SMI VANTAGE LIMITED
(Incorporated in Singapore)
(Company Registration No. 200505764Z)

DISCLAIMER OF OPINION BY INDEPENDENT AUDITOR ON THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

Pursuant to Rule 704(5) of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Board of Directors (the "**Board**") of SMI Vantage Limited (the "**Company**" and together with its subsidiaries, the "**Group**") wishes to announce that the Company's independent auditor, RSM Chio Lim LLP ("**Auditors**"), has issued a disclaimer of opinion (the "**Disclaimer of Opinion**") in its Independent Auditor's Report dated 30 November 2021 (the "**Independent Auditor's Report**") in relation to the Group's financial statements for the financial year ended 31 March 2021 ("**FY2021**") (the "**Financial Statements**").

In the past year, the Company has experienced unprecedented challenges and difficulties presented by covid19 pandemic and the political situation in Myanmar. While the Company has strived to provide the necessary information, supporting documentation, forecast and assumptions, due to significant uncertainties surrounding the nature of the assumptions and estimates in particular the date of the re-opening of the Yangon International Airport, this has resulted in the issue of the Disclaimer Opinion as the Auditors was unable to obtain sufficient appropriate evidence to independently support, substantiate and verify these assumptions and estimates.

The Independent Auditor's Report is set out in the Company's Annual Report for the financial year ended 31 March 2021 ("**Annual Report 2021**") to be released on SGXNET and the Company's website at http://sin-mi.listedcompany.com/newsroom.html on 30 November 2021. An extract of the Independent Auditor's Report, together with an extract of the relevant notes to the Financial Statements are annexed to this announcement.

BY ORDER OF THE BOARD

Ho Kwok Wai
Non-Executive Chairman
30 November 2021

INDEPENDENT AUDITOR'S REPORT

To the Members of SMI Vantage Limited
(Formerly known as Singapore Myanmar Investco Limited)

Report on the audit of the financial statements

Disclaimer of opinion

We were engaged to audit the accompanying financial statements of SMI Vantage Limited (the "company") and its subsidiaries (the "group"), which comprise the consolidated statement of financial position of the group and statement of financial position of the company as at 31 March 2021, and the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the group, and the statement of changes in equity of the company for the reporting year then ended, and notes to the financial statements, including the significant accounting policies.

We do not express an opinion on the accompanying consolidated financial statements of the group group for the reporting year ended 31 March 2021 or the statement of financial position and the statement of changes in equity of the company as at 31 March 2021. Because of the significance of the matters described in the "*Bases for disclaimer of opinion*" section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements.

Bases for disclaimer of opinion

(i) <u>*Trade receivables*</u>

As at 31 March 2021, the group had trade receivables of US$23.9 million as disclosed in Note 19 to the financial statements. Approximately 97% of the net trade receivables are due from the group's major distributors and an associate in Myanmar. The estimated credit loss allowance is based on the historical and forward looking trends of the receivables from these distributors and associate, which includes analysis of the age of these receivables, credit worthiness of the distributors and associate and future collectability. The management of the group worked with the distributors and associate to derive the cash flow projections of the distributors and associate to determine the ability of the distributors and associate to settle the trade receivable amounts. The calculations made use of cash flow projections prepared by the distributors and associate (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 discount rates for the projections. These estimates require a degree of estimation and judgement, and involve assumptions that are subject to significant uncertainties. The expected credit loss allowance is based on the lifetime expected credit loss.

We discussed with management the process over the determination of the recoverability of outstanding trade receivables. We obtained an understanding of the respective distributors' and associate's business models and business environment in which these distributors and associate operate in Myanmar, including confirmation from the distributors and associate on the outstanding trade receivable balances at the end of reporting year. The audit team was supported by our in-house valuation specialists to assess the mathematical accuracies in applying the assumptions, factors and inputs used for the projections.

However due to the significant uncertainties surrounding the nature of the assumptions and estimates as a result of the current Covid-19 pandemic and political situation in Myanmar, we were unable to obtain sufficient appropriate evidence to independently substantiate and verify these assumptions and estimates. As a result, we were unable to determine whether the carrying amounts of the group's trade receivables as at 31 March 2021 are fairly stated.

(ii) <u>*Non-financial assets*</u>

As at 31 March 2021, the group and the company had the following non-financial assets:

- Plant and equipment with carrying values of US$7.6 million and US$0.5 million at the group and company levels respectively as disclosed in Note 14 to the financial statements;
- Right-of-use assets with carrying values of US$0.9 million and US$0.2 million at the group and company levels respectively as disclosed in Note 14A to the financial statements;
- Investments in jointly controlled entities with carrying values of US$0.8 million and US$0.9 million at the group and company levels respectively as disclosed in Note 18 to the financial statements;
- Intangible assets with carrying value of US$0.1 million at the group level as disclosed in Note 15 to the financial statements.

Bases for disclaimer of opinion (cont'd)

(ii) *Non-financial assets (cont'd)*

An impairment review is performed when there are indications of impairment. Management used the value-in-use method to determine the respective recoverable amounts of the above non-financial assets. The value-in-use calculation requires management to estimate the future cash flows expected to arise from each cash generating unit ("CGU") as well as a suitable discount rate in order to calculate present value of the recoverable amount of each CGU. In estimating the future cash flows of each CGU, management forecasted the revenue, growth rates and margins based on presently available information.

We discussed with management the process over the determination of various estimates such as forecasted revenues, growth rates, profit margins, tax rates and discount rates. We assessed management's estimates applied in the value-in-use calculation based on our knowledge of each CGU's operations, and compared them against historical forecasts and performance. The audit team was supported by our in-house valuation specialists to assess the mathematical accuracy in management's methodology, estimates and the discount rate used in the impairment assessment. However due to the significant uncertainties surrounding the nature of the assumptions and estimates, as a result of the current Covid-19 pandemic and political situation in Myanmar, we were unable to obtain sufficient appropriate evidence to independently substantiate and verify these assumptions and estimates. As a result, we were unable to determine whether the carrying amounts of the above non-financial assets as at 31 March 2021 are fairly stated.

(iii) *Receivables from subsidiaries, associates and joint ventures*

As at 31 March 2021, the company's receivables from subsidiaries, associates and joint ventures totalled US$22.2 million as disclosed in Note 19 to the financial statements. For the non-performing subsidiaries, associates and joint ventures, or if they have significant negative equity balances, management has prepared profit forecasts to determine the value-in-use in assessing the allowance for expected credit loss based on lifetime expected credit loss.

We reviewed and challenged the assumptions and estimations used by management and have also discussed with management on the prospects and future plans of these subsidiaries. We have also assessed the mathematical accuracies in applying the assumptions, factors and inputs used for the projections.

However due to the significant uncertainties surrounding the nature of the assumptions and estimates, as a result of the current Covid-19 pandemic and political situation in Myanmar, we were unable to obtain sufficient appropriate evidence to independently substantiate and verify these assumptions and estimates. As a result, we were unable to determine whether the carrying amounts of the company's receivables from subsidiaries, associates and joint ventures as at 31 March 2021 are fairly stated.

(iv) *Going concern*

The group and the company incurred losses from continuing operations, net of tax of US$5.1 million and US$2.0 million respectively during the reporting year ended 31 March 2021. As at 31 March 2021, the group's current liabilities exceeded the group's current assets by US$11.3 million and the company's current liabilities exceeded the company's current assets by US$1.3 million. The group's and company's current liabilities totalled US$20.1 million and US$9.9 million respectively as at 31 March 2021, the majority of which have been outstanding for more than 12 months, although they are repayable on demand. In addition to the above, as disclosed in Note 29E to the financial statements, the company was to guarantee the credit facilities of a Myanmar retail distributor of US$1.3 million obtained from a financial institution.

As disclosed in Note 30 to the financial statements, subsequent to end of the reporting year, shareholder's loans of US$5.0 million were converted into share capital of the company. The company has also obtained undertakings from the shareholders concerned not to recall the remaining shareholders' loans, and to provide financial support for at least another 12 months from the reporting date, though no firm arrangement to set aside sufficient funds by the shareholders concerned to meet the group's debt obligations as and when they arise, has been put in place. There were also new shares issued following the receipt of cash injection by new shareholders totalling US$1.2 million, and the group is also in discussions with potential investors to raise fresh funds for the group to meet the group's debt obligations and capital needs, though we were unable to obtain sufficient appropriate evidence to assess the outcome of the ongoing discussions with the potential investors.

Bases for disclaimer of opinion (cont'd)

(iv) *Going concern (cont'd)*

These conditions set out in the preceding paragraphs, including our inability to determine whether the carrying amounts of the group's and company's receivables have been fairly stated, reflect the presence of multiple material uncertainties. As a result of the above, we were unable to obtain sufficient appropriate evidence to independently substantiate and verify the group's and company's ability to continue as going concerns.

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and financial reporting standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the financial statements in accordance with Singapore Standards on Auditing and to issue an auditor's report. However, because of the matters described in the "*Bases for disclaimer of opinion*" section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

Report on other legal and regulatory requirements

In our opinion, in view of the significance of the matters referred to in the "*Bases for disclaimer of opinion*" section of our report, we do not express an opinion on whether the accounting and other records required by the Act to be kept by the company and by the subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Lee Mong Sheong.

RSM Chio Lim LLP
Public Accountants and
Chartered Accountants
Singapore

30 November 2021

Engagement partner - effective from reporting year ended 31 March 2019

1. General

The company is incorporated in Singapore with limited liability. The financial statements are presented in United States dollars and they cover the company (referred to as "parent") and the subsidiaries.

Before 7 October 2021, the company was known as Singapore Myanmar Investco Limited, which was changed to its present name, SMI Vantage Limited.

The board of directors approved and authorised these financial statements for issue on the date of the statement by directors. The directors have the power to amend and reissue the financial statements.

The principal activity of the company is an investment holding company. The company registered a branch in Myanmar so as to have a stronger business presence to support its Myanmar businesses.

The company is listed on the Singapore Exchange Securities Trading Limited ("SGX-ST").

The principal activities of its subsidiaries are described in Note 16 to the financial statements below.

The registered office is: 300 Beach Road, #31-03, The Concourse, Singapore 199555. The company is situated in Singapore.

Uncertainties from COVID-19 pandemic and the aftermath

The COVID-19 pandemic and the aftermath of the pandemic globally forced the reporting entity to suspend or limit business operations during the reporting year and the aftermath is expected for the unforeseeable period ahead. The exact reopening date of Yangon International Airport ("YIA") is not known at this time and no official government announcement has been made. Measures were taken by the governments to contain the spread of COVID-19, including travels, social distancing and closure of non-essential services. The current Covid-19 pandemic and current political situation in Myanmar have resulted in an economic slowdown, which has adversely impacted on the business of the reporting entity. The economic uncertainties have created questions about the uncertainties relating to the impairment or recoverability of certain assets (including impairment allowances for receivables, plant and equipment, cost of investments and net receivables from subsidiaries) and the completeness or valuation of certain assets and liabilities reflected in these financial statements. An assessment was made by management whether for the current reporting year there were any indications that these assets and liabilities may be impacted adversely. If any such indication of uncertainties existed, an estimate was made of the realisable amount and or fair value of the relevant assets and the completeness of the liabilities (which balances are more fully disclosed in the relevant notes to these financial statements). The recoverability of the assets and the ability of the entity to maintain or pay its debts as they mature are dependent to a large extent on the efficacy of the fiscal and other measures undertaken by Singapore and the affected countries overseas, in particular Myanmar, to successfully meet those economic challenges. As the pandemic continues to progress and evolve, it is extremely challenging to predict the full extent and duration of its impact on the entity's businesses and the countries where the reporting entity operates. The group is monitoring the situation closely and to mitigate the financial impact, it is conscientiously managing its cost by adopting an operating cost reduction strategy and conserving liquidity by working with major creditors to align repayment obligations with receivable collections.

Basis for going concern

The group and the company incurred losses from continuing operations, net of tax of US$5.1 million and US$2.0 million respectively during the reporting year ended 31 March 2021 (2020: US$10.5 million and US$9.0 million respectively) and, as of that date, the group recorded a negative working capital (current liabilities exceeded the current assets) of US$11.3 million as compared to a negative working capital of US$10.9 million as at 31 March 2020. And as disclosed in Note 29E, the company was to guarantee the credit facilities of a Myanmar retail distributor amounting to US$1.3 million obtained from a financial institution of which the group has assessed and will not be issuing it at the date of this report.

Notwithstanding the negative working capital position, the management is of the view that the working capital available as at 31 March 2021 is sufficient for the group's present cash flow requirements and for the following 12 months. In arriving at this conclusion, management took into account the following:

- The group's ability to generate sufficient cash flows from its operating activities to support its operating expenses in the next 12 months, taking into account the impact that COVID-19 and current political situation in Myanmar may have on the group's operations based on current available information.

1. **General (cont'd)**

Basis for going concern (cont'd)

- Management is of the view that the banks will not request for immediate payment of the outstanding loans and will continue to make available the existing overdraft facilities to the group.

- Written undertaking from the two substantial shareholders, who are also directors of the company, to provide continued financial support to the group and not to demand payment of the loans outstanding from the group until the group is in a financial position to do so.

- Subsequent to the reporting year end, shareholder's loans of US$5 million was converted into share capital of the company. See Note 30.

- New ordinary shares of the company were issued for a total cash consideration US$1,187,000 (S$1,579,000). See Note 30.

Therefore, management is of the opinion that the use of the going concern basis in the preparation of these financial statements is appropriate.

If the group or the company is unable to continue in operational existence for the foreseeable future, the group or the company may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statements of financial position. In addition, the group or the company may need to reclassify non-current assets and may have to provide for further liabilities that may arise. No such adjustments have been made to these financial statements.

Statement of compliance with financial reporting standards

These financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (International) ("SFRS(I)s") and the related Interpretations to SFRS(I) ("SFRS(I) INT") as issued by the Singapore Accounting Standards Council. They are in compliance with the provisions of the Companies Act, Chapter 50 and with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB).

Accounting convention

The financial statements are prepared on a going concern basis under the historical cost convention except where a financial reporting standard requires an alternative treatment (such as fair values) as disclosed where appropriate in these financial statements. The accounting policies in the financial reporting standards may not be applied when the effect of applying them is not material. The disclosures required by financial reporting standards may not be provided if the information resulting from that disclosure is not material.

Basis of preparation of the financial statements

The preparation of financial statements in conformity with generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates. The estimates and assumptions are reviewed on an ongoing basis. Apart from those involving estimations, management has made judgements in the process of applying the entity's accounting policies. The areas requiring management's most difficult, subjective or complex judgements, or areas where assumptions and estimates are significant to the financial statements, are disclosed at the end of this note to the financial statements, where applicable.

19. Trade and other receivables (cont'd)

Movements in above allowance on other receivables:

	Group		Company	
	2021	2020	**2021**	2020
	US$'000	US$'000	**US$'000**	US$'000
At beginning of the year	**401**	401	**17,993**	12,876
Charge for other receivables to profit or loss included in other losses	**–**	–	**1,383**	5,117
At end of the year	**401**	401	**19,376**	17,993

The trade receivables are subject to the expected credit loss allowance model under the financial reporting standard on financial instruments. The allowance for expected credit loss is based on the lifetime expected credit loss. The exact reopening date of YIA is not known at this time and no official government announcement has been made. The group has worked with local distributors and associate to derive the cash flow projections of local distributors and associate to determine the ability of the debtors to settle the trade receivable amounts. The calculations made use of cash flow projections prepared by the distributors and associate, assisted by the group's management, based on budgets and projections, taking into account initiatives currently undertaken to deliver expected future performance upon business resumption against latest market expectations, and using suitable discount rates for the projections. Key assumptions include the following: number of years of cash flow projections: 5 years (2020: 5 years); long term growth rate: 5.8% (2020: 5.8%) and discount rate applied: 14.9% (2020: 15.1%). An impairment allowance of US$Nil (2020: US$3.9 million) was made for the current reporting year.

In addition to the above, as there has been significant slowdown of construction projects in Myanmar, the group also provided an impairment allowance of US$0.1 million (2020: US$0.6 million) for the trade receivables from an equipment distributor.

The amounts are written off when there are indications that there is no reasonable expectation of recovery or the failure of a debtor to make contractual payments over an extended period.

As part of the process of setting customer credit limits, different credit terms are used. The average credit period generally granted to trade customers is about 90 days (2020: 90 days). But some customers take a longer period to settle the amounts.

Ageing analysis of the age of trade receivable amounts that are past due as at the end of reporting year but not impaired:

	Group	
	2021	2020
	US$'000	US$'000
91 to 150 days	**30**	2,646
151 to 365 days	**1,943**	10,917
Over 365 days	**23,080**	7,739
Total	**25,053**	21,302

	Group	
	2021	2020
	US$'000	US$'000
Top 1 customer	**21,987**	24,596
Top 2 customers	**24,626**	26,041
Top 3 customers	**27,042**	28,897

The other receivables at amortised cost shown above are subject to the expected credit loss model under the financial reporting standard on financial instruments. The other receivables at amortised cost and which can be graded as low risk individually are considered to have low credit risk. At the end of the first reporting period a loss allowance is recognised at an amount equal to 12 month expected credit losses because there has not been a significant increase in credit risk since initial recognition.

At each subsequent reporting date, an evaluation is made whether there is a significant change in credit risk by comparing the debtor's credit risk at initial recognition (based on the original, unmodified cash flows) with the credit risk at the reporting date (based on the modified cash flows). Adjustment to the loss allowance is made for any increase or decrease in credit risk.

As there is a significant increase in credit risk, an additional loss allowance of US$1.4 million (2020: US$5.1 million) was made on the amount due from subsidiaries.