

**CHASWOOD RESOURCES HOLDINGS LTD.**

(Company Registration No. 200401894D)  
(Incorporated in the Republic of Singapore)

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**DISCLAIMER OF OPINION BY INDEPENDENT AUDITOR ON THE AUDITED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

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The Board of Directors (“**Board**”) of Chaswood Resources Holdings Ltd (“**Company**”) together with its subsidiaries (“**Group**”) wishes to announce that the Company’s Independent Auditors, Moore Stephens LLP (“**Independent Auditors**”), have issued its report (“**Independent Auditor’s Report**”) on the audit of the financial statements of the Group for the financial year ended 31 December 2017 (“**Financial Statements**”), and have issued a disclaimer of opinion in the Independent Auditor’s Report.

The basis for the disclaimer of opinion was in respect of the appropriateness of the going concern assumption for the Group.

Please refer to the copy of the Independent Auditor’s Report and extracts of the relevant notes to the Financial Statement attached herein.

Shareholders of the Company are advised to read the Independent Auditor’s Report and the Financial Statements, which can be found in the Company’s Annual Report for FY2017 that will be despatched to shareholders in due course.

**DIRECTORS’ OPINION AND BASIS**

The business performance of the Group has been adversely affected due to *inter-alia* sales decline and operational losses in the last three (3) years arising from weak consumer spending, increasing cost of operations and cost of living, and other challenges, particularly in Malaysia.

With a view to regularising the financial position of the Group to protect the long-term interests of all stakeholders, including shareholders and creditors, the Group is undertaking certain measures which include *inter-alia*:

- (a) business rationalisation, *inter-alia*, undertaking cost-cutting measures at head office and restaurants, negotiating with landlords and suppliers to reduce or contain operating costs, improving operational efficiencies, closing non-performing restaurants, and such other efforts to improve the Group’s profitability and financial position (collectively these measures will be termed “**Business Rationalisation**”);
- (b) a debt restructuring exercise with its principal lenders, namely CIMB Bank Berhad, Malayan Banking Berhad and AmBank (M) Berhad (collectively, the “**Scheme Lenders**”), to address debt maturities, which includes, *inter alia*, the partial repayment of the outstanding borrowing via the proceeds from sale of certain assets or businesses of the Group and waiver of debt (“**Proposed Debt Restructuring**”). Referring to the Company’s announcements dated 20 November 2017, 15 February 2018, 20 February 2018, 14 June 2018, 20 June 2018 and 28 June 2018, the Company’s wholly owned subsidiary in Malaysia, Chaswood Resources Sdn. Bhd. (“**CRSB**”) had obtained an order from the High Court of Malaysia to, *inter alia*, restrain the Scheme Lenders from taking any proceedings, including but not limited to enforcement of any security and winding up proceedings against CRSB and its subsidiaries pursuant to Section 368 of the Companies Act 2016 (“**Moratorium**”), which has expired on 15 June 2018. CRSB has re-filed for an extension of the Moratorium on 29 June 2018 and the hearing date has been fixed on 4 July 2018. Any further development will be announced in due course;
- (c) exploring various funding options for the Group including recapitalisation of the Group’s balance sheet (including, *inter alia*, disposal of assets or business of the Group) (“**Fund Raising Options**”); and

- (d) as announced by the Company on 26 June 2018, the proposed issuance of 1% equity-linked redeemable convertible notes due 2021 with an aggregate principal amount of up to S\$50,000,000 to be subscribed by Advance Opportunities Fund group of funds (“**Proposed Notes Issue**”). The Proposed Notes Issue is subject to, *inter alia*, execution of definitive subscription agreement, approvals from Singapore Exchange Securities Trading Limited (“**SGX-ST**”) and the shareholders of the Company. The Proposed Notes Issue is expected to strengthen the Group’s financial and general working capital and for the anticipation of funding the Group’s future plans.

Having reviewed the significance of the Disclaimer of Opinion, the Board is of the opinion that, barring unforeseen circumstances, and subject to the successful outcome of *inter-alia* the Business Rationalisation, Proposed Debt Restructuring, Fund Raising Options, Proposed Notes Issue and market conditions, the Group will be able to continue as a going concern for the next 12 months.

Where applicable, the Business Rationalisation, Proposed Debt Restructuring, Fund Raising Options and Proposed Notes Issue will be subject to, *inter-alia*, shareholders’ approval. Further announcements will be made by the Company and the Board via SGXNET as and when there are any material developments in compliance with the Catalist Rules of SGX-ST.

Shareholders and potential investors should exercise caution when trading in the Company’s securities. When in doubt as to the action they should take, shareholders and potential investors should consult their financial, tax or such other advisers.

The Board confirms that all material disclosures, facts and information (in connection with, *inter alia*, the Company, its subsidiaries, operations and business of the Group, the financial condition, prospects, assets and liabilities of the Group, litigation proceedings, legal actions, the Moratorium, the Proposed Debt Restructuring, the Business Rationalisation and the Fund Raising Options) have been provided and announced and are not aware of any facts, information or disclosures, the omission of which would make any statement in this announcement or previous announcements or disclosure misleading.

BY ORDER OF THE BOARD

ANDREW ROACH REDDY  
Managing Director  
2 July 2018

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*This announcement has been prepared by the Company and its contents have been reviewed by the Company’s sponsor (“Sponsor”), Asian Corporate Advisors Pte Ltd., for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (“Exchange”). The Company’s Sponsor has not independently verified the contents of this announcement including the correctness of any of the figures used, statements or opinions made.*

*This announcement 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 Mr Liau H. K.  
Telephone number: 6221 0271*

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

## CHASWOOD RESOURCES HOLDINGS LTD

(No: 200401894D)

(Incorporated in Singapore)

### Report on the Audit of the Financial Statements

We were engaged to audit the financial statements of Chaswood Resources Holdings Ltd (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2017, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

### Disclaimer of Opinion

We do not express an opinion on the consolidated financial statements of the Group and the statements of financial position and changes in equity of the Company. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

### Basis for Disclaimer of Opinion

#### Appropriateness of the Going Concern Assumption

As disclosed in Note 3(a) to the financial statements, the Group incurred a loss after tax of RM68,778,000 and a total comprehensive loss of RM70,393,000 for the current financial year ended 31 December 2017. As at 31 December 2017, the Group's and Company's current liabilities exceeded their current assets by RM75,093,000 and RM 34,212,000 respectively. In addition, the Group and the Company have negative total equity of RM62,081,000 and RM34,212,000 for the current financial year ended 31 December 2017. The Group's subsidiaries in Malaysia have also entered into restructuring proceedings and has re-filed for an extension of the moratorium as disclosed in Note 32(a) to the financial statements.

These conditions indicate the existence of a material uncertainty which may cast significant doubt on the ability of the Group and the Company to continue as going concerns and to realise their assets and discharge their liabilities in the ordinary course of business. Management has prepared the financial statements on a going concern basis on the assumption that the Group and the Company will continue as going concerns. The ability of the Group and the Company to continue as going concerns is dependent on certain assumptions and the successful outcome of the various efforts by the Group disclosed in Note 3(a) to the financial statements, the outcome of which is inherently uncertain.

In the light of the material uncertainties discussed above, we do not have sufficient audit evidence regarding the use of the going concern assumption in the preparation of the financial statements. Consequently, we are unable to form a view as to the use of the going concern assumption in the preparation of these financial statements.

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

## CHASWOOD RESOURCES HOLDINGS LTD

(No: 200401894D)

(Incorporated in Singapore)

### **Basis for Disclaimer of Opinion (cont'd)**

#### Appropriateness of the Going Concern Assumption (cont'd)

In the event the Group and the Company are unable to continue in existence for the foreseeable future, adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheets. In addition, the Group and the Company may have to provide for further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. No such adjustments have been made to these financial statements.

### **Responsibilities of Management and Directors for the Financial Statements**

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore (the "FRSs"), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our responsibility is to conduct an audit of the Company's financial statements in accordance with Singapore Standards on Auditing and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Company in accordance with the Accounting and Corporate Regulatory Authority (ACRA) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF**

**CHASWOOD RESOURCES HOLDINGS LTD**

**(No: 200401894D**

**(Incorporated in Singapore)**

**Report on Other Legal and Regulatory Requirements**

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditor have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Ms Lao Mei Leng.

**Moore Stephens LLP**  
Public Accountants and  
Chartered Accountants

Singapore

2 July 2018

**CHASWOOD RESOURCES HOLDINGS LTD**  
**(Incorporated in Singapore)**

**AND ITS SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017**

**3. Summary of Significant Accounting Policies**

**(a) Basis of Presentation**

The financial statements have been prepared in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards ("FRSs"). These financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The financial statements are presented in Ringgit Malaysia (RM), which is the functional currency of the Company. All financial information presented in Ringgit Malaysia have been rounded to the nearest thousand, unless otherwise stated.

**Going concern**

The Group incurred a loss after tax of RM68,778,000 (2016: RM10,936,000) and a total comprehensive loss of RM70,393,000 (2016: RM15,454,000) for the current financial year ended 31 December 2017. As at 31 December 2017, the Group's and Company's current liabilities exceeded their current assets by RM75,093,000 (2016: RM41,871,000) and RM34,212,000 (2016: RM569,000) respectively. In addition, the Group and the Company have negative total equity of RM62,081,000 (2016: positive total equity of RM8,312,000) and RM34,212,000 (2016: positive total equity of RM149,431,000) for the current financial year ended 31 December 2017 respectively.

The Group's subsidiaries in Malaysia have also entered into restructuring proceedings and has re-filed for an extension of the moratorium as disclosed in Note 32(a) to the financial statements.

These conditions indicate the existence of a material uncertainty which may cast significant doubt on the ability of the Group and the Company to continue as a going concern and therefore they may not be able to realise their assets and discharge their liabilities in the normal course of business.

Nevertheless, in the preparation of the financial statements, management believes that the use of the going concern assumption is appropriate after taking into consideration the following factors:

- **Term Loan Facilities**

The Group defaulted on its term loan facilities during the financial year as the Group was unable to meet the pre-requisite loan repayments as and when they fell due. The outstanding balance as at 31 December 2017 amounted to approximately RM16,729,000 (2016: RM22,146,000) and the defaulted term loan facilities have been classified as current liabilities in the statements of financial position as at 31 December 2017.

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017**

**3. Summary of Significant Accounting Policies (cont'd)**

**(a) Basis of Presentation (cont'd)**

**Going concern**

- Term Loan Facilities (cont'd)

The Group only served the interest portion with no repayment of the principal portion of the said term loan facilities during the financial year. The Group initiated a restraining order against the respective financial institutions to allow for negotiations on the restructuring of the Group's term loan facilities.

The management is confident in a positive outcome to these negotiations. As at the date of the financial statements, there is no formal written commitment/agreement from any of these financial institutions on the Group's proposed restructuring scheme and the negotiations remain on-going.

- Exchangeable Bonds

The Company and its wholly-owned subsidiary Chaswood Capital Pte. Ltd. (the "Issuer") had on 30 September 2013 entered into a legally binding term sheet (the "Term Sheet") with TAP Venture Fund I Pte. Ltd. (the "Investor") in relation to the proposed issuance of an aggregate principal amount of SGD3,000,000 redeemable exchangeable bonds (the "Exchangeable Bonds") by the Issuer to the Investor at the issue price of SGD500,000 per Exchangeable Bond.

Subsequent to the prior financial year ended 31 December 2016, the Group entered into an Exchangeable Bond Agreement (the "Agreement") with the Investor and the Agreement states that the maturity date of the Exchangeable Bond shall be postponed from 23 April 2017 to 23 April 2018. As at 31 December 2017, the outstanding exchangeable bonds amounted to RM9,211,000 (2016: RM9,476,000).

The Group is currently in negotiations with the respective bondholders to seek an amicable solution to the now overdue settlement and management is confident of a positive outcome. As at the date of the financial statements, there is no formal written commitment/agreement from the bond holders that the proposed restructuring scheme shall be granted to the Group and the negotiations remain on-going.

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017**

**3. Summary of Significant Accounting Policies (cont'd)**

**(a) Basis of Presentation (cont'd)**

**Going concern** (cont'd)

- Earn-Out Payable

The earn out payables of the Group relates to the balance purchase price for the acquisition of Beijing TGIF and Yi Jun Restaurant Management (Shanghai) Co. Ltd. which shall be payable in three (3) equal instalments due on 15 April 2016, 2017 and 2018 respectively subject to certain terms and conditions as stated in the sales and purchase agreement ("SPA") dated 20 April 2015.

As at 31 December 2017, all three (3) instalments totaling approximately RM RM5,630,000 (2016: RM5,493,000) were deferred to 15 April 2018 of which the Group has yet to settle.

The Group is currently in negotiations with the franchise holder to seek an amicable solution to the overdue earn-out payable and whilst the negotiations remain on-going as at the date of the financial statements, management is confident of a positive outcome.

- Closure of Outlets

Due to the current challenging market conditions in the food and beverage industry, the Group has closed down six (6) operating restaurant outlets during the financial year ended 31 December 2017 and a further nine (9) operating restaurant outlets subsequent to the financial year end.

The Group is continuing with its rationalisation and business streamlining strategy which management believes would enable the Group to significantly reduce its losses arising from historically loss-making restaurant outlets.

- Outstanding Rental Payable

The Group is currently in negotiations with the relevant landlords of the remaining operating outlets in relation to certain rental payables which had been outstanding between three (3) months and twenty-six (26) months.

Management is confident that an amicable settlement plan will be reached with these landlords to enable the Group to fulfill its rental obligations and for the respective outlets to continue their operations. As disclosed in Note 31 to the financial statements, certain landlords had enter into legal proceedings against the Group.



**CHASWOOD RESOURCES HOLDINGS LTD**  
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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017**

**32. Subsequent Event**

(a) Restructuring Proceedings

The Company's wholly owned subsidiary in Malaysia, namely Chaswood Resources Sdn. Bhd. ("**CRSB**"), has on 17 November 2017 obtained an order from the High Court of Malaysia pursuant to Section 368 of the Companies Act 2016 to, *inter alia*, preserve the assets of CRSB and its subsidiaries ("**CRSB Group**"). The Court has on 17 November 2017 granted the following orders:

- (i) all proceedings in any action and/or any proceedings against the **CRSB Group** in Malaysia or elsewhere, including but not limited to, enforcement of any security, winding up proceedings against the **CRSB Group** and/or any appointment of receiver and/or manager over all the **CRSB Group's** assets, by namely CIMB Bank Berhad, Malayan Banking Berhad and AmBank (M) Berhad (collectively, the "**Scheme Lenders**"), be restrained for a period of ninety (90) days from the date of the order except with leave of the Court and subject to any terms as the Court may impose ("**Moratorium**"); and
- (ii) **CRSB** be granted the approval to call for a creditors' meeting for the purpose of taking into account and if deemed appropriate, to approve with or without modification a proposed scheme of arrangement and compromise between the **CRSB Group** and the **Scheme Lenders**.

During the period of the **Moratorium**, the **CRSB Group** is to take all reasonable steps to discuss with the **Scheme Lenders** with a view to putting in place the restructuring and rescheduling of loan repayments ("**Proposed Debt Restructuring**") which will be fair and equitable to all stakeholders of the **CRSB Group**, and subject to and in accordance with, *inter-alia*, the Court's orders.

This **Moratorium** granted by the Court on 17 November 2017 expired on 15 June 2018. As, *inter-alia*, **CRSB** has not reached a consensus with the **Scheme Lenders**, due to the further deteriorated financial position of the **Group**, the **Proposed Debt Restructuring** proposed to the **Scheme Lenders** earlier is considered no longer feasible.

Nevertheless, **CRSB** has engaged with the **Scheme Lenders** to present a new debt restructuring scheme proposal which entails, *inter-alia*, the partial repayment of the outstanding borrowing via the proceeds from the sale of certain assets or businesses of the **Group** and waiver of debt ("**New Proposed Debt Restructuring**"). Accordingly, negotiations with the **Scheme Lenders** are still on going with a view to finalising the **New Proposed Debt Restructuring**.

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017**

**32. Subsequent Event**

(a) Restructuring Proceedings (cont'd)

Concurrently, the Group remains committed to exploring and undertaking certain ongoing initiatives and measures, including:

- (i) business rationalisation inter-alia undertaking cost-cutting measures at head office and restaurants, negotiating with landlords and suppliers to reduce or contain operating costs, improving operational efficiencies, closing non-performing restaurants, and such other efforts to improve the CRSB Group's profitability and financial position (collectively these measures will be termed "Business Rationalisation"); and
- (ii) exploring various funding options for the CRSB Group including recapitalisation of the CRSB Group's balance sheet ("Fund Raising Options") with a view to regularising the financial position of the Group.

Application for Moratorium

In view of the above-mentioned development and given the expiry of the Moratorium on 15 June 2018, CRSB had on 14 June 2018 filed an application to the High Court of Malaysia to urgently seek for, *inter alia*, a moratorium period of ninety (90) days to be granted pursuant to Section 368 of the Malaysia Companies Act 2016 on the basis of the New Proposed Debt Restructuring ("New Moratorium"). On 28 June 2018, during an adjourned hearing, CRSB has been advised to withdraw the said application upon reconsideration that the New Proposed Debt Restructuring is a modification rather than a new debt restructuring scheme proposal. Pursuant thereto, CRSB has re-filed for an extension of the Moratorium before the former judge on 29 June 2018. The hearing date has been fixed on 4 July 2018.