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

REPLY TO SGX QUERY

In response to the SGX's queries dated 19 March 2018 for clarification on the unaudited results for the financial year ended 31 December 2017 ("**FY2017**"), the Board of Directors (the "**Board**") of Attilan Group Limited (the "**Company**") wishes to announce the following:-

SGX's Query 1:

Please explain why restatement of results has to be performed and why was 3Q2017 results not restated previously?

The Company's responses:

As stated in its announcement dated 6 July 2017, the Company is currently involved in a legal suit with Philip Asia Pacific Opportunity Fund Ltd in the High Court in Singapore. Since the legal suit could not be settled resulting in a significant change in the Company's financial position, the Company had to recognise the contingent liabilities under the Put Options whereby the Company had granted to certain investors a right to require the Company to acquire all preference shares held by the investors in TAP Venture Fund I Pte. Ltd. The Company has made the necessary provisions in its financial statements for the financial year ended 31 December 2016. The Company had also performed restatement of balance sheet as set out in the 3Q2017 results.

SGX's Query 2:

We note that 9M2017 Other income – net amounted to $882,359. However, this was reduced to only $437,157 for FY2017. Kindly provide:-

a. Reason for the loss of S$445,202 in Other Income in 4Q2017; and

b. Breakdown of the components within Other Income – net in comparison with FY2016 and discuss reasons for the material variance for each item.

The Company's responses:

a. The lower other income recorded for FY2017 was mainly due to the foreign exchange loss of S$527,159 recorded in FY2017 classified as other expenses instead of exchange gain of S$466,369 recorded for 9M2017. The foreign exchange loss recorded in FY2017 was mainly due to translation from entity functional currency to reporting currency.

b. A breakdown of Other income in FY2017 and FY2016 is as follows:

Other Income

		Group		
		2017	2016	Variance
		S$	S$	S$
Fair value gain on financial liabilities, at FV through profit or loss, net	#a	333,472	1,477,133	1,143,661
Gain on disposal of Financial assets, available-for-sale	#b	-	523,288	523,288
Gain on disposal of fixed assets		125	193	
Performance incentive fee		-	21,855	
PIC bonus and cash payouts		7,960	60,170	
Rental income		91,200	44,500	
Waiver of loan interest payable	#c	-	6,260,565	6,260,565
Write back of impairment of trade receivables	#d	-	100,000	100,000
Others		4,400	17,019	
		437,157	8,504,723	

Notes

a. The decrease is mainly due to the drop in market share price for our associate company, Chaswood Resources Holdings Ltd.

b. The variance is due to the disposal of 58,442,930 ISR Capital Shares at execution price in FY2016.

c. The variance is due to the Group's subsidiary, Vibrant Coast Management Ltd receiving waiver of its borrowing in FY2016.

d. The variance is due to write back of impairment for our subsidiary, Hub Media Group Pte Ltd in FY2016.

SGX's Query 3:

Company restated its Other expenses – net for FY2016 to $38.78 million, we note that in the Company's FY2016 Results announced on 1 March 2017, Other expenses - net amounted to $343,000. This increased by $13.9m to $14.28m in the Company's audited financial statements. Kindly provide:-

a. Breakdown of the items that were restated and provide a detailed explanation for each of the material items that were adjusted; and

b. Reason why the Company is restating its previously audited FY2016 figures.

The Company's responses:

a. The breakdown for the material items is as follows:

Other Expenses	FY2016 S$ (Restated)	FY2016 S$ (Audited)	FY2016 S$ (Unaudited)	Notes
GST on management fees	1,680	1,680	1,680	
Foreign exchange loss - net	178,813	178,813	178,813	
Impairment loss on financial assets, available for sale	36,302	36,302	36,302	
Impairment loss on intangible assets	1,527,547	1,527,547		1
Impairment loss on goodwill	5,772,203	5,772,203	-	2
Property plant and equipment written-off	256,316	256,316	-	3
Office reinstatement cost	126,075	126,075	126,075	
Financial guarantee expense	30,881,372	6,381,372	-	4
Total:	38,780,308	14,280,308	342,870	

b. Please refer to the response below:

1. As disclosed in the Company announcement on 5 April 2017 "Differences between Unaudited and Audited Full Year Financial Statements ended 31 December 2016" at point C, the Group recognized impairment losses amounting to S$1,527,547 from content licenses and productions which have been incurring losses or terminated.

2. As disclosed in the Company announcement on 5 April 2017 "Differences between Unaudited and Audited Full Year Financial Statements ended 31 December 2016" at point b, the Group made a full impairment loss of S$5,772,203 to write down the Group's goodwill in Media Sales.

   The impairment loss arose as the cash-generating units ('CGU") continued to incur operating and projected losses.

3. As disclosed in the Company's announcement on 4 April 2017 "Response to SGX" Query 4, the Company has written-off its leasehold improvements mainly due to the shifting from old office to new office .

4. Please refer to Company's response to Query 1.

SGX's Query 4:

The Company announced on 5 April 2017 that it provided a financial guarantee for the benefit of its subsidiary, Tremendous Asia Management ("TAMI"). Kindly provide the following updates with regards to the financial guarantee:-

a. What is the current loss amount incurred by TAMI that falls under the guarantee as compared to the loss in FY2016;

b. Provide specific details how this loss was incurred and what are the specific factors that resulted in the loss amount incurred by TAMI;

c. Disclose the name and identify of the entity that received the guarantee from the Company for the losses suffered by TAMI;

d. Provide specific details of what is included in the guarantee given to the guarantee recipient;

e. Disclose what actions have been taken by the recipient of the guarantee against the Company and provide an update on the status of the claims; and

f. The Company disclosed on 5 April 2017 that it will be seeking to claim on the counter indemnity given by TAMI, please provide disclosure on the financial position of TAMI and update on the Company's claims and provide dates on these material steps taken by the Company.

<u>The Company's responses:</u>

a. The financial guarantee expense in relation to financial guarantee for the benefit of TAMI is as follows:

	FY2017 S$	FY2016 S$	Movement for the Year S$
Philip Asia Opportunity Fund Ltd Corporate Guarantee	8,074,093	8,736,766	(662,673)
Less: Counter Indemnity recoverable from TAMI	(2,355,394)	(2,355,394)	-
Provision for the Year	5,718,699	6,381,372	(662,673)

As detailed in the table, the financial guarantee expense is S$6,381,372 and gain of S$662,673 for FY2016 and FY2017, respectively.

b. Turf Group Holdings Limited ("**TGH**") was an entity wholly owned by a fund known as Dragonrider Opportunity Fund II L.P. ("**DOFII**"), managed by the Company's former subsidiary, Tremendous Asia Management Inc ("**TAMI**"). The financial guarantee was provided by the Company to Phillip Asia Pacific Opportunity Fund Ltd ("**Philip Asia**") in relation with the subscription of redeemable secured notes of up to a sum of US$5,000,000 issued by TGH ("**Subscription**"). Subsequently as part of a sale announced on 6 May 2014, TAMI was disposed of and ceased to be a subsidiary of the Company. As announced on 3 August 2017, due to certain advances owing by the Group to TAMI, the Company had to continue to act as a guarantor in relation to the Subscription notwithstanding the sale. In addition, the release of the Company from the corporate guarantee required consent of Phillip Asia. Following the sale, the Company continued to negotiate with Phillip Asia for the release of its corporate guarantee. Meanwhile, in return, TAMI provided a counter indemnity to the Company after the sale.

As announced on 14 March 2017, the Company received a writ of summons from Phillip Asia claiming for an amount of US$6,040,770 (approximately S$8,736,766) pursuant to the financial guarantee provided by the Company. As stated in the Company's announcement dated 22 May 2017, the Management has recognised a provision amounting to S$8,736,766 which represents the fair value of management's best estimate of the future economic benefits that would be required to reimburse Phillip Asia and the sum of S$2,355,394 which represents the estimated fair value of the counter indemnity recoverable from TAMI.

c. As mentioned at paragraph (b) above, the entity that received the guarantee from the Company is Phillip Asia.

d. Please refer to paragraph (b) above.

e. As mentioned at paragraph (b) above, the Company had on 14 March 2017 received a writ of summons from Phillip Asia in respect of the financial guarantee provided by the Company.

f. Following the Company's announcements on 3 August 2017 and 18 August 2017, the Company has been working with Phillip Asia to reach a settlement. As announced on 11 July 2017, the Company filed an application with the High Court of the Republic of Singapore to implement a scheme of arrangement ("**Scheme**") under Section 210 of the Companies Act (Chapter 50). If the Scheme is fully implemented, Phillip Asia would have received an aggregate of approximately S$1.3 million as settlement of all sums owing by the Company to Phillip Asia in respect of the Corporate Guarantee. As the amount owing by the Company to TAMI is S$2.35 million, the Company and TAMI had agreed that the sum of S$1.3 million would be set off from the sum of S$2.35 million owing to TAMI. As announced in the FY2017 results, the Company would not be proceeding with the Scheme for the time being as it is in negotiations with Phillip Asia for a bilateral settlement.

SGX's Query 5:

The Company's Financial guarantee amounted to only S$8.7 million as stated in the Company's audited FY2016 Annual Report, kindly provide the following:-

a. Elaborate how the financial guarantee contract could result in an adjustment of the guarantee liability to an amount of S$30.88 million;

b. Provide details of how the restated S$30.88 million of Financial guarantee expense in FY2016 is calculated and explain why the amount of S$30.88 million was not included in the audited financial statements in FY2016;

c. Disclose whether the Audit Committee ("**AC**") had performed any investigations into the veracity of claims for the indemnity

d. If response to 5b is yes, please disclose the outcome of the AC's investigations; and

e. Disclose the AC's confirmations that they are satisfied with the veracity and accuracy of the claims and that the Company had taken steps to safeguard the interest of the Company and its public shareholders in its pursue of the counter indemnity and in defending the Company against the financial guarantee claims.

The Company's responses:

a. Please refer to the response to Query 1 above. The contingent liabilities arising from the Put Options amounted to S$24.50 million. The adjustment of the guarantee liabilities is as follows:

Phillip Asia Opportunity Fund Ltd	S$8.73 million
Less: Indemnity Recoverable from TAMI	S$2.35 million
	S$6.38 million
Contingent Liabilities arising from the Put Options	S$24.50 million
Total financial guarantee expense	S$30.88 million

b. Please see the response in (a) above. As mentioned in the response to Query 1 above, as the legal suit with Phillip Asia which was commenced on 14 March 2017 could not be settled resulting in a significant change in the Company's financial position, the Company had to recognise the contingent liabilities under the Put Options.

c. The AC had satisfactorily reviewed the veracity and accuracy of the financial guarantee claims pursuant to discussions with auditors.

d. Please refer to paragraph (e) below.

e. Following the review of the agreements on the authenticity of the financial guarantee claims and discussions with the auditors, the AC was satisfied with the veracity and accuracy of the claims. Based on the steps taken by the Company as set out in the response to Query 4(f) above, the AC is also satisfied that the Company had taken steps to safeguard the interest of the Company and its public shareholders in its pursue of the counter indemnity and in defending the Company against the financial guarantee claims, taking into consideration, amongst others, the costs of legal proceedings to pursue the counter indemnity.

SGX's Query 6:

The Foreign exchange losses amounted to S$527,159 in FY2017, please provide:-

a. Details of the underlying asset/liability and quantify the amount of the underlying asset/liability; and

b. Elaborate the factors that resulted in the Foreign exchange losses of S$527,159 where in previous year a loss of S$178,813 was already recognized.

The Company's responses:

a. Please refer to the breakdown below:

Foreign Exchange Loss

	Currency	2017 S$	2016 S$	Variance S$	Notes
Attilan Group Ltd	SGD	662,584	(436)	663,020	1
Amount Owing to / From Subsidiaries					
Attilan Investment Ltd	RM/USD/SGD	(849,331)	(275,473)	(573,858)	2
TAP Partners Sdn Bhd	RM	7,976	(2,040)	10,016	
TAP Private Equity Inc	USD	(348,953)	99,127	(448,080)	
HOL International Pte Ltd		565	(9)	574	
		(527,159)	(178,831)	(348,328)	

Notes

1. AGL variance of S$663,020 is due to the exchange gain of the corporate guarantee.

2. This the exchange differences on translation of net liabilities of foreign operations with subsidiaries' functional currency in United States Dollars ("USD") and Ringgit Malaysia ("RM").The exchange loss is mainly from translating from entity functional currency to reporting currency for both FY2017 and FY2016 as shown:

b. The foreign exchange losses were mainly due to the exchange differences on translation of net liabilities of foreign operations with subsidiaries' functional currency in United States Dollars ("USD") and Ringgit Malaysia ("RM").The exchange loss is mainly from translating from entity functional currency to reporting currency for both FY2017 and FY2016 as shown above.

SGX's Query 7 :

Please disclose what is underlying security name of the financial asset, available-for-sale that was disposed at significant loss of S$2.81 million, and explain the reason for disposing these AFS assets at such a huge loss.

The Company's responses:

The underlying security name of the financial assets are TAP Harimau Fund L.P ("TAP Harimau") and Purplestream Convergence Pte. Limited ("Purplestream"). The reason for the disposal for TAP Harimau was that the Board was of the view that, after taking into consideration of the investment risks and the potential liquidation value from the investment, it was in the best interests of the Company to dispose the financial assets. The shares of Purplestream were disposed off in view of the cash flow position and the current financial position of the Group.

SGX's Query 8:

Please disclose what was the underlying security name of the Financial assets, available-for-sale; and disclose the reason for significant decline in value from S$3.74 million to S$2.0 as stated on the balance sheet?

The Company's responses:

The underlying security name of the financial assets are TAP Harimau Fund L.P and Purplestream Convergence Pte. Limited. The significant decline was mainly due to the disposal of the TAP Harimau Fund L.P and Purplestream Convergence Pte. Limited as mentioned in the response to Query 7 above.

SGX's Query 9

Please provide a breakdown of the components within "Other current assets" in comparison with FY2016 and discuss reasons for the material variance for each item.

The Company's responses

	2017	2016	Variance	Notes
	S$	S$	S$	#
Current Assets				
Amounts due from the Funds	2,647,644	2,754,565		
Amounts due from related parties	791,029	73,007	718,022	a
Amount due from a former subsidiary	2,355,394	2,355,394		
Amount due from third parties	466,492	445,571		
Amounts due from investee companies	13,500	13,500		
Loan to investee company	1,350,000	1,350,000		
Accrued interest and dividend receivable from investee companies	2,583,414	2,583,414		
Deposits	87,585	87,487		
Others	(1,378,158)	44,925	(1,423,083)	b
Total other receivable	8,916,900	9,707,863		
Less: Allowance for impairment loss	(6,779,235)	(6,986,471)		
	2,137,665	2,721,392		
Prepayments	835,807	423,486		
	2,973,472	3,144,878		

a. The difference is mainly due to the advance given to one of the associates.

b. The difference is due to advances given by a former subsidiary to the Group for working capital.

SGX's Query 10 :

Please provide a detailed breakdown and specific agreement terms of the financial guarantee contracts amounting to S$33.0 million.

The Company's responses

The detailed breakdown of the financial guarantee contracts is as follows:

The financial guarantee in favour of Phillip Asia Opportunity Fund Ltd(1)	S$ 8,736,766
Put Option Agreements(2)	S$ 24,500,000
Total amount of financial guarantee contract	S$33,023,698

Notes:

(1) This is in relation to the financial guarantee provided by the Company in favour of Phillip Asia. Please refer to the Company's responses to Query 4(b) above.

(2) As Company has disclosed in its announcement on 6 July 2017, the Company has entered into various option agreements between January 2013 and April 2014 with certain investors whereby the Company had granted to the Investors a right to require the Company to acquire all the preference shares held by the Investors in TAP Venture Fund I Pte. Ltd. Between January 2013 and April 2014, the Company had entered into various put option agreements with eleven investors ("**Investors**") whereby the Company had granted to the Investors a right to require the Company to acquire all the preference shares held by the Investors in TAP Venture Fund I Pte. Ltd. ("T**APVF**") (formerly known as Asiasons Venture Fund Pte. Ltd.) ("**Put Options**"). TAPVF is a fund company incorporated in Singapore which has issued preference shares to accredited investors and is managed by TAP Private Equity Pte. Ltd. (a subsidiary of the Company) as a fund manager. The Put Options may be exercised by the Investors during the period of six (6) months commencing on the earlier of (i) the end of three (3) months after the fifth (5th) anniversary from the date of issuance of the preference shares, or (ii) the receipt by the Investors of the final report issued by TAPVF stating its net assets value after the fifth (5th) anniversary from the date of issuance of the preference shares. The purchase price of the preference shares payable by the Company pursuant to the exercise of the Put Options is the issue price of S$25,000 per preference share plus any consideration paid by the respective Investor to the Company for the grant of Put Option. Save for the customary terms and conditions for a sale and transfer of shares, there are no other material conditions to exercise the Put Options.

SGX's Query 11 :

Since its 2Q2015 Results, the Company has been stating that it is "working towards the eventual release of the corporate guarantee".

a. To provide an update when it will be released of the corporate guarantee; and

b. To disclose the specific actions taken by the Board to obtain the release of financial guarantee and reason why this has not been released to date.

The Company's responses

a. The release of the Company from the corporate guarantee requires the consent of Philip Asia. As mentioned in the response to Query 4(f) above, the Company is in the process of negotiating with Philip Asia for the release of the corporate guarantee which may involve payment by the Company to Phillip Asia.

b. Please see paragraph (a) above.

SGX's Query 12 :

In relation to Cost of sales, please provide:-

a. Disclosure on segmental basis why the Cost of sales declined 85% to S$233,886, taking into account the slight decline in Revenue of 2% for FY2017; and

b. Breakdown in the Cost of sales of each business segment and explain for each material fluctuations and material items.

The Company's responses

a. The decrease is mainly due to full amortization of content aggregation of S$1,488,014 recorded in FY2016.

b. The breakdown is as follows:

Costs of Sales	S$
Purchase of new media contents	68,793
Preschool	20,093
Amortisation of Master Franchise License	145,000
Total:	233,886

SGX's Query 13 :

The Company explained that "The share of loss of S$0.54 million included in the share of loss in 12 M FY2017 of S$2.44 million and write back of impairment of S$1.90 million".

a. To provide details on the associated companies that contributed to the share of loss of S$2.44 million;

b. To disclose details and identity of the associated companies that had a write back of impairment of S$1.90 million; and

c. To provide a review of performance of the associated companies to the extent necessary for a reasonable understanding of the associated companies' performance which resulted in the loss of S$2.44 million as well as the write back of impairment of S$1.90 million.

The Company's responses

a. The name of the associated companies is Chaswood Resources Holdings Ltd ("Chaswood"). The share of loss is in relations to the share of Chaswood's losses for the year.

b. 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 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.

   The write back is due to the Group recognizing share of net loss and total comprehensive loss of the associated company during the financial year. In addition, management has assessed the recoverable amount of the investment based on fair value less costs of disposal which is the market price of the quoted equity shares.

c. As disclosed in Chaswood's results announcement on 1 March 2018, the Group F&B retail industry still continued to face difficult operating environment, particularly in Malaysia, with weak consumer sentiment due to the rising costs of living. In addition, profit margins were affected by rising operating costs coupled with competition to match increasing discounts and promotions by competitors. Chaswood anticipates the retailing business to continue to be competitive and challenging over the next 12 months.

Chaswood has taken proactive measures to consolidate under-performing outlets and undertaking a rationalization exercise to achieve outlet operational efficiencies. Meanwhile, Chaswood is also exploring various options to recapitalize its balance sheet in order to improve its liquidity.

SGX's Query 14 :

In the quarterly update for watch-list issuers as required under Listing Rule 1313(2) announced by the Company on 1 March 2018, it disclosed that "the company has decided not to proceed with the scheme of arrangement for the time being as it is in negotiations with the creditors for a bilateral settlement". Kindly disclose:-

a. The identity of the creditors who involved in the negotiations for the bilateral settlement; and

b. What amount of total debts are represented under the bilateral settlement negotiations.

The Company's responses

a. As mentioned in the response to Query 4(f) above, the Company is negotiating with Phillip Asia for the bilateral settlement.

b. The amount owing to Phillip Asia is USD6,040,770 (equivalent to approximately SGD8,736,766).

BY ORDER OF THE BOARD

Datuk Jared Lim Chih Li
Managing Director
26 March 2018