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

RESPONSE TO QUERIES FROM THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ON THE RESULTS ANNOUNCEMENT FOR THE 4TH QUARTER ENDED 31 JULY 2019

The Board of Directors (the "**Board**") of A-Smart Holdings Ltd. (the "**Company**" and together with its subsidiaries, collectively the "**Group**") refers to the Company's Results Announcement for the 4th quarter ended 31 July 2019 released on 25 September 2019. The Board would like to respond to the following queries raised by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") on 7 October 2019 as follows:

SGX Query:

a. It is stated on page 13 of the announced financial results, "*The Group estimated and recorded an impairment of financial assets of S$0.21 million in 4Q2019 (4Q2018: S$ nil), based on expected credit loss for its trade and other receivables.*". Please disclose the following:-

   i. A breakdown of impairment by trade and other receivables;
   ii. The Company's plans to recover the trade and other receivables;
   iii. Whether they are major customer(s) and whether the Company continues to transact with these customer(s);
   iv. How long are the debts outstanding and when were the sales reported;
   v. What were the actions taken to recover the trade and other receivables;
   vi. The reasons for the impairment on the trade and other receivables;
   vii. The Board's opinion on the reasonableness of the methodologies used to determine the value of the impairment of the trade and other receivables of S$0.21 million; and
   viii. The Board's assessment of the recoverability of the remaining trade and other receivables.

b. It is stated on page 15 of the Company's results announcement:- "*No dividend has been declared or recommended for the current financial period.*"

   Paragraph 12 of Appendix 7.2 in the SGX-ST Listing Manual on Financial Statements and Dividend Announcement states:- " *If no dividend has been declared (recommended), a statement to that effect and the reason(s) for the decision*".

   As such, please provide the reason(s) why no dividend has been declared/recommended for the current period reported on.

Company's response:

(1) In response to query (a)(i):

A breakdown of impairment by trade and other receivables:

	S$'000
Trade receivables	160
Other receivables	54
	214

(2) In response to query (a)(ii):

The impaired trade receivables refer to bad debts arising from customers that have become insolvent. Hence, the debts are deemed uncollectible.

Other receivables refer to certain disputed tax recoverable brought forward from FY 2014 which the Company has appealed to claim from the Inland Revenue of Singapore but was unsuccessful and consequently written off to profit and loss in FY2019.

(3) In response to query (a)(iii):

The trade debtors are not major customers and the company no longer trades with these insolvent companies.

(4) In response to query (a)(iv) and (a)(v):

The impaired trade receivables are mainly overdue more than 365 days. Typically, once a debt becomes due, the Company will send reminders and follow by legal demand letters if the debt is uncollected after it is overdue by 6 months or more. In most instances, overdue debts are repaid upon the threat of further legal action except cases where customers become financially insolvent, such as those receivables that were impaired by the Company.

(5) In response to query (a)(vi):

Please refer to Response (2).

(6) In response to query (a)(vii) and (a)(viii):

In assessing the level of credit risks the Group is exposed to, the Group evaluates a range of possible outcomes, taking into account past events, current conditions and assessment of future economic conditions.

The Group has applied the simplified approach by using the allowance matrix to measure the lifetime expected credit losses for all trade receivables. The allowance matrix is based on actual credit loss expenses over the past years. The expected credit losses ("**ECL**") computed is derived from historical data which the management is of the view that the historical conditions are reflective the credit risk of receivables from customers.

In measuring the expected credit losses, customers are grouped based on shared credit risk characteristics and days past due. In calculating the expected credit loss rates, the

Group considers historical loss rates for each category of customers and adjusts to reflect current and forward-looking information affecting the ability of the customers to settle the receivables. Notwithstanding the above, the Group evaluates the expected credit loss on customers in financial difficulties separately.

For other receivables, loss allowance is generally measured at an amount equal to 12-month ECL. When the credit quality deteriorates and the resulting credit risk of other receivables increase significantly since its initial recognition, the 12-month ECL would be replaced by lifetime ECL.

The receipts from customers subsequent to the financial reporting period provide assurance that there is no significant increase in bad credit risks from the remaining trade and other receivables.

The methodologies used to determine the value of the impairment of the trade and other receivables are, in the opinion of the Board, in conformity and compliance with the Singapore Financial Reporting Standards (International).

(7) In response to query (b):

No dividend has been declared/ recommended for the financial period under review in view of the negative earnings of the Group.

By Order of the Board

Lim Huan Chiang
Executive Director and Chief Executive Officer
9 October 2019