SINGAPORE MYANMAR INVESTCO LIMITED
(Registration No. 200505764Z)
(Incorporated in Singapore)

RESPONSES TO QUESTIONS FROM SINGAPORE STOCK EXCHANGE RELATED TO THE UNAUDITED RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2019

Singapore Myanmar Investco 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 results for the year ended 31 March 2019 and appends the requisite replies as follows:

With reference to the unaudited results for the year ended 31 March 2019, please provide explanations for:

(a) It is disclosed on page 2 of the unaudited financial statements that an amount of US$1,320,000 was recognised as impairment losses on property, plant and equipment for the year ended 31 March 2019. In this regard, please disclose the following information.
   (i) how the amount of impairment was determined;
   (ii) the Board's confirmation as to whether it is satisfied with the reasonableness of the methodologies used to determine amount of impairment; and
   (iii) the reasons for the impairment losses.

Answer:
The impairment losses on property, plant and equipment (PPE) consists of the following:

- Discontinued operations US$1.10 million
- Continuing operations US$0.22 million

On 11 April 2019, SMI's subsidiary, Myanmar Infrastructure Group Pte Ltd ("MIG") entered into a Tower Transfer Agreement (TTA) with Irrawaddy Green Towers Limited (IGT) for the sale of its subsidiary TPR Myanmar Limited's (TPR) Tower assets in Myanmar. SFRS(I)5 requires that we measure the disposal of the Tower assets (classified as held for sale) at the lower of its carrying amount and fair value less costs to sell. We based the fair value on IGT's offer price of US$8 million and hence made an impairment allowance of US$1.1 million on the carrying value of TPR's PPE.

In addition, another subsidiary, YGN Kinnaya Ltd in the Serviced Office business has leased and renovated the premises on the 6th floor of Hledan Centre into 92 units that are available for lease. The carrying value of the renovation cost is US$0.44 million. The value in use, calculated based on the net present value of its future cash flow, is US$0.22 million. Hence, we recognised an impairment of UJS$0.22 million on the carrying value.

Having discussed the impairment assessment with the Group auditor, RSM as part of the year end audit procedures, the Board does not have any reason to disagree with and confirms with management position on the reasonableness of the amount of impairment.

(b) It is disclosed on page 3 of the unaudited financial statements that included in the comparatives for other income is the write-back of US$688K of accrued NPM fees. Please explain the nature of the accrued NPM fees and the basis for the write-back.

Answer:
On 1 June 2014, MIG entered into a National Program Manager ("NPM") agreement with Golden Infrastructure Group Ltd ("GIG") whereby GIG is to provide services for the construction and maintenance of TPR Myanmar Ltd's ("TPR") telecom towers in Myanmar. Under the NPM agreement, MIG is required to pay GIG a fee of US$62.5K per month for a period of 10 years from the effective date of the agreement i.e. 1 June 2014 which could be terminated after 3 years if the company was not profitable. MIG has paid the service fees to GIG up till April 2016 but has suspended the payment of the service fees from that date as GIG has not provided any material services as required under the agreement. MIG however continued to accrue for the service fees payable of US$62.5K a month under the NPM agreement up till May 2017 when the agreement was terminated due to the lack of profitability in the company.

On 15 September 2017, MIG issued a notice to GIG to terminate all services under the NPM agreement. Management having reviewed MIG's obligations under the NPM agreement and the services provided by GIG during the contract period and following discussions with external legal advisors, Tan Rajah and Cheah ("TRC"), have written back all the provision for service fees payable of US$813K in FY2018. US$688K was shown as other income (as it relates to the period from May 2016 to March 2017) and the remainder US$125K was offset against fees accrued during the year under Administrative expenses.

(c) It is disclosed on page 6 of the unaudited financial statements that the increase in trade and other receivables is mainly due to extension of credit to local retail distributor. Please disclose the credit terms which have been extended for these trade receivables.

Answer:
The local retail distributor, Royal Golden Sky Co. Ltd ("RGS") sales has grown by 40% in FY2019 compared to FY2018. This is attributable to RGS taking additional retail space in T1 after the closure of T2, to cater to the increased passenger numbers. In addition, RGS has also taken on additional retail space in new (and existing) malls as well as launched a new brand, both of which have resulted in increased sales in the domestic malls.

On the other hand, SMI Retail's sales to RGS has increased moderately by only 10% mainly because of managed sell-in. There is a time lag between SMI Retail's sales to RGS and the latter's sale to end customers not least because in fashion the 'buys' are typically only 2-4 times a year with long lead times. SMI Retail's debtor days increased from 10 months at 31 March 2018 to 12 months at 31 March 2019. This is primarily done to encourage RGS to expand their retail presence in both the airport and domestic malls. However, the effect of doing this is that SMI Retail is extending credit to RGS to finance its inventory and distribution channels. The payment term to RGS remains as 90 days and amounts unpaid after 90 days is shown as Past due.

We continue to work closely with RGS to optimise working capital to ensure sustainable growth and profitability. SMI remains confident that with the improved forecasting, reflecting improved knowledge of the consumers will allow RGS to repay SMI over the next 2 to 3 years.

(d) With reference to the unaudited financial statements for the year ended 31 March 2019, please disclose the ageing of the Group's trade and other receivables. Please provide the Board's assessment on the recoverability of the Group's trade and other receivables, and the basis for such an assessment.

Answer:
Breakdown of trade & other receivables as at 31 March 2018 and 31 March 2019 is given in Table 1 below:

Table 1

	Mar-19	Mar-18	Var	Comments
Trade Receivables	$'000	$'000	$'000	
Third Parties	25,989	23,942	2,047	(i)
Less:Allowance for impairment	(1,851)	(42)	(1,809)	
Net trade receivables	24,138	23,900		
Non trade & other receivables				
Deferred consideration from disposal of subsidiaries	672	839	(168)	(ii)
Others	118	210	(92)	(ii)
Less: Allowance for impairment	(401)	(401)	(0)	
Net non trade receivables	389	648	(259)	
Joint Ventures	436	256	180	(ii)
GST/commercial tax receivable	509	331	177	(ii)
Total trade and other receivables	25,472	25,135	337	

(i) Increase mainly due to increased retail sales to local business partners
(ii) No significant movement

Trade receivables have increased by $2.0 M which is mainly attributable to the increase in sales to RGS. SFRS(I)9 requires that we assess the expected credit loss ("ECL") for receivables. We used a provision matrix to calculate the ECL for the trade receivables from RGS and based on this methodology, we have provided an ECL of US$0.9 million.

We are more cautious of the construction services segment as there has been significant slowdown of construction projects in Myanmar. The recoverability of our trade receivables from the equipment distributor, PMF Construction Equipment Co. Ltd ("PMF") is assessed on the basis of the expected recoverable amount of PMF's assets. Based on this approach, we provided an ECL of US$0.9 million. Total ECLs for the trade receivables from RGS and PMF is US$1.8M.

For the F&B segment, the expected credit loss from the trade receivables from MAR is not material and hence no provision was made.

As stated above, the ECL provisions were prudent measures taken pursuant to implementation of SFR(1)9. As the Company have been receiving on-going payments from both RGS and from PMF, there is no reason to believe that the trade receivables are not recoverable.

Other receivables includes receivables from a buyer for the sale of the Printed Circuit Board business in 2014. The impairment of US$0.4 million was provided in FY2018 and we have received subsequent repayments of US$0.2 million. Hence, the Board agrees with management and have no reason to believe that the impairment of $0.4 million is not reasonable.

The overall aging of the Group's trade receivables is given below:

	Mar-19		Mar-18	
Trade Receivables Aging	$'000	%	$'000	%
Within credit terms	6,412	25%	6,748	28%
Past due :				
91 - 150 days	2,850	11%	6,474	27%
151 - 365 days	10,613	41%	10,720	45%
Over 365 days	6,114	24%	-	0%
Provision for impairment losses	(1,851)		(42)	
Total	**24,138**	100%	**23,900**	100%

(e) We refer to the Company's announcement issued on 7 September 2017 entitled "Proposed placement of up to 15,411,600 new ordinary shares in the capital of Singapore Myanmar Investco Limited – Approval-in-principle". The Exchange provided an approval-in-principle for the listing and quotation of 15,411,600 Placement Shares subject to a written undertaking from the Company that it will comply with Listing Rule 704(30) and Listing Rule 1207(20) in relation to the use of the proceeds from the Proposed Placement and where proceeds are to be used for working capital purposes, the Company will disclose a breakdown with specific details on the use of proceeds for working capital in the Company's announcements on use of proceeds and in the annual report.

In the Annual report 2018 page 44, we disclosed the Use of Proceeds as follows:

USE OF PROCEEDS

SMI raised the net proceeds of approximately S$7.0 million from the placement of 15,411,600 ordinary shares in SMI's capital at an issue price of S$0.48 for each share which was completed on 11 September 2017. Such proceeds have been utilised for various purposes as follows:-

a. US$1.44 million has been utilised for purchase of duty-free, retail and F&B merchandise;
b. US$0.08 million has been utilised for payment of F&B franchise and royalty fees;
c. US$0.12 million has been utilised for expansion of the Group's car rental and limousine services business;
d. US$0.71 million has been used to finance telecommunication towers business;
e. US$2.83 million has been used as working capital

The breakdown of the amount of US$2.83 million used as working capital is as follows:

	US$'million
Salaries and related costs	2.14
Office rent, travel and expenses	0.15
Professional fees and IT costs	0.12
Loan repayment	0.24
Others	0.17
	2.83

(f) We refer to the Company's announcement issued on 28 November 2016 entitled "Proposed placement of up to 41,370,000 new ordinary shares in the capital of Singapore Myanmar Investco Limited – Approval-in-principle". The Exchange provided an approval-in-principle for the listing and quotation of 41,370,000 Placement Shares subject to a written undertaking from the Company that it will comply with Rule 704(30) and Rule 1207(20) of the Listing Manual in relation to the use of the proceeds from the Placement and where proceeds are to be used for working capital purposes, the Company will disclose a breakdown with specific details on the use of proceeds for working capital in the Company's announcements on use of proceeds and in the annual report.

USE OF PROCEEDS

The Company raised the net proceeds of approximately US$11.89 million from the placement of 41,370,000 ordinary shares in the capital of the Company at an issue price of S$0.42 for each share as of 30 May 2017. Such proceeds have been utilised for various purposes as follows:

a. US$4.31 million has been utilised for construction of duty-free retail and F&B shops and the purchase of duty-free, retail and F&B merchandise.
b. US$0.72 million has been utilised for repayment of existing loans and borrowings.
c. US$2.96 million has been used to finance the telecommunication towers business
d. US$0.34 million has been used for construction of warehouse in Myanmar in relation to the Group's logistics business
e. US$0.13 million has been used to help finance the serviced offices business
f. US$0.30 million has been used to fund ERP implementation
g. US$3.12 million has been used as working capital

The breakdown of the amount of US$3.12 million used as working capital is as follows:

	US$'million
Salaries and related costs	2.07
Office rent, travel and expenses	0.14
Professional fees and IT costs	0.17
Others	0.75
	3.12