**AMOS GROUP LIMITED**
(the "**Company**")
(Company Registration No. 201004068M)
(Incorporated in the Republic of Singapore)

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**RESPONSES TO QUERIES RAISED BY THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ON 04 AUGUST 2020 WITH RESPECT TO THE COMPANY'S ANNOUNCEMENT ON 23 JULY 2020 ON ITS ANNOUNCEMENT IN RELATION TO THE UNAUDITED FULL YEAR RESULTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020**

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The Board of Directors ("**Board**") of Amos Group Limited (the "**Company**" and together with its subsidiaries, the "**Group**") wishes to announce the following:-

**Response to Queries**

The Company would like to respond to the following queries raised by the Singapore Exchange Securities Trading Limited ("**SGX-ST**") on 4 August 2020 with respect to the Company's announcement on 23 July 2020 on its announcement in relation to its unaudited full year results for financial year ended 31 March 2020. Unless otherwise defined herein, terms defined in such announcement shall have the same definitions herein.

**(1) It is noted on page 4 of the announced financial results that the Group has trade receivables amounting to approximately S$32,056,000 as at 31/03/2020. In this regard,**

**(a) Please provide an aging analysis for the trade receivables financial statement line item; and breakdown of AR Aging;**

**(b) Please provide the Board of Directors' assessment of the recoverability of the trade receivables.**

1a Breakdown and aging analysis of the Group's trade receivables as at 31 March 20. ***The details can also be found on page 123 of the Annual Report.***

**Analysis of the Group's trade receivables as at the end of the reporting period**

| | S$'000 |
|---|---|
| Not past due and not impaired | 14,696 |
| Past due and not impaired | 17,360 |
| Trade receivables not impaired | 32,056 |
| Impaired receivables | 2,807 |
| Less: Allowance for doubtful trade receivables | (2,807) |
| Total trade receivables, net | 32,056 |

**Aging profile of receivables that are past due but not impaired**

| | |
|---|---|
| <1 month | 6,578 |
| 1 month to 2 months | 2,921 |
| 2 month to 3 months | 1,986 |
| 3 month to 6 months | 2,216 |
| 6 month to 12 months | 2,273 |
| >12 months <24 months | 900 |
| >24 months | 486 |
| | 17,360 |

1b The Board made a general and specific provision of S$1.5M and S$1.3M as at 31 March 20. The general provision is about 4.8% of total trade receivables net of specific provision. The Group has increased the general provision from 1.3% to 4.8% from previous year in view of the uncertainties driven by Covid-19 and the macro economic environment. The Board believes the Group can recover its trade receivables and bad debts is not expected to be more than the provisions set aside. ***Please refer to page 121 to 124 of the Annual Report.***

**(2) Please provide the reason(s) for the increase as well as the breakdown of the Group's "trade payables" financial statement line item from approximately S$10,554,000 as at 31/03/2019 to S$12,153,000 as at 31/03/2020.**

The increase in other payable from S$10.5m to S$12.2M is largely due to recognition of deferred JSS grant income, an increase in payable due to warehouse relocation expenditure incurred.

**(3) It is stated on page 13 of the announced financial results:- "The gross profit for FY2020 was determined after an inventory impairment adjustment of S$1.7 million." In this regard, please clarify:-**

**(a) The reason(s) for the inventory impairment adjustment of S$1.7 million; and**

**(b) The Board' opinion on the reasonableness of the methodologies used to determine the value of the inventory impairment adjustment.**

3a The inventory adjustment of S$1.7mm was made to:

1. Products that have only scrap value; or
2. Products with lower market value due to lower market demand; or
3. Short-length wire ropes that are no longer sellable; or
4. Expired or corroded products

3b. The Board believes the methodologies used to determine the value of the inventory impairment adjustment is reasonable. ***Please refer to Independent Auditors' Report on page 54 of the Annual Report.***

**(4) It is stated on page 14 of the announced financial results:- "The FY2020 operating expenses included a non-recurring restructuring cost of S$3.5 million, trade debt impairment provision of S$1.5 million and trade debt write-off of S$0.2 million."**

**(a) Please elaborate on the non-recurring restructuring cost of $3.5 million.**

**(b) In relation to the trade debt impairment provision of S$1.5 million and trade debt write-off of S$0.2 million, please clarify:-**

**i. The reason(s) for the trade debt impairment provision of S$1.5 million and trade debt write-off of S$0.2 million;**

**ii. The Company's plans to recover the trade 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 receivables; and**

vi. **The Board's opinion on the reasonableness of the methodologies used to determine the value of the trade debt impairment provision of S$1.5 million and trade debt write-off of S$0.2 million.**

4a The Company non-recurring restructuring costs of S$3.5 million are largely due to the restructuring and costs rationalization exercise performed during the year and the relocation of production facilities and warehouses to Malaysia and 156 Gul Circle due to the right-sizing of the Group property footprint.

4b (i) ***Please refer to page 121 to 124 of the Annual Report.*** The trade debt impairment provision comprises of specific provision of S$0.9M and expected credit loss of S$0.6M. The Group increased its expected credit loss rate from 1.3% to 4.8% for reasons as explained in 1b. The specific provision of S$0.9M are mainly for customers who have shown signs of deterioration in their ability or willingness to pay. These are reflected in their payment patterns as well as what were understood of their latest financial performance. The Group wrote off S$0.2M trade debt due from customers who have closed or in process of closing down or under judicial management.

4b(ii) The following actions are being taken to recover the trade receivables:

- Constantly engaging customers for payments
- Proposing improvised instalment plans

4b(iii) The Group have stopped transacting with customers whom specific provisions have been made except for a Singapore-based shipping customer that is in talks for equity injection. The Singapore-based customer has paid down some of the long outstanding debts over the last 4 months after 31 Mar 20.

4b(iv) The sales and outstanding debts are made more than 12 months old. However, some of these debts have been collected during 1Q FY2021.

4b(v) See response to 4b(ii)

4b(vi) Yes, the Board believes the methodologies used are reasonable. ***Please see Annual Report reference as per 4b(i).***

**(5) It is noted on page 4 of the announced financial results that the Group has intangible assets amounting to approximately S$3,245,000 as at 31/03/2020. It is also mentioned on page 15 of the announced financial results that the intangible assets of S$3.2 million relate to IT project and trademark. Please elaborate as to what the IT project and trademark relate to?**

The IT project relates to SAP Hana implementation and the trademark relates to the Group's ALCONA and AMOS brand.

**(6) We note that the Group has a loss after tax of S$11,285,000 for the 12 months ended 31/03/2020. The Group also has net cash used in operating activities of S$1,267,000 for the 12 months ended 31/03/2020. In this regard, please provide the Board's opinion and the basis for its views on the following:**

(a) **The ability of the Company and the Group in meeting its short-term debt obligations as and when they fall due?**

(b) **In this regard, it is also noted on page 6 of the announced financial results that the Group has aggregate borrowings and debt securities of S$16,103,000 which are repayable in one year or less, or on demand.**

i. **How does the Group intend to repay the amount of S$16,103,000 which is repayable in one year or less, or on demand?**

ii. **How much of the amount of S$16,103,000 is attributable to borrowings and debt securities which are repayable on demand?**

iii. **Further, what are the conditions or circumstances which would trigger repayment to be made on demand?**

iv. **Please provide further information on whether the Company expects cash flow or liquidity issues with regard to the repayment of S$16,103,000, in light of the COVID-19 situation and its impact on the Company's business operations. Please substantiate the Company's stand with specific details. Where applicable, (a) please elaborate on the matters set out in our Regulator's Column "What SGX expects of issuer's disclosures during COVID-19" dated 22 April 2020, (b) The ability of the Company and the Group to operate as going concerns.**

6a Yes, the Board believes the Group can meet its short-term debt obligations.

6b(i) The Group will repay its debt using operating cashflow generated, proceeds from sale of inventory and better working capital management.

6b(ii) S$3M is repayable on demand. The balance is payable based on repayment schedule.

6b(iii) The Bank can demand immediate repayment of the S$3M without any condition. However, the probability is unlikely as the Group credit facility is secured by existing property and the Group has been prompt in meeting its debt obligations.

6b(iv) The Group provides essential goods and services to the Marine and Offshore industry. Hence, AMOS operations remained open throughout the Circuit Breaker and are less impacted by Covid-19 situation. As such, the Board do not foresee any going concern issue and cashflow or liquidity issues with regards to the repayment of S$16.1M debts and borrowings. ***Please refer to Independent Auditors' Report on page 56 of the Annual Report with regards to the ability of the Company and the Group to operate as going concerns.***

**By Order of the Board**

Kyle Arnold Shaw Jr
Executive Chairman
13 August 2020