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

RESPONSE TO SGX-ST'S QUERY

The board of directors (the "**Board**") of Hatten Land Limited (the "**Company**") refers to the queries from the Singapore Exchange Securities Trading Limited ("**SGX-ST**") regarding the unaudited second quarter ended 31 December 2020 ("**2QFY2021**") results and wishes to respond to the queries as follows:

Query 1:

We note that the Group has non-current trade and other receivables totalling RM110 million, and current trade and other receivables totalling RM376 million. Please disclose:

(i) the breakdown and nature of the Group's non-current trade and other receivables;

(ii) the breakdown and nature of the Group's current trade and other receivables;

(iii) the Board's assessment of the recoverability of the non-current trade and other receivables.

Company's response

i) The Group's non-current trade and other receivables comprised solely of trade receivables. Due to the uncertainties brought on by the COVID-19 pandemic and weakening sentiment affecting the property market in Melaka, Malaysia which has changed in expected timing in collecting the cash flows, certain amount of trade receivables were reclassified from current to non-current. This reclassification was adopted during the audit of FY2020 results.

ii) The breakdown of the Group's current trade and other receivables is as follows:

	RM' million
Trade receivables	206
Amount due from related parties	61
Refundable deposits	6
Other receivables	103
Total	**376**

iii) In assessing that the recoverability of the non-current trade and other receivables, the Group considered whether the credit risk of each customer had increased taking into consideration factors including:
a) financial condition of each customer
b) the credit rating of each customer if available
c) existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in debtor's ability to meet its debt obligations
d) actual or expected significant deterioration in the operating results/key financial performance ratios of the debtors
e) an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in a customer's ability to meet its debt obligations.

As these units can be relisted for sale in the event that a purchaser decides to terminate the purchase of the units if the bank loan or financing application is not granted, the Board does not foresee any issues with the collection of the outstanding trade receivables. This opinion is consistent with the opinion on recoverability of trade receivables as disclosed on page 113 of the Group's FY2020 Annual report.

Query 2:

We note the current prepayments balance of RM4.8 million. Please disclose:

i) a breakdown of the prepayments balances and identify the nature of each of the material advances to suppliers and/or prepayments;

ii) when the advances to suppliers and/or prepayments were made, and the terms of the advances to suppliers and/or prepayments, where applicable;

iii) the identities of the suppliers and whether they are related parties of the Group.

Company's response

The breakdown of the Group's prepayments balance is as follows:

	RM' million
Prepaid operating expenses	2.9
Prepayments to supplier	1.9
Total	4.8

The prepaid operating expense are primarily made for procurement of services such as advertising and promotional activities, IT software, and insurance which have been paid in advance periodically and will be expensed off on monthly basis.

Prepayments to suppliers represent advance payment to supplier for sewerage and drainage system. After the receipt of the advance payment by supplier, it will take approximately 1 to 3 months to be expensed off.

None of the above suppliers are related parties to the Group.

Query 3:

Please disclose the nature of trade and other payables in the current liabilities category amounting to RM405.29 million as at 31 December 2020. For other payables, please disclose the aging and nature of these other payables and whether the counterparties are related parties.

Company's response

i) The nature of the current trade and other payables are as follows:

	RM' million
Current:	
Trade payables – third parties	140.9
Other payables	
Deposit received	5.9
Accruals	87.8
Amount due to related parties	40.7
Amount due to director	2.1
Rental payables	51.8
Deferred payables	8.6
Sundry payables	67.4
Total	**405.2**

Amount due to related parties and amount due to director are unsecured, non-interest bearing, repayable on demand and to be settled in cash.

Rental payables

This pertains to rental guarantees provided to the purchasers in conjunction with the sale of development properties, in which the Group is obliged to pay rental yield of 6% to 9% (2019: 6% to 9%) per annum of the purchase price to the purchasers for a committed lease term of 2 years to 9 years (2019: 3 years to 9 years) commencing six months from the date of issuance of the Certificate of Completion and Compliance or start of full business operations, whichever is earlier.

Deferred payables

These are payables mainly relates the acquisition of VVSB Group amounting to RM43,000,000, measured at amortised costs using an effective interest rate of 7.00% (2019: 7.00%) per annum.

Accruals

Accruals mainly comprised of various accrued operating expenses including but not limited to accrued finance cost, project cost and professional fees.

Sundry payables

Sundry payables comprised of various operating expenses from numerous suppliers which is individually immaterial.

Due to the nature of the other payables, the Group does not monitor and analyse the aging of such accounts.

Save for amount due to related parties and amount due to director, no other counterparties are related parties.

Query 4:

We noted the Group's significant liabilities of RM1.3 billion, of which RM1.1 billion are current liabilities and the Group only has cash balances of RM18.2 million. We also noted that the Group incurred losses of RM24 million in 2QFY2021.

(a) Please disclose the pro-active actions which management plans to take to ensure that the Group's financial position remains strong.

(b) Please disclose the Board's assessment

i) whether the Company's current assets are adequate to meet the Company's current liabilities of RM1.1 billion, including its bases of assessment; and

ii) how the Company intends to fulfil its significant payment obligations in the next 12 months. Where the Company has worked out debt repayment plans to fulfil its debt obligations, please disclose if the Company is on track to fulfilling these obligations.

(c) Please assess the Company's ability to operate as a going concern.

Company's response

a) The Group has taken the following pro-active actions:

i. The Group has a substantial value of unsold completed properties and the Group's priority is to monetise these assets. On 10 April 2020, the Company announced the sale of a land in Malaysia which will generate gross proceeds of RM28.49 million and the completion of the sale is expected to be no later than 10 April 2021. In addition, on 11 August 2020, the Company announced the disposal of Gold Mart Sdn Bhd, relating to the Harbour City project, and it is expected to generate gross proceeds of US$60 million with the disposal expected to complete by 31 March 2021.

ii. The Group has implemented various cost containment measures to generate immediate savings and conserve financial resources such as salary adjustments, reduction of non-essential expenses and capitalisation of expenses through issuance of shares.

iii. The Group continues to review and re-evaluate its pipeline of property development projects and for projects without pre-sales, they may be put on hold or discounted to conserve our financial resources. On 18 September 2020, the Company announced the termination of the option agreement to purchase a property site in Australia and the cost has been reimbursed back to the Group.

iv. The Company has been working closely with its lenders relating to the repayment obligations for its borrowings so as to align with the current business climate and the requirements of Group's business operations. For example, the Company announced on 23 September 2020, the extension of the outstanding medium-term notes of RM15.65 million to 24 September 2021. And on 8 July 2020, the Company announced that the repayment of the US$25 million has been extended to 8 June 2021, subject to the no-objection from the bondholders for the extension given on a monthly basis.

v. The Group's subsidiary companies, MDSA Resources Sdn Bhd and MDSA Ventures Sdn Bhd, have embarked on restructuring exercise through a scheme of arrangement to strengthen their balance sheet and restructure its legacy contractual obligations to achieve a more sustainable capital structure in line with the current business climate. Once approved by the courts, these scheme creditors will be repaid in the future through the sale proceeds from the completed properties earmarked for the scheme of arrangement.

b) The Company's current assets amounted to RM1.0 billion. Its development properties inventory of RM636.4 million is worth substantially more at sale price and the Group is working to monetise these assets as explained in the above reply to Query 4(a). In addition, the Group is also working to speed up collection of trade and other receivables of RM375.6 million.

The Group current liabilities of RM1.1 billion comprised mostly:

- Loans and borrowings of RM286.2 million, representing 26.0% of the current liabilities.

- Trade and other payables of RM405.3 million, representing 36.6% of the current liabilities. The Group has embarked a substantial amount of these payables through a scheme of arrangement. These payables will be repaid in the future through the sale proceeds from completed properties earmarked for the scheme of arrangement, reducing the pressure on the Group's cashflow.

The Group has undertaken various initiatives as explained in the reply to Query 4(a) and 4(b) above to strengthen its financial position and to fulfil its payment obligations in the next 12 months. Barring any unforeseen circumstances, the Company is on track to fulfil these payment obligations.

c) Based on the Group's various initiatives to strengthen its financial position as explained in the reply above to Query 4(a), the Board is of the view that the Group is able to operate as a going concern. The Board is also of the opinion that sufficient information has been disclosed for the trading of the Company's securities to continue in an orderly manner and confirmed that all material disclosures have been provided for the trading of the Company's shares to continue.

By Order of the Board
HATTEN LAND LIMITED

Dato' Tan June Teng, Colin
Executive Chairman and Managing Director
19 February 2021

This announcement has been prepared by Hatten Land Limited (the "Company") and its contents have been reviewed by the Company's sponsor, UOB Kay Hian Private Limited (the "Sponsor") for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "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 assume 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.

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