ASTI Holdings Limited

(Incorporated in the Republic of Singapore)
(Company Registration No. 199901514C)

RESPONSES TO QUESTIONS FROM SECURITIES INVESTORS ASSOCIATION (SINGAPORE) FOR ANNUAL GENERAL MEETING ON 31 MAY 2021

The board of directors (the "**Board**" or the "**Directors**") of ASTI Holdings Limited (the "**Company**" or "**ASTI**" and together with its subsidiaries, collectively the "**Group**") refers to the Company's annual report for the financial year ended 31 December 2020 ("**FY2020**") and the related documents published on 14 May 2021. The Company has received queries from Securities Investors Association (Singapore) and the Company wishes to provide the Company's responses to the queries raised as set out below.

Unless otherwise defined herein, capitalized terms used in this announcement shall bear the same meaning ascribed to them.

Q1. Would the board/management provide shareholders with greater clarity on the following operational and strategic matters? Specifically:

(i) Market position: In the company's profile, it was stated that the group owns one of the largest Semiconductor Manufacturing Service[s] in the world and that it provides Tape & Reel packaging services and Integrated Circuit Programming Services to renowned original equipment manufacturers, contract manufacturers and component distributors globally (page 1). **Can management help shareholders understand its market share as "one of the largest Semiconductor Manufacturing Service[s] in the world"?**

Company Response:

The Semiconductor Manufacturing Services referred to in the Annual Report is the Group's independent Tape & Reel packaging services and IC Programming Services outside of Integrated Design Manufacturers ("IDM") and Assembly & Test Houses ("AT houses").

There are no official statistics on the size and market share of such market outside of IDM and A&T houses. However, the Company is one of biggest and dominant players in this niche market.

(ii) **Major customers: Who are the major customers of the group?** The group disclosed that the top three customers contributed $39.7 million in FY2020 from the Back-end Equipment Solutions and Technologies ("BEST") segment (page 60).

Company Response:

Due to competition, the Company is of the view that it is not in the Company's interest to publicly disclose who its top three or major customers are. Further, confidentiality obligations also prohibit the Company from making such a disclosure.

(iii) **Operations review: Can the board consider how it could improve on the "operations review" to provide shareholders with greater clarity on the progress, achievements, challenges and outlook of its core operations?** The current "operations review" merely provides commentary of the different sections of the financial statements.

Company Response:

This year, the main objective of the Group is to try to meet the criteria to exit the financial watch list. The Telford Group is doing well and will continue to try to attract new customers not just to grow its revenue and profits but also to widen its customer base for greater business resilience. The ramp up of volumes by chip manufacturers to meet the global chip shortage may help grow Telford's Group revenue.

The Company is in the process of acquiring Yumei-Emerald Group (Company's announcement on 27th Feb 2021) to improve its profitability. The Company will focus on disposing DGI by way of 3rd party offer to improve its profitability which will also provide DGI shareholders with an exit offer.

The Company has embarked on cost-cutting in January 2021. Further cost cutting and streamlining of businesses within the Group are being planned.

The trade war and Covid-19 pandemic continue to bring uncertainty to the prospect of the Group.

(iv) **Chip shortage: Can management elaborate further on the impact of chip shortage on the group's prospects? What is management's strategy to mitigate the chip shortage?**

Company Response:

The Group's Tape & Reel packaging services and IC Programming Services is at the back-end of the semiconductor manufacturing process. It depends on growing demand and growing manufacturing volumes of chips from IDMs and AT houses to grow its back end semiconductor business. The trade war, the chip shortage, together with end of life of some customers' products, has resulted in a lower turnover for the Group in FY2020. Given the nature of the Group's semiconductor manufacturing services, it is not in a position to mitigate the chip shortage.

(v) **EoPlex: What are management's priorities for the EoPlex group for the next 18-24 months? How much more capital has the group earmarked to support EoPlex?** As at 31 December 2020, the EoPlex group is in a net liability position of $(38.8) million.

Company Response:

Eoplex Group has been incurring losses since its inception as it has not been able to commercialise its semiconductor substrate technology. As part of the Company's strategy and plan to exit the financial watchlist, the Group has suspended Eoplex Group's research and development activities with a view to disposing it.

Q2. The company is a controlling shareholder of the 41%-owned subsidiary, Dragon Group International Limited ("DGI"). On 11 April 2018, DGI was informed by SGX that it had not satisfied the Watch-List (Financial Criteria) exit requirements and that it will be delisted.
Trading in DGI has been suspended from 11 May 2018.
In response to questions posed by shareholders for the AGM held on 29 June 2020, the company stated that there is no deadline imposed on the company as a controlling shareholder of DGI to make an exit offer. It further added that it has been in "several rounds of discussion with SGX" and continues to work on the DGI exit proposal.
Loss for FY2020 for DGI was US$(5.2 million). For the financial period ended 31 March 2021, DGI reported a loss of $(834,000). Equity attributable to owners of DGI amounted to US$6.3 million as at 31 March 2021.

(i) **What are the reasons for the delay in making an exit offer for DGI?**

(ii) **Is the group committed to making an exit offer for DGI?** Management has stated in its reply in June 2020 that there is no deadline to make the exit offer to DGI shareholders.

Company Response to (i) & (ii) above.

The delay in making an exit offer arises from the various efforts directed at trying to meet the requirements of an exit offer under Rule 1309 that requires a pure cash offer alternative.

While the Company is committed to make an exit offer for DGI, the Company has deliberated and has determined that it is not in the best interests for the Company *presently* to make an exit offer to the shareholders of DGI based on current Rule 1309 (that requires a pure cash offer alternative to be included) for the following reasons:

(a) The Company is currently also on the watch-list under the financial entry criteria pursuant to Rule 1311(1) of the Listing Manual of the SGX-ST ("Watch-list"). Therefore, it must, in all prudence, use its own scarce resources to try to exit the Watch-list and to avoid delisting in the interest of its own shareholders;

(b) Given the financial condition of the Company, the on-going Covid-19 pandemic and sluggishness of global economy, it is in the interest of the Company to act very prudently to conserve its cash;

(c) The Company has to conserve its cash reserves with a view to possibly:

(i) acquire profitable companies;

(ii) invest in new business ventures which will generate recurrent profits and positive cash flow; and

(iii) invest and expand current profitable businesses;

to try to exit the watch list

(iii) What is the strategic value of DGI in the group's long-term plans?

Company Response:

DGI has been incurring losses over the last 5 years except for 2019 where it made a "profit" due to a gain arising from the deemed disposal of the EoCell Group.

While DGI's associated company, EoCell Limited ("EoCell") has potential, the losses arising from EoCell's R&D expenses and maintenance of DGI when consolidated with the Company's results, significantly increases the losses suffered by the Company.

As such DGI is a drag on the Company's performance and no longer has strategic value to the Group. Hence, efforts have been on-going for the last 2 years to try to secure a 3rd party general offer for DGI. This disposal would help the Company exit the watch list and at the same time provide an exit offer for DGI shareholders.

From 23 Oct 2003 to 7 April 2020, Dato' Michael Loh Soon Gnee was the executive chairman and group CEO of DGI before his resignation on 7 April 2020 (page 20). During this time, equity attributable to shareholders decreased from $54.5 million in FY2004 to a deficit of US$(4.7) million in FY2018 before recovering to US$12.8 million in FY2019. As at 31 December 2020, shareholders' equity was US$7.1 million.

Several directors, namely Mr Timothy Lim Boon Liat, Dato' Sri Mohd Sopiyan B Mohd Rashdi and Dr Daniel Yeoh Ghee Chong, are also directors of DGI.

(iv) Would the directors be in a position of conflict with regard to the exit offer given that they have fiduciary duties to the shareholders of the company and to the shareholders of DGI?

Company Response:

The Company is unlikely, presently, for the reasons stated above to be able to make an exit offer to DGI shareholders. However, should such eventuality arise, the Company will write to the relevant regulatory authority for the conflicted directors to be exempted from having to make a recommendation to shareholders on the exit offer.

Q3. On 7 April 2019, the company announced the intended resignation of Dato' Michael Loh Soon Gnee as executive chairman and chief executive officer due to personal reasons. It was stated that Dato' Loh will begin transitioning his duties within the next 12 months.

On 29 March 2020, the company announced that it has requested Dato' Loh to continue in his role as chief executive officer and executive chairman to bring continuity and stability to the group. This was after an unsuccessful search for a suitable replacement with the right credentials and varied skill sets to meet the challenges of the company's diverse technology businesses and organisational complexity.

Dato' Loh has served as a director of the company since 23 October 2003 and was appointed the chief executive officer of the company on 1 July 2013. Equity attributable to shareholders was $79.7 million as at 31 December 2013. As at 31 December 2020, equity attributable to shareholders amounted to $75.8 million.

(i) Can the nominating committee (NC) elaborate further on the criteria for the skillsets and experience used in the search?

Company Response:

In considering the criteria to adopt in selection of its candidate, the NC considered the challenges faced by the Group then. As Company information is highly confidential, only a brief summary of challenges are set out below.

- Post disposal of STI, ASTI Group's core assets and businesses reside in two principal subsidiaries, namely, Telford Group and Eocell Limited. The ideal candidate must be intimately familiar with and have good contacts in the semiconductor and green energy (lithium ion batteries) industries.

- The US-China trade war not just brewing but escalating. By February 2020, the Covid-19 pandemic was ravaging the world economy. The on-going geographical shifts in, and breaking up of, traditional logistic supply chains brought about by tariffs and technology sanctions by the US against China was escalating rapidly. This was aggravated by the shutting down of many major and regional economies brought on by the Covid pandemic. These developments not only bring uncertainties and instability to the Group's business but also opportunities for the Group as new supply chains form. Investments may have to be made to follow the new supply chains and new business alliances will have to be forged to tamper and seize opportunities arising from these developments.

- Although Dato' Michael Loh has been instrumental in the turnaround of Telford's fortunes (see below), the US-China trade war and the Covid-19 contagion were likely complicate the growth trajectory.

- Although the Group has just procured a strategic investor into Eocell Limited, the financial and technology landscape and underpinnings for EoCell and its partners were changing very rapidly. Given the high burn rate in such R&D company and the need to make capital investments in manufacturing facilities for EoCell's SCN material and batteries, great efforts will have to be made to further bring in new investors and to forge new alliances that can add strategic value to EoCell.

Given the challenges faced by Group, given its corporate structure and the scope of its business, the criteria for skillsets and experience adopted by NC are as follows:

(a) Candidate with deep knowledge and familiarity with

- semiconductor manufacturing industry and in particular in the back end tape and reel sector and semiconductor substrate business.

- lithium ion battery research and development and in particular with good electrochemistry background to be able direct its R&D efforts.

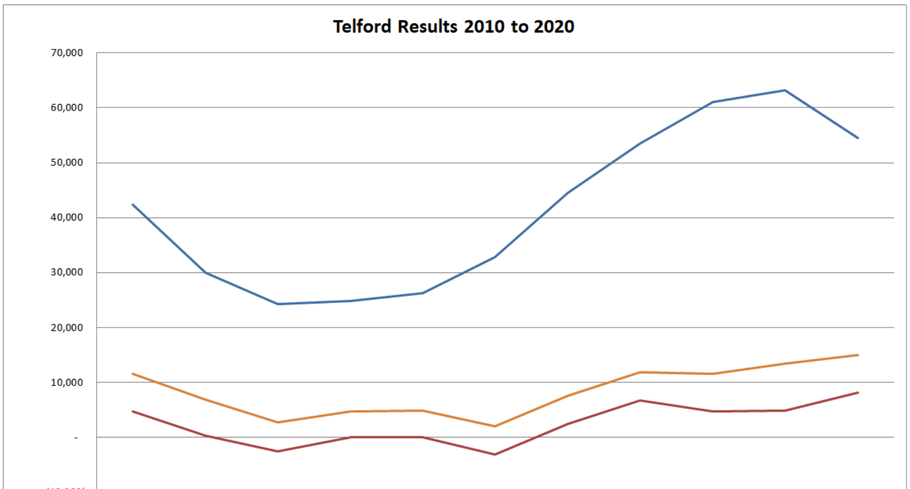
(b) Candidate should have extensive and relevant industry contacts and connections to seek out business opportunities in these uncertain time and proven ability to raise funds to meet the needs of the Group.

(c) Candidate should have a good knowledge of corporate governance and experience in managing complex inter-connected listed entities.

(d) Candidate should have a good grasp of geopolitical developments globally and regionally and the acumen to manoeuvre the Group accordingly.

In coming to its decision to nominate Dato' Michael Loh to continue in his CEO position, the NC noted his achievements for the Company since his appointment as the CEO in July 2013

- He has reversed the downtrend of Telford business and set it on its new upward trajectory of higher growth and profits. Since his re-appointment, Telford's revenue and profits have continued to grow (see chart below).



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Turnover	42,356	29,912	24,261	24,848	26,219	32,788	44,459	53,523	61,128	63,253	54,541
PBT	4,693	281	(2,634)	(37)	(26)	(3,109)	2,382	6,720	4,703	4,797	8,158
EBITDA	11,520	6,769	2,751	4,764	4,795	2,002	7,495	11,849	11,531	13,404	14,948

- In 2013, he acquired a new major strategic customer for Telford in uncharted business territory by applying Telford existing scan-pack technology to a totally different product class separate from semiconductors.

- In 2015, he founded Eocell Limited in the front-line green energy company undertaking R&D in Silicon composite anode nano-materials for lithium ion batteries and raised US$20 million to fund its R&D efforts.

- In 2018, he procured the disposal of STI for S$90 million thereby realising better value for shareholders in the Company.

- In 2019, the Company declared a record S$16 million in dividends to shareholders, unprecedented in the Company's history.

The NC also noted that since joining the Company, he has led fund raising in the enlarged group to the tune of at least S$150 million by way of investments, disposals, rights issue and private placements for the enlarged Group.

In coming to its decision to nominate Dato' Loh to continue in his position as the CEO and executive Chairman of the Company, the NC considered Dato' Michael Loh's substantial credentials as follows:

- Dato' Michael Loh holds a Bachelor of Science degree from the highly reputable State University of New York, Buffalo, USA. He has a Double Major in Business Economics & Chemical Engineering.

- Besides his excellent academic credentials, Michael Loh, has 40 years' of experience in the semiconductor and green energy spaces.

- His major in chemistry, knowledge of semiconductors and green energy industries, and strong finance background are particularly well suited to meet the diverse challenges presented by the Group's businesses.

- In particular, Dato' Loh's knowledge of electrochemistry places him in a unique position to better understand and assess the value and viability of technology behind the plethora of lithium ion battery types in the industry and lead EoCell in its R&D efforts.

- His familiarity with the geo-political landscapes of the Philippines, Malaysia, China, Thailand and the US, having stayed and conducted businesses in these countries over many years. Coupled with his extensive contact in business and finance in these jurisdictions, the NC considered him well placed to help the ASTI Group raise more funds to sustain and expand relevant business going forward but specifically to help EoCell raise funds, find collaboration partners and seize opportunities to monetize Eocell's technology.

- He has strong personal relationships with top management of the Group's major customers. These strong personal relationships may prove crucial in ensuring these customers continued confidence and support for the Group's businesses in the Philippines, Malaysia and China. It will bring stability to the Group's businesses.

Given his credentials and track record, the NC was of the view that he was well placed to lead the Group in such uncertain times.

(ii) How was the search carried out?

Companies Response:

During the course of the year after April 2019, it became clearer that the decoupling of US-China economies arising from the trade way was escalating. By March 2020, it was clear that the outbreak of Covid-19 Pandemic in Wuhan, China in November 2019 and which had caused the complete lockdown of Wuhan and other cities in China, had spread to other countries. Not only was there a rapid change in geopolitical landscape, there was also a rapid change in the state of the global economies not brought on by the trade war but seriously aggravated by the Covid pandemic that was ravaging Europe and USA, major regional economies in the world.

Although the Company had some internal candidates in mind, the Board, in view of the momentous change in geopolitical and economic landscape, was of the view that it was best that Michael Loh continue in his capacity as CEO and Chairman to lead the Company to bring continuity, stability and growth to the Group in such uncertain times.

(iii) Given that Dato' Loh had indicated "personal reasons" for his resignation, is the NC still actively looking for a suitable candidate for the group's succession planning?

There are no plans presently.

The company has deviated from Provision 3.1 of the Code of Corporate Governance 2018 which states that the chairman and the chief executive officer are to be separate persons to ensure an appropriate balance of power, increased accountability, and greater capacity of the board for independent decision making.

In addition, Listing Rule 710 of the SGX Listing Manual requires issuers to explicitly state, when deviating from the provisions prescribed in the Code of Corporate Governance 2018, the provision from which it has varied, the ***reason(s) for the variation***, and the explanation(s) on how the practices it had adopted are consistent with the intent of the relevant principle [emphasis added].

(iv) Can the board elaborate further on the reason(s) for the deviation from Provision 3.1?
(v) Has the NC evaluated the benefits of separating the role of the chairman and the chief executive officer?

Company Response to (iv) and (v)

The Board is aware that it has deviated from Provision 3.1 of the Code and has given its comprehensive explanation for such deviation on page 4 of the Corporate Governance Report.

As explained in the CGR, the Board has considered the benefits of having separate appointments. However, the Board is of the opinion that given the Chairman's vast experience and past contributions, adopting a single leadership structure will enable a more efficient decision-making process and bring greater value to the Group.

As explained in the CGR, to counteract this joint appointment, there is a strong independent element on the Board and in the Committees, capable of open and constructive debates on relevant issues affecting the business affairs of the Group. The strong independent element in the Board and Committees together with the appointment of Lead Independent director provides for an appropriate balance of power, greater capacity for increased accountability, and independent decision-making by the Board. The Board is of the view that there are adequate safeguards and checks in place to ensure decision making process by the Board is independent and based on collective decision making of all Directors without Dato' Michael Loh Soon Gnee ("Dato Michael"), being able to exercise excessive concentration of power or influence and no one individual has unfettered powers of decision making in the Group, in compliance with Principle 3.1 of the Code.

By Order of the Board

Dato' Michael Loh
Executive Chairman & CEO
ASTI Holdings Limited
29 May 2021