interest rates for the ASTI Borrowings denominated in SGD in FY2011 and FY2012 were also not available for comparison.

Based on the available information provided by the Management, we have made a comparison of the Effective Interest Rates for the FY2016 Past ASTI Loans and the FY2017 Past ASTI Loans with the interest rates of the ASTI Borrowings in FY2016 (the “**FY2016 ASTI Borrowings**”) and FY2017 (the “**FY2017 ASTI Borrowings**”) respectively. As there were no ASTI Borrowings denominated in SGD and RM in FY2019, we have not made a comparison of the Effective Interest Rates for the FY2019 Past ASTI Loans.

³ <https://secure.mas.gov.sg/msb/InterestRatesOfBanksAndFinanceCompanies.aspx>

⁴ <https://www.bnm.gov.my/-/msb-11-2020>

Shareholders should note that the following analysis is solely for illustrative purposes as the general market conditions and circumstances at the time of grant of each of the ASTI Borrowings, the FY2019 Dato' Loh Loans, the SGD Yumei Pre-Existing Unsecured Loans and the RM Yumei Pre-Existing Secured Loans would have been different from the prevailing market conditions, and the terms offered for each of the loans (including the Past ASTI Loans) obtained by the Group would have been dependent on various considerations by the relevant lender at the time of granting the loans. Such considerations would include, but not be limited to, the lender's capital structure, size and scale of operations, geographical spread, lending strategy, cost of funds, supply of funds, risk management parameters, assessment of the general market conditions and interest rate environment as well as the composition and quality of the borrower's security and guarantee (if any) and the financial performance and condition of the borrower.

The table below sets out a comparison of the interest rates of the Past ASTI Loans:

	Outstanding interest-bearing loan amount (excluding interest) as at year-end	Total interest expense	Average daily outstanding loan amount during financial year	Basis for interest rate ⁽¹⁾	Effective Interest Rate (per annum) ⁽²⁾	Range of interest rates (per annum) ⁽¹⁾	Comparison parameter ⁽³⁾
FY2011 Past ASTI Loans	S\$28.1 million	S\$0.7 million	Unavailable	0.5% per annum above ASTI's cost of funds	2.44%	2.35% to 2.44%	<u>Average PLR in FY2011</u> 5.38% per annum
FY2012 Past ASTI Loans	S\$1.3 million ⁽⁴⁾	S\$0.6 million	Unavailable	0.5% per annum above ASTI's cost of funds	4.49%	3.38% to 4.91%	<u>Average PLR in FY2012</u> 5.38% per annum
FY2016 Past ASTI Loans	S\$7.8 million	S\$0.3 million	S\$7.5 million	0.5% per annum above ASTI's cost of funds	4.02%	3.88% to 4.32%	(a) <u>Average PLR in FY2016</u> 5.35% per annum (b) <u>FY2016 ASTI Borrowings</u> Between 3.38% and 3.94% per annum
FY2017 Past ASTI Loans	S\$3.9 million ⁽⁵⁾	S\$0.2 million	S\$5.6 million	0.5% per annum above ASTI's cost of funds	3.98%	3.92% to 4.13%	(a) <u>Average PLR in FY2017</u> 5.28% per annum (b) <u>FY2017 ASTI Borrowings</u> Between 3.42% and 3.75% per annum

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	Outstanding interest-bearing loan amount (excluding interest) as at year-end	Total interest expense	Average daily outstanding loan amount during financial year	Basis for interest rate ⁽¹⁾	Effective Interest Rate (per annum) ⁽²⁾	Range of interest rates (per annum) ⁽¹⁾	Comparison parameter ⁽³⁾
FY2019 SGD Past ASTI Loans	S\$6.3 million	S\$0.2 million	S\$6.3 million	SIBOR of 1.641% per annum + IRAS RPT Margin of 1.75% per annum	3.39%	3.39%	(a) <u>Average PLR in FY2019</u> 5.25% per annum (b) <u>FY2019 Dato' Loh Loans</u> 5.0% per annum (c) <u>SGD Yumei Pre-Existing Unsecured Loans</u> Between 6.25% and 10.88% per annum
FY2019 RM Past ASTI Loans	RM1.0 million	RM0.03 million	RM1.0 million	Average monthly deposit rate for 12-month average RM fixed deposits for the period between January 2019 and June 2019 ⁽⁶⁾	3.24%	3.24%	(a) <u>Average BLR in FY2019</u> 6.78% per annum (b) <u>RM Yumei Pre-Existing Secured Loans</u> Between 5.46% and 7.51% per annum

Source: Company, annual reports of ASTI and websites of MAS and BNM

Notes:

- (1) Save for the fixed interest rate of the Past ASTI Loans for FY2019, the interest rates of the Past ASTI Loans were repriced every quarter and the range of interest rates includes the lowest and highest interest rates charged for the respective financial year.

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- (2) The Effective Interest Rates are computed by dividing the total interest expense by the average daily outstanding loan amount during the financial year or using the compounding effect of the actual interest rates of the loans which were repriced every quarter, as the case may be.
- (3) The Average PLRs were obtained from the website of MAS and the Average BLR was obtained from the website of BNM.
- (4) The outstanding loan amount as at 31 December 2012 had taken into account (a) the set-off of approximately S\$16.2 million (being the portion of ASTI's subscription under the 2012 Rights Issue), and (b) the partial repayment of approximately S\$5.5 million from the net proceeds raised from the 2012 Rights Issue.
- (5) The outstanding loan amount as at 31 December 2017 had taken into account the set-off of approximately S\$4.35 million, being the portion of ASTI's subscription under the 2017 Rights Issue.
- (6) The interest rates were obtained from the website of BNM.

Based on the above, we note that:

- (a) the Effective Interest Rate of the FY2011 Past ASTI Loans of 2.44% per annum was significantly below the Average PLR of 5.38% per annum in FY2011;
- (b) the Effective Interest Rate of the FY2012 Past ASTI Loans of 4.49% per annum was below the Average PLR of 5.38% per annum in FY2012;
- (c) the Effective Interest Rate of the FY2016 Past ASTI Loans of 4.02% per annum was (i) below the Average PLR of 5.35% per annum in FY2016, and (ii) above the range of interest rates of the FY2016 ASTI Borrowings of between 3.38% and 3.94% per annum;
- (d) the Effective Interest Rate of the FY2017 Past ASTI Loans of 3.98% per annum was (i) below the Average PLR of 5.28% per annum in FY2017, and (ii) above the range of interest rates of the FY2017 ASTI Borrowings of between 3.42% and 3.75% per annum;
- (e) the Effective Interest Rate of the FY2019 SGD Past ASTI Loans of 3.39% per annum was (i) below the Average PLR of 5.25% per annum in FY2019, (ii) below the interest rate of 5.0% per annum under the FY2019 Dato' Loh Loans, and (iii) significantly below the range of interest rates of between 6.25% and 10.88% per annum under the SGD Yumei Pre-Existing Unsecured Loans; and
- (f) the Effective Interest Rate of the FY2019 RM Past ASTI Loans of 3.24% per annum was (i) significantly below the Average BLR of 6.78% per annum in FY2019, and (ii) below the range of interest rates of between 5.46% and 7.51% per annum under the RM Yumei Pre-Existing Secured Loans in FY2019.

In summary, we note the following:

- (a) the Effective Interest Rates of the Past ASTI Loans in FY2011, FY2012, FY2016, FY2017 and FY2019 were below the relevant Average PLRs or Average BLR as well as the range of interest rates of the FY2019 Dato' Loh Loans, the SGD Yumei Pre-Existing Unsecured Loans and the RM Yumei Pre-Existing Secured Loans (as the case may be) in each of the Relevant Periods; and
- (b) in respect of the FY2016 Past ASTI Loans and the FY2017 Past ASTI Loans, the Effective Interest Rates of 4.02% and 3.98% per annum respectively were only marginally higher (being not more than 0.64% per annum) than the lower bound of the range of interest rates of the relevant ASTI Borrowings. Having regard to the IRAS RPT Margin of 2.5% per annum for related-party loans not exceeding S\$15 million in FY2017⁵, the aforementioned margin of not more than 0.64% per annum for FY2016 and FY2017 appears to be reasonable, particularly in the context of the Group's weak financial circumstances.

8.2.2 Security / Guarantee

The Group was not required to provide any form of security, charge or mortgage over the Group's assets to the ASTI Group for the Past ASTI Loans. Accordingly, in obtaining the Past ASTI Loans, the Group had been able to retain maximum flexibility to conduct its business and operations without having to furnish security over its assets for the purposes of such borrowings.

⁵ Starting from FY2017, the IRAS introduced an indicative IRAS RPT Margin which taxpayers can apply on related-party loans not exceeding S\$15 million, being 2.5% per annum for FY2017, 1.75% per annum for FY2018, 1.75% per annum for FY2019, 2.0% per annum for FY2020 and 2.75% per annum for FY2021.

8.2.3 Additional Fees or Charges

We understand from the Company that notwithstanding that the Group had not repaid the Past ASTI Loans when they fell due and payable, ASTI had renewed the loans and had not demanded the immediate repayment of the outstanding Past ASTI Loans nor imposed any additional fees or charges (such as default or penalty fees), which would otherwise have been imposed by the financial institutions in cases of default or non-repayment.

8.3 **Other Relevant Considerations in relation to the Past ASTI Loans**

8.3.1 Support and Commitment to the Group from ASTI

Since FY2007 (after the acquisition of the equity interest in the Company by ASTI in August 2006), the ASTI Group had been providing loans to the Group for its working capital requirements in view of the difficulties faced by the Group in obtaining the necessary bank financing. These loans were partially capitalised by ASTI into new equity in the Company by way of set-offs against the subscription monies payable by ASTI to the Company in relation to the 2012 Rights Issue and the 2017 Rights Issue. This had allowed the Group to substantially reduce the loans owing to ASTI, thereby improving the financial position of the Group by reducing its liabilities and interest expenses payable to ASTI.

In addition, ASTI had provided an undertaking in FY2016, FY2017 and FY2019 to the Company that it will not recall the amounts due from the Group for the next 12 months from the date the Group's respective financial statements were authorised for issuance.

We believe that the above underscores the continuous support and commitment to the Group from ASTI.

8.3.2 Difficulty in Obtaining Bank Financing

Based on the then financial circumstances of the Group where it recorded net losses since FY2012, the Group had faced difficulties in obtaining bank loans of the same quantum provided under the ASTI Loans, in particular without providing some form of security to the banks as a result of the lack of assets that can be used as collateral⁶.

Since FY2012 and up to the Latest Practicable Date, the Group had therefore undertaken the following equity fund-raising exercises:

Year	Type of fund-raising	Gross proceeds raised	Purpose of proceeds
FY2012	Rights issue	S\$30.4 million	For repayment of loans owing to the ASTI Group and for general working capital
FY2013	Share placement	S\$1.9 million	For general working capital
FY2014	Share placement	S\$3.1 million	For general working capital
FY2017	Rights issue	S\$11.9 million	For repayment of loans owing to the ASTI Group, acquisition of property, plant and equipment, and general working capital

⁶ We understand from the Management that the Group had obtained other interest-bearing loans denominated in RM from non-bank unrelated third parties in FY2016 and FY2017. We have not taken into consideration such loans as they were obtained on an ad-hoc basis with short tenures. In relation to the 2017 Rights Issue, the Company had on 31 March 2017 entered into a loan agreement with Dato' Loh pursuant to which Dato' Loh had agreed to extend an unsecured interest-free loan of S\$1.5 million to the Company. Such loan had been fully repaid by the issue and allotment of the rights shares sub-underwritten by Dato' Loh pursuant to the 2017 Rights Issue.

We understand that notwithstanding the above equity fund-raising exercises undertaken by the Company, the Group had still needed to tap on the Past ASTI Loans for its day-to-day general working capital requirements.

8.3.3 Consequences of Failure to Obtain Shareholders' Approval

As set out in section 3.13 of the Circular, in the event that the resolution on the ratification of the Past ASTI Loans is not approved by the Shareholders, ASTI will have the right to demand payment of the outstanding ASTI Loans (including the ASTI Loans Interest Payments) and commence legal proceedings to enforce its rights and may, in all probability, obtain a judgement against the Company. In such an event, the Company will be liable to pay the ASTI Loans (including the ASTI Loans Interest Payments) and the legal costs involved.

8.3.4 Voting Abstention

As set out in section 11 of the Circular, ASTI, Dato' Loh and their respective associates have undertaken to abstain from voting on the ordinary resolution relating to the ratification of the Past ASTI Loans in respect of their shareholdings in the Company, and they will not accept nominations as proxy or otherwise for voting at the EGM in relation to the ordinary resolution for other Shareholders, unless specific voting instructions have been given by the Shareholder.

9. EVALUATION OF THE PAST ASTI CS SERVICES

In our evaluation of the Past ASTI CS Services, we have reviewed and examined the following factors which have a significant bearing on our assessment:

- (a) the rationale for and benefits of the Past ASTI CS Services;
- (b) an assessment of the ASTI CSS Payments incurred for the Past ASTI CS Services in FY2011, FY2012, FY2016, FY2017 and FY2019; and
- (c) other relevant considerations in relation to the Past ASTI CS Services.

9.1 **Rationale for and Benefits of the Past ASTI CS Services**

It is not within our terms of reference to comment or express an opinion on the merits of the Past ASTI CS Services. Nevertheless, we have reviewed the rationale for and benefits of the Past ASTI CS Services as set out in section 3.3.1 of the Circular which is reproduced in italics below:

"The ASTI Corporate Support Services allows the Group to outsource non-core business activities and to leverage and benefit from the economies of scale already enjoyed by ASTI through the centralization of all ASTI Corporate Support Services for ASTI's other subsidiaries and associates.

This not only allows the Group to enjoy operational and financial leverage in its dealings with third parties, but to also allow the Company to be able to concentrate on its core business, to operate smoothly and to comply with the relevant requirements of the Catalist Rules and applicable laws."

9.2 **Assessment of the ASTI CSS Payments Incurred for the Past ASTI CS Services in FY2011, FY2012, FY2016, FY2017 and FY2019**

The corporate support services provided by the ASTI Group to the Group had encompassed a comprehensive range of services, including the areas of accounting and finance, legal and compliance, business development, corporate planning, human resources, corporate affairs and communication support, patent administration and maintenance, secretarial and registration services and liaison with the authorities:

The Group has been receiving the ASTI Corporate Support Services from the ASTI Group since FY2006 when ASTI became the controlling shareholder of the Company. The ASTI CSS Payment of S\$600,000 per annum is the maximum amount that the Company will pay for the ASTI Corporate Support Services, which had been agreed upon between the Company and ASTI. The amount was arrived at after taking into consideration, *inter alia*, the amount charged for the ASTI CSS Payments for previous years, the staff costs for the provision of the ASTI Corporate Support Services, the cost of using the office equipment and data servers and licensing fees for IT accounting and computer software and any other relevant services which may be required by the Company, which are attributable to the Group.

As the ASTI CSS Payments were determined with reference to the costs incurred by ASTI for the ASTI Corporate Support Services rendered to the Group, we have reviewed the following information for FY2011, FY2012, FY2016, FY2017 and FY2019 as obtained from the Management:

- (a) the estimated staff costs⁷ incurred by the ASTI Group, based on the best estimates of the percentage of time spent by the relevant staff of the ASTI Group in providing the Past ASTI CS Services to the Group; and
- (b) other shared service costs required for the Group's business operations, such as the use of ASTI's office equipment and data servers and licensing fees for IT accounting and computer software as further elaborated in section 3.3 of the Circular.

Based on our review, we note that the estimated costs incurred by the ASTI Group for the provision of the Past ASTI CS Services to the Group were higher than the Past ASTI CSS Payments incurred by the Group in the Relevant Periods. Accordingly, the ASTI CSS Payments paid/payable by the Group for the Past ASTI CS Services (i.e. S\$300,000 in FY2011, S\$600,000 in FY2012, S\$600,000 in FY2016, S\$600,000 in FY2017 and S\$400,000 in FY2019) appear to be reasonable *vis-à-vis* the higher estimated total costs incurred by the ASTI Group for the provision of the Past ASTI CS Services to the Group during the Relevant Periods.

On the above basis, the Group had benefited from the cost savings during the Relevant Periods, and the cost savings would have been larger if other staff-related expenses such as medical, insurance and training expenses had been included in the estimated total costs incurred by the ASTI Group for the provision of the Past ASTI CS Services.

9.3 **Other Relevant Considerations in relation to the Past ASTI CS Services**

9.3.1 Focus on Core Businesses and Leverage on Expertise of the ASTI Group

We note that the outsourcing of the Past ASTI CS Services to the ASTI Group was beneficial to the Group as it allowed the Group to focus on managing its core businesses while at the same time leveraging on the ASTI Group's expertise, experience and familiarity of the work processes to provide the Past ASTI CS Services to the Group at a competitive rate, particularly in the context of the Group's weak financial circumstances.

9.3.2 Savings in Costs, Time and Resources

We understand from the Management that the maximum ASTI CSS Payment of S\$600,000 per annum for the Past ASTI CS Services was beneficial to the Group for the following reasons:

- (a) the Group would have had to incur more costs if it were to (i) engage full-time employees to provide the same range of services as the Past ASTI CS Services (including, *inter alia*, the appointment of a chief financial officer and/or financial controller of the Company and other employees required in the finance, human resource, legal and other back-end and administrative support departments) which would also come with the attendant staff-related costs (such as annual staff salary

⁷ Staff costs include the salaries, annual wage supplements and employer CPF contributions of the respective employees involved in the provision of the ASTI Corporate Support Services.

increments and related welfare and medical expenses) and costs of office space and equipment for such employees, or (ii) source for various independent service providers to provide the same range of services as the Past ASTI CS Services; and

- (b) the Group would have had to expend additional time and resources to hire and train full-time employees to carry out the Past ASTI CS Services.

9.3.3 Continuous Support to the Group from the ASTI Group

Notwithstanding that ASTI had ceased to be the holding company of the Group following the 2017 Rights Issue, the ASTI Group has continued to provide the ASTI Corporate Support Services to the Group and has not requested for any change in the terms of the ASTI Corporate Support Services despite the estimated total costs incurred by the ASTI Group for the provision of such services being higher than the annual fee paid/payable by the Group as further explained in paragraph 9.2 of this Letter.

9.3.4 Reduction and/or Waiver of ASTI CSS Payments in Certain Financial Years

We note that the ASTI CSS Payments amounted to S\$450,000 in FY2010, S\$300,000 in FY2011, S\$400,000 in FY2019 and S\$400,000 in FY2020, and ASTI had waived the ASTI CSS Payment in FY2018. Accordingly, the Company had benefited from such reduced fees and/or fee waiver.

9.3.5 Consequences of Failure to Obtain Shareholders' Approval

As set out in section 3.13 of the Circular, in the event that the resolution on the ratification of the Past ASTI CS Services is not approved by the Shareholders, the Company will not be able to recover any of the monies paid to ASTI, and ASTI will cease the provision of the ASTI Corporate Support Services to the Group.

9.3.6 Voting Abstention

As set out in section 11 of the Circular, ASTI, Dato' Loh and their respective associates have undertaken to abstain from voting on the ordinary resolution relating to the ratification of the Past ASTI CS Services in respect of their shareholdings in the Company, and they will not accept nominations as proxy or otherwise for voting at the EGM in relation to the ordinary resolution for other Shareholders, unless specific voting instructions have been given by the Shareholder.

10. **EVALUATION OF THE IPT GENERAL MANDATE**

In our evaluation of the IPT General Mandate, we have reviewed and examined the following factors which have a significant bearing on our assessment:

- (a) the rationale for and benefits of the IPT General Mandate;
- (b) the guidelines and review procedures in relation to the IPT General Mandate; and
- (c) other relevant considerations in relation to the IPT General Mandate.

10.1 **Rationale for and Benefits of the IPT General Mandate**

It is not within our terms of reference to comment or express an opinion on the merits of the IPT General Mandate. Nevertheless, we have reviewed the rationale for and benefits of the IPT General Mandate as set out in section 4.1 of the Circular which is reproduced in italics below:

- "4.1.1 As the ASTI Corporate Support Services provided by ASTI are necessary for the Group's day-to-day operations and it allows the Group to enjoy various economies of scale, it would therefore not be prudent to cease the ASTI Corporate Support Services*

as such an action would be highly prejudicial to the interest of the Company, and will not be in the best interest of the Shareholders. The Company therefore intends to continue relying on ASTI for the provision of ASTI Corporate Support Services. Accordingly, the Company intends to seek Shareholders' approval for the Proposed Adoption of the IPT General Mandate provided such IPTs are carried on normal commercial terms and will not be prejudicial to the Company and/or its minority shareholders. The IPT General Mandate if granted by Shareholders, will be subject to annual renewal.

- 4.1.2 As the ASTI Corporate Support Services will continue to accrue every year, Shareholders' approval will have to be obtained each time the 5.0% threshold under Rule 906(1) of the Catalist Rules is exceeded. The Proposed Adoption of the IPT General Mandate will eliminate the need for the Company to announce and convene separate general meetings on each occasion to seek Shareholders' approval for such transactions. This will substantially reduce the expenses associated with the convening of general meetings (including the engagement of external advisers and preparation of documents) on an ad-hoc basis, will improve administrative efficacy considerably, and will allow manpower resources and time to be channelled towards attaining other business objectives available to the Company.
- 4.1.3 The Company is therefore now seeking Shareholders' approval for the IPT General Mandate pursuant to the requirements of Chapter 9 of the Catalist Rules to allow the Entity at Risk to enter into, in the ordinary course of business, any of the Mandated Transactions with ASTI, provided that such transactions are made on normal commercial terms, and will not be prejudicial to the interests of the Company and its minority Shareholders, and in accordance with the review procedures for such transactions."

10.2 Guidelines and Review Procedures in relation to the IPT General Mandate

As set out in section 4.4 of the Circular, the Company has established, *inter alia*, the following guidelines and review procedures with regard to the IPT General Mandate:

- (a) the Group will obtain from ASTI, on a quarterly basis, the details of all the staff in the relevant departments of the ASTI Group (the "**Relevant ASTI Staff**") who rendered services to the Group during the quarter pursuant to the ASTI Corporate Support Services Agreement. The resultant estimated costs incurred by the ASTI Group for the provision of the ASTI Corporate Support Services to the Group (the "**Estimated ASTI CSS Costs**") shall be determined on a pro-rated basis taking into consideration, *inter alia*, the remuneration and estimated percentage of time spent by the Relevant ASTI Staff assigned to perform the ASTI Corporate Support Services for that quarter;
- (b) an Executive Director or Chief Executive Officer of the Company (or an officer of equivalent rank as designated by the Audit Committee), who shall not have any direct or indirect interest in the ASTI Corporate Support Services, will review and endorse the Estimated ASTI CSS Costs at the end of each quarter. In the event that the Group is of the view that the Estimated ASTI CSS Costs for a particular quarter may not be accurate or is estimated to be lower than the ASTI CSS Payment of S\$150,000 for that particular quarter (on the basis that the ASTI CSS Payment is fixed at S\$600,000 per annum), the Company will inform the ASTI Group and record the ASTI CSS Payment based on a mutually-agreed Estimated ASTI CSS Costs for that quarter based on, *inter alia*, the estimated time spent by the Relevant ASTI Staff;

- (c) the finance team of the Company will, on an annual basis, tabulate the aggregate quarterly Estimated ASTI CSS Costs (collectively, the "**Aggregate CSS Costs**"). In the event that the Aggregate CSS Costs are lower than S\$600,000 per annum, the Group will seek a refund of the shortfall from the ASTI Group and/or re-negotiate with the ASTI Group on the ASTI CSS Payment stipulated in the ASTI Corporate Support Services Agreement, taking into consideration relevant factors including, but not limited to, the on-going requirements of the Group for the Relevant ASTI Staff, the estimated percentage of time spent by the Relevant ASTI Staff, the efficiency, expertise and familiarity of the work processes of the Relevant ASTI Staff, and additional staff costs to be incurred by the Group if it were to hire its own permanent staff and any other related costs. Should the Aggregate CSS Costs fall below S\$600,000 per annum, the ASTI CSS Payments will be rounded down to the nearest multiple of S\$50,000;
- (d) all future interested person transactions (of transactions with a value, whether considered individually or upon aggregation in accordance with Rules 905(5) and 906(4) of the Catalist Rules, equal to or exceeding S\$100,000) where the value is equal to or exceeds 3% of the Group's audited NTA (based on the latest audited consolidated accounts) or the Company's market capitalisation as at the most recently completed financial year end (as the case may be) shall require the prior review and approval of the Directors. The Company will consult the SGX-ST on the appropriate benchmark for the computation of the threshold pursuant to Rule 905(4) and 906(3) of the Catalist Rules if the Group's NTA is negative in the respective financial years;
- (e) the finance department of the Company will (i) maintain a list of interested persons and their associates (which is to be updated immediately if there are any changes that the Company is aware of) to enable identification of the interested persons and the list will be reviewed at least on a quarterly basis by the Audit Committee or for such period as determined by them, and (ii) monitor the interested person transactions of the Group on an on-going basis or at least on a quarterly basis and match the counterparty name against the list of interested persons to identify interested person transactions of the Group. The finance department will prepare and maintain an interested person transaction register to record all the interested person transactions (including the ASTI Corporate Support Services and any transactions which are below S\$100,000 in value) (the "**IPT Register**"). The IPT Register will include details on the identity of the interested persons, the quantum of the interested person transactions, the nature and scope of the interested person transactions, the basis and rationale for entry into the interested person transactions (including the ASTI Corporate Support Services), other supporting evidence obtained to support the transactions and the approving authority;
- (f) the internal auditor of the Group will, on an annual basis, conduct a review of the interested person transactions (including the ASTI Corporate Support Services), which will include, amongst others, the adherence with the review procedures for the monitoring of the ASTI Corporate Support Services and the adequacy of the review procedures under the IPT General Mandate;
- (g) the Group will undertake, on an annual basis, a review of the internal procedures to ensure that all relevant management and finance staff of the Group are fully informed of and familiar with the nature and classification of interested person transactions, as well as the compliance and disclosure obligations under the Catalist Rules and relevant laws and regulations;
- (h) the finance department of the Company will monitor, on an on-going basis or at least on a quarterly basis, the aggregate quantum of the "amount at risk" to the Group pursuant to Chapter 9 of the Catalist Rules which arise from entering into the interested person transactions (including the ASTI Corporate Support Services) to ensure that all disclosure, approval and other requirements on interested person transactions, including those required by the prevailing Catalist Rules, legislation and accounting standards, will be complied with; and

- (ii) the Company will (i) disclose the aggregate value of the interested person transactions (including the ASTI Corporate Support Services) in its financial statements and/or annual reports in accordance with the requirements of the Catalist Rules, and (ii) make the requisite announcements and/or seek approval from its minority Shareholders if there are changes made to the terms stipulated under the ASTI Corporate Support Services Agreement in accordance with the requirements of Chapter 9 of the Catalist Rules.

Further information on the guidelines and review procedures with regard to the IPT General Mandate is set out in sections 4.4 and 8.2 to 8.7 of the Circular.

10.3 Other Relevant Considerations in relation to the IPT General Mandate

10.3.1 ASTI Corporate Support Services Necessary for the Group's Operations

We understand that the ASTI Corporate Support Services are necessary for the Group's day-to-day operations, such as the book-keeping, accounting, finance, human resources and administrative services provided to the Group, as the Group does not have such departments to provide the same range of services. In addition, the majority of the Relevant ASTI Staff has been employed under the ASTI Group for several years and they would already have been familiar with, and are experienced in the work processes for, the provision of the ASTI Corporate Support Services to the Group.

Notwithstanding that the ASTI Corporate Support Services are outsourced to the ASTI Group, the Directors and the Management retain the right and responsibility to direct the policies and development of such services in the interests of the Group, and the provision of the ASTI Corporate Support Services is at all times subject to the control and supervision of the Directors and the Management.

We also note the Directors' view, as set out in section 4.7 of the Circular, that ceasing the ASTI Corporate Support Services would be highly prejudicial to the interests of the Company.

10.3.2 Financial Performance and Condition of the Group

Based on the Company's annual reports for FY2018 and FY2019 and the Group's unaudited financial statements for the 6-month period ended 30 June 2020 ("6M2020"), we note that:

- (a) the Group incurred pre-tax losses in each of FY2017, FY2018, FY2019 and 6M2020;
- (b) the Group recorded a negative working capital in FY2018, FY2019 and 6M2020; and
- (c) the Group recorded negative operating cash flows in each of FY2017, FY2018 and FY2019. The Group recorded net cash flows generated from operating activities in 6M2020 mainly due to an increase in payables despite recording negative operating cash flows before changes in working capital.

In view of the Group's weak financial performance and condition, we believe that the cost savings arising from the IPT General Mandate (due to the economies of scale from the centralisation of ASTI's provision of corporate support services for its other subsidiaries and associates) would be beneficial to the Group.

10.3.3 Potential Reduction in Fixed Operating Costs

Pursuant to the ASTI Corporate Support Services Agreement, the Company is entitled to seek a refund of the shortfall from ASTI and/or re-negotiate with ASTI on the ASTI CSS Payments in the event that the Aggregate CSS Costs are lower than S\$600,000 per annum after taking into consideration, *inter alia*, the estimated percentage of time spent by the Relevant ASTI Staff assigned to provide the services to the Group. The ASTI CSS Payments would also be rounded down to the nearest multiple of S\$50,000, which would provide further cost savings to the Group.

Accordingly, such arrangement would allow the Group to streamline and manage its cost structure, which may not be easily achievable if the Group were to engage full-time employees to provide the same range of services as the ASTI Corporate Support Services.

10.3.4 Role of the Audit Committee in relation to the IPT General Mandate

We note that the role of the Audit Committee in enforcing the IPT General Mandate will include, *inter alia*, the following:

- (a) reviewing, at least on a quarterly basis, the IPT Register to ensure that the ASTI Corporate Support Services have been conducted in accordance with the established review procedures for the IPT General Mandate;
- (b) if, during the periodic reviews by the Audit Committee, the Audit Committee is of the view that the established review procedures are not adequate and/or commercially practicable to ensure that the interested person transactions (including the ASTI Corporate Support Services) will be transacted on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders, it will (in consultation with the Directors) modify and/or adopt such new review procedures as may be appropriate and the Company will seek a fresh mandate from its minority Shareholders based on the new review procedures to ensure that future transactions of a similar nature will be on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders. All new interested person transactions will be reviewed and approved by the Audit Committee prior to entry while a fresh mandate is being sought from the Shareholders; and
- (c) the Audit Committee will review the findings of the internal auditor who will, on an annual basis, conduct a review of the interested person transactions (including the ASTI Corporate Support Services). The Audit Committee shall review the findings in the internal audit report to ensure that, *inter alia*, the interested person transactions (including the ASTI Corporate Support Services) have been conducted in accordance with the review procedures and that the relevant approvals have been obtained.

10.3.5 Disclosure of Interested Person Transactions

The Company will announce the aggregate value of the interested person transactions conducted with ASTI pursuant to the IPT General Mandate for the financial periods which it is required to report on pursuant to Rule 705 of the Catalist Rules and within the time required for the announcement of such report.

In accordance with Rule 920(1)(a) of the Catalist Rules, disclosures will also be made in the Company's annual report of the aggregate value of the interested person transactions conducted with ASTI pursuant to the IPT General Mandate in FY2020, as well as the Company's annual reports for subsequent financial years during which the IPT General Mandate continues to be in force.

10.3.6 Expiry and Renewal of the IPT General Mandate

Pursuant to Rule 920(2) of the Catalist Rules, the IPT General Mandate will take effect from the date of receipt of Shareholders' approval and will (unless revoked or varied by the Company in general meeting) continue in force until the next AGM. The Company will seek approval from the Independent Shareholders for the renewal of the IPT General Mandate at the next AGM and at each subsequent AGM, subject to satisfactory review by the Audit Committee of its continued application to the interested person transactions with ASTI.

10.3.7 Voting Abstention

As set out in section 11 of the Circular, ASTI, Dato' Loh and their respective associates have undertaken to abstain from voting on the ordinary resolution relating to the IPT General Mandate in respect of their shareholdings in the Company, and they will not accept nominations as proxy or otherwise for voting at the EGM in relation to the ordinary resolution for other Shareholders unless specific voting instructions have been given by the Shareholder.

11. **EVALUATION OF THE CONSOLIDATED ASTI LOAN**

In our evaluation of the Consolidated ASTI Loan, we have reviewed and examined the following factors which have a significant bearing on our assessment:

- (a) the rationale for and benefits of the Consolidated ASTI Loan;
- (b) an assessment of the key terms of the Consolidated ASTI Loan;
- (c) the review procedures of the Group in relation to loans from interested persons; and
- (d) other relevant considerations in relation to the Consolidated ASTI Loan.

11.1 **Rationale for and Benefits of the Consolidated ASTI Loan**

It is not within our terms of reference to comment or express an opinion on the merits of the Consolidated ASTI Loan. Nevertheless, we have reviewed the rationale for and benefits of the Consolidated ASTI Loan as set out in section 5.3 of the Circular which is reproduced in italics below.

"The Company is of the view that the entry into the Consolidated ASTI Loan will have the benefit of allowing the Company and the Group to continue their operations with minimal restrictions. In addition, approving the entry into the Consolidated ASTI Loan will also provide the Company with the ability and flexibility to pay the interest payments due under the Consolidated ASTI Loan in the event that the 5% threshold under Rule 906 of the Catalist Rules is subsequently crossed.

The interest rate charged by ASTI for the provision of the Consolidated ASTI Loan is, in the Company's view, no less favourable than the rates charged by third party financial institutions."

11.2 **Assessment of the Key Terms of the Consolidated ASTI Loan**

As mentioned in section 5.1 of the Circular, the Company had outstanding ASTI Loans (excluding interest expenses) of approximately S\$6.6 million as at the Latest Practicable Date, which would constitute the Consolidated ASTI Loan (if approved at the EGM). We understand that the Consolidated ASTI Loan would comprise (a) approximately S\$6.3 million of the ASTI Loans (the "**Consolidated ASTI Loan (SGD Portion)**") and RM1.0 million of the ASTI Loans (the "**Consolidated ASTI Loan (RM Portion)**") as at the Latest Practicable Date, and (b) any unpaid ASTI CCS Payments and unpaid ASTI Loans Interest Payments as at the end of the first month of every financial year which will be treated as debt incurred by the Company and automatically be deemed as a loan extended by ASTI, subject to the loan facility limit of S\$10.0 million.

The interest rate of the Consolidated ASTI Loan (SGD Portion) would be based on the prevailing one-month SIBOR (or such other rate that might replace SIBOR) plus the IRAS RPT Margin, and the interest rate of the Consolidated ASTI Loan (RM Portion) would be based on the average prevailing 12-month average RM fixed deposit rate. We understand from the Management that the finance team will monitor (a) the prevailing one-month SIBOR (or such other rate that might replace SIBOR) as published by the Association of Banks in Singapore and the IRAS RPT Margin with a view to adjusting the interest rate of the Consolidated ASTI Loan (SGD Portion) when necessary, and (b) the average prevailing 12-month average RM

fixed deposit rate as published on the website of BNM with a view to adjusting the interest rate of the Consolidated ASTI Loan (RM Portion) when necessary.

Shareholders should note that the following analysis is solely for illustrative purposes as the general market conditions and circumstances at the time of grant of each of the SGD Existing ASA Unsecured Loans (as defined herein), the FY2019 Dato' Loh Loans and the RM Yumei Pre-Existing Secured Loans would have been different from the prevailing market conditions, and the terms offered for each of the loans (including the Consolidated ASTI Loan) obtained by the Group would have been dependent on various considerations by the relevant lender at the time of granting the loans. Such considerations would include, but not be limited to, the lender's capital structure, size and scale of operations, geographical spread, lending strategy, cost of funds, supply of funds, risk management parameters, assessment of the general market conditions and interest rate environment as well as the composition and quality of the borrower's security and guarantee (if any) and the financial performance and condition of the borrower.

11.2.1 Interest Rate

In assessing whether the Consolidated ASTI Loan is on normal commercial terms and is not prejudicial to the interests of the Company and the Independent Shareholders, we have:

- (a) compared the interest rate of the Consolidated ASTI Loan (SGD Portion) as at the Latest Practicable Date with (i) the Average PLR of financial institutions in Singapore as at the Latest Practicable Date, (ii) the interest rates of the Group's existing unsecured bank loans denominated in SGD (the "**SGD Existing ASA Unsecured Loans**") as at the Latest Practicable Date, and (iii) the interest rate of the FY2019 Dato' Loh Loans as at the Latest Practicable Date⁸; and
- (b) compared the interest rate of the Consolidated ASTI Loan (RM Portion) as at the Latest Practicable Date with (i) the Average BLR of commercial banks in Malaysia as at the Latest Practicable Date, and (ii) the interest rates of the RM Yumei Pre-Existing Secured Loans as at the Latest Practicable Date, in view that the Group does not have any existing unsecured loans denominated in RM.

⁸ As at the Latest Practicable Date, the SGD Yumei Pre-Existing Unsecured Loans as mentioned in paragraph 8.2.1 of this Letter had been fully repaid.

The table below sets out a comparison of the interest rates of the Consolidated ASTI Loan:

	Outstanding interest-bearing loan amount (excluding interest) as at Latest Practicable Date	Basis for interest rate	Interest rate (per annum)	Comparison parameter⁽¹⁾
Consolidated ASTI Loan (SGD Portion)	S\$6.3 million	One-month SIBOR + IRAS RPT Margin ⁽²⁾	3.00%	(a) <u>Average PLR</u> 5.25% per annum ⁽³⁾ (b) <u>SGD Existing ASA Unsecured Loans</u> Between 2.50% and 3.00% per annum (c) <u>FY2019 Dato' Loh Loans</u> 5.0% per annum
Consolidated ASTI Loan (RM Portion)	RM1.0 million	Average monthly deposit rate for 12-month average RM fixed deposits for the period between July 2020 and December 2020 ⁽⁴⁾	1.78%	(a) <u>Average BLR</u> 5.49% per annum ⁽⁵⁾ (b) <u>RM Yumei Pre-Existing Secured Loans</u> Between 5.46% and 7.51% per annum

Source: Company and websites of MAS and BNM

Notes:

- (1) The Average PLR was obtained from the website of MAS and the Average BLR was obtained from the website of BNM.
- (2) The applicable interest rate for the Consolidated ASTI Loan (SGD Portion) as the Latest Practicable Date was based on the one-month SIBOR of 0.25% per annum for December 2020 and the IRAS RPT Margin of 2.75% per annum.
- (3) Based on the Average PLR for January 2021, which was the latest available information published on the website of MAS as at the Latest Practicable Date.
- (4) The interest rates were obtained from the website of BNM.
- (5) Based on the Average BLR for December 2020, which was the latest available information published on the website of BNM as at the Latest Practicable Date.

Based on the above, we note that:

- (a) the interest rate of the Consolidated ASTI Loan (SGD Portion) of 3.00% per annum as at the Latest Practicable Date was (i) below the Average PLR of 5.25% per annum, (ii) at the higher end of the range of interest rates of the SGD Existing ASA Unsecured Loans of between 2.50% and 3.00% per annum, and (iii) below the interest rate of the FY2019 Dato' Loh Loans of 5.0% per annum; and
- (b) the interest rate of the Consolidated ASTI Loan (RM Portion) of 1.78% per annum as at the Latest Practicable Date was (i) significantly below the Average BLR of 5.49% per annum, and (ii) significantly below the range of interest rates of the RM Yumei Pre-Existing Secured Loans of between 5.46% and 7.51% per annum.

We also note that the SGD Existing ASA Unsecured Loans had been approved by financial institutions to one of the Yumei Subsidiaries in 2020 under the Enterprise Financing Scheme – Temporary Bridging Loan programme operated by Enterprise Singapore ("ESG")⁹ to provide additional cash flow support for small and medium enterprises ("SMEs") in Singapore to meet their working capital needs amidst the current COVID-19 pandemic. The Company is of the view that there is no assurance that the Group would be able to obtain such loans at favourable interest rates in the absence of such government assistance schemes to SMEs in the future as it would then be subject to the typical risk assessment by the financial institutions on the Group.

11.2.2 Security / Guarantee

The Group is not required to provide any form of security, charge or mortgage over the Group's assets to ASTI for the Consolidated ASTI Loan. Accordingly, the Group would be able to continue to retain maximum flexibility to conduct its business and operations without having to furnish security over its assets for the purposes of such borrowings.

11.2.3 Additional Fees or Charges

We understand from the Company that ASTI had not demanded the immediate repayment of the outstanding ASTI Loans owing by the Group to ASTI as and when they fell due and payable in the past. As at the Latest Practicable Date, ASTI had not imposed any additional fees or charges (such as default or penalty fees), which would otherwise have been imposed by the financial institutions in cases of default or non-repayment.

In addition, save for the interest chargeable on the Consolidated ASTI Loan, there are no other additional fees or charges (such as default or penalty fees) under the Consolidated ASTI Loan.

11.3 **Review Procedures in relation to Loans from Interested Persons**

As set out in section 8 of the Circular, the Company has put in place review procedures with regard to the Consolidated ASTI Loan to ensure that such transactions are conducted on normal commercial terms and will not be prejudicial to the interests of the Company and the Independent Shareholders. In particular, the Group will periodically review the relevant loan interest rates to determine whether it would be in the interest of the Group to refinance or re-negotiate the interest rates on the Consolidated ASTI Loan. Further details of the review procedures on the Consolidated ASTI Loan are set out in section 8 of the Circular.

⁹ In March 2020, the MAS launched the MAS SGD Facility for ESG Loans (in partnership with ESG) to lend SGD funds at an interest rate of 0.1% per annum to eligible financial institutions to support them in providing more affordable loans to the SMEs under the loan schemes.

11.4 **Other Relevant Considerations in relation to the Consolidated ASTI Loan**

11.4.1 Reduced Interest Expenses Payable under the Consolidated ASTI Loan

As the interest rates of the Consolidated ASTI Loan are pegged to the prevailing market interest rates, the interest expenses would effectively be reduced in tandem with the current low interest rate environment, which therefore do not appear to be prejudicial to the Group. In addition, we understand that the finance team of the Company will periodically monitor the interest rates as published on the websites of the Association of Banks in Singapore and BNM (as the case may be) with a view to adjusting the interest rates of the Consolidated ASTI Loan, when necessary.

11.4.2 Minimise Cash Flow Constraints on the Group

The Group had recorded cash and cash equivalents of approximately S\$1.5 million as at 30 June 2020. As at the Latest Practicable Date, the outstanding ASTI Loans, the unpaid ASTI Loans Interest Payments and the unpaid ASTI CCS Payments amounted to an aggregate of approximately S\$7.9 million.

We understand that the Group will utilise its internal cashflows and new loan facilities to meet its short-term obligations, and the Group is also looking at various ways to raise funds for working capital to support its business operations. Accordingly, it is unlikely that the Group will be able to make full repayment of the outstanding ASTI Loans, the unpaid ASTI Loans Interest Payments and the unpaid ASTI CCS Payments based on its internal cash resources as at the Latest Practicable Date.

As set out in section 5.2 of the Circular, any unpaid ASTI CSS Payments and unpaid ASTI Loans Interest Payments as at the end of the first month of every financial year will be treated as a debt incurred by the Company and automatically be considered as a loan extended by ASTI, subject to the loan facility limit of S\$10.0 million. Such arrangement would provide the Company with more flexibility to settle the Consolidated ASTI Loan at a later date without imposing severe cash flow constraints on the Group's operations.

11.4.3 Continuous Support to the Group from the ASTI Group

The provision of the Consolidated ASTI Loan (comprising the outstanding ASTI Loans as at the Latest Practicable Date and including any unpaid ASTI Loans Interest Payments and unpaid ASTI CSS Payments as at the end of the first month of every financial year) would not result in the Group incurring any further fees or charges, other than the interest payable on the Consolidated ASTI Loan.

In addition, notwithstanding that any unpaid ASTI CSS Payments will be included as part of the Consolidated ASTI Loan to be payable by the Group at a later date, the ASTI Group will continue to provide the ASTI Corporate Support Services to the Group. We believe that the above underscores the continuous support and commitment to the Group from the ASTI Group.

11.4.4 Voting Abstention

As set out in section 11 of the Circular, ASTI, Dato' Loh and their respective associates have undertaken to abstain from voting on the ordinary resolution relating to the Proposed Entry into the New Consolidated Loan Agreement with ASTI in respect of their shareholdings in the Company, and they will not accept nominations as proxy or otherwise for voting at the EGM in relation to the ordinary resolution for other Shareholders, unless specific voting instructions have been given by the Shareholder.

12. **EVALUATION OF THE PROPOSED LOANS**

In our evaluation of the Proposed Loans, we have reviewed and examined the following factors which have a significant bearing on our assessment:

- (a) the rationale for and benefits of the Proposed Loans;
- (b) an assessment of the key terms of the Proposed Loans;
- (c) the review procedures for the drawdown of the Proposed Loans;
- (d) the historical financial performance and condition of the Group, and
- (e) other relevant considerations in relation to the Proposed Loans.

12.1 **Rationale for and Benefits of the Proposed Loans**

It is not within our terms of reference to comment or express an opinion on the merits of the Proposed Loans. Nevertheless, we have reviewed the rationale for and benefits of the Proposed Loans as set out in section 6.3 of the Circular in relation to the LSG Loan Agreement and section 7.3 of the Circular in relation to the SCH Loan Agreement and we note that save for the pre-existing bank loans obtained by the Yumei Subsidiaries, the Group was unable to obtain the necessary bank financing. To allow the Group to continue its operations with minimal disruptions, the Company expects to rely on the Proposed Loans for the Group's working capital requirements and to meet the Group's current liabilities as and when they fall due.

12.2 **Assessment of the Key Terms of the Proposed Loans**

As set out in sections 6 and 7 of the Circular, the Company intends to enter into the LSG Loan Agreement and the SCH Loan Agreement with Dato' Loh and Mr. Seah respectively for a loan amount of up to S\$2.5 million each for a period of one year with an interest rate of 5.0% per annum.

12.2.1 Interest Rate

In assessing whether the Proposed Loans are on normal commercial terms and are not prejudicial to the interests of the Company and the Independent Shareholders, we have compared the interest rate of the Proposed Loans with:

- (a) the Average PLR of financial institutions in Singapore as at the Latest Practicable Date;
- (b) the interest rate of the outstanding ASTI Loans as at the Latest Practicable Date;
- (c) the interest rates of the SGD Existing ASA Unsecured Loans as at the Latest Practicable Date; and
- (d) the interest rate of the FY2019 Dato' Loh Loans as at the Latest Practicable Date.

Shareholders should note that the following analysis is solely for illustrative purposes as the general market conditions and circumstances at the time of grant of each of the outstanding ASTI Loans, the SGD Existing ASA Unsecured Loans and the FY2019 Dato' Loh Loans would have been different from the prevailing market conditions, and the terms offered for each of the loans (including the Proposed Loans) obtained by the Group would have been dependent on various considerations by the relevant lender at the time of granting the loans. Such considerations would include, but not be limited to, the lender's capital structure, size and scale of operations, geographical spread, lending strategy, cost of funds, supply of funds, risk management parameters, assessment of the general market conditions and interest rate environment as well as the composition and quality of the borrower's security and guarantee (if any) and the financial performance and condition of the borrower.

The table below sets out a comparison of the interest rate of the Proposed Loans:

Aggregate principal amount	Interest rate (per annum)	Comparison parameter
S\$5.0 million	5.0%	(a) <u>Average PLR</u> 5.25% per annum ⁽¹⁾
		(b) <u>Outstanding ASTI Loans</u> 3.00% per annum ⁽²⁾
		(c) <u>SGD Existing ASA Unsecured Loans</u> Between 2.50% and 3.00% per annum
		(d) <u>FY2019 Dato' Loh Loans</u> 5.0% per annum

Source: *Company and website of MAS*

Notes:

- (1) Based on the Average PLR for January 2021, which was the the latest available information published on the website of MAS as at the Latest Practicable Date.
- (2) The applicable interest rate for the Consolidated ASTI Loan (SGD Portion) as the Latest Practicable Date was based on the one-month SIBOR of 0.25% per annum for December 2020 and the IRAS RPT Margin of 2.75% per annum.

Based on the above, we note that the interest rate of 5.0% per annum under the Proposed Loans is:

- (a) below the Average PLR of 5.25% per annum;
- (b) above the interest rate of the outstanding ASTI Loans of 3.00% per annum;
- (c) above the range of interest rates of the SGD Existing ASA Unsecured Loans of between 2.50% and 3.00% per annum; and
- (d) equivalent to the interest rate of 5.0% per annum under the FY2019 Dato' Loh Loans.

We have considered that although the interest rate of the Proposed Loans is above the interest rates of the outstanding ASTI Loans and the SGD Existing ASA Unsecured Loans:

- (a) the interest rate of the Proposed Loans is below the Average PLR quoted by the commercial banks in Singapore and remains the same as the interest rate of the FY2019 Dato' Loh Loans granted in May 2019 and July 2019;
- (b) as mentioned in paragraph 11.2.1 of this Letter, the Company is of the view that there is no assurance that the Group would in the future be able to obtain the preferential interest rates of between 2.50% and 3.00% per annum for the respective loans under the SGD Existing ASA Unsecured Loans in the absence of government assistance schemes to SMEs such as the Enterprise Financing Scheme – Temporary Bridging Loan programme operated by ESG;
- (c) we also note from the announcement made by ASTI on 13 April 2019 that it had not provided any new loans to the Group in FY2019 and has no intention to continue to provide further funding to the Group;

- (d) no security, charge or mortgage over the Group's assets is required by Dato' Loh and Mr. Seah under the Proposed Loans, as set out in paragraph 12.2.2 of this Letter, and
- (e) the Company will only draw down the Proposed Loans in the event that the Company is unable to obtain more competitive loan quotations from the financial institutions, as set out in paragraph 12.3 of this Letter.

12.2.2 Security / Guarantee

Pursuant to the terms of the LSG Loan Agreement and the SCH Loan Agreement, the Group is not required to provide any security, charge or mortgage over its assets to Dato' Loh and/or Mr. Seah. Accordingly, the Proposed Loans would allow the Group to retain maximum flexibility to conduct its business and operations without having to furnish security over its assets in respect of the Proposed Loans.

12.2.3 Additional Fees or Charges

We understand from the Company that the drawing down of the Proposed Loans will not incur any additional fees or charges (such as default fee and abortive fee) which were present in the SGD Existing ASA Unsecured Loans.

12.3 **Review Procedures for the Drawdown of the Proposed Loans**

As set out in section 8 of the Circular, the Company has established, *inter alia*, the following review procedures with regard to the Proposed Loans:

- (a) prior to any drawdown of the Proposed Loans, the Group will obtain quotations from at least 2 other unrelated banks and/or financial institutions (the "**Financial Institutions**") for the loan interest rates and terms of a substantially equivalent amount and for an equivalent period of the Proposed Loans (the "**Loan Quotations**");
- (b) prior to any drawdown of the Proposed Loans, the Vice President of Finance of the Company (or an officer of equivalent rank as designated by the Audit Committee) who has no direct or indirect interest in the transaction will (i) review the terms of the Proposed Loans against the Loan Quotations, and (ii) seek the approval of the Directors for the transaction provided that the terms offered under the Proposed Loans are not less favourable than those charged by the unrelated Financial Institutions, taking into consideration other relevant factors including, but not limited to, the administration fees payable, speed of loan approval, restrictions on fund usage and requisite security or collateral;
- (c) in the event that the quotations from at least 2 other unrelated Financial Institutions are not available for comparison, the Vice President of Finance of the Company (or an officer of equivalent rank as designated by the Audit Committee) who has no direct or indirect interest in the transaction will evaluate the benefits of and rationale for drawing down the Proposed Loans to determine whether the terms of the Proposed Loans are fair and reasonable, and seek the approval of the Board accordingly;
- (d) in respect of the outstanding loans drawn down under the Proposed Loans, in order to ensure that the corresponding interest rates charged under the Proposed Loans remain competitive, the finance department of the Company will (i) review, at least on a quarterly basis, the relevant loan interest rates with reference to the prevailing prime lending rate published by the Association of Banks in Singapore (the "**Reference Rate**"), and (ii) obtain, at least on an annual basis, the Loan Quotations from unrelated Financial Institutions (where available) for the interest rates and terms of a substantially equivalent amount and for an equivalent period of the amount(s) drawn down under the Proposed Loans;
- (e) the finance department of the Company will review the relevant loan interest rates with reference to the relevant Reference Rate and/or the Loan Quotations (where available)

to determine whether it would be in the interest of the Group to refinance or re-negotiate the interest rates on such outstanding loans. In the event that the interest rates charged under the Proposed Loans are determined to be uncompetitive and/or the Group is able to obtain comparable loan facilities at more competitive terms from other unrelated Financial Institutions, the Company will seek to re-negotiate the interest rates on the outstanding amount under the Proposed Loans, failing which the Group may re-finance the relevant loans. In the event that the basis for determining the interest rates of the Proposed Loans are different from those stated in the Circular, the Company will consult the Audit Committee and the Directors;

- (f) all future interested person transactions (of transactions with a value, whether considered individually or upon aggregation in accordance with Rules 905(5) and 906(4) of the Catalist Rules, equal to or exceeding S\$100,000) where the value is equal to or exceeds 3% of the Group's audited NTA (based on the latest audited consolidated accounts) or the Company's market capitalisation as at the most recently completed financial year end (as the case may be) shall require the prior review and approval of the Directors. The Company will consult the SGX-ST on the appropriate benchmark to use to calculate the threshold pursuant to Rule 905(4) and 906(3) of the Catalist Rules if the Group's NTA is negative in the respective financial years;
- (g) the finance department of the Company will (i) maintain a list of interested persons and their associates (which is to be updated immediately if there are any changes that the Company is aware of) to enable identification of the interested persons and the list will be reviewed at least on a quarterly basis by the Audit Committee or for such period as determined by them, and (ii) monitor the interested person transactions of the Group on an on-going basis or at least on a quarterly basis and match the counterparty name against the list of interested person to identify the interested person transactions. The finance department will prepare and maintain the IPT Register to record all the interested person transactions (including the Proposed Loans, the Consolidated ASTI Loan and any transactions which are below S\$100,000 in value);
- (h) the Audit Committee will, at least on a quarterly basis, review the IPT Register to ensure that the interested person transactions (including the Proposed Loans and the Consolidated ASTI Loan) have been conducted in accordance with the established review procedures;
- (i) if, during the periodic reviews by the Audit Committee, the Audit Committee is of the view that the established review procedures are not adequate and/or commercially practicable to ensure that the interested person transactions (including the Proposed Loans and the Consolidated ASTI Loan) will be transacted on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders, it will (in consultation with the Directors) modify and/or adopt such new review procedures as may be appropriate and the Company will seek a fresh mandate from its minority Shareholders based on the new review procedures for the interested person transactions to ensure that future transactions of a similar nature will be on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders. All new interested person transactions will be reviewed and approved by the Audit Committee prior to entry while a fresh mandate is being sought from the Shareholders;
- (j) the Audit Committee will review the findings of the internal auditor who will, on an annual basis, conduct a review of the interested person transactions (including the Proposed Loans and the Consolidated ASTI Loan), including, amongst others, the adherence with the review procedures for the monitoring of the Proposed Loans and the Consolidated ASTI Loan and the adequacy of such review procedures. The Audit Committee shall review the findings in the internal audit report to ensure that, *inter alia*, the interested person transactions (including the Proposed Loans and the Consolidated ASTI Loan) have been conducted in accordance with the review procedures and that the relevant approvals have been obtained; and

- (k) the Group will undertake, on an annual basis, a review of the internal procedures to ensure that all relevant management and finance staff of the Group are fully informed of and familiar with the nature and classification of interested person transactions, as well as the compliance and disclosure obligations under the Catalist Rules and relevant laws and regulations.

Further details of the review procedures for the drawdown of the Proposed Loans are set out in section 8 of the Circular.

12.4 Historical Financial Performance and Condition of the Group

The salient historical financial information of the Group for FY2017⁽¹⁾, FY2018⁽¹⁾ and FY2019⁽¹⁾ as well as the 6-month financial periods ended 30 June 2019⁽¹⁾ and 30 June 2020 (“6M2019” and “6M2020” respectively) is set out as follows:

Consolidated Income Statements

(S\$'000)	----- Audited -----			----- Unaudited -----	
	FY2017 (restated)	FY2018 (restated)	FY2019	6M2019 (restated)	6M2020
<u>Continuing operations</u>					
Revenue	18,867	12,191	13,711	6,464	6,653
Gross profit	6,300	3,347	3,338	1,980	1,998
Loss before tax from continuing operations	(2,481)	(1,302)	(3,806)	(902)	(629)
Net loss attributable to owners of the Company – continuing operations	(2,667)	(1,652)	(3,955)	(1,027)	(863)
<u>Discontinued operations</u>					
Net loss attributable to owners of the Company – discontinued operations ⁽¹⁾	(2,862)	(4,427)	(682)	(773)	(713)

Balance Sheets

(S\$'000)	----- Audited -----			Unaudited
	31 December 2017	31 December 2018 (restated)	31 December 2019	30 June 2020
Current assets	18,625	13,585	10,649	10,293
Current liabilities	15,911	16,665	19,077	20,300
Working capital	2,714	(3,080)	(8,428)	(10,007)
Non-current assets	2,131	10,023	10,071	9,846
Non-current liabilities	-	1,625	961	763
Equity attributable to owners of the Company	5,606	6,117	1,572	(22)

Consolidated Cash Flow Statements

(S\$'000)	-----Audited-----			-----Unaudited-----	
	FY2017	FY2018 (restated)	FY2019	6M2019 (restated)	6M2020
Net cash flows (used in)/from operating activities	(3,133)	(1,834)	(823)	(1,248)	611
Net cash flows used in investing activities	(1,965)	(1,294)	(696)	(246)	(415)
Net cash flows generated from/(used in) financing activities	7,158	2,213	(470)	(75)	(358)
Net increase/(decrease) in cash and cash equivalents	2,060	(915)	(1,989)	(1,569)	(162)
Cash and cash equivalents at end of financial year / period	4,799	3,836	1,858	2,273	1,524

Source: Company's annual reports for FY2018 and FY2019, and the unaudited financial statements of the Group for 6M2020

Note:

(1) The FY2017 financial results were restated to take into account the disposal of the entire issued and paid-up share capital of Microfits (Beijing) Technology Co., Ltd. which was completed on 28 September 2018. Accordingly, the financial results in relation to Microfits (Beijing) Technology Co., Ltd were reclassified as discontinued operations in FY2017 and FY2018.

In FY2019, the purchase price allocation in relation to the acquisition of the Yumei Subsidiaries was completed. The financial result of the Group for FY2018 had been adjusted retrospectively in relation to goodwill and intangible assets, which includes customer relationship and order backlog, and deferred tax liabilities.

In FY2019, the Directors made a decision to dispose of Microfits Pte. Ltd.. Accordingly, the financial results in relation to Microfits Pte. Ltd. were reclassified as discontinued operations in FY2019 and 6M2020.

The 6M2019 financial results were restated to take into account the Company's proposed disposal of its entire interest in ASA Multiplate (M) Sdn. Bhd. as the Company had entered into the sale and purchase agreement on 10 August 2020. Accordingly, the financial results in relation to ASA Multiplate (M) Sdn. Bhd. were reclassified as discontinued operations in 6M2019 and 6M2020.

12.4.1 Consolidated Income Statements

FY2017 vs FY2018

The Group's revenue from continuing operations decreased by approximately S\$6.7 million or 35.4% from approximately S\$18.9 million in FY2017 to approximately S\$12.2 million in FY2018, mainly due to a decrease in revenue from the equipment segment as a result of lower customers' demand, which was offset by an increase in revenue from the equipment contract manufacturing services ("ECMS") segment due to an increase in customers' demands and one month contribution from the Yumei Subsidiaries.

Loss before tax from continuing operations attributable to owners of the Company decreased by approximately S\$1.2 million or 47.5% from approximately S\$2.5 million in FY2017 to approximately S\$1.3 million in FY2018, mainly due to decreases in (a) selling and marketing costs arising mainly from lower warranty costs and sales support services incurred, (b) general and administrative costs largely due to allowance on trade receivables which was written back by the equipment segment in FY2018, and (c) finance costs largely due to reduced interest payments to holding company and external parties.

Taking into account the above and the income tax expenses, the Group's net loss attributable to owners of the Company from continuing operations decreased by approximately S\$1.0 million or 38.1% from approximately S\$2.7 million in FY2017 to approximately S\$1.7 million in FY2018.

FY2018 vs FY2019

The Group's revenue increased by approximately S\$1.5 million or 12.5% from approximately S\$12.2 million in FY2018 to approximately S\$13.7 million in FY2019, mainly due to an increase in revenue from the equipment contract manufacturing services segment arising from the contribution from the Yumei Subsidiaries.

Loss before tax from continuing operations attributable to owners of the Company increased by approximately S\$2.5 million or 192.3% from approximately S\$1.3 million in FY2018 to approximately S\$3.8 million in FY2019, mainly due to increases in (a) selling and marketing costs in line with the increase in sales in FY2019; (b) general and administrative costs as a result of (i) the recognition of general and administrative costs following the acquisition of the Yumei Subsidiaries in FY2019, (ii) the absence of write-back of allowance for trade receivables in FY2018, and (iii) the recognition of depreciation expenses relating to right-of-use assets and corporate support services fees; (c) other expenses arising largely from the impairment loss on right-of-use assets and the recognition of foreign exchange loss in FY2019 *vis-à-vis* the foreign exchange gain in FY2018 due to the volatility of RM and USD against SGD; and (d) finance costs arising mainly from the increased borrowings from ASTI and consolidation of finance costs from the acquisition of the Yumei Subsidiaries.

Taking into account the above and the income tax expenses, the Group's net loss attributable to owners of the Company from continuing operations increased by approximately S\$2.3 million or 139.4% from approximately S\$1.7 million in FY2018 to approximately S\$4.0 million in FY2019.

6M2019 vs 6M2020

The Group's revenue increased marginally by approximately S\$0.2 million or 2.9% from approximately S\$6.5 million in 6M2019 to approximately S\$6.7 million in 6M2020.

Loss before tax from continuing operations attributable to owners of the Company decreased by approximately S\$0.3 million or 30.3% from approximately S\$0.9 million in 6M2019 to approximately S\$0.6 million in 6M2020, mainly due to (a) a decrease in general and administrative costs largely due to lower payroll costs and (b) the recognition of a foreign exchange gain in 6M2020 *vis-à-vis* a foreign exchange loss in 6M2019, which were offset by increases in (a) selling and marketing costs largely due to the amortisation of intangible assets in 6M2020 and (b) finance costs largely due to the borrowings from ASTI and financial institutions.

Taking into account the above and the income tax expenses, the Group's net loss attributable to owners of the Company from continuing operations decreased by approximately S\$0.1 million or 16.0% from approximately S\$1.0 million in 6M2019 to approximately S\$0.9 million in 6M2020.

12.4.2 Statements of Financial Position

Non-current assets: As at 30 June 2020, the non-current assets amounted to approximately S\$9.8 million, representing approximately 48.9% of the total assets of the Group. The non-current assets comprised (a) property, plant and equipment of approximately S\$6.3 million, (b) right-of-use assets of approximately S\$0.8 million, and (c) intangible assets of approximately S\$2.8 million.

Current assets: As at 30 June 2020, the current assets amounted to approximately S\$10.3 million, representing approximately 51.1% of the total assets of the Group. The current assets comprised (a) inventories of approximately S\$0.8 million, (b) trade and other receivables of

approximately S\$4.5 million, (c) prepayments and advances of approximately S\$0.2 million, (d) cash at bank and on hand of approximately S\$2.3 million, (e) tax recoverable of approximately S\$0.07 million, and (f) assets held for sale (in relation to assets of ASA Multiplate (M) Sdn. Bhd. and Microfits Pte. Ltd.) of approximately S\$2.5 million

Current liabilities: As at 30 June 2020, the current liabilities amounted to approximately S\$20.3 million, representing approximately 96.4% of the total liabilities of the Group. The current liabilities comprised (a) other liabilities of approximately S\$3.1 million, (b) trade and other payables of approximately S\$12.6 million, (c) contract liabilities of approximately S\$0.2 million, (d) income tax payable of approximately S\$0.3 million, (e) lease creditors of approximately S\$0.3 million, (f) bank overdraft of approximately S\$0.8 million, (g) loans and borrowings of approximately S\$0.1 million, and (h) liabilities directly associated with assets held for sale (in relation to liabilities of ASA Multiplate (M) Sdn. Bhd. and Microfits Pte. Ltd.) of approximately S\$2.9 million.

Non-current liabilities: As at 30 June 2020, the non-current liabilities amounted to approximately S\$0.8 million, representing approximately 3.6% of the total liabilities of the Group. The non-current liabilities comprised (a) lease creditors of approximately S\$0.07 million, (b) loans and borrowings of approximately S\$0.3 million, and (c) deferred tax liabilities of approximately S\$0.4 million.

Working capital: The Group recorded positive working capital of approximately S\$2.7 million as at 31 December 2017, and negative working capital of approximately S\$3.1 million, S\$8.4 million and S\$10.0 million as at 31 December 2018, 31 December 2019 and 30 June 2020 respectively.

The Group recorded negative working capital of approximately S\$10.0 million (including assets held for sale and their associated liabilities) as at 30 June 2020, mainly due to (a) a decrease in inventories as a result of lower orders from one of its subsidiaries, and (b) an increase of trade and other payables which was in line with the increase in the Group's business and interests accrual on loans from related parties.

Equity attributable to owners of the Company: The Group recorded negative equity attributable to owners of the Company amounted to approximately S\$0.02 million as at 30 June 2020

12.4.3 Consolidated Cash Flow Statements

The Group recorded (a) net cash flows used in operating activities of approximately S\$3.1 million, S\$1.8 million, S\$0.8 million in FY2017, FY2018 and FY2019 respectively, and (b) net cash flows from operating activities of approximately S\$0.6 million in 6M2020.

The Group recorded net cash used in operations in FY2019 due to cash flows used in operations of approximately S\$0.4 million, income tax paid of approximately S\$0.3 million and interest paid of approximately S\$0.2 million, which were offset by interest received of approximately S\$0.03 million. Taking into account (a) the net decrease in cash and cash equivalents of approximately S\$2.0 million in FY2019, (b) the effect of exchange rate changes on cash and cash equivalents of approximately S\$0.01 million, and (c) the cash and cash equivalents of approximately S\$3.8 million at the beginning of FY2019, the Group's cash and cash equivalents amounted to approximately S\$1.9 million as at 31 December 2019.

The Group recorded net cash flows from operations in 6M2020, mainly due to cash flows generated from operations of approximately S\$0.8 million, income tax paid of approximately S\$0.1 million and interest paid of approximately S\$0.07 million. Taking into account (a) the net decrease in cash and cash equivalents of approximately S\$0.2 million in 6M2020, (b) the effect of exchange rate changes on cash and cash equivalents of approximately S\$0.02 million, and (c) the cash and cash equivalents of approximately S\$1.7 million at the beginning of 6M2020, the Group's cash and cash equivalents amounted to approximately S\$1.5 million as at 30 June 2020.

12.5 **Other Relevant Considerations in relation to the Proposed Loans**

12.5.1 Outlook of the Group

In the announcement of the Group's unaudited financial statements for 6M2020 on 14 August 2020, the following commentary was made by the Company:

"The outlook for the next quarter remains uncertain in the midst of the on-going global pandemic situation. The Management will continue to work on cost cutting measures and will continue to seek ways to reduce losses with plan to divest loss-making entities. The Management is also looking at various ways of optimizing its resources utilization and various working capital funding options to support its business operations."

In view of the above, the obtaining of the Proposed Loans would be in tandem with the Group's stated intention to raise funds for working capital purposes to support its business operations.

12.5.2 Support and Commitment from Dato' Loh and Mr. Seah

We understand that the Group incurs significant working capital for its operations. As set out in the Company's FY2019 annual report, while there have been new opportunities presented to the enhanced and enlarged skill sets in the Group, the limited cash flow is a constraint to the Group. It is noted that Mr. Seah will continue to look for growth with new project opportunities.

In addition, both Dato' Loh and Mr. Seah have provided a letter of financial undertaking and continuing financial support to the Company that, *inter alia*, they will not demand repayment of the amounts due from the Company until such time the Company is in a position to repay the balance without prejudicing its ability to continue as a going concern.

Accordingly, we believe that the provision of the Proposed Loans underscores the support and commitment to the Group by Dato' Loh and Mr. Seah.

12.5.3 Flexibility in Obtaining Additional Funding

In view of the Group's net losses in the past financial years and negative equity position as at 30 June 2020, it is envisaged that the Company would face difficulties in obtaining new bank loans of similar quantum and comparable terms to the Proposed Loans from financial institutions. We also note from the announcement made by ASTI on 13 April 2019 that it had not provided any new loans to the Group in FY2019 and has no intention to continue to provide further funding to the Group. As set out in section 4.7 of the Circular, save for the Consolidated ASTI Loan, the Directors had confirmed to the Sponsor that the Company will not enter into any more loan agreements with ASTI.

We understand from the Directors that although the Company has also considered other equity and/or debt fund-raising options, it would be difficult to obtain such financing alternatives at this juncture in view of the current weak financial performance and condition of the Group, the overall weak business climate, the trading illiquidity of the Shares and the weak Share price (which last transacted price as at the Latest Practicable Date was the minimum S\$0.001 per Share).

Accordingly, the loan amount of an aggregate of up to S\$5.0 million from the Proposed Loans would allow the Company to have access to readily available funds for the continuity of the Group's business operations.

12.5.4 Equity Fund-raising Exercises Undertaken by the Company

During the last 5 years prior to the announcement of the Interested Person Transactions, the Company had completed the 2017 Rights Issue, with the gross proceeds of approximately S\$11.9 million being utilised mainly for the repayment of loans owing to ASTI and general working capital.

We understand from the Directors that after taking into consideration the past fund-raising exercises undertaken by the Company for, *inter alia*, general working capital purposes, the difficulty faced by the Group in obtaining new bank loans of similar quantum provided under the Proposed Loans, the limitations of equity and/or debt fund-raising options as set out in paragraph 12.5.3 of this Letter and the assessment of the Group's future financing needs, they are of the view that the Proposed Loans are necessary for the Group's business operations.

12.5.5 Voting Abstention

As set out in section 11 of the Circular, Dato' Loh, Mr. Seah and their respective associates (as the case may be) have undertaken to abstain from voting on the ordinary resolutions relating to the LSG Loan Agreement and the SCH Loan Agreement (as the case may be) in respect of their shareholdings in the Company, and they will not accept nominations as proxy or otherwise for voting at the EGM in relation to the ordinary resolutions for other Shareholders unless specific voting instructions have been given by the Shareholder.

13. **OUR OPINION**

In arriving at our opinion in respect of the Interested Person Transactions, we have taken into consideration, *inter alia*, the following factors summarised below as well as elaborated elsewhere in this Letter. The following should be read in conjunction with, and in the context of, the full text of this Letter:

- (a) In respect of the evaluation of the Past ASTI Loans:
 - (i) the rationale for and benefits of the Past ASTI Loans;
 - (ii) the assessment of the key terms of the Past ASTI Loans in FY2011, FY2012, FY2016, FY2017 and FY2019; and
 - (iii) other relevant considerations in relation to the Past ASTI Loans;
- (b) In respect of the evaluation of the Past ASTI CS Services:
 - (i) the rationale for and benefits of the Past ASTI CS Services;
 - (ii) the assessment of the ASTI CSS Payments incurred for the Past ASTI CS Services in FY2011, FY2012, FY2016, FY2017 and FY2019; and
 - (iii) other relevant considerations in relation to the Past ASTI CS Services;
- (c) In respect of the evaluation of the IPT General Mandate:
 - (i) the rationale for and benefits of the IPT General Mandate;
 - (ii) the guidelines and review procedures in relation to the IPT General Mandate; and
 - (iii) other relevant considerations in relation to the IPT General Mandate;
- (d) In respect of the evaluation of the Consolidated ASTI Loan:
 - (i) the rationale for and benefits of the Consolidated ASTI Loan;
 - (ii) the assessment of the key terms of the Consolidated ASTI Loan;
 - (iii) the review procedures of the Group in relation to loans from interested persons; and

- (iv) other relevant considerations in relation to the Consolidated ASTI Loan; and
- (e) In respect of the evaluation of the Proposed Loans:
 - (i) the rationale for and benefits of the Proposed Loans;
 - (ii) the assessment of the key terms of the Proposed Loans;
 - (iii) the review procedures for the drawdown of the Proposed Loans;
 - (iv) the historical financial performance and condition of the Group; and
 - (v) other relevant considerations in relation to the Proposed Loans.

Having regard to the considerations set out above and subject to the qualifications and assumptions set out in this Letter, we are of the opinion that:

- (a) **the Past ASTI Loans for FY2011, FY2012, FY2016, FY2017 and FY2019 (being the subject of the proposed ratification of the Past ASTI Loans) and the ASTI CSS Payments for FY2011, FY2012, FY2016, FY2017 and FY2019 (being the subject of the proposed ratification of the Past ASTI CS Services) were on normal commercial terms and were not prejudicial to the interests of the Company and the Independent Shareholders;**
- (b) **the guidelines and review procedures for determining the ASTI CSS Payments under the IPT General Mandate, if adhered to, are sufficient to ensure that the ASTI Corporate Support Services will be conducted on normal commercial terms and will not be prejudicial to the interests of the Company and the Independent Shareholders; and**
- (c) **the Consolidated ASTI Loan and the Proposed Loans are on normal commercial terms and are not prejudicial to the interests of the Company and the Independent Shareholders.**

This Letter has been prepared pursuant to Rule 920(1)(b)(v) and Rule 921(4)(a) of the Catalyst Rules (as the case may be) as well as for the use of the Relevant Directors in connection with and for the purposes of their consideration of the Interested Person Transactions. The recommendations to be made by the Relevant Directors to the Independent Shareholders in relation to the Interested Person Transactions shall remain the sole responsibility of the Relevant Directors.

Whilst a copy of this Letter may be reproduced in the Circular, neither the Company nor the Directors may reproduce, disseminate or quote this Letter (or any part thereof) for any other purpose at any time and in any manner without the prior written consent of NCF in each specific case, except for the EGM and for the purposes of the Interested Person Transactions. Our opinion is governed by and construed in accordance with the laws of Singapore, and is strictly limited to the matters stated herein and does not apply by implication to any other matter.

Yours truly,
For and on behalf of
Novus Corporate Finance Pte. Ltd.

Andrew Leo
Chief Executive Officer

Huong Wei Beng
Director

NOTICE OF EXTRAORDINARY GENERAL MEETING

ADVANCED SYSTEMS AUTOMATION LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration Number: 198600740M)

NOTICE OF EXTRAORDINARY GENERAL MEETING

*Unless otherwise defined or the context otherwise requires, all capitalised terms herein shall bear the same meaning as used in the circular dated 4 February 2021 issued by the Company (the "**Circular**").*

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**EGM**") of Advanced Systems Automation Limited (the "Company") will be held by electronic means on 19 February 2021 at 3 p.m. (of which there will be a live webcast) for the following purposes:

ORDINARY RESOLUTION 1: PROPOSED RATIFICATION OF THE ASTI LOANS

THAT:

- (a) the ASTI Loans entered into between ASTI Holdings Limited and the Company (and payments in relation to the same) up to and including the conclusion of this EGM, being interested person transactions for the purposes of Chapter 9 of Catalist Rules, be and are hereby ratified, confirmed and approved; and
- (b) the Directors of the Company and each of them be and are hereby authorised to complete and do all such acts and things (including without limitation, execution of all such documents as may be required) as they and/or he may consider desirable, expedient or necessary or in the interest of the Company to give effect to the transactions contemplated and/or authorised by this resolution.

ORDINARY RESOLUTION 2: PROPOSED RATIFICATION OF THE ASTI CORPORATE SUPPORT SERVICES

THAT:

- (a) the ASTI Corporate Support Services entered into between ASTI Holdings Limited and the Company (and payments in relation to the same) up to and including the conclusion of this EGM, being interested person transactions for the purposes of Chapter 9 of Catalist Rules, be and are hereby ratified, confirmed and approved; and
- (b) the Directors of the Company and each of them be and are hereby authorised to complete and do all such acts and things (including without limitation, execution of all such documents as may be required) as they and/or he may consider desirable, expedient or necessary or in the interest of the Company to give effect to the transactions contemplated and/or authorised by this resolution.

ORDINARY RESOLUTION 3: PROPOSED ADOPTION OF THE IPT GENERAL MANDATE

THAT:

- (a) approval be and is hereby given, for the purposes of Chapter 9 of the Catalist Rules, for the Company, its subsidiaries and associated companies (if any) which fall within the definition of "entities at risk" under Chapter 9 of the Catalist Rules, or any of them, to enter into any transaction falling within the categories of interested person transactions set out under the ASTI IPT General Mandate, provided that such transaction is made on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders, and is entered into in accordance with the review procedures for interested person transactions as set out in the Circular;

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (b) the approval given for the IPT General Mandate shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is earlier;
- (c) the Audit Committee of the Company be and is hereby authorised to take such action as it deems proper in respect of the review procedures and/or modify or implement such review procedures as may be necessary to take into consideration any amendment to Chapter 9 of the Catalist Rules, which may be prescribed by the SGX-ST from time to time; and
- (d) the Directors of the Company and each of them be and are hereby authorised, empowered to complete and do and execute all such things and acts as they or he may consider necessary or appropriate to give effect to this resolution and the ASTI IPT General Mandate, with such modifications thereto (if any) as they or he may think fit in the interests of the Company.

ORDINARY RESOLUTION 4: PROPOSED ENTRY INTO THE NEW CONSOLIDATED LOAN AGREEMENT WITH ASTI AS AN INTERESTED PERSON TRANSACTION

THAT:

- (a) approval be and is hereby given, for the purposes of Chapter 9 of the Catalist Rules, for the entry by the Company into a loan agreement with ASTI Holdings Limited. (the "ASTI Loan Agreement") whereby ASTI Holdings Limited shall extend a loan facility to the Company, for up to an aggregate principal sum of S\$10,000,000, and all the transactions contemplated thereby; and
- (b) the Directors and each of them be and are hereby severally authorised to complete and do all such acts and things (including, without limitation, executing the ASTI Loan Agreement and such documents as may be required and to make such amendments thereto as the Directors may consider necessary, desirable and expedient) as they or he may consider necessary, desirable or expedient or in the interests of the Company to give effect to the transactions contemplated by the ASTI Loan Agreement.

ORDINARY RESOLUTION 5: PROPOSED ENTRY INTO THE NEW LOAN AGREEMENT WITH DATO' MICHAEL LOH SOON GNEE AS AN INTERESTED PERSON TRANSACTION

THAT:

- (a) approval be and is hereby given, for the purposes of Chapter 9 of the Catalist Rules, for the entry by the Company into a loan agreement with Dato' Michael Loh Soon Gnee (the "LSG Loan Agreement") whereby Dato' Michael Loh Soon Gnee shall extend a loan to the Company, for up to an aggregate principal sum of S\$2,500,000, and all the transactions contemplated thereby; and
- (b) the Directors and each of them be and are hereby severally authorised to complete and do all such acts and things (including, without limitation, executing the LSG Loan Agreement and such documents as may be required and to make such amendments thereto as the Directors may consider necessary, desirable and expedient) as they or he may consider necessary, desirable or expedient or in the interests of the Company to give effect to the transactions contemplated by the LSG Loan Agreement.

ORDINARY RESOLUTION 6: PROPOSED ENTRY INTO THE NEW LOAN AGREEMENT WITH MR. SEAH CHONG HOE AS AN INTERESTED PERSON TRANSACTION

THAT:

- (a) approval be and is hereby given, for the purposes of Chapter 9 of the Catalist Rules, for the entry by the Company into a loan agreement with Mr. Seah Chong Hoe (the "SCH Loan

NOTICE OF EXTRAORDINARY GENERAL MEETING

Agreement”) whereby Mr. Seah Chong Hoe shall extend a loan to the Company, for up to an aggregate principal sum of S\$2,500,000, and all the transactions contemplated thereby; and

- (b) the Directors and each of them be and are hereby severally authorised to complete and do all such acts and things (including, without limitation, executing the SCH Loan Agreement and such documents as may be required and to make such amendments thereto as the Directors may consider necessary, desirable and expedient) as they or he may consider necessary, desirable or expedient or in the interests of the Company to give effect to the transactions contemplated by the SCH Loan Agreement.

BY ORDER OF THE BOARD

Dato’ Sri Mohd. Sopiyan B. Mohd. Rashdi
Chairman

Advanced Systems Automation Limited

4 February 2021

Measures to Minimize Risk of Community Spread of 2019 Novel Coronavirus (“COVID-19”)

On 3 April 2020, the Singapore Government announced the implementation of circuit breaker measures (enhanced safe distancing measures and closure of non-essential workplace premises) to curb the further spread of COVID-19.

The COVID-19 (Temporary Measures) Act 2020 was passed by Parliament on 7 April 2020 and the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 was issued by the Minister for Law on 13 April 2020 which provide, among others, legal certainty to enable issuers to make alternative arrangements to hold general meetings where personal attendance is required under written law or legal instruments (such as a company’s constitution). A joint statement was also issued on 13 April 2020 by the Accounting and Corporate Regulatory Authority, the Monetary Authority of Singapore and the Singapore Exchange Regulation providing guidance for listed and non-listed entities on the manner in which general meetings are to be conducted during the period when elevated safe distancing measures are in place. A further joint statement was issued on 1 October 2020 by the Accounting and Corporate Regulatory Authority, the Monetary Authority of Singapore and the Singapore Exchange Regulation providing guidance for listed and non-listed entities on the manner in which general meetings are to be conducted and encouraging such general meetings to be conducted via electronic means.

In light of the above developments, the Company is arranging for a live audio visual webcast (the “**Live EGM Webcast**”) and a live audio only broadcast (“**Live EGM Audio Feed**”) of the Extraordinary General Meeting proceedings which will take place on 19 February 2021 at 3 p.m. (“**EGM**”). **Shareholders will be able to watch the EGM proceedings through the Live EGM Webcast, and the Company will not accept any physical attendance by shareholders. Any shareholder seeking to attend the EGM physically in person will be turned away.**

Shareholders will be able to participate in the EGM in following manner set out in the paragraphs below.

Live Webcast:

1. Shareholders may attend the EGM proceedings through the Live EGM Webcast and Live EGM Audio Feed. To do so, shareholders will need to register at <https://agm.conveneagm.com/asa> (the “**Registration Link**”) by 16 February 2021 at 3 p.m. (the “**Registration Deadline**”) to enable the Company to verify their status.
2. Following verification, authenticated shareholders will receive an email by 17 February 2021 at 3 p.m. which will allow them to access the Live EGM Webcast, using the account created during the registration, via the live audio-visual webcast and via the live audio only broadcast of the EGM proceedings on 19 February 2021.
3. Shareholders must not forward the abovementioned details and/or links to other persons who are not Shareholders of the Company and who are not to attend the EGM. This is also to avoid any technical disruptions or overload to the live audio-visual webcast and the live audio only broadcast of the EGM proceedings.
4. Shareholders who register by the Registration Deadline but do not receive an email response by 17 February 2021 at 3 p.m. may contact the Company by email to EGM2021@asa.com.sg with the full name of the shareholder and his/her identification number.

NOTICE OF EXTRAORDINARY GENERAL MEETING

Submission of Proxy Forms to Vote:

1. **Shareholders will not be able to vote online or through the Live EGM Webcast or the Live EGM Audio Feed on the resolutions to be tabled for approval at the EGM.** Shareholders who wish to vote at the EGM may submit a proxy form to appoint the Chairman of the EGM to cast votes on their behalf.
2. Shareholders (whether individual or corporate) appointing the Chairman of the EGM as proxy must give specific instructions as to his manner of voting, or abstentions from voting, in the proxy form, failing which the appointment will be treated as invalid.
3. The Chairman of the EGM, as proxy, need not be a shareholder of the Company.
4. The instrument appointing a proxy or proxies, duly completed and signed, must be deposited/submitted:
 - (a) By mail to **ADVANCED SYSTEMS AUTOMATION LIMITED, 25 Kallang Avenue #06-01, Kallang Basin Industrial Estate, Singapore 339416**; or
 - (b) by email to EGM2021@asa.com.sg

by no later than 3 p.m. on 16 February 2021, being 72 hours before the time fixed for the EGM.

In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for members to submit completed proxy forms by post, members are strongly encouraged to submit completed proxy forms electronically via email.
5. CPF or SRS investors who wish to vote should approach their respective CPF Agent Banks or SRS Operators to submit their votes **at least seven (7) working days before the EGM** (i.e. by 3 p.m. on 10 February 2021) in order to allow sufficient time for their respective relevant intermediaries to in turn submit a proxy form to appoint the Chairman of the EGM to vote on their behalf by the cut-off date.

Submission of Questions:

1. **Please note that shareholders will not be able to ask questions at the EGM during the Live EGM Webcast or the Live EGM Audio Feed, and therefore it is important for shareholders to pre-register their participation in order to be able to submit their questions in advance of the EGM.**
2. Shareholders may submit questions relating to the items on the agenda of the EGM by:
 - (c) digital submission at <https://agm.conveneagm.com/asa>;
 - (d) email to EGM2021@asa.com.sg. When submitting the questions, please provide the Company with the following details, for verification purpose:
 - (i) Full name (Company name for corporates);
 - (ii) Current address;
 - (iii) Number of shares held; and
 - (iv) The manner in which you hold shares in the Company (e.g. via CDP, CPF or SRS); or
 - (e) mailed to the Company at:

ADVANCED SYSTEMS AUTOMATION LIMITED
25 Kallang Avenue #06-01,
Kallang Basin Industrial Estate,
Singapore 339416
3. The Company will endeavour to address the substantial and relevant questions at or before the EGM. The responses to such questions from shareholders will be posted on the SGXNet and the Company's website 3 business days before the Registration Deadline, or if answered during the EGM, to be included in the minutes of the EGM, which will be uploaded within one month after the date of the EGM.
4. All questions must be submitted by 3 p.m. on 8 February 2021.

Miscellaneous:

1. The Circular and its accompanying Proxy Form has also been made available on SGXNet.
2. Please note that all documents relating to the business of the EGM will be published on SGXNET and will be published together with the Notice of EGM.

NOTICE OF EXTRAORDINARY GENERAL MEETING

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the EGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the EGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the EGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

*This notice has been prepared by the Company and its contents have been reviewed by the Company's sponsor ("**Sponsor**"), SAC Capital Private Limited, for compliance with the relevant rules of the SGX-ST.*

This notice has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this notice, including the correctness of any of the statements or opinions made, or reports contained in this notice.

The contact person for the Sponsor is Ms Tay Sim Yee (Tel: (65) 6232 3210) at 1 Robinson Road, #21-00 AIA Tower, Singapore 048542.

ADVANCED SYSTEMS AUTOMATION LIMITED

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

IMPORTANT

1. The Extraordinary General Meeting ("EGM") is being convened, and will be held, by electronic means pursuant to First Schedule of the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Printed copies of the Notice of EGM (the "Notice") will NOT be sent to members. Instead, the Notice will be sent to members of the Company by electronic means via publication on the SGXNET.
2. Due to the current COVID-19 restriction orders in Singapore, members of the Company will not be able to attend the EGM in person. A member (whether individual or corporate) must appoint the Chairman of the EGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the EGM if such member wishes to exercise his/her/its voting rights at the EGM.
3. CPF/SRS investors who wish to appoint the Chairman of the EGM as proxy should approach their respective SRS Operators to submit their votes by 3.00 p.m. on 10 February 2021.
4. Please read the notes to this Proxy Form

PROXY FORM

(Please see notes overleaf before completing this Form)

I/We*, _____ (Name) _____ (NRIC/Passport No.)

of _____ (Address)

being a member/ members of Advanced Systems Automation Limited (the "**Company**"), hereby appoint the Chairman of the Extraordinary General Meeting ("**EGM**") of the Company, as *my/our proxy, to vote for *me/us on *my/our behalf at the Extraordinary General Meeting of the Company to be convened and held by electronic means on 19 February 2021 at 3 p.m. and at any adjournment thereof. *I/We direct my/our* proxy to vote for or against or abstain from voting on the resolutions proposed to be proposed at the EGM in the spaces provided hereunder. In the absence of specific direction in respect of a resolution, the appointment of the Chairman of the EGM as your proxy for that resolution will be treated as invalid.

(Please indicate your vote "For" or "Against" or "Abstain" with a tick [✓] within the box provided if you wish to exercise all your votes. Alternatively, please indicate the number of votes as appropriate. If you mark "Abstain", you are directing your proxy not to vote.)

No.	Resolutions to:	For	Against
1	Ratify the ASTI Loans		
2	Ratify the ASTI Corporate Support Services		
3	Approve the Adoption of the IPT General Mandate		
4	Approve the New Consolidated Loan Agreement with ASTI		
5	Approve the New Loan Agreement with Dato' Michael Loh Soon Gnee		
6	Approve the New Loan Agreement with Mr. Seah Chong Hoe		

Note: Voting will be conducted by poll.

Dated this _____ day of _____ 2021

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

Signature of Shareholder(s)/
or, Common Seal of Corporate Shareholder

*Delete where inapplicable

Important: Please read notes overleaf

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy shall be deemed to relate to all the Shares held by you.
2. The instrument appointing a proxy must either be (a) submitted by mail to **ADVANCED SYSTEMS AUTOMATION LIMITED 25 Kallang Avenue #06-01, Kallang Basin Industrial Estate, Singapore 339416**; or (b) submitted by email to EGM2021@asa.com.sg, not later than 72 hours before the time set for the Extraordinary General Meeting (the "EGM") (i.e., by 3 p.m. on 16 February 2021).

In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for members to submit completed proxy forms by post, members are strongly encouraged to submit completed proxy forms electronically via email.

3. The instrument appointing the Chairman of the EGM as proxy must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing the Chairman of the EGM as proxy is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument, failing which this proxy form shall be treated as invalid.
4. CPF or SRS investors who wish to vote should approach their respective CPF Agent Banks or SRS Operators to submit their votes **at least seven (7) working days before the EGM** (i.e. by 3 p.m. on 10 February 2021) in order to allow sufficient time for their respective relevant intermediaries to in turn submit a proxy form to appoint the Chairman of the EGM to vote on their behalf by the cut-off date.

"relevant intermediary" means:

- (a) a banking corporation licensed under the Banking Act, Cap. 19 of Singapore, or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
 - (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Cap. 289 of Singapore, and who holds shares in that capacity; or
 - (c) the Central Provident Fund Board established by the Central Provident Fund Act, Cap. 36 of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
5. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the EGM, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

PERSONAL DATA PRIVACY:

By attending the EGM and/or any adjournment thereof or submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Extraordinary General Meeting dated 4 February 2021.

General:

The Company shall be entitled to reject the instrument appointing a proxy if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the EGM, as certified by The Central Depository (Pte) Limited to the Company.