

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. Ernst & Young LLP (the “**Auditor**”), had included a disclaimer of opinion (“**Disclaimer**”) in their Independent Auditors’ Report in relation to the consolidated audited financial statements of the Group for the financial year ended 31 March 2021 (“**FY2021**”)(“**Financial Statements**”), in respect of the material uncertainty on the Group's and the Company's ability to continue as a going concern and the materiality assessment by Management on the expected credit losses on financial guarantees.

A copy of the Independent Auditor's Report and extract of the relevant notes 2.2 and 31 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 FY2021, which will be announced by the Company on the SGXNet separately today.

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 confident that the Group will continue to receive financial support from the banks, with availability of the revolving short-term loans to support the working capital and new term loans obtained in FY2021. Subsequent to FY2021, the Group has successfully rolled over approximately S\$10.8 million out of S\$15.6 million of short term loans, and has continued to fulfil its debt obligations;
- (b) The Board has reviewed the cash flows forecast prepared by Management in May 2021, and is confident that the Group will generate positive cash flows from its operations for the next 12 months with the focus and the stable performance of the Group's fire business unit;
- (c) The series of fiscal measures introduced by the Singapore government to ease the financial strain on businesses impacted by COVID-19 are expected to provide some relief to the Group; and
- (d) The Group had entered into a sale and purchase agreement on 19 March 2020 with Hualang Renewable Energy Sdn Bhd (“**Hualang**”) for the sale of the Group's interest in Maju Intan Biomass Energy Sdn. Bhd. (“**MJE**”)(“**MJE Disposal**”), details as announced by the Company to the SGXNet on 11 March 2020, 13 March 2020, 9 April 2020, 19 June 2020, 27 January 2021, 18 February 2021 and 15 July 2021. The Group and Hualang are working towards the submission of the alternative debt restructuring proposal to MJE's bank for acceptance and approval. Following completion of the MJE Disposal, the Group will be discharged from the corporate guarantees it had provided to financial institutions in support of MJE and will no longer be expected to provide further funding to MJE. Besides, with the continued revenues generated from the MJE plant, the Group is confident on its ability to continue servicing the existing instalments to MJE's bank should the MJE Disposal not complete by the next 12 months.

Therefore, taking the above into consideration, the Board is of the opinion that the Group will be able to fulfil its obligations as and when it falls due for the next 12 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 of the Company 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

16 August 2021

*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 Income at Raffles, Singapore 049318, sponsorship@ppcf.com.sg.

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 balance sheets of the Group and the Company as at 31 March 2021, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group 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

Going concern

For the year ended 31 March 2021, the Group incurred a net loss after tax of \$3,621,000. As at that date, the Group's current liabilities (which includes loan and borrowings of \$15,636,000) exceeded the Group's current assets by \$13,458,000 and the Company's current liabilities exceeded the Company's current assets by \$9,834,000.

In addition, the Group and Company has provided a guarantee to the lender of its associated company, Maju Intan Biomass Energy Sdn Bhd ("MJE"), in respect of the banking facilities extended (the "Facilities") to MJE. As discussed in more details in Note 2.2, MJE's lender bank have informed MJE that no further utilisation of the Facilities shall be made and that the facilities were cancelled. Further, MJE's bank has indicated that they are agreeable to withhold legal action until 1 September 2021, subject to MJE continuing to service existing instalments until 31 August 2021. Should MJE be unable to settle its obligations to its lender bank, the Group and Company, as one of the guarantors for the Facilities, may be liable for the repayment of the outstanding amounts owed by MJE to its lender bank. The Group also continue to face uncertainties as a result of the disruptions brought about by the COVID-19 pandemic.

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

Notwithstanding the above, the directors have prepared the financial statements on a going concern basis based on the reasons as disclosed in Note 2.2 to the financial statements. The going concern of the Group and Company is dependent on the continued financial support from the banks, positive cashflows being generated from its operations, fiscal measures provided by the Singapore government as well as the Company discharging the corporate guarantees provided to MJE's lender bank and ceasing further funding to MJE upon the completion of the disposal of MJE. However, based on the information available to us, 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.

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.

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

Expected credit losses on financial guarantees

As disclosed in note 31, the expected credit losses on the guarantee provided by the Company to MJE (the "MJE Guarantee") were assessed by management to be immaterial. Based on information available to us, we were unable to determine if management's basis for determining the expected credit losses on the MJE Guarantee to be immaterial is appropriate. Consequently, we were unable to ascertain the adequacy of the expected credit loss allowance provided by the Group and the Company and if any adjustments were required.

INDEPENDENT AUDITOR'S REPORT

To the Members of Asiatic Group (Holdings) Limited

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 Act and 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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the Group'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 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 the subsidiary corporations incorporated in Singapore of which we are the auditors, 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 Tan Po Hsiong Jonathan.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

16 August 2021

2.2 Fundamental accounting concept

For the year ended 31 March 2021, the Group incurred a net loss after tax of \$3,621,000 (2020: \$13,461,000). As at that date, the Group's current liabilities (which includes loan and borrowings of \$15,636,000) exceeded the Group's current assets by \$13,458,000 (2020: \$20,534,000) and the Company's current liabilities exceeded the Company's current assets by \$9,834,000 (2020: \$10,477,000).

As disclosed in Note 31, 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 2021, the outstanding amounts owed by MJE to its bank amounted to RM 92.2 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 Maju Intan Biomass Energy Sdn Bhd ("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. Subsequent to the year ended 31 March 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 the bank of MJE 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 withhold legal action until 1 September 2021, subject to MJE continuing to service existing instalments until 31 August 2021.

Should MJE be unable to settle its obligations to its bank, the Group and Company, as one of the guarantors for the Facilities, may be liable for the repayment of the outstanding amounts owed by MJE to its bank. In addition, the Group continue to face uncertainties as a result of the disruptions brought about by the COVID-19 pandemic. These conditions and events indicate the existence of material uncertainties which may cast significant doubt on the ability of the Group and Company to continue as a going concern.

In the opinion of the directors, the Group and the Company are able to continue as a going concern despite the conditions stated above as the directors are confident that the Group will continue to receive financial support from the banks, generate positive cash flows from its operations and that upon the completion of the disposal of MJE, the Company would be discharged from the corporate guarantees (Note 31) it had provided to MJE's bank and is no longer expected to provide further funding to MJE. The series of fiscal measures introduced by the Singapore government in 2020 and 2021 to ease the financial strain on businesses impacted by COVID-19 are also expected to provide some relief to the Group.

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.

31. Commitments and contingencies

Corporate guarantees

Corporate guarantees amounting to US\$2.2 million (2020: US\$10.6 million), \$28.8 million (2020: \$27.2 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 (2020: RM195.5 million) to MJE's bank to secure banking facilities granted to MJE (Note 2.2). The expected credit losses on the corporate guarantees provided to MJE's bank at the end of the financial year were assessed to be immaterial as management is confident that upon completion of the disposal of MJE, the Company would be fully discharged from the corporate guarantees given to MJE's bank.