ASIATIC GROUP (HOLDINGS) LIMITED

(Company Registration No. 200209290R)

(Incorporated in the Republic of Singapore)

RESPONSE TO QUESTIONS RECEIVED FROM THE SECURITIES INVESTORS ASSOCIATION (SINGAPORE) IN RELATION TO THE ANNUAL REPORT 2024

The Board of Directors ("**Board**") of Asiatic Group (Holdings) Limited (the "**Company**", and together with its subsidiaries, the "**Group**") would like to provide the following information in response to questions raised by the Securities Investors Association (Singapore) ("**SIAS**") in relation to the Company's annual report for the financial year ended 31 March 2024 (the "**Annual Report**").

SIAS's Question 1:

The company was listed on 24 April 2003 and commemorated its twentieth anniversary of listing last year.

In the first annual report as a listed company in 2003, the founder reported that the fire fighting and protection business generated revenue of $10.0 million while the controlled power supply and equipment segment delivered $5.0 million in revenue. Shareholders' equity was $9.17 million as at 31 March 2003, with revenue reserve amounting to $833,000.

In FY2024, revenue from the Fire Protection Solutions has more than doubled to $22.8 million after 20 years, with segment profit reaching $3.4 million (FY2023: $21.1 million and $3.2 million).

(i) Can management elaborate further on the "newer growth opportunities" available in the Fire Protection Solutions segment?

Company's Response:

Over the years, we have continuously expanded our Fire Protection Solutions Division, such as expanding our range of own branded KILLFIRE products and widening our service capabilities. We have also become the authorised maintenance and service provider for various new international partners. More recently, we have established a new technical department to provide design fire protection solutions to customers. We are always looking for potential new products, services and partnerships to compliment the range of products and services offered.

(ii) Has the group maintained or increased its market share in the Fire Protection Solutions segment over the past twenty years?

Company's Response:

We have over the years expanded our client portfolio as well as range of products and services. We have carefully balanced market share acquisition against profit margin. Our segment profit for the Fire Protection Solutions Division has grown by 30% per annum based on compounded annual growth rate over the last 10 years.

(iii) Has the Board reviewed and is it satisfied with the growth achieved by the Fire Protection Solutions segment?

Company's Response:

Fire Protection Solutions Division revenue has grown by 45% from 2021 to 2024. We are now in the third consecutive year of segment profit growth for the Fire Protection Solutions business. The Board will continue to maintain close oversight over management to deliver sustainable performance, notwithstanding external conditions which are not within our control.

Revenue in the Energy services segment amounted to $22.2 million, although the segment has been loss making. The segment operates a power plant consisting of three 6.5 MW generator sets providing electricity to the industrial factories and facilities in the Phnom Penh Special Economic Zone, Cambodia. It is noted that the group is in dispute with its partner and has commenced arbitration against its partner. The independent auditors have given a disclaimer of opinion, citing the potential loss of control of Colben Energy (Cambodia) PPSEZ Limited (CEZ) after the 51% shareholder removed the company's representative as chairman and director of CEZ. Notwithstanding this, the company classified CEZ as a subsidiary and consolidated CEZ for the financial year ended 31 March 2024.

(iv) What is the current operating status of CEZ, and what level of oversight and control does management retain?

Company's Response:

Please refer to the announcements by the Company on the SGXNET.

(v) When does the Board expect the arbitration to conclude, and is the outcome legally binding?

Company's Response:

Please refer to the announcements by the Company on the SGXNET.

From having share capital of $8.3 million in 2003, the group's paid-up share capital increased to $51.0 million as at 31 March 2024 but equity attributable to equity holders amounts to just $17.7 million. Accumulated losses stood at $(38.4) million as at 31 March 2024, compared to retained earnings of $833,000 in FY2003.

(vi) Given the significant accumulated losses over the past twenty years, would the Board, particularly the independent directors, consider a comprehensive review of the long-term performance of management? How would the Board assess the potential benefits of introducing new and professional leadership to drive future growth and profitability?

Company's Response:

The Group is professionally managed with, *inter alia*, a majority independent Board, relevant corporate governance practices and timely financial and non-financial disclosures.

The Board reviews the appointment and performance of the management and the composition of the Board periodically.

The Board and management are cognizant of the accumulated losses. In particular, most of the losses were incurred over a period from FY2019 to FY2023 during which the Covid-19 pandemic in part contributed to the losses. However, we highlight that the Group achieved positive operating cash flows of more than S$13 million during the same period and had applied these cash flows to pay down borrowings and invest in new equipment and assets for growth. These steps have placed the Group on a more sustainable financial footing with lower borrowings and supported the growth of the Fire Protection Solutions Division today.

We are now actively looking to raise profitability, where we have pivoted away from Energy Services Division and realigned focus on our profitable and cash flow positive Fire Protection Solutions Division.

SIAS's Question 2:

The company conducted a non-renounceable non-underwritten rights issue, of up to 2,264,142,234 new ordinary shares, at an issue price of $0.0027 per share in August 2023. This was on the basis of 13 rights shares for every 10 existing shares of the company. At the close of the rights issue on 2 August 2023, valid acceptances and excess applications amounted to 939,102,573 (or 41.48%) and 552,672,009 (24.42%) respectively. The overall subscription rate was 65.89%. While the undertaking shareholders took up 1.279 billion of the rights issue and increasing their stake in the company, minority/other shareholders only accepted and applied for 212.6 million out of the total of 1.457 billion new rights shares available, resulting in a subscription rate of just 14.5%.

(i) Has the Board conducted a thorough review to understand the reasons behind the low valid acceptance and excess application rates for the rights shares? If so, what were its findings?

Company's Response:

The subscription rate is determined by a range of factors, including market conditions that are not within our control.

The Board has received feedback that the bid-ask spread of the Company's shares is relatively wide compared to its share price. For example, based on bid and ask prices of S$0.002 and S$0.003 respectively, the spread is equivalent to 33% of the ask price and 50% of the bid price. As this affects the liquidity of the Company's shares, some shareholders and prospective investors may have been discouraged from further participation. We may consider a share consolidation at an appropriate time.

(ii) To what extent does the Board attribute the low subscription rates to a potential lack of understanding or confidence in the group's business model and strategic direction among minority shareholders?

Company's Response:

Based on the Board's assessment, the low subscription rate itself is not an indication of a potential lack of understanding or confidence in the Group's business model and strategic direction among minority shareholders. The Board was mindful that the large bid-ask spread for low value stocks would reduce the subscription rates for investors who are mindful as to the issue of low liquidity. On the balance, the Board is satisfied that the minority shareholders have contributed in the rights issue and would like to seize this opportunity to thank them for their confidence in the Group.

Nonetheless, we plan to increase our investor relation efforts. Shareholders and investors can refer to our announcements on SGXNET, annual reports and our website https://www.asiatic.com.sg/ and https://www.asiaticfire.com.sg/ for more information.

(iii) What targeted initiatives and communication strategies are being planned to rebuild trust and better articulate the company's value proposition and growth prospects?

Company's Response:

While we believe that the best way to achieve the above objectives is through our financial performance, we have been and will continue to and judiciously consider various communication strategies and initiatives such as providing more business updates through press releases and/or other means. We would like to thank SIAS for giving us this opportunity to address investors' concerns.

(iv) For the benefit of shareholders, could management identify the key growth drivers and outline the strategic investment merits of the group?

Company's Response:

The Group is currently fully focused on a) its Fire Protection Services Division which is growing and profitable and b) resolving the dispute with RGPPSEZ.

For the Fire Protection Services Division, the Group is currently evaluating various opportunities and will provide more information as and when appropriate.

In the interim, we shall continue to be vigilant in managing costs and will strive to strengthen our balance sheet.

SIAS's Question 3:

Mr Tay Kah Chye, an independent director who was first appointed to the Board on 1 October 2013, will be retiring as a director at the upcoming annual general meeting to be held on 29 July 2024.

It is disclosed in the message to shareholders that Mr Tay Kah Chye will, upon his retirement, serve as a Special Advisor for 12 months with effect from 30 July 2024 to ensure a smooth transition.

(i) Can the Board help shareholders better understand the specific roles, responsibilities, and deliverables of the Special Advisor?

Company's Response:

Mr Tay Kah Chye was acting as a Non-Executive Independent Director of the Company, and Chairman of the Board since 1 October 2013, and possesses lengthy experience with the Group. After due consideration and to ensure smooth transition, the Board decided to engage Mr Tay Kah Chye as the Special Advisor of the Group for 12-months, where the Board would continue to have access to his knowledge and opinion. The appointment is not a full-time job and his advice is only required on an ad-hoc basis. As the Special Advisor, Mr Tay Kah Chye will not have any director power. While the Board is likely to seek Mr Tay Kah Chye's opinion on new projects and corporate exercises, Mr Tay Kah Chye shall have no vote in any matter and will not attend any Board meeting unless being invited by the Board.

(ii) Considering the Board's focus on continuous and progressive renewal, what specific challenges or complexities justify the need for a 12-month transition period for the retiring director? How does this align with the Board's overall succession planning strategy?

Company's Response:

The Company does not have a policy for every retiring director of the Company to return to serve in different capacity. The appointment of Mr Tay Kah Chye as Special Advisor is decided by the Board having considered the experience of Mr Tay Kah Chye, and to ensure a smooth transition process.

(iii) What critical issues or projects require the retiring director's expertise and involvement during the transition period? How will his continued engagement as a Special Advisor contribute to the successful resolution of these matters?

Company's Response:

Please see above.

By Order of the Board

Tan Boon Kheng
Managing Director
26 July 2024

*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 announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.*

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