



A-SMART HOLDINGS LTD

(Company Registration Number: 199902058Z)

(Incorporated in the Republic of Singapore)

EXECUTION OF JOINT VENTURE AGREEMENT FOR THE PURPOSE OF PROPERTY DEVELOPMENT IN DILI, TIMOR-LESTE, IN THE ORDINARY COURSE OF BUSINESS

1. INTRODUCTION

The Board of Directors (the “**Board**”) of A-Smart Holdings Ltd (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that the Company and Liao Sheng-Tung, Vico Construction Pte Ltd and Daniel Vincent long Remedious (the “**Joint Venture Partners**”) have entered into a Joint Venture Agreement (the “**JVA**”) to secure a 99 year lease for a parcel of land in Dili, Timor-Leste (the “**Joint Venture**”). Pursuant to the JVA, the Joint Venture Partners will contribute a total of up to USD 20 million to the Joint Venture as shareholders’ loans in proportion to their respective shareholdings in the Joint Venture for any future property development on the Land. The Group’s potential capital commitment for the JV is therefore USD 12 million (the “**Investment**”).

The Group’s 60% owned subsidiary in Timor-Leste, Timor City Square S.A. (“**TCS**”), will be used as the Joint Venture Company (“**JVC**”) for the purpose of carrying out any future property development on the Land. TCS has a registered share capital of USD 50,000.00 and its shareholders’ composition pursuant to the JVA will be as follows:

<u>Name of shareholder</u>	<u>Percentage of shareholding</u>
A-Smart Holdings Ltd.	60%
Liao Sheng Tung (“LST”)	20%
Vico Construction Pte Ltd (“VC”)	19%
Daniel Vincent long Remedious (“DV”)	1%

2. INFORMATION RELATING TO THE JOINT VENTURE

2.1 INFORMATION ON THE JOINT VENTURE

The shareholders agreed to contribute up to USD 20 million to fund any future property development on the Land by way of provision of shareholder’s loans in proportion to their respective shareholdings in the JVC. Each of the shareholder’s loans is unsecured and interest-free.

Save as provided above, all capital requirements or requirement of funding of the Joint Venture which exceed the Joint Venture’s own resources shall, to the extent practicable, be procured by bank borrowings and the JVC’s assets are to be encumbered as security for the debt. Where the shareholders of the JVC agree to give indemnity or guarantees for any liability or obligation of the JVC, such

guarantees or indemnity shall be provided by all shareholders in proportion to their shareholdings in the JVC on several basis.

2.2 INFORMATION ON THE JOINT VENTURE PARTNERS

LST is a real estate investor and property developer in the PRC and Timor-Leste. He is also one of the joint venture partners for the Group's CBD and Timor Marina Square projects in Dili, Timor-Leste, for which the Company had made announcements on 3 January 2018 and 7 March 2019 respectively.

VC is a Singapore-incorporated building and construction company led by founder and CEO, Mr. Zuo Haibin, the former Executive Director of Singapore QingJian Group, whom has more than 20 years of profound experience in property development and construction. VC has a strong track record in residential and industrial building projects from the government and public sectors. It has been ranked consistently by the Singapore authorities, obtaining certifications such as the Class 1 General Builder by the Licensing of Builders and the Grade A2 contractor by the Building and Construction Authority under the Contractors Registry System, and is now on the path towards a Grade A1 contractor. Expanding its core competencies, it has also ventured into China and Indonesia, forming strategic alliance with new overseas business partners for overseas projects development and construction.

DV is a Timorese citizen, the son of Ms Brenda Lei Kuansan (the “**Local Partner**”), who currently holds a remaining 22 years lease over the use of the Land.

2.3 INFORMATION ON THE LAND AND LAND LEASE AGREEMENT

The project site is a vacant plot of land located at Bebonuk road, Aldeia 20 de Setembro, Suco Comoro, Posto Administrativo de Dom Aleixo, Município de Dili, Timor-Leste, with the total area of 5.310 sqm (the “**Land**”), which is adjacent to the Central Business District and next to the automobile centre in Dili's city centre.

The Land is freehold and privately held by the Estate of Ali Bin Hamout Awat Alkatiri (deceased) and the legal administrator of the Estate is Madam Saida Kiah (“Landowner”). Ali Bin Hamout Awat Alkatiri and the Local Partner had, on 28 October 2016, signed a “Lease Agreement on Vacant Land” over the Land, for a term of 25 years, starting on 10 November 2016 and expiring on 10 November 2041 (the “Lease Agreement”).

Lease agreement and grant of surface rights

The Landowner and the Local Partner intend to terminate the Lease Agreement in order for the Landowner to grant a 99 year surface rights to the JVC, which will allow the JVC to construct and build on the Land.

In return, the JVC will pay to the Landowner a monthly land rent of USD 7,500 for the first 3 years, payable in advance upon signing the new “Land Lease Agreement” and subject to the grant of surface rights by the Landowner to the JVC.

From the 4th year onwards until the end of the 99 year lease, a total land rent of USD 20,000 per month ("Total Monthly Rent") shall be borne by the JVC and Local Partner in the following proportion:

- the JVC shall bear USD 9,000 of the Total Monthly Rent and there shall be no increment to be applied to this amount throughout the entire lease period; and
- the Local Partner shall bear USD 11,000 of the Total Monthly Rent, as well as any incremental adjustment to the Total Monthly Rent at various fixed intervals of the lease period, for offsetting the effects of inflation.

The Total Monthly Rent is payable in advance between one to three years at various intervals of the Lease period.

Alternatively, the JVC and the Local Partner each has the option to, upon completion of any property development on the land, make a lump sum repayment for their respective share of the cumulative land rental that is outstanding at the time of repayment up to the 99th year, discounted at a discount factor of 8%.

The JVC will undertake to complete the development of building/s comprising retail, office and residential apartments (the "**Mixed Property Development**" or "**Project**") by the end of the 9th year from the execution date of the Land Lease Agreement. A development deposit of USD 250,000 will be placed with the Local Partner and will be refunded once property development is completed.

Upon completion of of the Mixed Property Development, the Local Partner will be entitled to 12% share of the total constructed property units.

3. **CONDITIONS PRECEDENT**

The Joint Venture is subject to the conditions precedent of, *inter alia*, the following:

- (i) the completion by the Company of the legal, financial, operational, tax and other due diligence on the Land, and the results of such due diligence being satisfactory to the Company;
- (ii) securing the grant of Superficie Rights ("surface rights") from the Landowner to the JVC;
- (iii) the execution by the Landowner of a deed of undertaking to irrevocably and unconditionally undertake to, upon registration of horizontal property for the Land, transfer the same to the JVC or its nominee(s).

4. **RATIONALE FOR THE PROPOSED INVESTMENT**

The formation of the Joint Venture is a strategic alliance between the Group and the Joint Venture Partners. The Investment is in line with the rationale for 1) diversification of business activities approved by shareholders on 13 Oct 2016; and 2) in previous capitalisation issues, whereby the Company announced that the capital raised will be used 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.

Given the Land's prime location in Dili, the low land rental and the longer time limit placed on commencement of construction, the terms of the Agreement with the landowner allows the Group to time any property development plans on the Land to favourable economic conditions in Timor-Leste.

Smaller scale structures and/or shops will be built on the Land to collect rental income until such time when the Group deems conditions are favourable and ripe for the Land to be developed into an upscale property development.

In arriving at any decision to commence property development on the Land, the Group will first make a careful assessment of the adequacy of financial resources and other related risk factors.

5. CONSIDERATION

The Group's potential commitment for the Investment is up to USD 12 million (approximately S\$ 16.2 million).

Where necessary, the Company will also raise fund by means of capitalisation issues or obtain bank borrowings to fund the investment.

6. NTA/FINANCIAL EFFECTS

The Investment is not expected to have any significant effect on the consolidated net tangible asset per share and the consolidated earnings per share of the Group for the current financial year ending 31 July 2019.

7. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

None of the Directors or substantial shareholders of the Company or their respective associates has any interest, direct or indirect, in the Investment and the Joint Venture, save for their respective shareholdings in the Company, if any.

8. FURTHER ANNOUNCEMENTS

The Company will make further announcements to keep shareholders updated on any material developments, including the incorporation or acquisition of a company for the purpose of carrying out the business of the Joint Venture.

By Order of the Board

Lim Huan Chiang
Executive Director and Chief Executive Officer

21 June 2019