29 April 2020

Attention to : The Audit Committee of No Signboard Holdings Ltd. and SGX RegCo.

Report on the independent review conducted on No Signboard Holdings Ltd. (the "Independent Review Memorandum")

We are pleased to submit our Independent Review Memorandum as attached.

We have been appointed by No Signboard Holdings Ltd. (the "Company") on 2 July 2019 to carry out the independent review of the three (3) financial quarters ended 31 December 2017, 31 March 2018 and 30 June 2018 (separately, "1Q2018", "2Q2018" and "3Q2018", and collectively, "3 Quarters"), as well as to opine on the matters set out in Section 2 – Scope of Work of the Independent Review Memorandum.

Our findings of this independent review are summarised in the Executive Summary and detailed in the Independent Review Memorandum.

Yours sincerely,

Nexia TS Public Accounting Corporation
Public Accountants and Chartered Accountants

Encl.

Table of Contents

Definitions

Entities

"Company"	:	No Signboard Holdings Ltd., (Unique Entity Number: 201715253N), a company incorporated in the Republic of Singapore listed on Catalist
"Catalist"	:	Catalist of the SGX-ST
"Group"	:	The Company and its subsidiary corporations
"GuGong" or the "Vendor"	:	GuGong Pte. Ltd. (formerly known as No Signboard Seafood Restaurant Pte. Ltd.)
"IASB"	:	International Accounting Standards Board
"Nexia TS"	:	Nexia TS Public Accounting Corporation
"SGX RegCo"	:	Singapore Exchange Regulation Pte Ltd
"SGX-ST"	:	Singapore Exchange Securities Trading Limited

Personnel

"Management"	:	Management of the Company
"Mr. Lim Yong Sim" or "CEO"	:	Executive Chairman and Chief Executive Officer
"Ms. Lim Lay Hoon" or "COO"	:	Executive Director and Chief Operating Officer
"Ms. Voon Sze Yin" or "CFO"	:	Chief Financial Officer, who served in this position from 1 February 2018 to 30 September 2019

General

"Actual Group Accounting Principles"	:	Consolidated financial statements of the Group are prepared on the basis that the Company obtained legal ownership and control over the subsidiary corporations on 31 October 2017, being the completion date of the Restructuring Exercise
"Audit Committee"	:	The Audit Committee of the Company
"Beer Business"	:	The entire share capital of Tao Brewery Pte. Ltd. (UEN: 201708006E) and 800,000 shares representing 80% of the share capital of Danish Breweries
"Board of Directors"	:	The Board of Directors of the Company

Definitions (continued)

General (continued)

"CEO"	:	Chief Executive Officer
"CFO"	:	Chief Financial Officer
"COO"	:	Chief Operating Officer
"Danish Breweries"	:	Danish Breweries Pte. Ltd. (UEN: 201416559H)
"Engagement Letter"	:	Engagement Letter between the Company and Nexia TS dated 2 July 2019
"FRSs"	:	Singapore Financial Reporting Standards
"FRS 1"	:	FRS 1 Presentation of Financial Statements effective for annual periods beginning after 1 January 2017
"FRS 8"	:	FRS 8 Accounting Policies, Changes in Accounting Estimates and Errors effective for annual periods beginning after 1 January 2017
"FRS 103"	:	FRS 103 Business Combinations effective for annual periods beginning after 1 January 2017
"IPO"	:	Initial Public Offering
"IPO Offer Document"	:	IPO Offer Document dated 23 November 2017 issued by the Company
"Merger Accounting Principles"	:	Consolidated financial statements of the Group are prepared on the basis that the Restructuring Exercise had occurred from the date when Company and its subsidiary corporations first came under the control of the group of shareholders acting in concert, even though the Group was not yet legally formed
"RAP 12"	:	Recommended Accounting Practise 12 - Merger Accounting for Common Control Combinations
"Restaurant Business"	:	The restaurant business carried on by the Vendor under the "No Signboard Seafood" trade name
"Restructuring Agreement"	:	Restructuring Agreement between the Company and No Signboard Seafood Restaurant Pte. Ltd. dated 20 October 2017
"Restructuring Exercise"	:	The acquisition of Restaurant Business and Beer Business from GuGong pursuant to the Restructuring Agreement
"Results Announcement"	:	Financial Statements and Dividend Announcement on SGXNET
"SGXNET"	:	Singapore Exchange Network

Definitions (continued)

General (continued)

"Sponsor"	:	RHT Capital Pte. Ltd.
"Statements"	:	Collective of Consolidated Statements of Financial Position, Consolidated Statements of Comprehensive Income and Consolidated Statements of Cash Flows

Financials

"1Q2018"	:	First Quarter Period Ended 31 December 2017
"2Q2018"	:	Second Quarter Period Ended 31 March 2018
"3Q2018"	:	Third Quarter Period Ended 30 June 2018
"3 Quarters"	:	Collective of 1Q2018, 2Q2018 and 3Q2018
"FY2017"	:	Financial year ended 30 September 2017
"FY2018"	:	Financial year ended 30 September 2018
"1Q2019"	:	First Quarter Period Ended 31 December 2018
"3-months period of financial performance of the Restaurant Business"	:	1 October 2017 to 31 December 2017
"6-months financial performance"	:	1 July 2017 to 31 December 2017
"Interim Period"	:	1 July 2017 to 30 October 2017

Executive Summary

Purpose of this memorandum

On 6 March 2019, SGX RegCo requested No Signboard Holdings Ltd. (the "Company") (formerly known as No Signboard Holdings Pte. Ltd.) and its subsidiary corporations (collectively, the "Group") to (1) explain the appropriateness of adopting Actual Group Accounting Principles in the preparation of the unaudited Group Financial Statements for First Quarter Period Ended 31 December 2017 ("1Q2018"), and whether it was prepared in accordance with the relevant Singapore Financial Reporting Standards ("FRSs"); and (2) seek the opinion of an independent reviewer on the matters set out in (1).

On 2 July 2019, the Company appointed Nexia TS Public Accounting Corporation ("Nexia TS") as the independent reviewer of the Group. Our review (the "Independent Review") focused on whether the Company's unaudited consolidated financial statements of the three straight financial quarters ended 31 December 2017, 31 March 2018 and 30 June 2018 (separately, "1Q2018", "2Q2018" and "3Q2018", and collectively, "3 Quarters") were prepared in accordance with the relevant FRSs as well as to opine on the matters set out in Section 2 of this Independent Review Memorandum.

Throughout the Independent Review, we worked closely with and reported the findings arising from the Independent Review directly to SGX RegCo. The directors and management of the Company had facilitated the review by providing information and attending interviews requested by Nexia TS.

Background information

The Group was formed pursuant to the Restructuring Exercise undertaken as part of its corporate re-organisation, under a Restructuring Agreement dated 20 October 2017 for purposes of the Company's IPO. The restructuring was legally completed on 31 October 2017, and the Company was listed on the Catalist of SGX-ST on 30 November 2017.

The Restructuring Exercise involved the acquisition of the Restaurant and Beer Businesses from it's holding company, GuGong Pte. Ltd. at a consideration of S$2,315,231 via allotment and issue of 2,315,231 ordinary shares to GuGong.

In accordance with the Restructuring Agreement, even though the legal interest in the Restaurant Business was transferred to the Company on 31 October 2017, the transfer of economic interest in the Restaurant Business was on 1 July 2017, including all profits and receipts, and all losses and outgoings, accrued or payable in relation to the Restaurant Business on and after 1 July 2017 to 30 October 2017 ("Interim Period") shall belong to and be for the account of the Company. These arrangements were considered by the Management when preparing the combined financial statements for the financial year ended 30 September 2017 with the continuance of Merger Accounting Principles.

Subsequently, the Management prepared the consolidated financial results announcements for 3 Quarters using Actual Group Accounting Principles on the basis that the Company had obtained control over the subsidiary corporations on 31 October 2017, being the legal completion date of the Restructuring Exercise.

The Company, on 29 November 2018, had released its full year unaudited financial statements and dividend announcement for the financial year ended 30 September 2018, which was prepared based on Merger Accounting Principles (i.e. a change from Actual Group Accounting Principles adopted for the preparation of the unaudited 1Q2018, 2Q2018 and 3Q2018 financial results announcements).

As stated in the announcement made by the Company dated 6 March 2019, following the reassessment of the Group's accounting policies, the Company concluded that the continuation of the use of Merger Accounting Principles adopted in FY2017 would be more appropriate to better reflect the Group's financial performance for better comparability between the current year's (i.e. FY2018) financial statements and prior year's (i.e. FY2017) financial statements (in which Merger Accounting Principles were used). Furthermore, as announced on 1 February 2019, the Company prepared its FY2019 first quarterly financial results announcement using Merger Accounting Principles and restated the corresponding quarter for FY2018 using the same principles.

Executive Summary (continued)

Background information (continued)

Summary of accounting principles used for the preparation of group financial statements (Please refer to Table 1 in Section 1 for the detailed illustration)

	IPO Offer Document & FY2017 Audited FS	1Q2018 Results Announcement	2Q2018 Results Announcement	3Q2018 Results Announcement	FY2018 Audited FS
Basis of preparation of Group financial information	Merger Accounting Principles	Actual Group Accounting Principles	Actual Group Accounting Principles	Actual Group Accounting Principles	Merger Accounting Principles
Period of comparative financial information and the basis of preparation	Combined FY2016 & Merger Accounting Principles	1Q2017 & Merger Accounting Principles	2Q2017 & Merger Accounting Principles	3Q2017 & Merger Accounting Principles	Combined FY 2017 & Merger Accounting Principles

Our findings and rectification steps taken by Management

As part of our work, we have examined the Group's accounting books and records, as well as internal and external source documents, as the case may be, and conducted interviews of individuals who may have information necessary for us to arrive at our conclusion.

Further, during our review, the Company's Management has made certain representations to us on the process leading to the change in accounting principles from Merger Accounting Principles to Actual Group Accounting Principles in the quarterly results announcements for 1Q2018, 2Q2018, 3Q2018 and, subsequently, from Actual Group Accounting Principles to Merger Accounting Principles in the full year financial results announcement for the financial year ended 30 September 2018 ("FY2018"). The details of these representations are presented in *Appendix A* of this memorandum. These, being representations, may not have documentary evidence for us to ascertain the veracity of, and we did not verify these representations, given the scope of work as agreed with the Company and SGX RegCo.

In conjunction with the detailed explanation set out in Sections 3 (a), (b), and (c) of this Independent Review Memorandum, we are of the opinion that Merger Accounting Principles should have been used to prepare the financial results announcements for the 3 Quarters. This is because the Restructuring Exercise undertaken by the Company in conjunction with its IPO is a combination of entities under common control, and the financial statements disclosed in its IPO's Offer Document were prepared on the same basis.

We further opined that even if the Company views the change in accounting principles to Actual Group Accounting Principles for the 3 Quarters as being necessary based on the reasoning that the financial statements would be more relevant and reliable, it ought to have also applied the change in the accounting principles retrospectively to its comparative quarters' financial results for FY2017. The use of two different accounting principles to prepare the financial results announcements of the 3 Quarters and the corresponding quarters for FY2017 does not comply with the relevant FRSs for the reasons explained in Sections 3 (a), (b) and (c) of this Independent Review Memorandum.

The effects of changing the accounting principles used to prepare the financial results announcements of the 3 Quarters without retrospective application of the same accounting principles are as follows:

(a) The financial results announcement of 1Q2018 is not comparable with 1Q2017 and the cumulative results announcements of 2Q2018 and 3Q2018 are not comparable with the cumulative results announcements of 2Q2017 and 3Q2017, respectively;

(b) the financial performance of the Restaurant Business for the period starting from 1 July 2017 to 30 September 2017 is recognised in both FY2017 results (prepared using Merger Group Accounting Principle) and 1Q2018 results (prepared using Actual Group Accounting Principles); and

Executive Summary (continued)

Our findings and rectification steps taken by Management (continued)

(c) the losses from Beer Business for the month of October 2017 was not recorded in 1Q2018 under Actual Group Accounting Principles on the basis that the Company had obtained control over the subsidiary corporations on 31 October 2017.

With reference to the findings that are summarised above, our proposed adjustments arising from our Independent Review with rectification steps taken by Management are set out in Section 4 and *Appendix B*.

Declaration of independence

In relation to the review of these 3 Quarters, we confirm that Nexia TS are independent from the Company and the Group, within the meaning of the Accountants (Public Accountants) Rules.

Independent Review Memorandum

1. Introduction and background

The Group consists of No Signboard Holdings Ltd. (the “Company”) (formerly known as No Signboard Holdings Pte. Ltd.) and its subsidiary corporations (the “Group”). The Company was incorporated on 1 June 2017. The Group was formed pursuant to the restructuring exercise (the “Restructuring Exercise”) undertaken as part of its corporate re-organisation, under a restructuring agreement dated 20 October 2017 (the “Restructuring Agreement”) for purposes of the Company’s initial public offering (“IPO”). The restructuring was legally completed on 31 October 2017, and the Company was listed on the Catalist of SGX-ST on 30 November 2017.

<u>The Restructuring Exercise</u>

The Restructuring Exercise involves the acquisition of the following businesses from the Company’s holding company, GuGong Pte. Ltd. (“GuGong” or the “Vendor”), formerly known as No Signboard Seafood Restaurant Pte. Ltd., by the Company at a consideration of S$2,315,231 via allotment and issue of 2,315,231 ordinary shares to GuGong:

(a) Restaurant Business

(i) the assets, liabilities, intellectual property, businesses and undertakings of the restaurant business carried on by the Vendor under the “No Signboard Seafood” trade name;

(b) Beer Business

(ii) the entire share capital of Tao Brewery Pte. Ltd. (“Tao Brewery”); and
(iii) 800,000 shares representing 80% of the share capital of Danish Breweries Pte. Ltd. (“Danish Breweries”)

In accordance with Paragraph 2.6 of the Restructuring Agreement as quoted below:

“Unless specifically provided for otherwise in this Agreement, all profits and receipts and all losses and outgoings, accrued or payable in relation to the Business and the Assets:

(a) Up to 30 June 2017 shall belong to and be for the account of the Vendor; and

(b) On and after 1 July 2017 shall belong to and be for the account of the Purchaser.”

where “Business” was defined in the Restructuring Agreement as the Restaurant Business carried out by the Vendor under the “No Signboard Seafood” trade name.

In other words, with reference to Paragraph 2.6, even though the legal interest in the Restaurant Business was transferred to the Company on 31 October 2017, the transfer of economic interest in the Restaurant Business was on 1 July 2017, including all profits and receipts, and all losses and outgoings, accrued or payable in relation to the Restaurant Business on and after 1 July 2017 to 30 October 2017 (“Interim Period”) shall belong to and be for the account of the Company.

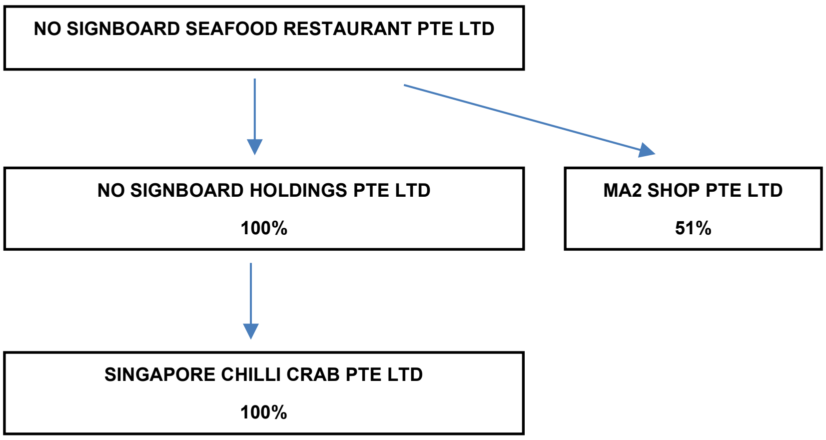
Independent Review Memorandum (continued)

1. Introduction and background (continued)

Please refer to illustration below for the Restructuring Exercise:

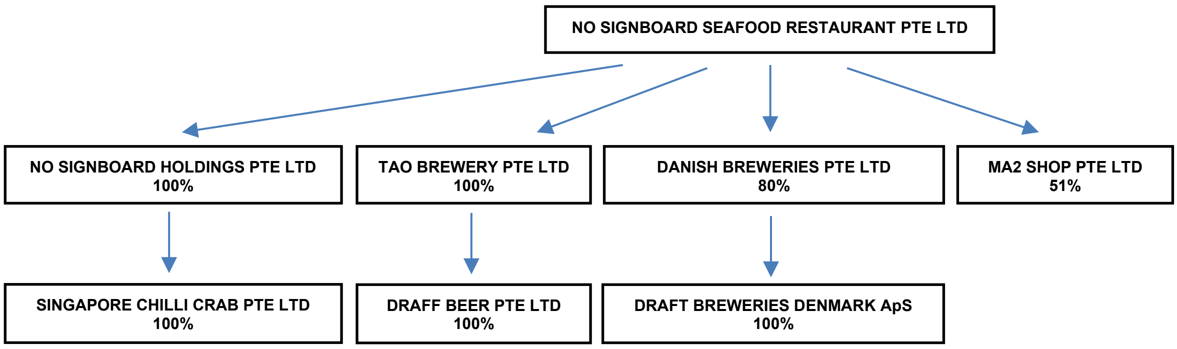
<u>Before completion of the Restructuring Exercise – Group</u>

As at 1 June 2017:



As at 1 June 2017, No Signboard Seafood Restaurant Pte Ltd operates the restaurant business.

As at 2 June 2017:



As at 2 June 2017, No Signboard Seafood Restaurant Pte Ltd operates the restaurant and beer businesses.

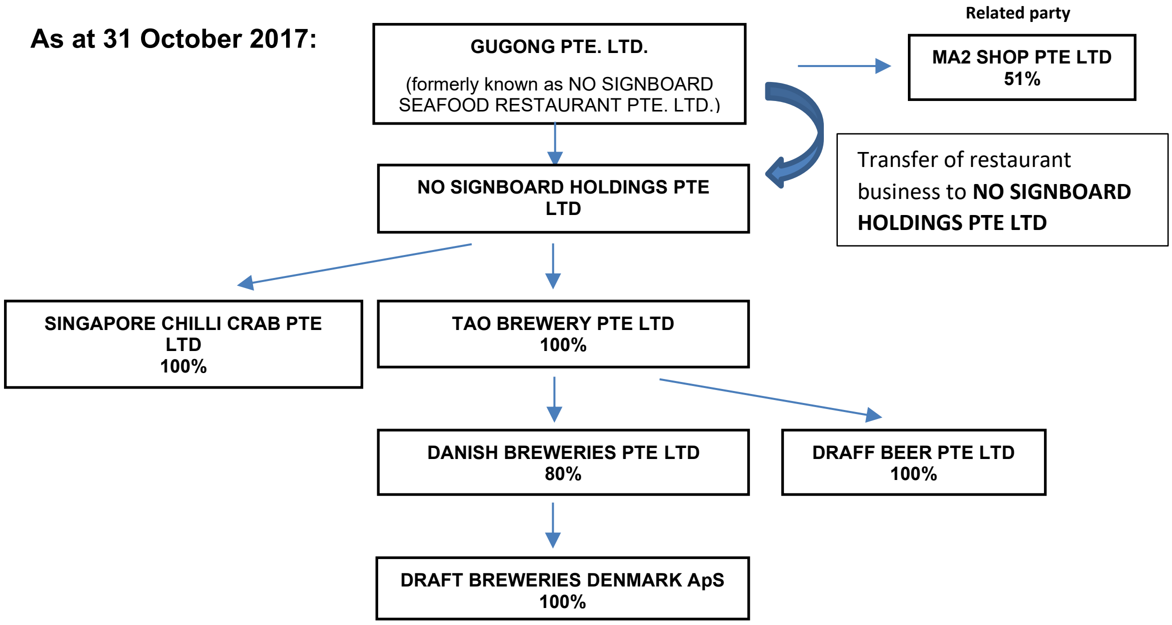
Independent Review Memorandum (continued)

1. Introduction and background (continued)

Please refer to illustration below for the Restructuring Exercise: (continued)

<u>After completion of the Restructuring Exercise – Group</u>

As at 31 October 2017:



On 31 October 2017 and thereafter, No Signboard Holdings Pte Ltd operates the restaurant and beer businesses.

Independent Review Memorandum (continued)

1. Introduction and background (continued)

In accordance with the Restructuring Agreement, whereby the legal ownership of both the Restaurant and Beer Businesses was only transferred to the Company on the completion date of the Restructuring Exercise on 31 October 2017, the management of the Company ("Management") prepared the financial statements based on Actual Group Accounting Principles for its financial results announcements for 1Q2018, 2Q2018 and 3Q2018 ("Results Announcements") on the basis that the Company obtained control over the relevant subsidiary corporations on 31 October 2017, being the legal completion date of the Restructuring Exercise. The Audit Committee had reviewed the Results Announcements and the Board of Directors had approved the release of Results Announcements for 1Q2018, 2Q2018 and 3Q2018 on 14 February 2018, 15 May 2018 and 11 August 2018 respectively.

Management as referred to above and hereon refers to the following personnel of the Company:

Positions	Personnel
Executive Chairman and Chief Executive Officer ("CEO"),	Mr. Sam Lim Yong Sim (Lin Rongsen)
Executive Director and Chief Operating Officer (''COO"), and	Ms. Lim Lay Hoon (Lin Liyun)
Chief Financial Officer, who served in this position from 1 February 2018 to 30 September 2019 ("CFO").	Ms. Voon Sze Yin

As stated in the announcement made by the Company dated 6 March 2019, following the reassessment of the Group's accounting policies, the Company concluded that the continuation of the use of Merger Accounting Principles adopted in FY2017 would be more appropriate to better reflect the Group's financial performance for better comparability between the current year's (i.e. FY2018) financial statements and prior year's (i.e. FY2017) financial statements (in which Merger Accounting Principles were used).

Prior to the completion of the FY2018 statutory audit, the Company, on 29 November 2018, had released its full year unaudited financial statements and dividend announcement for the financial year ended 30 September 2018, which was prepared based on Merger Accounting Principles (i.e. a change from Actual Group Accounting Principles adopted for the preparation of the unaudited 1Q2018, 2Q2018 and 3Q2018 financial results announcements).

As indicated in the 1Q2019 results announcement dated 1 February 2019, the prior year's comparative quarter (1Q2018) was restated to reflect the change to Merger Accounting Principles. SGX RegCo requested the Company to (1) explain the appropriateness of adopting Actual Group Accounting Principles in the preparation of the unaudited Group Financial Statements for First Quarter Period Ended 31 December 2017 ("1Q2018"), and whether it was prepared in accordance with the relevant Singapore Financial Reporting Standards ("FRSs"); and (2) seek the opinion of an independent reviewer on the matters set out in (1).

On 2 July 2019, the Company appointed Nexia TS Public Accounting Corporation ("Nexia TS") as the independent reviewer of the Group to opine on the matters as described in the "Scope of work" section below.

Independent Review Memorandum (continued)

1. Introduction and background (continued)

Please refer to Table 1 for the summary of bases used for the preparation of Group Financials and Table 2 for a summary timeline of the significant events and developments.

Table 1: Summary of bases used for the preparation of Group Financial Statements

	IPO Offer Document **(Period in reference: Nine Months from 1 October 2016 to 30 June 2017)**	**FY2017Audited FS** **(Period covering 1 October 2016 to 30 September 2017)**	**1Q2018 Results Announcement** **(Period covering Three Months from 1 October 2017 to 31 December 2017)**	**YTD 2Q2018 Results Announcement** **(Period covering Six Months from 1 October 2017 to 31 March 2018)**	**YTD 3Q2018 Results Announcement** **(Period covering Nine Months from 1 October 2017 to 30 June 2018)**	**FY2018 Results Announcement and Audited FS** **(Period covering 1 October 2017 to 30 September 2018)**	**Restated 1Q2018 Comparative Financial Statement** **(Period covering Three Months from 1 October 2017 to 31 December 2017)**
Basis of Preparation of Group Financial Statements	Combined Basis using the Merger Accounting Principles	Combined Basis using the Merger Accounting Principles	Actual Group Accounting	Actual Group Accounting	Actual Group Accounting	Combined Basis using the Merger Accounting Principles	Combined Basis using the Merger Accounting Principles
Periods in which the performance of the Businesses were included	Restaurant Business: - 1 October 2016 to 30 June 2017 (9 months) Beer Business: - 1 June 2017 to 30 June 2017 (1 month)	Restaurant Business: - 1 October 2016 to 30 September 2017 (12 months) Beer Business: - 1 June 2017 to 30 September 2017 (4 months)	Restaurant Business: - 1 July 2017 to 31 December 2017 **(6 months)** - Including the Interim Period Profits Beer Business: - 1 November 2017 to 31 December 2017 (2 months)	Restaurant Business: - 1 July 2017 to 31 March 2018 **(9 months)** - Including the Interim Period Profits Beer Business: - 1 November 2017 to 31 March 2018 (5 months)	Restaurant Business: - 1 July 2017 to 30 June 2018 **(12 months)** - Including the Interim Period Profits Beer Business: - 1 November 2017 to 30 June 2018 (8 months)	Restaurant Business: - 1 October 2017 to 30 September 2018 (12 months) Beer Business: - 1 October 2017 to 30 September 2018 (12 months)	Restaurant Business: - 1 October 2017 to 31 December 2017 (3 months) Beer Business: - 1 October 2017 to 31 December 2017 (3 months)

Table 2: Summary timeline of the significant events and developments

Dates	**Events**
1 June 2017	Incorporation of the Company
2 June 2017	GuGong acquired 80% equity interest in Danish Breweries
1 July 2017	Transfer of economic interest in the Restaurant Business from GuGong to the Company
20 October 2017	Execution of Restructuring Agreement between the Company and GuGong
31 October 2017	Transfer of legal interest in Restaurant Business and Beer Business from GuGong to the Company
1 July 2017 to 30 October 2017	Interim Period, representing 4 months' financial performance of Restaurant Business belonging to the Company
30 November 2017	The Company listed on Catalist of SGX-ST
28 December 2017	Full year announcement for the financial year ended 30 September 2017
31 January 2019	Annual General Meeting
14 February 2018	First quarter FY2018 announcement ("1Q2018")
15 May 2018	Second quarter FY2018 announcement ("2Q2018")
11 August 2018	Third quarter FY2018 announcement ("3Q2018")
29 November 2018	Full year announcement for the financial year ended 30 September 2018
1 February 2019	First quarter FY2019 announcement ("1Q2019")

Independent Review Memorandum (continued)

2. Scope of work

The Independent Review has been carried out in accordance with the terms of our engagement letter with the Company dated 2 July 2019 (the "Engagement Letter"). The findings arising from the Independent Review are reported directly to SGX RegCo.

We were appointed to perform, and have conducted, an Independent Review for the three (3) financial quarters ended 31 December 2017, 31 March 2018 and 30 June 2018 (separately, "1Q2018", "2Q2018" and "3Q2018", and collectively, "3 Quarters"), as well as to opine on matters set out in paragraph 3 of the Engagement Letter.

The matters are as follows:

(a) whether, in our opinion, it is appropriate for the consolidated statements of financial position, consolidated statements of comprehensive income and consolidated statements of cash flows (collectively, the "Statements"), without the accompanying notes, for the 3 Quarters as announced on SGXNET respectively on 14 February 2018, 15 May 2018 and 11 August 2018, to be prepared on the basis of Actual Group Accounting Principles, and whether the preparation of the Statements using this basis of accounting principles is in compliance with the recognition and measurement principles of the relevant Singapore Financial Reporting Standards ("FRSs"). In arriving at our opinion, we will take into account the circumstances surrounding the preparation of the Group's financial statements presented in its IPO Offer Document and for its financial year ended 30 September 2017 ("FY2017") which were prepared on the basis of Merger Accounting Principles;

(b) whether, in our opinion, it is appropriate to account for a 6-month financial performance (namely, 1 July 2017 to 31 December 2017) of the Restaurant Business in the 1Q2018 results (that was prepared based on Actual Group Accounting Principles), even though the transfer of the legal interest in the Restaurant Business and its subsidiary corporations to the Company was on 31 October 2017 while the transfer of economic interest in the restaurant business was on 1 July 2017, which included all profits and receipts, and all losses and outgoings, accrual or payable in relation to the restaurant business from 1 July 2017 to 30 October 2017. If it is acceptable to do so, Nexia TS will opine on whether the specific line items for recognition of the financial performance of the restaurant business in the 1Q2018 results (prepared based on Actual Group Accounting Principles) is prepared in accordance with the relevant FRSs; and

(c) to opine on the appropriateness of the Company's bases to change the accounting policy from Merger Accounting Principles (used in the preparation of financial statements presented in its IPO Offer Document and FY2017 financial statements) to Actual Group Accounting Principles (used in the preparation of the 3 Quarters).

As part of our work, we have examined the Group's accounting books and records, as well as internal and external source documents, as the case may be, and conducted interviews of individuals appearing to us to have information necessary to arrive at our conclusion.

Further, during our review, the Company's representatives have made certain representations to us on the process leading to the change in accounting principles from Merger Accounting Principles to Actual Group Accounting Principles in the quarterly Results Announcements for 1Q2018, 2Q2018, 3Q2018 and subsequently from Actual Group Accounting Principles to Merger Accounting Principles in the full year financial results announcement for FY2018. The details of these representations are presented in *Appendix A* of this memorandum. These, being representations, may not have documentary evidence for us to ascertain the veracity of, and we did not verify these representations, given the above scope of work as agreed with the Company and SGX RegCo.

Independent Review Memorandum (continued)

3. Findings of the Independent Review

a) <u>Appropriateness of the Group to prepare the financial statements of 3 Quarters using Actual Group Accounting Principles and whether the preparation of the Statements using this basis of accounting principles is in compliance with the recognition and measurement principles of the relevant Singapore Financial Reporting Standards ("FRSs").</u>

Pursuant to the Restructuring Agreement, one of the initial steps involved the incorporation of a new entity, namely the Company, to combine the complementary businesses of all entities within the Group for the purpose of the initial public offering.

As described on Page 44 of the Offer Document of the Company for purposes of its IPO, both the Restaurant Business and Beer Business entities are controlled by the same parent company, GuGong, before and after the Restructuring. Furthermore, both shareholders Mr. Lim Yong Sim and Ms. Lim Lay Hoon were the individuals controlling GuGong as well as the Company. Both of them joined the business in 1990s and were appointed as the chief executive officer (CEO) and chief operating officer (COO) of GuGong respectively after it was incorporated. Mr. Lim Yong Sim held the positions of the executive chairman and CEO, while Ms. Lim Lay Hoon held the positions of the executive director and COO in the Company. They are siblings, therefore by definition, close family members, and collectively have the power to govern financial and operating policies of both the Restaurant and Beer Businesses so as to obtain benefits from their respective activities.

As extracts, FRS 103, Paragraph 2(c), states that:-

This FRS applies to a transaction or other event that meets the definition of a business combination. This FRS does not apply to:

(c): a combination of entities or businesses under common control (paragraphs B1–B4 provide related application guidance).

FRS 103, Paragraphs B1-B4:

B1: This FRS does not apply to a business combination of entities or businesses under common control. A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory.

B2: A group of individuals shall be regarded as controlling an entity when, as a result of contractual arrangements, they collectively have the power to govern its financial and operating policies so as to obtain benefits from its activities. Therefore, a business combination is outside the scope of this FRS when the same group of individuals has, as a result of contractual arrangements, ultimate collective power to govern the financial and operating policies of each of the combining entities so as to obtain benefits from their activities, and that ultimate collective power is not transitory.

B3: An entity may be controlled by an individual or by a group of individuals acting together under a contractual arrangement, and that individual or group of individuals may not be subject to the financial reporting requirements of FRSs. Therefore, it is not necessary for combining entities to be included as part of the same consolidated financial statements for a business combination to be regarded as one involving entities under common control.

Independent Review Memorandum (continued)

3. Findings of the Independent Review (continued)

a) Appropriateness of the Group to prepare the financial statements of 3 Quarters using Actual Group Accounting Principles and whether the preparation of the Statements using this basis of accounting principles is in compliance with the recognition and measurement principles of the relevant Singapore Financial Reporting Standards ("FRSs"). (continued)

B4: The extent of non-controlling interests in each of the combining entities before and after the business combination is not relevant to determining whether the combination involves entities under common control. Similarly, the fact that one of the combining entities is a subsidiary that has been excluded from the consolidated financial statements is not relevant to determining whether a combination involves entities under common control.

With reference to the above statement, the Restructuring Exercise is a combination of entities under common control in which all of the combining entities or businesses are ultimately controlled by the same parties, Mr. Lim Yong Sim and Ms. Lim Lay Hoon, both before and after the combination, and the control is not transitory, thus is considered a common control transaction which is out of scope of FRS103, as stated in paragraph 2(c), B1-B4.

To the best of our knowledge, there is currently no specific guidance on accounting for common control transactions under FRSs. We understand that in December 2007, the International Accounting Standards Board ("IASB") had added a project on this topic to its agenda. The project was to examine the definition of common control and the methods of accounting for business combinations under common control in the acquirer's consolidated and separate financial statements. To date, however, we are not aware of any new accounting standards, amendments or exposure drafts that has been issued by the IASB which relates to this matter. There is however recommended accounting practice issued locally, as discussed further below.

In the absence of specific guidance, entities involved in common control transactions should select an appropriate accounting policy with reference to the paragraphs 10 – 12 of FRS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

FRS 8, Paragraphs 10-12, states that:-

10: In the absence of a FRS that specifically applies to a transaction, other event or condition, management shall use its judgement in developing and applying an accounting policy that results in information that is:

(a) relevant to the economic decision-making needs of users; and

(b) reliable, in that the financial statements:

(i) represent faithfully the financial position, financial performance and cash flows of the entity;
(ii) reflect the economic substance of transactions, other events and conditions, and not merely the legal form;
(iii) are neutral, i.e. free from bias;
(iv) are prudent; and
(v) are complete in all material respects.

Independent Review Memorandum (continued)

3. Findings of the Independent Review (continued)

a) Appropriateness of the Group to prepare the financial statements of 3 Quarters using Actual Group Accounting Principles and whether the preparation of the Statements using this basis of accounting principles is in compliance with the recognition and measurement principles of the relevant Singapore Financial Reporting Standards ("FRSs"). (continued)

11: In making the judgement described in paragraph 10, management shall refer to, and consider the applicability of, the following sources in descending order:

(a) the requirements in FRSs dealing with similar and related issues; and

(b) the definitions, recognition criteria and measurement concepts for assets, liabilities, income and expenses in the Framework.

12: In making the judgement described in paragraph 10, management may also consider the most recent pronouncements of other standard-setting bodies that use a similar conceptual framework to develop accounting standards, other accounting literature and accepted industry practices, to the extent that these do not conflict with the sources in paragraph 11.

Accordingly, an entity should select an appropriate accounting policy in accordance with the requirements set out in FRS 8. For combination of entities under common control, many entities in Singapore would consider using the merger accounting principles, as recommended by Recommended Accounting Practice 12 ("RAP 12"), as an appropriate accounting policy.

RAP 12 – Merger Accounting for Common Control Combinations for financial statements prepared under Part IX of the Fifth Schedule to the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 was approved and issued by the Council of the Institute of Singapore Chartered Accountants in December 2006.

This RAP sets out the basic principles and procedures of merger accounting when recognising a common control combination. If there is any inconsistency between this RAP and any Financial Reporting Standard or Interpretation (collectively referred to as "FRSs"), that Standard or Interpretation is to be followed. Certain FRSs may contain guidance or requirements that are relevant for the accounting for a common control combination using merger accounting.

The concept underlying the use of merger accounting principles to account for a business combination is that no acquisition has occurred and there has been a continuation of the risks and benefits to the controlling party (or parties) that existed prior to the business combination. Use of merger accounting recognises this by accounting for the combining entities or businesses as though the separate entities or businesses were continuing as before.

In applying merger accounting, financial statement items of the combining entities or businesses for the reporting period in which the common control combination occurs, and for any comparative periods disclosed, are included in the consolidated financial statements of the combined entity as if the combination had occurred from the date when the combining entities or businesses first came under the control of the controlling party or parties.

Where the combining entities or businesses include an entity or a business previously acquired from a third party, the financial statement items of such entity or business are only included in the consolidated financial statements of the combined entity from the date of the previous acquisition using the acquisition values recognised at that date.

Independent Review Memorandum (continued)

3. Findings of the Independent Review (continued)

a) <u>Appropriateness of the Group to prepare the financial statements of 3 Quarters using Actual Group Accounting Principles and whether the preparation of the Statements using this basis of accounting principles is in compliance with the recognition and measurement principles of the relevant Singapore Financial Reporting Standards ("FRSs"). (continued)</u>

With reference to the above, the Restructuring Exercise is a combination of entities under common control. This was likewise the treatment in the relevant years' financial statements included in the Offer Document of the Company for the purposes of its IPO. Therefore, for the purpose of preparing the consolidated financial Results Announcements for the 3 Quarters, whilst we have considered Management's view as described in *Appendix A* below, we are of the opinion that the consolidated statement of financial position, the consolidated statement of comprehensive income and the consolidated statement of cash flows should be prepared using Merger Accounting Principles in order to comply with the recognition and measurement principles of the relevant FRSs for the reasons stated in (b) and (c), which means including the financial information of the Restaurant Business and Beer Business as if the current group structure had been in existence throughout the relevant periods or from the date the entities are under common control, if later.

Independent Review Memorandum (continued)

3. Findings of the Independent Review (continued)

b) <u>Appropriateness to account for 6-month financial performance of the Restaurant Business in the 1Q2018 results</u>

As described in 3(a) above, the Group's financial statements should be prepared using the principles of merger accounting under RAP 12. In line with that, 1Q2018 results should therefore contain only a 3-months period of financial performance of the Restaurant Business, starting from 1 October 2017 to 31 December 2017.

However, as the Group's 1Q2018 results was prepared using Actual Group Accounting Principles, it had accounted for the financial performance of the Restaurant Business based on the terms of the Restructuring Agreement where the Group was entitled to the financial performance of the Restaurant Business from 1 July 2017 onwards. Accordingly, the Group's 1Q2018 results included a 6-months period of financial performance of the Restaurant Business, starting from 1 July 2017 to 31 December 2017. This is, however, not appropriate as the Group had previously prepared the financial statements of its preceding reporting period (i.e. FY2017) using Merger Accounting Principles where the Group had already recognised the financial performance of the Restaurant Business starting from 1 October 2016 to 30 September 2017.

The effect of preparing FY2017 results using Merger Accounting Principles and the subsequent 1Q2018 results using Actual Group Accounting Principles (without restating the prior financial statements using the same accounting policy) would result in the financial performance of the Restaurant Business for the period starting from 1 July 2017 to 30 September 2017 to be recognised in both FY2017 results and 1Q2018 results. This is therefore not appropriate.

The below illustrates the difference between Merger Accounting and Actual Group Accounting for the financial performance of the Restaurant Business in the 1Q2018 results and its cumulative impact on the relevant periods of financial reporting:

Under Merger Accounting Principles:
FY2017: 1 October 2016 – 30 September 2017
1Q2018: 1 October 2017 – 31 December 2017 ("3 months")
Cumulative results of 2Q2018: 1 October 2017 – 31 March 2018
Cumulative results of 3Q2018: 1 October 2017 – 30 June 2018
FY2018: 1 October 2017 – 30 September 2018

Under Actual Group Accounting Principles:
1Q2018: 1 July 2017 – 31 December 2017 ("6 months")
Cumulative results of 2Q2018: 1 July 2017 – 31 March 2018
Cumulative results of 3Q2018: 1 July 2017 – 30 June 2018
FY2018: 1 July 2017 – 30 September 2018

Independent Review Memorandum (continued)

3. Findings of the Independent Review (continued)

c) <u>Appropriateness of the Company's bases to change the accounting policy from Merger Accounting Principles (used in the preparation of financial statements presented in its IPO Offer Document and FY17 financial statements) to Actual Group Accounting Principles (used in the preparation of the 3 Quarters)</u>

As mentioned in Section 1 above, the Company had prepared the relevant years' financial statements included in the Offer Document dated 23 November 2017 for its IPO using Merger Accounting Principles. Likewise, its audited financial statements for the financial year ended 30 September 2017 dated 10 January 2018 were also prepared using Merger Accounting Principles. An entity shall be consistent in preparation of financial statements.

In accordance with FRS 1, Paragraph 45,

45: An entity shall retain the presentation and classification of items in the financial statements from one period to the next unless:

(a) it is apparent, following a significant change in the nature of the entity's operations or a review of its financial statements, that another presentation or classification would be more appropriate having regard to the criteria for the selection and application of accounting policies in FRS 8; or

(b) a FRS requires a change in presentation.

In accordance with FRS 8, Paragraphs 13,14, 19 and 22,

13: An entity shall select and apply its accounting policies consistently for similar transactions, other events and conditions, unless a FRS specifically requires or permits categorisation of items for which different policies may be appropriate. If a FRS requires or permits such categorisation, an appropriate accounting policy shall be selected and applied consistently to each category.

14: An entity shall change an accounting policy only if the change:
(a) is required by a FRS; or
(b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flows.

19: Subject to paragraph 23:
(a) an entity shall account for a change in accounting policy resulting from the initial application of a FRS in accordance with the specific transitional provisions, if any, in that FRS; and
(b) when an entity changes an accounting policy upon initial application of a FRS that does not include specific transitional provisions applying to that change, or changes an accounting policy voluntarily, it shall apply the change retrospectively.

22: Subject to paragraph 23, when a change in accounting policy is applied retrospectively in accordance with paragraph 19(a) or (b), the entity shall adjust the opening balance of each affected component of equity for the earliest prior period presented and the other comparative amounts disclosed for each prior period presented as if the new accounting policy had always been applied.

Independent Review Memorandum (continued)

3. Findings of the Independent Review (continued)

c) Appropriateness of the Company's bases to change the accounting policy from Merger Accounting Principles (used in the preparation of financial statements presented in its IPO Offer Document and FY17 financial statements) to Actual Group Accounting Principles (used in the preparation of the 3 Quarters) (continued)

As such, whilst we have considered Management's view as described in *Appendix A* below, we are of the opinion that the Company's bases to change the accounting policy from Merger Accounting Principles to Actual Group Accounting Principles (used in the preparation of the 3 Quarters) is not in accordance with FRS 1 paragraphs 45, FRS 8 paragraph 14, 19 and 22. If Management viewed that the change of accounting policy will result in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial statements, retrospective application is required, i.e. the Company should have restated the 3 months' financial performance of the Restaurant Business that has already been recorded in the FY2017 financial statements under Merger Accounting Principles.

Without the restatement to FY2017 financial statements, the Merger Accounting Principles should be considered as the appropriate accounting principle to use. The same accounting policies should be applied within each period and from one period to the next, i.e. the Company should have continued to use Merger Accounting Principles to better reflect the Group's financial performance for the quarterly Results Announcements for 1Q2018, 2Q2018, 3Q2018 and for better comparability between FY2018 financial statements vis-à-vis the FY2017 financial statements.

Independent Review Memorandum (continued)

3. Findings of the Independent Review (continued)

d) The effects of changing the accounting policy from Merger Accounting Principles (used in the preparation of financial statements presented in its IPO Offer Document and FY17 financial statements) to Actual Group Accounting Principles (used in the preparation of the 3 Quarters)

With reference to the findings on 3 (a), (b) and (c), the following are the effects (adjusted and presented in *Appendix B*) of changing the accounting policy from Merger Accounting Principles to Actual Group Accounting Principles.

(i) The recognition of 3 months' financial performance (1 July 2017 to 30 September 2017) of the Restaurant Business amounting to S$1,625,307 in 1Q2018 as Other Income under Actual Accounting Principles. The Company viewed that the total 6 months' financial performance (1 July 2017 to 31 December 2017) of the Restaurant Business shall be considered as actual results to be taken up in 1Q2018 as the Company had obtained control over the subsidiary corporations on 31 October 2017, being the legal completion date of the Restructuring Exercise. The said 3 months' financial performance had already been recorded in the previously announced FY2017 financial statements under Merger Accounting Principles,

(ii) Losses from Beer Business amounting to S$140,712 for the month of October 2017 was not recorded in 1Q2018 under Actual Accounting Principles on the basis that the Company had obtained control over the subsidiary corporations on 31 October 2017, and

(iii) Other adjustments amounting to S$93,183 were omitted.

The net effect of the above is an overstatement in profit of S$1,859,202. Other than the above, the goodwill and total equity that were previously understated under Actual Group Accounting Principles is now increased by S$937,561 and S$894,862 respectively under Merger Accounting Principles.

Independent Review Memorandum (continued)

3. Findings of the Independent Review (continued)

e) Additional adjustments and errors noted in 1Q2018, 2Q2018 and 3Q2018

As part of our engagement, we noted there were some potential adjustments that relate to over-provision of promotional support and under-provision of deferred tax liabilities in 1Q2018, 2Q2018 and 3Q2018. These adjustments for over-provisions of promotional support if assessed on a quarterly basis would have the effect of increasing the profits for those quarters cumulatively. Based on management's representation, the deferred tax liabilities were assessed during preparation of the FY2018 full year financial results and the above adjustments relating to promotional support and the effects of restatement stated in 3(d) have been properly and fully taken up in the FY2018 full year financial results.

Apart from the management representation, we have obtained from the Company the adjustments listing (provided by the external auditors to the Company arising from the audit of the financial statements for the financial year ended 30 September 2018) and noted that the adjustments relating to promotional support were also proposed by the external auditors and taken up by the Company.

The independent auditor's report dated 31 December 2018 on the financial statements for the financial year ended 30 September was unqualified and subsequently approved by the shareholders during the Annual General Meeting on 31 January 2019.

Independent Review Memorandum (continued)

4. Rectification steps taken by Management

We have proposed certain adjustments to rectify the financial Results Announcements for 1Q2018, 2Q2018, and 3Q2018 to which Management has confirmed that the adjustments have been reflected in the Group's announcements for its first quarter ended 31 December 2018, second quarter ended 31 March 2019 and third quarter ended 30 June 2019 where the restated 1Q2018, 2Q2018 and 3Q2018 are presented. *(Please refer to Appendix B for the proposed adjustments and effect of restatements)*

Rationale of proposed adjustments

A: As described in the Sections above, Management has included the financial performance of the Restaurant Business during the Interim Period amounting to S$2,530,441 in the financial Results Announcements for 1Q2018, 2Q2018, and 3Q2018 under the consolidated statement of comprehensive income line item – Other income using Actual Group Accounting Principles based on the rationale as represented by Management in *Appendix A* below.

However, in accordance with RAP 12, financial statement line items of the merged entities for the relevant periods/years in which common control combination occurs are included in the consolidated financial statements of the Group as if the Restructuring Exercise has occurred from the date when the merged entities first came under the control of shareholders acting in concert. Therefore, only the month of October 2017's financial performance in the 4 months' Interim Period should be included in the respective financial statement line items instead of being presented as a single line item as Other Income. Additionally, the remaining Interim Period's months' financial performance should be reversed.

Hence, we suggested that the Group reverse the financial performance of the Restaurant Business during the Interim Period recognised as Other Income and instead to include October 2017's financial performance for both Restaurant and Beer Business in the respective financial statement line items in the statement of comprehensive income. The net impact of S$1,859,202, resulted in a reversal of the previously announced profit to a loss.

B: In our review of Intangible Assets, we noted the goodwill of S$3,443,083 arising from the acquisition of Danish Breweries Pte. Ltd. ("DB") on 2 June 2017 was recognised as S$2,505,522 for the 3 Quarters by adjusting the fair value of identified net liabilities assumed on 31 October 2017. This was on the basis that the Company acquired DB on 31 October 2017 upon the completion of the Restructuring Exercise and formation of the legal Group. In accordance with RAP 12, where the combining entities or businesses include an entity or a business previously acquired from a third party, the financial statement line items of such entity or business are only included in the consolidated financial statements of the combined entity from the date of the previous acquisition using the acquisition values recognised at that date. Accordingly, the goodwill should be restated by S$937,561 to its initial recognition amount of S$3,443,083.

Independent Review Memorandum (continued)

4. Rectification steps taken by Management (continued)

We have proposed certain adjustments to rectify the financial Results Announcements for 1Q2018, 2Q2018, and 3Q2018 to which Management has confirmed that the adjustments have been reflected in the Group's announcements for its first quarter ended 31 December 2018, second quarter ended 31 March 2019 and third quarter ended 30 September 2019 where the restated 1Q2018, 2Q2018 and 3Q2018 are presented. *(Please refer to Appendix B for the proposed adjustments and effect of restatements) (continued)*

Rationale of proposed adjustments (continued)

C: During our review of Cash and Bank Balances, we obtained bank confirmations as at the end of each quarter and reviewed the bank reconciliations for each of the Group's bank accounts. We noted that the aggregated bank confirmations' balances did not agree to the Company's financial Results Announcements for all 3 Quarters. We understand from Management that adjustments were made in each of the 3 Quarters to reflect contra-settlement of amounts due from/to GuGong and trade payables in 3Q2018. We therefore suggested to reclassify the amounts of S$1,615,749, S$2,222,359 and S$2,568,117 respectively for 1Q2018, 2Q2018 and 3Q2018 from Cash and Bank Balances to Amount due from Holding Company.

D: During our review of the opening balances for 1Q2018, we noted that the brought forward accumulated retained earnings of the Restaurant and Beer Businesses and the non-controlling interests, where relevant, have been adjusted to nil, settled by way of dividend declared and adjusted to the amount due from GuGong and non-controlling interests arising from the acquisition of DB, on the basis that the Company was only legally formed on 31 October 2017. However, with reference to RAP 12, merger accounting is more appropriate whereby the consolidated financial statements of the combined entity are prepared as if the combination had occurred from the date when the combining entities or businesses first came under the control of the controlling party or parties. Accordingly, the brought forward retained earnings and non-controlling interests should be reinstated and carried forward into 1Q2018.

E: The adjustments from Merger Accounting Principles and Actual Group Accounting Principles resulted in changes in DB's net identifiable assets. Accordingly, the carrying amount of non-controlling interests as at 19 June 2018 has to be recomputed to reflect the changes of the revised net identifiable assets. Hence, we proposed an adjustment of S$196,901 in 3Q2018 to capital reserve.

Independent Review Memorandum (continued)

5. Limitations and restrictions on the use of the Memorandum

This Memorandum is prepared solely for the use of No Signboard Holdings Ltd. and SGX RegCo. under the terms of our engagement letter, and should not be used, quoted, referred to or relied upon, in whole or in part, without Nexia TS's prior written permission, by any third party or for any other purposes. We do not assume responsibility for loss and expressly disclaim any liability to any party whatsoever, however arising, from the use of this Memorandum other than for the purposes as set out in the Scope of Work above.

The Company and/or SGX RegCo. may decide to publish certain portions or the whole of our Memorandum. Such decision is to be made by the Company and/or SGX RegCo. We have the right to review all materials proposed to be published, and the right to require that the Memorandum be published in full as a condition to our consent of the publication of our Memorandum.

The observations in this Memorandum are based on the documents made available to us for review. Except where expressly stated, these documents have not been independently verified by us, and reliance has been placed on the integrity, accuracy and completeness of the information therein.

The observations set out in this Memorandum are based on our understanding of the relevant law, regulations and guidelines applicable at the time of the engagement and are not legal advice.