Advancer
Enabling cities of the future

**Advancer Global Limited**
(Co. Reg. No. 201602681W)
(Incorporated in the Republic of Singapore)

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**RESPONSES TO QUESTIONS RECEIVED FROM SIAS IN RELATION TO THE ANNUAL REPORT**

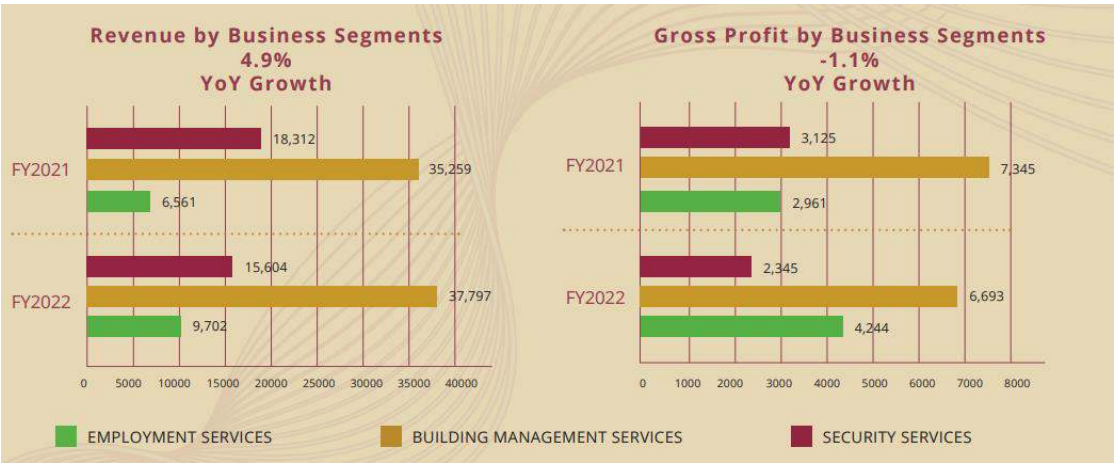
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## 1. INTRODUCTION

The Board of Directors ("**Board**") of Advancer Global Limited (the "**Company**" and together with its subsidiaries, the "**Group**") wishes to announce its responses to the questions raised by the Securities Investors Association (Singapore) ("**SIAS**") in relation to the Annual Report 2022 ("**Annual Report**") for the financial year ended 31 December 2022.

## 2. QUESTIONS FROM SIAS AND COMPANY'S RESPONSES

**Q1.** The financial highlight is shown on page 7 and an extract is reproduced below:




(Source: Company annual report)

The building management services segment includes the provision of integrated building facility management services including property consultancy, property and facilities management services, property valuation, investment sales, cleaning and stewarding, waste management, landscape, pest control and fumigation services to, amongst others, hospitals, hotels, schools, residential, commercial and industrial properties.

Segment revenue for the financial year increased from $35.3 million to $37.8 million in 2022 but the gross profit decreased from $7.3 million to $6.7 million. The reportable segment loss increased from $(3.86) million to $(4.50) million.

Looking ahead, under the Progressive Wage Model, labour costs are expected to be adjusted upwards by 20 to 25 percent from 2024 to 2028.

(i) Can management provide additional details regarding the challenges faced by the Building Management Services ("**BMS**") segment, particularly with labour costs expected to rise by as much as 25% in the upcoming years?

(ii) Is Advancer IFM Pte. Ltd. ("**AIFM**") addressing the paradigm shift needed to significantly improve the productivity and profitability of the BMS segment? Specifically, is AIFM exploring changes to the business model, leveraging technology and implementing business process reengineering to drive efficiency, enhance customer experience and support innovation?

(iii) Do the BMS contracts incorporate sufficient margin after taking into account rising costs? Has the management been selective at taking on new contracts if they do not offer sufficient margin to guard against high inflation?

*Company's responses*

(i) The key challenges faced by our BMS segment are mainly (a) the manpower shortages which result in the use of more costly temporary workers that affect our gross margins (b) the overall increase in our operating costs due to inflation and (c) the low barriers to entry resulting in a large number of competitors in the market thereby potentially reducing margins to secure contracts.

(ii) Through AIFM, the Group is able to provide a comprehensive workforce solution to manage multiple services that will allow our customers to enjoy cost savings and an optimised service delivery. This presents opportunities for potential growth in revenue for the Group due to increase in customer contracts and business synergies.

(iii) The Group is currently not able to pass on the full cost of the increase to our customers due to the sensitivity of pricing increases in the BMS segment. We will continue to work closely with these customers to bridge this expectation gap so that we are able to progressively pass some of the increased costs to our customers over time.

**Q2.** The Group uses the practical expedient under the accounting standards (SFRS(I) 9) in the form of allowance matrix to measure the expected credit loss ("**ECL**") for trade receivables, where the loss allowance is equal to lifetime ECL.

The breakdown (page 140) is as follows:

**30. Financial instruments and financial risks (Continued)**

***Credit risk (Continued)***

Trade receivables (Note 20) (Continued)

The loss allowance for trade receivables are determined as follows:

| | Current | Past due for 1 to 30 days | Past due for 31 to 60 days | Past due for 61 to 90 days | Past due for 91 to 365 days | Past due more than 365 days | Total |
|---|---|---|---|---|---|---|---|
| **31 December 2022** | | | | | | | |
| Expected credit loss rates | - | - | - | - | ^ | 99% | |
| Trade receivables (Gross) (S$'000) | 4,247 | 2,080 | 1,357 | 586 | 1,186 | 234 | 9,690 |
| Loss allowance (S$'000) | - | - | - | - | * | 231 | 231 |
| **31 December 2021** | | | | | | | |
| Expected credit loss rates | - | - | - | - | ^ | 79% | |
| Trade receivables (Gross) (S$'000) | 4,688 | 2,395 | 960 | 610 | 1,061 | 346 | 10,060 |
| Loss allowance (S$'000) | - | - | - | - | * | 273 | 273 |

* *Denotes amount less than S$1,000*

^ *Denotes percentage less than 1%*

(Source: Company annual report)

(i) Can management provide additional clarity to shareholders regarding the efforts made in collecting the outstanding trade receivables? Furthermore, what are the main reasons for having approximately $5.5 million in overdue trade receivables?

(ii) What is the debtor profile for those with long outstanding trade receivables? Is there significant concentration in any particular customer/customer group or business line?

(iii) Can the audit committee help shareholders understand why the expected credit loss rates remain at 0% until the debts become past due by more than 365 days, at which point they jump to approximately 79-99%?

(iv) What is the profile of the customer with trade receivables that have been impaired?

*Company's responses*

(i) The Group generally does not extend credit period to customers except for provision of BMS and security services which have credit terms of 7 to 90 days. The Group's overall provision for doubtful receivables ranges between 1% to 3% annually and has historically low bad debts written off (i.e. less than S$30,000 in total over last 4 financial years). The Group monitors all its outstanding debts closely and is looking into improving our receivables collection processes.

(ii) Please refer to the response provided to Question 2(i).

(iii) Based on the analysis performed by the management for the audit committee supported by historical data, the Group generally does not face difficulties with the collection of majority of its outstanding receivables from customers. However, to be prudent, the Group has taken the approach to record allowance for doubtful receivables in relation to outstanding receivables that are due more than 365 days.

(iv) Please refer to the response provided to Question 2(i).

**Q3.** The attendance of directors at board and board committee meetings is shown on page 43 of the annual report and reproduced below.

| | No. of Meetings held and attended in FY2022 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Board | | Audit Committee | | Nominating Committee | | Remuneration Committee | |
| Director | Held | Attended | Held | Attended | Held | Attended | Held | Attended |
| Danny Lim | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Gary Chin | 2 | 2 | – | – | 2 | 2 | – | – |
| Desmond Chin | 2 | 2 | – | – | – | – | – | – |
| Ong Eng Tiang | 2 | 2 | – | – | – | – | – | – |
| Francis Yau | 2 | 2 | 2 | 2 | – | – | 2 | 2 |
| Shamsul Kamar | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Takehito Hirano | 2 | 0 | – | – | – | – | – | – |

(Source: Company annual report)

It does not appear that Mr Takehito Hirano attended the board meetings in 2022. In fact, it seems like Mr Takehito Hirano also did not attend any of the two board meetings in 2021.

(i) What were the extenuating circumstances that resulted in Mr Takehito Hirano being absent from the board meetings in the past two years?

(ii) Can the Company confirm that Mr Takehito Hirano did not participate remotely through voice calls or video conferencing?

(iii) Would the effectiveness of the director be impaired if he has not been attending the board meetings? Similarly, has the board been effective and have the directors been able to discharge their duties and responsibilities?

(iv) Would Mr Takehito Hirano be committing himself to attend the board meetings?

(v) How can the company secretary and the Company work together with the board to improve the attendance of directors at board meetings?

*Company's responses*

(i) Mr Takehito Hirano was unable to join the board meetings in 2021 and 2022 due to clashes in his schedules and obligations of the listed company in Japan where he is director and chairman.

(ii) Mr Takehito Hirano did not participate remotely though voice calls or video conferencing in 2021 and 2022. The minutes of the board meetings, together with all relevant meeting documents were circulated to Mr Takehito Hirano for his information to allow him to be kept abreast of the Group's operations.

(iii) Mr Takehito Hirano was appointed to the Board on 16 October 2018 as a nominee director of Fullcast Holdings Co., Ltd, who holds 65 million or 25.88% of the Company's shares. While Mr Takehito Hirano has not attended the Company's board meetings in 2021 and 2022, the effectiveness of Mr Takehito Hirano as a director of the Company is not impaired as he is copied in all email correspondences to the board and kept informed on pertinent matters relating to the Group. He also has full access at all times to management of the Company as and when required to allow him to discharge his duties as a director of the Company. The Board and the Board Committees, which are made up of majority independent directors and chaired by independent directors continue to function effectively.

(iv) Mr Takehito Hirano has, committed himself to attend the Company's board meetings whenever possible. He has attended the most recent board meeting held on 28 February 2023.

(v) The Company and Company Secretary has been working closely to ensure that directors are informed in advance on meeting dates for the respective board and board committee meetings.

**By Order of the Board of Directors**

Chin Mei Yang
Chief Executive Officer and Executive Director
25 April 2023

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*This announcement has been reviewed by the Company's sponsor, SAC Capital Private Limited (the "**Sponsor**"). This announcement has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.*

*The contact person for the Sponsor is Ms. Charmian Lim (Telephone: 65-6232 3210) at 1 Robinson Road, #21-00 AIA Tower, Singapore 048542.*