



(Incorporated in Singapore)
(Company Registration No. 200505764Z)

FURTHER UPDATES ON DELISTING

The Board of Directors (“**Board**”) of SMI Vantage Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) refers to its update on delisting announcement on 23 September 2024 (“**Announcement**”). Unless otherwise defined, all terms and references used herein shall bear the same meaning as ascribed to them in the Announcement.

Since the Announcement, the Board has had consultations with the SGX-ST and thereafter made further enquiries with the management to obtain the most recent update on the situation of the Company as well as the latest plans of management, and accordingly reviewed the various exit options.

This update announcement (“**Update Announcement**”) shall share with shareholders and investors the latest findings of the Company within the framework of exit options.

1. Option A - Exit Offer from Controlling Shareholders

The Company’s two Controlling Shareholders had indicated to the Company that they shall not be making an exit offer.

2. Option B - Exit Offer from the Company

Company’s current difficult financial conditions

Based on the latest management accounts as at 30 June 2024, the Company is in a net current liability position of approximately US\$937,000, holds cash on hand at the Company level of US\$105,000, of which approximately US\$34,000 held in Myanmar, and a net asset position of approximately US\$7.0 million. The cash on hand available to the group is being used by the Group to meet its monthly operating expenses.

The immediate impact from the delisting notice was that the Company’s earlier financing plans which would have helped to alleviate the Company’s net current liability position, are no longer available as these were contingent on the Company being listed.

This in turn led the management to re-engage with stakeholders and revise the Company’s plans for the future. Below are the key take-aways from this review.

- a) The Company would cancel its earlier expansion plans, including with regards to acquisition of new digital mining machines and sites, the development of Robochef business in London, the increase in the size of the Provino business, and the acquisition of shares in the Whisky Cask Club (“WCC”);
- b) The Company’s controlling shareholder, Mr. Mark Bedingham, after further discussion with the Board, has expressed that he would continue to provide financial support to the Company to meet its financial obligations as they arise and allowing for agreements to be reached with the principal creditors; and
- c) Both its controlling shareholders reiterate the commitment in the annual report that they would not recall their respective shareholders loans, which stand at approximately US\$10.6 million as at 30 June 2024.

Company’s operations and revenue streams

In addition to the above developments, below are the management’s latest views and plans for the Company:

- a) The Company plans, and has already started to implement, restructuring steps to streamline its operations and lower costs across the various business units and the Company itself, which is expected to cause the central overhead to reduce from approximately US\$2.0 million to approximately US\$0.4 million on an annualised basis;
- b) Some of the Company's existing business operations have not been directly affected by the delisting notice.

The Myanmar business, a consumer facing business, and our local business partners continue to operate on daily basis and generate sales. However, the Travel Retail sales at the Airport continue at levels which are 60-70% below pre-Covid reflecting much reduced business travel and the lack of tourism which itself is a reflection of the political uncertainty in that country. The cryptocurrency business has been operating at a virtual breakeven cashflow position owing to bitcoin currently trading below industry forecasts. The Company is keeping a close watch over the operating conditions of the Robochef business and stands ready to close it down if necessary to stem its financial strain on the Company.

- c) Earlier plans to assist Provino to expand are also no long achievable due to the current shortage of new funding. Instead, the Company has entered into discussion with the former major shareholder, and still significant shareholder and operating manager, to unwind the acquisition of Provino.

Overall, the management informs the Board that its existing businesses will remain challenging but viable and cashflow self-sustaining, including after the restructuring exercise mentioned above. The delisting will nonetheless limit the development plans of these business and require careful cost control in the running of these businesses.

Company's non-current assets situation

The Company's main assets are non-current in nature and located within Myanmar and comprise mainly fixed assets ("M FA") and trade receivables ("M AR"). Based on the latest management accounts as at 30 June 2024, the Company has M FA of US\$2.6 million, and M AR of US\$18.0 million.

The M FA comprise retail store construction as well as fixture and fittings, which are on average 8 years old. Such fixed assets have no realizable value. The best usage of the M FA is to continue to utilise them to generate revenue and income for the Company.

The current arrangement with the debtors of the M AR, who are the Company's local business partners in Myanmar, is to make payment from Myanmar to the Company's bank account in Singapore. These partners are currently facing heightened regulations over remittance of funds out of Myanmar ("**M Remittance Controls**") in recent months, in the form of more processes and queries from regulatory parties, that limit and slow down the ability of these partners to make payments out of the country, in satisfaction of the M AR. These difficulties may negatively affect the Company's ability to pay trade creditors in Singapore, but this matter is being carefully managed with stakeholders such as professional service providers.

Having said the above, it is important to note that:

- a) The Company maintains only minimal amounts of cash in Myanmar;
- b) The Company is still receiving cash from its F&B customers in Myanmar and from its business partner at the Myanmar airport;
- c) The Company's travel retail and F&B businesses within Myanmar continues to operate on a daily basis.

Overall, the current prudent course of action would be to maintain its Myanmar operations. The alternative of a sale of M AR to raise proceeds outside of Myanmar, a country which has been shunned by investors in recent years, is not realistic or practical.

Hence, based on the management's analysis above, the Board feels that the Company's non-current assets cannot be realised at this juncture, and, considering the political situation in Myanmar, does not expect this to be resolved in the foreseeable future.

Exit Offer out of existing cash

The Board had discussed the possibility of using available cash as a basis of an exit offer, but then decided against this as such cash is best used for maintaining the Company's operations.

Concluding thoughts on Offer from the Company

After carefully considering all of the above, the Board came to the following key conclusions

- a) The Company, with the financial support from its major shareholder and management's cautious approach to operations, is expected to be able to continue running its traditional operations;
- b) It is not possible or practical to realise the Company's key assets in a significant manner to raise cash for an exit offer. Even if the aforesaid was possible, it is highly unlikely, under the current political climate in Myanmar, to remit significant amounts of monies unrelated to normal transactional business out of that country. As it stands, gradual realizing of the M AR would be the most reasonable route to preserve the value of these non-current assets.

Accordingly, the Board concludes that the Company is not in position to make an exit offer to minority shareholders.

3. Option C - Voluntary Liquidation

As set out in the "*Option B – Exit Offer from the Company*" section, the Company and its controlling shareholders plan to cut back on expansion plans and provide relevant financial support to the Company, respectively. Coupled with, *inter alia*, the planned cost restructuring and the cautious approach to managing the Company's operations and finances going forward, the Board feels that the Company is not in a voluntary liquidation situation.

This takes into account the explanation under "*Company's non-current assets situation*" section above that it is not possible or practical to realise the Company's key assets. What this means in practical terms is that the M FA has been invested in retail stores and is almost fully depreciated. There are no marketable fixtures and fittings that can be realised from an attempt to sell any of these assets. However, these assets are able to generate income over the medium term through the charging of usage fees to the local business partner who is the operator of the stores. There are no financial facilities in Myanmar for the factoring of the M AR and this has been true even prior to the current political situation. This means that there is no mechanism for selling the M AR, even at a discounted valuation, to raise any funds. The local business partner will be unable to accelerate payments as the current commercial environment is highly unfavourable. However, the local business partner has been, and continues to slowly reduce the M AR and so over the medium to long term, there will be cashflow generated from the M AR which will ultimately be the most beneficial route to realize or preserve value for the Company and its minority shareholders.

If the Company attempts to realise these largely Myanmar assets under a voluntary liquidation situation, this could likely lead to almost total destruction of value of these assets in a "fire sale". Instead, as mentioned above, gradual realizing of the M AR and continue utilisation of the M FA to generate revenue and income for the Company, as well as orderly management of the Company's creditors and operations, should be the most prudent way forward to preserve value of these assets and the Company. Accordingly, the Board does not consider it in the interest of the Company and its minority shareholders to undertake a voluntary liquidation.

4. Option D – EGM for a delisting without an exit offer

Further to the considerations and conclusions as set out above, the Board deliberated and would like to carry out an extraordinary general meeting (“**EGM**”) for minority shareholders (i.e. in which the two controlling shareholders would not vote) to evaluate and vote on the resolution of a “delisting without an exit offer”. The Board of Directors opinion is that pursuing Option D is in the best interests of the Company and its minority shareholders as compared to other considered exit options and would allow the Company to share its thought process on this matter in a transparent manner and minority shareholders to make enquiries and have their voices heard.

Accordingly, the Company shall be preparing a circular to be issued to shareholders with regards to Option D. The shareholders' circular on the above will contain the following disclosures:

- i) The exit options considered and assessed by the board of directors including the reasons for not proceeding with any of these exit options and why it is proposing to delist without an exit offer; and
- ii) The board of directors' opinion as to whether and the reason(s) as to why this proposal is in the best interests of the Company and its minority shareholders as compared to other considered exit options.

In the event that shareholders' approval to pursue Option D is not obtained, the Company would need to obtain shareholders' approval for any alternative delisting proposal which would satisfy Chapter 13 of the SGX-ST Listing Manual (e.g. voluntary liquidation).

The Company has informed the SGX-ST of the above and will make further announcements as and when there are any further developments.

CAUTIONARY STATEMENT

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company. Shareholders are also advised to refrain from taking any action in respect of their securities in the Company which may be prejudicial to their interests, and to exercise caution when dealing in securities of the Company. In the event of any doubt, shareholders and potential investors should consult their stockbrokers, bank managers, solicitors or other professional advisers.

BY ORDER OF THE BOARD

Mark Francis Bedingham
President and CEO

1 November 2024