

SMART AUTO AUSTRALIA LIMITED

(ACN 644 257 465)

SUPPLEMENTARY PROSPECTUS

Important Information

This is a supplementary prospectus (**Supplementary Prospectus**) which supplements and is intended to be read with the prospectus dated 30 April 2024 (**Prospectus**) issued by Smart Auto Australia Limited (ACN 644 257 465) (**Company**).

This Supplementary Prospectus is dated 27 May 2024 and was lodged with ASIC on that date.

ASIC, the NSX and their respective officers take no responsibility for the contents of this Supplementary Prospectus.

This Supplementary Prospectus should be read together with the Prospectus. Other than as set out below, all details in relation to the Prospectus remain unchanged. Terms and abbreviations defined in the Prospectus have the same meaning in this Supplementary Prospectus. If there is any conflict between the Prospectus and this Supplementary Prospectus will prevail.

This Supplementary Prospectus will be issued with the Prospectus as an electronic prospectus, copies of which can be downloaded from the NSX website at <https://www.nsx.com.au/> (the Company's NSX code is SAL) and a copy of the Supplementary Prospectus will be provided free of charge upon request to the Company.

This is an important document and should be read in its entirety. If you do not understand it, you should consult your professional advisers without delay.

1. Purpose of this Supplementary Prospectus

The purpose of this Supplementary Prospectus is to provide additional information to investors as set out below, being developments which have occurred since the Prospectus was lodged with ASIC.

2. Rationale for Entitlement Offer

The Board is assessing the Group's long-term sustainability and is actively seeking funding to support the Group and new business opportunities to revive the business. The Group has been experiencing losses in recent years due to the economic downturn in Hong Kong and China, as well as the tourism industry.

In addition (first disclosed in the half-year report for the six months period ended 30 September 2023 on 12 December 2023), a creditor filed a civil litigation claim against Grand Tour Bus Services Limited (**GTB**) (the Group's primary operating subsidiary in Hong Kong) in the High Court of the Hong Kong Special Administrative Region (the **Court**). Subsequent to reviewing the submissions of both parties, the Court has determined that GTB is required to settle a total fee of circa A\$1.25 million.

Disposal of Wholly Owned Subsidiaries of the Group

On 22 May 2024, the Company's Board announced to the NSX that it had sold its entire equity interest in its wholly-owned subsidiary, Smart Auto Holding (HK), as well as its directly owned subsidiary, GTB, on 17 May 2024. The Company will not wait from any settlement of the litigation or financing GTB to pursue a counterclaim, instead, the Company intends to use the funding from the rights issue to pursue new business initiatives. The announcement can be accessed on the NSX website at <https://www.nsx.com.au/> (the Company's NSX code is SAL) and a copy of the announcement will be provided free of charge upon request to the Company.

3. Underwriting Arrangements

Clarification of maximum number of shares and voting power of the Underwriter

The Company clarifies the inconsistency in the Prospectus and confirms that the maximum number of shares the Underwriter could obtain is 659,721,417 new shares and consequently increasing the Underwriter's voting power by 75%, bringing the total number of shares that the Underwriter could own to 661,721,417 shares and the total voting power to 75.23%.

Rationale for Shareholder to be Underwriter

In light of the current market conditions and the Group's business performance and situation, the Company is not able to locate a professional underwriter or broker to underwrite the rights issue exercises, notwithstanding that the Underwriter under the Entitlement Offer is not charging any fees associated with the Underwriting. Appointing a professional underwriter can address short-term funding needs but may not lead to the desired long-term financial performance as envisioned by the Board.

Mr. Vikram Rana is an existing shareholder. He engages in the international trading business for licensed ODM/OEM stationary and printing products (picture books, colouring books, etc) in the United States, Singapore, Dubai, Hong Kong and Shanghai. His business covers a wide range of licenses from Disney (Avenger, Spider-man, Star Warz, Frozen etc.), Transformer, Lost Kitties, My Little Pony, Play Doh etc. Mr. Rana intends to develop his business in the Australian market, and as a result, he had approached the Company as an existing shareholder to discuss the potential for the Company to explore a new business opportunity. Subsequently, the Company and Mr. Rana had agreed to conduct a rights issue and for Mr. Rana to underwrite the Entitlement Offer while enabling existing shareholders to participate to retain their stake in the Company while the Company and Mr. Rana explored potential business opportunities for the Company.

The net proceeds from the Entitlement Offer will be used in Australia only to support the listing platform's day-to-day operations and corporate expenses.

4. Risk and Control

Subject to tax advice on the appropriate jurisdiction, the Company intends to set up a new offshore investment holding company to hold an operating subsidiary to accommodate the new customer contracts sourced by Mr. Rana and his business team.

The risk to the Company is minimal as the proposed new business operation is straightforward. The sourcing team in the new operating subsidiary of the Group will work with local manufacturers (i.e. China, Malaysia and India) according to customers' specifications and needs (design), and export to customers (i.e. USA) directly from the local suppliers.

The new subsidiary will be an operating centre for (i) sourcing, (ii) finance and accounting, (iii) design, and (iv) sales and marketing. All revenue and payment will be recorded and recognised in the books of this entity.

5. Working capital statement

The Directors consider that following completion of the Entitlement Offer, the Company will have sufficient working capital to carry out its stated objectives.

Further breakdown of Use of Funds

Use of funds	Allocation of funds	Percentage use of funds
Development of new business	\$260,000	11.80%
Working capital for FY25 and FY26	\$1,886,071	85.80%
- NSX Listing Costs	\$160,000	
- Directors' Remuneration	\$400,000	
- Audit and Other professional Costs	\$392,000	
- Management and operation of the business including administration expenses	\$600,000	
- Rent	\$240,000	
- Surplus funds	\$94,071	
Costs of the Entitlement Offer	\$53,000	2.40%
TOTAL	\$2,199,071	100.00%

6. Going Concern

The Company refers to the breakdown of the use of funds in Section 5 above, and confirm that the funds raised from the Entitlement offer will be sufficient funds to enable operations of the Company for financial years ended 31 March 2025 and 31 March 2026.

In addition to the above, with the disposal of Smart Auto (HK) and GTB, the Company does not have any material contracts and therefore there are no anticipated risks associated with this.

The Company intends to commence operations of the new subsidiary once the Entitlement Offer is complete and expect the new operation will be ready for business in 3-6 months' time.

7. Consents

The Company confirms that as at the date of this Supplementary Prospectus, each of the parties that have been named as having consented to being named in the Prospectus have not withdrawn that consent.

8. Authorisation

This Supplementary Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with section 720 of the Corporations Act, each Director has consented to the lodgement of this Supplementary Prospectus with ASIC and has not withdrawn that consent.

This Supplementary Prospectus is signed for and on behalf of the Company by:



Michael Pixley
Non-Executive Chairman
Smart Auto Australia Limited