

NO SIGNBOARD HOLDINGS LTD.

(Company Registration No. 201715253N)

(Incorporated in Singapore)

RESPONSE TO SGX-ST QUERIES

The Board of Directors (“**Board**”) of No Signboard Holdings Ltd. (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce the Company’s responses to the queries raised by the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) on 14 December 2021 in relation to the Company’s announcement dated 8 December 2021 and the Company’s responses to the SGX-ST queries on 10 December 2021 (the “**Announcements**”). *Unless otherwise defined, all capitalised terms used herein shall bear the same meanings as in the Company’s Announcements.*

Query 1:

In the Company’s response to SGX’s queries on 10 Dec 2021, NSB explained that it did not make any provision for liabilities arising from the Claims as the Board, after discussion with its legal counsel, is of the view that the Claims are unmeritorious and are unlikely to succeed. However, the Company did not address SGX RegCo’s other queries on materiality of the Claims vis-à-vis its latest announced FY2021 results and whether such Claims will impact the Group’s operations.

In Query 2, SGX RegCo asked for the Board’s justifications for its views that the Claims will not have any material impact on the financial position of the Group, **in view of its latest announced FY2021 results**. SGX RegCo also stated that it has been noted from NSB’s FY2021 FS (FYE 30 Sep 2021) released on 29 Nov 2021 that its FY2021 net loss is approx. S\$6.4m, and the Group has cash balances of S\$2.7m and net current liabilities of S\$2.28m and net assets of only S\$0.38m. The Company did not take into account its latest announced FY2021 results and respond to this query in its responses dated 10 Dec 2021. Please provide a response to the query.

Company’s response:

The Claims are for a sum of \$0.96m for the alleged shortfall of 7 containers of beer delivered by DBPL to Sprawl in October 2014 to June 2017 and sum of \$0.59m as shortfall for the reimbursement that Sprawl is allegedly entitled to, or alternatively shortfall in reimbursement of kegs of beer in 2017 to 2020.

The counterclaims by DBPL are for (a) the unpaid trade receivables of S\$0.41m from Sprawl, which the Company has made full allowance for, (b) the refusal and/or neglect to take delivery of 498 kegs of beer of \$0.14m and (c) loss and damages, interests and other related costs, which the Company has not yet quantified, depending on the outcome of the legal proceedings.

The expected impact of the claims is approximately \$1.55m, which amounted to 9.5% of total assets and 406.0% of net asset value, based on the latest announced FY2021 results. However, the Company is of the view that the potential net impact of the Claims, taking into account the counterclaims by DBPL is more appropriate for the purpose of computation as the counterclaims relates to unpaid trade receivables and refusal to take delivery of the kegs which DBPL has received a confirmed purchase order, which were not disputed by Sprawl. The expected impact of the claims and counterclaims is approximately \$1.00m, which amounts to 6.2% of total assets and 263.9% of net asset value.

Notwithstanding the above, the financial impacts will only materialise if Sprawl is **successful** in the Claims.

In addition, the Group is in the process of raising funds for working capital purpose to enhance the financial position of the Group. Please see Company announcement dated 30 September 2021 and 8 December 2021 for further details.

Noting the above, taking into account that the Claims are **unmeritorious and unlikely to succeed**, as set out in our response to query 3(i) below, the Company's announcement on 8 December 2021, and the Company's response on 10 December 2021 to SGX-ST queries, the Company has not made any provisions for the liabilities arising from the Claims. Therefore, the Board is of the view that the Claims will not have any material impact on the financial position of the Group and ability for the Group to continue its existing business operations.

The Board and the Company will closely monitor the development of the legal proceedings and will make the necessary disclosures as and when required. Further announcements will be made, when appropriate.

Query 2:

In view of qn 1 above, please provide us with the Sponsor's views as to whether the Claims are likely to have any material impact on the financial position of the Group and ability for the Group to continue its existing business operations.

Sponsor's response:

Based on (i) information made available to the Sponsor, (ii) the Legal Counsel's view that the Claims are unmeritorious and unlikely to succeed, (iii) the Board's assessment on materiality and concurrence with Legal Counsel's view, and (iv) discussion with management, the Board and Auditor during Audit Committee meeting, during which matters pertaining to the Claims were discussed, the Sponsor concurs with the Board's view that the Claims will not have any material impact on the financial position of the Group and ability for the Group to continue its existing business operations.

As the legal proceedings and the finalisation of audit for financial year ended 30 September 2021 are still in progress, the Sponsor will monitor closely on the developments and work with the Board and the Company on necessary disclosures as and when appropriate.

Query 3:

In query 4 of the Company's response to SGX's queries on 10 Dec 2021, NSB explained that it was first aware of the Claims on **7 Oct 2020 and 9 Nov 2020 – which is more than a year ago**. NSB also responded that DBPL had obtained Court Judgement on 19 May 2021 for the shortfall in reimbursement to be struck out. Thereafter, on 14 July 2021, Sprawl applied to set aside the Court Judgement and the High Court directed the parties to go for trial after an unsuccessful mediation.

The Company went on to explain that the Board did not release the announcements on the Claims as both (a) parties were hopeful, at the outset, that a settlement agreement could be reached and (b) the Board concurs with the views of the Legal Counsel that the Claims are unmeritorious and is unlikely to succeed.

- (i) Despite the above, please elaborate on the materiality of the Claims in respect of the financial results of the Company **then**. To this end, please explain in detail, the Board's considerations as to why it was of the view that the Claims are "unmeritorious and unlikely to succeed".
- (ii) Please detail the efforts / steps taken by the Group with a view to reaching a settlement agreement in relation to the Claims.
- (iii) Please provide a chronology of events in relation to the Claims and Writ of Summons. Pls explain why (with supporting bases / Board's considerations), the Board did not release announcements on the Claims and Writ of Summons at each relevant junction, such as when Writ of Summons was served, when Court Judgement was passed, when it underwent mediation ...etc.

Company's response:

- i) The impact amounted to 3.5% of total assets and 9.2% of net asset value, based on the latest announced 3rd quarter financial year ended 30 June 2021 ("**3QFY2020 results**"). The assessment was done based on 3QFY2020 results as it was the latest available information available at the point in time when the writs were received.

Sprawl has been appointed as the wholesaler/distributor for DBPL's beer products since DBPL's incorporation under the Wholesale Distributorship Agreement dated 1 October 2014 ("**Agreement**").

DBPL and Sprawl had entered into a Memorandum of Agreement ("**MOA**") dated 30 June 2017 to terminate the Agreement prior to the DBPL's acquisition by the Company on 2 June 2017. The MOA provided that each party shall be released and discharged from, inter alia, any and all outstanding liabilities and obligations arising out of or in connection with the Agreement.

After DBPL's acquisition by the Company and upon termination of the Agreement, DBPL and Sprawl had entered into a new Wholesale Distributorship Agreement dated 1 September 2017 ("**New Agreement**").

The claim for the alleged shortfall of 7 containers of beer relates to the period prior to NSB's acquisition of DBPL and pertains to the Agreement which was subsequently terminated by the MOA. Based on current available records, there is no shortfall of beer containers. Furthermore, Sprawl is not entitled to claim for the alleged shortfall as DBPL's obligations has been released and discharged pursuant to the MOA as detailed above.

In relation to the claim on shortfall for the reimbursement under the New Agreement, the New Agreement specifies that Sprawl is only entitled to reimbursement for that year if Sprawl meets or achieve the minimum amounts of products as Minimum Purchase Order for that relevant year. Unless the Minimum Purchase Order for that year was met or achieved, Sprawl would not be entitled to any reimbursement. Sprawl is not entitled to alleged reimbursement as it did not meet the Minimum Purchase Order for the said years.

Based the above, the Board concurs with the Legal Counsel's view that the Claims are **unmeritorious and is unlikely to succeed**.

- ii)&iii) The Group and Management was first aware of the Claims on 7 October 2020 and 9 November 2020. Based on the assessment done using 3QFY2020 results, which was the latest available information, the claims were less than 10% of net asset value, hence did not have a material impact on the financial position of the Group. The Group and Management was hopeful, at the outset, that a settlement agreement could be reached and concurred with Legal Counsel view that the Claims are **unmeritorious and unlikely to succeed** for reasons stated on response to query 3(i).

On multiple occasions, DBPL had requested for Sprawl to provide the necessary supporting documents to support their Claims in attempts to reach a settlement. As of now, DBPL has not received all the necessary documents.

On 19 May 2021, DBPL obtained Judgement pursuant to the Order of Court for the Statement of Claim relating to the shortfall for reimbursement to be struck out with no further order.

Parties were hopeful, at the outset, that a settlement agreement could be reached and have made an attempt at resolving the disputes by way of mediation under the auspices of the Singapore Mediation Centre (the "**Mediation**") on 28 May 2021.

After the mediation, both parties informally agreed to keep the lines of communication open in the event offers and counteroffers were instructed.

Following the unsuccessful mediation, the High Court has since directed that parties go for trial. DBPL is in the process of preparing for the pre-trial conference scheduled on 8 February 2022. The current Board, after being made aware of the upcoming trial is of the view that now would be the proper and timely juncture for the Company to make an announcement regarding the abovementioned legal proceedings.

BY ORDER OF THE BOARD

Lim Yong Sim (Lin Rongsen)
Executive Chairman and Chief Executive Officer
16 December 2021

*This announcement has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, RHT Capital Pte. Ltd. ("**Sponsor**"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"). The Sponsor has not independently verified the contents of this announcement.*

This announcement has not been examined or approved by the SGX-ST and 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.

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