



Alset International Limited

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

RESPONSE TO QUERIES ISSUED BY THE SGX-ST ON THE INCORPORATION OF ALSET MINING PTE. LTD.

The Board of Directors (the “**Board**”) of Alset International Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) refers to the announcement made by the Company on 21 March 2022 (the “**21 March 22 Announcement**”) relating to, *inter alia*, the incorporation of Alset Mining Pte. Ltd..

Unless otherwise defined or the context otherwise requires, all capitalised terms shall bear the same meanings as ascribed to them in the 21 March 2022 Announcement.

The Singapore Exchange Securities Trading Limited (“**SGX-ST**”) has issued queries on the 21 March 22 Announcement on 22 March 2022. The Board sets out below the Company’s responses to queries issued by the SGX-ST.

1. Please provide more details on the New Business, such as the rationale for embarking on the New Business and whether it complements the Group’s current businesses.

The Company’s Response

The rationale to embark on the cryptocurrency mining business (the “**New Business**”) is the potential for promising returns and the ability to develop into a yield generating business for the Group. The New Business would also help to diversify the Group’s revenue stream and reduce reliance on the Group’s existing businesses.

The Board sees potential synergies with the Group’s existing property development business and with the expertise and resources developed in this segment, the Group hopes to provide homeowners within the Group’s development projects the option to set up home self-mining rigs.

As cryptocurrencies go mainstream¹, the Board feels that it is important to participate in the growing market, by adding to the Group’s portfolio and allowing potential stakeholders to participate in it.

2. Does the Company / Management have the relevant experience and expertise to embark on the New Business? If not, please specify the Company’s plans.

The Company’s Response

The Company and the management are building up expertise and experience in the area of cryptocurrency mining. As this is a new business area, the Company is cautious and will conduct in-depth due diligence before entering into any transaction.

¹ <https://blockworks.co/commonwealth-bank-says-crypto-already-mainstream/>

Notwithstanding the above, the Group has existing contacts with experienced personnel who have been in the cryptocurrency mining business and with strong track record. The Group will engage such personnel at the appropriate time and manner to ensure that the business has the necessary resources, expertise and personnel to run the New Business.

The Group recognises that the relevant experience and expertise required can be acquired and developed internally or externally, by way of joint ventures or partnerships by the Group over time. Where necessary, the Group will also hire external consultants, industry experts and professionals.

Accordingly, the Group will assess the manpower and the expertise required once the New Business materialises and will update the Shareholders and make the necessary announcements as and when appropriate.

3. What due diligence has the Company and Board done on the New Business?

The Company's Response

The Company and the Board have spoken to various existing cryptocurrency market players ranging from existing cryptocurrency mining operators to the hardware providers and third-party service providers, conducted site visits to cryptocurrency mining sites, kept abreast with the news and latest updates within the cryptocurrency market, researched on listed cryptocurrency mining companies such as Hut 8 Mining Corp., Marathon Digital Holdings Inc., Riot Blockchain, Inc., who are in the crypto mining industry and one of the Group's management has personally invested in cryptocurrency mining rigs to gain insights on cryptocurrency mining.

4. Has the Company put in place the necessary infrastructure to embark on this New Business of mining crypto? If so, what is the capital outlay? If not, what is the expected capital outlay?

The Company's Response

The Company has not put in place the necessary infrastructure to embark on the New Business as the Company's plans are still at a preliminary stage which may involve engaging local providers with existing operations to run the mining operations on a small-scale basis. The Company has also been in contact with the relevant parties and will be able to engage third party service providers or hosting services for the New Business at the relevant time.

The Company 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 will update the Shareholders and make the necessary announcements as and when appropriate.

5. It is disclosed that the Company will "search for low cost sustainable sources of energy such as wind, solar or hydroelectricity for its cryptocurrency mining operations to align its sustainability efforts with the Company's mission of sustainable healthy living". In view of the energy intensive nature of crypto mining, please elaborate on how the Company intends to balance its business needs with its sustainability efforts.

The Company's Response

The Company would endeavour to use renewable energy instead of traditional electrical sources such as fossil fuels for the Group's cryptocurrency mining operations. As a result from using renewable energy, it will greatly reduce carbon dioxide emission vis-à-vis using fossil fuels. Once the Group is able to connect up with a reliable and cost-effective source of renewable energy (which are now considered a cheaper source of energy to fossil fuels²), it can be used for the New Business to save costs since the substantial long-term cost component of cryptocurrency mining will be incurred through electricity. The Company will also target to deploy mining assets in locations where there are abundant renewable energy sources that are available at low cost.

6. What does the Company intend to do with the mined cryptocurrency? What kind of revenue stream will it generate for the Company?

The Company's Response

The Company may potentially sell the crypto currency in the existing cryptocurrency exchanges or hold the cryptocurrency for future appreciation. The Company can potentially generate revenue through selling the cryptocurrency which has been "mined" in the existing cryptocurrency exchanges to better manage the risk and ensuring a more stable return.

7. Which business segment will the New Business be recorded in the Group's books? Will the Company be seeking shareholders' approval for diversification of business plans?

The Company's Response

The New Business will be recorded under the IT Business segment of the Group's books. The Company has obtained shareholders' approval for the New Business on 6 September 2021 as part of the ordinary resolution tabled in relation to the proposed expansion of the existing businesses of the Group which comprise of among other things, the proposed expansion of the IT business of the Group to include, among other things, business in crypto-currency mining.

8. Has the Company consulted its auditors on the accounting treatment and how digital assets will be valued and accounted for?

The Company's Response

The Company has not entered into any definitive agreement pertaining to cryptocurrency mining or commenced any cryptocurrency mining operations and accordingly, it may be too premature to consult the Company's auditors on the accounting treatment at this juncture.

9. The Group's current operations comprise Property Development, Info-Tech Related, Investment, Food and Beverage and Biomedical Businesses. The Group recorded loss of S\$59.4 million in FY2021 as compared to the profit of S\$56.1 million in FY2020, which was mainly due to increase in the fair value loss on

² <https://www.irena.org/newsroom/pressreleases/2021/Jun/Majority-of-New-Renewables-Undercut-Cheapest-Fossil-Fuel-on-Cost>

investment securities of S\$47.2 million, the increase in loss on disposal of financial assets of S\$4.6 million, the increase in director's remuneration of S\$12.2 million, and S\$64.0 million decrease in profit from discontinued operation, offset by the increase in profit generated from the biomedical business of \$6.0 million and S\$7.0 million generated from the property development business.

What are the Board's plans to turn the Group around?

The Company's Response

The Board wishes to highlight that most of the losses were attributed to fair value loss on investment of securities amounting to S\$47.2 million. The Group will continue to strengthen its existing businesses and grow its profits while taking prudent steps in the New Business. With encouraging reports³ on increasing housing prices and rental rates within Houston, Texas where the Group's real estate development projects are located, the Board is confident that the Group is in a favourable position to seize such opportunity and grow the Group's property development business to turn the Group around.

By Order of the Board
Alset International Limited

Chan Tung Moe
Executive Director and Co-Chief Executive Officer

24 March 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.

³ <https://www.houstonchronicle.com/business/real-estate/article/Houston-rents-have-soared-to-record-highs-16725899.php>,
<https://www.houstonchronicle.com/business/article/Housing-market-stays-hot-but-interest-rates-low-16844878.php>