

# ATTILAN GROUP LIMITED

Registration Number 199906459N  
(Incorporated in the Republic of Singapore)

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## RESPONSE TO SGX QUERIES

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In response to the SGX's queries dated 30 March 2017 for clarification on the unaudited results for the Twelve Months Ended 31 December 2016, the Board of Directors (the "Board") of Attilan Group Limited (the "Company") wishes to announce the following:

### **Query 1:**

In the Company's Income Statement, we note that the Share of Loss of Associated Companies amounted to S\$2.34 million in 2016 from a loss of S\$6.3 million in 2015. Please disclose the associated companies that contributed to the significant losses of S\$2.34 million and provide a review of the significant factors that affected the turnover, costs and earnings of each of these associated companies as well as discuss any material factors that affected their cash flow, working capital, prospects and strategy.

### **Response 1:**

The share of loss of S\$2.34 million in 2016 includes share of results of associated company of S\$0.8 million and impairment of S\$1.5 million according to the market value of the quoted equity shares as at 31 December 2016.

As disclosed in Chaswood's results announcement on 1 March 2017, the F&B retail industry continued to face difficult operating environment, particularly in Malaysia, with weak consumer sentiment due to the rising cost of living, the slower global economy and further weakening of Malaysian currency.

Chaswood has taken proactive measures to implement cost rationalization exercises which include improving operational efficiency (including procuring the right management resources to drive efficiency) and reducing head office expenses. These measures have partially cushioned the financial impact during this challenging period and will provide a stronger infrastructure in the coming year particularly when the economy and consumer sentiment improves.

Chaswood will focus on strengthening the operations for its core brands and continue to implement various marketing/promotional strategies to drive sales.

Meanwhile, Chaswood is also exploring various options to recapitalize its balance sheet to address its net current liability position.

**Query 2:**

Under Other Comprehensive Incomes(Loss). Net of Tax found on page 2 of the Financial Results,

- a. The Company reported Exchange Differences on Translation of Foreign Operations amounting to an income of S\$0.4 million in 2016 from a loss of S\$0.75 million recorded in 2015. Please disclose details of the operation and the reasons for the foreign exchange gain.
- b. The Company reported Exchange Differences on Translation of Foreign Operations from Share of Other Comprehensive (Loss)/Income of Associated Company amounting to a loss of S\$0.41 million in 2016 compared to a gain of S\$0.57 million in 2015. Please disclose the details of the operations and the reasons that gave rise to the loss.
- c. Please explain the difference between the 2 types of exchange differences as stated in (a) and (b) booked in by the Company for its foreign operations.

**Response 2:**

(a) This is the exchange differences on translation of net liabilities of foreign operation with subsidiaries' functional currency in Ringgit Malaysia ("RM"). The exchange gain amounting to S\$0.4 million is mainly arising from the strengthening of SGD against RM. The exchange rate used in translating from entity's functional currency to reporting currency for both FY2016 and FY2015 is shown as below:

SGD to RM	2016	2015	Variance
Average Rate: PL Translation	3.0013	2.8386	0.1627
Month End Rate: BS Translation	3.1017	3.0358	0.0659

(b) This is the exchange differences on translating the foreign operations of the associate to the associate's functional currency in RM. The exchange loss of S\$0.41 million in 2016 compared to a gain of S\$0.57 million in 2015 is mainly due to the associated company reported higher translation loss of RM2.4 million in 2016 as compared to translation gain of RM5.5 million in 2015.

(c) Both exchange differences are arising from the translation of foreign operations. The gain of S\$0.4 million is translation difference for subsidiaries whereas the loss of S\$0.41 million is translation difference from associated company.

**Query 3:**

On page 2 of the Financial Results, we note that the Company had waived Loan and Interest Payable amounting to S\$6.26 million, an significant amount which exceeds the Company's Net Asset Value of S\$4.1 million.

Please disclose:-

- a. The identity of the borrower and when this loan extended;
- b. The details of the terms of the loan;
- c. The purpose of the loan and how the proceeds were utilized;
- d. The financial status of the borrower when the loan was extended and the borrower's current financial standing; and
- e. The steps taken by the Board of Directors to collect the debt as well as to provide a status update on any legal actions in progress.

**Response 3:**

The Company did not waive any loan and interest but rather received a full waiver of its borrowings.

The borrower is the Group's subsidiary, Vibrant Coast Management Ltd ("VCM"), which has entered into an agreement for a term loan facility with UBS AG, Singapore Branch (the "Lender") on 28 March 2013. The agreement has been amended subsequently on 26 November 2013, 31 March 2014, 31 March 2015 and 5 June 2015. It has been further amended and restated by unwinding agreements dated 12 June 2015 and 1 September 2015. In May 2016, VCM repaid S\$0.29 million and the Lender waived the remaining outstanding balance.

**Query 4:**

The Company wrote off S\$0.26 million of its Property, Plant and Equipment. Please disclose the details of the property, plant and equipment that was written off, the reasons for writing them off as well as the business which they were related to.

**Response 4:**

The Company has fully written off the leasehold improvements of S\$0.26 million mainly due to the shifting from old office to new office.

**Query 5:**

The Company recorded a Gain on Disposal of Financial Assets, Available-for-Sale amounting to S\$0.52 million. Please provide details of the financial assets that resulted in a gain of disposal of S\$0.52 million and the price at which the assets were disposed at.

**Response 5:**

The gain on disposal of financial assets, available for sales amounting to S\$0.52 million relates to the disposal of 58,442,930 ISR Capital Shares at execution price of S\$0.005.

**Query 6:**

Under its Cash Flow Statement, the Company recorded a Fair Value Gain on Financial Liability through Profit or Loss which amounted to S\$1.5 million in FY2016 as compared to S\$0.74 million in FY2015. Please disclose the liability that resulted in the fair value gain of S\$1.5 million and elaborate on the factors that gave rise to the gain.

**Response 6:**

The financial liability arises from the assignment of the Group's Economic Rights on the 33.27% (2015: 36.76%) effective interest in investment in Chaswood Resources Holdings Ltd. ("Chaswood Share") to a former subsidiary.

Based on Singapore Financial Reporting Standards 39 ("FRS 39"), the Company is required to assess the fair value of the quoted debt instruments and derivative liability being designated as financial liability on quarterly basis.

The assignment entitles the former subsidiary to the right to participate in the proceeds arising from the future sale, disposal and realization of the Chaswood Shares. The deed of assignment provides that, when the sale price of each Chaswood Share is below \$0.05, the Group shall pay to the former subsidiary an additional 50% of the difference between the market price and \$0.05. If the sale price of each Chaswood Share is above \$0.40, the Group is entitled to 50% of the excess between market price and \$0.40.

**Query 7:**

On page 5 of the Financial Results, the Company recorded an amount of S\$0.54 million for Purchases of Property, Plant and Equipment under its Cash Flows from Investing Activities. Please provide a breakdown and details of the property, plant and equipment that were acquired.

**Response 7:**

The purchase of Property, Plant and Equipment ("PPE") amounting to S\$0.54 million mainly arising from setting up our first Hi-5 House of Learning preschool centre at 10 Hoe Chiang Road, #01-01/03 Keppel Towers, Singapore 089315.

A breakdown of the PPE that were acquired is as follows:

	S\$'000
Leasehold improvements	249
Provision for reinstatement cost	97
Furniture and Equipment	191
Total	<u>537</u>

**Query 8:**

Under Cash Flows from Financing Activities, the Company recorded Proceeds From Borrowing amounting to S\$1.8 million. Please provide a breakdown on the use of the proceeds. Where any amount is applied for working capital, kindly please provide specific details on how the working capital was utilized.

**Response 8:**

A breakdown on the use of the proceeds is as follows:

	S\$'000
Purchase of intangible assets	550
Purchase of property, plant and equipment	537
Repayment to former subsidiary	246
Repayment of borrowings	392
Repayment of finance leases	30
Payment for administrative expenses	80
Total	<u>1,835</u>

**Query 9:**

As described on page 8 of the Financial Results, we note that the Company's revenue had decreased by 46% from S\$4.1 million in FY2015 to S\$2.2 million in FY2016 due to the lower revenue recorded from its media sales segment from its subsidiaries Hub Media Group Pte. Ltd. Please disclose the factors that contributed to the significant decrease in the media sales of the Hub Media Group Pte Ltd and also provide a review of the significant factors for the affected sector for a reasonable understanding of the Group's loss.

**Response 9:**

The media sales segment were lower as major clients of Hub Media in Asia are suffering a major currency devaluation loss as Hub Media's billings are mainly in United States Dollars ("USD"). As such, many contracts were delayed or pushed back by the customers hoping to see a recovery of their home currency against the USD.

**Query 10:**

We note that the Company's finance cost decreased by S\$0.5 million in FY2016 as compared to FY2015 due to a decrease in Interest Expenses on advances from other payables, please elaborate of the reasons for the decrease in interest expenses on advances from other payables.

**Response 10:**

The decrease in finance cost of S\$0.5 million is mainly due to there being no interest incurred on advances from former subsidiary, Portwell Investment Limited ("Portwell") as compare to Year 2015. On 17 November 2015, Portwell has ceased to be a wholly-owned subsidiary of the Company.

**Query 11:**

On page 10 of the Financial Results, the Company disclosed that the increase in Trade Receivables was mainly from subsidiary Hub Media as invoiced customers for a co-production investment. Please disclose details about this co-production investment.

**Response 11:**

Hub Media entered into a co-investment agreement with Fita Studios Sdn Bhd ("Fita") to co-invest in a slate of three documentary television series in Year 2015. The total production costs as per agreement was US\$492,000 (equivalent to S\$696,180) and Fita would contribute 40% of the production costs amounting to US\$196,800 (equivalent to S\$278,472). The invoicing with regards to this co-production investment depends on the delivery progress of contents.

**Query 12:**

Please disclose prospects, conditions and known factors or events that may affect the Group in the next reporting year or in the next 12 months for the following areas:-

- a. The Group's media segment;
- b. Significant Associated companies; and
- c. Investment Management segment.

**Response 12:**

**a. The Group's media segment**

The Group continues to face challenges such as currency fluctuations, soft consumer demand, and competitive environment especially in the media sales division. A streamlining of the media team was done last year and management is actively developing business opportunities to rebuild the media business.

b. Significant Associated companies

Same as Response 1.

c. Investment Management segment

The investment management segment consists of fund management, private equity and investing activities. The fund is almost fully invested and is in realization mode. There are no plans to raise funds for another fund at the moment.

**BY ORDER OF THE BOARD**

Datuk Jared Lim Chih Li  
Managing Director  
4 April 2017