

CHASWOOD RESOURCES HOLDINGS LTD.
(Company Registration No. 200401894D)
(Incorporated in the Republic of Singapore)

**RESPONSE TO QUERY FROM THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ON
THE ANNUAL REPORT RELEASED ON 12 JUNE 2020**

*Unless otherwise defined, all capitalised terms used in this announcement shall bear the same meanings as in the Company's announcement dated 12 June 2020 ("**Previous Announcement**").*

The Board of Directors (the "**Board**") of Chaswood Resources Holdings Ltd. (the "**Company**") refers to the queries raised by SGX-ST on 12 June 2020 in respect of the Previous Announcement. The Board sets out its responses to SGX-ST as enclosed in Appendix A.

By Order of the Board

ANDREW ROACH REDDY
Managing Director
15 June 2020

*This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, Asian Corporate Advisors Pte. Ltd. (the "**Sponsor**"), in accordance with Rules 226(2)(b) and 753(2) of the Singapore Exchange Securities Trading Limited ("**Exchange**") Listing Manual Section B: Rules of Catalyst for compliance with the relevant rules of the Exchange. The 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.

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Appendix A

1. *In the auditor's opinion, it was stated that "The Company was also informed by TAMI that the audit of CRSB Group for FY2019 has yet to be completed, and a request for a special audit for the period from 1 January 2019 up to the date of the completion of disposal was not able to be met which forms part of the procedures required by the Independent Auditors."*

Why did Moore Stephens LLP, the Independent Auditors, ask for special audit for CRSB? Please provide more details, including what led to the special audit, why it was not carried out and when will it be carried out.

Company's Response:

Given that the disposal of CRSB Group was completed on 4 October 2019 ("Completion Date"), only the financial results for the period from 1 January 2019 up to the Completion Date ("Consolidated Period") will be accounted for in the Group's FY2019 results which are disclosed separately as "Discontinued Operations". The computation of the loss on disposal will also be based on the financial results for the Consolidated Period. The Independent Auditors, as part of the normal course of the Group's audit, had requested for the CRSB Group's auditor to report on CRSB Group's financial information (i.e. special/limited audit) on the Consolidated Period. For clarity, the special/limited audit is not a special investigation.

The Company was thereafter informed by the CRSB Group's auditor that the request for a special/limited audit on the Consolidated Period will not be able to be met. The Company notes that for any audit to be performed on the CRSB Group post-completion, it will be at the decision of the purchaser, TAMI, and given that there is lack of resources by the disposed CRSB Group and the statutory requirement for the full year's FY2019 audit of CRSB Group has yet to be completed, it will be the priority of the CRSB Group and its auditors to focus on the completion of the FY2019 statutory audit for CRSB Group. However, the Company understands from TAMI that although they feel that it is not necessary for the CRSB Group to incur more costs and it is also not their obligation to have the special/limited audit performed, they will nevertheless still assist to coordinate with the CRSB Group's auditor for the special/limited audit, if still necessary, but requested for more time to do so.

What's the impact of the limited audit of the CRSB Group on the Company's FY2019 financial results?

Company's Response:

The Directors are of the view that the limited audit of the CRSB Group will not have a material impact on the Company's FY2019 financials as the limited audit relates to the CRSB Group which has been disposed during FY2019 and the results have been separately classified as discontinued operations. As at 31 December 2019, in the Group's statement of financial position subsequent to the disposal of the CRSB Group, there is no longer any net assets/liabilities of the disposed CRSB Group. The net assets/liabilities of the CRSB Group has accounted for in the income statement as loss for the year from discontinued operations which will not be expected to change.

2. *In the auditor's opinion, it was stated that "The component auditors for BITC was unable to confirm or verify by alternative means as to the carrying amounts of the trade payable and other payables as at 31 December 2018 due to a modified opinion which was issued in the auditors' report of BITC for the financial year ended 31 December 2018 ("FY2018") pertaining to the same matter given that the component auditors were not auditors for the prior financial year ended 31 December 2017."*

Please provide more information on why were the auditors of BITC unable to audit the trade payables and other payables for FY2018.

Does this have a material impact on the Group's FY2019 financials?

Company's Response:

For clarity, the Company understands that the auditors of BITC ("BITC Auditors") performed the audit on the trade and other payable for FY2018 but were not able to satisfy themselves on the carrying amount as at 31 December 2018 as (i) they were not auditors of BITC for FY2017 and thus, not comforted with the opening balances as at 1 January 2018 and (ii) replies to certain confirmation requests on trade and other payables as at 31 December 2018 were outstanding. Thus, the BITC Auditors issued a modified opinion for FY2018 and included this matter (pertaining to the opening balance of the carrying amount of trade and other payables of BITC as at 1 January 2019), amongst others, in their basis of modified opinion in FY2018.

For FY2019, all necessary trade and other payable confirmations for balances as at 31 December 2019 were obtained, enabling the BITC Auditors to gain sufficient audit evidence on the carrying amount of trade and other payables as at 31 December 2019. Thus, the Company does not expect for the same issue to be raised in FY2020.

The Directors are of the view that the above-mentioned did not have a material impact on the Group's financials as at 31 December 2019 as third parties' confirmations for balances as at 31 December 2019 have been obtained to confirm the relevant carrying amount. The above qualification was not specifically stated in the FY2018 audit report by the Independent Auditors as this was included as a general qualification under the CRSB Group which was still part of the Group in FY2018.

3. *There are significant variances between the FY2019 audited and unaudited results, swinging the Company's PBT of RM770,000 to Loss of RM6.8 million, mainly due to the additional accrual of RM1.5 million professional fees relating to the Group's restructuring exercise of and the additional accrual of approximately RM6.0 million relating to the corporate guarantees granted by the Company as security for certain former subsidiaries' banking facilities and exchangeable bonds of the Group.*

However, the Independent Auditors do not have sufficient audit evidence regarding the use of the going concern assumption in the preparation of the financial statements.

Having reviewed the significance of the Auditors' Disclaimer of Opinion, the Board is of the opinion that, barring unforeseen circumstances, and subject to the successful outcome of inter-alia the restructuring exercise and market conditions, the Group will be able to continue as a going concern with sufficiency of working capital for its requirements for the next 12 months upon the completion of the restructuring exercise.

Part of the restructuring exercise refers to the proposed issuance of S\$50.0 million redeemable convertible note, which is conditional upon the resumption of the Company's shares trading. The Company has up to 16 June 2020 to submit a resumption of trading proposal.

In this regard, please provide updates on the Company's progress on the trading resumption proposal.

Company's Response:

Pursuant to the SGX-ST's letter dated 2 July 2019 ("Waiver Letter"), SGX-ST has no objection to the Company's application for a 12-month extension from 17 June 2019 to 16 June 2020 for the submission of a trading resumption proposal pursuant to Catalist Rule 1304(1) subject to certain conditions as stipulated in the Waiver Letter.

Despite the Company's best endeavour to meet the timeline for the submission of a trading resumption proposal by 16 June 2020, the Company would require more time to do so and thus, the Company shall be writing to SGX-ST for an extension of time to submit the resumption proposal with reasons for seeking for such extension on or about 16 June 2020 subject to confirmation and input from various professionals on the realistic extension of time required. As an update on the progress

of the Group's restructuring exercise which will form part of the resumption proposal to be submitted, over the last few months, the restructuring exercise had progressed well with the completion of certain milestones as follows:

(i) Proposed disposal of 100% stake in Chaswood Resources Sdn Bhd ("**CRSB**") ("**Proposed Disposal of CRSB**")

The Proposed Disposal of CRSB to Tremendous Asia Management Inc was completed on 4 October 2019 which removes a significant negative shareholders' equity from the Group and thus, setting a more palatable platform to continue operating and expanding the Group's restaurant business.

(ii) Proposed issuance of redeemable convertible note

The Company had entered into a subscription agreement on 30 November 2019 with Advance Opportunities Fund ("**AOF**") and Advance Opportunities Fund I ("**AOF I**") (AOF and AOF I shall collectively be known as the "**Subscribers**") pursuant to which the Company proposes to issue to the Subscribers 1.0% equity-linked redeemable convertible notes due 2022 with an aggregate principal amount of up to S\$50 million. The proceeds will be utilized for the funding of the Group's working capital and future expansions and investments. The issuance of the redeemable convertible note is subject to the resumption trading of the Company's shares.

(iii) Proposed scheme of arrangement with scheme creditors ("**SOA**")

To address the remaining liabilities of the Company, a proposed SOA with its creditors is being undertaken. During a creditors' meeting held on 30 April 2020, the proposed SOA was approved by a majority in number representing at least 75% of the total value of the scheme creditors present and voting in person or by proxy at the meeting. The Company's solicitors have filed an application to the Court to obtain its approval of the Singapore SOA and the Court has fixed for the Company's application for hearing on 26 June 2020. Once the Court's approval is obtained, the SOA shall be binding on the Company and scheme creditors.

The resumption proposal to be submitted to SGX-ST will include the viability of the remaining business of the Group i.e. operating the restaurant business under the Italiannies brand which has been in existence for 16 years. The resumption proposal will also include the expansion of outlets for the brand including a new outlet targeted to be opened at a location which has been secured in October 2020. More details on the expansion of the Group and projections will be provided in the resumption proposal.

The Company will make the necessary announcement on SGXNET upon the submission of an application of extension of time to submit a resumption proposal.