

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

DISPOSAL OF A SUBSIDIARY, PORTWELL INVESTMENTS LIMITED

*Unless otherwise defined, all capitalised terms used in this announcement shall bear the same meanings as in the Company's announcement dated 25 May 2015 (the "**Announcement**").*

In response to the queries of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") dated 28 May 2015 for clarification on the disposal of a subsidiary, Portwell Investments Limited ("**Portwell**"), the Board of Directors (the "**Board**") of Attilan Group Limited (the "**Company**") and together with its subsidiaries, the "**Group**") wishes to announce the following:

Query 1:

Please provide background information on the purchaser, TAP Investments Ltd, including details such as its directors and ultimate beneficial shareholders. Are/were there any relationships, both past and present, between the directors, controlling shareholders and their respective associates of TAP Investments and the Company? If so, please disclose the details.

Response 1:

TAP Investments Ltd ("**TAP**") is a company incorporated in the British Virgin Islands. Its sole director and shareholder is Mr Lee Toh Chong. Mr Lee Toh Chong is the Investment Director of Asiasons Partners Sdn Bhd, a 70%-owned subsidiary of the Company. Mr Lee Toh Chong is proposing to do a management buyout of Portwell having being involved in assets and liabilities portfolios in Portwell. As far as the Company is aware, he is not related to any of the directors and controlling shareholders of the Company and their respective associates.

Query 2:

It is stated that the objective of the Disposal is to enable the Group to procure liquidity for its long term assets. Please elaborate on how the Company is able to procure liquidity for its long term assets if the consideration received is only S\$1 and all future proceeds and economic rights and entitlements in Chaswood Shares, including sales proceeds on such shares, will be given to TAP Investments along with the Company's economic interests in Dragonrider Opportunity Fund II L.P ("**Dragonrider Fund**").

Response 2:

The Disposal (when completed) will allow the Company to reduce a significant portion of its interest-bearing loans due and owing to its creditors by Portwell, and the total amount of such interest-bearing loans is almost equivalent to the value of the long term assets recorded in Portwell's balance sheet. The Disposal will free up the cash flow of the Group which would have been used for servicing the interest payment and principal repayment. In addition, though the cash flow from the Disposal is insignificant, the liquidity of the Group would be improved and the balance sheet of the Group will be also lightened.

Query 3:

It is stated that Portwell's assets comprise: (i) 58.93% of certain economic rights and entitlement to the future proceeds to be derived from the sale and disposal of the shares in Chaswood Resources Holdings Ltd. (a Catalist listed company) ("**Chaswood Shares**") that are currently legally and beneficially owned by the Group; and (ii) AIL's fund subscription in Dragonrider Fund.

- a) Please provide further details on the "economic rights and entitlement" relating to Chaswood Resources Holdings Limited. What is the estimated fair value of these economic rights and entitlements of future proceeds and have these fair values been fully included in the calculation of the net liability position of Portwell?;
- b) How many Chaswood Shares does the Company hold? What is the market value of the Chaswood Shares?;
- c) Please provide details on the assets of the Dragonrider Fund. What is the amount that the Company has invested in this fund and what is the valuation attributable to this investment taken in the calculation of the net liability position of S\$574,179? Please disclose the market value of the investments in the fund; and
- d) We wish to draw the Company's attention to Listing Rule 1003(2). In relation to the calculation of the valuation of Portwell's assets, please confirm how the rule has been complied with.

Response 3:

- a) The "economic rights and entitlement" of Chaswood Resources Holdings Ltd. ("**Chaswood**") refer to the underlying values of the future proceeds to be derived from the sale and disposal of the Chaswood Shares. The fair value of Portwell's economic rights and entitlement to the future proceeds to be derived from the sale and disposal of the Chaswood Shares was S\$9,170,466. It was determined based on the last traded price of the Chaswood Shares as at 31 December 2014 on Catalist and has been used in the computation of the net liability position of Portwell.
- b) As at the date of the Announcement, the Group holds a total of 101,195,877 Chaswood Shares. Chaswood is considered as an associated company of the Company. The carrying value of the Chaswood Shares held by the Group as at 31 December 2014 and 31 March 2015 was S\$11,131,547 and S\$10,627,121 respectively.
- c) The assets of Dragonrider Fund consist of a basket of investments in several private companies in Singapore, Malaysia and Thailand and a listed company in Singapore. The Company had invested US\$16,227,992.22 (S\$21,442,046 as at 31 December 2014 and S\$22,337,831 as at 31 March 2015 due to foreign exchange translation) in Dragonrider Fund. The Group had used the cost of investment in Singapore dollar equivalent as at 31 March 2015 for the computation of the net liability position of Portwell.

The Board had commissioned an independent valuation on the market value of the Group's investment in Dragonrider Fund. Based on the independent valuation, the market value of the Group's investment in Dragonrider Fund was lower than the cost of the Group's investment in Dragonrider Fund.

- d) The Group had commissioned an independent valuation on the market value of the Group's investment in Dragonrider Fund for the purpose of the Disposal. The market value was lower than the cost used for the computation of the Disposal.

The value of Portwell's economic rights and entitlement to the future proceeds to be derived from the sale and disposal of the Chaswood Shares was determined based on the last traded price of the Chaswood Shares as at 31 December 2014 on Catalist.

In this regard, the Company has complied with Rule 1003(2) on the valuation of the assets to be disposed.

Query 4:

It is stated that “Portwell has only taken over certain economic rights and entitlement to the future proceeds to be derived from the sale and disposal of Chaswood Shares, the entire legal and beneficial ownership of the Chaswood Shares and all the voting rights attached thereto have been wholly retained by the Group”.

- a) Please explain the rationale for retaining the legal ownership of the Chaswood Shares even though the economic rights and entitlement would be disposed of;
- b) Would the Company be deemed as a nominee of TAP Investments’s holdings in Chaswood Shares?; and
- c) Has this change in ownership been notified to and announced by Chaswood Resources Holdings Limited?

Response 4:

- a) The rationale is that the Group will continue to enjoy the benefits such as dividends payout, if any, from Chaswood, and other rights of ownership in shares (including voting rights) and continue to exercise control over the shares held in Chaswood, so that the Company will be able to maximise the potential selling price as a whole and continue to consolidate the share of profits and loss of Chaswood as an associated company of the Group.
- b) The Company would not be deemed as a nominee of TAP as stated in paragraph 2 of the Announcement, the entire legal and beneficial ownership of the Chaswood Shares and all the voting rights attached thereto have been wholly retained by the Group, which will continue to control such Chaswood Shares and exercise its rights over these voting shares at its absolute discretion.
- c) There is no change in ownership of the Chaswood Shares held by the Group.

Query 5:

In regard to Rule 1006(b) of the Listing Manual, both Portwell and the Company have recorded a loss.

- a) Based on Listing Rule 1007, the Company should consult SGX on whether Chapter 10 of the Listing Manual is applicable. Please comply accordingly;
- b) Please disclose the gain/loss on the Disposal, noting that the Company will not be receiving any proceeds for the disposal of Chaswood Shares in the future and for its interests in the Dragonrider Fund;
- c) Please disclose the latest audited NAV of Portwell as of 31 Dec 2014;
- d) Please provide breakdown details on how the net liability position of S\$574,179 is calculated. Are there any inter-company liabilities/receivables that are included in the calculations and would these amounts be collected or paid by the Company?; and
- e) Please provide the Board’s basis and explanation as to why this Disposal is in the best interests of the Company.

Response 5:

- a) The Company will consult SGX-ST on whether Chapter 10 of the SGX-ST Listing Manual is applicable.

Response 5 (cont'd)

- b) The Group will not be receiving 58.93% of certain economic rights and entitlement to the future proceeds to be derived from the sale and disposal of the shares in Chaswood Resources Holdings Ltd.

For illustration purposes only, the gain or loss on Disposal was calculated based on the latest announced unaudited consolidated financial statements of the Group as at 31 March 2015 and assuming that the transaction has been completed on 31 March 2015.

Based on the above assumption, the Group would have recognised a gain on disposal of S\$81,212 upon completion of the Disposal.

- c) As at 31 December 2014, the audited net asset value of Portwell was S\$322,484. This was due to a one off gain on novation of assets between Portwell and another subsidiary of the Company. The gain was eliminated at the group level for consolidation purposes.
- d) The breakdown of the net liabilities position of Porwell is as follows:

		<u>S\$</u>	<u>S\$</u>
Asset	Economic rights of Chaswood Shares	9,170,466	
	Investment in Dragonrider Fund	22,337,831	
	Total Assets		31,508,297
Liabilities	Amount due to a former subsidiary	22,810,976	
	Amount due to investee company	9,271,500	
	Total liabilities		32,082,476
Net Liability			<u>(574,179)</u>

After the completion of the Disposal, the Group will recognise "other payables" of S\$9,170,466 in the consolidated balance sheet. Such amounts are currently eliminated on the group level as they are intercompany balances between Portwell and a subsidiary.

- e) As stated in paragraph 1 of the Announcement, the objective of the Disposal is to enable the Group to procure liquidity for its long term assets and at the same time reduce both the short and long term debt and liabilities.

This has been the strategy of the Board to lighten the balance sheet of the Group. The disposed liabilities are all interest bearing loans of between 12-15% and the Disposal will reduce the interest expense incurred by the Group significantly.

The Board believes this is in the best interests of the Group as the immediate priority is to reduce the Group's overall expenses as part of the cost cutting exercise and at the same time to unlock the value of the long term assets held and to lighten the balance sheet of the Group through this exercise.

By Order of the Board

Datuk Jared Lim Chih Li
Managing Director
2 June 2015