ADVANCE SCT LIMITED

(Company Registration No. 200404283C)

Advance SCT Limited (the "Company") and its subsidiaries (the "Group")
- Response to Securities Investors Association (Singapore) –

Q1 : CHAIRMAN'S MESSAGE

Q(i) Can the board update shareholders if the new controlling shareholder has initiated discussion with the board on the future direction of the group?

A: In a recent meeting in China with the company's management, the new controlling shareholder, Mr Zhang has pledged to support the Company in finding an additional business that is profitable. Mr Zhang and the other three Chinese shareholders have expressed the desire to maintain the Company on the Main Board of the SGX-ST instead of effecting a transfer to Catalist. However, they will leave the board to make the call.

Q(ii) What is the profile of Mr Zhang Baoan?

A: Mr Zhang, in his mid-50s, is a successful entrepreneur in China. He has substantial investments in Singapore.

Q(iii) Pending any board personnel changes and changes to the company, what are the board's priorities for the company in FY2018?

A: The immediate priority is to ensure continued success in the Company's current business. To augment its size and profitability, the Company is also exploring the possibility of acquiring an additional business that is compatible to its current size and is profitable.

Q: In addition, Baycrest International Inc, who subscribed for $2 million of the company's redeemable convertible bond and had converted into 4 billion shares, now have a 9.68% interest in the company. **Is the board aware of any discussion between Baycrest and the company?**

A: Baycrest has informed the Company's management that it will remain a passive investor.

Q2: WITH REFERENCE TO THE STATEMENTS OF FINANCIAL POSITION

Q(i) What is the current business model of the group?

A: In order to maximise its limited cash, the Group has refrained from capital expenditure and long-term investments; instead it is currently focussed on ensuring that the trading of exchange-regulated metal products (e.g., London Metal Exchange) is done in quick turnarounds, with minimum inventory.

Q(i-a) How big is the current management team and what is the total staff strength of the group?

A: There is only a small team of full-time employees (less than 10 people), supplemented by the engagement of professional services outside of the Company.

Q(ii) What are the key drivers that led to the good performance of Asiapac in the last financial year?

A: The key drivers are: market acceptance, quick turnaround of limited working capital, outsourcing of services such as transport and warehousing, low administrative expenses.

Q(iii) With no fixed assets and no inventory, how much longer can the group operate under such conditions?

A: Two features ensure continuity of business: one, outsourcing of services means there is no need to own fixed assets; two, a J.I.T. (just in time) model ensure low level of inventory.

Q(iii-a) How scalable is the current business/business model?

A: As the Company trades mainly in copper, an industrial base metal with a high volume of movement, the current business model can be easily scaled up. It depends on our ability to source for the required products and the amount of available working capital.

Q(iv) How does the group source for its copper cathodes?

A: As the Group trades only in LME-regulated copper cathodes, the exchange itself provides leads to the suppliers over and above already established channels in Singapore, Hong Kong and Shanghai.

Q(iv-a) How many suppliers does it have?

A: Other than a handful of global merchant firms, also ad hoc referrals from LME.

Q(v) The group has a major customer who accounted for half of the group's revenue. **Can the group provide shareholders with a breakdown/overview of the other customers?**

A: Given intense market competitions, the Group considers such information sensitive and it is our policy not to disclose such information without explicit consent of the customers.

Q3: IN NOTE 18 (PAGE 77 – BORROWINGS), IT IS SHOWN THAT THE GROUP HAS A LOAN FROM A THIRD PARTY AMOUNTING TO $1.241 MILLION THAT IS INTEREST-FREE, SECURED AND PAYABLE ON DEMAND.

Q(i) Can shareholders understand why a third party would be willing to loan the group $1.241 million, interest-free?

A: The $1.241 million loan was a carried-over from the legacy debts under the former Scheme of Arrangement in 2011. It had an interest of 6.5%. The last remaining creditor of that old Scheme saw it as beneficial to waive the interest and convert the full amount into shares so as to allow the Company to revive itself.

Q(ii) The group still has an outstanding loan of $1.5 million from Fort Canning (Asia) Pte Ltd, a related party with a new repayment date of 15 August 2019. **How does the group intend to pay off the loan?**

A: The group intends to start paying down the loan periodically from 1 September 2018.

Given that the total number of issued and paid-up shares is 41,316,907,761, the minimum market capitalisation of the company will be $41.3 million.

Q(iii) Can the board explain what are the options available to the company to raise additional funds to strengthen its balance sheet and to fund the businesses and/or investments?

A: The Company will have to depend on borrowings to grow its current business. In the immediate future, a convertible loan with an acceptable coupon rate is a likely instrument.

Q(iv) Is the board considering a share consolidation at this point/together with any fund raising efforts?

A: The Company intends to focus on building up its current business. At the moment the board is not considering a share consolidation until when such a corporate action is required or considered beneficial to the Company and its shareholders.

Legend:
Q denotes Question
A denotes Answer