

ASIATIC GROUP (HOLDINGS) LIMITED
(Company Registration No: 200209290R)
(Incorporated in the Republic of Singapore)

**ANNOUNCEMENT PURSUANT TO RULE 704(4) OF THE SGX-ST LISTING MANUAL
SECTION B: RULES OF CATALIST**

The Board of Directors (the “**Board**”) of Asiatic Group (Holdings) Limited (the “**Company**” and together with its subsidiaries the “**Group**”) would like to announce that the Company’s independent auditor, Messrs Foo Kon Tan LLP (the “**Auditor**”), has issued a disclaimer of opinion (“**Disclaimer**”) in their Independent Auditor’s Report in relation to the consolidated audited financial statements of the Group for the financial year ended 31 March 2022 (“**FY2022**”) (“**Financial Statements**”), in respect of the material uncertainties on the Group’s and the Company’s ability to continue as a going concern arising from the inability by Management to quantify the expected credit losses on financial guarantees extended to lender on behalf of its associate.

A copy of the Independent Auditor’s Report and extract of the relevant note 2(b)(i)(a), Going concern and note 30 of the Financial Statements are annexed to this announcement. Shareholders of the Company are advised to read the Financial Statements in its entirety in its annual report FY2022, which will be announced by the Company on the SGXNet on or before 14 September 2022.

With respect to the Group’s ability to continue as a going concern referred in the Disclaimer, in the opinion of the Board, the Group and the Company are able to continue as a going concern despite the conditions as stated in the Disclaimer as:

- (a) The Board is of the view that the Group will continue to receive financial support from the banks and generate positive cash flows from its operations in the next twelve months. Subsequent to 31 March 2022, the Group has successfully rolled over approximately S\$12.7 million out of S\$15.2 million short-term loans; moving forward, the Group is confident in its capacity to fulfil its debt obligations by rolling over the remaining short-term loans of approximately S\$2.5 million when they fall due; and
- (b) The Group had entered into a restructuring framework agreement with Lecca Group Pte. Ltd. (“**Lecca**”) on 10 May 2022 for the sale and purchase of at least 85% of the shares in the associate of the Group, Maju Intan Biomass Energy Sdn Bhd (“**MJE**”), discharge by MJE’s bank of existing security they hold and fundraising of up to S\$3 million by the Group from Lecca or its associates, details as announced by the Company to the SGXNet on 10 May 2022, 13 July 2022 and 14 July 2022 (“**MJE Announcements**”).

As announced by the Company on 14 July 2022 to the SGXNet, the Board has undertaken the necessary review and assessment of the going concern of the Group, as

well as appointed professionals to negotiate with the receivers and the financiers and advise the Company, the details of which are set out below:

- i. assessed the cash flow position of all the Company's other subsidiaries, namely Asiatic Fire System Pte Ltd and Colben Systems Pte Ltd, and found that these subsidiaries continue to generate positive cashflow to the Group as at the date of the announcement and hence would be able to continue to service its liabilities and obligations toward its operations and creditors;
- ii. the appointment of Deloitte & Touche Financial Advisory Services Pte Ltd as financial advisor to ensure orderly and smooth negotiations with the MJE's bank via the receivers of MJE's bank, with the aim that MJE continues to remain operational and that the amount owing to the MJE's bank can be repaid, depending on the viability of any other options; and
- iii. the appointment of Messrs Rajah and Tann Singapore LLP to assist with all legal corporate advisory matters in respect of the repayment amount to the MJE's bank and any other corporate action that is needed due to the appointment of receivers.

Further to the MJE Announcements, the Group and Lecca had proposed and resubmitted a revised debt settlement scheme to the receivers of MJE on 31 August 2022. The intention is to restructure the repayment amount and part of the terms of the restructuring scheme includes discharging of the corporate guarantees the Company had provided to MJE's bank of which, as at the date of the Independent Auditor's Report, the Group and Lecca is still pending an acceptance from MJE's bank via the receivers.

As disclosed in the Disclaimer, the Group has breached a financial covenant on its overdraft facilities in one of its subsidiaries. As at 31 March 2022, the net outstanding overdraft exposure is S\$250,000 after taking into account the security placed with the bank in the form of a personal fixed deposit of a director. The Company has paid down S\$200,000 of the outstanding loan as at the date of this announcement and intends to pay down the remaining outstanding overdraft of S\$50,000 by October 2022. The Company has also initiated discussion with the bank with regards to the breach. Based on the current discussion between the Company and the bank, the Company is confident of obtaining a waiver on the financial covenant from the bank.

Therefore, taking the above into consideration, the Board is of the opinion that the Group will be able to fulfil its obligations for the next twelve months. The Board is also of the opinion that sufficient information has been disclosed for trading of the Company's securities to continue in an orderly manner and confirms that all material disclosures have been provided for trading of the Company's shares to continue.

The Board wishes to advise the shareholders and investors of the Company to exercise caution when dealing in the shares of the Company. In the event of any doubt, they should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers.

By Order of the Board

Tan Boon Kheng
Managing Director

13 September 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. Joseph Au, 16 Collyer Quay, #10-00 Collyer Quay Centre, Singapore 049318, sponsorship@ppcf.com.sg.

Annexure

Independent auditor's report to the members of Asiatic Group (Holdings) Limited

Report on the Audit of the Financial Statements

Disclaimer of Opinion

We were engaged to audit the financial statements of Asiatic Group (Holdings) Limited (the "Company") and its subsidiaries (collectively, 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 March 2022, the consolidated statement of profit or loss and comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the 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.

We do not express an opinion on the accompanying financial statements. 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

(i) *Going concern*

For the financial year ended 31 March 2022, the Group reported a loss before tax from continuing operations of \$11.4 million. As at that date, the Group's current liabilities (which includes loan and borrowings of \$15.2 million) exceeded the Group's current assets by \$10.1 million and the Company's current liabilities exceeded the Company's current assets by \$9.9 million. As at 31 March 2022, the Group and the Company have cash and cash equivalents of \$3.5 million and \$37K respectively.

In addition:

- a) The Group and the Company has provided a financial guarantee to the lender of its associate, Maju Intan Biomass Energy Sdn Bhd ("MJE") in respect of the banking facilities extended to MJE. As at 31 March 2022, the outstanding balance owing by its associate is RM85.8 million (equivalent to \$27.6 million) and as at 30 June 2022, the full repayment is RM122.2 million (equivalent to \$39.3 million). Subsequent to the reporting date, the lender has appointed receivers on 14 July 2022 and put MJE under receivership due to the lender's disagreement over the proposed debt refinancing package.
- b) The Group has breached a financial covenant on its overdraft facilities in one of its subsidiaries. The net outstanding overdraft exposure is \$250,000 after taking into account the security placed with the bank in the form of a personal fixed deposit of a shareholder cum director.

These conditions and events indicate the existence of multiple material uncertainties which may cast significant doubt on the ability of the Group and the Company to continue as a going concern.

Notwithstanding the above, the Group has prepared the financial statements on a going concern basis based on the reasons as disclosed in Note 2(b)(i)(a) Going concern to the financial statements. However, based on the lack of information available to us particularly in relation to item (ii) below, we have not been able to obtain sufficient appropriate audit evidence to satisfy ourselves as to the appropriateness of the going concern assumption used in the preparation of these financial statements.

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Independent auditor's report to the members of Asiatic Group (Holdings) Limited (Cont'd)

Report on the Audit of the Financial Statements (Cont'd)

Basis for Disclaimer of Opinion (Cont'd)

(i) *Going concern (Cont'd)*

If the Group and the Company are unable to continue in operational existence for the foreseeable future, the Group and the Company may be unable to discharge its liabilities in the normal course of business and 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 on the Group's and the Company's statements of financial position. In addition, the Group and the Company may have to reclassify non-current assets and liabilities as current assets and liabilities. The effects of these adjustments have not been reflected in these financial statements.

The audit opinion for the financial statements for the previous financial year was disclaimed for similar reason.

(ii) *"Expected credit losses" (ECL) on financial guarantee extended to lender on behalf of its associate*

The Company had not assessed the ECL arising from the financial guarantee extended to the lender on behalf of its associate because it was unable to quantify the financial guarantee exposure that the lender would be claiming against the Company. Consequently, we were unable to ascertain the adequacy of the ECL to be provided by the Company and the adjustment, if any, that was required.

The audit opinion for the financial statements for the previous financial year was disclaimed for the two similar reasons described above.

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 Companies Act, 1967 (the 'Act') and Singapore Financial Reporting Standards (International), 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.

Auditor's 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.

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Independent auditor's report to the members of Asiatic Group (Holdings) Limited (Cont'd)

Report on the Audit of the Financial Statements (Cont'd)

Auditor's Responsibilities for the Audit of the Financial Statements (Cont'd)

We are independent of the Group 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.

Report on Other Legal and Regulatory Requirements

In our opinion, in view of the significance of the matters referred to in the Basis for Disclaimer of Opinion section of our report, we do not express an opinion on whether the accounting and other records required by the Act to be kept by the Company and by those affected subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Of another subsidiary incorporated in Singapore of which we are the auditors, in our opinion, the accounting and other records required by the Act to be kept by that subsidiary 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 Ho Teik Tiong.

Other Matter

The financial statements of the Group for the year ended 31 March 2022, were audited by another auditor who expressed a disclaimer of opinion on those statements on 16 August 2021.

Foo Kon Tan LLP
Public Accountants and
Chartered Accountants

Singapore,
13 September 2022

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2(b) Significant judgment and use of estimates

The preparation of the financial statements in conformity with SFRS(I) requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

(i) Significant judgement used in applying accounting policies

The following are the critical judgements, apart from those involving estimations (which are presented separately below), that have been made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

(a) Going concern

For the year ended 31 March 2022, the Group incurred a net loss after tax of \$10,834,000 (2021 - \$3,621,000). As at that date, the Group's current liabilities (which includes loan and borrowings of \$15,170,000) exceeded the Group's current assets by \$10,104,000 (2021 - \$13,458,000) and the Company's current liabilities exceeded the Company's current assets by \$9,863,000 (2021 - \$9,834,000).

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2(b) Significant judgment and use of estimates (Cont'd)

(i) Significant judgement used in applying accounting policies (Cont'd)

(a) Going concern (Cont'd)

As disclosed in Note 30, the corporate guarantees provided by the Group and Company included a guarantee of up to RM 195.5 million given to the bank of its associate, Maju Intan Biomass Energy Sdn Bhd (“MJE”), in respect of banking facilities extended to MJE. As at 31 March 2022, the outstanding amounts owed by MJE to its bank amounted to RM85.8 million. On 19 March 2020, the Company entered into a sale and purchase agreement with Hualang Renewable Energy Sdn Bhd (the “Buyer”) to sell all shares in MJE and its rights in the convertible bond issued by MJE at a nominal sum of RM1. As part of the transaction, the Buyer had submitted a debt restructuring proposal to MJE’s bank.

On 10 February 2021, MJE’s bank informed MJE that it was unable to accede to the debt restructuring proposal submitted by the Buyer and that no further utilisation of their existing facility arrangements (the “Facilities”) shall be made and the same facilities were cancelled. On 8 November 2021, the Company was notified by the Buyer that it is in discussion and seeking to submit an alternative debt restructuring proposal for MJE’s debt obligations to MJE’s bank for acceptance and approval. Accordingly, the Company wrote to MJE’s bank and received a confirmation in writing from the bank that they are agreeable to withholding legal action until 31 December 2021, subject to MJE continuing to service existing instalments until 31 December 2021. On 18 January 2022, the Company had obtained further extension from MJE’s bank to withhold legal action until 28 February 2022, subject to MJE continuing to service existing instalments until 28 February 2022.

On 14 March 2022, the Company obtained a final extension from MJE’s bank to withhold legal action until 31 May 2022, subject to MJE making an upfront payment of RM 300,000 by 15 March 2022, MJE continuing to servicing existing instalments until May 2022 and submission of documentary evidence in regard to concurrence/ consent by Tenaga Nasional Berhad, Energy Commission and other authorities as required on changes of shareholdings of MJE by 30 April 2022. On 9 May 2022, the Group had terminated the sale and purchase agreement with Hualang Renewable Energy Sdn Bhd and instead entered into a restructuring framework agreement with Lecca Group Pte. Ltd. (“Lecca”) on 10 May 2022 for the sale and purchase of at least 85% of the shares in MJE, discharge by MJE’s bank of existing security they hold and fundraising of up to \$3 million by the Group from Lecca or its associates. On 6 July 2022, the debt restructuring proposal submitted to MJE’s bank was rejected via a letter in writing from MJE’s bank solicitor, Messrs. Ramesh Dipendra Jeremiah Law for failing to comply with the following terms and conditions imposed by MJE’s bank where MJE’s bank had agreed to withhold legal action against MJE and the security parties until 31 May 2022:

- (i) submission of substantive and concrete documentary evidence acceptable to the MJE’s bank with regard to the source of financing in relation to the proposed full and final settlement of the said banking facilities, together with the payment of non-refundable deposit of RM2,000,000, both by 31 May 2022; and
- (ii) submission of documentary evidence with regards to concurrence/ consent by Tenaga Nasional Berhad, Energy Commission and other authorities as required on changes of shareholdings of MJE, by 30 April 2022.

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2(b) Significant judgment and use of estimates (Cont'd)

(i) Significant judgement used in applying accounting policies (Cont'd)

(a) Going concern (Cont'd)

MJE's bank had vide its email dated 5 July 2022 informing MJE that they are not agreeable to the debt settlement proposal as set out in a letter dated 25 May 2022 issued by Lecca's representative. Accordingly, a letter of demand dated 6 July 2022 (the "Letter of Demand") was served in writing to the Company which was received on 7 July 2022, demanding the repayment of RM122,176,395.90 (calculated as at 30 June 2022) (the "Repayment Amount") together with the applicable profit and late payment charges within 7 days from the receipt of the Letter of Demand, failing which, the MJE's bank have been instructed to proceed with legal proceedings against MJE, and/or other security parties; and/or take any action as their client thinks fit.

As the Repayment Amount is substantial and may have a material impact on the going concern of the Company, Lecca has through its representative submitted a revised counter proposal to the MJE's bank on 8 July 2022 to seek their approval to consider a revised settlement sum as the full and final settlement to the amount owing by MJE. On 13 July 2022, MJE's bank rejected Lecca's counter proposal and had appointed Dato' Adam Primus Varghese bin Abdullah and Macpherson Anak Simon as Receivers and Managers (the "Receivers") of all the assets and undertakings of MJE with effect from 14 July 2022. The Company had received a copy of the notification letter of the appointment of the Receivers on 14 July 2022.

The Board of Directors has also assessed the Repayment Amount and is of the view that they are not able to quantify the exact liabilities resulting from the Letter of Demand or the appointment of Receivers as at the date of this announcement as any potential repayment by the Group to the MJE's bank arising from its corporate guarantee obligations as demanded in Letter of Demand shall be the difference after taking into account and/or deducting any residual value from MJE (including the value of the land held by MJE and its assets), and the discharge of other guarantees from governmental agenc(ies) in Malaysia or guarantees provided by other individuals.

The above matters represent material uncertainties which may cast significant doubt on the ability of the Group and Company to continue as a going concern.

Notwithstanding the above, in the opinion of the directors, the Group and the Company are able to continue as a going concern as the directors are of the view that the Group will continue to receive financial support from the banks and generate positive cash flows from its operations in the next twelve months. Furthermore, Asiatic and Lecca had submitted a revised debt settlement scheme to the Receivers of MJE on 31 August 2022 to restructure the Repayment Amount and part of the terms of the restructuring scheme includes discharging of the corporate guarantees (Note 30) the Company had provided to MJE's bank.

If the Group and Company are unable to continue in operational existence for the foreseeable future, the Group and Company may be unable to discharge its liabilities in the normal course of business and 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 on the Group and Company's balance sheets. In addition, the Group and Company may have to reclassify non-current assets and liabilities as current assets and liabilities. The effect of these adjustments has not been reflected in the financial statements.

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30 Commitments and contingencies

Corporate guarantees

Corporate guarantees amounting to US\$2.2 million (2021 - US\$2.2 million), \$31.8 million (2021 - \$28.8 million) has been provided by the Company to financial institutions to secure banking facilities granted to its subsidiaries. The Company had also provided a corporate guarantee of RM195.5 million (2021 - RM195.5 million) to MJE's bank to secure banking facilities granted to MJE (Note 2(b)(i)(a) – Going concern).

The Board of Directors has assessed the expected credit losses on the corporate guarantees provided to MJE's bank and is of the view that they are not able to quantify the exact liabilities resulting from the Letter of Demand or the appointment of Receivers as at the date of this announcement as any potential repayment by the Group to the MJE's bank arising from its corporate guarantee obligations as demanded in Letter of Demand shall be the difference after taking into account and/or deducting any residual value from MJE (including the value of the land held by MJE and its assets), and the discharge of other guarantees from governmental agenc(ies) in Malaysia or guarantees provided by other individuals.