

ENTRY INTO TERMINATION AGREEMENT TO UNWIND THE ACQUISITION OF VELVET VALLEY SDN. BHD.

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1. INTRODUCTION

The Board of Directors (the “**Board**”) of Hatten Land Limited (the “**Company**”, and together with its subsidiaries, collectively the “**Group**”) refers to the Company’s announcements released on 3 August 2018, 27 September 2018, 25 October 2018 and 13 December 2018 (the “**Previous Announcements**”) in relation to a sale and purchase agreement (the “**VVSB SPA**”) entered on 3 August 2018 to acquire 100% interest in Velvet Valley Sdn. Bhd. (“**VVSB**”), comprising of 6,400,000 ordinary shares (“**Sale Shares**”), by Sky Win Management Consultancy Pte Ltd (now known as Hatten MS Pte. Ltd.), a wholly owned subsidiary of the Company for an aggregate consideration of RM43,000,000 (“**Consideration**”). The vendors to the VVSB SPA were Dato’ Tan June Teng Colin @ Chen Junting (“**Dato’ Colin**”), Dato’ Tan Ping Huang Edwin @ Chen Binghuang (“**Dato’ Edwin**”) and Yap Wei Shen (“**Michelle Yap**”) (collectively, the “**Vendors**”) who then held 40%, 40% and 20% in VVSB respectively (the “**Acquisition**”).

Unless otherwise defined, all capitalised terms used herein shall bear the same meaning as in the Previous Announcements.

The Board wishes to announce that Hatten MS Pte. Ltd. (“**HMS**”, together with the Vendors, “**Parties**”) (f.k.a. Sky Win Management Consultancy Pte. Ltd.) has on 28 December 2021 entered into an termination agreement (the “**Agreement**”) with Vendors in respect of the mutual agreement by Vendors and HMS to unwind the Acquisition on the terms and subject to the conditions of the Agreement, such unwinding being full and final settlement of any outstanding rights and obligations as between the Parties (the “**Termination**”).

Vendors and HMS are hereinafter individually referred to as a “Party” and collectively as the “Parties”.

2. INFORMATION ON THE TERMINATION

2.1 Information on Vendors

Dato’ Colin and Dato’ Edwin are controlling shareholders of the Company and the Managing Director and Deputy Managing Director of the Company respectively.

Michelle Yap has many years of professional experience in the real estate development and real estate services. Michelle Yap is not related to the Company, its Directors and/or substantial shareholders. As at the date of this announcement, Michelle Yap does not hold any shares of the Company.

2.2 Status of the Acquisition and Information on VVSB

Based on the VVSB SPA, the Consideration was to be satisfied in the following manner:

- i) 20% of the Consideration or RM8.6 million shall be paid in cash on the first anniversary of the date of Completion Date;
- ii) 30% of the Consideration or RM12.9 million shall be paid in cash on the second anniversary of the Completion Date; and
- iii) 50% of the Consideration or RM21.5 million shall be paid in cash on the third anniversary of the Completion Date.

In the event the Company shall for any reason fails to pay the Consideration or any part thereof as and when it falls due on the first and/or second anniversary of the Completion Date, such outstanding amount is not subject to any interests and will become payable on the next due date. Subject to the Company obtaining the relevant approvals, the Company has the option to partially or fully settle any outstanding amounts owing to the Vendors at the end of the third anniversary of the Completion Date through the issuance of the Company's shares. Shares will be issued at an issue price based on the five day volume weighted average price of the Company's shares immediately prior to the third anniversary of the Completion Date, subject to a minimum price equals to the latest audited consolidated net assets per share of the Company.

At the time of Acquisition, VVSB was developing and close to completing the Unicity Project in Seremban, Malaysia ("Unicity Project") and it is also the owner of an intermediate unit four storey shop office. The Unicity Project comprises 247 units of serviced suites across seven levels, 464 retail lots across four levels, three levels of car parks housing 363 car park bays and 30 handicap parking bays, a cinema and one level of common facilities. The construction of the Unicity Project was completed on 14 January 2019.

## **2.3 Termination of the Acquisition**

As of the date of this announcement, none of the amount of the Consideration has been paid. As such, in accordance with the terms of the VVSB SPA with regards to the payment of the Consideration as set out in section 2.2 above, the entire amount shall be settled at the end of the third anniversary of the Completion Date which is 13 December 2021.

The Company has not paid the Consideration as it was looking to conserve its cash and working capital. Further, the sale of units of the Unicity Project was affected by the Covid-19 pandemic.

After due consideration and discussion with the Vendors, the Board is of the view that it is in the best interest of the Company and its shareholders to enter into a Termination Agreement to unwind the Acquisition. The basis and rationale for this view is set out below.

## **2.4 Rationale and Benefits of Unwinding the Acquisition**

### **2.4.1 Termination is in line with the Group's recent strategic initiatives**

The Proposed Termination would be in line with the Group's recent strategic initiatives to restructure, repurpose and prioritizing its physical assets and liabilities and pivot towards creating environmentally friendly digital assets. These include the on-going scheme restructuring of MDSA Ventures Sdn Bhd and MDSA Resources Sdn Bhd, and the pending disposal of Gold Mart Sdn Bhd on the physical asset side.

The Group's strategic pivot is also intended to dovetail with Melaka's own efforts to transform the digital capabilities of the city while preserving and enhancing its unique heritage. Our key strategic initiatives are as follows:

- a) Blockchain and cryptomining:
  - Re-purposing the malls to include 'green' cryptocurrency mining ("cryptomining") activities
  - Setting up specialised crypto exchanges to list and trade 'green' and clean tokens and other digital assets and to provide related custody services
- b) Metaverse:
  - Creating 'metaverse' world, commencing with a digital twin of Melaka and building up an eco-system to create new digital assets including non-fungible tokens ("NFTs") and tokens
- c) Renewable energy:
  - Implementing renewable initiatives commencing with solar panels to be installed on the roofs of our malls so as to lower energy costs, enable 'green' cryptomining activities, and advance the Group's sustainability efforts
- d) Phygital:
  - Preparation for post-pandemic economic activities resumption and improving the tenant mix and related activity of our malls in Melaka.

In addition, given the Group's current financial position, it would not be in the best interest of the Company to pay the consideration in cash as the Group needs to conserve as much working capital as possible at this point of time, prioritizing funds to fuel the Group's new business initiatives to sustain its growth in the future. These efforts will enable the Group to focus on and accelerate the execution of its digital asset creation activities.

#### 2.4.2 Real estate sector remains challenging

The real estate sector in Malaysia remains challenging due to a confluence of factors such as:

- a) The Covid-19 pandemic continues to weaken economies across the world, with the new Covid-19 variants worsening the situation;
- b) Business sentiment in Malaysia remains weak resulted in sharp pullback of leasing activity and purchases of big-ticket items such as property;
- c) Interests from overseas property investors and businesses were affected due to the previous travel restrictions prohibiting on-site visit and discussions; and
- d) Malaysia's political uncertainty with the recent change of government discourages long-term investment like property.

These factors have affected the sales performance of the Unicity Project. As at the date of this announcement, 17 units of serviced suites (7% of total serviced suite units) and 342 retail units (74% of total retail units) are unsold. Due to the weak property market sentiments, the Group does not expect any meaningful sale of unsold units in the Unicity Project in the next 2 years.

#### 2.4.3 Significant dilution for all shareholders

Although there is an option to pay the outstanding Consideration in shares, it is noted that the Company's share price has declined significantly since the date of the VVSB SPA, which would lead to a significant dilution for all shareholders as the Company will be required to issue more shares. For information purposes, the five day volume weighted average price of the Company has decreased from S\$0.1405 per share as at the date of the VVSB SPA to S\$0.0464 per share immediately prior to the third anniversary of the Completion Date.

#### 2.4.4 Financial performance of VVSB

The financial performance of VVSB has deteriorated after the Acquisition due to market factors highlighted in section 2.4.2 above. As can be seen from the table below, the audited net asset value of VVSB has decreased from RM21.1 million as at 30 June 2019 to RM3.2 million as at 30 June 2021. Furthermore, the market valuation of VVSB has decreased from RM53.8 million as at 31 March 2018 to RM38.1 million as at 30 June 2021. As such it would be more beneficial to effect an unwinding of the acquisition based on the original terms than to seek a divestment of VVSB and transactions costs can also be kept minimal.

The table below shows VVSB's three years audited financial performance after the Acquisition:

Date	Net Asset Value of VVSB	Revenue of VVSB	Profit/(loss) before tax of VVSB
As at 30 June 2019	RM21.1 million	RM22.2 million	RM11.5 million
As at 30 June 2020	RM13.8 million	RM0.6 million	RM (7.9) million
As at 30 June 2021	RM3.2 million	RM0.2 million	RM (7.5) million

After considering the above factors, the Board is of the view that the Termination is in the interests of and the best option for the Company and its minority shareholders. The Company also confirms that it will not be in contravention of any laws and regulations governing the Company and the constitution of the Company (or the equivalent in the Company's country of incorporation) arising from the Termination.

### 2.5 **Principal terms of the Agreement**

#### Termination of the VVSB SPA

Upon further deliberation and mutual discussion of the Parties with regards to the Acquisition, the Parties hereby mutually agree to treat the Acquisition as being frustrated and upon the mutual termination of the VVSB SPA, the provisions, terms and conditions of the VVSB SPA shall be treated as terminated and cease to be binding on the Parties.

The Parties further agree that HMS shall notify the relevant authority(ies) of the termination of the VVSB SPA in relation to the Acquisition.

#### Terms Governing the Termination

Pursuant to the Parties' mutual agreement and subject to the terms and conditions of the Agreement, the Parties hereby agree and covenant to each other that:-

HMS as the registered shareholder of VVSB, shall deliver the following documents to the Vendors:-

- (a) the original share certificates of the Sale Shares;
- (b) the duly executed valid and registrable Instruments of Transfer of Securities in favour of the Vendors pertaining to the Sales Shares.
- (c) the resignation letter of the directors of VVSB nominated by HMS on VVSB's Board of Directors together with a confirmation that they have no outstanding claims of any kind against VVSB;
- (d) VVSB's Board of Directors' Resolution appointing the Vendors' nominee(s) (if any) to be on the Board of Directors of VVSB; and
- (e) VVSB's Board of Directors' Resolution allowing the transfer of the Sale Shares to the Vendors or the nominee or nominees of the Vendors as provided herein.

The Vendors shall upon receipt of the said transfer documents proceed to register the transfer of the Sale Shares in their names and the stamp duty to be incurred shall be equally borne by the Parties.

Upon execution of the Agreement as provided herein, neither Party shall have any further claims against each other under the terms of the SSA.

### 3. FINANCIAL EFFECTS OF THE TERMINATION

The financial effects of the Termination on the net tangible assets ("**NTA**") per Share and the loss per Share ("**LPS**") are prepared for illustrative purposes only and do not purport to reflect the actual future results and financial position of the Group following completion of the Termination. The financial effects have been computed based on the following bases and assumptions:

- (a) the Group's latest audited financial statements for the financial year ended 30 June 2021 ("**FY2021**");
- (b) the effect of the Termination on the NTA per Share is computed based on the assumption that the Termination is completed on 30 June 2021;
- (c) the effect of the Termination on the LPS is computed based on the assumption that the Termination is completed by 1 July 2020;
- (d) the expenses in connection with the Termination are disregarded for the purpose of calculating the financial effects; and
- (e) save as set out above, there have not been any adjustments for the impact of any other transactions or events other than the Termination.

#### 3.1 NTA per Share

	Before the Termination	After the Termination
NTA attributable to owners of the Company (RM'000)	21,465	55,565 <sup>(a)</sup>
Number of Shares ('000)	1,595,169	1,595,169
NTA per Share (RM cents)	1.35	3.48

Note:

- (a) Takes into account the reversal of the merger reserve and other reserve which arising from the Termination and the repayment of outstanding loan of RM2.3 million due from VVSB to the Group.

### 3.2 LPS

	Before the Termination	After the Termination
Net loss attributable to owners of the Company (RM'000)	(168,666)	(161,117)
Weighted average number of Shares ('000)	1,559,166	1,559,166
LPS (RM cents)	(10.82)	(10.33)

## 4. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Termination, and the Directors are not aware of any facts, the omission of which would make any statement in this announcement misleading. Where information in this announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this announcement in its proper form and context.

## 5. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

None of the Directors or substantial shareholders of the Company or their respective associates have any interest, direct or indirect in the Termination, other than those disclosed in this announcement and in their capacity as Director or shareholder of the Company.

## 6. TRADING CAUTION

Shareholders are advised to exercise caution in trading their Shares. As at the date of this announcement, there is no certainty or assurance that the Termination will be completed or that no changes will be made to the terms thereof. The Company will make the necessary announcements when there are further developments. Shareholders are advised to read this announcement and any further announcements by the Company carefully. Shareholders should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisors if they have any doubt about the actions they should take.

## 7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the Agreement is available for inspection during normal business hours at the registered office of the Company at 53 Mohamed Sultan Road, #04-02, Singapore 238993 for a period of three (3) months commencing from the date of this announcement.

By Order of the Board

**HATTEN LAND LIMITED**

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

28 December 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 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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