



A-SMART HOLDINGS LTD.
 (Company Registration No. 199902058Z)
 (Incorporated in the Republic of Singapore)

RESPONSE TO SGX-ST QUERIES ON THE RESULTS ANNOUNCEMENT FOR THE SECOND HALF AND FULL YEAR ENDED 31 JULY 2023

The Board of Directors (“**Board**”) of A-Smart Holdings Ltd. (“**Company**”, and, together with its subsidiaries, the “**Group**”) refers to the queries received from Singapore Exchange Securities Trading Limited (“**SGX-ST**”) on 5 October 2023 in relation to the Company’s Results Announcement for the second half and full year ended 31 July 2023 released on SGX-ST on 27 September 2023.

The Board would like to provide the Company’s response as follows:

SGX Query 1:

In regard to the Group’s trade and other receivables amounting to S\$5.8 million, please disclose:

- Q1(i) the nature and breakdown of the Group’s other receivables;
- Q1(ii) for the Group’s other receivables – the underlying transactions, the terms of the transactions (including the contract sum), terms of payment, and whether this was incurred in the ordinary course of business;

Company’s Response:

The Group’s other receivables were incurred in the ordinary course of business.

	2023	Group
	S\$’000	Aging S\$’000
<u>Other receivables</u>		
Sundry receivables – non-related parties ^(a)	1,519	Less than 90 days
Interest receivables – Related party ^(b)	217	More than 365 days
Amount held in trust by a director ^(c)	688	Current
Receivable from disposal of subsidiary corporations ^(d)	350	More than 365 days
Deposits ^(e)	756	More than 365 days
	3,530	1,873
Advance payment to suppliers	126	Less than 60 days
Prepayments	137	Less than 60 days
Total other receivables	3,793	2,173

- (a) Included in the other receivables – non-related parties include advances of S\$1,330,000 (2022: S\$nil) to a local partner in Timor-Leste for the purpose of exploring and bidding for Timorese government land projects. The advances are refundable to the Group by the local partner in the event no successful bids are obtained within the twelve months from April 2023. The Group is finalizing a successful bid for a government project in Timor-Leste and is currently in advanced stages of concluding the contract with the Timorese government, and will make the appropriate announcement/s in due time.
- (b) The interest receivable from a local partner cum minority shareholder of the Group's subsidiary, Timor Marina Square S.A., were accrued from working capital contribution due from the local partner but advanced by A-Smart on behalf. The local partner originally held a 60 year lease on the land for project Timor Marina Square, and in relinquishing the lease on the land in order for the consortium (which the Group owns 79%) to purchase the land, the consortium had agreed to compensate the local partner 10% and 12% of the completed properties of Timor Marina Square and Timor City Square in Timor-Leste, respectively upon completion of the property developments. The interest receivable from the local partner will be deducted from the compensation amount when settlement takes place on completion of the Timor Marina Square project estimated in 2025.
- (c) The amount held in trust for the Company by a director is held in a bank account in Kunming, China, for the purpose of meeting the balance capital contribution committed for the Group's investment in an associated company, Sheng Siong (China) Supermarket Co. Ltd. The amount is unsecured, interest-free and is repayable on demand by the Company.
- (d) The receivable from disposal of subsidiary corporations refers to the balance of proceeds due from the disposal of the former subsidiary corporations. Management has assessed that no ECL is required as the party is continually making repayments to the Group. The Group received S\$150,000 in repayments from the debtor in FY2023.
- (e) Deposits include performance guarantee deposits of S\$465,500 (2022: S\$484,000) paid to the local partner for the Group's development properties in Timor-Leste to guarantee the performance obligations under the Contract granting Superficie Rights (the "Contract") entered by the Group in June 2019. These deposits will be refunded by the local partner upon completion of the development properties. Similar to the repayment arrangements in note 1(b), these amounts will be deducted from the compensation payable to the local partner upon completion of the Timor Marina Square and Timor City Square development projects, estimated in 2025 and 2026 respectively.
- Other than these performance guarantee deposits, the Group has S\$290,500 of deposits held with the landlord of its Singapore leasehold office and factory premises.

SGX Query:

Q1(iii) the ageing profile of the Group's trade receivables and other receivables in bands of 3 months;

Company's Response:

Ageing of other receivables is disclosed in the response to Q1(i and ii). The aging for the Group's receivables are as follows:

	Group 2023 S\$'000
<u>Trade receivables</u>	
Current	967
30 days old	379
60 days old	62
90 days old	312
180 days old	102
Between 180 and 360 days old	15
> 360 days old	174
Trade receivables – Non-related parties	2,011

SGX Query:

Q1(iv) How long the debts have been outstanding and when the sales were reported;

Company's Response:

The Group typically provides 90 days credit to its small and medium sized customers. For conglomerate clients, the credit can be extended beyond 180 days for print projects (clients' marketing programs) that last more than a year. It is also worth noting that the Group generated S\$2.8 million from 4 of its largest clients in FY2023, all of which are reputable local large enterprises of high creditworthiness.

SGX Query:

Q1(v) whether these outstanding amounts are owing to related parties. If yes, to provide details and quantify;

Company's Response:

None of the Group's trade and other receivables are owing by related parties except for an amount of S\$217,000 of interest receivable from a local partner cum minority interest of the Group's subsidiary in Timor-Leste, Timor Marina Square S.A.. The notes explaining the amount due from the local partner cum minority shareholder is disclosed in 1(b).

SGX Query:

Q1(vi) whether these debtors are related to any directors, key executives, substantial shareholders or their respective associates;

Company's Response:

None of the Group's trade and other receivables are debtors related to any directors, key executives, substantial shareholders or their respective associates except for an amount of S\$688,000 held in trust by our Group's Board Chairman, which is held in a bank account under his name in Kunming, China. The notes explaining this amount is disclosed in 1(c).

SGX Query:

Q1(vii) whether these customers are still in operation; and

Company's Response:

All of the Group's trade and other receivables are still in operation.

SGX Query:

Q1(viii) the Board's assessment on the recoverability of the Group's trade and other receivables, and the bases for such an assessment.

Company's Response:

All of the Group's trade receivables are conducted in the ordinary course of business and are collectible as they are mainly long-time customers with a good track record in credit repayments. The other receivables are as explained in response in Q1(i and ii), also related to ongoing projects of the Group.

SGX Query 2:

Please disclose a breakdown of trade and other payables amounting to S\$4.5 million as at 31 July 2023. For other payables, please disclose the aging and nature of these other payables and whether the counterparties are related parties.

Company's Response 2:

All of the Group's other payables are non-related parties except for the working capital loans contributed by the non-controlling interests of the Group's Timor-Leste subsidiaries involved in 2 development property projects. All the shareholders of the Timorese subsidiaries have contributed their proportionate share of the working capital required (in accordance to % of shareholdings) to finance the costs for the development property projects.

	Group 2023 S\$'000	Aging
<u>Trade payables – due to suppliers in the ordinary course of business</u>	<u>615</u>	
<u>Other payables</u>		
Sundry payables – Non-related parties	216	Current
Working capital loan due to non-controlling interests	3,302	Less than 365 days
Accruals for operating expenses	196	Current
Accrued directors' fees	88	Current
Deposits received from customers	101	Current
	<u>3,903</u>	
	<u>4,518</u>	

SGX Query 3:

It is noted that the Company has a net cash outflow from operating activities of S\$3.3 million and a net profit of S\$115,000 for the financial year ended 31 July 2023. Please explain why the Company is unable to generate net cash inflow from its operating activities, despite the Company's net profit position for the financial year.

Company's Response 3:

This was because development properties used up S\$4.6 million and other receivables used up S\$2.02 million (advances to local partner in Timor-Leste – S\$1.33 million and amount held in trust by a director in Kunming, China – S\$688,000).

SGX Query 4:

Please provide the reason(s) for the significant trade and other payables of S\$4.5 million when the Group recorded a cash and cash equivalents of S\$7 million as at 31 July 2023.

Company's Response 4:

This is mainly due to shareholders' working capital contribution from the non-controlling interests of the Group's Timorese subsidiaries, as explained in the response to Q2.

By Order of the Board

Lim Huan Chiang
Executive Director and Chief Executive Officer
2 November 2023