

**ATTILAN GROUP LIMITED**  
(Incorporated in Singapore)  
(Company Registration Number: 199906459N)

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**REPLY TO SGX QUERY**

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In response to the SGX's queries dated 15 March 2019 for clarification on the unaudited results for the Full Year Ended 31 December 2018, the Board of Directors (the "Board") of Attilan Group Limited (the "Company") wishes to announce the following:-

**SGX's Query 1:**

Please elaborate on the fair value gain on financial liability and how it gave rise to a fair value gain of S\$333.5k in FY2017 but only S\$83.4k in FY2018.

**The Company's responses:**

As stated in the announcement dated 28 March 2018 and under Note 28 of the Annual Report for FY2017, the financial liability arises from the assignment of the Group's Economic Rights on the 33.27% effective interest in investment in Chaswood Resources Holdings Ltd. ("Chaswood Shares") to a former subsidiary. The assignment entitles the former subsidiary to the right to participate in the proceeds arising from the future sale, disposal and realisation of the Chaswood Shares.

The deed of assignment provides that, when the sale price of each Chaswood Share is below S\$0.05, the Group shall pay to the former subsidiary an additional 50% of the difference between the market price and S\$0.05. If the sale price of each Chaswood Share is above S\$0.40, the Group is entitled to 50% of the excess between market price and S\$0.40.

Fair value of the quoted debt instrument and derivative liability being designated as financial liability, at fair value through profit or loss, is determined by management based on the published market bid price on the Singapore Exchange Securities Trading Limited and Black-Scholes Option Pricing Model.

The fair value gain of S\$83,400 in FY2018 was mainly due to the lower fair value of the financial liability in FY2018 due to the lower share price of Chaswood Share of S\$0.009 as at 31 December 2018 as compared to S\$0.011 for FY2017.

**SGX's Query 2:**

Financial guarantee expense amounted to S\$244.6k for FY2018, please elaborate on this item and the nature of the financial guarantee and how the amount was derived.

**The Company's responses:**

As disclosed under Note 26 of the Annual Report FY2017 and the Company's announcements dated 26 March 2018 and 4 April 2018, the financial guarantee was extended by the Company to Phillip Asia Opportunity Fund Ltd in April 2014 in relation to the subscription of redeemable secured notes of up to a sum of US\$5,000,000 issued by Turf Group Holdings Limited. Please refer to the Company's announcements dated 26 March 2018 and 4 April 2018 for further details.

The financial guarantee expense of S\$244.6k for FY2018 arose from the decrease in the amount of the estimated counter indemnity recoverable from a former subsidiary amounting to S\$4,795,501 for FY2018 as compared to S\$5,040,079 for FY2017.

**SGX's Query 3:**

Please disclose the reason why foreign exchange gain of S\$862k in FY2017 turned into a foreign exchange loss of S\$204k in FY2018. Please disclose the underlying items and the value of the underlying that resulted in the significant swing on foreign exchange changes.

**The Company's responses:**

The underlying items are (i) the financial guarantee which is in USD and (ii) translation of functional currency in USD and RM of the Company and its subsidiaries to the reporting currency.

In respect of the financial guarantee, there was foreign exchange gain of S\$663k for FY2017 as compared to a foreign exchange loss of S\$168k for FY2018, respectively due to the movement between SGD and USD. The foreign exchange loss of the remaining S\$36k arose from the translation from entity functional currency to reporting currency of subsidiary companies.

**SGX's Query 4:**

In relation to the Write back of impairment loss on trade and other receivables amounting to S\$660,225:-

- a. Please disclose identity of the debtor from which the significant amount of S\$660k Trade and other receivables was received from and when was payment received by the Company.
- b. Please disclose what is the underlying item which resulted in the initial impairment, why and when was the impairment made previously.
- c. Please elaborate on the use of proceeds of the S\$660k received.

**The Company's responses:**

- a. The name of the debtor is Chaswood Resources Holdings Ltd. This amount was recovered by setting off with the amount payable to the former subsidiary. There was no actual payment received as this is purely a set off.
- b. As announced on 6 July 2018, the Company has provided impairment loss on the trade and other receivables for amounts due from related parties which are not recoverable after consideration by the directors of the Group based on the financial position and situation of the debtor.
- c. As mentioned in response to query 4(a) above, the amount was recoverable via a set off with amount payable to the former subsidiary.

**SGX's Query 5:**

Please provide details of the Intangible assets of S\$250,000 as at 31 December 2018 and explain where the reduction of S\$100,000 in intangible assets in FY2018 had been disclosed in the Statement of comprehensive income

**The Company's responses:**

The intangible assets is in relation to franchise fee for the preschool. The amortization of the intangible assets for FY2018 amounts to S\$100,000 and was stated as part of cost of sales of in the statement of comprehensive income.

**SGX's Query 6:**

In relation to the significant Financial guarantees contracts amounting to S\$8.04 million:-

- a. Please provide specific details of these Financial guarantee contracts, to whom were they extended to and when were they made.
- b. Please explain how the significant liability will affect the Company and what are the factors that will result in the realization of these liability.

**The Company's responses:**

- a. As disclosed under Note 26 of the Annual Report FY2017 and the Company's announcements dated 26 March 2018 and 4 April 2018, the financial guarantee was extended by the Company to Phillip Asia Opportunity Fund Ltd in April 2014 in relation to the subscription of redeemable secured notes of up to a sum of US\$5,000,000 issued by Turf Group Holdings Limited. Please refer to the Company's announcements dated 26 March 2018 and 4 April 2018 for further details.
- b. As announced on 4 April 2018, the Company is involved in a legal suit with Phillip Asia Opportunity Fund Ltd. which was in connection with the financial guarantee. The legal suit has resulted in a significant change in the Company's financial position and a probable threat liquidation. As announced on 18 May 2018, the Company has entered into a settlement agreement with Phillip Asia Opportunity Fund Ltd as full and final settlement of the legal suit. The Company has paid a total of S\$200,000 in accordance with the settlement agreement. As the Company has not been able to make fulfil the remaining repayments, the Company is negotiating a further settlement with Philip Asia Opportunity Fund Ltd.. Any failure by the Company to repay the settlement amounts will result in the realization of these liability.

**SGX's Query 7:**

Please disclose who was the former subsidiary and whether it has repaid the Company for the S\$200k which was paid to Philip Asia for settlement. Who is currently the shareholder(s) of this former subsidiary and whether there are arrangements for payment to be repaid to the Company.

**The Company's responses:**

The former subsidiary is Tremendous Asia Management Inc ("TAMI"). As stated in the announcement on 4 April 2018, TAMI is owned by Tremendous Asset Partners Ltd that is ultimately owned by Dato' Mohammed Azlan bin Hashim.

The Group has had further advances from TAMI during the year. The S\$200,000 which was paid to Philip Asia for settlement would be set off against the amount owing by the Group to TAMI.

**SGX's Query 8:**

Please disclose the details of the settlement with Philip Asia and whether the Company has met its milestones as set out in the settlement agreement with Philip Asia.

**The Company's responses:**

As announced on 18 May 2018, the Company entered into a settlement agreement with Phillip Asia Opportunity Fund Ltd, under which the Company shall make an aggregate payment of S\$2.0 million. To the date of this announcement, the Company had repaid S\$200,000 to Philip Asia in accordance with the settlement agreement. As mentioned in the response to Query 6 above, the Company has not been able to make fulfil the remaining repayments due to the inability to drawdown the Redeemable Convertible Note

because of the suspension of trading of the Company's shares. As such, the Company is negotiating a further settlement with Philip Asia Opportunity Fund Ltd.

**SGX's Query 9:**

Please elaborate on what Property, plant and equipment was disposed which amounted to S\$2.05 million and whether the Company had obtained shareholders' approval under Listing Rule 1014 or disclosed the information required under Listing Rule 1010 where applicable. Please provide basis to substantiate the Board's views on the disposal.

**The Company's responses:**

The above Property, plant and equipment refers to the properties at 65 Tiong Poh Road #01-32 and #02-32 Singapore 160065 ("**Properties**"). As announced on 14 December 2017, the Company had obtained shareholders' approval in the extraordinary general meeting held on 14 December 2017.

As stated in the circular dated 29 November 2017 to the shareholders of the Company, the Board was of the view that it was an appropriate time to dispose the Properties as they were not occupied by the Group for its business and if the Group was unable to find tenants when the leases expired, the Properties would be left vacant. In addition, the Proposed Disposal will enable the Group to realise the value of the Properties and improve the cash flow position of the Company.

**SGX's Query 10:**

In relation to the Repayment of Borrowings amounting to S\$1.39 million for FY2018:-

- a. Please provide a breakdown of the borrowing repayment and to disclose the identities of the creditors.
- b. Please disclose the use of proceeds for these borrowings and the source of funds that was used to finance these repayment of borrowings.

**The Company's responses:**

- a. The repayments of borrowings include repayments for:
  - i) loans directly associated to the Properties referred in the response to Query 9 above amounting to S\$744,000.
  - ii) loans from TAP Venture Fund Pte Ltd for the preschool amounting to S\$250,000.
  - iii) loans and advances from third parties comprising Timber Capital Pte Ltd and Jin Song Qiao amounting to S\$396,000.
- b. The use of proceeds for these borrowings and source of repayment of the borrowings are as follows:
  - i) loans directly associated to the Properties sold were used to finance the acquisition of the properties and were repaid from the proceeds of sale of the Properties.
  - ii) loans for the pre-school were used to finance the expansion capital of the preschool and was repaid from the proceeds of sale of the Properties.
  - iii) loans and advances were used for the expansion and working capital for the pre-school and the Group and repaid from the proceeds of sale of the Properties.

**SGX's Query 11:**

Please provide further details of the site identified by the Company for its Preschool business expansion, the size of the site and relevant costs of leasing the venue, and how will such costs be financed.

**The Company's responses:**

The site identified is in the constituency of Pasir Ris. The size is approximately 5,000 sf and is estimated to cost between \$150,000 and \$300,000 to set up the pre-school. These costs will be financed by third party lenders pending the drawdown of the Redeemable Convertible Notes.

**SGX's Query 12:**

Paragraph 12 of Appendix 7.2 requires an issuer to state the reasons if no dividends have been declared. Please disclose accordingly.

**The Company's responses:**

No dividend has been recommended or declared by the Company for FY2018 due to the current performance and financial of the Group.

**SGX's Query 13:**

The Company disclosed on 19 November 2018 that its wholly owned subsidiary Hub Media Group Pte. Ltd. ("**Hub Media**") received a writ of summon filed by Comarex for a claim of US\$266,450 in relation to outstanding license fees. Please provide the latest development on the settlement.

**The Company's responses:**

The court proceedings for the writ of summon filed against Hub Media are still on-going. The Company will make further announcements on any material developments, as and when necessary.

**SGX's Query 14:**

The Company announced on 31 December 2018 its intention to dispose Hub Media to a Malaysian citizen for consideration of S\$150,000, excluding transaction fees. Please disclose the long stop date of the SPA and whether the Company will be seeking shareholders' approval for the disposal.

**The Company's responses:**

In light of the latest development of the Comarex claims referred in Query 13 above and the shareholder's approval requirement for the completion of the SPA, the Company is currently in discussions with the Purchaser to address these issues before deciding whether to move ahead with proposed disposal of Hub Media.

**SGX's Query 15:**

In relation to the Put options liabilities:-

- a. Please provide details and elaborate the nature of the Put options and its corresponding liabilities.
- b. Please disclose how is the value of the liabilities determined

**The Company's responses:**

- a. As announced on 6 July 2017, the Company has entered into various put option agreements with certain third parties ("Investors") that provide the Investors the right to require the Company to acquire all the preference shares held by the Investors in TAP Venture Fund I Pte. Ltd ("TAPVF"). Please refer to the Company announcement dated 6 July 2017 for further details.
- b. The Put options are in relation to a total of 980 preference shares in TAPVF preference shares based on the issue price of S\$25,000 per preference share plus any consideration paid by the respective Investor for a total consideration of S\$24.5 million. Please refer to the Company's announcements on 6 July 2017 and 26 March 2018 on the purchase price of the preference shares payable by the Company pursuant to the exercise of the Put options.

**SGX's Query 16:**

On 14 January and 27 February 2019, the Company announced it received notice of exercise of Put options where it is required to redeem an aggregate of 200 and 80 preference shares at consideration of S\$5 million and S\$2 million respectively and that the Company is presently unable to meet its obligations.

- a. Please explain how the Company intends to settle the amount with the various Put options holders who have exercised their rights.
- b. Please provide a breakdown of the outstanding Put options not yet exercised, the financial exposure for each agreement and its respective exercise period.
- c. Please provide the Board's opinion on the likelihood of the outstanding Put options being exercised by investors and justify why.

**The Company's responses:**

- a. The Company has written a settlement proposal to all of the Put option holders to pay a total of S\$2.5m in cash for a total settlement of the Put options on the condition that the Company is able to resume its trading status. Further, it is proposed that this payment will not prejudice them from any returns on their fund investment in TAPVF. This has been sent to each of the Put option holders. This is a much better recovery than a liquidation scenario of the Company where it is anticipated that the Put option holders will get zero recovery.
- b. Please refer to the breakdown below. The breakdown of the outstanding Put options not yet exercised are as follows:

Put Option Period		Potential Financial Exposure
Commencement	Expiry	(S\$)
01-Jan-19	30-Jun-19	7,500,000
01-Apr-19	30-Sep-19	7,500,000
01-Jul-19	31-Dec-19	2,500,000
Total:		17,500,000

- c. Given the current proposal to the Put option holders, it is very likely that the Put options will be exercised by all of the investors in accordance with the current settlement proposal since they will get payment from the Company as well as from the TAPVF. Failing to exercise their Put options in accordance with the current settlement proposal, they will lose the right to this settlement proposal.

**SGX's Query 17:**

The Company was placed on the Financial Watchlist with cure period to exit the Watchlist by 2 June 2019, Please elaborate on the efforts and progress made in meeting the exit criteria, and whether the exercise of Put options so far has an impact on the Company's ability to operate as a going concern?

**The Company's responses:**

In order to meet the exit criteria, the Company is required to show that it is able to carry on the business as a going concern.

While the Company expects the pre-school business to provide the long term sustainable business model, the Company is required to settle the financial guarantee relating to Philips Asia as well as the Put options in order to enable the Company to operate as a going concern. The Company intends to settle these obligations and to fund the pre-school business by drawing down the Redeemable Convertible Notes which are dependent on the trading of the Company's shares.

As mentioned in the response to Query 16 above, the potential financial exposure arising from the Put options amounted to S\$17,500,000. The Company is working to achieve a settlement with the Put option holders.

**BY ORDER OF THE BOARD**

Datuk Jared Lim Chih Li  
Managing Director  
21 March 2019