SINGAPORE MYANMAR INVESTCO LIMITED
(Registration No. 200505764Z)
(Incorporated in Singapore)

RESPONSES TO QUESTIONS FROM SINGAPORE STOCK EXCHANGE RELATED TO THE UNAUDITED RESULTS ANNOUNCEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2019

Singapore Myanmar Investco Limited (the "**Company**" or "**SMI**" and together with its subsidiaries, the "**Group**") refers to the questions raised by Singapore Stock Exchange ("**SGX**") in relation to the Company's unaudited results for the period ended 30 September 2019 and appends the requisite replies as follows:

(a) With reference to the unaudited results for the period ended 30 September 2019, please disclose the breakdown of trade and other receivables for the current period and as at 31 March 2019. For the trade receivables, please provide the business segment from which the trade receivables are attributable. Please provide the ageing of the Group's trade receivables at 30 September 2019. Please provide the Board's assessment on the recoverability of the Group's trade receivables, as well as the basis for such an assessment. For the other receivables, please provide the Board's assessment as to whether there is any impairment to the carrying value and the basis of such assessment.

Answer:
Breakdown of trade and other receivables as at 30 September 2019 and 31 March 2019 is given in Table 1 below:

	Sep-19	Mar-19	Var
Trade Receivables	$'000	$'000	$'000
Third Parties	30,852	25,989	4,863
Less:Allowance for impairment	(1,798)	(1,851)	53
Net trade receivables	29,054	24,138	
Non trade & other receivables			
Deferred consideration from disposal of subsidiaries	600	672	(72)
Others	162	118	44
Less: Allowance for impairment	(401)	(401)	0
Net non trade receivables	361	388	(27)
Joint Ventures	678	436	242
Associates	69	-	69
GST/commercial tax receivable	560	509	51
Total trade and other receivables	30,723	25,472	

Table 1

The allocation of the trade receivables (net) by business segment is given in Table 2 below:

In US$'000	Trade receivables by Segment 30-Sep-19	31-Mar-19	% change
Travel and fashion retail	21,830	17,729	23%
Construction services	2,832	4,810	-41%
Auto services	602	610	-1%
Food and beverages	2,154	2,098	3%
Towers	1,573	703	N.M.
Unallocated	63	39	63%
Total	29,054	25,989	12%

Table 2

The increase in trade receivables is mainly attributable to increased sales to the local retail distributor, Royal Golden Sky Co. Ltd ("RGS"). SMI Retail sales has grown by 27.5% in Q2FY2020 compared to 1QFY2020 and 19.4% compared to the corresponding period last year. This is attributable to RGS taking additional retail space in existing and new malls in the domestic market.

There is a time lag between SMI Retail's sales to RGS and the latter's sale to end customers not least because in fashion the 'buys' are typically only 2-4 times a year with long lead times. SMI Retail's debtor days increased from 13 months at 31 March 2019 to 14 months at 30 September 2019. This is primarily done to encourage RGS to hold sufficient stocks of the latest seasonal items in both the airport and domestic malls. However, the effect of doing this is that SMI Retail is extending credit to RGS to finance its inventory and distribution channels.

Discontinued operations include $1.2 million being balance of sales proceeds from Irrawaddy Green Tower Limited.

Aging of the Group's trade receivables as at 30 September 2019 is given in Table 3 below:

	Sep-19		Mar-19	
Trade Receivables Aging	$'000	%	$'000	%
Within credit terms	6,646	22%	6,412	25%
Past due :				
91 - 150 days	3,662	12%	2,850	11%
151 - 365 days	5,697	18%	10,613	41%
Over 365 days	14,847	48%	6,114	24%
Provision for impairment losses	(1,798)		(1,851)	
Total	**29,054**	100%	**24,138**	100%

Table 3

The payment term to RGS remains as 90 days and amounts unpaid after 90 days is shown as Past due. We understand RGS has been able to secure lower rental rates upon the renewal of their existing leases in the domestic market and discussions for rent reduction at the airport are being initiated. In addition, we have been able to close and swap out the non-profitable brands with better performing brands at both the airport and domestic malls. In addition, there is improved sales forecasting and stocking as a result of better market and customer knowledge. These factors contribute to improve the financial performance of RGS and hence, we expect that the trade receivables from RGS would reduce over the next 2 years.

SFRS(I)9 requires that we assess the expected credit loss ("ECL") for receivables. We used a provision matrix to calculate the ECL for the trade receivables from RGS and based on this methodology, we have provided an ECL of US$0.9 million at 31 March 2019. We will continue to monitor and assess further ECL for this receivables.

The recoverability of our trade receivables from the equipment distributor, PMF Construction Equipment Co. Ltd ("PMF") is assessed on the basis of the expected recoverable amount of PMF's assets. Based on this approach, we provided an ECL of US$0.9 million at 31 March 2019. As the gross trade receivables for this business segment has declined significantly, we believe that the provision is currently adequate.

For the F&B segment, the increase in trade receivables is in tandem with the increased sales growth. Hence, we are confident that the trade receivables from MAR is recoverable.

Other receivables includes receivables from a buyer for the sale of the Printed Circuit Board business in 2014. The impairment of US$0.4 million was provided in FY2018 and we have received subsequent repayments of US$0.3 million. Hence, the Board agrees with management and have no reason to believe that the impairment of $0.4 million is not reasonable.

(b) Please disclose the breakdown of trade and other payables for the current period and as at 31 March 2019. It is stated in page 6 of the announced financial statements for the period ended 30 September 2019 that, "Trade and other payables increased in tandem with increased purchases to support higher sales." Please reconcile the aforementioned statement with the Company's sales figures for the relevant periods.

Answer:
Breakdown of trade and other payables as at 30 September 2019 and 31 March 2019 is given in Table 4 below:

	Sep-19	Mar-19	Var
	$'000	$'000	$'000
Trade payables	7,713	6,362	1,351
Accrued liabilities	1,908	1,605	303
Joint ventures	23	7	16
Deposits from customers	76	111	(34)
Deferred income	67	42	25
Associates	*		*
Others	390	398	(8)
	10,177	**8,525**	**1,652**

Table 4

The increase in trade payables is mainly attributable to increased purchases to support higher sales to retail distributor as shown in Table 5 below. Fashion purchases are seasonal and are made twice a year for spring/summer and autumn/winter collections. In addition, we have increased purchases for sell-in to RGS in anticipation of higher year end sales.

	Revenue by Segment		%	Trade payables by Segment		%
In US$'000	1HFY2020	1HFY2019	change	30-Sep-19	31-Mar-19	change
Travel and fashion retail	8,959	8,003	12%	5,158	3,937	31%
Construction services	375	1,681	-78%	50	8	N.M.
Auto services	803	1,282	-37%	446	503	-11%
Food and beverages	1,117	806	39%	1,074	742	45%
Discontinued Operations/Towers	-	-	0%	105	340	-69%
Unallocated	178	335	-47%	904	839	8%
Total	11,432	12,107	-6%	7,737	6,369	21%

Table 5

(c) It is stated on page 2 of the announced financial statements for the period ended 30 September 2019 that, "Gross profit has decreased by 14.8% (US$0.4 million) which reflects the decision to reduce the CAPEX usage fee to our local retail distributor by US$0.8 million". Please disclose the nature of the CAPEX usage fee as well as the rationale for the reduction in CAPEX usage fee.

Answer:
SMI has invested a total of $15 million in the CAPEX fit-out of the retail and F&B stores at the airport and in the domestic malls, in order to meet the international brands' requirements. The local retail distributor, RGS has generated significant revenue and benefitted from the CAPEX fit-out. Accordingly, SMI charges to RGS a usage fee to RGS for this investment.

The passenger purchasing at the airport in Q2 was lower than expected due to the downturn in Western travellers at the airport (post the Rohingya issue), despite a growth in Asian travellers. Hence, we decided to reduce the usage fees to RGS in FY2020.

(d) Please note that the review of financial performance for the Group should be disclosed on per quarter basis as well.

Answer:
<u>Q2FY2020 vs Q2FY2019</u>

1. <u>Revenue</u>

Both Retail and F&B segments saw an increase of US$0.4 million and US$0.1 million respectively in Q2FY2020 compared to Q2FY2019 as we continue to grow these core segments. However the increase was not adequate to compensate the decline in revenue for Construction services and Auto segments.

2. Gross Profit

Similarly, the decision to reduce the CAPEX usage fee has also impacted the gross profit margin for Q2FY2020 as the retail gross margin fell from 33.4% in Q2FY2019 to 23.3% in Q2FY2020. Without the reduction in the CAPEX usage fee, the gross profit margin for Q2FY2020 would have also increased to 29.1%. Gross profit fell by US$0.3 million on the back of lower sales for Construction services and Auto segments for Q2FY2020 compared to Q2FY2019.

3. Selling & Distribution Costs

The increase in Selling & Distribution costs of US$0.1 million for Q2FY2020 compared to corresponding period last year, is mainly attributable to higher OPEX for F&B.

4. Other Charges

A one-time Board approved bonus payment of US$0.4 million for business disposal and restructuring was made in Q2FY2020 (Q2FY2019: Nil).