



ASTI
ASTI Holdings Limited

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

RESPONSE TO SGX QUERIES

The board of directors (the "Board") of ASTI Holdings Limited (the "Company" and together with its subsidiaries, collectively the "Group") would like to provide the following information in response to the queries from the Singapore Exchange Securities Trading Limited ("SGX") in respect of the half yearly results filed on 12 August 2022.

SGX Query 1

Please explain why interest income amounted to only S\$136,000 in the six months ended 30 June 2022 when the Company has significant cash and bank balance amounting to S\$22,791,000.

Response to SGX Query 1

The cash and bank balance amounting to S\$22,791,000 are held by more than 20 entities in 6 different countries within the Group which include DGI Group.

Each of the entities have their own minimum working capital requirements and in one of the key operating entities in Philippines, one of the key customer has requested extended credit terms from 45 to 60 days which increases the minimum working capital by about S\$1 million.

A certain portion of the cash are also reserved for payments to vendors for those PPE purchased under deferred instalment plans.

All the above reasons and low interest rates in the operating countries has resulted in the low interest income.

SGX Query 2

Please disclose a breakdown of trade payables and accruals amounting to S\$11,035,000 as at 30 June 2022. For other payables, please provide more information on the advances for capital injection from non-controlling interest - who has provided an advance to the Company and for what purpose? If interest is payable on the advance, how much is the interest and how was the rate determined? When will the advance be payable?

Response to SGX Query 2

The Breakdown of trade payables and accruals are as follow:-

Trade Payables and Accruals	30-Jun-22
	\$'000
Trade creditors	2,554
Accrual - staff cost (Note 1)	1,969
Accrual - annual leave	137
Accrual - bonus/AWS	1,989
Accrual - audit fees	294
Accrual - professional fees	308
Accrual - stock in transit	185
Accrual - operating expenses (Note 2)	2,162
Accrual - others	1,437
	11,035

Note 1: Accrual – staff cost includes benefits payable, provident funds payable and payroll costs.

Note 2: Accrual – operating expenses includes an amount of S\$1.3 million moving costs for DTB Boat and rental of premise for storage of DTB Boat accrued since FY2017.

Advances for capital injection from non-controlling interest

DGI owns 60% of DTB while Nanjing Gulou Government holds the balance of 40%. Whenever there is a capital injection, DGI will contribute 60% and these are disclosed as Inter-Company loans from DGI to DTB while contributions from Nanjing Gulou Government are classified and disclosed as “Advances for capital injection from non-controlling interest”. Both the loans and advances are non-interest bearing as these are supposed to be converted into equity of DTB.

SGX Query 3

Please provide the reason(s) for the significant borrowings of S\$2,856,000 by the Group when the Group recorded a cash and cash equivalent of S\$22,791,000 as at 30 June 2022.

Response to SGX Query 3

As explained in Response to Query 1, the cash and bank balances are held by more than 20 entities in 6 different countries within the Group which include DGI Group and each entity has their minimum working capital requirements. However, the borrowings are all from the Telford entities in Philippines.

This is because Telford business especially in Philippines are highly capital intensive and the borrowings will help to ease out the pressure on their cashflow during period of expansion. Debt financing is good source of funding of capital investment for subsidiaries’ expansion without the need for additional capital injection.

SGX Query 4

Please provide the reason(s) for the significant trade and other payables amounting to S\$27,138,000 when the Group recorded a cash and cash equivalent of S\$22,791,000 as at 30 June 2022.

Response to SGX Query 4

The main bulk of trade and other payables are amount payable arising from PPE purchase amounting to S\$11,908,000 which will be settled partly through deferred instalment payment using internal generated funding and the balance from recently approved loan from the bank. By maximizing the trade credit terms granted by its suppliers or vendors, Telford Group is able to channel the available cash for other uses such as to invest its funds in expanding its operations in Philippines and to finance its trade receivables. As of June 2022, the outstanding trade receivables is S\$12,181,000.

SGX Query 5

We note that the Group acquired assets amounting to S\$15,086,000 in the six months ended 30 June 2022. Please disclose the nature of the PPE purchased, breakdown by the types of purchases, material terms of acquisition as well as the uses and utilization rates of these PPE.

Response to SGX Query 5

The breakdown of the PPE by categories are as follows:-

Category description	SGD
Leasehold land & building	266,000
Furniture & fittings	389,000
Plant & machinery	14,332,000
Office equipment	39,000
Motor vehicle	60,000
	<u>15,086,000</u>

The additional plant & machineries purchased were mainly by Telford Philippines to expand its operations in line with the increased in demands and to support customers’ future projected demands. These additional plant & machineries were purchased using internal generated funds as well as deferred instalment payment arrangement with vendors (6 equal payments after plant & machineries are commissioned) and through loan financing. Based on the projections from key customers, Telford Philippines expects these plant & machineries to be fully utilized by end of FY2022 and going into FY2023.

SGX Query 6

Please provide a commentary of the significant trends and competitive conditions of the industry in which the Group operates and any known factors or events that may affect the Group in the next reporting period and the next twelve months.

Response to SGX Query 6

The main growth areas for our customers are mainly in IOT areas e.g. Electric Vehicles which might be seeing an upside despite the reports on the overall slowing demand for chips by some of the major chips making companies.

One of our key customer has recently acquired a similar sized competitor and we expect an increase in job outsourced to us. However, given that Telford Group has been relying on few key customers for their revenue growth, business maybe adversely affected in the event that these customers choose not to continue with Telford Group.

By Order of the Board
ASTI Holdings Limited

Dato' Michael Loh Soon Gnee
Non-Executive Chairman
24 August 2022