



Alset International Limited

(Incorporated in the Republic of Singapore)
(Company Registration Number 200916763W)

Response to Queries from Securities Investors Association (Singapore)

The Board of Directors (the “**Board**”) of Alset International Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) has received various queries from the Singapore Investors Association (Singapore) (“**SIAS**”) on 22 April 2022. The Board sets out below the Company’s responses to queries issued by the SIAS.

*Q1. On 21 March 2022, the company announced that it is embarking on cryptocurrency mining business through its subsidiary Alset Mining Pte. Ltd. (“**Alset Mining**”).*

Alset Mining will primarily be engaged in investment within the cryptocurrency mining industry. Cryptocurrency mining refers to the process that verifies and adds new transactions to the blockchain by solving complex mathematical equations for a cryptocurrency. The miner that solves the complex mathematical equations first is rewarded with the respective cryptocurrency. The cryptocurrency mining industry consists of stakeholders such as hardware and software manufacturers, hosting and mining service providers (akin to data centers), as well as corporate and private miners.

- (i) Can the board help shareholders understand the group’s competitive advantage in cryptocurrency mining, if any?*
- (ii) Which particular cryptocurrencies will be mined by the group?*
- (iii) Who is leading the group’s efforts in cryptocurrency mining? What is the experience and track record of the team in acquiring mining rigs and setting up cryptocurrency mining farms?*
- (iv) What was the level of risk assessment carried out by the board?*
- (v) Where will the mining operations be located?*
- (vi) How much will the group be committing to cryptocurrency mining?*

The Company’s Response

- (i) As stated in our announcement dated 24 March 2022, the Company and the management are currently building up expertise and experience in the area of cryptocurrency mining and has not entered into any definitive agreement or commenced any cryptocurrency mining activities at this juncture and therefore does not have an expected capital outlay at the moment. The Company has not firmed up on the location and the cryptocurrencies to be mined at this juncture.

Notwithstanding the above, the Group has existing contacts with experienced personnel who have been in the cryptocurrency mining business and one of our Group’s management has personally invested in cryptocurrency mining rigs to gain insights on cryptocurrency mining. The Company’s business development team will collectively be in-charge of leading the Group’s efforts in the cryptocurrency mining business. Where necessary, the Group will also hire external consultants, industry experts and professionals.

The Board has assessed this new business area and understands that as the cryptocurrency mining is a niche industry and business, it carries certain risk. Accordingly, the Company is cautious and will

conduct in-depth due diligence and risk assessments which includes, but is not limited to, risks relating to political, geographical, environmental and financial before entering into any transaction.

- (ii) Please refer to response (i)
- (iii) Please refer to response (i)
- (iv) Please refer to response (i)
- (v) Please refer to response (i)
- (vi) Please refer to response (i)

2. Would the board/management provide shareholders with greater clarity on the following operation and financial matters? Specifically:

- (i) Black Oak: With the sale of all the homes in section 1, did the group consider investing the proceeds into the next phase/section 2? Are the market sentiments on the ground suitable for the next launch (569 additional single family lots)?*
- (ii) Direct selling: What are the main products/brands sold by HWH World Inc.?*
- (iii) Investment securities: For the benefit of shareholders, can management recall the transaction involving the company and NYSE-listed DSS, Inc.? Net fair value loss on investment securities was \$(53.1) million as the share price decreased from US\$6.24 as at 31 December 2020 to US\$0.672 as at 31 December 2021. The share price declined further to ~US\$0.5 in April 2022. How robust is the group's risk management framework? Would the audit and risk management committee (ARMC) help shareholders understand the risk assessment/approval process for the transaction?*
- (iv) Diversification: The cover page shows the activities/focus of the group, which includes information technology, food & beverage, direct sales, community development, REITs, asset management and SPAC. In addition, the company has obtained shareholders' approval to diversify the business of the company and its subsidiaries into hospitality, clean energy, high tech farming and e-commerce and direct selling, as well as to expand the scope of the current information technology and property development businesses. At the AGM, would management be giving shareholders a holistic overview of the group's business model and the capital allocation strategy, clearly showing the key value drivers and the value proposition? Is there a risk that the group over-diversifies into too many unrelated businesses?*

The Company's Response

- (i) The proceeds from the sale of the lots under section 1 of the Black Oak project went towards funding the Group's capital expenditure needs which includes the further development of the Black Oak project. These section 1 lots were sold to Houston LD, LLC who built and sold homes under the brand Rausch Coleman Homes. Since the home sales in Section 1 were strong and given that sales of lots and homes in the area are strong, we believe that the continued development for sale or rent have potential for profit.
- (ii) The main products sold by HWH World Inc. ("**HWH**") are a) two key products consisting of Hapi Skincare and HWH Holista Noodle ("**Products**") and b) yearly memberships which allows members to enjoy discounted Products.

- (iii) On 21 April 2020, the Company entered into a Share Exchange Agreement with DSS, Inc involving the disposal of the Company's then subsidiary, Impact BioMedical, Inc. and the allotment of 14.5 million DSS, Inc.'s shares and issuance of 46,868 shares of a new series of perpetual convertible preferred stock of DSS, Inc. ("**Share Swap Transaction**"). The Share Swap Transaction was subsequently completed on 21 August 2020. Shareholders may wish to refer to our announcements dated 16 March 2020, 17 March 2020, 9 April 2020, 4 May 2020, 4 June 2020, 26 June 2020, 12 August 2020 and 24 August 2020 and the circular to shareholders dated 4 June 2020.

As set out in the Company's annual reports for the financial year ended 31 December 2020 and 31 December 2021 ("**FY2021**"), based on the internal controls established and maintained by the Group, the audit conducted by the external and internal auditors as well as ongoing management review, the Board, with the concurrence of the ARMC, are of the opinion that the Group has adequate and effective systems of internal control (including financial, operational, compliance and information technology controls) and risk management systems, taking into account the nature and size of the Group's business and operations.

The assessment and approval process for the transaction was initiated when the project manager proposed the transaction to the ARMC for review and approval before tabling to the board of directors for approval. The Company's ARMC has deliberated on, *inter alia*, the rationale, benefits, risk profile and information relating to the transaction during their review before approval.

- (iv) Yes, the Company will give an overview of the Group's business and strategy at the upcoming annual general meeting scheduled to be held on 30 April 2022.

The Group is not over-diversifying into unrelated businesses. On the contrary, the new businesses are essential and complementary to the existing business of the Group as part of the Company's effort to develop a sustainable healthy living eco-system. Notwithstanding the same, the Company acknowledges that there are risks present in diversifying into new businesses. We have also illustrated the potential synergies between the new and existing businesses in our circular to shareholders dated 20 August 2021 and announcement dated 24 August 2021.

3. On 18 April 2022, the company announced that there are material variances between the unaudited financial statements and the audited financial statements for the financial year ended 31 December 2021 following the finalisation of audit.

The announcement on the unaudited financial results for the financial year ended 31 December 2021 was first released via SGXNet on 28 February 2022. The announcement of material differences came 7 weeks after the company first announced the unaudited financial statements.

Loss for the year changed by \$10.465 million from \$(58.852) million to \$(48.387) million. Other adjustments were as large as \$36.9 million.

Reasons given included:

- Reclassification from property, plant and equipment to Right-of-use assets*
- Adjustment for realised loss on mark to market instrument and net fair value losses on equity securities at fair value through profit and loss*
- Reclassification of hire purchase creditor to lease liability in accordance with the Singapore accounting standard*
- Reclassification of the non-current portion of lease liabilities from current liabilities to non-current liabilities*
- Reclassification of interest received to trade and other receivables due to the interest not yet received*

The company provided 22 notes from (A) to (V) to explain the changes following the finalisation of the audit by the company's external auditor.

- (i) Is the group (including its officers) familiar with the Singapore Financial Reporting Standards (International) (SFRS(I))?*
- (ii) How can shareholders get assurance from management that the financial statements are prepared in accordance with the relevant Act and financial reporting standards?*
- (iii) Has the ARMC evaluated if the internal financial reporting/finance team is sufficiently resourced with experienced and qualified staff to ensure the integrity of the financial statements? The chairman of the ARMC is Mr Wong Shui Yeung and the members of the ARMC are Mr Wong Tat Keung and Mr Chan King Fai.*
- (iv) Can the ARMC help shareholders understand if it has discharged its duties objectively (Principle 10 of the Code of corporate governance 2018)? If so, how so?*
- (v) Would the board be reconstituting or strengthening the ARMC?*
- (vi) What changes have been made/will be made to the group's financial reporting systems and processes?*

The Company's Response

- (i) Yes, our Chief Financial Officer, Lui Wai Leung, Alan, is a Certified Practising Accountant (“CPA”) in Australia, and all our ARMC members are qualified accountants in Hong Kong who are familiar with the Singapore Financial Reporting Standards (International) (SFRS(I)). They undertake continuing professional development programmes to contribute to the development and maintenance of professional competence that is appropriate to their work and professional responsibilities.
- (ii) We will endeavor to take a pro-active approach by engaging our auditors regularly to obtain periodic updates and seek guidance on any accounting matters and methodologies that require clarification.
- (iii) The ARMC is of the view the finance team is sufficiently resourced with experienced and qualified staff. Notwithstanding the same, as the Group has been growing significantly, the Company will endeavour to strengthen and allocate more resources to the finance department as and when required.
- (iv) As stated in our FY2021 annual report, the ARMC members have reviewed with the external auditors the audit plan, the evaluation of the internal accounting control system, the audit report, the assistance given by the Company's officers to the external auditors and the scope and results of the internal audit procedures. The ARMC members have reviewed with the internal auditors the internal audit plan, the evaluation of the adequacy of internal accounting controls and the internal audit report. The ARMC members have also reviewed the assurance from the CEO and CFO on the financial records and financial statements and reviewed the financial statements and related notes and announcements relating thereto, focusing in particular on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, compliance with accounting standards and compliance with the Catalist Rules and any other relevant statutory or regulatory requirements, and the external auditors' reports prior to recommending to the Board for approval.
- (v) The existing ARMC members are qualified accountants and as stated in our FY2021 annual report and the Board considers that the members of the ARMC are appropriately qualified, and have sufficient knowledge and experience in accounting, risk management and financial matters to discharge their responsibilities in the ARMC. Accordingly, the Board does not have any plans to reconstitute or strengthen the ARMC at this juncture.

(vi) In addition to response 3(ii) and 3(iii), the Company will endeavour to engage a professional valuer earlier to ensure that the final valuation reports will be ready well ahead of the results announcement.

By Order of the Board
Alset International Limited

Chan Tung Moe
Executive Director and Co-Chief Executive Officer

27 April 2022

This announcement has been reviewed by the Company's Sponsor, Hong Leong Finance Limited. It has not been examined or approved by the Exchange and the Exchange assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

The contact person for the Sponsor is Ms Vera Leong, Vice President, Hong Leong Finance Limited, at 16 Raffles Quay, #01-05 Hong Leong Building, Singapore 048581, telephone (+65) 6415 9881.