

SMI VANTAGE LIMITED

(Registration No. 200505764Z)

(Incorporated in Singapore)

RESPONSES TO QUERIES FROM SGX-ST

SMI Vantage Limited (the “**Company**” or “**SMI**” and together with its subsidiaries, the “**Group**”) would like to provide response to queries from the Singapore Exchange Securities Trading Limited (“SGX-ST”) in relation to the Company’s Unaudited Financial Statements for the year ended 31 March 2021.

Query (a)

It is disclosed on page 6 of the unaudited financial statements that, “Trade and other receivables decreased mainly due to a loan to equity conversion for the Group’s Logistics Joint Venture of US\$500,000 and disposal of the net assets of the Group’s wholly owned subsidiary, MIG, and its subsidiary TPR. During FY2021, US\$1.7 million worth of inventory were transferred from a 3rd party local business partner RGS to Star Retail, which is reflected in a drop of trade receivables balance as compared to FY2020.” and “Trade and other payables decreased by US\$0.7 million mainly due to the disposal of net assets of the Group’s wholly owned subsidiary, MIG, and its subsidiary TPR.”

(i) Please disclose the amount of

(i) trade and other receivables; and

(ii) trade and other payables

attributable to the disposal of the Group’s wholly owned subsidiary, MIG, and its subsidiary TPR.

(ii) Please explain how the transference of inventory led to a drop in trade receivables balance.

Company’s Response:

(i)

(i) The Trade and other receivables attributable to the disposal of the Group’s wholly owned subsidiary, MIG and its subsidiary TPR was US\$421k

(ii) Trade and other payables attributable to the disposal of the Group’s wholly owned subsidiary, MIG and its subsidiary TPR was US\$372k

(ii) The transference of inventory was from a third party to an associate arose from a restructuring undertaken so that the respective entities can sharpen its respective business focus, one on airport retail and the other on domestic retail. As a result, there was a drop in trade receivables balance from third parties.

There was also an equivalent increase in trade receivables balance from associates.

	31/03/2021	31/03/2020	Var
	US\$'000	US\$'000	\$'000
<u>Trade receivables</u>			
Third parties (a)	26,602	30,568	(3,966)
Associates (a)	2,785	948	1,837
Less: Allowance for impairment	<u>(4,677)</u>	<u>(6,422)</u>	1,945
Net trade receivables	24,710	25,094	(384)

Query (b)

Please disclose:

- (i) the nature of the non-current trade and other receivables; and**
- (ii) the Board's assessment of the recoverability of the non-current trade and other receivables.**

Company's Response:

- (i) Non-current trade and other receivables balance of USD20.0m is attributable from a third-party partner, Royal Golden Sky Co Ltd ("RGS"), who purchases merchandise for sale at the travel retail stores at Yangon International Airport ("YIA").

Due to the global pandemic, the stores at YIA have been closed since end-March 2020 and therefore, the partner has not been in a position to make any payments. However, the partner continues in business, and they have committed to re-commence payments upon the reopening of the airport and recovery of a more sustainable level of business activities. The reopening of the airport is not known at this point in time but is expected to be either Q4 FY2022 or Q1 FY2023.

- (ii) The Board has received assurances from the Company's management that following the reopening of the airport, repayments from the third-party partners will resume, and is of the position that the non-current trade and other receivables are fully recoverable. A repayment plan has been agreed with the third-party partner's management.

Query (c)

It is disclosed in the unaudited financial statements that, the Company reported trade receivables amounting to US\$24,710,000. This represented 7376% of the Group's revenue of US\$335,000 for the year ended 31 March 2021.

Please disclose:

- (i) whether these customers are still in operation; and**
- (ii) the Board's assessment on the recoverability of the Group's trade receivables, and the basis for such an assessment.**

Company's Response:

The trade receivables balance of USD24.7m is due mainly from RGS (USD20.0m). RGS is still in operation but with limited activity as the airport has been closed to commercial flights since end-March 2020. The airport has since operated some special and relief flights and limited sales have been made at the airport to passengers on those flights.

USD0.9m trade receivable for Construction Services is from PMF Construction Equipment Co., Ltd (PMF) who has continued to service equipment sold previously to customers and is prospecting for new sales.

US\$1.2m trade receivable is from the Group's F&B operations, which have resumed but most customers are operating with limited opening hours and restricted capacity which is slowing the repayment from our trading operations.

US\$2.6m trade receivables from an associate Star Retail Enterprise Limited ("Star Retail"). Star Retail is a business focused on domestic retail and has continued in operation although operating periods have been affected by health (Covid) and safety issues (change of Government). The Company is mainly operating with two large retail groups and smooth commercial relationships have been maintained. It is expected that a slow recovery in consumer confidence will emerge allowing for Star Retail to repay in due course.

Based on the above, the board has received assurance from the Company's management that the Group's trade receivables are fully recoverable. The Group's Management has engaged in productive discussions with the management and ownership of YIA, focusing on rent free periods and actions and activations after YIA reopens (this is a common activity for travel retail groups around the world). Also, a number of productive discussions have been initiated with major suppliers for duty free and travel retail fashion as well as in the domestic market for future business plans. Furthermore, the organization in Myanmar is quite stable, particularly at the senior level.

Query (d)

Given the Group's significant current liabilities of US\$20,721,000 and cash and cash equivalents balance of only US\$537,000 and noting that the Group incurred losses of US\$4,464,000 in FY2020, please disclose the Board's assessment

(i) whether the Group's current assets are adequate to meet its short-term liabilities of US\$20,721,000, including its bases of assessment; and

(ii) how the Company intends to fulfil its significant payment obligations in the next 12 months. Where the Company has worked out debt repayment plans to fulfil its debt obligations, please disclose if the Company is on track to fulfilling these obligations.

Company's Response:

The short-term liabilities consist mainly of the following:

Balance	Description	Elaboration
US\$7.6m	Shareholders' Loan & Interest	<p>US\$5m shareholders loan has been converted to equity shares, which was approved during an EGM held on 6th Oct 2021</p> <p>We have also obtained consent that the remaining shareholder loans will not be called for a loan repayment for the remaining US\$2.6m in the next 12 months</p>
US\$1.5m	Bank Term Loan	This is renewable annually, backed by a personal guarantee by a shareholder
US\$1.5m	Lease for Auto Business	We are negotiating a revised repayment term, and expect to be able to come to an agreement in the near future
US\$1.5m	Administrative expenses	<p>This is mainly attributable to:</p> <p>(i) US\$0.2m of charitable donations which the Group has reach an agreement with the charity for the amount to be repaid at a future date to be decided by the Group</p> <p>(ii) US\$0.24m of outstanding director fees for which the directors have agreed to defer repayment to when the Group's cash position improves</p> <p>(iii) US\$0.8m of tax expenses accrued for Myanmar entities, which is expected be paid progressively over the next 12 months upon finalization and receipt of tax billings in Myanmar</p>
US\$3.8m	Payables to Jointly-controlled entities, Associates and third-party business partners	US\$3.2m of the US\$3.8m pertains to payable to RGS. The Group currently has approximately USD22m trade receivables from RGS and is in discussion with RGS to offset this USD3.2m against the USD22m receivable from RGS
US\$4.8m	Trade and operating expenses payables to third parties	The Group have been communicating with creditors on progressive repayments and was able to reschedule most of the payments to a further date. In addition, the Group has agreed with a number of significant suppliers to make merchandise returns.

Query (e)

As at 31 March 2021, the Group has net debt of US\$5,755,000 with cash and cash equivalents balance of US\$537,000. Please disclose the pro-active actions which management plans to take to ensure that the Group's financial position remains strong.

- (i) Please assess the Company's ability to operate as a going concern.**
- (ii) Please assess the Company's ability to meet its debt covenants (if any).**
- (iii) Please assess the Company's ability to meet its short-term obligations when they fall due.**

Company's Response:

The Group has successfully raised approximately US\$1.2m through general mandate share placements held in June 2021, which has increased the Company's cash and cash equivalent balance.

US\$5m of shareholder loan has been converted to equity, following shareholder approval at an EGM held on October 6th 2021, which has reduced the net debt position of the company.

The Company has reduced its operating costs (administrative and S&D expenses) by US\$0.9m amount from US\$1.1m in FY2020 to US\$0.17m in FY2021. With further reductions expected in FY2022, the Company's current net cash is sufficient to fund these operating costs.

The Company has also announced a pivot to a new business focus which will be put forward for shareholder approval at an upcoming EGM in Q3 FY2022. Based on its assessment of the potential of the new business; the Company's reasonable expectation is that the new business activities will be able to generate revenues with good net margins and generate positive cashflow.

By Order of the Board

Mark Francis Bedingham
Executive Director, President and CEO
11 October 2021