

HATTEN LAND LIMITED

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

RESPONSE TO SGX-ST'S QUERY

The board of directors (the “**Board**”) of Hatten Land Limited (the “**Company**”) refers to the queries from the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) regarding the unaudited third quarter ended 31 March 2021 (“**3QFY2021**”) results and wishes to respond to the queries as follows:

Query 1:

We noted non-current Trade and Other Receivables balance of RM92.6 million. Please disclose:

- (i) the breakdown of the Group’s non-current Trade and Other Receivables balance;
- (ii) the nature of the non-current Trade and Other Receivables balance; and
- (ii) the Board’s assessment of the recoverability of the non-current Trade and Other Receivables balance.

Company’s response

- i) The breakdown of the Group’s non-current trade and other receivables is as follows:

	RM’ million
Trade receivables	91.5
Refundable deposits	1.1
Total	92.6

- ii) The nature of the Group’s non-current trade and other receivables is set up in the breakdown above. There are incurred as part of routine business operations. Due to the uncertainties brought on by the COVID-19 pandemic and weakening sentiment affecting the property market in Melaka, Malaysia which has changed in expected timing in collection, certain amount of trade receivables were reclassified from current to non-current. This reclassification was adopted during the audit of FY2020 results.
- iii) In assessing that the recoverability of the non-current trade and other receivables, the Group considered whether the credit risk of each customer had increased taking into consideration factors including:
 - a) financial condition of each customer
 - b) the credit rating of each customer if available
 - c) existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in debtor’s ability to meet its debt obligations
 - d) actual or expected significant deterioration in the operating results/key financial performance ratios of the debtors
 - e) an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in a customer’s ability to meet its debt obligations.

As these units can be relisted for sale in the event that a purchaser decides to terminate the purchase of the units if the bank loan or financing application is not granted, the Board does not foresee any issues with the collection of the outstanding trade receivables. This opinion is consistent with the opinion on recoverability of trade receivables as disclosed on page 113 of the Group’s FY2020 Annual report.

Query 2:

It is disclosed in the unaudited financial results that, the Group reported total current and non-current Trade and Other Receivables amounting to RM472.1 million which is greater than the Group's revenue of RM28.3 million for the 9-month period ended 31 March 2021.

Please disclose:

(i) the breakdown of the trade receivables within the current Trade and Other Receivables balance of RM379.5 million and non-current Trade and Other Receivables balance of RM92.6 million.

(ii) the ageing profile of the Group's current and non-current Trade and Other Receivables balances in bands of 3 months;

(iii) whether these outstanding amounts are owing to related parties. If yes, to provide details and quantify;

(iv) whether these debtors are related to any directors, key executives, substantial shareholders or their respective associates;

(v) whether these customers are still in operation; and

(vi) the Board's assessment on the recoverability of the Group's Trade and Other Receivables balances, and the basis for such an assessment.

Company's response

i) The breakdown of the Group's current and non-current trade and other receivables is as follows:

	Current	Non-current
	RM' million	RM' million
Trade receivables	204.2	91.5
Amount due from related parties	47.5	-
Refundable deposits	6.1	1.1
Other receivables	121.7	-
Total	379.5	92.6

ii) The ageing profile of the Group's current and non-current trade receivables in bands of 30 days is as follows. The Group's system currently does not track the ageing of receivables past 120 days.

Ageing Days	RM' million
Not past due	1.0
1 – 30 days past due	0.2
31 – 60 days past due	0.4
61 – 90 days past due	3.1
91 – 120 days past due	2.5
More than 121 days past due	288.4
Total	295.7

iii) The details of the outstanding amounts owed by related parties is as follows:

Related Party	RM' million
Hatten Place Sdn Bhd	17.0
Hatten Property Management Sdn Bhd	26.7
Others	3.7
Total	47.4

iv) Except as disclosed in response to Query 2 (iii) above, these debtors are not related to any directors, key executives, substantial shareholders or their respective associates.

- v) The customers as recognised under trade receivables comprise of majority individual purchasers and minority of them are corporate customers who are still in operation.
- vi) As disclosed in response to Query 1(iii), the Group's Trade and Other Receivables are still recoverable although payment maybe slow, barring any unforeseen circumstances or changes to the business environment and sluggish market conditions.

Query 3:

Given the Group's significant liabilities of RM1.3 billion, and cash and bank balance of only RM12.7 million and noting that the Company incurred losses of RM77.9 million for 9-month ended 31 March 2021, please disclose the Board's assessment of:

(i) whether the Company's current assets of RM1.03 billion are adequate to meet the Company's short term liabilities of RM1.12 billion, including its bases of assessment; and

(ii) how the Company intends to fulfil its significant payment obligations in the next 12 months. Where the Company has worked out debt repayment plans to fulfil its debt obligations, please disclose if the Company is on track to fulfilling these obligations.

Company's response

The Company's current assets amounted to RM1.03 billion. Its development properties inventory of RM632.9 million is worth substantially more at sale price and the Group is working to monetise these assets. In addition, the Group is also working to speed up collection of the current trade and other receivables (excluding refundable deposits) of RM373.3 million.

The Group current liabilities of RM1.1 billion comprised mostly:

- Loans and borrowings of RM293.9 million, representing 26.3% of the current liabilities.
- Trade and other payables of RM417.3 million, representing 37.3% of the current liabilities. These payables will be repaid in the future through the sale proceeds from completed properties earmarked for the scheme of arrangement, reducing the pressure on the Group's cashflow. Additionally, the company is expected to have a reduction in the current liabilities based on reduction in net claims as a result from the adjudication decision announced on 26 April 2021.

Further, the Board has also considered the following:

- As at 31 March 2021, the Group had net assets of RM117.0 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;
- The adjudication decision announced on 26 April 2021 is expected to result in a material reduction in the current liabilities currently accrued in the balance sheet based on the reduction in net claims;
- In response to the challenging business environment, the Company has implemented various cost containment measures to generate immediate savings and conserve financial resources such as salary adjustments and reduction of non-essential expenses;
- 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. The completion date is currently extended to 31 May 2021 to complete the clearance and administrative process relating to the receipt of the consideration;

- The Group has embarked on strategic restructuring of its two subsidiaries MDSA Ventures Sdn Bhd (“MDSA Ventures”) and MDSA Resources Sdn Bhd (“MDSA Resources”) 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. Both schemes had obtained approval from its creditors. The scheme of MDSA Ventures was subsequently approved the High Court of Malaya in Malacca (“Court”) on 6 January 2021. Separately on 3 February 2021, the Company announced that the Court had dismissed MDSA Resources’ application for approval of its scheme. MDSA Resources has filed an appeal in the Malaysian Court of Appeal against the dismissal of the Sanction in the Court. The date for the hearing of the appeal has not yet been set. MDSA Resources has also filed an application for interim relief in the Court of Appeal which will be heard on 27 May 2021;
- 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;
- 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
- 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 this announcement, 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.

Based on the above various initiatives undertaken by the Group to strengthen its financial position and to fulfil its payment obligations in the next 12 months, the Company is on track to fulfil these payment obligations barring any unforeseen circumstances.

By Order of the Board
HATTEN LAND LIMITED

Dato’ Tan June Teng, Colin
 Executive Chairman and Managing Director
 20 May 2021

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 Catalyst.

This announcement has not been examined or approved by the SGX-ST and the SGX-ST assume 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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