AMOS GROUP LIMITED
COMPANY REGISTRATION NO. 201004068M

RESPONSE TO SGX QUERIES

The Board of Directors of AMOS Group Limited (the "**Company**") has received the following queries on the announcement of its 3rd quarter results for period ended 31 December 2018 ("**3Q FY2019**") and wishes to provide its response as follows:-

Background

Acquisitions of entities under common control

As set out in the 3Q FY2019, the Company had deemed the acquisition of AMOS International Holdings Pte. Ltd. ("**AIH**") as a common control transaction on 13 March 2018, the date on which common control was established. The Group had elected an accounting policy that business combinations arising from transfers of interests in entities that are under the control of the same shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative year presented or, if later, at the date that common control was established. The assets and liabilities acquired are recognized at the carrying amounts recognized previously in the Group's consolidated financial statements.

Following the background outlined above, the balance sheet of the Group as at 31 March 2018 and the consolidated income statement of the Group for the third quarter ended 31 December 2018 included the full results of AIH despite the fact that the acquisition was only completed on 18 October 2018. All transactions and balances between 13 March 2018 and 18 October 2018 relating to AIH were already taken into consideration as part of the net asset value ("**NAV**") to determine the purchase price of AIH.

SGX Queries:

(a) Current assets

We note that current assets decreased by S$32.4 million from S$185.1 million as at 31 March 2018 to S$152.7 million as at 31 December 2018. The decrease was mainly due to: (i) a decrease in cash and cash equivalents of S$33.6 million for loan repayment and capital expenditure, and (ii) a decrease in inventories by S$11.1 million due to inventories sales during the normal course of business, offset by (i) reclassification of PPE to assets held for sale of S$5.1 million, (ii) an increase in trade receivables by S$3.7 million, and (iii) an increase in other receivables by S$3.3 million attributable from the common control transaction of AIH.

Property, plant and equipment ("PPE"):-

(i) Please explain the reason for the reclassification of PPE to assets held for sale.
(ii) Do these PPE belong to AMOS International Holdings Pte. Ltd. ("AIH")?
(iii) Is there any impairment testing performed on these PPE?

Other receivables:-

(iv) What is the nature of other receivables of S$3.3 million attributable to AIH?

Reply by the Company:

(i) The reclassification of PPE to assets held for sales is because the Company has in 3Q FY2019 placed for sale in the market 3 units of leasehold land and buildings with net book value of S$5.1 million. Impairment testing was performed on these assets held for sale and they were each measured at (i.) the lower of carrying amount and (ii.) fair value less cost to sell. These leasehold land and buildings reclassified as assets held for sale are owned by entities under the previous Gaylin Holdings Limited and were not owned by AIH.

(ii) Other receivables of S$3.3 million mainly consist of accrued income of S$1.5 million to recognize revenue not billed but goods which were already delivered at period end closing, timing difference for GST recoverable of S$0.8 million, prepayment and deposit of S$0.7 million.

(b) <u>Current liabilities</u>

We note that current liabilities decreased by S$13.9 million from S$55.5 million as at 31 March 2018 to S$41.7 million as at 31 December 2018. The decrease was mainly due to: (i) repayment of bank borrowings and finance leases of S$3.2 million, (ii) reduction in other payables of S$9.8 million (mainly due to payable arising from the disposal of a property of S$6.0 million by AIH in March 2018 and repayment of loan to third party of S$3.4 million), (iii) payment of provision of restructuring cost of S$0.5 million, and (iv) a decrease in trade payables of S$0.3 million.

How did the payable of S$6.0 million arise from the disposal of a property?

Reply by the Company:

AIH had entered into an agreement to dispose a property that was owned by AIH and another 2 parties on 6 December 2017. This transaction was completed on 28 March 2018 with full cash settlement of S$10 million and the proceeds from the disposal of the property were thereafter to be shared amongst AIH and the other 2 parties in accordance with the written agreement between the 3 parties. AIH retained its share of the net cash proceeds which was equal to the net book value of S$4.0 million in AIH's books on 31 March 2018. The other payable of S$6.0 million arose when AIH received the full sales proceeds of S$10.0 million from the buyer of the property on 28 March 2018 and recorded the amounts owed to the other 2 parties for their share of the property. AIH made the payment of S$6.0 million to the other 2 parties on 23 April 2018.

(c) We note from the Company's SGXNet announcement dated 13 March 2018 that only S$3,123,550 out of S$67.8 million was utilized. Please let us know if there have been any material disbursements of the balance of the placement proceeds since 13 March 2018 and confirm to us whether the Company has complied with the following Listing Rules:

(i) Listing Rule 704(30) which states that the use of the IPO proceeds and any proceeds arising from any offerings pursuant to Chapter 8 as and when such funds are materially disbursed and whether such a use is in accordance with the stated use and in accordance with the percentage allocated in the prospectus or the announcement of the issuer. Where there is any material deviation from the stated use of proceeds, the issuer must announce the reasons for such deviation; and

(ii) Listing Rule 1207(20) which states that the annual report should contain a status report on the use of IPO proceeds and any proceeds arising from any offerings pursuant to Chapter 8 and whether the use of proceeds is in accordance with the stated use and is in accordance with the percentage allocated in the prospectus or the announcement of the

issuer. Where there is any material deviation from the stated use of proceeds, the issuer must announce the reasons for such deviation.

Reply by the Company:

Pursuant to the announcement dated 13 March 2018 (the "**13 March Announcement**"), the Company announced a change in the use of net proceeds ("**Net Proceeds**") from the proposed share placement on 23 October 2017, thereby allocating up to 11.95% of the Net Proceeds towards the repayment of loans. It was further disclosed that S$3,123,549.33 of the Net Proceeds had been utilized towards repayment of loans as at the date of the 13 March Announcement.

The Company would like to update that for the 9M ended 31 December 2018, further funds from the Net Proceeds have been utilized and the details are as depicted in table below:

Table showing utilization of Net Proceeds

Use of Net Proceeds (A)	Allocation of Net Proceeds as set out in the 13 March Announcement (B)		Net Proceeds utilised as at 31 December 2018 (C)	Balance of Net Proceeds as at 31 December 2018 (D)
	S$'000	**%**	**S$'000**	**S$'000**
Repayment of loan	8,100	11.95	8,100	-
Strengthening the financial position of the Group by enlarging the Company's working capital and capital base (1)	20,340	30.00	20,340	-
Growing the existing business of the Group (2)	39,360	58.05	1,994	37,366
	67,800		30,434	37,366

Notes (as set out in the 13 March Announcement):

(i) For the purposes of financing (i) the purchase of new equipment, (ii) the recruitment and retention of new sales and engineering staff, to bring in new sales and to provide technical know-how and services and/or create value-added products needed for the new sales respectively, in order to reduce inventory, (iii) upgrades and resizing of the Group's existing facilities and/or offices in order to tailor to future business needs, and (iv) the procurement of additional SAP modules to enhance corporate management and accounting controls.

(ii) Including to (i) invest in marketing programs to enhance the Group's brand image in the marketplace and better position the Group for future business opportunities, (ii) pursue potential strategic growth opportunities (including alliances, mergers and acquisitions, joint ventures and investments as and when they may arise) and (iii) participate in tender bids with customers in the O&G and marine sectors.

It is noted that pursuant to listing rule 704(30), the Company must immediately announce the use of proceeds arising from any offerings pursuant to Chapter 8 of the listing manual as and when such funds are materially disbursed and whether such use is in accordance with the stated use and in accordance with the percentage allocated. Where there is any material deviation from the stated use of proceeds, the Company must announce the reasons for such deviation. Listing rule 1207(20) similarly provides that the annual report of the Company must contain such information. The Company will comply with the aforementioned listing rules.

By Order of the Board

Kyle Arnold Shaw, Jr.
Executive Chairman
AMOS GROUP LIMITED

27 February 2019