

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

REPLY TO SGX QUERY

In response to the SGX's queries dated 03 December 2018 for clarification on the unaudited results for the Third Quarter and 9 Months Ended 30 September 2018, the Board of Directors (the "**Board**") of Attilan Group Limited (the "**Company**") wishes to announce the following:-

SGX's Query 1:

In relation to Share of loss of associated company:

- a. Please provide reason why Share of loss of associated company amounts to zero for quarter ended 30 September 2018;
- b. Please disclose the status of the associated company as at 30 September 2018 and 31 December 2017 respectively;
- c. Please clarify where is this item disclosed in the statement of financial position;
- d. Please clarify whether the Company had announced any disclosure under Listing Rule 704(18)(c) where applicable; and
- e. Please disclose the identity of the associated company and disclose its performance if not disposed.

The Company's responses:

- a. The Group's share of losses in an associate exceeds its interest in the associate, therefore, the Group does not recognise further losses.
- b. It's remains as our associates company as at 30 September 2018 and 31 December 2017 respectively.
- c. It will be disclosed under the non-current assets item, Investments in associated company. As there is no figure for this quarter, thus we did not show it.
- d. The Listing Rule 704(18)(c) is not applicable to us as we are still holding the associated company shares.
- e. The name of the associated company is Chaswood Resources Holding Ltd ("Chaswood") and is currently on a loss making position. However Chaswood is also exploring various options to recapitalize its balance sheet in order to improve its liquidity.

SGX's Query 2:

Please provide reasons for the sharp decline in depreciation and amortization expense by 28% from S\$124.4k to S\$89.9k for quarter ended 30 September 2018.

The Company's responses:

The decrease was mainly due to the reclassification of investment assets to held for sale and also some assets have fully depreciated after their useful life-span.

SGX's Query 3:

Please provide details of the payment schedule of the remaining balance owing to Phillip Asia and disclose whether the Company will be able to meet the repayment obligations in the schedule as and when they fall due. To also disclose the source of the funding for the repayment and the basis for the directors' views.

The Company's responses:

As per the company announcement on 18 May 2018, the balance schedule of the remaining balance owing to Phillip Asia is as below;

(iv), a sum of \$300,000 two months from the date of resumption of the trading of the shares in the Company; and

(v) the remaining balance of S\$1,500,000 on (i) the completion date of a proposed reverse takeover exercise to be undertaken by the Company, or (ii) on 31 December 2018, whichever is earlier.

As per the company announcement on 5 June 2018 on query 1(iv), the Company may fulfill the payment from further drawdown of the redeemable convertible notes to be issued to Advance Opportunity Fund 1 pursuant to the Company's circular dated 21 December 2016. In addition, there is a further extension date of 31 March 2019 for the final payment in the event the proposed reverse takeover exercise is being undertaken. Alternatively, the Company may fulfill the final payment of the \$1.5 million from further drawdown of the redeemable convertible notes to be issued to Advance Opportunity Fund 1 pursuant to the Company's circular dated 21 December 2016.

The Company will not be able to meet the repayment obligations in the schedule as the resumption for trading has not yet been obtained. The Company will be reaching out to Philip Asia to request for an extension.

SGX's Query 4:

It was reported in the Cash flow statement that fair value gain on financial liability at fair value through profit and loss was S\$208.4k in 3Q2017 but NIL in 3Q2018.

The Company's responses:

As per company announcement on 26 March 2018 response on 13b, 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 share price for Chaswood is currently suspended therefore the figure is Nil in 3Q2018.

SGX's Query 5:

It was reported in the Cash flow statement that purchase of Intangible assets amounted to S\$675.8k in 3Q2017, however it is noted that intangible assets reported on the statement of financial position amounted to S\$350k as at 31 December 2017 and S\$275k as at 30 September 2018.

a. Please reconcile and disclose how is the fair value of intangible assets being measured and valued on the statement of financial position.

The Company's responses:

a. Please refer to the below reconciliation.

Intangible Assets

<u>Cost</u>	<u>Franchise fee</u>	
	S\$ <u>2017</u>	S\$ <u>2018</u>
At 1 January	500,000	1,998,000
Additons	1,498,000	-
At 31 December	<u>1,998,000</u>	<u>1,998,000</u>
<u>Accumulated amortisation</u>		
At 1 January	50,000	240,722
Amortisation for the year	190,722	75,000
At 31 December	<u>240,722</u>	<u>315,722</u>
At 1 January	-	1,407,278
Impairment loss during the year	1,407,278	
At 31 December	<u>1,407,278</u>	<u>1,407,278</u>
Net book value		
At 31 December 17 / 30 September 2018	<u>350,000</u>	<u>275,000</u>

As at the year ended 31 December 2017, the Group recognised impairment losses amounting to S\$1,407,278 from content licenses and productions from Hi-5 franchises in Malaysia and Indonesia which has yet to commence operations.

SGX's Query 6:

It was reported in the Cash flow statement that advances from former subsidiaries and related companies amounted to S\$360.5k in 3Q2018.

a. Please provide details of these former subsidiaries and reasons for why former subsidiaries are still remitting advances to Company for working capital;

b. Please provide details of the underlying transaction and the terms of the advances, breakdown for the use of proceeds, including specific breakdown of working capital applied.

The Company's responses:

a. The former subsidiary is known as Tremendous Asia Management Inc . These advances are agreed to be provided to the Company and repaid upon draw down from the Redeemable Convertible Notes.

b. Please refer to the table below for the usage;

Repayment of other payables	S\$334,000
Administrative expenses	S\$26,512
Total	S\$360,512

SGX's Query 7 :

Please disclose where is the outstanding convertibles of S\$0.85 million being recorded in the statement of financial position and when will it be due and repayable

The Company's responses:

Please refer to our Annual Report 2017 in Note 30(c). The carrying amount of the convertibles have been disclosed as follows:

	Group and Company 2017 S\$
Face Value of convertible notes at issuance	1,250,000
Conversion into ordinary shares	(400,000)
	<hr/>
	850,000
Accreted interest	299,000
Equity conversion component	(1,134,000)
	<hr/>
Liability component at the end of the year	15,000

The liability component is being disclosed in the statement of financial position, current liabilities, borrowings.

The convertible notes are due for repayment in 2018 at their nominal value of S\$50,000,000, with interest accrued at 1.0% per annum or may be converted into shares of the Company at the holder's option based on 80% of the average closing price per share on any three consecutive business days as selected by the holder.

SGX's Query 8 :

In relation to Revenue:

- Please provide a breakdown of Revenue derived from preschool business and fund management units;
- Please provide reasons for the decline in revenue from preschool business in 3Q2018;
- Please elaborate on its performance and disclose known factors that may affect the Group in the preschool segment in the next reporting period and the next 12 months

The Company's responses:

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

	Q3 FY2018 S\$'000	Q3 FY2017 S\$'000
Investment management	323	359
Pre-school	114	137
	<hr/>	<hr/>
	437	496

b. The decline in revenue for preschool business in 3Q2018 is due to the potential redevelopment plans of landlord. As a result, we have been planning for a relocation into a venue that has a longer term lease without any redevelopment disruptions.

c. As mentioned in our company announcement on 14 November 2018 on the commentary, the preschool division is still in the development phase and is seeing a steady increase in enrolment numbers children. The company has identified some potential sites with heavy concentration of young couples with young

children to expand into. The Redeemable Convertible Notes drawdown is meant to fund this expansion and will be done when the trading of the shares is resumed.

The company believes that there is potential growth within the industry of pre-school education business.

SGX's Query 9 :

The Put option liabilities of S\$24.5 million relates to preference shares of the TAP Venture Fund I Pte Limited ("TAPV Fund"):

- a. Please disclose a breakdown of the fair value of the underlying assets of the TAPV Fund;
- b. Please disclose the percentage of equity interest for each underlying assets.

The Company's responses:

We do not have the fair value of the TAP Venture Fund I Pte Ltd at this moment. The interim judicial management for the Fund has been directed by the court to prepare the valuation for March, June and September 2018.

SGX's Query 10 :

It was disclosed on 19 November 2018 that Hub Media Group Pte Ltd has received writ of summon on a claim of US\$266,450 by Comarex in relation to outstanding license fees:

- a. Please provide background of the license agreement and why is Hub Media unable to fulfil the obligations under the agreement
- b. Please discuss how will the current situation of Hub Media affect the valuation of TAPV Fund and consequently the likelihood of the Put Options being exercised by the option holders.

The Company's responses:

- a. Hub Media is unable to fulfil the obligations as the managing director of Hub Media Group Pte Ltd has resigned in 18th October 2017 and there are no records of the Comarex contracts in the Hub Media books, the company is now in the midst of checking the records. It is too preliminary to give a definitive view of the defence.
- b. The amount that Hub Media Group Pte Ltd owes to Tap Venture Fund I Pte Ltd is also guaranteed personally by the previous Managing Director, Balhetchet Caesar Kevin and we expect the recovery of Hub Media loan to be from the personal guarantee. We do not foresee the Hub Media situation to change the likelihood of the Put Options being exercised.

BY ORDER OF THE BOARD

Datuk Jared Lim Chih Li
Managing Director
06 December 2018