

ASIATIC GROUP (HOLDINGS) LIMITED

(Company Registration No: 200209290R)

(Incorporated in the Republic of Singapore)

RESPONSE TO QUERIES FROM SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ON THE ANNOUNCEMENT MADE BY THE COMPANY DATED 11 MARCH 2020 IN RELATION TO THE ENTRY INTO A SALE AND PURCHASE AGREEMENT WITH HUALANG RENEWABLE ENERGY SDN BHD

The Board of Directors ("**Directors**") of Asiatic Group (Holdings) Limited ("**Company**", together with its subsidiaries, "**Group**") refer to the announcement dated 11 March 2020 titled "Proposed Disposal of Shares and All Convertible Bonds held in Maju Intan Biomass Energy Sdn Bhd" (the "**Announcement**").

Save as expressly stated or the context otherwise requires, capitalized terms shall have the meanings ascribed to them in the Announcement.

The Board of the Company would like to provide the Company's responses to queries raised by the SGX-ST on 11 March 2020, in respect of the Announcement (the "**Company's response**"):-

SGX Queries	Company's Responses
1. CR1014(5) states that notwithstanding CR1014(2), where a <u>disposal of assets</u> is one where <u>any</u> of the relative figures as computed on the bases set out in CR1006 <u>exceeds 75%</u> , the issuer must appoint a competent and independent valuer to value the assets to be disposed.	N/A
(a) Given the sale consideration of RM1, please elaborate on basis for the statement " <i>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.</i> "	<p>For the avoidance of doubt, the Company will be providing details of a valuation report in the circular to shareholders in relation to the Proposed Disposal.</p> <p>By way of background and in accordance to Rule 1010(5) of the Catalist Rules, the Company had commissioned two (2) valuation reports on the (i) machinery and equipment assets and (ii) land and buildings owned by MIB in 2019. These are (i) the valuation report dated 10 June 2019 by Asian Appraisal Company Pte Ltd in respect of a valuation of fair market value and residual value of the machinery and equipment and (ii) a valuation report dated 12 June 2019 by VPC Alliance (KL) Sdn Bhd in respect of a valuation of the market value of the land and site improvements and building owned by MIB (collectively, the "Reports").</p> <p>The Company is considering whether the Reports need to be updated or a separate valuation MIB is required. If a separate valuation is commissioned for MIB or the Reports are updated, the Company will provide details of the separate valuation report and/or the updated Reports to its shareholders.</p>
(b) Notwithstanding that the Proposed Disposal relates to the sale of all <u>shares</u> issued in the capital of Maju Intan Biomass Energy Sdn Bhd ("MIB") and all rights to the Convertible Bonds held by MJEH, given that bulk of the assets held by	<p>As mentioned above, the Company is aware that the Power Plant constitutes the bulk of the assets held by MIB and is considering the appropriateness and sufficiency of the Reports. The Reports state the following valuations:</p> <ul style="list-style-type: none">Fair value of machinery and equipment: RM 103,033,000 (approx. SGD 33.77 million)

MIB relates to 'non-current assets' of S\$39.8m, will it be appropriate to conduct a valuation specific on the major assets held by MIB, which would potentially be the Power Plant, and why?	<ul style="list-style-type: none"> Total market value of land and site improvements and building: RM 30,680,000 (approx. SGD 10.06 million) <u>Total</u>: RM 133,713,000 (approx. SGD 43.83 million) 																																
(c) What is the carrying value and market valuation of the Maju Intan Biomass Power Plant held by MIB, and the Group's proportionate 30% interest in it?	<p>Carrying value as at 31 March 2019 : RM119,976,000 (approx. SGD 39.45 million)</p> <p>Market valuation as at June 2019 based on the Reports: RM 133,713,000 (approx. SGD 43.83 million)</p> <p>As set out in the Company's annual report for FY2019, the summarized balance sheet of MIB as at 31 March 2019 is as follows:</p> <table> <tr> <td></td><td style="text-align: right;">31 Mar 2019</td></tr> <tr> <td></td><td style="text-align: right;">\$'000</td></tr> <tr> <td>Current assets</td><td style="text-align: right;">1,103</td></tr> <tr> <td>Non-current assets</td><td style="text-align: right;">39,832</td></tr> <tr> <td>Total assets</td><td style="text-align: right;"><u>40,935</u></td></tr> <tr> <td>Current liabilities</td><td style="text-align: right;">9,793</td></tr> <tr> <td>Non-current liabilities</td><td style="text-align: right;">44,445</td></tr> <tr> <td>Total liabilities</td><td style="text-align: right;"><u>54,238</u></td></tr> <tr> <td>Net liabilities</td><td style="text-align: right;"><u>(13,303)</u></td></tr> <tr> <td>Net liabilities</td><td style="text-align: right;">(13,303)</td></tr> <tr> <td>Proportion of Group's ownership</td><td style="text-align: right;"><u>30%</u></td></tr> <tr> <td>The Group's share of net liabilities</td><td style="text-align: right;">(3,991)</td></tr> <tr> <td>Other adjustments</td><td style="text-align: right;">(320)</td></tr> <tr> <td>Transfer from construction in progress</td><td style="text-align: right;">6,897</td></tr> <tr> <td>Impairment loss</td><td style="text-align: right;"><u>(2,586)</u></td></tr> <tr> <td>Carrying amount of the investment</td><td style="text-align: right;"><u>-</u></td></tr> </table>		31 Mar 2019		\$'000	Current assets	1,103	Non-current assets	39,832	Total assets	<u>40,935</u>	Current liabilities	9,793	Non-current liabilities	44,445	Total liabilities	<u>54,238</u>	Net liabilities	<u>(13,303)</u>	Net liabilities	(13,303)	Proportion of Group's ownership	<u>30%</u>	The Group's share of net liabilities	(3,991)	Other adjustments	(320)	Transfer from construction in progress	6,897	Impairment loss	<u>(2,586)</u>	Carrying amount of the investment	<u>-</u>
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(d) Is it possible to sell the interest in the Power Plant separately, and why?	This is not commercially practicable as MJEH only owns a 30% stake in MIB and does not hold the Power Plant directly. As stated in the summarized balance sheet above, the carrying amount of the investment is nil. The Power Plant is also pledged to MIB's financiers as security.																																
2. How did the Company get introduced to the Purchaser?	On 20 November 2019, the Company announced that it had entered in a non-binding term sheet with Bio Eneco Sdn Bhd in relation to the proposed disposal of all the shares in MIB and the Convertible Bonds held by MJEH. Following such announcement, on 7 January 2020, the Company was approached by the management of the Purchaser expressing interest in purchasing the Sale Shares. When the term sheet with Bio Eneco Sdn Bhd was terminated on 28 January 2020, the Company entered into discussions with the Purchaser in relation to the Proposed Disposal.																																
3. It was stated in the announcement that <i>"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</i>	Efforts have been undertaken by the management of the Company to sell the Sale Shares for a higher consideration since June 2018. Certain members of the Board reached out to their consultants, bankers and business associates for potential purchasers of MJEH's share in MIB. The management of the Company was also able to speak with certain business contacts during conventions. This led to an initial interest and due diligence was conducted on MIB by																																

<p><i>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."</i></p> <p>Please explain and elaborate on the Company's efforts and limited success in disposing of the Group's interest in the loss-making Power Plant. What are the AC's basis for justifying that the current sale to the Purchaser at RM1 is in the best interest of the Company and its shareholders?</p>	<p>certain of these parties. Through these processes, the Company did not receive any reasonable offers due to the high negative net worth of MIB.</p> <p>As explained in section 2.1 (Rationale) of the Announcement, the key consideration for the Proposed Disposal is the fact that the Power Plant has been loss-making for the past six (6) financial years since it had commenced operations. This was exacerbated by concerns raised by several shareholders at the last AGM of the Company regarding the Group's investment in MIB and how MIB's funding needs have affected the Group's profitability and cash flow.</p> <p>Other factors considered by the Board are:</p> <ul style="list-style-type: none"> (a) It is unlikely that the Power Plant can be profitable in the near future. The basis and feasibility of the Power Plant relied on three (3) sources of revenue namely: sale of electricity generated, sale of sludge palm oil and trading of certified emission reduction (CER) credits. The collapse of the CER market in 2012 as well as weak palm oil prices have resulted in low revenue of the Power Plant which has not been able to cover its operating costs. (b) MIB continues to incur interest costs and liabilities due to scheduled repayments provided for by its financiers. Without sufficient revenue to pay off such liabilities, this puts pressure on the Group to provide funding to MIB which could have been better deployed to other businesses of the Group. (c) As the Power Plant continues to incur losses and in the event that the Group is unable to provide necessary funding, MIB's financiers may call on the corporate guarantee provided by the Group. Any call on the corporate guarantee may also affect the Group's credit facilities in other jurisdictions. <p>The audit and risk management committee of the Company agrees with the view of the Board above.</p> <p>As such, notwithstanding that the Sale Shares are proposed to be disposed of for a nominal consideration of RM1, the Proposed Disposal is in the best interests of the Company and its shareholders because:</p> <ul style="list-style-type: none"> i) the Group will be released of contingent liabilities (including the corporate guarantees) amounting to approximately SGD 67.5 million; ii) without the funding needs of MIB, the cash flow of the Group will improve; iii) it will allow the Company to cut its losses and re-strategise its financial and capital resources; and iv) the Group can focus on and expand its existing core business.
<p>4. Convertible Bonds:</p>	<p>N/A</p>

<p>(a) Given that the Convertible Bonds were valued at S\$1.36m as at 31 Mar 2019, why did the AC not consider sale of the Convertible Bonds separately from the shares in MIB?</p>	<p>The Convertible Bonds were not considered to be sold separately from the shares in MIB held by MJEH because, as far as the Company and the Board are aware, there was no market or buyer willing to purchase the Convertible Bonds separately. The primary recourse for non-payment under the Convertible Bonds was for conversion into shares in MIB. This inextricably links the Convertible Bonds to the negative net worth of MIB.</p> <p>The audit and risk management committee of the Company similarly agrees with the views of the Board.</p>
<p>(b) Please state the Company's basis and plans when it purchased additional RM1.5m Convertible Bonds at RM1.2m from one of the bondholders in 2016? What has changed since then?</p>	<p>The relevant previous bondholder had initially indicated to the Company that the Convertible Bonds would be sold to a direct competitor of MIB. Accordingly, in order to prevent such competitor from potentially owning shares in MIB, a decision was made to purchase the additional Convertible Bonds.</p>
<p>5. What is the total injection of funds by the Group thus far?</p>	<p>The total injection of funds by the Group into MIB as 31 March 2019 is approximately SGD 35.05 million.</p>
<p>6. Given the waiving off of S\$11.4m owing by MIB to the Group – what would be the net book value of MIB after taking into account such Waived Amount? What would be the proportionate 30% share of the Group's interest in MIB?</p>	<p>Preliminarily, this is not an accurate nor meaningful method of determining the Group's resultant interest in MIB and does not contribute to the rationale of the Proposed Disposal. This is because as stated in the annual report 2019 of the Group, the amount due from MIB was SGD 19,933,000 and allowance was made for impairment of SGD 9,754,000. As such, while the Group has agreed to write off SGD11,411,000, upon such waiver, the actual credit in MIB's books would be at least SGD 19,933,000. This would result in a net asset value of MIB of approximately SGD 6,630,000 and the Group's proportionate interest to be SGD 2,210,000. The Group has provided for the above impairment in the FY2019 results.</p>

By Order of the Board

Tan Boon Kheng
Managing Director

13 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 Catalyst.

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).