

HATTEN LAND LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No. 199301388D)

ANNOUNCEMENT PURSUANT TO RULE 704(4) OF THE CATALIST RULES

Pursuant to Rule 704(4) of the Listing Manual Section B: Rules of Catalist (the "Catalist Rules") of the Singapore Exchange Securities Trading Limited (the "SGX-ST"), the Board of Directors (the "Board") of Hatten Land Limited (the "Company", and together with its subsidiaries, the "Group") wishes to announce that the Company's Independent Auditors, Baker Tilly TFW LLP (the "Independent Auditor"), has in their Independent Auditor's Report dated 15 October 2020, expressed:

- (i) a qualified opinion in respect of the recognition of impairment loss on investment in a subsidiary ("**Qualified Opinion**"); and
- (ii) material uncertainty related to the Company's ability to continue as a going concern ("**Emphasis of Matter**"),

in the Independent Auditor's Report on the audited financial statements of the Company and the Group for the financial year ended 30 June 2020 ("FY2020").

Save for item (i) above, the opinion of the Company's Independent Auditors remains unqualified.

A copy of the Independent Auditors' Report and extracts of the relevant notes to the financial statements is attached to this announcement for information. The Independent Auditors' Report and a complete set of the audited Financial Statements will also be found in the Company's Annual Report for FY2020 ("FY2020 Annual Report"), which has been released on SGXNET on 15 October 2020. Shareholders of the Company are advised to read this announcement in conjunction with the FY2020 Annual Report.

Qualified Opinion

The Company recognised impairment loss on investment in a subsidiary of RM492.6 million in the financial year ended 30 June 2020. In the previous financial year, the other firm of auditors was unable to obtain sufficient appropriate audit evidence to ascertain the appropriateness on the recoverable amount of the investment in the subsidiary as at 30 June 2019. Consequently, the Independent Auditor is unable to satisfy itself as to whether the impairment loss or a portion of the impairment loss should be recognised in the current financial year or previous financial year ended 30 June 2019. The Independent Auditor's opinion on the current financial year's financial statements is also modified because of the possible effect of these matters on the comparability of the current year's figures and the corresponding figures.

The Board is of the view that the impairment loss on investment in a subsidiary of RM492.6 million in the financial year ended 30 June 2020 was based on the independent valuation conducted for the exercise and hence, it would reflect the latest valuation of the investment.

Emphasis of Matter

In relation to the matter set out in (ii), the Board are of the view that it is appropriate to prepare these financial statements on a going concern basis after considering the following:

- (a) As at 30 June 2020, the Group had net assets of RM160.0 million. In addition, the Group has a substantial value of unsold completed properties and the Group's priority is to monetise these assets through collection and sales to generate cashflow;
- (b) In response to the challenging business environment, the Company has implemented various cost containment measures to generate immediate savings and conserve financial resources. In addition to salary adjustments and reduction of non-essential expenses, the Company announced on 31 August 2020 the capitalisation of rental expenses to preserve cash;

- (c) On 11 August 2020, the Company announced the disposal of Gold Mart Sdn Bhd (“GMSB”) to a third party which will generate gross proceeds of US\$60 million for the Company, and the proceeds will be used to redeem certain loans and borrowings of the Group as planned. The disposal of GMSB is subject to satisfaction of conditions precedent included in the announcement.
- (d) The Group has embarked on strategic restructuring of its two subsidiaries MDSA Resources Sdn Bhd and MDSA Ventures Sdn Bhd to restructure its legacy contractual obligations to achieve a more sustainable capital structure which will reduce pressure on the Group’s cash outflows going forward;
- (e) The Company has worked closely with its lenders to extend the repayment obligations for its borrowings. For example, the Company announced on 23 September 2020 the rollover of the RM15.65 million outstanding medium term notes to 24 September 2021. This initiative has helped aligned the Group’s repayment requirements with the current business climate and channel its cashflow for operation purposes;
- (f) The Company is currently working to secure a refinancing package for the US\$25 million secured bonds due in June 2021. The secured bonds are secured against an asset owned by a related party of the borrowing entity with an estimated collateral valuation of approximately two times of the loan amount; and
- (g) As disclosed in Note 18 to the financial statements, an indirectly wholly-owned subsidiary in Malaysia has established a RM200,000,000 Medium Term Notes (“MTN”) Programme, of which RM40,650,000 has been drawn down to date. As at date of the financial statements, balance of the MTN Programme that remains unutilised by the subsidiary amounted to RM159,350,000. The subsidiary will draw down this facility for its investment activities, capital expenditure, working capital expenditure, working capital requirements and/or other general corporate purposes when need arises.

The Board is of the opinion that sufficient information has been disclosed for the trading of the Company’s securities to continue in an orderly manner; and confirmed that all material disclosures have been provided for the trading of the Company’s shares to continue.

By Order of the Board
HATTEN LAND LIMITED

Dato’ Tan June Teng Colin @ Chen JunTing
Executive Chairman and Managing Director
15 October 2020

This announcement has been prepared by Hatten Land Limited (the “Company”) and its contents have been reviewed by the Company’s sponsor, UOB Kay Hian Private Limited (the “Sponsor”) for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the “SGX-ST”) Listing Manual Section B: Rules of Catalist.

This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement, including the accuracy, completeness or correctness of any of the information, statements or opinions made or reports contained in this announcement.

The contact person for the Sponsor is Mr Lance Tan, Senior Vice President at 8 Anthony Road, #01-01, Singapore 229957, telephone (65) 6590 6881.

Independent Auditor's Report

TO THE MEMBERS OF HATTEN LAND LIMITED

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the accompanying financial statements of Hatten Land Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the statements of financial position of the Group and the Company as at 30 June 2020, the statements of changes in equity of the Group and the Company and the consolidated statement of comprehensive income and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 30 June 2020 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the changes in equity of the Company for the financial year then ended on that date.

Basis for Qualified Opinion

Impairment loss on investment in a subsidiary

The Company recognised impairment loss on investment in a subsidiary of RM492.6 million in the financial year ended 30 June 2020 as disclosed in Note 12 to the financial statements. In the previous financial year, the other firm of auditors was unable to obtain sufficient appropriate audit evidence to ascertain the appropriateness on the recoverable amount of the investment in the subsidiary as at 30 June 2019. Consequently, we are unable to satisfy ourselves as to whether the impairment loss or a portion of the impairment loss should be recognised in the current financial year or previous financial year ended 30 June 2019. Our opinion on the current financial year's financial statements is also modified because of the possible effect of these matters on the comparability of the current year's figures and the corresponding figures.

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 3(i) to the financial statements with respect to the Group's and the Company's ability to continue as going concerns. The Group and the Company incurred a net loss of RM229.7 million and RM493.0 million respectively during the financial year ended 30 June 2020. As at 30 June 2020, the Group's current liabilities exceeded its current assets by RM34.8 million. The Group's total loans and borrowings amounted to RM399.1 million, of which RM276.8 million were classified as current liabilities and exceeded the Group's cash and bank balances of RM23.1 million. The Company's total loans and borrowings amounted to RM192.5 million, all of which were classified as current liabilities, and exceeded the Company's cash and bank balances of RM0.8 million. The Group's working capital primarily comprises development properties and the related receivables. Subsequent to the year end, the Group had not been able to meet its forecasted sales target for its development properties and experienced slower recovery of its receivables. The continuing challenges affecting the property market in Melaka, Malaysia, continue to impact the realisation of the Group's development properties. In addition, the COVID-19 pandemic has brought about uncertainties to the Group's and the Company's operating environments as disclosed in Note 32(a) to the financial statements. These conditions give rise to material uncertainties on the ability of the Group and Company to continue as going concerns.

On 11 August 2020, the Company announced to dispose its wholly owned subsidiary, Gold Mart Sdn Bhd ("GMSB") to a third party which will generate gross proceeds of US\$60 million for the Company. The proceeds will be used to redeem certain loans and borrowings of the Group, as well as providing working capital to the Group as planned. In addition, the Company is also working to secure refinancing package for the US\$25 million secured bonds. The ability of the Group and the Company to continue as going concerns depend on the schemes to improve the Group's liquidity through the ongoing disposal/restructuring of subsidiaries, and the arrangements to secure additional funding and loan refinancing. Full details are disclosed in Note 3. The Group and the Company remain confident of raising additional funds required and will be able to generate sufficient cash flows from its operations in the next 12 months and therefore the directors consider it appropriate to prepare the financial statements on a going concern basis.

Independent Auditor's Report

TO THE MEMBERS OF HATTEN LAND LIMITED

Report on the Audit of the Financial Statements (cont'd)

Material Uncertainty Related to Going Concern (cont'd)

The carrying values of the assets as recorded on the statements of financial position of the Group and Company as at 30 June 2020 have been determined based on their continuation as going concern and recovery in the normal course of business. If the going concern assumption is not appropriate and the financial statements were presented on a realisation basis, the carrying values of assets and liabilities may be materially different from that currently recorded in the statements of financial position. If the Group and the Company were unable to continue in operational existence for the foreseeable future, the Group and the Company may be unable to discharge their liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statements of financial position. In addition, the Group and the Company may have to provide for further liabilities which may arise, and to reclassify non-current assets as current assets and non-current liabilities as current liabilities. No such adjustments have been made to the financial statements.

Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current financial year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the the *Basis for Qualified Opinion and Material Uncertainty Related to Going Concern* sections, we have determined the matter described below to be the key audit matter to be communicated in our report.

Impairment loss on development properties and property, plant and equipment

The Group develops properties in Melaka, Malaysia, and has mixed development properties held for sale and related property, plant and equipment held for use at these mixed development properties that are significant. The continuing challenges affecting the property market in Melaka continue to impact the realisation of the Group's development properties. In addition, the COVID-19 pandemic has brought about uncertainties to the Group's and the Company's operating environments. These factors may affect the carrying amounts of the Group's development properties and property, plant and equipment.

The determination of the net realisable value of these development properties is dependent upon the Group's expectations of estimated selling prices and estimated total construction costs as disclosed in Note 3(ii) to the financial statements. The estimated realisation of the Group's development properties in turn affects the assessment of whether there is an indication that the related property, plant and equipment have suffered an impairment loss.

Our audit procedures included (a) corroborating the estimated selling prices to the independent valuers' forecasts and that pricing differentials are reasonable, and assessing the objectivity, competency and capability of these external experts; (b) verifying the actual cost incurred against underlying contracts with main contractors and vendors and supporting documents; (c) assessing the reasonableness of cost to complete taking into consideration historical trends of the amounts incurred; and (d) discussing with the management the basis for the estimated cost to complete taking into consideration historical trends of the amounts incurred and current conditions.

Other Matters

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company for the financial year ended 30 June 2019 were audited by another firm of auditors whose report dated 8 November 2019 expressed a disclaimer of opinion on those financial statements as detailed in Note 33 to the financial statements.

Independent Auditor's Report

TO THE MEMBERS OF HATTEN LAND LIMITED

Report on the Audit of the Financial Statements (cont'd)

Other Information

Management is responsible for the other information. The other information comprises the information included in the directors' statement and the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. Because of the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, we are unable to conclude whether or not the other information is materially misstated with respect to the matter.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Independent Auditor's Report

TO THE MEMBERS OF HATTEN LAND LIMITED

Report on the Audit of the Financial Statements (cont'd)

Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Chan Sek Wai.

Baker Tilly TFW LLP
Public Accountants and
Chartered Accountants
Singapore

15 October 2020

Notes to The Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

2. Summary of significant accounting policies (cont'd)

(r) Foreign currencies (cont'd)

Translation of Group entities' financial statements (cont'd)

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

On disposal of a foreign operation/entity, the cumulative amount of the currency translation reserve relating to that particular foreign operation/entity is reclassified from equity and recognised in profit or loss when the gain or loss on disposal is recognised.

(s) Financial guarantees

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are initially recognised at their fair values plus transaction costs.

Subsequent to initial measurement, the financial guarantees are stated at the higher of the amount initially recognised less cumulative amount of income recognised in accordance with the principles of SFRS(I) 15 and the amount of expected loss computed using the impairment methodology under SFRS(I) 9.

(t) Dividend

Interim dividends are recorded during the financial year in which they are declared payable.

Final dividends are recorded in the Group's financial statements in the period in which they are approved by the Company's shareholders.

(u) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incurs expenses, including revenues and expenses that relate to transactions with other components of the Group. Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker for making decisions about allocating resources and assessing performance of the operating segments.

3 Critical accounting judgements and key sources of estimation uncertainty

Critical judgements in applying the entity's accounting policies

In the process of applying the Group's accounting policies, which are described in Note 2, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations):

(i) Going concern assumption

The Group and the Company incurred a net loss of RM229.7 million and RM493.0 million respectively during the financial year ended 30 June 2020. As at 30 June 2020, the Group's current liabilities exceeded its current assets by RM34.8 million. The Group's total loans and borrowings amounted to RM399.1 million, of which RM276.8 million were classified as current liabilities and exceeded the Group's cash and bank balances of RM23.1 million. The Company's total loans and borrowings amounted to RM192.5 million, all of which were classified as current liabilities, and exceeded the Company's cash and bank balances of RM0.8 million. The Group's working capital primarily comprises development properties and the related receivables. Subsequent to the year end, the Group had not been able to meet its forecasted sales target for its development properties and experienced slower recovery of its receivables. The continuing challenges affecting the property market in Melaka, Malaysia, continues to impact the realisation of the Group's development properties causing a strain on its cash flows. In addition, the COVID-19 pandemic has brought about uncertainties to the Group's and the Company's operating environments as disclosed in Note 32(a). These conditions give rise to material uncertainties on the ability of the Group and Company to continue as going concern.

Notes to The Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

Overview

Sustainability

Financials & Additional Information

3. Critical accounting judgements and key sources of estimation uncertainty (cont'd)

Critical judgements in applying the entity's accounting policies (cont'd)

(i) **Going concern assumption** (cont'd)

Notwithstanding the above, the directors are of the view that it is appropriate to prepare these financial statements on a going concern basis after considering the following:

- (a) As at 30 June 2020, the Group had net assets of RM160.0 million. In addition, the Group has a substantial value of unsold completed properties. The Group's priority is to monetise these assets through collection and sales to generate cashflow;
- (b) In response to the challenging business environment, the Company has implemented various cost containment measures to generate immediate savings and conserve financial resources. In addition to salary adjustments and reduction of non-essential expenses, the Company announced on 31 August 2020 the capitalisation of rental expenses to preserve cash (Note 31(d));
- (c) On 11 August 2020, the Company announced the disposal of Gold Mart Sdn Bhd ("GMSB") to a third party which will generate gross proceeds of US\$60 million for the Company, and the proceeds will be used to redeem certain loans and borrowings of the Group as planned. The disposal of GMSB is subject to satisfaction of conditions precedent included in the announcement.
- (d) The Group has embarked on strategic restructuring of its two subsidiaries MDSA Resources Sdn Bhd and MDSA Ventures Sdn Bhd to restructure its legacy contractual obligations to achieve a more sustainable capital structure which will reduce pressure on the Group's cash outflows going forward;
- (e) The Company has worked closely with its lenders to extend the repayment obligations for its borrowings. This has helped aligned the Group's repayment requirements with the current business climate and channel its cashflow for operation purposes;
- (f) The Company is currently working to secure a refinancing package for the US\$25 million secured bonds due in June 2021. The secured bonds are secured against an asset owned by a related party of the borrowing entity with an estimated collateral valuation of approximately two times of the loan amount;
- (g) As disclosed in Note 18 to the financial statements, an indirectly wholly-owned subsidiary in Malaysia has established a RM200,000,000 Medium Term Notes ("MTN") Programme, of which RM40,650,000 has been drawn down to date. As at date of the financial statements, balance of the MTN Programme that remains unutilised by the subsidiary amounted to RM159,350,000. The subsidiary will draw down this facility for its investment activities, capital expenditure, working capital requirements and/or other general corporate purposes when need arises.

The Group and the Company remain confident of raising additional funds required and will be able to generate sufficient cash flows from its operations in the next 12 months and therefore the directors consider it appropriate to prepare the financial statements on a going concern basis.

The carrying values of the assets as recorded on the statements of financial position of the Group and Company as at 30 June 2020 have been determined based on their continuation as going concern and recovery in the normal course of business. If the going concern assumption is not appropriate and the financial statements were presented on a realisation basis, the carrying values of assets and liabilities may be materially different from that currently recorded in the statements of financial position. If the Group and the Company were unable to continue in operational existence for the foreseeable future, the Group and the Company may be unable to discharge their liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statements of financial position. In addition, the Group and the Company may have to provide for further liabilities which may arise, and to reclassify non-current assets as current assets and non-current liabilities as current liabilities. No such adjustments have been made to the financial statements.