

ATTILAN GROUP LIMITED

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

RESPONSE TO SGX QUERIES

In response to the SGX's queries dated 18 May 2017 for clarification on the unaudited results for the First Quarter Period Ended 31 March 2017, the Board of Directors (the "Board") of Attilan Group Limited (the "Company") wishes to announce the following:

Query 1:

The Company recorded a 36% drop in revenue from S\$0.78 million in Q1FY2016 to S\$0.49 million in Q1FY2017 due to a lower revenue recorded by its subsidiary, Hub Media Group. Please provide a breakdown of the Company's revenue by business segments in comparison with the same reporting period of the previous financial year.

Response 1:

A breakdown of the Company's revenue by business segments is as follows:

	Q1 FY2017	Q1 FY2016
	S\$'000	S\$'000
Investment management	390	415
Pre-school	104	-
Media Sales	1	363
Total Revenue	495	778

Query 2:

The Company's cost of sales fell from S\$0.45 million in Q1FY2016 to S\$0.07 million in Q1FY2017. Please provide a discussion and breakdown of the material items which resulted in the 84% drop in cost of sales, given that the Company's revenue had only decreased by 36% from S\$0.78 million in Q1FY2016 to S\$0.49 million in Q1FY2017.

Response 2:

A breakdown of the material items of cost of sales is as follows:

	Q1 FY2017	Q1 FY2016
	S\$'000	S\$'000
Amortisation of intangible assets	32	437
Purchase of media content	39	10
Cost of sales	71	447

During the financial year 2016, the Group recognised impairment losses on its intangible assets amounting to S\$1.5 million which cause the significant decline in Q1 FY2017.

Query 3:

The Company's share of other comprehensive loss of associated company due from exchange differences on translation on foreign operations grew by 53%, from S\$0.31 million in Q1FY2016 to S\$0.47 million in Q1FY2017. Please disclose the nature of the transactions to which this loss is related to and the factors that led to the foreign exchange loss of S\$0.47 million.

Response 3:

This is the exchange differences on translating the foreign operations of the associate to the associate's functional currency of RM. The exchange loss is mainly due to the weakening of RM against SGD and USD.

Query 4:

The Company disclosed that it is a corporate guarantor to a fund managed by a former subsidiary for the fund's investee company secured redeemable notes and has a back to back indemnity from the former subsidiary for the amount guaranteed by the Company. The Company further disclosed that it is working towards the eventual release of the corporate guarantee and has made provision amounting to US\$6,040,770 in relation to the corporate guarantee.

Please disclose:

- The identity of the former subsidiary;
- An update on the progress of the Company's release of the corporate guarantee;
- Details on whom the corporate guarantee was given to;
- The reasons behind the provisions of US\$6,040,770 made by the Company; and

- e. How likely would the corporate guarantee given by the Company be released.

Response 4:

(a) Turf Group Holdings Limited (“Turf Group”), which was an entity wholly owned by a fund known as Dragonrider Opportunity Fund II L.P. (“DOFII”). DOFII was managed by Asiasons Management II Inc. (“AM”), which was a former subsidiary of the Company, and has been disposed in May 2014.

(b) There is an outstanding amount owing by the Company which can be used to offset the guarantee amount and currently the Company is working on a scheme to settle the corporate guarantee.

(c) The corporate guarantee was given to Phillip Asia Pacific Opportunity Fund Ltd, a company incorporated in Singapore.

(d) The Company received a writ of summons from the fund to claim for approximately US\$6,040,770 pursuant to the financial guarantee provided by the Company. 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 Pacific Opportunity Fund Ltd.

(e) The Company has filed for defence on this matter and will make further announcements on any material developments, as and when necessary.

Query 5:

The Company disclosed that it had granted term loans to its subsidiaries which are secured by personnel guarantees from key management personal and proceeds from sales of media content and debentures on assets.

Please disclose:

- a. The identities of whom the term loans were granted to;
- b. The provisions and terms of the loans; and
- c. The status of the repayment to date.

Response 5:

(a) The term loans were granted to two subsidiaries, Hub Media Group Pte. Ltd. (“Hub Media”) and HOL International Pte. Ltd (“HOL”).

(b) Loan amount due to TAP Venture Fund I Pte. Ltd (“TVFI”) of S\$650,000 and S\$250,000 by Hub Media and HOL respectively were secured by personal guarantees from key management personnel.

(c) The Company has a clear repayment structure in place in order to release both of the term loans.

Query 6:

The Company disclosed that it had recorded a lower share of profit from an associated company in Q1FY2017 compared to Q1FY2016. The share of profit of S\$0.2 million included the reversal of impairment of S\$0.7 million and share of loss of an associated Company of S\$0.6 million.

Please provide the following details:

- a. The identity of the associated company and a review of its performance; and
- b. A discussion on the significant factors that affected the turnover, cost and earnings of the associated company which resulted in the loss of S\$0.6 million which is significant compared to the Group's loss of S\$0.3 million for Q1FY2017.

Response 6:

(a) Chaswood Resources Holdings Ltd. ("Chaswood") is the associated company of the Group which contributed to the significant losses.

(b) As disclosed in Chaswood's Annual Report 2016, the F&B industry is undergoing a difficult time and FY2017 might remain challenging due to the uncertainties in the business environment. To withstand the trying and competitive business environment, Chaswood will focus on strengthening the operations for its core brands and drive sales through various promotional activities and value-for-money offers to cater for the more price sensitive customers. Chaswood will also continue to focus on cost management controls which include improving operational efficiency and reducing overhead expenses. These measures have proven fruitful in FY2016 and had partially cushioned the financial impact from the weaker sales while providing a stronger infrastructure when the economy and consumer sentiment improves.

BY ORDER OF THE BOARD

Datuk Jared Lim Chih Li
Managing Director
23 May 2017