

OIO HOLDINGS LIMITED

(Company Registration No: 201726076W)
(Incorporated in the Republic of Singapore)

RESPONSE TO QUERIES FROM THE SECURITIES INVESTORS ASSOCIATION (SINGAPORE) ON THE ANNUAL REPORT

The Board of Directors (the “**Board**”) of OIO Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) would like to provide its responses to the queries received from the Securities Investors Association (Singapore) (“**SIAS**”) in relation to the Company’s Annual Report for the financial year ended 31 December 2021 (“**FY2021**”) prior to the upcoming annual general meeting for FY2021 to be held by way of electronic means on Friday, 29 April 2022 at 2.30 p.m. For avoidance of doubt, the Company does not respond to the commentaries made by SIAS since they merely set out the context of the questions raised.

QUERIES FROM SIAS

Q1. As noted on page 5, the company has disposed of the mechanical and electrical engineering services to focus on the growing blockchain technology services segment. Despite raising US\$5.34 million from a series of placement, the independent auditor had included a material uncertainty related to going concern section in their report on the audited financial statements of the group for the financial year ended 31 December 2021 (see page 38 of the annual report – Independent auditors’ report - Material Uncertainty Related to Going Concern).

In particular, as at 31 December 2021, the group and the company had net current liabilities of \$3,484,152 (2020: \$2,419,940) and \$1,379,837 (2020: \$2,833,099), respectively.

On 24 March 2022, the company entered into an agreement with North Ventures Pte Ltd to extend the repayment date of the interest free loans of (i) S\$400,000 and (ii) US\$2,000,000 (S\$2,703,400) respectively to after 15 April 2023.

- (i) **Has the board reviewed the group’s financial position and has it determined the optimal capital structure needed to fund its growth?**

Company’s response:

The Board reviews the Group’s financial position on a regular basis. As of 31 December 2021, the Group had approximately S\$5.8m cash as well as liquid cryptocurrencies of approximately S\$5.5m which can be converted to fiat currencies easily that are classified as intangible assets in accordance with the accounting standards.

In terms of the profit and loss of the businesses, the blockchain technology services segment was already profitable for FY2021, and the size of the mechanical and electrical engineering business shrank compared with the past years. Thus, the future cash outflow of the Group would be mainly the ongoing operating costs of OIO Holdings Limited as well as any new investment which might be made by the blockchain technology services segment which the Board will decide depending on the future circumstances of the business.

In terms of the current liabilities, the Company has, on 24 March 2022, entered into an agreement with North Ventures Pte Ltd to extend the repayment date of the interest free loans of (i) S\$400,000 and (ii) US\$2,000,000 (S\$2,703,400) respectively to after 15 April 2023, both of which are included in the current liabilities in the Statements of Financial Position as at 31 December 2021.

Thus, the Board believes that the Group has enough liquid assets including cash and cryptocurrencies to meet the financial obligations of the Group as and when they fall due.

Depending on the future needs of funds for the growth of the blockchain technology business segment and any other financial necessity, the Board will consider raising additional funds through either further equity or debt arrangements. The optimal capital structure would depend on the nature of the investment as well as the opportunities and conditions of future funding, and thus the Board will periodically review and determine the capital structure.

(ii) What are the near-term plans to strengthen its balance sheet?

Company's response:

The group would explore raising funds through further equity or debt arrangements.

(iii) What are the major cash outflows, if any, in the next 12-18 months? How does the board see the company's liquidity position and potential impact on working capital in the next 12-18 months?

Company's response:

As mentioned above, the future cash outflow of the group would mainly include the ongoing corporate operating costs of the Company as well as any new investment which might be made by the blockchain technology services which the Board will decide depending on the future circumstances of the business. The Board believes that the Group has enough liquid assets including cash and cryptocurrencies to meet the financial obligations of the Group.

Q2. As shown in the operation and financial review, the focus of the group is now on blockchain agency and consulting services and staking services.

(i) For the benefit of shareholders, can management showcase some of the successful projects from its blockchain agency and consulting services?

Company's response:

An example would be the certification of academic graduation degree utilizing blockchain technology on the back-end to avoid fraud. As seen in various countries, there are cases of rampant usage of fake academic certificates by job applicants. In a bid to overcome this, an overseas client had requested for a blockchain solution whereby certificates issued by the university be recorded on the blockchain. Such certificate will carry a digital authentication code whereby employers can simply log into the system, gain access to the blockchain data and validate the authenticity of the certificate. The engagement of this client was undertaken and completed in FY2021.

With this application, it can be further applied to include background checks where employees' conduct can be recorded such that new employers would not need to exhaust resources to search and contact past employers of the applicants.

(ii) Revenue from blockchain agency and consulting services was \$1.35 million in FY2020 and decreased to \$132,958 in FY2021. Who are the major customers (or their profiles)? How does the group secure new projects?

Company's response:

Our clientele ranges from institutional clients to small and medium enterprises ("**SMEs**") who seek solutions to existing business issues that the blockchain technology is able to address.

Prior to the completion of Moonstake Pte Ltd and its subsidiary, Moonstake Limited (collectively, "**Moonstake**") on 31 May 2021 ("**Moonstake Acquisition**"), Moonstake Pte Ltd was a major customer of the Company. In FY2020 and FY2021, approximately \$1.15 million and \$0.08 million revenue from blockchain agency and consulting services was generated respectively by providing such services to Moonstake Pte Ltd. The revenue of \$0.08 million generated in FY2021 from the blockchain agency and consulting services was prior to completion of the Moonstake Acquisition. Following the Moonstake Acquisition, Moonstake had contributed revenue of approximately S\$4.4 million to the Group for FY2021.

Over the past 2 years, the Company has seen that the demand for blockchain consultancy services has not increased as compared to blockchain financial products. This is mainly due to the complex technical barrier that blockchain has such as speed, scalability, interoperability, and security which the Group believes would be addressed in future. On the other hand, one of the visions of the Group is to contribute to the industry backed by its unique position of being a listed company. For this reason, the Group will continue with the blockchain agency and consulting services, while exploring new business opportunities such as providing blockchain training for family offices and institutional investors.

The Group currently secures new projects through its marketing efforts and network connections and is currently in the process of establishing an agency referral system to secure new projects and customers such as those from family offices and institutional investors in future.

- (iii) **Total revenue from the group’s staking services was \$4.43 million in FY2021. What is the group’s competitive advantage in staking? How large is the group’s base of “active” staking customers/wallets?**

Company’s response:

The Group’s competitive strength is the reputation of Moonstake. Moonstake is one of the extremely few validators globally that operates as a validator and provides decentralized wallets in the form of a web wallet and mobile wallet. The reason the Group operates the wallet is because there are not many wallets globally that support staking functions of multiple crypto tokens such as Cardano (“**ADA**”), Cosmos (“**ATOM**”), IOST, Ontology (“**ONT**”), and ORBS. Through the wallet, the Group is able to provide easy access to staking services. Moonstake, being a subsidiary of OIO Holdings Limited, a listed company, thus provides reputational credibility to its users. While there are thousands of validators currently operating in the world, very few validators operate decentralized wallets at the same time. Further, there is also often limited background information available on these validators and their legitimacy other than their crypto addresses and websites. Therefore, Moonstake’s reputational credibility is our competitive strength.

Current active staking users can be found through the aggregation platforms. Moonstake’s current active staking users is over 5,000.

- (iv) **What is the level of technical expertise in the group? How secured are the group’s propriety platforms, applications and software?**

Company’s response:

Executive Director of OIO Holdings Limited, Yusaku Mishima was the former CEO of Infinity Blockchain Labs Limited, a blockchain development company in Vietnam which has been operating for over 7 years. Through the experience, he understands and performs checks at the architecture level of the products.

Security is paramount in the blockchain business and the Group is has a monitoring system of the wallet to prevent and react on distributed denial-of-service attacks. The current decentralized wallet architecture generates and encrypts the private key at the client side using user passphrase. Encrypted keys are stored in our server without any knowledge about the passphrase. This practice provides a better user experience while guaranteeing a high level of security to operate wallets.

The Group also partners with a technology outsourcing company which also helps to boost the security of the products. Our product manager who has experience working in traditional finance software provides insights as well. Having three parties observing and discussing the security and architecture level from different angles contributes to the enhancement of the security of our products.

Q3. In Note 4 (page 82 – Intangible assets: Crypto assets), the group recognised an impairment loss amounting to \$(869,905) in profit or loss.

As at 31 December 2021, crypto assets amounted to approximately \$5.45 million (page 80).

The recoverable amount of the crypto assets is determined based on fair value at year end using the quoted price in United States dollars from a number of different sources with the primary being CoinMarketCap (www.coinmarketcap.com) at closing Coordinated Universal Time.

- (i) **What specific crypto assets are being held by the group?**

Company’s response:

The crypto assets held by the Group as at 31 December 2021 are as follows:

<u>Name of blockchains</u>	<u>Name of crypto assets</u>	<u>S\$</u>
Cardano	ADA	1,732,388
Cosmos	ATOM	15,982
BNB	BNB	606

Bitcoin	BTC	12,063
Chainpay	CPAY	19,237
Polkadot	DOT	175
Ethereum	ETH	667,180
Filecoin	FIL	10
Gas	GAS	8
IOST	IOST	302,146
IRISnet	IRIS	2,041
Lisk	LSK	67
Neo	NEO	34
Harmony	ONE	7,168
Ontology Gas	ONG	230,393
Ontology	ONT	186,463
Orbs	ORBS	61,433
Qtum	QTUM	3,521
Shiden Network	SDN	10,778
TRON	TRX	99
Tether	USDT	1,337,502
Tezos	XTZ	864,085
Total		5,453,379

(ii) What is the level of expertise of board members, especially the independent directors, on blockchain, staking and crypto currencies?

Company's response:

The Independent Non-Executive Directors ("INED"), as a whole, has a good combination of experience in traditional businesses, compliance and blockchain development. This allows the INEDs to be able to assess the merits of any blockchain-related discussions from technical and conventional perspective.

(iii) What are the findings of the risk assessment of the board with regard to the group's staking services, especially on technical risk assessment?

Company's response:

In staking, the Company does not have ownership of the staking pool cryptocurrencies. The cryptocurrencies belong solely to the owners who utilizes the Group's staking services. The owners can also un stake the cryptocurrencies if they want to sell the cryptocurrencies at any time.

- (iv) **Can the nominating committee help shareholders better understand if the independent directors have the appropriate skills sets, knowledge, experience, especially in blockchain, staking, Defi, digital wallets, crypto mining, regulations, cybersecurity, etc to engage in effective and constructive debate and discussions with the executive directors/management?**

Company's response:

A key challenge for the Group is to demystify blockchain and related resultant industries and activities such as staking for retail investors. To that end, the independent directors have a valuable blend of compliance and blockchain development experience to understand the business, both from the technical and traditional aspects. The INEDs have a holistic approach in assessing the Group's business activities as management executives will distill and elaborate on developments in the lens of a traditional business model.

BY ORDER OF THE BOARD

Fan Chee Seng
Executive Chairman
27 April 2022

This announcement has been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor"). It has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "Exchange") and the Exchange assumes no responsibility for the contents of this document, including the correctness of any of the statements or opinions made or reports contained in this document.

The contact person for the Sponsor is Mr Shervyn Essex, 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318, sponsorship@ppcf.com.sg.