

RESPONSE TO OPEN LETTER

The board of directors (the “**Directors**” or the “**Board**”) of Asiatic Group (Holdings) Limited (the “**Company**” and together with its subsidiaries, the “**Group**”), refers to its announcement dated 15 May 2018 in respect of the receipt of an open letter dated 9 May 2018 (the “**Letter**”) from a shareholder of the Company. The Board wishes to respond to the Letter and address some of the key issues raised in the Letter. The Board is of the view that it is not necessary to respond to each of the issues raised in the Letter as they are adequately addressed in the Company’s various announcements made through SGXNET.

1. Financial Performance

The Group decided to diversify into the energy business in frontier countries where the opportunities arose about a decade ago, when it assessed that there were limited expansion opportunities locally for its fire protection solutions business. The energy business is, by nature, capital-intensive. This necessitated several rounds of fund raising by the Group.

The energy business has also seen its fair share of challenges due to the demanding operating environment and challenging global climate. However, through the efforts and perseverance of the management of the Group (“**Management**”), the Group has weathered these challenges. In the process, the Group has also gained invaluable experience and expertise which are critical for its long-term sustainability in the energy business.

The Board would like to highlight that notwithstanding the challenges which are outside the control of the Group, the Group has been profitable for the past five financial years.

2. Power Plants in Cambodia

The Group owns three power plants in Cambodia, namely Phnom Penh Power Plant (“**PP Power Plant**”), Sihanoukville Power Plant (“**SHV Power Plant**”) and Phnom Penh Special Economic Zone Power Plant (“**PPSEZ Power Plant**”). All three power plants are functional. The PP Power Plant and SHV Power Plant provide electricity to the national grid and the PPSEZ Power Plant provides electricity to the tenants in the Phnom Penh special economic zone. These plants contribute positively to the Group’s cash flow.

The Company announced on 30 May 2018 that the power purchase agreements for both PP Power Plant and SHV Power Plant with the Cambodian state-owned electricity company were extended for a period of six (6) months from 1 November 2018 to 30 April 2019. If no further extension is awarded, the Group will, at the appropriate time, decide whether the re-location of or the realisation of its investments in, these power plants would be in the best interest of the Group.

The PPSEZ Power Plant is a captive plant and will operate for up to 50 years.

3. Maju Intan Biomass Power Plant

The Maju Intan Biomass Power Plant (“**Maju Intan Power Plant**”) is a renewable energy project of the Group. It is currently one of the few pure biomass power plants (utilising 100% biomass waste material called empty fruit bunches, a waste material after the extraction of palm oil) that has succeeded in providing electricity to the national grid in Malaysia.

The operation of Maju Intan Power Plant required working capital. As announced by the Company on 18 March 2014, after careful deliberation on fund raising options available, the Board decided to issue 10% per annum interest bearing non-convertible bonds (the “**NCBs**”) and raised S\$4.0 million. S\$1.0 million of the NCBs are secured by a personal guarantee from Mr Tan Boon Kheng, the Managing Director of the Company. As at the date of this announcement, S\$1.8 million in principal amount of the NCBs have been repaid. The Management has also managed to reduce the interest rate of the outstanding balance of the NCBs to 8%.

As disclosed in the Company’s 2017 Annual Report, the Group entered into a bond sale agreement with one of the bondholders of Maju Intan Biomass Energy Sdn Bhd to acquire RM1.2 million of the convertible bonds first issued in 2010, on the same terms. These bonds were acquired as it would not be in the Group’s best interests if the bondholder had sold these bonds to a party that did not share the same sentiments and understanding of the business.

Currently, Maju Intan Power Plant is operating at a higher capacity compared to the previous years after the alterations and additional works performed during the financial year ended 31 March 2018.

4. Board Deliberations

The Board wishes to inform shareholders of the Company (“**Shareholders**”) that the Directors judiciously exercised their powers in a manner consistent with their fiduciary duties and responsibilities in deciding the Company’s diversification to energy business, after carefully considering risks and rewards associated with it.

The then directors of the Company extensively discussed the entry into the energy business, given the competitive nature of the traditional fire protection solutions

business. The Board noted that while the energy business would be capital intensive, it would benefit Shareholders in the long term.

Subsequently, when Mr Tay Kah Chye and Mr Lee Fang Wen were appointed as independent directors of the Company amid the backdrop of declining oil prices and depressing oil and gas industry, the Board frequently discussed and considered strategic and risk management issues relating to the energy business, and implemented solutions and strategies to deal with these issues in light of the operational challenges faced by the Management.

The Board also wishes to highlight that for the past three financial years, the remuneration of the Directors (including the fee of independent directors), have not been adjusted upward.

5. Other Clarifications

The Board wishes to clarify certain factual inaccuracies in the Letter, as follows:

- a) Mr. Lee Fang Wen was not an independent director of the Group in 2014. He was appointed to the Board in 2016.
- b) Mdm. Lee Yoke Chun, did not participate in the subscription of the NCBs.
- c) The shares and warrants issued to Tanamerah Capital Limited ("**TCL**"), an investment holding company then wholly owned by Mr. David Tan Chao Hsiung ("**Mr. Tan**") was not undertaken pursuant to the Company's general share issue mandate but was approved by the Shareholders in a separate resolution at an extraordinary general meeting of the Company held on 15 August 2013. TCL provided consultancy services to the Company in relation to its funding needs and methods of capital raising for the period from March 2013 to June 2014. The rationale for issuing the shares and warrants to TCL was disclosed in the announcement dated 28 May 2013 and the circular to Shareholders dated 31 July 2013.

In line with good corporate governance practices, the Board and Management welcome views from all Shareholders and are grateful for any constructive feedback. Concurrently, the Board will continue to carry out a strategic review of the business and operations of the Group.

The Board and Management also looks forward to the forthcoming annual general meeting, to be held no later than 31 July 2018, which will be an appropriate platform to further engage the Shareholders in a meaningful dialogue on any concerns they may have.

The Board also takes this opportunity to thank the Shareholders for their continued support for the Group.

By Order of the Board

Tay Kah Chye
Independent Chairman

4 June 2018

*This announcement (the “**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**”) for compliance with the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) Listing Manual Section B: Rules of Catalist. The Sponsor has not verified the contents of the Announcement.*

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The contact person for the Sponsor is Mr Lance Tan, Director, Continuing Sponsorship (Mailing Address: 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318, and E-mail: sponsorship@ppcf.com.sg).