



ADVANCED SYSTEMS AUTOMATION LIMITED

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

RESPONSES TO QUERIES FROM THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED

The board of directors (the “**Board**” or the “**Directors**”) of Advanced Systems Automation Limited (the “**Company**”) refers to the Company’s announcement dated 17 June 2021 (the “**Announcement**”) in relation to:

- (a) the proposed consolidation of every three hundred and seventy-five (375) existing ordinary shares in the capital of the Company into one (1) ordinary share (“**Consolidated Share**”) in the capital of the Company (the “**Proposed Share Consolidation**”); and
- (b) the proposed bonus issue of up to 19,843,667 free warrants, each warrant carrying the right to subscribe for one (1) new Consolidated Share at an exercise price of S\$0.25 for each new Consolidated Share and on the basis of one (1) warrant for every three (3) existing Consolidated Shares held by the shareholders of the Company (the “**Shareholders**”) as at a books closure date to be determined (the “**Proposed Bonus Warrants Issue**”).

The Company sets out below its responses to queries from the SGX-ST on the Proposed Share Consolidation and Proposed Bonus Warrants Issue (the “**Responses**”).

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

SGX Queries

1. The Company is proposing a share consolidation exercise where 375 existing shares will be consolidated into one (1) consolidated share. The Company’s rationale for doing so is to reduce volatility in its share price and increase market attractiveness and market interest of the Company and its shares. We note that the Company’s shares have been trading at S\$0.001, which is the lowest possible trading price on Catalyst. We also note that based on the latest audited financials for FY2020, the Group is in net current liability position of S\$2 million; negative equity position of S\$1.9 million; is not generating revenue and recorded losses of S\$3.9 million.

- (a) The share price of a company is driven by factors such as the company’s business fundamentals, financial position and others. Given that the Company is disposing of its core business and is in negative equity position, its share price (S\$0.001) and market capitalization (S\$22.3 million) are direct consequence of the lowest possible trading price on Catalyst and may not be supported by net assets or financial strength or business of the Company. As such, any share consolidation at this point in time given the Company’s current state may not achieve the Company’s rationale for undertaking the share consolidation. Why does the Board think that the Proposed Share Consolidation will facilitate corporate actions, having considered the Company’s business fundamentals, financial position, historical share price and trading activities?

Company’s Response:

The Board is currently in the process of disposing its existing business. As a result, the Company's current business fundamentals and financial position are less relevant. In connection therewith, the Company has been exploring the acquisition of new businesses. On 9 June 2021, the Company announced that it had entered into a conditional sale and purchase agreement ("**RTO SPA**") to acquire 100% shareholding interest in Excelgames Interactive Asia Holdings Pte. Ltd. In order to fulfil its obligations under the RTO SPA, the Company intends to undertake a fundraising exercise ("**Purchaser Fundraising**"), including but not limited to through the use of convertible debt instruments that are convertible into Shares.

The Board believes that the Proposed Share Consolidation will facilitate corporate actions involving the issuance of Shares by the Company, including any convertible debt instruments that are convertible into Shares contemplated under the Purchaser Fundraising. As mentioned in the Announcement, the theoretical trading price of the Shares following consolidation will be higher than the existing trading price of the Shares. The Proposed Share Consolidation may allow the Shares to trade at a wider trading band (instead of being at or close to the lowest trading price of S\$0.001). This will likely improve liquidity of the Shares and also enable investors to better price the Shares and the Company's market capitalisation more accurately. Please see Section B.2 of the Announcement for further details on the rationale for the Proposed Share Consolidation.

- (b) **What are the Board's consideration on (i) the probability of the Proposed Share Consolidation achieving the rationale for undertaking such transaction and (ii) whether it is supported by the Company's business fundamentals and net asset value / a true reflection of its financial position? If the answer is negative, why did the Board propose the share consolidation exercise at this point in time?**

Company's Response:

The Board believes that it is likely that the Proposed Share Consolidation will achieve the rationale, but also recognises that the Share price is largely dependent on market forces outside of its control. A key reason to propose the share consolidation exercise at this stage is to facilitate the Purchaser Fundraising, which needs to be completed no later than 9 September 2021, being 3 months from the date of the RTO SPA.

- (c) **Moreover, the Company has announced a Proposed RTO. The Company has yet to appoint a Full Sponsor to advise on the Proposed RTO and all related transactions. Why is the Proposed Share Consolidation not undertaken together / concurrently with the Proposed RTO as that will be more meaningful in light of new assets and the restructuring that typically takes place as part of the RTO?**

Company's Response:

The Company needs to raise funds to satisfy the minimum cash requirement and payment of cash consideration, the proposed loan to the target company and transactional costs, as contemplated under the RTO SPA. In order to fulfil these obligations, the Company needs to raise funds prior to completion of the Proposed RTO by way of the Purchaser Fundraising. As such, the Company has taken the view that a Proposed Share Consolidation should be undertaken at this stage to facilitate completion of the Purchaser Fundraising.

2. The rationale for the Proposed Share Consolidation is: *“The Board believes that a wider trading band and any improvement in liquidity of the Shares arising from the Proposed Share Consolidation will also facilitate corporate actions involving the issuance of Shares by the Company, including through any convertible debt instruments that are convertible into Shares as mentioned in the Company’s announcement on 9 June 2021.”*

In the Company’s announcement on 9 June 2021 in relation to the proposed acquisition of Excelgames Interactive Asia Holdings Pte. Ltd. (“Proposed RTO”), there was a “Minimum Cash Requirement” condition which requires the Company to have a cash balance of not less than S\$10 million before the completion of RTO. It was also stated that the Company is required to negotiate and enter into legally binding definitive agreements to raise funds, including but not limited to through the use of convertible debt instruments that are convertible into Shares (the “Purchaser Fundraising”). Under the terms of the RTO SPA, the Company shall not raise more than S\$16.85 million by way of the Purchaser Fundraising prior to the Completion of the RTO.

The Company has yet to provide a detailed timetable to shareholders on all the milestones, including the Proposed Share Consolidation, fund-raising, RTO share consolidation, issue of vendor and introducer shares, completion of RTO.

- (a) Please provide an updated detailed timetable of all the milestones and clarify if the Proposed Share Consolidation is a pre-condition to the upcoming Purchaser Fundraising.

Company’s Response:

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

	Event	RTO workstream	Purchaser Fundraising workstream
1.	Sign and announce RTO SPA	9 June 2021	-
2.	Appointment of valuer, independent financial adviser and other professionals	Between 14 June 2021 and 25 June 2021	-
3.	Announcement of Proposed Bonus Warrants Issue and Proposed Share Consolidation	17 June 2021	-
4.	Signing of definitive agreement in relation to the Purchaser Fundraising and announcement of Purchaser Fundraising	-	No later than 13 August 2021, being 45 business days from the date of the SPA
5.	Purchaser Fundraising, including the Proposed Bonus Warrants Issue and Proposed Share Consolidation EGM	-	No later than 7 September 2021
6.	Completion of Proposed Bonus Warrants Issue and Proposed Share Consolidation	17 August 2021	-
7.	First drawdown / receipt of Purchaser Fundraising ⁽¹⁾	-	No later than 9 September 2021, being 3 months from the date of the SPA

	Event	RTO workstream	Purchaser Fundraising workstream
8.	Preparation of RTO circular	June 2021 to September 2021	-
9.	Audit and preparation of MD&A	June 2021 to September 2021	-
10.	Completion of due diligence	September 2021	-
11.	Submission of RTO application	4Q 2021	-
12.	RTO EGM, Completion of RTO share consolidation, payment of base consideration (including issuance of base consideration shares) and issuance of introducer shares, Completion of Proposed RTO	1Q 2022	-

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

As the Company has not entered into any legally binding definitive agreement, the description of the milestone is referred to as Purchaser Fundraising as used in the Company’s announcement dated 9 June 2021 in relation to the Proposed RTO.

The Company also wishes to clarify that completion of the Proposed Share Consolidation will be a condition to the Purchaser Fundraising.

- (b) The Company also mentioned that it has not entered into any legally binding definitive agreement in relation to any convertible debt instruments. Did the Company consider to conduct the Proposed Share Consolidation at the same time with the Purchaser Fundraising? How is the Proposed Share Consolidation at this point in the best interest of the Company and its shareholders?**

Company’s Response:

The Company intends to seek Shareholder’ approval for the Purchaser Fundraising and the Proposed Share Consolidation at the same EGM. In the event the Proposed Share Consolidation is not approved, the Purchaser Fundraising will not proceed.

3. **As at 30 April 2021, there are 1,901 shareholders holding less than 375 shares. Under the Proposed Share Consolidation exercise, shareholders who currently hold less than 375 shares will result in them being no longer shareholders.**

(a) **Based on the Company's latest annual report for FY2020, it has 6,930 shareholders as at 30 April 2021. As such, approximately 27% of the Company's shareholders will cease to be shareholders arising from the Proposed Share Consolidation exercise. Why is the Board of the view that this is in the best interest of the Company and its shareholders?**

Company's Response:

Based on the market price of the Shares as at 18 June 2021 (being the last market day preceding the date of this announcement) of S\$0.001, the monetary entitlement upon completion of the Proposed Share Consolidation of each of the 1,901 Shareholders who hold less than 375 Shares is less than S\$0.375.

The Board had considered issuing free Shares to these Shareholders to increase their shareholding interest to 375 Shares, but as their shareholding value is small, the cost of issuing such Shares, including the brokerage fees, would far outweigh any possible benefits.

With the Company's recent announcement dated 9 June 2021 on the proposed acquisition, we would recommend Shareholders who wish to remain as Shareholders to acquire additional Shares.

(b) **Does the Board have any proposed plans for the best interest of these shareholders?**

Company's Response:

Please refer to the response in Question 3(a).

4. **It is stated that the Proposed Bonus Warrants Issue is to reward shareholders and allow them to participate in future growth of the Company.**

(a) **Please explain why the Proposed Bonus Warrants Issue will only proceed if the Proposed Share Consolidation is completed?**

Company's Response:

There has been hardly any trading of the Company's Shares and the Shares have mostly traded at S\$0.001 prior to the announcement on the RTO SPA, due to a lack of interest in the Shares. It is unlikely that Shareholders will exercise their Warrants if they are unable to dispose the Shares at a price higher than the Exercise Price of S\$0.25. The Company has therefore decided that the Proposed Bonus Warrants Issue will only proceed if the Proposed Share Consolidation is completed.

Further, notwithstanding the Company's plans to dispose of its current subsidiaries and acquire a new business, as announced by the Company on 27 February 2021 and 9 June 2021 respectively, the Shares of the Company traded on the Catalist have continued to trade at the lowest price S\$0.001. The issuance of Warrants at the current value would not benefit Shareholders.

- (b) **Did the Company consider undertaking the Proposed Bonus Warrants Issue before the Proposed Share Consolidation to provide shareholders (particularly those who hold less than 375 shares) with an avenue to increase their shareholdings and remain as shareholders to participate in the future growth of the Company?**

Company's Response:

As the Company proposes to issue 1 Warrant for every 3 Consolidated Shares post-consolidation, Shareholders would be required to hold at least 1,125 Shares to be entitled to 1 Warrant.

Please also see our response to Question 4(a) on why Warrants will only be issued if completion of the Proposed Share Consolidation takes place.

- (c) **Under the current proposal (share consolidation and thereafter bonus warrants issue), shareholders holding less than 375 shares will no longer be shareholders after the share consolidation and accordingly, will not be eligible for the bonus warrants issue. How is the current proposal in the best interest of the Company and its shareholders?**

Company's Response:

Please see our responses to Questions 3(a) and 4(b).

5. **How was the warrants exercise price of S\$0.25 determined?**

Company's Response:

The Exercise Price of S\$0.25 is calculated based on the value of 375 post-consolidated shares trading at S\$0.001, being S\$0.375, less a discount of approximately 33.33% (being a discount of S\$0.125). The Exercise Price is intended to be priced at a reasonable discount to the post-consolidated share price to reward Shareholders for their continued participation in and support for the Company by providing the Shareholders with an opportunity to increase their equity participation in the Company and participate in the future growth of the Company.

6. Upon completion of the disposal of the Company's wholly-owned subsidiaries Emerald Precision Engineering Sdn. Bhd., Yumei Technologies Sdn. Bhd., Yumei REIT Sdn. Bhd. and Pioneer Venture Pte. Ltd. to ASTI Holdings Limited (the "Proposed Disposals"), the Company will become a cash company under Catalist Rule 1017.

As announced by the Company on 27 February 2021, the Company will receive cash of approximately S\$1.8 million (after deducting amounts representing the deposit, set off and deferred consideration). Pursuant to Catalist Rule 1017, the Company is required to place 90% of the Company's cash and short-dated securities into an escrow account.

The estimated net proceeds from the exercise of the Bonus Warrants is approximately S\$4.9 million (the "Warrant Proceeds"), and the Company intends to utilise the Warrant Proceeds for working capital proceeds.

Why is the Warrant Proceeds (or 90% of such proceeds) not placed in an escrow account until successful completion of the Proposed RTO?

Company's Response:

Upon the Company becoming a cash company, it will deposit 90% of the proceeds from the exercise of the Warrants into an escrow account in compliance with Rule 1017(1)(a) of the Catalist Rules.

By Order of the Board

ADVANCED SYSTEMS AUTOMATION LIMITED

Dato' Sri Mohd. Sopiyan B. Mohd. Rashdi

Chairman

21 June 2021

This announcement has been reviewed by the Company's sponsor, SAC Capital Private Limited ("Sponsor"). This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made, or reports contained in this announcement.

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