

ADVANCED HOLDINGS LTD.

(Incorporated in the Republic of Singapore)
(Company Registration No. 200401856N)
(the "Company")

RESPONSE TO QUERIES FROM THE SECURITIES INVESTORS ASSOCIATION (SINGAPORE) ON THE COMPANY'S ANNUAL REPORT 2021

The Board of directors (the "Board" or the "Directors") of Advanced Holdings Ltd. (the "Company", together with its subsidiaries, the "Group") wishes to announce the following in response to the queries raised by the Securities Investors Association (Singapore) ("SIAS") on the Company's Annual Report for the financial year ended 31 December 2021 (released on 13 April 2022). The Company did not receive any questions from the shareholders of the Company (the "Shareholders") as at the deadline stated in the Notice of Annual General Meeting.

Question 1:

The Group's mission is to advance innovation in engineering science. Its engineering services and equipment business is further classified into advanced analyser technologies and advanced system solutions. The Group showcased its systems and products on pages 4 and 5 and its partners on page 6 of the annual report.

In recent months, the Company has announced the proposed disposal of Guided Wave Inc. on 7 January 2022 followed by the proposed disposal of Analytical Technology & Control Limited. This comes after the Company disposed of ZMK Technologies GmbH in 1H2020. The two disposals were completed after the end of the financial year on 1 March 2022 and 25 February 2022 respectively.

- (i) Did the Board carry out a strategic review on the business units? What are the strategic reasons for the multiple disposals of operating subsidiaries in quick succession?
- (ii) In addition, how is the Group positioning itself for the recovery in the oil and gas sector?
- (iii) Given that China is the Group's largest market, how are operations affected as China maintains its Zero-COVID policy? Is the Group facing heightened manpower and supply chain disruptions due to the lockdown/COVID-19 measures in China? How is management mitigating such challenges?
- (iv) Would management be providing shareholders with regular updates on the situation on the ground in China (via SGXNet)?

Company's response:

- (i) For each disposal of the operating subsidiaries, the Board had deliberated and reviewed the immediate and long-term financial and cashflow impact to the Group and rationalised the disposal of each entity. The Board is of the view that conserving the Group's scarce financial resources is critical during the unprecedented health and economic crisis. Please refer to the Company's announcements via SGXNet on 5 June 2020, 7 January 2022 and 10 February 2022 which had the rationale for these disposals.

Disposal of ZMK Technologies GmbH ("ZMK") on 5 June 2020:

ZMK had incurred increased losses over the last few financial years prior to the disposal and relied solely on the financial support from the Group to maintain its operations. Even though ZMK made slight profit for the financial year ended 31 December 2019, the slight profit would not be sustainable on a longer-term basis due to its existing operational issues. The Board had considered these factors and in the best interest of the Company, disposed ZMK, which enables

the Group to conserve and re-strategise its financial and capital resources for its other existing businesses which have potential to perform better than ZMK. The disposal of ZMK had also significantly strengthened the Group's financial position as the new investor was able to repay all the bank loans and outstanding bankers guarantees as held by ZMK. The disposal of ZMK was completed on 14 July 2020.

Disposal of Guided Wave Inc. ("GWI") on 7 January 2022:

GWI had a two-year manufacturing agreement with the purchaser of GWI (the "**GWI Purchaser**"), a major customer of GWI, to manufacture analyzers and related parts for the GWI Purchaser. The GWI Purchaser showed intention to set up its own manufacturing facilities and the Board noted that in the absence of this major customer and renewal of the manufacturing agreement, GWI would have operated in a loss position in the last two financial years and would not have been able to sustain its profitability in the future. The Board had therefore considered these factors and in the best interest of the Company, divested the potentially underperforming business for a satisfactory consideration and limited its risks to the prolonged uncertainty of external economic factors. The disposal of GWI was approved by the Shareholders at the Company's extraordinary general meeting held on 21 February 2022 and the disposal was completed on 1 March 2022.

Disposal of Analytical Technology & Control Limited ("ATAC") on 10 February 2022:

ATAC is not a core asset of the Group and the disposal will not materially affect the nature of the Group's principal business and also will not change the risk profile of the Group. In the absence of the intercompany loan written-off, ATAC had incurred losses since the financial year ended 31 December 2018 and there is no sign of recovery. In addition, ATAC had always drawn on the Group for financial support. The Board, having considered the warranty liabilities of approximately S\$259,000 (that must be borne by the Group) and the liquidation and lay-off costs in excess of S\$525,000 should ATAC be wound-up, was of the view that it would be more beneficial for the Group to dispose ATAC to its current management as compared to continuing losses, financial support required and/or various costs to wind up ATAC. The disposal of ATAC was completed on 25 February 2022.

- (ii) The Board had since 2019 made plans to better position the Group to ride out the volatility in the oil and gas market. The Group has diversified its risk and income stream by investing into agriculture-related businesses, including the investment into oil palm plantation and the corn cultivation, accumulation and trading businesses. While the temporary recovery of the oil and gas sector may seem feasible to bring some positive outcome to the Group's existing business, the recent Russia-Ukraine war has created global uncertainty and exacerbated supply chain woes initially caused by the pandemic and as such the Group will continue to navigate this uncertainty with prudence, caution and forethought.
- (iii) In the near term, the Zero-Covid 19 policy adopted by the China Government triggered some downward pressure on the Group's business. However, as the Group has standing orders of about S\$53.1 million as at 31 December 2021 and with the opening up of the borders in the other regions, barring unforeseen circumstances, the Group will endeavour to recover its losses when the current lockdown in China eases. A typical project takes between 12 to 18 months to complete so a delay of several weeks is greatly inconvenient and disruptive to our operations but it is still manageable under the circumstances. The Group continues to monitor the situation should the overall impact becomes substantial.
- (iv) The Company will update the Shareholders via SGXNet should there be material consequences arising from the prolonged lockdown by China.

Question 2:

As shown in Note 15 (page 105 – Investments in associates), the Group's investments in associates amounted to \$15.0 million at cost. The Group has impaired \$11.0 million of it. The carrying value stands at \$3.79 million following the share of post-acquisition results.

15. Investments in associates

	Group		Company	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Unquoted equity shares, at cost	15,000	15,000	15,000	15,000
Share of post-acquisition results	(210)	(173)	-	-
Less: Allowance for impairment losses	(11,003)	(10,895)	(11,213)	(11,000)
	3,787	3,932	3,787	4,000

(Source: Company annual report)

- (i) The associates have lost 75% in value since the Group's investment. Is the Board satisfied with the outcome of the Group's investments in associates?
- (ii) Will the Board carry out a comprehensive review to understand the original investment thesis (in the Board approval), the assumptions and the reasons that the associates failed to deliver against the investment thesis? In the meantime, is it prudent for the Group to halt further investments in associates until the Board's review?

In addition, the Company incorporated and holds 51% of Advanced Agri Pte Ltd (AAPL) which is in the management of corn plantation(s), corn trading, corn processing and sales and distribution of corn-based products in Indonesia. The Company invested \$510,000 in the joint venture, and carries AAPL at \$426,000 as at 31 December 2021 after AAPL posted a loss of \$(164,000).

- (iii) How much has the Company earmarked to support the growth of AAPL?
- (iv) How is this investment aligned with the Group's vision and mission?
- (v) Given that the corn business is significantly different from the core business, would the risk profile of the Group be significantly altered?
- (vi) Did the Board approve the investment? Please help shareholders understand the reasons that the Company is selling off its engineering business units and is re-allocating capital to a corn-related business in Indonesia.

Company's response:

- (i) The Investment in Associate refers to the Company's investment into Agricore Global Pte Ltd ("**Agricore**"), which is in the oil palm plantation business. The recoverable amount of the investment in Agricore was determined based on its fair value less cost of disposal. The fair value less cost of disposal was based on market value of the land permits held by Agricore and adjustments made for the effects of liabilities, cash and non-operating assets. The Group engaged an independent Indonesian professional valuer, Muttaqin Bambang Purwanto Rozak Uswatun & Partners, to determine the fair value of the land permits. Agricore's business is in the nascent stage of development and oil palms typically have a relatively long gestation period of between four to five years. Once Agricore has its first produce, barring unforeseen circumstances, the market value would include the value of these bio-assets.
- (ii) The Company has completed its acquisition of 12.25% of Agricore and no further investment is expected in the near-term.

- (iii) We refer to the Company's announcement dated 21 May 2021 on the business plan of the joint venture, Advanced Agri Pte Ltd ("**AAPL**"). The Company has committed to inject S\$1,071,000 into AAPL for its 51% shareholding in AAPL. The business of AAPL, via its subsidiary PT Advanced Agri Indonesia ("**PTAAI**"), is that of corn cultivation and corn accumulation and trading in Indonesia and the losses incurred by AAPL and PTAAI were primarily start-up costs. In the next 12 months, PTAAI will focus on the construction of the corn facility and the Group will provide further financial support by extending loan of S\$1,020,000 (the joint venture partners will also provide loan of S\$980,000) to AAPL for this purpose.
- (iv) The joint venture is aligned with the Group's plan to diversify its business and include other income stream as announced by the Company via the circular issued to the Shareholders on 25 February 2019.
- (v) The investments in Agricore and the AAPL and PTAAI may progressively change the risk profile of the Group as the agricultural business grows to become a more material contributor to the Group's business. The Company will seek approval from the Shareholders on the diversification of business in due course.
- (vi) The Board has assessed and approved the Company's diversification plan to better position the Company to ride out the volatility in the oil and gas market.

Question 3:

On 7 March 2022, Ms Teo Siok San Samantha ("**Ms Teo**") resigned as the Deputy Chief Executive Officer of the Company. Ms Teo has been in charge of the Group's overall management and operations, formulating business strategies as well as identifying and developing new businesses for the Group.

The reason for the cessation was "to pursue personal interest and other career opportunities".

In addition, on the same day, the Company also announced the redesignation of Mr Wang Yilong Johnson from Acting Chief Financial Officer to the Group Finance Manager and the appointment of Ms Tay Bee Gek as the Chief Financial Officer of the Company (with effect from 21 March 2022).

In the Company's response to SGX's query (dated 10 March 2022), the Company stated that Dr Wong Kar King, the Managing Director will be overseeing the Company's operations. There will be no new appointment to take over Ms Teo's role.

- (i) Would the Board/Nominating Committee help shareholders understand if it had approved the changes in the senior management team and if these changes are in line with the succession plan?
- (ii) With the Managing Director taking on additional duties, will there be a risk that there the Managing Director will not have sufficient bandwidth to oversee the operations and that decision-making becomes concentrated in a single person?
- (iii) Has the Board/Nominating Committee reviewed the Group's bench strength and talent pipeline?

Company's response:

- (i) The Board and the Nominating Committee noted that the resignation of Ms Teo will not materially affect the succession plan of the Group. The Group continues to operate with a strong management team. Mr Quah Kim Teck, Managing Director, Advanced CAE, Operations has fronted the Group's Singapore core business for more than 30 years and Ms Yang Xiao Fei, General Manager, China operations has worked on the Group's China sales and operations for more than 20 years. The Board is of the view that the two key management staff, coupled with a few operational management employees, are capable to continue to manage and operate the Group's business.

- (ii) With the disposal of the ZMK, GWI and ATAC and the existing strong operational management team to handle the day-to-day matters, the Board is confident that the Managing Director can continue to lead the team and make appropriate strategic decisions.
- (iii) The Board had reviewed the talent requirement of the Group, taking into consideration the existing business activities and new business requirements and accordingly appointed Ms Tay Bee Gek as the Chief Financial Officer to strengthen the financial reporting and operations and corporate governance of the Group.

BY ORDER OF THE BOARD

Dr Wong Kar King
Managing Director

22 April 2022

*This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, UOB Kay Hian Private Limited (the "**Sponsor**") for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual Section B: Rules of Catalyst.*

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

The contact person for the Sponsor is Mr Lance Tan, Senior Vice President, at 8 Anthony Road, #01-01, Singapore 229957, telephone (65) 6590 6881.