

SMART AUTO AUSTRALIA LIMITED
ACN 644 257 465
SUPPLEMENTARY PROSPECTUS

IMPORTANT INFORMATION

This is a supplementary prospectus (**Supplementary Prospectus**) which supplements the prospectus dated 8 March 2021 (**Original Prospectus**) issued by Smart Auto Australia Limited (ACN 644 257 465) (**Company**).

This Supplementary Prospectus is dated 22 March 2021 and was lodged with the ASIC on that date. The ASIC, the NSX and their respective officers take no responsibility for the contents of this Supplementary Prospectus.

Application has been made for listing of the Company's Securities offered by the Original Prospectus (as supplemented by this Supplementary Prospectus) to the NSX. The fact that the NSX may list the Securities of the Company is not to be taken in any way as an indication of the merits of the Company or the listed Securities. The NSX takes no responsibility for the contents of this Supplementary Prospectus, makes no representations as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon any part of the contents of this Supplementary Prospectus.

This Supplementary Prospectus should be read together with the Original Prospectus. Other than as set out below, all details in relation to the Original Prospectus remain unchanged. Terms and abbreviations defined in the Original Prospectus have the same meaning in this Supplementary Prospectus. If there is a conflict between the Original Prospectus and this Supplementary Prospectus, this Supplementary Prospectus will prevail.

This Supplementary Prospectus will be issued with the Original Prospectus as an electronic prospectus, copies of which can be downloaded free of charge from the website of the Company at www.smartautoltd.com.

Under the Corporations Act, the Company has an obligation to update a disclosure document if it becomes aware of new information that is material to investors. This Supplementary Prospectus has been prepared to provide additional information to investors on items that the Company considers may be material. As such, this is an important document and should be read in its entirety. If you do not understand any of the information presented in this Supplementary Prospectus, you should consult your professional advisers without delay.

As described in Sections 2.1 and 4.1 of the Original Prospectus, the Original Prospectus, the Original Prospectus is subject to a 7-day Exposure Period which may be extended by ASIC. The Company notes such exposure period has been extended and that accordingly, the Company is not currently processing Applications and will not do so until the Exposure Period has ended, which is anticipated for 5:00pm WST on 22 March 2021.

1. PURPOSE OF THIS DOCUMENT

This Supplementary Prospectus has been prepared to provide investors with additional information with respect to the Company and the Public Offer.

Additionally, as the Exposure Period has been extended, the Company wishes to extend the closing date and the expected date for official quotation applicable to the Public Offer.

This additional information necessitates various updates to the disclosures in the Original Prospectus, which is the purpose of this Supplementary Prospectus.

2. EXTENSION OF CLOSING DATE AND EXPECTED LISTING DATE

The Board wishes to advise that, given the extension to the Exposure Period, the Closing Date of the Public Offer and the Expected Date for Official Quotation on NSX have been equally extended. Accordingly, the Indicative Timetable set out in the Key Offer Information Section of the Original Prospectus is replaced with:

KEY DATES - INDICATIVE TIMETABLE*

Event	Date
Lodgement of Original Prospectus with ASIC	8 March 2021
Exposure Period begins	8 March 2021
Lodgement of Supplementary Prospectus with ASIC	22 March 2021
Exposure Period ends	22 March 2021
Opening Date of the Offers	23 March 2021
Closing Date of the Offers	20 April 2021
Issue of Shares under the Public Offer	4 May 2021
Despatch of holding statements	5 May 2021
Expected date for Official Quotation on NSX	12 May 2021

** The above dates are indicative only and may change without notice. The Company reserves the right to extend the Closing Date or close the Offers early without prior notice. The Company also reserves the right not to proceed with the Offers at any time before the issue of Shares to Applicants. Quotation of Shares on NSX is at the discretion of NSX and is subject to the Company satisfying the admission requirements to listing on NSX.*

3. AMENDMENTS TO THE PROSPECTUS

By this Supplementary Prospectus, the Company makes the amendments to the Original Prospectus as set out in section 3 below.

The amendments to the Prospectus outlined in section 3 below should be read in conjunction with the Prospectus.

3.1 Use of funds

Section 7.7 of the Prospectus entitled "Use of Funds" is replaced with the following:

"The Company intends to apply funds raised from the Public Offer, together with existing cash reserves, over the next two (2) years following admission of the Company to the Official List of NSX as follows:

Use of Funds	Minimum Subscription (\$3,000,000)		Maximum Subscription (\$4,200,000)	
	\$	%	\$	%
Existing cash reserves ⁽¹⁾	100,000	3.2	100,000	2.3
Funds raised under the Prospectus	3,000,000	96.8	4,200,000	97.7

Use of Funds	Minimum Subscription (\$3,000,000)		Maximum Subscription (\$4,200,000)	
	\$	%	\$	%
Total	3,100,000	100%	4,300,000	100%
Less				
Smart Auto development ⁽²⁾				
Software development ⁽³⁾	200,000	6.7%	200,000	4.8%
Marketing ⁽⁴⁾	200,000	6.7%	280,000	6.7%
Staff operations and products ⁽⁵⁾	375,000	12.5%	750,000	17.8%
Offshore business development ⁽⁶⁾	200,000	6.7%	280,000	6.7%
Expenses of the Offers ⁽⁷⁾	812,000	27.1%	932,000	22.2%
Administration costs ⁽⁸⁾	450,000	15.0%	450,000	10.7%
Working Capital following Admission ⁽⁹⁾	863,000	25.3%	1,408,000	31.1%
Total Use of Funds	3,100,000	100%	4,300,000	100%

Notes:

- (1) Refer to the financial information set out in Section 11 of this Prospectus for further details. The Company intends to apply these funds towards the purposes set out in this table, including the payment of the expenses of the Offers of which various amounts will be payable prior to completion of the Offers. Since May 2020, the Company has expended approximately \$280,000 (excluding GST) in preparing for Admission and preparing the Prospectus.
- (2) As set out in the table above, in the event Maximum Subscription is raised, the additional funds received by Smart Auto will be proportionately allocated to each of the Smart Auto development areas described below.
- (3) **Software Development:** Software development including hardware, accounting system and contract management system, in particular, internet of vehicle (include a mobile app) which will be a key element in the automotive industry going forward, featuring:
- data management and statistic (ie no. of passengers, seats availability);
 - safety detection within the location (i.e. object pre-detection);
 - real time remote adjustment and reparation;
 - road condition (i.e. traffic light); and
 - rescue management (i.e. pick up and replacement).
- (4) **Marketing:** Including but not limited to marketing, promotion and exhibition activities and advertising such as placement of advertisements (television channels and internet, billboards etc.).
- (5) **Staff operations and products:** Depending on the uptake of the Public Offer, Smart Auto may set up multiple offices, branches and showrooms.
- (6) **Offshore business development:** Offshore business development for Smart Auto's existing operations in Hong Kong through GTB, and other Target Countries such as Australia, Papua New Guinea, New Zealand, Indonesia and the South Pacific Islands.
- (7) Refer to Section 14.6 for further details.

- (8) Administration costs include the general costs associated with the administration of the Business, including administration expenses, Board and key management salaries, Directors' fees, rent and other associated costs.
- (9) Working Capital consists of surplus funds to be used for all other operational expenditures such as costs associated with funding the day to day trading operations of the Company including but not limited to, covering business travelling expenses, ongoing professional service fees and inventory management.

The above table is a statement of current intentions as of the date of this Prospectus. As with any budget, intervening events and new circumstances have the potential to affect the manner in which the funds are ultimately applied. The Board reserves the right to alter the way funds are applied on this basis.

It is anticipated that the funds raised under the Public Offer will enable 2 years of full operations. It should be noted that the Company's budgets will be subject to modification on an ongoing basis depending on the results obtained from its ongoing business activities and operations.

On completion of the Public Offer, the Board believes the Company will have sufficient working capital to carry out its stated objectives. However, it should be noted that an investment in the Company is speculative and investors are encouraged to read the risk factors outlined in Section 10.

The use of further debt or equity funding will be considered by the Board where it is appropriate to expand sales, accelerate product development or capitalise on further opportunities."

3.2 Dividend policy

Sections 7.8 of the Prospectus entitled "Dividend Policy" and Section 5H entitled "What is the Company's dividend policy?" are replaced with the following:

"It is currently anticipated that a minimum of 30% of the net profit after tax per annum will be paid as dividends, subject to:

- (a) the Group achieving sufficient net profit after tax; and
- (b) the Board declaring such dividends as being payable (taking into account the growth objectives of the Group and the cash resources and working capital requirements of the Group).

Smart Auto shall establish a dividend policy whereby all Subsidiaries of Smart Auto (including GTB) will do all things reasonably necessary to pay dividends to Smart Auto, as the parent entity of the Group, and to pay those proposed dividends of Smart Auto to Shareholders.

Despite these intentions, no guarantee can be given about the level or payment of dividends, the level of imputation or franking of such dividends or the payout ratios as these matters depend upon the future profits of the Group, its financial and taxation position and the Directors' views of the most appropriate payout ratio at that time."

Section 10.2(n) of the Prospectus entitled "Dividend Policy" is replaced with the following:

"As stated in Section 7.8, the Group aims to pay a minimum of 30% of the net profit after tax per annum will be paid as dividends, subject to:

- (a) the Group achieving sufficient net profit after tax; and

- (b) the Board declaring such dividends as being payable (taking into account the growth objectives of the Group and the cash resources and working capital requirements of the Group).

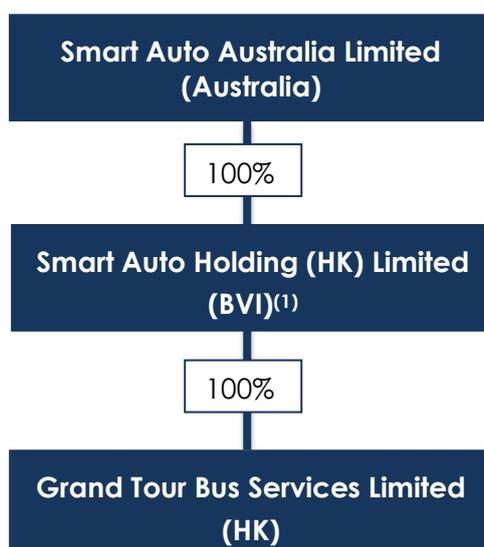
Smart Auto shall establish a dividend policy whereby all Subsidiaries of Smart Auto (including GTB) will do all things reasonably necessary to pay dividends to Smart Auto, as the parent entity of the Group, and to pay those proposed dividends of Smart Auto to Shareholders.

Despite the current dividend policy, it is not certain that the Board will put forward a motion in accordance with the dividend policy, particularly if the Group has insufficient cash resources and/or working capital. Furthermore, it is possible that the current dividend policy will be amended in the future by the Board."

3.3 Company Structure

Section 7.3 of the Prospectus entitled "Group Structure" is replaced with the following:

"As at the date of this Prospectus, the corporate structure of the Group is as follows:



Notes:

- (1) The Group's main operating subsidiary, GTB is a wholly owned subsidiary of Smart Auto Holding (HK) Limited, a company incorporated in the British Virgin Islands. The Group has adopted this corporate structure to take advantage of the administrative time and cost benefits presented by the use of a BVI entity as intermediate holding company. The Directors consider that utilising this structure will assist the Company carrying out its stated objectives (specifically the proposed registration of additional operational subsidiaries in the Target Countries) in an efficient and cost effective manner."

3.4 COVID-19 Risk

The following are inserted as new fourth (4th) and fifth (5th) paragraphs in Section 10.2(e) of the Prospectus:

"As set out in Section 11.4.5 below, bus operators in Hong Kong were adversely affected by the outbreak of COVID-19. Most of the Group's current customers are bus operators focusing on tourist, school and corporate pick up/drop off routes, and residential and shuttle bus services. There can be no guarantee that the reduction in tourism and school travel as a result of COVID-19 (which has

resulted in reduced Group profits) are restored or the profitability of the Group returns to the levels enjoyed by the Group prior to COVID-19.

Notwithstanding the above, the Board expects that once travel restrictions and measures are lifted or relaxed, school travel and bus based tourism services are expected to resume to normal levels, however the Group cannot predict when such relaxation of travel restrictions may occur (if at all)."

3.5 Inventories and Trade Receivables

The following two (2) notes are inserted below the Statutory Historical Consolidated Statement of Financial Position in Section 11.3.3 of the Prospectus:

- "1. Inventories represent coaches and corresponding PSLs held by the Group for sale. The Group generally acts as agent between suppliers and customers in respect of its coach trading business, with coaches sold being delivered directly to its customers (i.e. coaches are not held as, or recorded in, inventories). However, during the 1HFY21 the Group acquired a number of coaches in its own right which it intends to sell to customers and which remained unsold as at the end of 1HFY21.
2. Trade receivables and trade payables were considerably higher as at the end of FY20 and 1HFY21 in comparison to previous periods due to the impact of the new coach trading business, which commenced during the year ended FY20. In relation to this business line, amounts due from customers and corresponding amounts payable to coach suppliers in respect of coaches sold by the Group are both recorded in the accounts, with settlement having longer lead times than revenue generated under the coach rental/management business. Additionally, the coach trading business is affected by other factors such as lead times from coach suppliers and process timing (and delays) of the Hong Kong Transportation Department to transfer relevant ownership in coaches being traded."

4. TREATMENT OF EXISTING APPLICATIONS FOR SHARES UNDER THE PUBLIC OFFER

The Directors believe that the changes set out in this Supplementary Prospectus are not materially adverse from the point of view of an investor.

Accordingly, no action needs to be taken if you have already subscribed for Shares under the Original Prospectus. The Company confirms that, as the Exposure Period has been extended, no applications for Shares have yet been processed by the Company.

A copy of this Supplementary Prospectus will be available on the Company's website and the Company will send a letter to all Applicants who have subscribed for Shares under the Original Prospectus to the date of this Supplementary Prospectus advising them of the Supplementary Prospectus.

5. CONSENTS

The Company confirms that as at the date of this Supplementary Prospectus, each of the parties that have been named as having consented to being named in the Original Prospectus have not withdrawn that consent.

6. DIRECTORS' AUTHORISATION

This Supplementary Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with Section 720 of the Corporations Act, each Director has consented to the lodgement of this Supplementary Prospectus with the ASIC.



Ms Nga Lai (Alyce) Wong
Managing Director
For and on behalf of
SMART AUTO AUSTRALIA LIMITED