

FY2021 ANNUAL GENERAL MEETING ADVANCE QUESTIONS AND RESPONSES

The Board of Directors (the “Board”) of SMI Vantage Limited (the “Company” and together with its subsidiaries, the “Group”) refers to the publishing of its annual general meeting related documents on the SGXNet on 30 November 2021. As of 6 December 2021, the Company has received the following relevant and significant questions from the shareholders and the Company wishes to provide its responses in advance of the AGM as follows:

[Q1] Please refer to the Company’s SGXNet announcement of 26 Nov 2021. It was stated that “SMI Vantage is applying to be an invited NFT publisher on an established NFT platform which requires publishers to be invited or go through a selection process to be licensed.” Which “established NFT platform” is SMI Vantage applying to?

We are unable to disclose at this time as these are confidential commercial information at the current stage, but we will update shareholders further if the selection process ends successfully.

[Q2] Please refer to page 89 of the Annual Report about “Events after the end of the reporting year”. Why the 52,633,333 new ordinary shares were at a subscription price of only S\$0.03/share, while the 7,834,757 new ordinary shares for the purchase of cryptocurrency mining machines were at an issue price of S\$0.09/share (3 times as much)?

The two events described above occurred at different periods, and the price of each event’s share issuance was calculated based on the Volume Weighted Average Price (VWAP) as of the date of each announcement. Please refer to the corresponding announcements for more details for the consideration price.

[Q3] From SGX-listed Hatten Land Limited’s SGXNet announcement on 01 Dec 2021, it was stated that Hatten Land “is in the advanced stage of fitting out facilities at Elements Mall in Melaka to accommodate approximately 3,000 cryptomining rigs. ... (Hatten Land) intends to increase our cryptomining activities to at least 10,000 cryptomining rigs by 2023 as we conclude more partnerships and/or collaborations in the Group’s malls.” Assuming each Canaan Avalon BTC Miner cryptocurrency mining machine cost S\$235.04 each, 7,000 more cryptocurrency mining machine will cost S\$1,645,280. If SMI Vantage succeeds in getting the contract from Hatten Technology, how will this S\$1,645,280 be financed?

The announcements made by Hatten Land are with regards to its own commercial activities and objectives. The announcements made by SMI are completely independent of those announcements. As announced on 19 September 2021, SMI Vantage is looking to place machines owned by SMI in premises owned/managed by Hatten Land (which is offering hosting services) and has entered into a MOU on this. SMI has also made separate announcements on its own acquisition of cryptocurrency machines. Both SMI and Hatten Land are separate listed companies, and we are unable to comment on Hatten Land’s announcement.

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[Q4] Other than “Malaysia’s low and stable cost of electricity”, what have SMI Vantage and/or The9 Limited planned to do to ensure this initial development at Elements Mall in Melaka will be successful?

SMI Vantage Limited is establishing its own SOPs and will only utilize hosting facilities that can meet those SOPs. These SOPs are being formulated based on advice received from The9 Limited and its service providers, as well as technical advisors being engaged by SMI Vantage Limited.

[Q5] Please refer to page 35 of the Annual Report about “Consolidated statement of profit or loss and other comprehensive income”. For FY2021, why was there “Cost of sales” of US\$2.418m, when sales revenue was merely US\$335K?

There was US\$2million of depreciation for CAPEX investment at the airport were recorded under the cost of sales in accordance with the Group’s plant and equipment depreciation policy.

[Q6] Please refer to page 35 of the Annual Report about “Consolidated statement of profit or loss and other comprehensive income”. Why “Distribution costs” declined by merely 65.1% from US\$2.116m in 2020 to US\$738K in 2021, when Revenue declined by as much as 98.4% from US\$20.881m in 2020 to US\$335K in 2021?

Staff salaries decreased by 90% offset in part by termination costs for expatriate staff. However, F&B rental cost could only be reduced by 40% after extensive negotiations with the landlords. Significant depreciation costs remained responsible for approximately 40% of the total distribution costs.

[Q7] Please refer to page 73 of the Annual Report about “Investments in joint ventures”. How did the “Share of profit/(loss) for the year” by SMI-Senko Logistics Pte Ltd and SMI Retail Pte Ltd manage to turn from loss of –US\$28K in 2020 to profit of US\$71K in 2021?

The improvement of approximately USD100k in share of profit, from USD28k share of loss in FY2020, to USD71k profit share in FY2021, was due to the improvement of profitability from the logistics JV in FY2021.

In FY2021, rental income of the logistics JV increased by approximately USD157k and there was a substantial cost reduction of USD80k achieved through elimination of expatriate manager position. Profit/loss share from the logistics JV improved from approximately USD48k share of loss in FY2020 to approximately USD66k share of profit in FY2021.

This improvement in profitability was partly offset by less profit being generated from the SMI Retail JV coming from a reduction of revenue being generated in FY2021. Profit share from the Retail JV deteriorated from USD20k share of profit in FY2020 to USD5k share of profit in FY2021.

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[Q8] Please refer to page 74 of the Annual Report about “Investments in joint ventures”. For “Joint venture with Senko Co., Ltd (Japan)”, how did it manage to turn from loss of –US\$97K in 2020 to profit of US\$132K in 2021?

The improvement of approximately USD230k, from a loss of USD97k in FY2020, to profit of USD132k in FY2021 were due mainly to USD157k more rental income being generated as well as cost savings of USD80k on expatriate costs in FY2021 (FY2020:USD80k and no expatriate cost in FY2021).

[Q9] Please refer to page 75 of the Annual Report about “Investments in joint ventures”. May I ask the Audit Committee how much of the US\$7.333m current net trade receivables have been collected so far?

There is some confusion as “Trade and Other Receivables” is set out in page 75 while “Investment in Joint Ventures” is set out in page 73. If this question is in relation to “Net Trade Receivables” as shown on page 75, it can be seen that at a Group level “Net Trade Receivables” have reduced from USD9.5m in 2020 to USD7.3m in 2021. Please refer to the Company's future financial results release for further information.

[Q10] Please refer to page 75 of the Annual Report about “Investments in joint ventures”. May I ask the Audit Committee how much of the US\$16.608m non-current net trade receivables have been collected so far?

As clarified in the question above, “Trade and Other Receivables” is set out in page 75 while “Investment in Joint Ventures” is set out on page 73. If this question is in relation to “Net Trade Receivables” as shown on page 75, it can be seen that at a Group level “Net Trade Receivables” have reduced from USD14.6m in 2020 to USD16.6m in 2021. Please refer to the Company's future financial results release for further information.

[Q11] How will the capital commitment trend be like over the next 2-3 years? How will they be funded?

At this juncture, apart from the necessary maintenance and upkeep, we envisage that there will be minimal capital expenditure for its legacy business due to the uncertainty of the economic and political situation in Myanmar. For its pivot in the new business, management intends to be prudent in its capital commitments which is dependent on, amongst other factors, securing shareholders' approval in the upcoming EGM as well as capital available.

For more information, please refer to page 79 of the Annual report where the Company has set out and explained its policy with regards to capital management.

BY ORDER OF THE BOARD

Mark Francis Bedingham
President and CEO
13 December 2021