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 28 November 2022 (the “Independent Auditors’ report”), expressed a Disclaimer of Opinion, based on the following matters:

1) Use of going concern assumption;
2) Appropriateness of the classification and measurement of disposal group classified as held-for-sale;
3) Impairment of the Group’s trade and other receivables;
4) Impairment of intangible assets in relation to development costs;
5) Development properties;
6) Inability to obtain confirmations from third party bondholders; and
7) Investment in subsidiaries and amount due from subsidiaries in the Company’s financial statements

in the Independent Auditor’s report on the audited financial statements of the Company and the Group for the financial year ended 30 June 2022 (“FY2022”).

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 can also be found in the Company’s Annual Report for FY2022 (“FY2022 Annual Report”), which has been released on SGXNET on 29 November 2022. Shareholders of the Company are advised to read this announcement in conjunction with the FY2022 Annual Report.

BOARD’S COMMENTS ON DISCLAIMER OF OPINION

Note 1 of Basis for Disclaimer of Opinion - Use of going concern assumption

The Independent Auditors’ report highlighted certain conditions that give rise to material uncertainties surrounding the continuing use of the going concern assumption in preparation of the financial statements.

Notwithstanding the Independent Auditors’ disclaimer of opinion, the Board is 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 2022, the Group had net assets of RM41.2 million. In addition, the Group has a substantial value of unsold completed properties. The estimated market value of the development properties as at 30 June 2022 is approximately RM1,107,250,000 (including the development properties of Gold Mart Sdn Bhd), which is determined by a third party firm of professional valuers. The Group’s priority is to monetise these assets through sales and collection to generate cashflow.

(b) Completion of the proposed disposal of GMSB, which will generate gross proceeds of approximately US$60 million and the proceeds will allow the Group to redeem certain loans and borrowings. As at the date of this announcement, the conditions precedent for completion of this transaction, namely the payment of the consideration, has not been met and management currently cannot reasonably ascertain the date of completion. However, the representative of the counterparty, Tayrona Capital Group Corporation, had provided assurance that they remain keen and committed to completing the deal and agreed consideration of US$60 million. The management will continue to monitor the situation closely.

(c) The Group has embarked on strategic restructuring of its subsidiary, MDSA Resources Sdn Bhd ("MRSB") 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.

(d) The Group has worked closely with its lender and bondholders to extend the repayment obligations for its borrowings. This has helped aligned the Group's requirements with the current business climate and channel its cashflow for operation purposes. In addition, the Company is also working to secure a refinancing package for the US$20 million loan and US$25 million bond. The US$20 million loan are secured against, among others, assets owned by one of its subsidiaries and shares of the Company provided by related party of the borrowing entity and the US$25 million bond is secured against an asset owned by related party of the borrowing entity with an estimated collateral valuation of approximately two times of the loan amount.

(e) The Group has worked closely with its creditors to extend on repayment plans that included payment structure as well as contra payments with its property units. In addition, the Group has also worked closely with its banker to extend the repayment obligations for its borrowing.

(f) The re-opening of the economy, interstate and overseas travel will contribute to the recovery of the Group's hospitality and property-related activities in Melaka.

Based on the above and the continued support of the Group's lenders, the Board is of the view that is is appropriate to prepare the financial statements on a going concern basis.

<u>Note 2 of Basis for Disclaimer of Opinion - Appropriateness of the classification and measurement of disposal group classified as held-for-sale</u>

The assets and liabilities related to GMSB have been presented as disposal group classified as held-for-sale in accordance with SFRS(I) 5 Non-current Assets Held for Sale and Discontinued Operations as disclosed in Note 3(v) and Note 18 to the financial statements. As disclosed in Note 18, there was a delay in the completion of the disposal due to the substantial documentation and time required by the financial institutions involved to approve and process the cross-border payment and this was further exacerbated by the COVID-19 pandemic situation. In view of the continued delay and also the significant uncertainties with respect to the estimated date of completion of the disposal, the Independent Auditor is unable to obtain sufficient appropriate audit evidence to ascertain the appropriateness of the classification and measurement of the disposal group classified as held-for-sale as at 30 June 2022.

Notwithstanding the delay in the completing the disposal of GMSB, as at report date, the Group and the representative of the counterparty, Tayrona Capital Group Corporation, had provided assurance that they remain keen and committed to complete the transaction with the agreed consideration of US$60 million. Further, the Group's intention to dispose GMSB remains unchanged. As the Group has entered into an agreement to dispose GMSB, the Board is of the view that it is appropriate to present the assets and liabilities of GMSB as held-for-sale in the financial statements for FY2022.

<u>Note 3 of Basis for Disclaimer of Opinion – Impairment of the Group's trade and other receivables</u>

As at 30 June 2022, the carrying amount of the Group's trade and other receivables was RM278.1 million (including trade and other receivables of GMSB) as disclosed in Notes 16 and 18 to the financial statements. Management had performed an expected credit loss assessment as at 30 June 2022 and a loss allowance of RM0.07 million was recognised during the current financial year.

The Independent Auditor is unable to obtain sufficient appropriate audit evidence on the reasonableness of management's expected credit loss assessment on the carrying amount of the Group's trade and other receivables as at 30 June 2022 and whether any adjustments to the Group's trade and other receivables are necessary. Consequently, the Independent Auditor is unable to determine the appropriateness of the disclosures of credit risk with respect to the Group's trade and other receivables in Note 29(a) to the financial statements.

Notwithstanding the Independent Auditors' disclaimer of opinion, the Board is of the opinion that no additional credit loss adjustment is required as the Group's trade and other receivables consist of many individual buyers of property units and there is no material concentration risk from a particular debtor. In addition, in the event of default payment from purchaser, the Group may resume possession of the units and these units can be relisted for sales. The information about the expected credit losses (ECLs) on the Groups trade and other receivables is disclosed in Note 2 and Note 29(a) to the financial statements.

The Board has reviewed the methodologies used by the management of the Group to assess the value of the impairment of trade receivables and is of the opinion that the methodologies used to determine the value of the impairment on trade receivables are reasonable. The Board will continue to be prudent in determining the value of impairment of the trade receivables.

<u>Note 4 of Basis for Disclaimer of Opinion – Impairment of intangible assets in relation to development costs</u>

As at 30 June 2022, the carrying amount of the Group's intangible assets in relation to development costs was RM7.0 million as disclosed in Note 12 to the financial statements.

The Group has carried out an impairment assessment on the Group's development costs capitalised for its respective projects pertaining to crypto assets exchange platform, metaverse gateway and integrated Esports and gaming experiential hub as at 30 June 2022. The impairment assessment was performed on the respective projects or cash generating units ("CGU") of the Group and management has determined the recoverable amount of the CGU using the value-in-use approach based on the discounted cash flow method. Given that these projects rely significantly on the estimated market prices of cryptocurrency, estimated prices and sales of digital assets, and estimated number of platform users and tourists, there are material uncertainties with respect to the reliability and reasonableness of the key assumptions and estimates that are used in the respective CGU forecasts prepared by the management.

The Independent Auditor is unable to obtain sufficient appropriate audit evidence and explanation to satisfy themselves that the key assumptions and estimates used in the respective CGU forecasts prepared by the management can be relied upon and unable to determine whether any impairment loss is required on the carrying amount of the Group's intangible assets in relation to development costs as at 30 June 2022.

According to SFRS(I) 1-36 Impairment of Assets, assets are required to be impaired when the recoverable amount is less than the carrying amount, where the recoverable amount represents the higher of value in use ("VIU") or fair value less cost of disposal.

The Management performed an impairment assessment on the intangible assets, being development costs of the Group's respective projects pertaining to crypto assets exchange platform, metaverse gateway and integrated Esports and gaming experiential hub and determined the recoverable amount of the development costs using the value-in-use approach based on the discounted cash flow ("DCF") method with projections covering a period of five years.

The key assumptions for the VIU calculations include the estimated market prices of cryptocurrency in the crypto assets exchange platform, estimated prices and sales of digital assets in the metaverse gateway, estimated number of platform users and tourists in the integrated Esports and gaming experiential hub, and discount rates applied. The estimated market prices of cryptocurrency are estimated based on management's judgement after taking into the consideration of the latest and historical trends of the cryptocurrency. The estimated prices and sales of digital assets are estimated based on management's judgement after taking into consideration of the prices and sales trends of the digital assets by various competitors of similar nature. The estimated number of platform users and tourists are estimated based on management's judgement after taking into consideration of the popularity of a mobile multiplayer online game of similar concept. Management estimates the discount rates using pre-tax rates that reflect current market assessment of the time value of money and the risks specific to these projects. The pre-tax rates used to discount the projected cash flows from these projects pertaining to crypto assets exchange platform, metaverse gateway and integrated Esports and gaming experiential hub are 67.0%, 66.5% and 11.2% respectively. Based on the DCF, the

Management estimated that the VIU of respective projects individually and in aggregate was higher than the total carrying amount of the Group's development costs, amounted to RM7.0 million as at 30 June 2022. In addition, the Management has performed sensitivity analysis and is of the view that the change in the estimated recoverable amounts arising from any reasonably possible change in the key assumptions would not cause the recoverable amounts to decrease significantly and result in an impairment loss to be recognised during the financial year. In view of the aforesaid, the Management concluded that no impairment was required of the Group's development costs.

<u>Note 5 of Basis for Disclaimer of Opinion – Development properties</u>

As at 30 June 2022, the carrying amount of the Group's development properties was RM455.5 million as disclosed in Note 15 to the financial statements. During the financial year ended 30 June 2022, the Group recognised a loss on revocation of sales of RM31.3 million which represents the losses recognised when the Group revoked the sales and purchase agreements on properties purchased by the customers. The properties repossessed by the Group relating to these revocations amounted to approximately RM32.1 million (the "repossessed properties") which are included in development properties in the consolidated statement of financial position as at 30 June 2022.

The Independent Auditor is unable to obtain sufficient appropriate audit evidence to satisfy themselves as to whether the repossessed properties are appropriately measured and recognised in accordance with SFRS(I) 1-2 Inventories at the point of repossession. Accordingly, the Independent Auditor is unable to determine whether the carrying amount of the development properties as at 30 June 2022 are fairly stated, and whether any adjustments might have been found necessary in respect of the loss on revocation of sales recognised during the financial year ended 30 June 2022.

Notwithstanding the Independent Auditors' disclaimer of opinion, development properties are held as inventories and are measured at the lower of cost and net realisable value.

<u>Note 6 of Basis for Disclaimer of Opinion – Inability to obtain confirmations from third party bondholders</u>

The Independent Auditor is not able to obtain confirmations from two bondholders amounting to US$10,000,000 and US$6,000,000 (approximately RM44,080,000 and RM26,448,000) respectively, which are included in "loan and secured bonds" within the Group's loans and borrowings as at 30 June 2022 (Note 20). Consequently, the Independent Auditor is unable to ascertain the accuracy and completeness of the Group's loans and borrowings and whether there are any additional information or terms which could have an impact on the financial statements that require disclosure.

Notwithstanding the Independent Auditors' disclaimer of opinion, the Company has obtained confirmation from another two bondholders amounting to US$8,000,000 and US$1,000,000. The Company has regular meetings with the bondholders to update the process of the refinancing packages and negotiations with the bondholders on the possible repayment obligations for its borrowings. In addition, the bond is secured against an asset owned by related party of the borrowing entity with an estimated collateral valuation of approximately two times of the loan amount.

<u>Note 7 of Basis for Disclaimer of Opinion - Investment in subsidiaries and amounts due from subsidiaries in the Company's financial statements</u>

In view of the material uncertainties on the ability of the Group to continue as going concern as described in Note 1 of the Basis for Disclaimer of Opinion above and the ability of the subsidiaries in realising its development properties at expected timings which is inherently uncertain, the Independent Auditors are unable to determine whether any impairment loss is required on the carrying amounts of the Company's investments in subsidiaries and amount due from subsidiaries as at 30 June 2022. The Independent Auditors are also unable to obtain sufficient appropriate audit evidence on the appropriateness of the classification of amount due from subsidiaries as current assets in the statement of financial position of the Company, and the disclosures of credit risk with respect to the Company's amount due from subsidiaries in Note 29(a) of the financial statements.

Notwithstanding the Independent Auditors' disclaimer of opinion, the investment in subsidiaries and amounts due from subsidiaries were only presented at the Company's financial statements and had been eliminated at the Group's financial statements and therefore, there will be no financial impact on the Group's consolidated statement of financial position and consolidated statement of comprehensive income.

In addition, property valuations have been conducted by a third party firm of professional valuers on the development properties as at 30 June 2022 and the estimated market value of the development properties is approximately RM1,107,250,000 (including the development properties of Gold Mart Sdn Bhd) Therefore, the Board is of the view that the amount investment in subsidiaries and amounts due from subsidiaries are fairly presented and the amount due from subsidiaries are recoverable through the sales of the unsold units of the completed properties.

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
29 November 2022

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

Disclaimer of Opinion

We were engaged to audit the financial statements of Hatten Land Limited (the "Company") and its subsidiaries (collectively, the "Group") as set out on pages 93 to 173, which comprise the statements of financial position of the Group and the Company as at 30 June 2022, 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.

We do not express an opinion on the accompanying consolidated financial statements of the Group and the statement of financial position and the statement of changes in equity of the Company. Because of the significance of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

1) *Use of the going concern assumption*

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 RM32.3 million and RM0.09 million respectively during the financial year ended 30 June 2022. The Group also incurred net cash flows used in operating activities of RM12.2 million during the financial year ended 30 June 2022.

The Group's working capital primarily comprises development properties and the related receivables. Subsequent to the end of the financial year, the Group had not been able to meet its forecasted sales target for its development properties and continued to experience slow recovery of its receivables. As disclosed in Note 3(i), the Group continues to face uncertainties from the COVID-19 pandemic which has disrupted and distorted the property market outlook in Melaka, Malaysia, despite the gradual recovery from the pandemic. Coupled with the heightened uncertainty of the global economy and volatility of macroeconomic factors such as inflation and rising interest rates, these may continue to impact the demand and realisation of the Group's development properties which will cause a strain on its cash flows.

In addition to the above, as at 30 June 2022, the Group's total loans and borrowings (including loans and borrowings of Gold Mart Sdn. Bhd. as disclosed in Note 18) amounted to RM398.4 million, of which RM325.6 million were classified as current liabilities and exceeded the Group's cash and bank balances of RM11.3 million (Note 17). The Company's total loans and borrowings amounted to RM198.4 million, all of which were classified as current liabilities, and exceeded the Company's cash and bank balances of RM2.1 million. Included in the Group's and Company's loans and borrowings are convertible loan and secured bonds of US$20 million (approximately RM88.2 million) and US$25 million (approximately RM110.2 million) as at 30 June 2022, which originally matured on 10 October 2019 and 8 March 2020, respectively (Note 20). The Company is in the process of negotiation with the lender and the bondholders on the possible extension of repayments. At the date of this report, the definitive outcome of the extension of repayments or potential loan refinancing has yet to be executed.

The Group is also undergoing restructuring of its indirect wholly-owned subsidiaries as disclosed in Note 33(a).

These conditions give rise to material uncertainties on the ability of the Group and the Company to continue as going concerns.

Notwithstanding the above, the directors have prepared the financial statements on a going concern basis based on the assumptions disclosed in Note 3(i) to the financial statements. However, based on the information available to us, we are unable to obtain sufficient appropriate audit evidence to satisfy ourselves whether the use of the going concern assumption in preparing these financial statements are appropriate as (i) the exact timing for the date of completion in relation to the disposal of Gold Mart Sdn. Bhd. ("GMSB") to a third party which will generate gross proceeds of US$60 million for the Company cannot be reasonably ascertained; (ii) the arrangements to secure additional funding and loan refinancing have yet to conclude satisfactorily; and (iii) the restructuring of MDSA Resources Sdn. Bhd. ("MRSB") is subject to the outcome of the appeal to the Court of Appeal of Malaysia against the decision of the High Court of Malaya in Malacca, Malaysia at the date of this report. The Group also continues to face challenges in realising its development properties and recover the related receivables as planned.

Independent Auditor's Report

To the members of Hatten Land Limited

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

Basis for Disclaimer of Opinion (cont'd)

1) Use of the going concern assumption (cont'd)

The financial statements did not include any adjustments that may result in the event that the Group and the Company are unable to continue as going concerns. In the event that the Group and the Company are unable to continue in operational existence for the foreseeable future, the Group and the Company may be unable to realise their assets and discharge their liabilities in the ordinary 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 ordinary course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statement 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.

2) Appropriateness of the classification and measurement of disposal group classified as held-for-sale

The assets and liabilities related to GMSB have been presented as disposal group classified as held-for-sale in accordance with SFRS(I) 5 *Non-current Assets Held for Sale and Discontinued Operations* as disclosed in Note 3(v) and Note 18 to the financial statements. As disclosed in Note 18, there was a delay in the completion of the disposal due to the substantial documentation and time required by the financial institutions involved to approve and process the cross-border payment and this was further exacerbated by the COVID-19 pandemic situation. In view of the continued delay and also the significant uncertainties with respect to the estimated date of completion of the disposal, we are unable to obtain sufficient appropriate audit evidence to ascertain the appropriateness of the classification and measurement of the disposal group classified as held-for-sale as at 30 June 2022.

3) Impairment of the Group's trade and other receivables

As at 30 June 2022, the carrying amount of the Group's trade and other receivables was RM278.1 million (including trade and other receivables of GMSB) as disclosed in Notes 16 and 18 to the financial statements. Management had performed an expected credit loss assessment as at 30 June 2022 and a loss allowance of RM0.07 million was recognised during the current financial year (Note 29(a)).

Based on the information available to us, we are unable to obtain sufficient appropriate audit evidence on the reasonableness of management's expected credit loss assessment on the carrying amount of the Group's trade and other receivables as at 30 June 2022 and whether any adjustments to the Group's trade and other receivables are necessary. Consequently, we are unable to determine the appropriateness of the disclosures of credit risk with respect to the Group's trade and other receivables in Note 29(a) to the financial statements.

4) Impairment of intangible assets in relation to development costs

As at 30 June 2022, the carrying amount of the Group's intangible assets in relation to development costs was RM7.0 million as disclosed in Note 12 to the financial statements.

The Group has carried out an impairment assessment on the Group's development costs capitalised for its respective projects pertaining to crypto assets exchange platform, metaverse gateway and integrated Esports and gaming experiential hub as at 30 June 2022. The impairment assessment was performed on the respective projects or cash generating units ("CGU") of the Group and management has determined the recoverable amount of the CGU using the value-in-use approach based on the discounted cash flow method. Given that these projects rely significantly on the estimated market prices of cryptocurrency, estimated prices and sales of digital assets, and estimated number of platform users and tourists, there are material uncertainties with respect to the reliability and reasonableness of the key assumptions and estimates that are used in the respective CGU forecasts prepared by the management.

Based on the information available to us, we are unable to obtain sufficient appropriate audit evidence and explanation to satisfy ourselves that the key assumptions and estimates used in the respective CGU forecasts prepared by the management can be relied upon. Consequently, we are unable to determine whether any impairment loss is required on the carrying amount of the Group's intangible assets in relation to development costs as at 30 June 2022.

Independent Auditor's Report

To the members of Hatten Land Limited

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

Basis for Disclaimer of Opinion (cont'd)

5) *Development properties*

As at 30 June 2022, the carrying amount of the Group's development properties was RM455.5 million as disclosed in Note 15 to the financial statements. During the financial year ended 30 June 2022, the Group recognised a loss on revocation of sales of RM31.3 million which represents the losses recognised when the Group revoked the sales and purchase agreements on properties purchased by the customers. The properties repossessed by the Group relating to these revocations amounted to approximately RM32.1 million (the "repossessed properties") which are included in development properties in the consolidated statement of financial position as at 30 June 2022.

Based on the information available to us, we are unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to whether the repossessed properties are appropriately measured and recognised in accordance with SFRS(I) 1-2 *Inventories* at the point of repossession. Accordingly, we are unable to determine whether the carrying amount of the development properties as at 30 June 2022 are fairly stated, and whether any adjustments might have been found necessary in respect of the loss on revocation of sales recognised during the financial year ended 30 June 2022.

6) *Inability to obtain confirmations from third party bondholders*

We are not able to obtain confirmations from two third party bondholders amounting to US$10,000,000 and US$6,000,000 (approximately RM44,080,000 and RM26,448,000) respectively, which are included in "loan and secured bonds" within the Group's loans and borrowings as at 30 June 2022 (Note 20). Consequently, we are unable to ascertain the accuracy and completeness of the Group's loans and borrowings and whether there are any additional information or terms which could have an impact on the financial statements that require disclosure.

7) *Investment in subsidiaries and amount due from subsidiaries in the Company's financial statements*

As at 30 June 2022, the carrying amounts of the Company's investment in subsidiaries and amount due from subsidiaries were RM710.7 million and RM303.5 million as disclosed in Notes 13 and 16 to the financial statements, respectively.

In view of the material uncertainties on the ability of the Group to continue as going concern as described in point 1 above and the ability of the subsidiaries in realising its development properties at expected timings which is inherently uncertain, we are unable to determine whether any impairment loss is required on the carrying amounts of the Company's investment in subsidiaries and amount due from subsidiaries as at 30 June 2022. We are also unable to obtain sufficient appropriate audit evidence on the appropriateness of the classification of amount due from subsidiaries as current assets in the statement of financial position of the Company, and the disclosures of credit risk with respect to the Company's amount due from subsidiaries in Note 29(a) to the financial statements.

Our audit opinion on 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 2021 was similarly disclaimed for points 1, 2 and 7 above. The extract of the basis for disclaimer of opinion is included in Note 34 to the financial statements.

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 Companies Act 1967 (the "Act") and Singapore Financial Reporting Standards (International) ("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.

Independent Auditor's Report

To the members of Hatten Land Limited

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct the audit of the Group and Company's financial statements in accordance with Singapore Standards on Auditing and to issue an auditor's report. However, because of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

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.

Report on Other Legal and Regulatory Requirements

In our opinion, in view of the significance of the matters referred in the *Basis for Disclaimer of Opinion* section of our report, we do not express an opinion on whether 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

28 November 2022

Notes to the Financial Statements

For the financial year ended 30 June 2022

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 which are dealt in the preceding paragraph):

(i) Going concern assumption

The Group and the Company incurred a net loss of RM32.3 million and RM0.09 million respectively during the financial year ended 30 June 2022. The Group also incurred net cash flows used in operating activities of RM12.2 million during the financial year ended 30 June 2022.

The Group's working capital primarily comprises development properties and the related receivables. Subsequent to the end of the financial year, the Group had not been able to meet its forecasted sales target for its development properties and continued to experience slow recovery of its receivables. The Group continues to face uncertainties from the COVID-19 pandemic which has disrupted and distorted the property market outlook in Melaka, Malaysia, despite the gradual recovery from the pandemic. Coupled with the heightened uncertainty of the global economy and volatility of macroeconomic factors such as inflation and rising interest rates, these may continue to impact the demand and realisation of the Group's development properties which will cause a strain on its cash flows.

In addition to the above, as at 30 June 2022, the Group's total loans and borrowings (including loans and borrowings of Gold Mart Sdn. Bhd. as disclosed in Note 18) amounted to RM398.4 million, of which RM325.6 million were classified as current liabilities and exceeded the Group's cash and bank balances of RM11.3 million (Note 17). The Company's total loans and borrowings amounted to RM198.4 million, all of which were classified as current liabilities, and exceeded the Company's cash and bank balances of RM2.1 million. Included in the Group's and Company's loans and borrowings are convertible loan and secured bonds of US$20 million (approximately RM88.2 million) and US$25 million (approximately RM110.2 million) as at 30 June 2022, which originally matured on 10 October 2019 and 8 March 2020, respectively (Note 20). The Company is in the process of negotiation with the lender and the bondholders on the possible extension of repayments. At the date of this report, the definitive outcome of the extension of repayments or potential loan refinancing has yet to be executed.

The Group is also undergoing restructuring of its indirect wholly-owned subsidiaries as disclosed in Note 33(a).

These conditions give rise to material uncertainties on the ability of the Group and the Company to continue as going concerns.

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 2022, the Group had net assets of RM41.2 million. In addition, the Group has a substantial value of unsold completed properties. The estimated market value of the development properties as at 30 June 2022 is approximately RM737,250,000, excluding the development properties of Gold Mart Sdn. Bhd. ("GMSB"). The Group's priority is to monetise these assets through sales and collection to generate cashflow;

(b) Completion of the proposed disposal of GMSB 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 on 11 August 2020, which at this point of time the management cannot reasonably ascertained the exact timing for the date of completion. However, the representative of the counterparty, Tayrona Capital Group Corporation, had provided assurance that they remain keen and committed to completing the deal with the agreed consideration of US$60 million. The management will continue to monitor the situation closely (Note 18);

(c) 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 (Note 33(a));

Notes to the Financial Statements
For the financial year ended 30 June 2022

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)

(d) The Group has worked closely with its creditors to extend on repayment plans that included payment structure as well as contra payments with its property units. In addition, the Group also worked closely with its bankers and 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; and

(e) As disclosed in Note 20 to the financial statements, the Company is in the process of negotiation with the lender on the possible extension of repayments of the US$20 million (approximately RM88.2 million) convertible loan. The loan is secured by personal guarantee by directors of the Company, corporate guarantee by a subsidiary in Malaysia and a charge over 760,000,000 shares in the Company held by the immediate and ultimate holding company and 345 retails units of the Group. The Company is also in the process of negotiation with the bondholders on the possible extension of repayments of the US$25 million (approximately RM110.2 million) secured bonds. The secured bonds are secured by a land charge for assets owned by a related party of the borrowing entity with an estimated collateral valuation of approximately two times of the loan amount.

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 financial statements did not include any adjustments that may result in the event that the Group and the Company are unable to continue as going concerns. In the event that the Group and the Company are unable to continue in operational existence for the foreseeable future, the Group and the Company may be unable to realise their assets and discharge their liabilities in the ordinary 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 ordinary course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statement 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.

(ii) Classification of properties

In the process of classifying properties, management has made various judgements. Judgement is needed to determine whether a property qualifies as an investment property, property, plant and equipment and/or development property held for sale. The Group develops criteria so that it can exercise that judgement consistently in accordance with the definitions of investment property, property, plant and equipment and development property held for sale. In making its judgement, management considered the detailed criteria and related guidance for the classification of properties as set out in SFRS(I) 1-2 *Inventories*, SFRS(I) 1-16 *Property, Plant and Equipment* and SFRS(I) 1-40 *Investment Property*, and in particular, the intended usage of property as determined by the management.

(iii) Contracts with customers

(a) Satisfaction of performance obligations

The Group is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method for recognising revenue. The Group has assessed that based on the contracts entered into with customers and the provisions of relevant laws and regulations, the Group recognises revenue over time where contracts are entered into for property development (sale of properties to customers), the Group is restricted contractually from directing the properties for other use and has an enforceable right to payment for performance completed to date.

Where the above criteria are not met, revenue is recognised at a point in time. Where revenue is recognised at a point of time, the Group assesses each contract with customers to determine when the performance obligation of the Group under the contract is satisfied.