



VIBRANT GROUP LIMITED

Company Registration Number: 198600061G

UPDATE ANNOUNCEMENT

- 1.1 The Board of Directors (the “**Board**”) of Vibrant Group Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) refers to (i) its request to Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) on 27 June 2018 for an extension of time to release the Group’s unaudited financial statements for the full year ended 30 April 2018 from the current deadline of 29 June 2018, pursuant to Rule 705(1) of the SGX-ST Listing Manual, to 29 July 2018; (ii) its request for a trading halt on 11 July 2018; (iii) the announcement in respect of the trading halt extension on 13 July 2018; and (iv) the announcement in respect of the further trading halt extension on 16 July 2018 (the “**Previous Announcements**”). Unless otherwise defined, capitalized terms used herein shall bear the same meaning ascribed to them in the Previous Announcements.
- 1.2 The Board wishes to announce that the Group’s auditors, KPMG LLP (the “**Auditors**”), are unable to complete their audit of the Group’s financial statements for the financial year ended 30 April 2018. The reason for the Auditors being unable to complete the said audit is that during the audit of certain subsidiaries of Blackgold International Holdings Pty Ltd (formerly known as Blackgold International Holdings Limited) (“**Blackgold**”), namely, Chongqing Heijin Industrial Co., Ltd; Chongqing Caotang Coal Mine Resources Development Co., Ltd; Chongqing Guoping Heiwan Coal Mine Resources Development Co., Ltd (together, the “**Affected Blackgold Subsidiaries**”), the Auditors have identified certain irregularities and discrepancies in respect of coal mining and coal trading receipts and sales invoices.
2. **Background of Blackgold International Pty Ltd**
- 2.1 Blackgold is a Chongqing, People’s Republic of China (“**PRC**”), producer of coal that was listed on the Australian Securities Exchange (“**ASX**”) on 22 February 2011. Blackgold, through its PRC subsidiaries (the “**Blackgold Subsidiaries**”, together with Blackgold hereinafter referred to as the “**Blackgold Group**”), owns and operates four (4) coal mines, as well as a commodity logistics and coal trading businesses. The statutory auditors of Blackgold were Crowe Horwath (Perth).
- 2.2 Blackgold is a wholly owned subsidiary of the Company. The board members of Blackgold comprise Eric Khua Kian Keong (executive director and chief executive officer of the Group, and a director of Blackgold), James Tong Chi Ho (a director of Blackgold), John Wu Zhonghan (a director of Blackgold) and Henry Chua Tiong Hock (executive director and chief corporate development officer of the Group, and a director of Blackgold). James Tong Chi Ho and John Wu Zhonghan were also directors of Blackgold prior to the Acquisition (as defined below).
- 2.3 A list of the principal Blackgold Subsidiaries, and their respective legal representatives, are as follows:
- (i) Chongqing Heijin Industrial Co., Ltd, which is the parent company of the other Blackgold Subsidiaries and operates a coal trading business, and its legal representative is Peng Yulu;
 - (ii) Chongqing Caotang Coal Mine Resources Development Co., Ltd, operates a coal mine, and its legal representative is Mao Pihong;

- (iii) Chongqing Guoping Heiwan Coal Mine Resources Development Co., Ltd, operates a coal mine, and its legal representative is Jiang Zongde;
 - (iv) Chongqing Baolong Mining Co., Ltd, operates a coal mine, and its legal representative is Jiang Zongde;
 - (v) Qijing Changhong Coal Industry Co., Ltd, operates a coal mine, and its legal representative is Yi Yilong; and
 - (vi) Chongqing Guoping Shipping Transportation Co., Ltd, operates a shipping transportation business, and its legal representative is Ou Jun.
- 2.4 The Company acquired its 94.18% of the shares of Blackgold, through a scheme of arrangement approved by the Federal Court of Australia, on 13 July 2017 (the “**Acquisition**”). Upon implementation of the said Court approved scheme of arrangement, Blackgold was delisted from the ASX on 13 July 2017. The Company paid a total consideration of A\$37,635,863 to the shareholders of Blackgold as consideration for the Acquisition. Subsequent to the Acquisition, Blackgold, as a wholly owned subsidiary of the Company, is audited by the Auditors. Upon Blackgold being delisting from the ASX, Crowe Horwarth (Perth) were no longer the statutory auditors of Blackgold.

3. **Audit of Blackgold Subsidiaries**

- 3.1 The Board has been informed by its Auditors that, during their audits of the Affected Blackgold Subsidiaries, the Auditors noticed irregularities and discrepancies in respect of the receipts and sales invoices arising from the coal mining and coal trading businesses carried on by the Affected Blackgold Subsidiaries (“**Irregularities**”). As the Auditors have not undertaken any further procedures, they are currently unable to determine if the Irregularities have been fully identified and the associated financial impact.
- 3.2 Further to the identification of the Irregularities, the Auditors are unable to complete their audit in respect of the Group’s financial results for the year ended 30 April 2018, without performing additional procedures. In addition, the Auditors have recommended to the Audit Committee (“**AC**”) that the Auditors carry out additional procedures on Blackgold’s balance sheet as at the date of its acquisition by the Group (i.e. 13 July 2017), to ascertain the existence, accuracy and completeness of the assets and liabilities acquired.
- 3.3 The Board has authorized the AC to appoint a special auditor (the “**Special Auditor**”) to carry out a fact finding investigation (the “**Special Audit**”) into the Irregularities as well as the assets and accounting records of all the Blackgold Subsidiaries, and to thereafter present the findings of the Special Audit to the AC. The particular terms of reference for the Special Audit are to be agreed between the Special Auditor, the AC, and the SGX-ST. The AC is currently evaluating firms for appointment as the Special Auditor.

4. **Financial Effects**

- 4.1 The following figures are provided for the purpose of illustrating the contribution of the Blackgold Group to the latest announced unaudited financial results of the Group for the nine (9) months ended 31 January 2018:

	Group (S\$’000)*	Blackgold (S\$’000)	Percentage contribution of Blackgold to Group
Total Assets	1,357,458	318,868	23.5%

Net Assets	526,517	175,996	33.4%
Total Revenue	436,790	303,946	69.6%
Net Profit	128,125	2,645	2.1%
Net Profit (excluding negative goodwill)**	4,257	2,645	62.1%

* Based on 3Q FY2018 unaudited consolidated financial statements of the Group, as announced on 14 March 2018.

** Negative goodwill is the excess of the fair value of net identifiable assets of Blackgold over the Group's cost of acquiring Blackgold.

- 4.2 Based on the latest announced unaudited financial results of the Group for the nine (9) months ended 31 January 2018, the carrying value of the Group's investment in Blackgold is S\$176.0 million. The carrying value is primarily derived by aggregating the equity investment (S\$42.1 million), negative goodwill (S\$123.9 million), and post-acquisition profits (S\$2.6 million) of the Group attributable to Blackgold.
- 4.3 As at 31 January 2018, there are outstanding inter-group loans of S\$22.6 million made to the Blackgold Group.
- 4.4 As at current date, the Group has not provided any guarantees or other security in respect of the bank borrowings, loans, debts or other liabilities of the Blackgold Group.
- 4.5 Prior to any findings arising from the Special Audit, the Board is not in a position to definitively quantify the financial effects of the Irregularities on its FY2018 unaudited consolidated financial statements. Based on the information currently available to the Board in respect of the Irregularities, the Board anticipates that in the scenario where the Irregularities are found to be not just in respect of the Affected Blackgold Subsidiaries, but in respect of all of the Blackgold Subsidiaries, a reversal of all revenues arising from the Blackgold Subsidiaries' coal mining and coal trading business for the nine (9) months ended 31 January 2018, would have the following effect:

	Group (S\$'000)*	Group (S\$'000) after adjustments**	Percentage decrease due to the adjustments**
Revenue	436,790	132,844	(69.6%)
Cost of sales	386,011	89,205	(76.9%)
Trade and other receivables (current)	225,002	141,682	(37.0%)
Negative goodwill	123,868	-	(100.0%)
Net profit	128,125	1,612	(98.7%)

* Based on 3Q FY2018 unaudited consolidated financial statements of the Group, as announced on 14 March 2018.

** Adjustments for the estimated impact of the Irregularities.

5. **Action Taken / To Be Taken**

5.1 The Board has also taken the following steps after learning of the Irregularities:

- (i) a special committee has been appointed, including Eric Khua Kian Keong (Chief Executive Officer of the Group), Henry Chua Tiong Hock (Chief Corporate Development Officer of the Group), and Simon Sim Geok Beng (Chief Financial Officer of the Group) (the “**Special Committee**”), for the direct supervision of the Blackgold Subsidiaries until such time that the results of the Special Audit are released and the new management for the Blackgold Subsidiaries are in place. The Special Committee may have additional members from time to time as may be needed. The Special Committee will report to the Board;
- (ii) to safeguard the cash, other assets, and accounting records of the Blackgold Subsidiaries, two (2) senior finance executives from the Group have been sent to the offices of the Blackgold Subsidiaries in Chongqing, PRC to (a) review the books and accounts of the Blackgold Subsidiaries; (b) take control of the company seals of the Blackgold Subsidiaries; (c) arrange the changing of the current bank signatories of the Blackgold Subsidiaries; (d) take control of the cheque books of the Blackgold Subsidiaries; (e) secure the control of and access to the documents, books, accounts, and the IT systems of the Blackgold Subsidiaries; and (f) to take any other actions the Special Committee may deem necessary to safeguard the Group’s interest in the Blackgold Subsidiaries;
- (iii) Yuguo Peng, the chairman of the Blackgold Group, has been placed on leave pending the outcome of the Special Audit. As the chairman of the Blackgold Group, he was responsible for the management of the Blackgold Subsidiaries; and
- (iv) as mentioned in paragraph 3.3, resolved to appoint the Special Auditor.

5.2 The Special Committee will also take the following immediate additional steps:

- (i) send additional executives to the Blackgold Subsidiaries for the purpose of carrying out or executing the Special Committee’s instructions;
- (ii) ensure the implementation of any directions and/or instructions from the Board;
- (iii) within this week and subject to approval from the relevant authorities, to effect the change of all the legal representatives of the Blackgold Subsidiaries and appointing a senior executive officer of the Group as the new legal representative for all Blackgold Subsidiaries;
- (iv) minimise and, if necessary, suspend the coal trading operations of the Blackgold Subsidiaries, pending the outcome of the Special Audit; and
- (v) source for qualified and suitable professionals to oversee the operations and financials of the Blackgold Subsidiaries.

5.3 The Special Committee will work together with the Auditors, the Special Auditor and its professional advisers to identify and implement any necessary controls or procedures in the best interests of the Company and the Group.

6. **The Board**

6.1 The Board is of the opinion that the Company will be able to operate as a going concern based on the following:

- (i) the Company is expected to have sufficient cash to meet its debts and liabilities in the next 12 months based on the projected cash flow of the Company for the period beginning 1 May 2018 and ending 30 April 2019; and
- (ii) that the shares of the Company are not suspended from being traded pending the outcome of the Special Audit. In this regard, the Board refers to its multicurrency medium term note programme (the “**MTN Programme**”). Under the MTN Programme’s trust deed, in the event that trading in the shares of the Company on the SGX-ST is suspended for a continuous period of more than seven (7) days, the Company is obliged, at the option of a note holder, to redeem such note(s). Upon the occurrence of such an event and on the assumption that all note holders exercise their relevant redemption options, the entire amount of the issued notes under the MTN Programme (being S\$66 million as at current date) will become payable. This will create an immediate and significant cash flow concern for the Group, and is likely to affect the Group’s ability to operate as a going concern.

The Board’s above opinion on the Company’s ability to operate as a going concern is made on the basis of the information currently available to the Board, including that in respect of the Irregularities.

- 6.2 Based on the information currently available to the Board in respect of the Irregularities, the Board confirms that all material disclosures have been provided for trading of the Company’s shares to continue on an informed basis.

The Board will make further announcements on any material developments in connection with the above matters as and when appropriate.

Shareholders are advised to exercise caution when dealing in the shares of the Company and to refrain from taking any action in relation to their shares which may be prejudicial to their interests. Where in doubt as to the action they should take, Shareholders should consult their financial, tax, legal or other professional advisors.

By Order of the Board
Vibrant Group Limited

Eric Khua
Executive Director & CEO
18 July 2018