ATTILAN GROUP LIMITED

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

RESPONSE TO SGX QUERIES

In response to the SGX's queries dated 24 August 2016 for clarification on the unaudited results for the Second Quarter and Half Year Ended 30 June 2016, the Board of Directors (the "Board") of Attilan Group Limited (the "Company") wishes to announce the following:

Query 1:

In the "Unaudited Financial Statement and Dividend Announcement - Second Quarter and Half Year Ended 30 June 2016" (the "Announcement") of the Company, we note the "Share of loss of associated company of S$1.90 million for the Quarter Ended 30 June 2016 ("Q2 FY2016") compared to $39,130 for Quarter Ended 30 June 2015 ("Q2 FY2015").

Please provide further disclosure on the following:

a) Provide a breakdown of the significant share of loss of associated companies;
b) To identify the associated companies which contributed to the significant losses;
c) Provide a review of the businesses/profile(s) of this/these significant associated companies; and
d) The significant factors that affected the turnover, costs and earnings of this/these associated companies.

Response 1:

a) The share of loss of associated company amounting to $1.90 million was solely attributable to Chaswood Resources Holdings Ltd. ("Chaswood").

b) Chaswood is the associated company of the Group which contributed to the significant losses.

c) As disclosed in Chaswood's results announcement on 12 Aug 2016, due to the F&B retail industry continued to face difficult operating environment, particularly in Malaysia, with the weak consumer sentiment, Chaswood expects market conditions to continue to be challenging for 2016. Notwithstanding this, Chaswood has taken proactive measures to implement cost rationalization exercises which include improving operational efficiency and reducing head office expenses.

d) As disclosed in Chaswood's results announcement on 12 Aug 2016, the revenue of Chaswood has decreased due to the weak consumer sentiment in

Malaysia affected by the implementation of Goods and Services Tax (GST), low crude oil prices and the weakened Malaysian currency since 2015.

The increase in administrative expenses and finance cost mainly due to the acquisition of the China operations and higher interest expense in relation to the drawdown of new term loans to finance the acquisition of the China operations coupled with new term loans for the financing of the Indonesia expansion.

Query 2:

The Company disclosed that "Cost of media sales in Q2 FY2016 was attributed to Hub Media mainly for the purchase of media content to meet sales obligation". It is noted from the Income Statement that Cost of media sales increased by 51% for the Half Year Ended 30 June 2016 ("1H FY2016"). The 51% increase in cost of media sales is on the back of the 41% fall in revenue in 1H FY2016. Please disclose why the Company is purchasing significantly more media content when revenue is falling significantly.

Response 2:

As one of our major customers have not completed their quality assessment process of the delivered media content, there was no revenue recognised in Q2 FY2016 and the cost of media sales in Q2 FY2016 was mainly attributable to the amortisation of purchased media content.

Query 3:

The Company disclosed that "Other income increased by approximately of S$6.9 million in Q2 FY2016 as compared to Q2 FY2015 due mainly to fair value gain on financial liability and waiver of loan and interest payment". The Company also disclosed that the fair value gain on financial liability amounts to S$1.10 million and the waiver of loan and interest payable amounts to S$6.26 million.

Please provide further disclosure on the following:

a) Details of the $6.26 million waiver of loan and interest payable;
b) Who is granting the loan and interest to the Company and why? Please provide background of the loan and the waiver;
c) What is the nature of the financial liability which gave rise to the significant gain of $1.10 million;
d) Provide details of the financial liabilities and when is this due; and
e) What is the amount that is repayable when this financial liability reaches maturity.

Response 3:

a) The $6.26 million waiver of loan and interest payable included outstanding term loan of $6.18 million and interest of $0.08 million.

b) As disclosed in Note 28 (b) (ii) of our annual report,

As at 31 December 2015, other bank term loan amounting to S$6,626,167 (2014: S$6,569,695) is repayable within 1 year.

During the current financial year, a subsidiary entered into an unwinding agreement with the bank in relation to its S$6,626,167 term loan. The agreement provides that upon final instalment payments of S$1,147,500 the bank shall:

- waive the payment of the outstanding amount of US$3,991,961 (approximately S$5,478,667); and
- release to the subsidiary the charged quoted equity shares which were mortgaged in connection with the term loan.

As at 31 December 2015, the management was in negotiation with the bank for the repayment terms.

In 2016, the repayment terms were finalized and fulfilled and the bank proceed to waive off the loan and interest payment.

c) As disclosed in Note 27 of our annual report 2015, the financial liability arises from the assignment of the Group's Economic Rights on the 36.76% effective interest in investment in Chaswood Resources Holdings Ltd. ("Chaswood Share") to a former subsidiary during the current financial year.

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.

d) As disclosed in Note 27 of our annual report 2015, 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.

The Group retains and has the full and absolute unfettered discretion to make decisions in regard to the ownership, rights or interest in any of the Chaswood Shares.

e) The amount that is repayable when this financial liability reaches maturity depends on the sale price of Chaswood Shares.

Query 4:

The Company disclosed that "Trade and other payables" amounted to S$8.63 million which is significant compared to the Company's negative working capital of (S$8.10) million and negative net tangible asset position of (S$1.00) million. Please provide details, breakdown and aging schedule of these trade and other payables. Please disclose how the Company intends to meet this short term obligation as and when they fall due within the next 12 months.

Response 4:

The breakdown of trade and other payables are as follows:

	Ageing	S$'000
Trade payables		
Third parties	Less than 1 year	558
Other payables		
Third parties	Less than 1 year	768
Former subsidiaries		2,628
Related parties		432
Investee company		1,332
Deposit received	Less than 1 year	287
Deferred revenue	Less than 1 year	1,135
Accruals	Less than 1 year	1,437
Others	Less than 1 year	49
		8,626

The amounts due to former subsidiaries, related parties and investee company were unsecured, non-trade in nature and repayable on demand.

Based on the Independent Auditor's Emphasis of Matter provided in the audited financial statements of the Company for the financial year 31 December 2015 that there are conditions that indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Group to continue as a going concern and to realize its assets and discharge its liabilities in the ordinary course of business. Nevertheless, the Directors of the Company believe that the use of the going concern assumption in the preparation and presentation of the financial statements for the financial year ended 31 December 2015 is appropriate after taking into consideration the following factors:

a. Management has prepared a cash flow forecast and is of the view that the Group will have sufficient cash resources to satisfy its working capital requirements and to meet its obligations as and when they fall due; and
b. As disclosed in Note 37 to the financial statements, the Company has entered into a Supplemental Agreement to the Subscription Agreement dated 2 October 2015, in connection with the issuance of 1% unsecured equity linked redeemable structured convertible notes due 2018, with an aggregate principal amount of up to S$50,000,000 in eight tranches.

In addition, the payables are non-institutional liabilities and we are in constant negotiation to restructure the repayment to meet our cashflow requirement. The Management is constantly reviewing potential areas where the Company can improve its cost structure without compromising its efficiency and effectiveness.

<u>Query 5:</u>

The Company is required to disclose a confirmation that the Company has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1). Please disclose the confirmation with regards to this matter.

<u>Response 5:</u>

The Company confirms that undertakings under Rule 720(1) have been obtained from all its directors and executive officers in the format set out in Appendix 7.7.

BY ORDER OF THE BOARD

Datuk Jared Lim Chih Li
Managing Director
26 August 2016