

ASIATIC GROUP (HOLDINGS) LIMITED

(Company Registration No: 200209290R)

(Incorporated in the Republic of Singapore)

PROPOSED DISPOSAL OF SHARES AND ALL CONVERTIBLE BONDS HELD BY COLBEN ENERGY HOLDINGS (MAJU INTAN) LTD IN MAJU INTAN BIOMASS ENERGY SDN BHD TO HUALANG RENEWABLE ENERGY SDN BHD

1. INTRODUCTION

The board of directors (the "**Directors**" or the "**Board**") of Asiatic Group (Holdings) Limited (the "**Company**", and together with its subsidiaries, the "**Group**") wishes to announce that Colben Energy Holdings (Maju Intan) Ltd. ("**MJEH**" or "**Vendor**") has on 10 March 2020, entered into a sale and purchase agreement (the "**Sale and Purchase Agreement**") with Hualang Renewable Energy Sdn Bhd (the "**Purchaser**") and pursuant to which, the Company agreed to sell to the Purchaser, and the Purchaser agreed to acquire all shares issued in the capital of Maju Intan Biomass Energy Sdn Bhd ("**MIB**") and all rights to the Convertible Bonds (as defined below) held by MJEH (collectively the "**Sale Shares**") on the terms and subject to the conditions of the Sale and Purchase Agreement (the "**Proposed Disposal**").

Upon completion of the Proposed Disposal ("**Completion**"), the Group will cease to have any interest in MIB and MIB will cease to be an associate of the Group.

2. PROPOSED DISPOSAL

2.1. Rationale

The Board considers that the Proposed Disposal to be in the best interest of the Company and its Shareholders, taking into consideration that, among other factors, the Maju Intan Biomass Power Plant held by MIB (the "**Power Plant**") has been loss-making for the past six (6) financial years. The audited financials of MIB for the year ended 31 March 2019 showed negative net worth arising from accumulated losses of RM 40,100,000 or approximately SGD 13,000,000. This had been due to difficulties faced by MIB and the Power Plant in two (2) of its revenue streams, namely certified emission reduction (CER) credits and palm oil.

The Proposed Disposal will allow the Company to cut its losses and re-strategise its financial and capital resources. As a whole, the Group will be able to focus on and expand its existing core business and any business opportunities that may arise in the future which would enhance the long-term interests of the Group and the shareholders of the Company.

2.2. Information on the Purchaser

The Purchaser is incorporated and registered in Malaysia and is an indirect wholly owned subsidiary of Jaya Kuasa Berhad, a public limited company involved in construction, property development and investment.

The Purchaser is in the business of energy development, operations, maintenance engineering and logistics and currently owns two biomass power generation plants of 11.5MW each, processing Empty Fruit Bunch ("**EFB**") of Palm Oil and sell electricity to the Sabah State Electricity Board under the Renewable Energy Power Production Agreement. As far as the Company is aware, the Purchaser is focusing on the development of new renewable energy and looking into opportunities for development of desalination and small hydro and new biogas power generation projects.

The Purchaser is not related to any of the Directors, substantial shareholders of the Company, or their respective associates. There is also no past or present connection (including business relationship) between the Company, its subsidiaries, its Directors or substantial shareholders and the Purchaser.

2.3. Information on MIB and the Power Plant

In 2009, the Company entered into a joint venture through MJEH and took a 30% stake in MIB to develop the Power Plant. The Power Plant opened in October 2015. The revenue sources for the Power Plant were (i) electricity; (ii) palm oil; and (iii) certified emission reductions (CER) credits. The shareholders of MIB are (i) MJEH (30%), Tekun Positif (M) Sdn Bhd (30%), Wealthy Entity Holdings Sdn Bhd (25%) and Tan Guan Hua Sdn Bhd (15%).

The Power Plant was designed with a capacity of 12.5 MW generation that will export electricity of up to 10 MW to the national grid with the rest for the Power Plant's own periphery use. The Power Plant was developed, constructed, completed and readied for operations by MJEH. The Power Plant is one of the very few operating, large-scale, renewable energy power plant fueled 100% by EFB in Malaysia that uses EFB (such as solid waste product from palm oil mill factories after their extraction of oil from fresh palm fruits) as its feed stock. The Power Plant is currently operating at a 35% capacity due to cash-flow constraints and shut down for annual inspection by the relevant authorities.

If required, a valuation would be conducted on MIB and details of such report would be included in the circular to shareholders in relation to the Proposed Disposal.

2.4. Financial information relating to MIB

As at 31 March 2019, MIB was in a net liability position of SGD 13,303,000 and the Group's accumulated share of post-acquisition reserves in MIB amounted to approximately SGD8,055,000.

The summarised financial information in respect of MIB, based on SFRS(I) audited financial statements and a reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

MIB

31 Mar 2019
SGD '000

Summarised balance sheet

Current assets	1,103
Non-current assets	39,832
Total assets	40,935
Current liabilities	9,793
Non-current liabilities	44,445
Total liabilities	54,238
Net liabilities	(13,303)

Group

Net liabilities	(13,303)
Proportion of the Group's ownership	30%
The Group's share of net liabilities ⁽¹⁾	(3,991)
Other adjustments	(320)
Transfer from construction in progress	6,897

Impairment loss	(2,586)
Carrying amount of the investment	—

31 Mar 2019
SGD '000

Summarised statement of comprehensive income

Revenue	6,589
EBITDA ⁽²⁾	1,229
Loss after tax	(7,923)
Other comprehensive income	213
Total comprehensive income	(7,710)

Notes:

(1) As at 31 March 2019, the Group's accumulated share of post-acquisition reserves in MIB amounted to SGD 8,055,000 (31 March 2018: SGD 5,736,000), which is included in the "Share of post-acquisition reserves" line above. The Group continues to record the share of losses as it has obligation towards such losses.

(2) Operational earnings before interest expenses, income tax and depreciation.

Investment in MIB

31 Mar 2019
SGD '000

Shares (30%), at cost	3,744
Share of post-acquisition reserves	(8,055)
Transfer from construction in progress ⁽¹⁾	6,897
Impairment loss ⁽²⁾	(2,586)
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Notes:

(1) In FY2018, the Group in support of MIB's efforts in improving the operating efficiency of the biomass plant, agreed to defer the collection of trade receivables from MIB till the cash flow of MIB permits. The Group also agreed to recover the unbilled amounts of construction in progress at the end of the project and accordingly capitalised it as cost of investment in associate.

(2) In FY2019, an impairment loss of SGD 2,586,000 to receivables was recorded due to persistent losses recorded by MIB.

2.5. Information on Convertible Bonds

On 20 May 2010, the Group entered into a convertible bond agreement with the other shareholders of MIB in which the shareholders issued an aggregate principal amount of RM 12,000,000, 12% p.a. convertible bonds with a maturity date on the twelve-anniversary date of the issue date at an issue price of 100% of the principal amount of the bonds (the "**Convertible Bonds**") to MJEH. The Convertible Bonds were issued to finance Tekun Positif (M) Sdn Bhd's and Wealthy Entity Holdings Sdn Bhd's (the "**Investors**") investment into MIB and are convertible into ordinary shares of MIB and/or new ordinary shares of the Investors only on certain events of redemption such as initial public offering and insolvency of MIB.

On 24 November 2016, MJEH purchased additional Convertible Bonds for RM1,200,000 from one of the bondholders, who held the rights to RM 1,500,000 of convertible bonds issued by Wealthy Entity Holdings Sdn Bhd.. The Convertible Bonds acquired have the same terms as the bonds acquired through the convertible bond agreements in 2010.

Interest on the Convertible Bonds is waived until the underlying project for which the proceeds of the Convertible Bonds to be utilised is completed.

For the financial year ended 31 March ("FY") 2019 Annual Report, the Company has appointed Roma Appraisals Limited to commission a valuation of the Convertible Bonds in compliance with Financial Reporting Standards 109 (FRS 109). The valuer appraised the Convertible Bonds at RM4,096,000 or approximately SGD 1,361,000 as at 31 March 2019.

The Convertible Bonds were appraised on the basis of fair value using the discounted cash flow method. The key assumptions used in the valuation method are (i) redemption value; (ii) future cash flow projections; (iii) credit risk of the issuer of the Convertible Bonds; and (iv) discount rate used. The fair value of the Convertible Bonds would be equal to the fair value of the liability component of the Convertible Bonds as no early conversion or redemption was assumed. The valuer calculated the fair value of the liability component of the Convertible Bonds at a higher risk premium because MIB is a private company which is usually not readily marketable than an otherwise comparable share in a publicly held company and to account for unsystematic risk such as forecast risk of MIB. The valuation of the liability component was mainly based on the projections of the future cash flows of the Convertible Bonds as provided by the management of MIB. The valuer applied a discount rate of 10.25% using the weighted average cost of capital (WACC) to present value the expected free cash flows.

The impairment on the Convertible Bonds of approximately SGD 3,140,000 was taken up in FY2019 to write down the investment to its valuation amount to comply with FRS 109.

2.6. **Principal terms of the Proposed Disposal**

(a) Sale Shares

Subject to the terms and conditions of the Sale and Purchase Agreement, the Sale Shares shall comprise the following:

- (i) 9,000,000 ordinary shares in the share capital of MIB, representing 30% of the issued and paid-up share capital of MIB held by MJEH;
- (ii) the rights to RM 6,000,000 of Convertible Bonds issued by Tekun Positif (M) Sdn Bhd to MJEH pursuant to a Convertible Bond agreement dated 20 May 2010 with a maturity date on the 12th anniversary date of the issue;
- (iii) the rights to RM 6,000,000 of Convertible Bonds issued by Wealthy Entity Holdings Sdn Bhd to MJEH pursuant to a Convertible Bond agreement dated 20 May 2010 with maturity date on the 12th anniversary date of the issue; and
- (iv) the rights to RM 1,500,000 of Convertible Bonds issued by Wealthy Entity Holdings Sdn Bhd to Joy Impact Consultants Limited pursuant to a Convertible Bond agreement dated 4 May 2011 and sold to MJEH pursuant to a bond sale agreement dated 24 November 2016.

(b) Purchase Consideration

Under the Proposed Disposal, MJEH has agreed to sell, and the Purchaser has agreed to purchase the Sale Shares for a cash consideration of one Malaysian Ringgit (RM 1) only ("**Purchase Consideration**"). The Purchase Consideration was arrived at on a willing buyer and willing seller basis, after taking into account the loss-making record of MIB, the negative net worth of MIB of approximately RM 40,100,000 and the Company's limited success in disposing of the Group's interest in the loss-making Power Plant.

Upon Completion, the Purchaser will take over its share of negative net worth and the Company and MJEH shall no longer have any interest in MIB nor the Power Plant. In addition, the Group will be discharged from corporate guarantees provided to financial institutions in support of MIB, thereby reducing its contingent liabilities of approximately SGD 67,500,000. The corporate

guarantees were provided for the construction of power plant, fixed assets and working capital needs.

As the Group has fully impaired its investment in MIB in FY2019, the sale of asset at nominal value is reasonable for the Company.

While the Convertible Bonds were valued at SGD1,361,000 as at 31 March 2019, the Group faced difficulties in finding an interested buyer for the Convertible Bonds when viewed in the context of the negative net worth of RM 40,100,000 of MIB.

Lastly, the Group had supported MIB over the years through intercompany advances. To facilitate the Proposed Disposal, the Group has agreed with the Purchaser to waive an amount of SGD11,411,000 ("**Waived Amount**") owing by MIB to the Group (as recorded in the books of the Group as at the date of the Sale and Purchase Agreement) as it would be unlikely for the Company to find buyer who would be willing to take up such liabilities of MIB.

As the Purchase Consideration is only one Malaysian Ringgit (RM 1), it will not be meaningful to disclose the intended use of such proceeds.

(c) Working Capital loan to MIB

Within 30 business days from the date of the Sale and Purchase Agreement, the Purchaser agrees to enter into a loan agreement with MIB to provide a RM 3,000,000 working capital loan ("**Loan**") to MIB. It is agreed between the Purchaser and MIB that if the Proposed Disposal proceeds to completion, the Loan shall be converted into the Purchaser's investment into MIB on terms to be agreed between the Purchaser and MIB. If the Proposed Disposal does not complete, the Loan shall be repaid in accordance with the terms of the loan agreement.

(d) Project Advisory Agreement

As part of the terms of the Sale and Purchase Agreement, the Purchaser and Colben Energy (Singapore) Pte Ltd, a subsidiary of the Company, has on the date of the Sale and Purchase Agreement, entered into a project advisory agreement for a period of two (2) years for an aggregate amount of RM 5,000,000 to ensure continuity of the operation of the Power Plant. Colben Energy (Singapore) Pte Ltd shall provide services such as technical and operational advice to ensure smooth running of the Power Plant; advice on management of staff of MIB, in relation to liaison with any statutory bodies, and on commercial and technical communication with vendors of MIB.

(e) Conditions Precedent

Completion is subject to and conditional upon, *inter alia*, the fulfilment on or prior to the date of Completion (within 150 business days from the date of the Sale and Purchase Agreement) of the following conditions ("**Conditions Precedent**"):

- (a) a due diligence review conducted by the Purchaser on MIB and its affiliates (where applicable), to the satisfaction of the Purchaser in its sole and absolute discretion;
- (b) the Purchaser having obtained the approvals of its board of directors and shareholders for the purchase of the Sale Shares upon the terms and conditions of the Sale and Purchase Agreement;
- (c) the Purchaser entering into a loan agreement with MIB for provision of the Loan;
- (d) the Vendor having obtained the approvals from the board of directors and shareholders (if necessary) of its ultimate holding company (i.e. Asiatic Group (Holdings) Limited) for the sale of the Sale Shares upon the terms and conditions of this Sale and Purchase Agreement;

- (e) the Vendor having obtained the approvals from its board of directors and shareholders for the sale of the Sale Shares upon the terms and conditions of the Sale and Purchase Agreement;
- (f) MIB having obtained approvals from its board of directors and shareholders in relation to the sale and purchase of the Sale Shares as contemplated under the Sale and Purchase Agreement;
- (g) the Vendor, having obtained the necessary approvals as required under Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited ("**Catalist Rules**") and any other relevant authority for the sale of the Sale Shares upon the terms and conditions of the Sale and Purchase Agreement;
- (h) the Purchaser having procured on behalf of the Vendor the necessary approvals of the financiers of MIB for (i) the restructuring of the debt of MIB (provided that MIB remains liable for any restructured obligations) and discharge of existing security as set out in the Sale and Purchase Agreement and (ii) the change in shareholding and directors of MIB resulting from completion of the Sale and Purchase Agreement;
- (i) MIB having obtained written approval from the Sustainable Energy Development Authority (SEDA) or other energy related authority where applicable or the transfer of shares under this agreement to the Purchaser; and
- (j) the Vendor having provided the Purchaser with a written waiver respectively from each remaining shareholder of the Company waiving all their respective rights of first refusal in relation to the Sale Shares and their acceptance of the terms and conditions of the Sale and Purchase Agreement.

(f) Completion

Completion of the Sale and Purchase Agreement shall take place on the seventh (7th) Business Day from the day when the last of all the conditions precedent under the Sale and Purchase Agreement is fulfilled and/or waived by the Purchaser to the extent permitted by law or any other later date as may be agreed in writing by the parties.

3. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

3.1. The financial effects of the Proposed Disposal on the Group set out below have been prepared and calculated using the audited consolidated financial statements of the Group for FY 2019, and on the following bases and assumptions:-

- (a) The financial effects are shown for illustrative purposes only and they do not necessarily reflect the actual future financial position and performance of the Group after completion of the Proposed Disposal;
- (b) the financial effect on the consolidated net tangible asset per share is computed based on the assumption that the Proposed Disposal was completed on 31 March 2019;
- (c) the financial effect on the consolidated loss per share is computed based on the assumption that the Proposed Disposal was completed on 1 April 2018; and
- (d) the expenses to be incurred in connection with the Proposed Disposal are estimated to be approximately SGD 300,000.

3.2. Net Tangible Assets ("NTA")

	Prior to the Proposed Disposal	After the Proposed Disposal
NTA (S\$'000)	41,067	28,291
Number of shares	1,556,462,688	1,556,462,688
NTA per share (cents per share)	2.64	1.82

3.3. Loss per share ("LPS")

	Prior to the Proposed Disposal	After the Proposed Disposal
Net loss attributable to Shareholders (S\$'000)	(20,000)	(32,776)
Weighted average number of issued shares	1,423,891,259	1,423,891,259
LPS (cents per share)	(1.41)	(2.30)

Upon Completion of the Proposed Disposal, the Group will need to write off approximately SGD11,411,000. Accordingly, the Proposed Disposal will result in a gain of proceeds of one Malaysian Ringgit (RM 1) over the book value of MIB and a deficit of proceed of RM4,096,000 or approximately SGD 1,365,000 over the aggregate value of Convertible Bonds, which taken together will result in a Group loss on disposal of approximately SGD12,776,000 in FY2020 which will result in a charge to the Income Statement and a reduction in the net tangible assets for the Group.

4. **RELATIVE FIGURES COMPUTED PURSUANT TO RULE 1006 OF THE CATALIST RULES**

4.1. The relative figures for the Proposed Disposal computed on the bases set out in Rule 1006 of the Catalist Rules and based on the latest announced unaudited consolidated accounts of the Group for the period ended 30 September 2019 (H1 FY2020) are as set out below:

Rule 1006	Bases	Relative Figures
(a)	The net asset value of the assets to be disposed of, compared with the Group's net asset value	16.9% ¹
(b)	The net profits attributable to the assets acquired or disposed of, compared with the Group's net profits ²	-44.8%
(c)	The aggregate value of the consideration given or received, compared with the Group's market capitalisation	147.3% ³
(d)	The number of equity securities issued by the Group as consideration for the proposed acquisition, as compared with the number of equity securities previously in issue	Not applicable as no equity securities are to be issued as consideration for the Proposed Disposal
(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the Group's proved and probable reserves	Not applicable as the Company is not a mineral, oil and gas company

Notes:

- (1) Computed based on the unaudited net liability value of MIB attributable to the Group which amounted to SGD 4,395,000 as at 30 September 2019 together with the Waived Amount of SGD 11,411,000 and the Convertible Bonds valued at SGD 1,361,000 as at 31 March 2019 against the net asset value of the Group which amounted to approximately SGD 49,541,000, as at 30 September 2019.
- (2) Net profits is defined as profit or loss before income tax, minority interests and extraordinary items.

- (3) Computed based on the Consideration of RM1 together with the Waived Amount of SGD 11,411,000 and the aggregate nominal value of the Convertible Bonds of SGD 4,501,000 against the market capitalization of the Company of approximately SGD 10,805,000, which is determined by multiplying the issued share capital of the Company shares with the volume weighted average price of such shares transacted on 9 March 2020, the market day preceding the date of the Sale and Purchase Agreement, of S\$0.007 per share.

- 4.2. As the relative figure computed on the basis set out in Rule 1006(c) exceeds 50%, the Proposed Disposal constitutes a “Major Transaction” as defined under Chapter 10 of the Catalist Rules. Accordingly, the Proposed Disposal is subject to the approval of Shareholders at a general meeting to be convened.

5. DIRECTORS AND SUBSTANTIAL SHAREHOLDERS' INTEREST

None of the Directors nor any substantial shareholder of the Company or their respective associates has any interest, whether direct or indirect, in the Proposed Disposal, save through their respective shareholding interests or directorships in the Company.

6. SERVICE AGREEMENTS

No directors are proposed to be appointed to the Board in connection with the Proposed Disposal.

7. FURTHER ANNOUNCEMENTS

The Company will make further announcements as and when appropriate, including information required under the Catalist Rules.

For the avoidance of doubt, a circular containing further details on, amongst others, the Proposed Disposal, and enclosing a notice of extraordinary general meeting in connection therewith and will be despatched to the Shareholders in due course.

8. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Proposed Disposal and the Group, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in this announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this announcement in its proper form and context.

9. CAUTIONARY STATEMENT

Shareholders and potential investors should note that the Proposed Disposal is subject to the fulfilment of the Conditions Precedent, and there is no certainty or assurance as at the date of this announcement that the Proposed Disposal will be completed. The Company will make the necessary announcements, in compliance with the requirements of the Catalist Rules, as and when there are material developments in respect of the Proposed Disposal. Shareholders are advised to read this announcement and any further announcements by the Company carefully and should exercise caution when trading in the shares of the Company. Persons who are in doubt as to the action they should take should consult their legal, financial, tax or other professional advisers.

10. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the Sale and Purchase Agreement and valuation report in relation to the Convertible Bonds will be made available for inspection during normal business hours at the registered office of the Company at 65 Joo Koon Circle, Singapore 629078 for three (3) months from the date of this announcement.

By Order of the Board

Tan Boon Kheng
Managing Director

11 March 2020

This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor") in accordance with Rules 226(2)(b) and 753(2) of the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalist.

This announcement has not been examined or approved by the SGX-ST. The SGX-ST 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 Gillian Goh, Director, Head of Continuing Sponsorship, (Mailing Address: 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318 and Email: sponsorship@ppcf.com.sg).