HATTEN LAND LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration No. 199301388D)

RESPONSES TO SGX-ST'S QUERIES

The board of directors ("**Board**") of Hatten Land Limited ("**Company**") refers to the queries from the Singapore Exchange Securities Trading Limited ("**SGX-ST**") regarding the Company's announcements dated 14 December 2023 in relation to the auditor's comments of accounts and the Company's responses to the queries are as follows:

Question 1: Limitation of scope in relation to Malaysia entities

- It was stated that the Independent Auditor is unable to able to obtain sufficient appropriate audit evidence and carry out their audit procedures to form a conclusion in relation to the Malaysia entities.
- It was stated that the Independent Auditor is unable to obtain sufficient appropriate audit evidence to satisfy themselves whether the adjustments made by the management on the sales revocation and the repossessed properties are appropriately measured and recognised in accordance with SFRS(I) 1-2 inventories at the point of repossession.
- It was stated that the Independent Auditor is unable to obtain sufficient appropriate audit evidence over certain key inputs and assumptions and the appropriateness of the methodology used in the valuation assessment as at 30 June 2023.

a) Please explain the reasons why the Independent Auditor were not able to obtain sufficient appropriate audit evidence as mentioned above.
b) How will the Company prevent the similar issues from happening going forward?

Company's response

a) As part of the Company's ongoing efforts to address issues raised in the previous financial years, the Group engaged another professional accounting firm to conduct an independent review of certain accounting policies and interpretations in relation to sales revocation and properties repossessed by the Group ("Accounting Review"). The Accounting Review was completed in September 2023. Baker Tilly TFW LLP, ("Independent Auditor"), thereafter carried out its review on the findings of the Accounting Review. In relation to the measurement of the impact, the Group referred to professional valuation reports from the respective years and has provided the Independent Auditor with all the relevant records and documents. However, as at the date of the auditor's report, the Independent Auditor is unable to obtain sufficient appropriate audit evidence to satisfy themselves whether the adjustments made by the management on the sales revocation and the repossessed properties are appropriately measured and recognised in accordance with SFRS(I) 1-2 *Inventories* at the point of repossession, based on the information available to the Independent Auditor.

   For the purposes of impairment assessment of the property, plant and equipment and estimation of the net realisable value of the development properties as at 30 June 2023, the Group engaged a firm of professional valuers to perform the valuation assessment accordingly. The Group has provided the Independent Auditor with all the relevant records and documents. However, as at the date of the auditor's report, the Independent Auditor is unable to obtain sufficient appropriate audit evidence over certain key inputs and assumptions and the appropriateness of the methodology used in the valuation assessment as at 30 June 2023, based on the information available to the Independent Auditor.

b) The Group is in the process of appointing a new independent auditor and will work closely with the new independent auditor to address the issues.

Question 2: Use of the going concern

- It was stated that the Group incurred a net loss of RM34.4 million during the financial year ended 30 June 2023. As at 30 June 2023, the Group's current liabilities exceeded its current assets by RM152.2 million
- It was stated that the Group's total loans and borrowings amounted to RM396.8 million, of which RM393.5 million were classified as current liabilities and exceeded the Group's cash and bank balances of RM2.5 million. These liabilities include convertible loan and secured bonds of US$20 million and US$25 million, which originally matured on 10 October 2019 and 8 March 2020, respectively. The Company is in the process of negotiation with the convertible loan lender and the bondholders on the possible extension of repayments and the definitive outcome of the extension of repayments or potential loan refinancing has yet to be executed
- It was stated that the Group has breached the financial covenant to maintain the Financial Services Reserve Account ("FSRA") as at 30 June 2023 and the Group received a letter of demand from the bank
- It was stated that the auditors were unable to obtain sufficient appropriate audit evidence to satisfy ourselves whether the use of the going concern assumption in preparing these financial statements are appropriate as
  (i) the arrangements to secure additional funding and loan refinancing have yet to conclude satisfactorily;
  (ii) the various business initiatives announced by management have yet to materialise;
  (iii) the restructuring of MDSA Resources Sdn. Bhd. ("MRSB") is subject to the outcome of the appeal to the Court of Appeal of Malaysia against the decision of the High Court of Malaya in Malacca, Malaysia; and
  (iv) the restructuring of Gold Mart Sdn. Bhd. ("GMSB") is subject to the approval of the High Court in Kuala Lumpur, Malaysia at the date of this report. The Group also continues to face challenges in realising its development properties and recover the related receivables as planned.

a) Does the Company have any concrete plan/arrangements to secure additional funding and loan financing? Please provide the details and target timeline and milestones.

b) Why has the Group not been able to reach an definitive outcome with the convertible loan lender and bondholders on the extension of repayments since 2019/2020? Why did the Group fail to meet its targeted timeline, ie to reach agreement with lender and bondholders in FY2023 as announced in the Company's "Response to SGX Queries", dated 2 Dec 2022. Please provide the target timeline and milestones.

c) What's the Company's plan to resolve the breach of financial covenant issue? Please provide the target timeline and milestones.

d) Please provide the reason why the various business initiatives announced by management have yet to materialize and the target timeline with milestones.

Company's response

a) Due to the complexity, partially caused by the involvement of multiple parties, the negotiation process for establishing a single set of commercial terms that are unanimously agreeable to the financiers, lender and all bondholders has been prolonged. This prolongment is beyond the Company's control. The Company is diligently working to expedite the process and bridge differences, although it remains a work in progress. Concurrently, the Company continues its efforts to amicably resolve the matters. This includes sourcing other reputable financiers and updating bondholders on the progress of the refinancing packages and negotiations regarding potential repayment obligations for its borrowings. According to an indicative timeline from the new financier, the Group expects to draw down the fundraising facilities in FY2024, provided that an agreement is reached among the new financier, lender, and bondholders. The Group will provide timely updates via SGXNET once relevant definitive agreements have been finalised.

b) The refinancing activities became viable and active only following the reopening of borders and the resumption of tourism activities in Melaka in FY2023. As mentioned in a) above, due to the complexity, partially caused by the involvement of multiple parties, the negotiation process for establishing a single set of commercial terms that are unanimously agreeable to the financiers,

lender and all bondholders has been prolonged. This prolongment is beyond the Company's control. The Company is diligently working to expedite the process and bridge differences, although it remains a work in progress. According to an indicative timeline from the new financier, the Group expects to draw down the fundraising facilities in FY2024, provided that an agreement is reached among the new financier, lender, and bondholders. The Group will provide timely updates via SGXNET once relevant definitive agreements have been finalised.

c) Management met with representatives of the lender in person on 15 November 2023. As part of the ongoing commercial discussions with the lender, the lender is exploring alternative solutions together with the Company. As of the date of this announcement, the facility has not been terminated or recalled. Further announcements will be made once a definitive agreement with the lender is reached or as and when there are any material developments.

d) During the pandemic, when the tourism industry and property market in Melaka have suffered unprecedented severe impact, the Company diversified into various business initiatives, such as blockchain technologies and the metaverse, to monetise its property assets in Melaka. Notably, ventures like crypto mining have yielded financial gains for the Group. Since Q4 FY2022, the Group has consecutively attained positive operating cash flows, after having 2 years of negative operating cash flows.

With the re-opening of Malaysia's borders and the resurgence of tourism and hospitality activities in Melaka, the Group announced in February 2023 its decision to shift back its focus on property development and investment. This decision aligns well with the progressively recovering trends observed in Malaysia's property market, where the Group has also noticed increased competition. The Group will continue to concentrate on its core business of property development and investment in 2024.

Question 3: Impairment of intangible assets in relation to development costs

It was stated that the Independent Auditor is unable to obtain sufficient appropriate audit evidence and explanation to satisfy themselves that the key assumptions and estimates used in the respective CGU forecasts prepared by the management.

a) Why was the Independent Auditor unable to obtain sufficient appropriate audit evidence?
b) How will the Company prevent the similar issues from happening going forward?

Company's response

a) The Group has provided the Independent Auditor with all relevant records and documents, including discounted cashflow analysis, basis of key assumptions made, reference made with other third-party projects similar in nature, third-party development agreements, supporting evidence from third parties and etc. However, as described in Basis for Disclaimer of Opinion in the Independent Auditor's report, these projects rely significantly on the estimated market prices of cryptocurrency, estimated prices and sales of digital assets, and estimated number of platform users and tourists as well as the future market outlook of these new business initiatives. The Group has provided the Independent Auditor with all the relevant records and documents. However, as at the date of the auditor's report, the Independent Auditor whereby is unable to obtain sufficient appropriate audit evidence and explanation to satisfy themselves on the appropriateness of the key assumptions and estimates that are used in the respective cash generating units forecasts prepared by the management, based on the information available to the Independent Auditor.

b) The Group is in the process of appointing a new independent auditor and will work closely with the new independent auditor to address the issues.

Question 4: Inability to obtain confirmations from third party lender and bondholders

It was stated that the Independent Auditor is not able to obtain confirmations from a third party lender amounting to US$20,000,000 two bondholders amounting to US$18,000,000.

a) Why was the Independent Auditor unable to obtain the confirmation? Who are these third party lender and bondholders?

Company's response

a) Despite the Group's substantial effort, including numerous reminders and communications with the third party lender and two bondholders, the respective creditors have not responded to the Independent Auditor as of the date of the Independent Auditor's report. The bond of US$10,000,000 is held by a fund company registered in Cayman Islands, and the loan amounting to US$20,000,000, along with a bond of US$8,000,000, is held by a fund company registered in Singapore.

Question 5: Investment in subsidiaries and amount due from subsidiaries in the Company's financial statements

It was stated that the Independent Auditor is unable to obtain sufficient appropriate audit evidence over certain key inputs and assumptions and the appropriateness of the methodology used in the valuation assessment as at 30 June 2023.

a) Why was the Independent Auditor unable to obtain sufficient appropriate audit evidence?
b) How will the Company prevent the similar issues from happening going forward?

Company's response

a) For the purpose of impairment assessment of the Company's investment in subsidiaries as at 30 June 2023, the Group engaged a firm of professional valuers to perform the valuation assessment accordingly. However, based on the information available to the Independent Auditor, the Independent Auditor is unable to obtain sufficient appropriate audit evidence over certain key inputs and assumptions and the appropriateness of the methodology used in the valuation assessment as at 30 June 2023.

b) The Group is in the process of appointing a new independent auditor and will work closely with the new independent auditor to address the issues.

Question 6:

What are the means for the Company and the Group to obtain immediate fundings in the event of cashflow shortage or liquidity crunch in the next 12 months?

Company's response

Tapping on the progressive re-opening of the economy and social activities in Melaka as well as the resurgence of tourism activities from Malaysia's full reopening of international borders, the Group will continue to sell its the unsold completed properties of which the market value amounts to approximately RM587 million as at 30 June 2023, in accordance with latest professional valuation reports. The Group's priority is to enhance the value and monetise these assets through sales and collection to generate cashflow out of operations, which is evidenced in the positive operating cashflow consecutively since Q4 FY2022. The Group is also working closely with its creditors to extend and/or restructure the repayment obligations for its borrowings which is in the best interest of all stakeholders, including the creditors. This has helped to align the Groups' repayment requirements with the current business climate and channel its cash flows for operation purposes. In addition to the aforementioned methods, the Group will continue to actively looking for other sources of funding, such as aforesaid fundraising facilities.

Question 7:

Save for the one disclosed on 14 and 22 Nov 2023, has the Company and/or Group received any letter of demand so far?

Company's response

Save for the one disclosed on 14 and 22 November 2023, the Company and/or the Group have not received any other letter of demand so far.

Question 8:

Please provide the Board's assessment and justifications on the Group's ability to continue as a going concern, taking into account factors that have materialized to date.

Company's response

Progressively recovering from the unprecedented impact caused by the pandemic, the Group is in better position and with brighter prospect as comparing to the previous financial year during the pandemic and managed to achieve consecutive positive cashflow from operations since Q4 FY2022. Taking into account progress made and factors that have materialised to date as set out below and in the Company's previous announcements, the Board is of the view that the Group has the ability to continue as a going concern based on the following assessment and justification:

(a) As the property market in Malaysia undergoes a progressive recovery, the Group remains focused on its core property development business. The Group has continued to achieve positive operating cash flow for past financial years, including FY2022 and FY2023.

(b) Comparing to cost value of RM616.1 million recognised on the statement of financial position, the total market value of the Group's development properties is over RM1.07 billion as of 30 June 2023, of which approximately RM663 million comprises unsold completed properties that the Group intends to sell gradually. In addition, the Company's liabilities, in particular the US$25 million (approximately RM117 million) secured bonds are secured by additional hospitality assets provided by a related party of the Company, of which the market value is RM238 million (approximately US$54 million) as at November 2022.

(c) The provision of RM51.9 million and contract liability of RM198.8 million are non-monetary items that arise from accounting treatment in accordance with relevant accounting standards and do not necessitate immediate cash repayment. Out of the current portion of the loans and borrowings, approximately RM206 million pertains to the outstanding principal amount of facilities under the refinancing process of the Fundraising Facilities, as announced in the Group's monthly update The remaining RM183 million pertains to bank facilities that are presently being serviced.

(d) To further enhance the value of the Group's unsold units and for a better monetisation of its assets, the Group's focus is to leverage on the fast-recovering tourism activities in Melaka by developing new concepts and creating more attractions in Melaka. For example, the development of ElementX would be the first-of-its-kind themed around the multiplayer online battle area mobile game, MLBB (Mobile Legends: Bang Bang), which would be positioned as Southeast Asia's first large-scale integrated Esports experiential hub and themed award-winning hotel accommodation. In order to achieve this, the Group needs to collaborate with well-established Esports partners. The Group has inked multiple partnership agreements with top mobile games in Southeast Asia and leading Esports organisations for the development of ElementX. The Group is actively carrying out fundraising exercises. As one of the financing plans being negotiated, the Group is currently in the advanced stages of reaching a definitive agreement for a financing package that includes the funds required to complete the transformation of ElementX, which is likely to be launched in the calendar year of 2023. In addition to the above, the Group has also commenced its marketing and promotion activities on the unsold residential units and the commercial lots which would likely be launched from two quarters after the opening of ElementX and those unsold units are priced collectively at RM31 million and RM740 million respectively.

(e) The re-opening of the economy, interstate and overseas travel will contribute to the recovery of the Group's hospitality and property-related activities in Melaka.

(f) The Group has worked closely with its creditors to extend and/or restructure the repayment plans that included payment structure as well as contra payments with its property units. Besides that, the Group is actively discussing with its banks in relation to the roll-over and extension of the repayment obligations. This aligns the Group's requirements with the current business climate and channels its cashflow for operation purposes.

(g) The Group has embarked on strategic restructuring of its subsidiary, GMSB to restructure its legacy contractual obligation to achieve more sustainable capital structure which will reduce pressure on the Group's cash outflows going forward. As announced in the Group's announcement on 14 June 2023, 30 June 2023, and 29 August 2023, GMSB has obtained the order from Kuala Lumpur High Court to hold a creditors' meeting which was held in 8 September 2023. This creditors' meeting have waive 60% of this scheme creditors' liquidated ascertained damages ("LAD") amounting to approximately RM65m of waiver. The Proposed Scheme was approved by a majority of 80.02% of the total value of the Scheme Creditors present and voting in person or by proxy at the Meeting. The solicitors for the Initiating Purchasers have filed an application to obtain the Kuala Lumpur High Court's approval of the Proposed Scheme.

(h) One of the executive directors, who is also a controlling shareholder of the Company, has undertaken to provide necessary financial support, in the form of debt and/or equity, to the Group should it be required to sustain its operations.

Question 9:

Please provide the Sponsor's assessment and justifications on the Group's ability to continue as a going concern, taking into account factors that have materialized to date.

Sponsor's response

The Sponsor wishes to highlight that other than the disclaimer of opinion issued by the Company's Independent Auditors on the use of the going concern assumption for the FY2023 financial statements, similar disclaimers had also been issued for the financial statements of the Company for the previous financial years. Qualified opinion with emphasis of matter on the material uncertainty to the Company's ability to continue as a going concern was also issued by the Independent Auditor for FY2020. This demonstrates that the Group has been facing financial pressures for some time, which management had represented was exacerbated by the pandemic in the last five financial years.

The Sponsor notes that various efforts and initiatives taken by the Company over the years to improve its financial position (set out above and as previously announced by the Company) and the bases of the Board's view that the Group has the ability to continue as a going concern. The Sponsor is of the view that the Company's ability to continue as a going concern would be predicated on the continued support of its creditors and the Company's ability to successfully execute its business strategies accordingly.

Question 10:

Please provide the Board of Directors' confirmation as to whether sufficient information has been disclosed to enable trading of the Company's shares to continue in an orderly manner and the bases for its views.

Company's response

The Board of Directors confirms that sufficient information has been disclosed to enable trading of the Company's shares to continue in an orderly manner as all the key developments and financial information of the Group have been announced via the SGXNET.

By Order of the Board
HATTEN LAND LIMITED

Dato' Tan June Teng, Colin
Executive Chairman and Managing Director
20 December 2023

This announcement has been prepared by Hatten Land Limited ("Company") and its contents have been reviewed by the sponsor of the Company, RHT Capital Pte. Ltd. ("Sponsor") for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual Section B: Rules of Catalist.

This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement, including the accuracy, completeness or correctness of any of the information, statements or opinions made or reports contained in this announcement.

The contact person for the Sponsor is Mr Josh Tan (Registered Professional), 36 Robinson Road, #10-06, City House, Singapore 068877, sponsor@rhtgoc.com.