

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 PROPOSED DIPOSAL OF CHASWOOD RESOURCES SDN BHD, PROVISION OF CORPORATE GUARANTEE AND UPDATE OF RESTRUCTURING PLAN AS ANNOUNCED ON 15 SEPTEMBER 2018

*Unless otherwise defined, all capitalised terms used in this announcement shall bear the same meanings as in the Company's announcement dated 15 September 2018 ("**Previous Announcement**").*

The Board of Directors (the "**Board**") of Chaswood Resources Holdings Ltd. (the "**Company**") refers to the queries raised by SGX-ST on 19 September 2018 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

CHNG HEE KOK
Non-Executive Independent Director
11 October 2018

*This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor ("**Sponsor**"), Asian Corporate Advisors Pte Ltd., for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("**Exchange**"). The Company's 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

Response by the Company to SGX-ST queries dated 19 September 2018

1. In the table of outstanding loans (under page 2 of the announcement), please confirm that the outstanding 'Term loans' of RM16,689,000 and 'Bills payables and bank overdraft' of RM5,750,000 are entirely due to the Lenders.

Company's Response:

Yes confirm.

2. In the table of outstanding loans (under page 2 of the announcement), should the loans from Monz and Andrew be reflected as well?

Company's Response:

The table was only referring to "interest bearing loans." The loans from Monz and Andrew are currently reflected as advances under trade and other payables. The detailed information on the loans from Monz and Andrew has already been set out in the announcement. Please refer to pages 9 to 11 of the announcement.

3. Under para 3.3.1(vi), written consent required by the respective shareholders (other than CRSB or any of the Sale Subsidiary) in respect of the 4 named subsidiaries. Who are these shareholders and has the Company engaged them and obtained an indication from them as to whether they are agreeable with the Proposed Disposal?

Company's Response:

The other shareholders of the 4 named subsidiaries are as follows:

Subsidiaries	Shareholders
Bistroamericana (JB) Sdn Bhd	i-Stone Gourmet Sdn Bhd (80%)
PT Chaswood Resources	Posh Corridor Sdn Bhd (1%)
PT Chaswood Resources BB	Bunga Citra Lestari (5%) & Chandra Supandi (20%)
PT Chaswood Resources Jakarta	Bunga Citra Lestari (10%) & Chandra Supandi (15%)

Based on the current shareholders' agreements with the shareholders of Bistroamericana (JB) Sdn Bhd and PT Chaswood Resources Jakarta (there is no shareholder agreement with the shareholders of PT Chaswood Resources and PT Chaswood Resources BB), the Company understands that there is no requirement to seek their consent for the Proposed Disposal. The condition was included in the SSA on a conservative basis (as drafted and advised by the Company's lawyers) and will only need to be complied if required. Accordingly, it has been stated in section 3.3.1(vi) on page 4 of the announcement, "to the extent applicable". Nevertheless, the shareholders mentioned above are aware of the Proposed Disposal and as at the date of this response, the Board is not aware of any reason to cause the shareholders named above to disagree on the Proposed Disposal.

4. Under para 3.2.2.(c), does this imply that after disposing the Sale Subsidiaries to the Purchaser, if the Sale Subsidiaries/Purchaser are unwilling/unable to repay any of the outstanding loans, the financial institutions in whose favour those corporate guarantees are given can take actions against the Company? If so, what is the advantage of disposing the Sale Subsidiaries to the Purchaser for RM10.00, especially given that it was mentioned in the announcement that the Company has also not received any firm offers for the disposal of the Affected Subsidiaries?

Company's Response:

Yes, if the Sale Subsidiaries/Purchaser are unable to repay any of the outstanding loans to the financial institutions, they can take action against the Company. However, as stated, the Proposed

Disposal is conditional that the Proposed Debt Restructuring with these financial institutions is agreed upon and there is post-completion undertaking by the Purchaser to apply the proceeds from the sale of the Affected Subsidiaries towards the partial settlement of the liabilities under the Proposed Debt Restructuring. The Proposed Disposal is thus meant to facilitate the Proposed Debt Restructuring and the sale of the Affected Subsidiaries (as described in section 3.6 of the announcement).

Please also refer to section 3.3.1(i) of the announcement that states “*to the extent applicable to the sale and/or transfer by the Company of the Sale Shares as contemplated by the SSA, the approval on the Proposed Disposal from the three lenders of the CRSB Group, being Malayan Banking Berhad, CIMB Bank Berhad and AmBank (M) Berhad (collectively, the “Lenders”), the Restructuring Scheme becoming effective and the execution of the relevant documents with the Lenders for settlement of liabilities*”.

The Directors do not envisage a situation where the Company or the Group will be subjected to the claim of liabilities by the Lenders more than once pursuant to the Proposed Debt Restructuring.

Please refer to page 6 of the announcement. The rationale for the Proposed Disposal as mentioned in the announcement will remove a negative RM63.1 million (based on HY2018) in shareholders’ fund contributed by CRSB Group which will ultimately improve the financial position of the Group and thereby also provide a more palatable platform for the expected injection of new business/asset into the Company i.e. the Proposed RTO.

5. Under para 3.5, the Purchaser has undertaken to dispose of the Affected Subsidiaries for repayment towards such liabilities of CRSB and/or the Sales Subsidiaries.
- (a) Please elaborate on the rationale for this undertaking by Purchaser to dispose the Affected Subsidiaries, versus the Company disposing them off directly.

Company’s Response:

As mentioned throughout in the announcement, the Proposed Disposal is part of the ongoing restructuring of the Group and to provide the platform for the Proposed RTO. Given that the disposal of the Affected Subsidiaries may take more time as no firm offer has been received, the Proposed Disposal will avoid delay to the restructuring exercise which entails *inter alia* the Proposed RTO as explained in query 4 above.

- (b) What is the difference between the Affected Subsidiaries and Sale Subsidiaries?

Company’s Response:

As clearly described in the announcement, the Affected Subsidiaries only includes subsidiaries which are currently operating the TGI Fridays and Teh Tarik Place brands which are expected to include *inter alia* the following subsidiaries:

1. Bistroamericana (JB) Sdn Bhd (20%)
2. Bistroamericana (TC) Sdn Bhd
3. Bistroamericana (BU) Sdn Bhd
4. Bistroamericana (PJ) Sdn Bhd
5. Teh Tarik Place Sdn Bhd
6. Bistroamericana (QB) Sdn Bhd
7. Bistroamericana (BB) Sdn Bhd
8. Bistroamericana (SP) Sdn Bhd
9. Bistroamericana (Hartamas) Sdn Bhd
10. Bistroamericana (A) Sdn Bhd
11. PT Chaswood Resources Jakarta
12. Chaswood Restaurant Management (Beijing) Co Ltd
13. Yi Jun Restaurant Management (Shanghai) Co Ltd

The Sale Subsidiaries (the details as included in Appendix A of the announcement) include the Affected Subsidiaries and all other dormant/inactive subsidiaries or subsidiaries which have ceased operations. Please also refer to page 5 and page 1 of the announcement for the definitions of Affected Subsidiaries and Sale Subsidiaries respectively which are clearly defined. Although it is not known now if the end buyer will purchase all or any of the other Sale Subsidiaries which are dormant or inactive, the separation is made to facilitate the sale or disposal for settlement of liabilities.

- (c) Any reason why the Purchaser is not disposing all the Sale Subsidiaries for repayment of the liabilities due by CRSB and/or the Sale Subsidiaries?

Company's Response:

The Sale Subsidiaries also include dormant/inactive subsidiaries or subsidiaries which have ceased operations and have no value. Commercially it is the optimal situation to dispose all the Sale Subsidiaries but in reality there may not be end buyers who will purchase all the Sale Subsidiaries.

6. Under para 3.5, is the undertaking by the Purchaser legally binding?

Company's Response:

Yes, it is legally binding but note that for paragraph 3.5(a), the undertaking is on a best effort basis. Note that the Company has engaged a professional accounting firm in August 2017 to assist to seek for potential buyers but has not been successful to date.

7. Para 3.6 states that the amount of remaining liabilities of CRSB Group to be settled via issuance of New Shares may change and vary. What is the maximum amount of such remaining liabilities? At what price will the New Shares be issued?

Company's Response:

The remaining liabilities cannot be determined at this juncture and will subject to negotiation with the Lenders and will *inter-alia* depend on the actual realization of the securities pledged to the Lenders and proceeds from the sale of the Affected Subsidiaries as well as possibilities of default interest and penalties, where applicable, imposed by the Court and/or creditors. The New Shares are expected to be issued at S\$0.009 based on the last traded price. The Circular will include where applicable an illustration of the remaining liabilities to be settled. Such illustration cannot be announced as yet as at this stage there are no grounds or approvals *inter-alia* of the Lenders which are customary in a restructuring scheme.

8. Under para 4, the Company's purpose of retaining the Excluded Subsidiary is to ensure the Company has an existing business after the Proposed Disposal to retain its listing status. Please note that the Company will have to show that it is able to operate a viable business, and address going concern issue for the resumption of its trading status. In this regard, we note that the Company is exploring new viable business and investment which may result in a RTO. For avoidance of doubt, purely relying on the Excluded Subsidiary will not be adequate as a resumption proposal for lifting of trading suspension.

Company's Response:

The Company noted the comments from the SGX-ST above. The Company is reviewing its existing business after the Proposed Disposal with a view of, *inter alia*, possible expansion of its business under the Italiannies brands or other brands as well as potential new investments or acquisition which may result in a RTO.

9. Under para 4, upon completion of the Proposed Disposal (including the Sale Back), the Company shall have a total of 6 subsidiaries, including the Excluded Subsidiary which is an operating entity in the restaurant business under the Italiannies brand. Please elaborate the nature of the remaining 5 subsidiaries and what are the Company's plans for these 5 subsidiaries going forward.

Company's Response:

The 5 subsidiaries are dormant or inactive companies. The most probable plan is to strike or liquidate these companies. As announced, the restructuring of the outstanding liabilities of the Remaining Entities will be announced at a later date and will be disclosed in the Circular. Given that the 5 subsidiaries were directly held under the Company and not to complicate the Proposed Disposal, these subsidiaries were not included as part of the Proposed Disposal. Please refer to section A(4) in the announcement on details of the future plans of the Group.

10. The Company mentioned previously that the respective subsidiary companies are all limited liability companies and the creditors' claims (e.g. litigations) have no recourse to the Company. If the Company does not provide the corporate guarantees, are the loans by Monz and Andrew to CRSB also of a similar nature i.e. Monz/ Andrew has no recourse against the Company?

Company's Response:

Yes. However, the corporate guarantees have been given due to the reasons explained in query 11 below.

11. Para B.1 of the announcement – In view of Q10, what is the rationale for the Company providing the corporate guarantees in favour of Monz and Andrew?

Company's Response:

Please refer to page 11 of the announcement for rationale for the Provision of Corporate Guarantees. The interest-free and unsecured bridging loans from Monz and Andrew were requested by the Group on an urgent basis for working capital purpose. At that point in time, the Company had no means or access to financing and the Group was desperately in need of new funding.

The loans from Monz (US\$725k) and Andrew (RM1.6m) were disbursed to the Group between August 2016 and September 2017 in various tranches. This was during the onset of the current financial distress that the Company first experienced when performance of the Group continued to deteriorate and financing from banks could not be obtained. It was the initial intention for the debt to be converted into equity but was delayed due to *inter-alia* the expiry of the General Mandate for the issuance of shares and the trading suspension (resulting in the illiquidity of the shares). Thus, a corporate guarantee is now requested given that there is no immediate debt conversion or repayment. As stated in the announcement, the corporate guarantee is for the benefit of CRSB and is purely a commercial decision to settle the liabilities. Shareholders' approval will be sought and appointment of IFA will be made for the IPT transaction (i.e provision of corporate guarantee to Andrew).

12. Why is there a difference between the amount of gain from the Proposed Disposal under page 2 (RM31.4m) and page 13 (RM27.4m)?

Company's Response:

As stated clearly in the announcement, the gain from the Proposed Disposal in page 2 is based on the financials for the first half year ended 30 June 2018 while the gain from the Proposed Disposal in page 13 is based on the financials for the year ended 31 December 2017.