

SMI VANTAGE LIMITED

(Registration No. 200505764Z)

(Incorporated in Singapore)

RESPONSES TO QUESTIONS FROM SINGAPORE STOCK EXCHANGE RELATED TO THE UNAUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 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 year ended 31 March 2022 and appends the requisite replies as follows:

Refer to the Company’s financial statements for the financial year ended 31 March 2022 (the “Announcement”).

1. Please provide the breakdown of other income and gains of US\$506k and US\$999k for the financial year ended 31 March 2021 and 31 March 2022 respectively.

Company’s response: The breakdown is shown as below:

(In US\$'000) Description	Full Year Ended	
	31 Mar 2022	31 Mar 2021
Commission income	-	58
Consultancy income	52	19
Foreign Exchange Gain	870	245
Gain on disposal of other investments	-	103
Gain on modification of leases	53	57
Others	24	24
Total	999	506

2. It is disclosed on page 8 of the financial statements that the recognition of revenue at point of sale of goods for the travel and fashion retail segment amounts to US\$(380k). Please explain why the revenue generated under the travel and fashion retail segment is a negative figure.

Company’s response:

The Group’s primary business segment, Travel Retail was not able to generate any meaningful revenue as the Yangon International Airport (“YIA”) was closed throughout the whole financial year. The Domestic retail stores were also heavily impacted by the frequent closure and/or limited operating hours. The Group’s revenue from travel and fashion retail segment for FY2022 was US\$142k but a sales return, from one of the Group’s main customers, of US\$ 522k resulted in a negative revenue of US\$380k.

The Group returned the stock back to its suppliers, reducing its trade payable.

3. The Group has net current liabilities of US\$1,106,000 as at 31 March 2022 and a net loss of US\$(4,206,000) for the financial year ended 31 March 2022. Please disclose the pro-active actions which management plans to take to ensure that the Group’s financial position remains strong.

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

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

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

Company's response: The management is of the opinion that the Company is able to continue its operations as a going concern based on following considerations:

- The Company converted its shareholder's loans of US\$5.05 million into share capital and obtained US\$1.3 cash injections through issuance of new shares in October 2021.
- The Company further received new shareholders' loan of total US\$3.20 million during FY2022. Both the Company's shareholders who extended shareholders' loans (of total US\$5.59 million as at the end of FY2022) to the Company agreed not to recall the loan until the Company is in the position to repay and they further confirmed to provide the Company with continued financial support going forward.
- The above events improved the liquidity position of the Group significantly from a net current liability of US\$11.3 million in prior year to US\$1.1 million as of 31 March 2022. The Group also negotiated and agreed with several creditors for at least 12 months extension of approximately US\$1 million repayment. The Group has also further extended US\$1.5 million secured bank loan facility for a further 12 months subsequent to the end of the financial year.
- The Group will also be able to generate sufficient cash flows from its operating activities to support its operating expenses in the next 12 months, considering 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 are expected to allow for the gradual resumption of economic and trading activities which is expected to contribute to the improved business performance of the Group in Myanmar. This will also facilitate the recovery and repayments of the amounts due to the Group from its trade debtors and further improve the Group's liquidity position moving forward.
- The Company has also announced that it will develop new businesses as set out in the Proposed Business Diversification, confirmed by the EGM held on 19th April 2022, which included SaaS, Crypto currency mining, Robotics and NFT collection business. A number of announcements have been made and this business diversification is expected to create positive revenues in the current financial year.

The Management and the Board of Directors are of the view that the Company is able to meet its debt covenants, short-term obligations when they fall due.

4. Refer to the Company's announcement issued on 30 August 2021 entitled "Receipt of approval in-principle of SGX-ST for the listing and quotation of new shares". The Exchange provided an approval-in-principle for the dealing in, listing of and quotation for the New 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 proceeds from the proposed placement of June2021 Subscription Shares and Option Shares 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. Please provide a breakdown with specific details on the use of proceeds for payment for operating expenses as disclosed on page 15 of the unaudited financial statements for the year ended 31 March 2022.

Company's response: The following were disclosed on page 15 of the unaudited financial statements for the year ended 31 March 2022:

8. Use of proceeds

Pursuant to the June Subscription in FY2022, the Company received gross proceeds from the placement of approximately US\$1.3 million. The utilisation of the gross proceeds from the placement as of 31 March 2022 is set out as below:

	Amount utilised US\$'000
Placement proceeds	1,305
Investment in crypto mining (including machines)	(300)
Payment for professional services in relation to the share placement and share conversion	(416)
Payment for operating expenses	(349)
Balance	240

The breakdown for the operating expenses of US\$349 are listed as below:

	Amount utilised US\$'000
Staff costs	268
Office rental expenses	56
Marketing expenses	20
Other administrative expenses	5
Total proceeds used for operating expenses	349

By Order of the Board

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