



A-SMART HOLDINGS LTD
(Company Registration Number: 199902058Z)
(Incorporated in the Republic of Singapore)

TERM SHEET TO FORM A JOINT VENTURE

1. INTRODUCTION

The board of directors ("**Board**" or "**Directors**") of A-Smart Holdings Ltd (the "**Company**", and together with its subsidiaries, the "**Group**") wishes to announce that, on 26 July 2017, the Company has entered into a term sheet ("**Term Sheet**") with Ng Choon Meng ("**NCM**") and Liao Sheng-Tung ("**LST**") to form a joint venture company ("**JV Co**") to carry out the intended activities set out below ("**Proposed Joint Venture**"). The participation of the Company as a shareholder of the JV Co is subject to certain conditions precedent.

NCM is a Singaporean who is in the real estate business in the Republic of China. NCM has many years of experience in property management, construction and building. LST owns stakes in real estate development companies that are based in Taiwan and in the Republic of China. LST has vast experience in property development projects in Taiwan and China.

The Term Sheet sets out the main principles of the definitive legal documentation ("**Definitive Agreement**") to be entered into by the parties in respect of the Proposed Joint Venture. The Proposed Joint Venture will be subject to the parties executing the Definitive Agreement and further details will be announced in the event that the Definitive Agreement is entered into by the Company.

2. INTENDED ACTIVITIES OF THE JV CO

The principal activities of the JV Co is to carry out property investment and property development in the following:

- (i) a plot of land located in the heart of the capital city of Timor-Leste, Dili, that is currently being developed as the country's central business district (**CBD**) under a land development agreement executed with the landowner (**Land Development Agreement**) to construct and develop 6 buildings of mixed development.

The 6 buildings will be named "CBD 9, 10, 11, 12, 14 and 15" respectively, and will be developed in the following stages:

- (a) Phase 1 – construction and development of CBD 9; and
- (b) Phase 2 –construction and development of CBD 10 and 11; and
- (c) Phase 3 –construction and development of CBD 12 and 14; and
- (d) Phase 4 –construction and development of CBD 15.

Under the Land Development Agreement, Phase 2 to Phase 4 involve the development of 5 additional buildings. There will be retail establishments at level 1 and level 2 conjoined between the 6 buildings and the higher levels will be developed into offices, service apartments, residential, hotels or such other purpose as determined by the JV Co.

- (ii) other parcels of land situated at the Republica Democratica De Timor-Leste, including but not limited to, the land situated by the seaside and the land located near the container port (under construction) in Dili, Timor-Leste; and
- (iii) other suitable future developments.

3. RATIONALE FOR THE PROPOSED JOINT VENTURE

The Proposed Joint Venture is in line with the Group's stated strategies to diversify business activities and to use share placement to fund future business opportunities that could provide additional income stream(s) for the Group and hence, potentially enhance the Group's business performance and sustainability.

Through partnership with financially strong and reputable partners, the Group is able to leverage on the partners' strengths on one hand whilst diluting the investment risks for the Group on the other. The Proposed Joint Venture will provide the opportunity for the Group to familiarise with the business culture and climate in Timor-Leste.

Timor-Leste is a developing country that is seeking to build more infrastructures for growing the economy. As the country is in the early stages of development, the Group will stand to gain a significant advantage as early movers in this proposed development process.

4. SALIENT TERMS OF THE TERM SHEET

The Term Sheet is valid for a period of 6 months from the date of execution by the parties, unless otherwise extended by the parties in writing.

NCM and LST will enter into put option agreements under which the Company will have the option to purchase the shares in the JV Co upon the Company exercising the put options (**Put Options**).

Upon fulfilment of the Conditions Precedent (as defined below) or upon the Company exercising the Put Options, whichever is earlier, NCM and LST will transfer 51% of the issued share capital in the JV Co to the Company for an aggregate consideration amount of USD2.55 million, equivalent to SGD3.47 million (**NCM Transfer and LST Transfer**).

Upon completion of the NCM Transfer and LST Transfer, each of NCM and LST will own 24.5% of the issued share capital in the JV Co. The Company will own 51% of the issued share capital in the JV Co.

The parties will each use reasonable endeavors to negotiate and agree on the terms and conditions of a definitive agreement within 3 months from the date of the Term Sheet.

5. CONSIDERATION

The Company will allot and issue shares to NCM and LST as consideration for the NCM Transfer and the LST Transfer subject to obtaining the relevant approvals (**Consideration Shares**).

The Consideration Shares are intended to be issued pursuant to the general share issuance mandate (**General Mandate**) obtained at the annual general meeting of the Company held on 30 November 2016 (**2016 AGM**), which authorises the Directors of the Company to allot and issue ordinary shares in the capital of the Company not exceeding 20% of the total number of issued as at the date of the 2016 AGM, of which the aggregate number of Shares to be issued other than on a pro-rata basis to the existing shareholders of the Company shall not exceed 20% (excluding treasury shares).

6. CONDITIONS PRECEDENT

The participation of the Company as a shareholder of the JV Co is subject to the fulfilment of certain conditions precedent, including but not limited to the following:

- a) the completion by the Company of the legal, financial, operational, tax and other due diligence, and the results of such due diligence being satisfactory to the Company;
- b) the fulfillment of all conditions precedent in the Land Development Agreement;
- c) the obtaining of all necessary approvals such as governmental and/or regulatory approvals by the JV Co in respect of the mixed development under the Land Development Agreement; and
- d) the obtaining of shareholders' approval by the Company for (i) the addition of principal business to include property development and property investment, and for (ii) the mixed development under the Land Development Agreement,

(hereinafter referred to as **Conditions Precedent**).

7. RELATIVE FIGURES UNDER RULE 1006 OF THE SGX-ST LISTING MANUAL

Based on the Group's unaudited financial statements for the period ended 30 April 2017, the relative figures of the Proposed Joint Venture computed on the bases set out in Rule 1006(a) to (e) of the Listing Manual are as follows:

Rule 1006(a)	
Net asset value of the assets to be disposed of	Not applicable ⁽¹⁾
Net asset value of the Group	Not applicable ⁽¹⁾
Size of relative figure	Not applicable ⁽¹⁾
Rule 1006(b)	
Net profits attributable to the Proposed Joint Venture for the third quarter ended 30 April 2017	Not applicable ⁽²⁾
Net profit of the Group for the nine months ended 30 April 2017	S\$92,000
Size of relative figure	Not meaningful

Rule 1006(c)	
Aggregate value of consideration to be given	S\$3.47 million
Company's market capitalisation as at 26 July 2017 ⁽³⁾	S\$68.7 million
Size of relative figure	5.2%

Rule 1006(d)	
Number of equity securities to be issued by the Company as consideration for the Proposed Joint Venture ⁽⁴⁾	5,684,796
Number of equity securities in issue	112,626,362
Size of relative figure	5.2%

Rule 1006(e)	
Aggregate volume or amount of proved and probable reserves to be disposed of	Not applicable ⁽⁵⁾
Aggregate of the Group's proved and probable reserves	Not applicable ⁽⁵⁾
Size of relative figure	Not applicable ⁽⁵⁾

Notes:

- (1) This basis is not applicable as the Company will not be disposing of any assets pursuant to the Proposed Joint Venture.
- (2) This basis is not applicable as the JV Co is for a newly formed joint venture company with no prior financial results.
- (3) Market capitalisation calculated based on 112,626,362 shares @ S\$0.6104 per share equals S\$68.7 million.
- (4) Assuming the consideration shares are issued at the price of S\$0.6104 per share, being the volume weighted market price per share on 25 July 2017, then S\$3.47m divided by S\$0.6104 equals 5,684,796 new shares will have to be issued.
- (5) This basis is not applicable as the Proposed Joint Venture does not relate to the disposal of mineral, oil or gas assets and the Company is not a mineral, oil and gas company.

8. FINANCIAL EFFECTS OF THE PROPOSED JOINT VENTURE

The financial effects of the Proposed Joint Venture on the Group as set out below are purely for illustrative purposes only. The illustrative financial effects should not be construed to mean that the Group's actual results, performance or achievements will be as expected, expressed or implied in such financial effects.

The financial effects of the Proposed Joint Venture on the Company as set out below are based on the Group's audited financial statements for the year ended 31 July 2016 and the following assumptions:

- (a) the Proposed Joint Venture had been effected at the end of the financial year ended 31 July 2016 for the computation of the effect on the net tangible assets (**NTA**) per share; and
- (b) the Proposed Joint Venture had been effected at the beginning of the financial year ended 31 July 2016 for the computation of the effect on the earnings per share (**EPS**).

Effects on net tangible assets

	Before the Proposed Joint Venture	After the Proposed Joint Venture
NTA attributable to equity holders of the Company (S\$'000)	2,057	5,227
Number of ordinary shares in issue ('000)	106,912	112,597
NTA per share (Singapore cents)	1.9	4.6

Please note that the above financial figures are for illustrative purposes only and do not necessarily reflect the actual results and financial performance and position of the Group after the Proposed Joint Venture. No representation is made as to the actual financial position and/or results of the Company or the Group on the Proposed Joint Venture.

Effects on earnings per share

This is not applicable as the Proposed Joint Venture is for a newly formed joint venture company with no prior financial results.

9. OTHER CONSIDERATIONS

Based on the preliminary architectural plans, and subject to the final approval from the relevant building local authorities, the total built-up area for Phase 1 of the mixed development under the Land Development Agreement will be between 14,400 to 18,000 square meters and will have a total saleable area of between 9,000 to 12,600 square meters.

The total construction and development costs for Phase 1 is estimated to be approximately US\$13 million to US\$ 16 million, depending on the size of the built-up area. The recent quoted prices of private residential apartments that are near the CBD area in Dili, Timor-Leste is in the range from US\$2,500 to US\$3,000 per square meter. When completed and fully sold, the development of Phase 1 of the project is expected to contribute significantly to the Group's revenue.

The JV Co has an option to opt out of participating in the development of Phase 2 to Phase 4. Depending on the market conditions and the outcome of Phase 1, the JV Co may or may not proceed with the subsequent phases. In the event that the JV Co proceeds with the subsequent phases, the JV Co has up to eight (8) years to complete the subsequent phases.

As the architectural plans for phase 2 to phase 4 have not been completed, there are therefore no cost estimates projected for the subsequent phases for the time being.

The Proposed Joint Venture is not expected to have a material impact on the Group's financial statements for the current financial year.

Further announcements on the Proposed Joint Venture, including its terms, financial effects and other information as may be required under the Main Board Listing Rules will be made in due course when the Definitive Agreement is signed, or as and when appropriate.

10. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

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 Joint Venture, save for their respective shareholdings in the Company, if any.

11. SERVICE CONTRACTS

As at the date of this Announcement, there is no service contract with any director or any person proposed to be appointed as a director of the JV Co in connection with the Proposed Joint Venture.

12. CAUTIONARY STATEMENT

Shareholders and potential investors of the Company are advised to exercise caution in dealing with the securities of the Company as there is no certainty or assurance that as at the date of this announcement the Proposed Joint Venture will be undertaken.

The Company will make further announcements on the SGXNet to keep shareholders informed and updated upon execution of the definitive joint venture agreement and/or when there are material developments in respect of the Proposed Joint Venture.

By Order of the Board

Lim Huan Chiang
Executive Director and Chief Executive Officer
26 July 2017