

HATTEN LAND LIMITED

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

RESPONSES 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 Company’s announcement dated 31 March 2022 in relation to the signed agreement for crypto mining activities (“**Crypto Mining Activities**”) and the acceptance of major cryptocurrencies as a mode of payment (“**Crypto Payment Mode**”). The Company’s responses to the queries are as follows:

Query 1

We note that the Company entered into a Crypto Mining Facility and Support Services Agreement (the “**Agreement**”) with its new partner (the “**Partner**”).

- a. Please provide an elaboration of who the new partner is and how did the Company came to know of this new partner?

Company’s response:

The Partner is a SPV (special purpose vehicle), a private company incorporated in Singapore, wholly owned by its owner and the sole director who is a permanent resident of Singapore. The owner has hundreds of crypto mining rigs operating within Southeast Asia currently, including Peninsular Malaysia, East Malaysia and Laos. The Partner was introduced by one of the Company’s existing blockchain business partners. The Company has not disclosed the name of the Partner and its owner due to commercial sensitivities,

- b. What are the factors considered by the Board and Company before entering into the agreement with this new partner?

Company’s response:

The Board and the Company have considered factors relevant to the Crypto Mining Activities and the Company have conducted due diligence assessments prior to entering into the agreement with the Partner, include but are not limited to:

- the experience, background and track record of the Partner and its owner;
- model and status of the crypto mining rigs;
- financial impact to the Company, including cost benefit analysis; and
- risk exposure analysis and evaluation.

- c. What due diligence has the Company and Board done on the Crypto Mining Activities, Crypto Payment Mode, and the Partner before the Agreement was entered into?

Company’s response:

The Company has conducted due diligence assessments, including but not limited to:

Crypto Payment Mode

- Performing internal research and understanding of acceptance of cryptocurrencies as payment,
- Discussions with a registered licensed partner in Malaysia for acceptance of cryptocurrencies as payment and joint collaboration to achieve seamless, efficient and convenient payment experiences for the Company's customers; and
- Obtaining legal opinions from reputable law firms in Singapore and Malaysia, of which the law firms in Singapore and Malaysia that the acceptance of cryptocurrency as payment for goods or services (including real estate) is not prohibited by law in Singapore and Malaysia.

Crypto Mining Activities and the Partner

Please refer to the response to Query 1b above for some of the due diligence assessments conducted by the Company before the Agreement was entered into.

d. Does the Company / Board / Management have expertise and experience in Crypto Mining Activities and Crypto Payment Mode?

Company's response:

Since September 2021, the Group has entered into Strategic Partnership Agreement to tap on our crypto mining partner's proven expertise and experiences in managing the crypto mining activities. In January 2022, the Group had successfully deployed a technical team from Singapore to Melaka and commenced crypto mining operations. The Group's mining operation is smooth and stable within its properties. Since our strategic pivot towards digital transformation in late 2021, the Group has gained good momentum in partnering with established crypto mining operators, in the region and around the world, including the Partner, who are attracted by the scale and quality of the Group's mining facilities and collaborative business model.

Similarly, for Crypto Payment Mode, the Group is in discussion with a registered licensed partner in Malaysia to leverage on its license and expertise for a joint collaboration to achieve seamless, efficient and convenient payment experiences for the Group's customers.

e. Please provide the Company and Board's assessment on the risks involved in entering into this Agreement and the safeguards taken to manage / mitigate the risks.

Company's response:

Risks involved in entering into the Agreement are largely in line with the risks disclosed in the Company's Circular to the Shareholders dated 15 December 2021 ("Circular") for the Proposed Diversification to include the New Business ("Proposed Diversification") of which crypto mining is one of the key pillars. The risk management procedures are well elaborated in the Circular too. In addition, the Company has conducted due diligence procedures as described in the response to Query 1b above to further safeguard the Company's interest and mitigate the risk.

Query 2

We note that the Partner has agreed to deliver 50 sets of brand new Bitmain Antminer S19J Pro for the crypto mining operation as part of the agreement. Hatten Edge, the subsidiary of the Company will provide the Crypto Mining services and the profits will be shared after deducting operational and management expenses.

- a. **Please elaborate and provide a breakdown of the costs involved in acquiring this new equipment and the operational costs of the provision of Crypto Mining services.**

Company's response:

Due to highly competitive business nature and commercial sensitivities, the Company is unable to disclose the breakdown of the costs involved in acquiring this new equipment and the operational costs of the provision of Crypto Mining services. However, the Company wish to update the shareholders that as at the date of this response, the Partner has already delivered 80% or 40 of the pilot batch of brand new Bitmain Antminer S19J Pro crypto mining rigs, which is ahead of the original schedule. The Group has completed the installation and started the operations of these new mining rigs within the same day of delivery. All the new mining rigs are operating smoothly and mining Bitcoins (BTC) continually on an automated basis, around-the-clock.

- b. **How will the net proceeds from the crypto mining operations be valued?**

Company's response:

The net proceeds are valued in accordance with contract and relevant accounting rules, based on the actual cryptocurrency mined for the month and the cryptocurrency price publicly available on reputable and reliable sources, for instance CoinMarketCap and Yahoo Finance.

- c. **Other than to deliver the equipment, are there other arrangements with the Partner? Will the Partner be entitled to share in the cryptocurrencies mined? Please elaborate.**

Company's response:

As disclosed in the announcement, the Partner is entitled to a share of the cryptocurrencies mined. The Group is entitled for a share of the net proceeds after deducting the operational and management expenses and the share due to the Partner.

In addition, the Group is in discussion with the Partner for additional delivery and deployment of crypto mining rigs on top of the initial 550 crypto mining rigs that has been announced. The Group will update investors in a timely manner should the Group reached additional agreement(s) with the Partner.

- d. **What does the Company intend to do with the mined Cryptocurrencies and what kind of revenue stream will it generate for the Company?**

Company's response:

The mined cryptocurrencies are kept, in accordance with the Company's cryptocurrencies strategy which is continuously monitored and updated, including utilisation through the Company's blockchain and metaverse initiatives. Cryptocurrencies are becoming mainstream with more real-world applications as a means of commerce, making transactions more cost-efficient and facilitating new economic activities in the digital economy, hence the Group believes the demand for Bitcoin and other major cryptocurrencies will continue to be resilient.

In terms of revenue stream, the Group will recognise revenue from crypto mining hosting services, in accordance with relevant accounting standards. The Group's performance obligation includes providing space, power capacity, connectivity, set-up & installation services, utilities and technical support. The Company has held timely meetings and discussions with the Company's auditors regarding the accounting treatment of revenue recognition. Subject to the performance and completion of audit procedures, the auditors concur with the management's preliminary assessment on accounting

treatments, in accordance with applicable accounting standards.

Crypto mining allows the Group to utilise available space within our property portfolio and power capacity, and at the same time, generating pandemic-proof additional revenue for the Group. The Group believes that crypto mining operation provides a recurring and automated source of revenue, thereby leading to more stability in our financial performance.

- e. **Please also provide more details on the types of cryptocurrencies that will be mined and provide an assessment of the risk involved in each individual type of cryptocurrency.**

Company's response:

The cryptocurrency being mined by the Group is Bitcoin (BTC). In addition to the general risks of cryptocurrency assessed and disclosed in the Circular dated 15 December 2021, the Group would like to update investors on the specific risks identified on crypto mining operations, including:

Our business could be disrupted by prolonged power and internet outages, shortages, or capacity constraints.

Crypto mining operations requires stable supply of electrical power and internet. We may be required to reduce or cease our operations if we lose electrical power or internet access which will adversely affect our operations.

The Group has not experienced any major electrical outage in the past 36 months in Melaka. Therefore, barring unforeseen circumstances in future, we have assessed the risk of power outages to be low.

Changing public energy policy and price may expose our business to new risks.

The crypto mining operations are profitable and successful if the costs we incur, including electricity, are lower than the output we generate from our operations. Increase in electricity will adversely affect our result.

The Group noticed the tariff is relatively stable in Malaysia and the last tariff adjustment was made in 2014. Except for unforeseeable circumstances, the Group believes Malaysian tariff will remain competitive in the region. In addition, the Group is also working with partner to develop solar facilities to add renewable energy into our energy mix to reduce our electricity costs and increase our crypto mining capacity.

Query 3

We also noted that the Group will accept major cryptocurrencies as a mode of payment for the transactions of property sale, retail and hospitality businesses under the Group's property portfolio.

- a. **What did the Board and Company consider before making the decision of accepting major cryptocurrencies as a mode of payment?**

Company's response:

The Board and the Company have considered relevant factors before making the decision of accepting major cryptocurrencies as a mode of payment, including but not limited to:

- the legitimacy and feasibility study of accepting cryptocurrencies;
- risk and benefit analysis;

- the synergy with the Company's existing real estate and new digital pivot businesses; and
- other outcome of the due diligence procedures conducted as described in the response to Query 1c above, in particular the legal opinion obtained from reputable law firms on acceptance of cryptocurrency as payment in Singapore and Malaysia.

b. Given the volatility of most cryptocurrencies, how will the acceptance of cryptocurrencies as a mode of payment affect the risk profile of the Company?

Company's response:

The volatility of cryptocurrencies has been duly disclosed in the Circular for the Proposed Diversification. The Company does not expect the acceptance of cryptocurrencies as a mode of payment to significantly affect the risk profile of the Company, as the cryptocurrencies accepted will be partially converted immediately into fiat to finance the Group's ongoing projects.

In addition, to further manage the risk, the Group has been very careful and selective on the type of cryptocurrencies acceptable at the initial phase. As announced, the type of cryptocurrencies acceptable includes Bitcoin (BTC), Ethereum (ETH), and stablecoin Tether (USDT). These are the world's top 3 cryptocurrencies in terms of market capitalisation, valued at approximately US\$1.38 trillion collectively. Tether (USDT) being a stablecoin with a price pegged to USD \$1.00, has less than 3% fluctuation against USD in the past 36 months. Other major cryptocurrencies might be acceptable and will be assessed on case-by-case basis.

c. Will there be any safeguards put in place to ensure that these transactions will be safe and that the cryptocurrencies will be stored safely? If so, what are the safeguards in place?

Company's response:

The Company is in discussion and working with a registered licensed partner in Malaysia for a joint collaboration to achieve seamless, efficient and convenient payment experiences for the Group's customers. In Singapore, the Company is working with a MAS regulated partner to safeguard the Group's transactions and cryptocurrencies.

d. Has the Company consulted its auditors on the accounting treatment? If so, how will these cryptocurrencies be accounted for? If not, why not?

Company's response:

The Company has held timely meetings and discussions with the Company's auditors regarding the accounting treatment of cryptocurrencies. Based on preliminary assessments, cryptocurrencies are accounted for as intangible assets. Subject to the performance and completion of audit procedures, the auditors concur with the management's preliminary assessment on accounting treatment, in accordance with applicable accounting standards.

By Order of the Board
HATTEN LAND LIMITED

Dato' Tan June Teng, Colin
Executive Chairman and Managing Director
5 April 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 Catalyst.

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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