

**ATTILAN GROUP LIMITED**  
(Incorporated in Singapore)  
(Company Registration Number: 199906459N)

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**REPLY TO SGX QUERY**

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In response to the SGX's queries dated 17 August 2018 for clarification on the unaudited results for the Second Quarter and Half Year Ended 30 June 2018, the Board of Directors (the "**Board**") of Attilan Group Limited (the "**Company**") wishes to announce the following:-

**SGX's Query 1:**

Please explain for the large decrease in the cost of sales for 2Q2018 by 100% noting that the revenue for 2Q2018 is relatively consistent compared with the previous corresponding period.

**Proposed The Company's responses:**

The large decrease in the cost of sales for 2Q2018 was mainly due to the decrease of amortization of Hi-5 House of Learning license fee by S\$33,617 and the decrease in the costs of purchase of media contents by S\$27,200. The decrease of amortization of Hi-5 House of Learning license fee was due to the reversal in 2Q2018 of the amortization provided in the first quarter for the period ended 31 March 2018 as a result of the full impairments losses being recognized in FY2017 audit.

**SGX's Query 2:**

In relation to the Put Options liabilities:

- a. Please disclose the latest NAV of the TAPV Fund which was the underlying of the 980 Put Options granted at the exercise price of \$25,000 each;
- b. Please provide the Board's opinion on the likelihood of the Put Options being exercised by the holders during this exercise period and the bases for the opinion;
- c. Please disclose the breakdown of the exercise period for the various Put Options issued between January 2013 and April 2014 in bands of 1 month and the corresponding potential financial exposure should the Put Option holders choose to exercise in each month.

**The Company's responses:**

- a. As at 31 December 2017, the NAV per share in the TAPV Fund is approximately S\$10,045 based on the valuation by an independent third party valuer.
- b. The Board is of the opinion that there is a low likelihood of the Put Options being exercised by the holders during this exercise period. The Board is of such opinion because redemption of their preference shares via the TAPV Fund would give them better returns than exercising the Put Options. If the holders of Put Options exercise their options, this may result in zero recovery of their investments and they may be put into a scheme for nominal settlements. Under these circumstances, the holders of the Put Options would be prevented from any form of redemption via the TAPV Fund, hence it may not be a rationale option for the holders of the Put Options.
- c. The Put Option period is a period of 6 months commencing from the earlier of (i) 3 months after the fifth anniversary from the issuance of the preference shares or (ii) upon the Option Holder's receipt of the final report, after the fifth anniversary from the issuance of the preference shares. Based on

the 3 months after the fifth anniversary from the issuance of the preference shares to the Option Holders, the breakdown of the Put Option period is as follows:

Put Option Period		Potential Financial Exposure (S\$)
Commencement	Expiry	
1 July 2018	31 December 2018	5,000,000
1 October 2018	31 March 2019	2,000,000
1 January 2019	30 June 2019	7,500,000
1 April 2019	30 September 2019	7,500,000
1 July 2019	31 December 2019	2,500,000
<b>Total</b>		<b>24,500,000</b>

**SGX's Query 3:**

Please provide a breakdown of the Unrealized foreign currency losses of S\$203,111 and explain for the significant foreign currency losses for the quarter ended 30 June 2018.

**The Company's responses:**

The breakdown of the unrealized foreign currency losses is as follows:

	<u>HY2018</u>	<u>1Q2018</u>	<u>Difference</u>
Trade Receivable	65,412.00	65,412.00	-
PPE	(264.00)	(286.00)	22.00
Trade Payable	(101,938.00)	9,518.00	(111,456.00)
Forex Reserve	(76,771.00)	14,906.00	(91,677.00)
	<u>(113,561.00)</u>	<u>89,550.00</u>	<u>(203,111.00)</u>

The significant foreign currency losses for the trade payable and forex reserves above was mainly due to the strengthening of US\$ against S\$ and US\$ against RM as follows:

	<u>June'18</u>	<u>March'18</u>	<u>Difference</u>	
US\$ to S\$	1.3650	1.3117	0.0533	4%
S\$ to RM	2.9586	2.949	0.0096	0%
US\$ to RM	4.0385	3.8682	0.1703	4%

**SGX's Query 4:**

We note that the Company's revenue for 2Q2018 has been consistent with the corresponding period and that the Company has plans for expansion of operations into other parts of Singapore, please explain why there was a 52% reduction of employee costs by S\$0.60 million in 2Q2018.

**The Company's responses:**

The administrative expenses decreased by 52% mainly due to the reduction of employee costs and other administrative expenses. The employee costs decreased as the Group is restructuring its business model

and streamlining the Group. In line with the restructuring, other administrative costs have also decreased and contributed to the reduction in the administrative costs.

The Company's expansion plans are dependent on the resumption of trading of the Company's shares which will allow the Company to further draw down on the convertible notes and further expand its operations into other parts of Singapore.

**SGX's Query 5:**

Please provide details on the terms of franchise agreement between Hi-5 Learning Pte Ltd and HOL International Pte Ltd.

**The Company's responses:**

The key terms of the franchise agreement between Hi-5 Learning Pte Ltd ("**Hi-5 Learning**") and HOL ("**HOL**") International Pte Ltd ("**Franchise Agreement**") include:

- a. Hi-5 Learning appoints HOL as master franchisee to generate interest in, assist Hi-5 Learning to make sales of, develop and provide services to franchisees in Singapore;
- b. The term of the Franchise Agreement shall commence on 1 July 2016 and continue for five (5) years. The term may be renewed for one consecutive five (5) years subject to the conditions set out in the Franchise Agreement;
- c. Upon execution of the Franchise Agreement, HOL shall pay a non-refundable initial franchise fee of S\$500,000 to be paid in four (4) instalments by 30 December 2017; and
- d. Profits based on the franchisee's fees, renewal fees and monthly sales shall be shared between Hi-5 Learning and HOL in the proportion agreed in the Franchise Agreement.

**BY ORDER OF THE BOARD**

Datuk Jared Lim Chih Li  
Managing Director  
21 August 2018