

**RESPONSES TO QUESTIONS FROM SINGAPORE STOCK EXCHANGE RELATED TO THE UNAUDITED  
FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021**

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SMI Vantage 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 Financial Statements for the year ended 31 March 2021, the Company’s announcement of 11 October 2021 entitled “Responses to queries from SGX-ST” (the “Announcement”) and appends the requisite replies as follows:

**Company responses are in blue**

(a) In respect of query (a) of the Announcement, please disclose the following:

- (i) the identity of the associate and details of the relationship with the Company;
  - (ii) the nature of the inventory;
  - (iii) the rationale for the associate to take over these inventories; and
  - (iv) the Board of Directors' assessment of the collectability of the amount due from this associate and the bases for such an assessment.
- (i) The associate, Star Retail Enterprise Limited (“Star Retail”) is a business focused on domestic retail sales of fashion products. The Group supplies fashion products to Star Retail.
  - (ii) The US\$1.7 million worth of inventories being transferred from Royal Golden Sky Co Ltd (“RGS”), the Group’s third-party partner for travel retail, to Star Retail were fashion products.
  - (iii) The Yangon International Airport (“YIA”) have been closed since end-March 2020 and the Group’s third-party partner, RGS who operates travel retail stores at YIA was not able to make meaningful sales at YIA. Since domestic retail business could still continue even under tight restrictions of limited operating hours, Star Retail agreed to take over the products for sales in the domestic malls, which represented an opportunity for Star Retail to raise its sales.
  - (iv) The Board has received assurances from the Company’s management that it conducts regular checks on Star Retail’s operations to monitor its performance and Company’s management is confident that the trade receivables from Star Retail are fully recoverable. Star Retail has continued in operation although operating periods have been affected by health (Covid) and safety issues (change of Government). It is expected that a slow recovery in consumer confidence will emerge allowing for Star Retail to repay in due course.

(b) In respect of query (b) of the Announcement, please provide details of the arrangement between the Group and Royal Golden Sky Co Ltd, and disclose the circumstances that resulted in the non-current trade and other receivables of USD20m.

Historically the Group has made sales of up to US\$16million annually to RGS before COVID-19. Unfortunately, as YIA has been closed since March 2020 due to COVID19 pandemic and circumstances beyond its control, RGS has not been able to generate any revenue.

The Company’s management has been in discussion with RGS for the balance to be repaid over the next 3 years such that the accounts receivable balance is expected to be current in 3 to 4 years’ time.

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The Company's management has agreed with RGS that in gradual recovery of passenger numbers over the next 3 years is likely and a forecast of future sales and repayments has been prepared on a conservative basis.

Please also elaborate the work done by the Board in assessing the recoverability of the non-current trade and other receivables and disclose the methodology for the assessment of impairment loss on

- (i) the non-current trade and other receivables;
- (ii) trade receivables from third parties; and
- (iii) trade receivables from Associates.

In respect of query (b)(ii) of the Announcement, please disclose the salient terms of the repayment plan and when the repayments from the third-party partners will resume.

The assessment of impairment loss is based on the historical and forward-looking trends of the receivables, which includes analysis of the age of the receivables, credit worthiness of debtors and future collectability.

The Group worked with debtors to derive the cash flow projections of the debtors to determine the ability of the debtors to settle the receivable amounts. The calculations made use of cash flow projections prepared by the debtors (assisted by the Group's management) based on budgets and projections, taking into account initiatives currently undertaken to deliver expected future performance against latest market expectations, and using suitable discount rates for the projections. These estimates require a degree of estimation and judgement.

The Group's major receivable amount is from RGS as mentioned in point (b) and repayment from RGS is to commence from year 2022 predicated on the expected opening of YIA.

(c) In respect of query (d) of the Announcement, please disclose the Board's assessment

(i) whether the Group's current assets are adequate to meet its short-term liabilities of US\$20,721,000, including its bases of assessment; and

(ii) how the Company intends to fulfil its significant payment obligations in the next 12 months. Where the Company has worked out debt repayment plans to fulfil its debt obligations, please disclose if the Company is on track to fulfilling these obligations.

The short-term liabilities consist mainly of the following:

Balance	Description	Elaboration
US\$7.6m	Shareholders' Loan & Interest	US\$5m shareholders loan has been converted to equity shares, which was approved during an EGM held on 6 <sup>th</sup> Oct 2021  We have also obtained undertakings that the remaining shareholders' loans will not be called for a loan repayment for the remaining US\$2.6m in the next 12 months

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US\$1.5m	Bank Term Loan	This is renewable annually, backed by a personal guarantee by a shareholder. The current term has been renewed until July 2022.
US\$1.5m	Lease for Auto Business	We are negotiating a revised repayment term, and expect to be able to come to an agreement in the near future
US\$1.5m	Administrative expenses accrued	This is mainly attributable to: (i) US\$0.2m of charitable donations which the Group has reach an agreement with the charity for the amount to be repaid at a future date to be decided by the Group (ii) US\$0.24m of outstanding director fees for which the directors have agreed to defer repayment to when the Group's cash position improves (iii) US\$0.8m of tax expenses accrued for Myanmar entities, which is expected be paid progressively over the next 12 months upon finalization and receipt of tax billings in Myanmar
US\$3.8m	Payables to Jointly controlled entities, Associates and third-party business partners	US\$3.2m of the US\$3.8m pertains to payable to RGS. The Group currently has approximately USD22m trade receivables from RGS and is in discussion with RGS to offset this USD3.2m against the USD22m receivable from RGS
US\$4.8m	Trade and operating expenses payables to third parties	The Group have been communicating with creditors on progressive repayments and was able to reschedule most of the payments to a further date. In addition, the Group has agreed with several significant suppliers to make merchandise returns.  As of now, the Company has agreed a moratorium for US\$1.5 million with its largest supplier until YIA reopens as well as has agreed deferred repayment plans for US\$0.8 million with other suppliers. US\$0.3 million rent payable was deferred for our F&B business with Myanmar landlords. Repayment plan has been agreed with the Group's professional service providers (Legal, Audit) covering US\$0.5 million as well as for a third-party loan provider covering US\$0.2 million.

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The Group has also implemented cost savings measures since the outbreak of COVID-19 to protect liquidity and improve its ability to meet its short-term liabilities. Operating costs has reduced significantly by US\$0.9 million from US\$1.1 million in FY2020 to US\$0.17 million in FY2021.

In June 2021, the Group has successfully raised approximately US\$1.2 million through general mandate share placements and has received the full placement amount in September 2021. The Group's two principal shareholders have also reconfirmed their commitment to support the Company.

The Group has been on track in making payments to creditors and after considering the measures and mitigating actions described above, the Board believes that the Group and the Company will be able to meet the operating requirements of the Group's business.

(d) In respect of query (e) of the Announcement, please assess the following:

- (i) the Company's ability to operate as a going concern.
- (ii) the Company's ability to meet its debt covenants (if any).
- (iii) the Company's ability to meet its short-term obligations when they fall due.

After considering the elaborations and actions undertaken by the Company as set out in the abovementioned responses for Query(c) and the Group's two principal shareholders reconfirmation of their support, the Board is of the view that the Company is able to operate as a going concern and meet its debt covenants and short-term obligations when they fall due.

By Order of the Board

Mark Francis Bedingham  
Executive Director, President and CEO  
21 October 2021