

SMI VANTAGE LIMITED

(Registration No. 200505764Z)

(Incorporated in Singapore)

RESPONSES TO QUESTIONS FROM THE SECURITIES INVESTORS ASSOCIATION (SINGAPORE) ON THE ANNUAL REPORT FY2022

SMI Vantage Limited (the “Company” or “SMI” and together with its subsidiaries, the “Group”) refers to the questions raised by Securities Investors Association (Singapore) (“SIAS”) in relation to the Company’s Annual Report for the financial year ended 31 March 2022 and appends the requisite replies as follows:

Q1. As noted in the CEO’s message, the group has acquired cryptocurrency mining machines to venture into cryptocurrency mining.

On 30 March 2022, the company announced that it was on track to complete the installation of 3,100 [emphasis added] cryptocurrency mining machines in two locations in Southeast Asia by end of May 2022.

On 12 May 2022, the company announced that it has started cryptocurrency mining operations in Bandar Seri Begawan, Brunei with 1,500 cryptocurrency mining machines “which form part of the 3,000 [emphasis added] cryptocurrency mining machines previously announced”.

(i) Can management clarify the number of cryptocurrency mining machines bought and owned by the group? How many machines have been delivered to the group?

Company’s response:

The Company confirms that, to date, it has purchased 3,106 crypto-mining machines.

The first announcement was made by way of a press release on 15 July 2021, advising that SMI had issued an option to purchase up to 4,000 crypto-mining machines from The9. This was followed by a press release on 24 August 2021 stating that orders have been placed for “up to 800 crypto-mining machines” with The9.

On 24 November 2021, SMI made an announcement that it was acquiring 3,000 Canaan Avalon BTC-Miners (crypto-mining machines) from The9’s subsidiary, NBTC which was followed by a press release made on 15 July 2021 to update that 1,600 crypto-mining machines have been delivered to the Group. The remaining 1,500 crypto-mining machines are stored in a Group designated warehouse in Shanghai and will be shipped in the near future.

On 20 July 2022, we have made a separate announcement of the recent purchase of 6 crypto-mining machines from another supplier.

(ii) In addition, how many machines have been installed in Brunei and/or Malacca?

Company’s response:

The Company has chosen to locate its crypto-mining machines to optimize power costs and venue capabilities; any further disclosure is a confidential commercial matter.

(iii) What caused the delay in the delivery and installation of the machines?

Company’s response:

The delay to the shipment of the machines from Shanghai was caused by logistics bottlenecks at the port due to the local government regulations and related health protocols imposed in relation to Covid situation in Shanghai.

(iv) What are the specifications of the cryptocurrency machines?

Company's response:

3,100 crypto-mining machines were purchased from The9 Limited (see above comments on various announcements made). These are made by a reputable manufacturer, Canaan, but we are unable to provide any further details due to confidentiality provisions with the seller. The details of the recently purchased 6 machines, from a different supplier, were announced on 20 July 2022.

(v) What was the level of due diligence carried out by the board on its partners, including The9 Limited and Hang Zhou Suan Li Technology Co Ltd ("NHASH")? In particular, how well established is NHASH and what were the selection criteria used in picking NHASH?

Company's response:

As previously announced, The9 Limited (The9) is a diversified high-technology internet company incorporated in the Cayman Islands and headquartered in the People's Republic of China, whose shares are listed and traded on the NASDAQ. NASDAQ listed companies are subject to onerous reporting and regulatory oversight in the USA. After several meetings with the Chairman of The9, SMI CEO was confident that The9 would make an excellent partner and this was confirmed in not only the arrangements to purchase, for shares, up to 4,000 crypto-mining machines, but also the investment that The9 made in a share placement was approved by the Board of Directors after a thorough review and was announced on 23 June 2021.

NHASH was a business partner of The9. SMI was introduced to NHASH by The9 as a potential service provider to provide technical services to SMI in the development of our Cryptocurrency business. NHASH demonstrated a good knowledge and possess strong technical expertise of the crypto currency mining space, including mining platforms. In view of the introduction by The9 and their background, NHASH was assessed to possess the necessary qualifications to satisfy SMI's requirements as a service provider.

(vi) Given that most, if not all, cryptocurrencies have declined in prices, how has that affected the group? Will the group's cryptocurrency mining still be profitable?

Company's response:

The Group has resumed its F&B and Retail business in Myanmar and has initiated its new mining business., profitability is linked to the prices of bitcoin and the Group will make judicious decisions on mining locations, as well as other related operational decisions taking into account the bitcoin price.

(vii) What is the amount of capital earmarked for the expansion into cryptocurrency mining?

Company's response:

The Company has announced its placement with The9 and other subscribers on 21 June 2021 and 23 June 2021 respectively for the following use of funds:

- Placement with The9:

Rationale and Use of Proceeds. The aggregate Subscription Proceeds and Option Proceeds (collectively, "**Proceeds**") of S\$1,330,000 will be used by the Company for the following:

- (a) 50% for business investments, and
- (b) 50% to meet the Group's anticipated general working capital requirement for the purposes of meeting general overheads and other operating expenses of the Group (such as rent, salaries, administrative expenses and professional fees), as well as the expenses of approximately S\$12,000 incurred by the Company for the Subscription and the Option.

- Placement with Jonathan Paul and Ong Toon Wah:

Rationale and Use of Proceeds. The Subscription Proceeds of S\$249,000 will be used by the Company for the following:

- (a) 50% for business investments; and
- (b) 50% to meet the Group's anticipated general working capital requirement for the purposes of meeting general overheads and other operating expenses of the Group (such as rent, salaries, administrative expenses and professional fees), as well as the expenses of approximately S\$12,000 incurred by the Company for the Subscriptions.

The Company has announced on 30 June 2022, the second placement for the following use of funds:

Rationale and Use of Proceeds. The Subscription Proceeds of S\$675,000 will be used by the Company for the following:

- (a) 80% for business investments; and
- (b) 20% to meet the Group's anticipated general working capital requirement for the purposes of meeting general overheads and other operating expenses of the Group (such as rent, salaries, administrative expenses and professional fees), as well as the expenses of approximately S\$30,000 incurred by the Company for the Proposed Subscriptions.

Q2. The Yangon International Airport was reopened on 17 April 2022 to international flights and the group's partners in the travel retail sales segment have resumed their operations.

- (i) **For the benefit of shareholders, what is the pick-up in the number of flights and visitors to the country so far? In management's view, when will tourist arrivals return to the pre-pandemic levels?**

Company's response:

The Company is expecting a slow recovery of flights and passengers at the airport, and this may be somewhat slower than for other regional airports.

- (ii) **What is the consumer sentiment in Yangon given the pandemic and the political situation in Myanmar?**

Company's response:

The Company is not in a position to speculate on consumer sentiment. However, the Company does note that the majority of sales in its Travel Retail business is driven by regional business travelers coming from international travellers.

- (iii) **What is the current financial status of the group's major distributor(s)/customer(s) given that the country has shut its national borders for more than two years and in view of the challenging economic conditions?**

Company's response:

The Company's major customer at Yangon International Airport has successfully reopened several of its stores and is trading normally.

For the financial year ended 31 March 2021, the former auditor had issued a disclaimer of opinion as the then-auditor was unable to obtain sufficient appropriate evidence to independently support, substantiate and verify the company's assumptions and estimates. The bases for disclaimer of opinion were (a) trade receivables, (b) non-financial assets, (c) receivables from subsidiaries, associates and joint ventures and (d) going concern.

- (i) Can the board/audit committee help shareholders better understand how the newly-appointed auditor was able to satisfy themselves and obtain sufficient appropriate evidence to independently support, substantiate and verify the company's assumptions and estimates?

Company's response:

The Board and Audit Committee have confirmed their agreement to the FY2022 Auditors' Report as published in the Annual Report of the Company on 13 July 2022. It would clearly be inappropriate for the Company to make any further comment.

Q3. On 30 November 2021, Mr Tan Boon Gin, chief executive of Singapore Exchange Regulation (SGX RegCo), gave guidance that companies are expected to use the two-tier rule sparingly to promote renewal and succession planning¹.

At the AGM scheduled to be held on 28 July 2022, the company is proposing to re-elect Mr. Wee Sung Leng and is seeking shareholders' two-tier vote for the continued appointment of Mr. Wee Sung Leng as an independent director. Mr. Wee Sung Leng would have served the board beyond nine years from the date of his first appointment on 6 November 2013, i.e. 5 November 2022.

- (i) What deliberations did the board/nominating committee (NC) have over SGX RegCo's guidance on the selective use of the two-tier vote for long tenured independent directors?

Company's response:

The Company has already announced the change of one of its three Independent Directors, with the appointment of one new Independent Director, Mr. Sam Chong Keen who joined the Company in January 2022. It was felt that given Mr. Wee Sung Leng's considerable service to the Company, continuity would be beneficial to the Company. It should be noted that a further new appointment to the Board is expected as Mr. Fong Sing Chak Jack is due to retire and has advised that he is not seeking re-election in the upcoming AGM on 28 July 2022.

- (ii) Will the continued appointment of the long-tenured independent director impede/delay the progressive renewal of the board? Are there any challenges faced by the board in identifying and onboarding of new board members?

Company's response:

The Company believes that the appointment of new directors will undoubtedly bring a new perspective to the business. However, this should not come at the expense of valuing continuity and familiarity with the business of the Company and therefore, changes will continue to be made reflecting this prudent approach.

¹ <https://www.businesstimes.com.sg/companies-markets/answer-my-question-before-i-vote-sgx-regco-sets-new-timelines-for-companies-to>

Separately, on 24 January 2022, the company announced the appointment of Mr. Sam Chong Keen with effect from 31 January 2022. A snapshot of the company's announcement is reproduced below:

CHANGE - ANNOUNCEMENT OF APPOINTMENT::APPOINTMENT OF NON-EXECUTIVE AND LEAD INDEPENDENT DIRECTOR

Announcement Title

Change - Announcement of Appointment

Date & Time of Broadcast

24-Jan-2022 17:46:42

Status

New

Announcement Sub Title

Appointment of Non-Executive and Lead Independent Director

Announcement Reference

SG220124OTHR2CYD

Submitted By (Co./ Ind. Name)

Mark Francis Bedingham

Designation

Executive Director, President and CEO

Description (Please provide a detailed description of the event in the box below)

Appointment of Non-Executive and Lead Independent Director

Additional Details

Date Of Appointment

31/01/2022

Name Of Person

Sam Chong Keen

Age

68

Country Of Principal Residence

Singapore

The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)

The Nominating Committee ("NC") had reviewed the qualifications, working experience and independence of Sam Chong Keen and recommended his appointment.

The Board having considered the recommendation from the NC, approved the appointment of Sam Chong Keen as a Non-Executive and Lead Independent Director.

Whether appointment is executive, and if so, the area of responsibility

Non-Executive

Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)

Lead Independent Director, Chairman of Audit Committee, member of Remuneration and Nominating Committee

(Source: company annual report; emphasis added)

- (i) **Can the company/NC disclose the selection criteria and the search and nomination process, as required by the SGX template?**

Company's response:

A review of Mr. Sam Chong Keen's extensive experience in business and in government clearly demonstrates the exceptional range of business, commercial and organizational knowledge that he can bring to SMI. The full extent of his background is set out below and is included in the Company's Annual Report announced on 13 July 2022:

"Mr. Sam Chong Keen was appointed as an Independent Director of our Group on 31 January 2022. He is the Lead Independent Director and Chairman of our Audit Committee. Mr Sam has a wealth of management experience, having worked at senior positions in the Singapore Government Administrative Service, National Trade Union Congress (NTUC) and Intraco Limited as well as working as CEO over the past 30 years in various public listed Companies in Singapore, including Comfort Group Limited, VICOM Limited, Lion Asiapac Limited, Lion Teck Chiang limited, Xpress Holding Limited and Jade Technologies Holding Limited. He was also the Political Secretary to the Minister for Education from 1988 to 1991. He served on various government boards and committees, including the Central Provident Fund Board and the National Co-operative Federation. Mr Sam is currently an Independent Director of Lion Asiapac Limited, Stamford Tyres Corporation Ltd, A-Smart Holdings Ltd and Parkson Retail Asia Ltd. He holds a Bachelor of Arts (Honours) in Engineering Science and Economics and a Master of Arts Degree from Oxford University."

- (ii) **Can the NC/director help shareholders better understand Mr Sam Chong Keen's track record of doing business in Myanmar and experience and familiarity with cryptocurrencies?**

Company's response:

Mr. Sam Chong Keen was selected due to his extensive experience in the Singapore business including publicly listed companies, as well as in government and government related organizations and institutions. During his tenure in Intraco and Lion Asiapac, Mr Sam has exposure to and has been involved in Myanmar projects undertaken by the two companies.

The Company has announced on 30 December 2021, the creation of an Advisory Board. The purpose of the Advisory Board is to contribute their industry knowledge and expertise towards SMI Vantage's new focus on new economies and internet technologies such as blockchains, cryptocurrencies and NFTs. The Advisory Board will meet at least three times a year and would provide the CEO and the Board of Directors with comprehensive insights and advice related to blockchains, cryptocurrencies, NFTs and other new economy and internet technologies. The profile of each of the three members of the Advisory Board is available in the announcement and listed on the Company's website.

The Group's CEO, Mark Francis Bedingham has been involved with Myanmar for more than 20 years including the last 7 years as CEO of the Group and has sufficient and extensive knowledge of this market to be able to advise the Board of Directors on any related matters.

By Order of the Board

Mark Francis Bedingham
Executive Director, President and CEO
27 July 2022