

**SMI VANTAGE LIMITED**

(Registration No. 200505764Z)

(Incorporated in Singapore)

**RESPONSES TO QUESTIONS FROM SINGAPORE STOCK EXCHANGE RELATED TO THE UNAUDITED FINANCIAL STATEMENTS FOR THE FIRST HALF YEAR AND SIX MONTHS ENDED 30 SEPTEMBER 2022**

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 First Half Year and Six Months ended 30 September 2022 (“FY 2023 Q2”) and the Company’s SGXNet announcement dated 11<sup>th</sup> November 2022 entitled “Financial Statements and Related Announcement: Half Yearly Results” (the “Announcement”), and appends the requisite replies as follows:

**Refer to the Company’s financial statements for the First Half Year and Six Months ended 30 September 2022.**

1. In respect of the Group’s non-current trade and other receivables amounting to US\$16.7 million, please disclose:

i) the breakdown of the Group’s trade and other receivables (where applicable);

The breakdown of the Groups’ non-current trade and other receivables amounting to US\$16.7million as of 30<sup>th</sup> September 2022 is set out in the table below:

1. Trade and other receivables	Non- Current	Current	As per Announcement	
(In US\$'000) Description	30-Sep- 22	30-Sep- 22	30-Sep- 22	31-Mar- 22
Trade receivables				
Third parties	21,296	1,457	22,753	23,167
Associates	0	1,989	1,989	2,272
Less: Allowance for impairment	(4,539)	(1,446)	(5,985)	(5,985)
Net trade receivables	16,757	2,000	18,757	19,454
Non-trade & other receivables				
Third parties	0	51	51	65
Deferred consideration from disposal of subsidiaries	0	297	297	331
Joint ventures	0	257	257	256
Associates	0	14	14	13
GST/commercial tax receivable	0	187	187	164
Less: Allowance for impairment	0	(527)	(527)	(527)
Total trade and other receivables	16,757	2,279	19,036	19,756

ii) the nature of the non-current receivables; and

Consistent with what was disclosed in the Group’s Annual Report (13<sup>th</sup> July 2022), the non-current receivables amounting to US\$16.7 million as of 30<sup>th</sup> September 2022, are due from the Group’s major distributors and an associate in Myanmar. This will be gradually reduced as the airport passenger traffic increases to reach commercial norms in accordance with mutually agreed understanding with the

Group's major distributors and associate in Myanmar.

The Group's Annual Report (31<sup>st</sup> July 2022) included an impairment allowance of US\$5.985million, and is maintained as of 30<sup>th</sup> September 2022.

(iii) the Board's assessment of the recoverability of the non-current trade and other receivables.

The latest developments in Myanmar such as the reopening of the Yangon International Airport ("YIA"), lifting of the Covid-19 curfew restrictions, and resumption of flights to/from China have allowed for a gradual resumption of economic and tourism activities, and is contributing to the improved business performance of the Group's major distributors and associate in Myanmar, which will facilitate the recovery and repayments of the amounts due to the Group from these parties.

The Board expresses its confidence in the recoverability of the non-current trade and other receivables, considering the slow but steady recovery of airport passenger flights and local trade revenue being achieved by the Group's major distributors and associate in Myanmar.

2. As at 30<sup>th</sup> September 2022, the Group has net current liabilities of US\$1.2 million with cash and cash equivalents of US\$2.4 million. Please disclose the pro-active actions which management plans to take to ensure that the Group's financial position remains strong.

Since 30<sup>th</sup> September 2022, the Group has received a cash injection of JPY 100,000,000 via the issuance of new shares to shareholders in line with the Group's General Mandate allowance. The Group has also received additional shareholders' loans of US\$1.6 million.

The Group has also obtained undertakings from the shareholders concerned not to recall the remaining shareholders' loans of US\$5.89 million, and to provide financial support for at least another 12 months from the reporting date.

Management believes that the actions detailed above further improves and ensures that the Group's financial position remains strong.

(i) Please assess the Company's ability to operate as a going concern.

Management is of the opinion that the use of the going concern basis in the preparation of the half-year financial statements is appropriate based on the following considerations:

- The Group will be able to generate sufficient cash flows from its operating activities to support its operating expenses in the next 12 months, taking into account the improved COVID-19 situation in Myanmar which has led to the reopening of the Yangon International Airport ("YIA") and lifting of the COVID-19 curfew restrictions. These measures have led to the gradual resumption of economic and tourism activities which have contributed to the improved business performance of the Group's distributors and associate in Myanmar which will facilitate the recovery and repayments of the amounts due to the Group from these parties and this will further improve the Group's liquidity position moving forward.
- Since 30<sup>th</sup> September 2022, the Group has received a cash injection of JPY 100,000,000 via the issuance of new shares to shareholders in line with the Group's General Mandate allowance, and the Group has also received additional shareholders' loans of US\$1.6 million.
- Written undertaking from the two substantial shareholders, who are also directors of the Group, 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.

(ii) Please assess the Company's ability to meet its debt covenants (if any).

The Company has no debt covenants. The Group has US\$5.89million in shareholder loans, and US\$1.5million of commercial debt to a Singapore based bank, which is backed by a Standby Letter of Credit from the CEO.

The Group had US\$2.849 million of commercial debt to a Myanmar based bank as of 30<sup>th</sup> September 2022. This debt has been fully funded by 31<sup>st</sup> December 2022, although the Myanmar Bank has not yet drawn down those funds from the loan account.

(iii) Please assess the Company's ability to meet its short-term obligations when they fall due.

As disclosed above, since 30<sup>th</sup> September 2022, the Group has received a cash injection of JPY 100,000,000 via the issuance of new shares to shareholders in line with the Group's General Mandate allowance. The Group has also received additional shareholders' loans of US\$1.6 million.

Management believes that this further enhances the Company's ability to meet its short-term obligations when they fall due.

3. Please disclose the breakdown of other income and gains of US\$444k and US\$1,259 as at 30<sup>th</sup> Sep 2022 and 30<sup>th</sup> Sep 2021 respectively.

The breakdown of other income and gains of US\$444K and US\$1,259 as at 30<sup>th</sup> September 2022 and 30<sup>th</sup> September 2021 respectively, is shown in the table below:

(In US\$'000) Description	30-Sep-22	30-Sep-21
<b><u>Other income</u></b>		
Consultancy income	11	50
Royalty income	2	0
Others	33	0
	<hr/>	<hr/>
	46	50
<b><u>Other gains</u></b>		
Foreign exchange gains	328	1,178
Gain on modification of leases	66	15
Others	4	16
	<hr/>	<hr/>
	398	1,209
	<hr/>	<hr/>
<b>Total</b>	<hr/> <b>444</b> <hr/>	<hr/> <b>1,259</b> <hr/>

4. It was disclosed in the Announcement that, "Company has also acquired an additional 3,000 crypto machines from The9, with 1,500 machines have been delivered to Brunei. The remaining 1,500 crypto mining machines have been shipped from Shanghai, China to Singapore."

- Please clarify if these crypto mining machines shipped from Shanghai have been installed and are operational.

The 1500 machines shipped from Shanghai, China have been received in Singapore but have not been installed. The Company continues to monitor the price of BTC and the related power cost at mining datacenters to optimize the installation timing of these machines.

By Order of the Board

Mark Francis Bedingham  
Executive Director, President and CEO  
24 March 2023