

HATTEN LAND LIMITED

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

RESPONSE TO SGX QUERIES

The board of directors (the “**Board**”) of Hatten Land Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to inform shareholders that it had received queries from the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) (the “**Queries**”) in relation to Company’s announcement dated 11 August 2020 in respect of the Proposed Disposal of Gold Mart Sdn Bhd (“**Announcement**”). The Board wishes to respond to the Queries as follows:

Unless otherwise expressly defined herein, all capitalised terms shall bear the same meanings ascribed to them in the Announcement.

Query 1

How was the Consideration for the Proposed Transaction of US\$83m arrived at?

Company’s Response

The Consideration of US\$83 million comprises:-

(i) the Investment Amount of RM99 million (approximately US\$23 million) for the New Shares was based on Gold Mart’s existing registered and paid-up capital of RM1 million comprising 1,000,000 shares at RM1.00 per share and the subscription of 99,000,000 new shares to allow Tayrona Capital to control a 99% stake in Gold Mart;

(ii) US\$60 million was arrived at taking into account factors such as:-

- net assets of the Gold Mart of RM184.9 million as at 31 March 2020;
- Intellectual Property Rights for the Project which is not accounted for in the financial statements of the Company, Hatten MS or Gold Mart;
- potential profit derived from the sale of unsold property units in the Project and the estimated costs to complete the Project; and
- Rationale of the Proposed Transactions as set out in paragraph 4 of the Announcement.

Query 2

It was disclosed in Hatten’s FY2019 Annual Report that Harbour City project was launched in 2015 and the estimated GDV is RM2.2 billion. The Group had launched Phase 1 sales in 2015 and Phase 2 sales in 2016. The stage of completion of the Project is estimated at approximately 70% currently. The revenue increased by 14.2% year-on-year (y-o-y) to RM340.5 million in FY19 due to higher revenue recorded from amongst others, the Harbour City project. Please provide Board’s views and basis on why the Proposed Transaction is in the best interest of the Company given the progress made in respect of the Project.

Company’s Response

Board is of the view that the Proposed Transaction is in the best interest of the Company given the progress made in respect of the Project based on the following reasons:-

- (a) the proceeds of US\$60 million pursuant to the Proposed Assignment will bolster the Company’s balance sheet and provide it with greater financial flexibility. In view of the challenging business sentiments due to the COVID-19 pandemic, the Company believes that the Proposed Transaction is an opportunity to raise funds and is in line with the Company’s plans to monetise its assets;

- (b) as at the date of the Announcement, the construction of the Project is halted due to a legal dispute with the main-contractor of the Project as announced by the Company on 14 May 2020. A settlement with the main-contractor would allow the Project to resume construction towards completion and this will help retain market confidence in the track record of the Company. In addition, any settlement with the main-contractor will be paid by WEH from the consideration of the Tayrona-WEH Transaction;
- (c) the stage of completion of the Project is estimated at approximately 70%. Substantial amount of capital is still required to complete the Project and this will impose significant cash flow pressure on the Company in view of the challenging business environment due to COVID-19 which adversely affect how fast the Company could secure sales of the unsold property in Harbour City project amounting to approximately RM700 million and convert such sales into timely collections;
- (d) with Tayrona Capital's international track record and expertise in hotel development and hospitality management, the Company believes that there are strong potential and synergies for both companies to collaborate together in other projects in Melaka moving ahead.

Query 3

What are the other projects of the Hatten Group following divestment of Harbour City project? What is the stage of completion and revenue contribution from these other projects?

Company's Response

After the completion of the divestment of Harbour City project, the Company's operations would mainly comprise of the following:-

- (a) construction of the Satori project with gross development value of RM265 million. The stage of completion of the Satori project is estimated at approximately 10%;
- (b) The Company has unsold completed properties in the Hatten City Phase 1 & 2, Vedro by the River and Unicity projects amounting to approximately RM1.3 billion as at 31 March 2020, excluding uncompleted projects such as Harbour City and Satori. The Group will focus on the sale and marketing of these units to monetize them; and
- (c) mixed-use development in Melbourne Australia which is in preliminary stage.

In view of the challenging business sentiments due to the COVID-19 pandemic, the Company's immediate priority is to monetize the unsold completed properties whilst managing operating costs.

Query 4

How much funds have Hatten MS, Gold Mart or any entity in Hatten Land Group invested and/or paid into the Project thus far?

Company's Response

Hatten Land Group's investment in Gold Mart amounted to RM1 million in registered and paid up capital and there is no direct investment in the Project by other entities in the Hatten Land Group. Gold Mart is unable to disclose the actual amount of funds invested directly into the Project for competitive reasons. As a guide of the Company's project construction costs, it generated gross profit margin of 57.5% in FY2019 and 46.5% in FY2018.

Query 5

As at the date of this announcement, the construction of the Project is halted due to a legal dispute with the main-contractor of the Project as announced by the Company on 14 May 2020. Pursuant to the Notice of Adjudication received on 13 May 2020, the Contractor is claiming against Gold Mart an amount of RM100 million.

- (a) Please provide an update as to the status of the dispute.
- (b) It is announced that Tayrona Capital and WEH have agreed to work with the Company to work out a settlement solution with the main-contractor. Would the Company be required to provide the financing, in part or in whole, for the settlement with the main-contractor?

Company's Response

- (a) Gold Mart is currently still waiting for the appointment of an adjudicator by the Director of Asian International Arbitration Centre. No timeline has been provided to Gold Mart for such appointment.
- (b) Any settlement with the main-contractor will be paid by WEH from the consideration of the Tayrona-WEH Transaction of US\$240 million and not from the Company nor the consideration of US\$60 million paid to the Company.

Query 6

Prior to the Proposed Transaction, what is the current arrangement and cost of engaging WEH for the Project, and with which entity?

Company's Response

Prior to the Proposed Transaction, the Company and the Group have no business dealings with WEH.

Query 7

Thus far, what are the projects between WEH/William Chan and Hatten Land?

Company's Response

Save for the dealings in the Project contemplated under the Proposed Transaction, the Company and the Group have no other projects involving WEH/William Chan.

Query 8

It is announced that the Company will appoint an independent valuer to value the assets to be disposed and provide the valuation report in the circular.

- (a) Has a valuer been shortlisted or appointed? If so, please identify the valuer. If not, when will the valuer be appointed?
- (b) What happens if the valuation is significantly higher than the disposal consideration?
- (c) Are there any clauses in the SPA that provide for a change to the Consideration after the independent valuation is performed?

Company's Response

- (a) The Company is working with the Sponsor to finalise the appointment of a suitable valuer for the Proposed Transaction based on the guidelines issued by the Exchange on 16 July 2019.

- (b) The Consideration was arrived at on a willing buyer and willing seller basis and upon arm's length negotiations between the Parties taking in account factors highlighted in the response to Query 1 above. Based on negotiations, the parties have accepted a consideration that is independent of the valuation to have certainty on this term in the Agreement. As such, the Agreement does not provide for any change of the Consideration due to the valuation. However, the Company is performing the valuation for both for compliance with the Catalist Rules and to provide a reference for shareholders, whose approval is required as a condition precedent in the Agreement.
- (c) Please see response above.

Query 9

How and who introduced the Company to Tayrona Capital?

Company's Response

Tayrona Capital was introduced to the Company by William Chan. William Chan was introduced to the Company's managing director Dato' Colin Tan by a mutual friend.

By Order of the Board
HATTEN LAND LIMITED

Dato' Tan June Teng, Colin
Executive Chairman and Managing Director
13 August 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.

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