Independent Auditor's Report

To the members of Hatten Land Limited

Report on the Audit of the Financial Statements

Disclaimer of Opinion

We were engaged to audit the financial statements of Hatten Land Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the statements of financial position of the Group and the Company as at 30 June 2023, the statements of changes in equity of the Group and the Company and the consolidated statement of comprehensive income and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

We do not express an opinion on the accompanying consolidated financial statements of the Group and the statement of financial position and the statement of changes in equity of the Company. Because of the significance of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

1) *Limitation of scope in relation to the Malaysia entities*

At the date of this report, we are unable to obtain sufficient appropriate audit evidence and carry out the necessary audit procedures to form our conclusion in relation to MDSA Resources Sdn. Bhd. ("MRSB"), MDSA Vedro Development Sdn. Bhd. ("MVDSB"), MDSA Ventures Sdn. Bhd. ("MVSB"), Prolific Properties Sdn. Bhd. ("PPSB"), Gold Mart Sdn. Bhd. ("GMSB") and Hatten Commercial Management Sdn. Bhd. ("HCM") (collectively, the "Malaysia entities") for the matters described below:

a) *Sales revocation and properties repossessed*

As at 30 June 2023, the carrying amount of the Group's development properties was RM616.1 million (2022: RM484.3 million) as disclosed in Note 15 to the financial statements. During the financial year ended 30 June 2023, the Group recognised a gain of RM2.4 million (2022: RM5.5 million) arising from the revocation of sales recognised in the consolidated statement of comprehensive income following management's re-assessment of certain accounting policies and interpretations in relation to sales revocation and properties repossessed by the Group. As a result of the re-assessment, the prior years' financial statements have been restated as disclosed in Note 35 to the financial statements.

Based on the information available to us, we are unable to obtain sufficient appropriate audit evidence to satisfy ourselves 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. Accordingly, we are unable to determine whether any adjustments might have been found necessary in respect of (i) the carrying amounts of development properties, disposal group assets classified as held-for-sale and accumulated losses as at 30 June 2023 and in prior financial years; (ii) the gain on settlement arising from the revocation of sales, cost of sales and write-down of development properties during the financial year ended 30 June 2023 and in prior financial years; and (iii) the current and deferred tax liabilities for the current and prior financial years.

Report on the Audit of the Financial Statements (cont'd)

Basis for Disclaimer of Opinion (cont'd)

1) *Limitation of scope in relation to the Malaysia entities (cont'd)*

   b) *Impairment assessment of property, plant and equipment and net realisable value of development properties*

      As at 30 June 2023, the carrying amount of the Group's property, plant and equipment was RM180.3 million as disclosed in Note 11 to the financial statements. As at 30 June 2023, the carrying amount of the Group's development properties was RM616.1 million and the Group has written down the value of its development properties of RM21.0 million during the financial year, as disclosed in Note 15 to the financial statements.

      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, management engaged a firm of professional valuers to perform the valuation assessment accordingly. We are 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. Accordingly, we are unable to determine whether any adjustments might have been found necessary in respect of the carrying amounts of the property, plant and equipment and development properties as at 30 June 2023, and write-down of development properties during the financial year ended 30 June 2023.

   c) *Reversal of provision for liquidated ascertained damages related to sales of development properties recognised within revenue*

      During the financial year ended 30 June 2023, the Group recognised a reversal of provision for liquidated ascertained damages ("LAD") related to sales of development properties of RM67.9 million (Notes 4 and 22) arising from the restructuring of GMSB as disclosed in Note 33(c) to the financial statements. At the date of this report, the proposed scheme of arrangement between GMSB and its unsecured creditors is awaiting the approval by the Kuala Lumpur High Court.

      Due to the uncertainty in obtaining the approval by the Kuala Lumpur High Court, we are unable to satisfy ourselves on the appropriateness of management's basis to reverse the provision for LAD. Accordingly, we are unable to determine whether any adjustments to the carrying amount of the provision for LAD as at 30 June 2023 and the reversal of provision for LAD recognised during the financial year ended 30 June 2023 might be necessary.

   d) *Impairment of trade and other receivables*

      As at 30 June 2023, the carrying amount of the Group's trade and other receivables was RM272.6 million as disclosed in Note 16 to the financial statements. Management had performed an expected credit loss assessment as at 30 June 2023 and a loss allowance of RM0.44 million was recognised during the current financial year (Note 29(a)).

      Based on the information available to us, we are unable to obtain sufficient appropriate audit evidence on the reasonableness of management's expected credit loss assessment on the carrying amount of the Malaysia entities' trade and other receivables as at 30 June 2023 and whether any adjustments to these trade and other receivables might be necessary. In addition, we are unable to determine the appropriateness of the disclosures of credit risk with respect to these trade and other receivables.

Independent Auditor's Report

To the members of Hatten Land Limited

Report on the Audit of the Financial Statements (cont'd)

Basis for Disclaimer of Opinion (cont'd)

1) *Limitation of scope in relation to the Malaysia entities (cont'd)*

   e) *Other adjustments and related disclosures*

      In view of the matters described above, we are unable to satisfy ourselves with regards to the recording and measurement of all transactions related to the Malaysia entities during the financial year ended 30 June 2023 and whether the assets and liabilities are complete and fairly stated as at 30 June 2023, including the related disclosures and the possible effect of these matters on the comparability of the current financial year's figures and the corresponding figures.

   Accordingly, because of the above limitations on the scope of our audit which significantly impeded our ability to carry out further audit procedures or satisfy ourselves through alternative means, we are unable to ascertain the completeness, existence, occurrence, accuracy, valuation and related disclosures of the various transactions and balances relating to the Malaysia entities.

   Consequently, we are unable to conclude whether the financial information of the Malaysia entities which had been consolidated in the Group's consolidated financial statements are free from material misstatements and whether any other adjustments might have been found necessary in respect of the multiple elements making up the accompanying financial statements for the financial year ended 30 June 2023. Our opinion on the current financial year's financial statements is also modified because of the possible effect of these matters on the comparability of the current financial year's figures and the corresponding figures.

2) *Use of the going concern assumption*

   We draw attention to Note 3(i) to the financial statements with respect to the Group's and the Company's ability to continue as going concerns. 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.

   The Group's working capital primarily comprises development properties and the related receivables. Subsequent to the end of the financial year, the Group had not been able to meet its forecasted sales target for its development properties and continued to experience slow recovery of its receivables. As disclosed in Note 3(i) to the financial statements, the Group continues to face uncertainties in the property market outlook in Melaka, Malaysia, despite the gradual recovery from the COVID-19 pandemic. Coupled with the heightened uncertainty of the global economy and volatility of macroeconomic factors such as inflation and rising interest rates, these may continue to impact the demand and realisation of the Group's development properties which will cause a strain on its cash flows.

   As at 30 June 2023, 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 (Note 17). The Company's total loans and borrowings amounted to RM209.9 million, all of which were classified as current liabilities, and exceeded the Company's cash and bank balances of RM0.004 million. Included in the Group's and Company's loans and borrowings are convertible loan and secured bonds of US$20 million (approximately RM93.3 million) and US$25 million (approximately RM116.6 million) as at 30 June 2023, which originally matured on 10 October 2019 and 8 March 2020, respectively (Note 20). The Company is in the process of negotiation with the lender and the bondholders on the possible extension of repayments. At the date of this report, the definitive outcome of the extension of repayments or potential loan refinancing has yet to be executed for the Group and the Company.

Report on the Audit of the Financial Statements (cont'd)

Basis for Disclaimer of Opinion (cont'd)

2) *Use of the going concern assumption (cont'd)*

In addition, the Group has breached the financial covenant to maintain the Financial Services Reserve Account ("FSRA") as at 30 June 2023 as disclosed in Note 20 to the financial statements. Subsequent to the end of the reporting period, the Group received a letter of demand from the bank as disclosed in Note 32 to the financial statements.

The Group is also undergoing restructuring of its indirect wholly-owned subsidiaries as disclosed in Notes 33(b) and 33(c) to the financial statements.

These conditions give rise to material uncertainties on the ability of the Group and the Company to continue as going concerns.

Notwithstanding the above, the directors have prepared the financial statements on a going concern basis based on the assumptions disclosed in Note 3(i) to the financial statements. However, based on the information available to us, we are 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.

The financial statements did not include any adjustments that may result in the event that the Group and the Company are unable to continue as going concerns. In the event that the Group and the Company are unable to continue in operational existence for the foreseeable future, the Group and the Company may be unable to realise their assets and discharge their liabilities in the ordinary course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the ordinary course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statement of financial position. In addition, the Group and the Company may have to provide for further liabilities which may arise, and to reclassify non-current assets as current assets and non-current liabilities as current liabilities. No such adjustments have been made to the financial statements.

Independent Auditor's Report

To the members of Hatten Land Limited

Report on the Audit of the Financial Statements (cont'd)

Basis for Disclaimer of Opinion (cont'd)

3) *Impairment of intangible assets in relation to development costs*

As at 30 June 2023, the carrying amount of the Group's intangible assets in relation to development costs was RM8.6 million as disclosed in Note 12 to the financial statements.

The Group has carried out an impairment assessment on the Group's development costs capitalised for its respective projects pertaining to crypto assets exchange platform, metaverse gateway and integrated Esports and gaming experiential hub as at 30 June 2023. The impairment assessment was performed on the respective projects or cash generating units ("CGU") of the Group and management has determined the recoverable amount of the CGU using the value-in-use approach based on the discounted cash flow method. Given that 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, there are material uncertainties with respect to the reliability and reasonableness of the key assumptions and estimates that are used in the respective CGU forecasts prepared by management.

Based on the information available to us, we are unable to obtain sufficient appropriate audit evidence and explanation to satisfy ourselves the appropriateness of the key assumptions and estimates used in the respective CGU forecasts prepared by management. Consequently, we are unable to determine whether any impairment loss is required on the carrying amount of the Group's intangible assets in relation to development costs as at 30 June 2023.

4) *Investment in an associated company*

During the financial year ended 30 June 2023, an impairment loss of RM22.0 million was recognised to write down the carrying amount of investment in an associated company, ECXX Global Pte. Ltd. ("ECXX") to its recoverable amount. As a result, the carrying amount of investment in an associated company as at 30 June 2023 was fully impaired.

The Group accounted for the investment in an associated company using the equity method and recorded the share of total comprehensive loss of the associated company amounting to RM0.3 million (Note 14) for the current financial year based on the unaudited financial information. At the date of this report, we are unable to obtain sufficient appropriate audit evidence or perform other alternative procedures over the share of results of the associated company.

Accordingly, we are unable to determine if the impairment loss and share of total comprehensive loss of the associated company recognised during the financial year of RM22.0 million and RM0.3 million as disclosed in Note 14 to the financial statements respectively, are appropriate.

5) *Inability to obtain confirmations from third-party lender and bondholders*

We are not able to obtain confirmations from a third-party lender amounting to US$20,000,000 (approximately RM93.3 million) and two third-party bondholders amounting to US$18,000,000 (approximately RM61.9 million), which are included in "loan and secured bonds" within the Group's and the Company's loans and borrowings as at 30 June 2023 (Note 20). Consequently, we are unable to ascertain the accuracy and completeness of the Group's loans and borrowings and whether there are any additional information or terms which could have an impact on the financial statements that require disclosure.

Independent Auditor's Report

To the members of Hatten Land Limited

Report on the Audit of the Financial Statements (cont'd)

Basis for Disclaimer of Opinion (cont'd)

6) *Investment in subsidiaries and amount due from subsidiaries in the Company's financial statements*

   As at 30 June 2023, the carrying amounts of the Company's investment in subsidiaries and amount due from subsidiaries were RM720.1 million and RM322.4 million as disclosed in Notes 13 and 16 to the financial statements, respectively.

   In view of the material uncertainties on the ability of the Group to continue as going concern as described in point 2 above and the ability of the subsidiaries in realising its development properties at expected timings which is inherently uncertain, we are unable to determine whether any impairment loss is required on the carrying amounts of the Company's investment in subsidiaries and amount due from subsidiaries as at 30 June 2023. We are also unable to obtain sufficient appropriate audit evidence on the appropriateness of the classification of amount due from subsidiaries as current assets in the statement of financial position of the Company, and the disclosures of credit risk with respect to the Company's amount due from subsidiaries, including the expected credit loss assessment in relation to the financial guarantees issued to banks for borrowings of the Company's subsidiaries, as disclosed in Note 29(a) to the financial statements.

   In addition, for the purpose of impairment assessment of the Company's investment in subsidiaries as at 30 June 2023, management engaged a firm of professional valuers to perform the valuation assessment accordingly. We are 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. Accordingly, we are unable to determine whether any adjustments might have been found necessary in respect of the carrying amount of the Company's investment in subsidiaries as at 30 June 2023.

Our audit opinion on the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company for the financial year ended 30 June 2022 was similarly disclaimed for points 1(a), 1(d), 2, 3, 5 and 6 above. The extract of the basis for disclaimer of opinion is included in Note 34 to the financial statements.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Companies Act 1967 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)"), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Notes to the Financial Statements

For the financial year ended 30 June 2023

3. Critical accounting judgements and key sources of estimation uncertainty (cont'd)

Critical judgements in applying the entity's accounting policies (cont'd)

(i) Going concern assumption (cont'd)

Notwithstanding the above, the directors are of the view that it is appropriate to prepare these financial statements on a going concern basis after considering the following:

a) The Group reported a carrying value of development properties of RM616.1 million as at 30 June 2023, the total market value of the Group's development properties is approximately RM1,073 million based on the latest valuation reports as at 30 June 2023, of which approximately RM663 million comprises unsold completed properties that the Group intends to sell gradually. In addition, the Group'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 approximately RM238 million (approximately US$54 million) based on the latest available valuation report issued by an external valuer in November 2022.

b) On 22 March 2023, the Group announced that it has entered into a Strategic Partnership Agreement with Quantum Healthcare Limited ("Quantum") to provide premium healthcare service in Melaka at Imperio Mall @ Hatten City. The Group and Quantum jointly announced on 13 June 2023 the signing of a tenancy agreement for a total tenure of 9 years. With identified space of more than 210,000 square feet within Imperio Mall @ Hatten City, Quantum has committed to lease more than 138,000 square feet of space on Lower Ground Floor, Ground Floor and Mezzanine Floor with the option to lease up to an additional 72,000 square feet on Level 1. Quantum Specialist Centre will be the newest healthcare facility in Melaka.

c) The Group has embarked on strategic restructuring of its subsidiary, GMSB to restructure its legacy contractual obligations to achieve a more sustainable capital structure which will reduce pressure on the Group's cash outflows going forward. As announced in the Group's announcements on 14 June 2023 and 30 June 2023, GMSB has successfully obtained the following orders from Kuala Lumpur High Court ("Court") held on 12 June 2023, which includes (i) GMSB shall within 90 days from 12 June 2023 to hold a creditors' meeting to approve a proposed scheme agreement with its unsecured creditors; and (ii) a restraining order to prevent legal proceedings against GMSB, including enforcing security and initiating wind up proceedings over GMSB assets for a period of three (3) months from 12 June 2023, except with leave of Court and subject to terms the Court may impose. The date of creditors' meeting is set on 8 September 2023. As of the date of this report, the Court has not final approved the above-mentioned orders as disclosed further in Note 33(c).

d) The Group has embarked on strategic restructuring of its two subsidiaries, MDSA Resources Sdn. Bhd. and MDSA Ventures Sdn. Bhd. to restructure its legacy contractual obligations to achieve a more sustainable capital structure which will reduce pressure on the Group's cash outflows going forward (Note 33(b)).

The Group and the Company remain confident of raising additional funds required and will be able to generate sufficient cash flows from its operations in the next 12 months and therefore the directors consider it appropriate to prepare the financial statements on a going concern basis.

3. Critical accounting judgements and key sources of estimation uncertainty (cont'd)

Critical judgements in applying the entity's accounting policies (cont'd)

(i) Going concern assumption (cont'd)

The financial statements did not include any adjustments that may result in the event that the Group and the Company are unable to continue as going concerns. In the event that the Group and the Company are unable to continue in operational existence for the foreseeable future, the Group and the Company may be unable to realise their assets and discharge their liabilities in the ordinary course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the ordinary course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statement of financial position. In addition, the Group and the Company may have to provide for further liabilities which may arise, and to reclassify non-current assets as current assets and non-current liabilities as current liabilities. No such adjustments have been made to the financial statements.

(ii) Classification of properties

In the process of classifying properties, management has made various judgements. Judgement is needed to determine whether a property qualifies as an investment property, property, plant and equipment and/or development property held for sale. The Group develops criteria so that it can exercise that judgement consistently in accordance with the definitions of investment property, property, plant and equipment and development property held for sale. In making its judgement, management considered the detailed criteria and related guidance for the classification of properties as set out in SFRS(I) 1-2 *Inventories*, SFRS(I) 1-16 *Property, Plant and Equipment* and SFRS(I) 1-40 *Investment Property*, and in particular, the intended usage of property as determined by the management.

(iii) Contracts with customers

(a) Satisfaction of performance obligations

The Group is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method for recognising revenue. The Group has assessed that based on the contracts entered into with customers and the provisions of relevant laws and regulations, the Group recognises revenue over time where contracts are entered into for property development (sale of properties to customers), the Group is restricted contractually from directing the properties for other use and has an enforceable right to payment for performance completed to date.

Where the above criteria are not met, revenue is recognised at a point in time. Where revenue is recognised at a point of time, the Group assesses each contract with customers to determine when the performance obligation of the Group under the contract is satisfied.

(b) Determination of transaction prices

The Group is required to determine the transaction price in respect of each of its contracts with customers. In making such judgement the Group assesses the impact of any variable consideration in the contract, due to discounts or penalties, the existence of any significant financing component and any non-cash consideration in the contract.

Notes to the Financial Statements

For the financial year ended 30 June 2023

3. Critical accounting judgements and key sources of estimation uncertainty (cont'd)

Critical judgements in applying the entity's accounting policies (cont'd)

(iv) Investment in an associated company

Management has considered the Group's ability to appoint director and representation in the board of ECXX Global Pte. Ltd. ("ECXX") and contractual terms in the shareholders agreement, and has determined that it has significant influence on ECXX even though the Group's shareholding is 18.69% (2022: 19.30%). Therefore, this investment has been classified as an associated company (Note 14).

(v) Accounting of crypto assets

Management notes that the topic of digital assets and accounting for digital assets continues to be considered by the International Accounting Standards Board ("IASB") and continues to monitor new comments and interpretations released by IASB and other standard setters from around the world.

In line with this, the Group has considered its position for the financial year ended 30 June 2023 and had to make judgement that the most applicable standard would be SFRS(I) 1-38 *Intangible Assets,* based on the Group's understanding of the characteristics of the assets.

Management's assessment is to measure crypto assets at fair value (unless otherwise disclosed and provided certain conditions are met) under the respective accounting standards.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the financial period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

(vi) Estimation of net realisable value for development properties

Development properties are stated at lower of cost or net realisable value. Net realisable value is assessed with reference to the estimated selling prices, less the estimated costs of completion and the estimated costs necessary to make the sale. The estimated selling prices are based on recent selling prices for the development project or comparable projects and prevailing market conditions. The estimated costs of completion are based on contracted amounts and, in respect of amounts not contracted for, management's estimates of the amounts to be incurred taking into consideration historical trends of the amounts incurred. The carrying amount of the Group's development properties at the end of the financial period is disclosed in Note 15.

(vii) Calculation of loss allowance

When measuring ECL, the Group uses reasonable and supportable forward-looking information, which is based on assumptions and forecasts of future economic conditions with consideration on the impact of current macroeconomic uncertainties and how these conditions will affect the Group's ECL assessment. Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

3. Critical accounting judgements and key sources of estimation uncertainty (cont'd)

Critical judgements in applying the entity's accounting policies (cont'd)

(vii) Calculation of loss allowance (cont'd)

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

As the calculation of loss allowance on trade receivables is subject to assumptions and forecasts, any changes to these estimations will affect the amounts of loss allowance recognised and the carrying amounts of trade receivables. Details of ECL measurement and carrying value of trade receivables at the end of the financial period are disclosed in Note 29(a).

(viii) Income taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the relevant tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group's domicile.

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

(ix) Provision for liquidated ascertained damages

For contracts with variable considerations (i.e. liquidated ascertained damages), revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. Thereafter, the amount of revenue recognised is adjusted for possibility of delays of the projects. The Group reviews the progress of the projects at each end of the financial period and updates the transaction price accordingly. The carrying amount of the Group's provision for liquidated ascertained damages at the end of the financial period is disclosed in Note 22.

Notes to the Financial Statements

For the financial year ended 30 June 2023

3. Critical accounting judgements and key sources of estimation uncertainty (cont'd)

Critical judgements in applying the entity's accounting policies (cont'd)

(x) Impairment of investment in subsidiaries

The Company assesses at each balance sheet date whether there are any indicators of impairment for investment in subsidiaries. Investment in subsidiaries is tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying amount of the investment exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value-in-use. When value-in-use calculations are undertaken, management is required to estimate the expected future cash flows from the business and a suitable terminal growth rate and discount rate, in order to determine the present value of those cash flows. The key assumptions and estimates applied in the determination of the value-in-use including a sensitivity analysis, and the carrying amount of investment in subsidiaries are disclosed in Note 13.

4. Revenue

	Group	
	2023	2022
	RM'000	RM'000
Revenue from rendering of data room support services	**3,076**	1,694
Revenue from sales of development properties in Malaysia	**33,631**	32,453
Add: Reversal of provision for developer interest-bearing scheme (Note 22)	**–**	19,228
Add: Reversal of provision for liquidated ascertained damages to property buyers (Notes 18 and 22)*	**66,953**	1,678
	103,660	55,053
Revenue recognised from sales of development properties in Malaysia		
- at a point in time	**20,689**	28,299
- over time	**12,942**	4,154
	33,631	32,453

* The amount includes a reversal of liquidated ascertained damages to property buyers of RM67,909,000 (Note 22) (2022: RM2,687,000) (Note 18) arising from Gold Mart Sdn. Bhd. ("GMSB").

Revenue from rendering of data room support services is recognised over time.

In accordance with the requirements of SFRS(I) 15 relating to variable consideration, the amount for liquidated ascertained damages shall be accounted for as a reduction in the transaction price. As the provision for liquidated ascertained damages is a variable consideration, the amount would be debited to the revenue recognised.

4. Revenue (cont'd)

(a) Contract balances

Information relating to contract balances from contracts with customers is disclosed as follows:

	Group		
	30 June 2023 RM'000	30 June 2022 RM'000	1 July 2021 RM'000
Trade receivables (Note 16)	**186,670**	67,698	108,230
Contract liabilities	**(199,575)**	(59,849)	(55,955)

Contract liabilities relate to the Group's obligation to transfer goods or services to customers for which the Group has received consideration from customers, namely advances received from customers for sale of development properties. Contract liabilities are recognised as revenue as the Group performs under the contract.

During the financial year, the significant changes in the trade receivables and contract liabilities were mainly due to the reclassification of GMSB's disposal group as held-for-sale to the respective accounts as disclosed in Note 18.

(b) Transaction price allocated to remaining performance obligations

The aggregate amount of the transaction price allocated to the unsatisfied (or partially unsatisfied) performance obligations as at 30 June 2023 is RM455,499,000 (2022: RM475,725,000).

The Group expects to recognised revenue relating to the transaction price allocated to the unsatisfied (or partially unsatisfied) performance obligations over the next 5 years.

5. Cost of sales

	Group	
	2023 RM'000	(Restated) 2022 RM'000
Cost of sales arising from leasing activities	**345**	215
Cost of sales arising from development properties	**5,781**	22,109
	6,126	22,324

32. Subsequent events

Receipt of letter of demand

On 14 November 2023, the Company announced that its indirect wholly-owned subsidiary, MDSA Ventures Sdn. Bhd. ("MVSB") had on 10 November 2023 received a letter of demand (the "Letter") from the solicitor representing Bank Kerjasama Rakyat Malaysia Berhad (the "Lender") in relation to the loan extended to MVSB (the "Facility").

The Facility was obtained to refinance an outstanding term loan and this Facility is secured by a legal charge over certain retail lots, services apartments and serviced suites, deed of assignment over the rental proceeds from certain retail lots, services apartments and serviced suites, deed of assignment over the surplus monies in the Housing Development Account of MVSB, deed of assignment on all right, interests and benefits over the designated accounts, memorandum of deposit and letter of set-off in relation to the Financial Services Reserve Account, and joint and several guarantees from directors of MVSB.

The Letter has demanded partial payment before 20 November 2023, of which non-payment will cause the Facility to be automatically recalled/terminated, as well as within 14 days from the date of recall/termination, the solicitor of the Lender will proceed with legal actions/foreclosure.

The Company further announced on 22 November 2023 that the management has met with the Lender on the alternative settlement proposals. At the date of this report, the Facility has not been terminated or recalled by the lender.

33. Significant events during the financial year

(a) Disposal of land

On 7 July 2021, the Company's indirect wholly-owned subsidiary, Prolific Revenue Sdn. Bhd. entered into a sale and purchase agreement with Webest Sdn. Bhd., a third party, for the disposal of a leasehold land for an aggregate consideration of RM25.8 million (the "Proposed Disposal"). The completion of the Proposed Disposal was conditional upon the satisfaction of conditions precedent. The Proposed Disposal was completed on 13 October 2022 (Note 15).

(b) Restructuring of MDSA Ventures Sdn. Bhd. ("MVSB") and MDSA Resources Sdn. Bhd. ("MRSB")

On 2 July 2020, the Company announced that its indirect wholly-owned subsidiaries, MVSB and MRSB had applied to the High Court of Malaya at Malacca, Malaysia, pursuant to Sections 366 and 368 of the Malaysian Companies Act 2016 (the "Act") for, among others, the following orders:

(i) Leave to call for creditors' meetings pursuant to Section 366 (1) of the Act for the purpose of considering and if deemed appropriate, to approve with or without modification, a proposed scheme of arrangement and compromise between the applicant and its unsecured creditors (the "Scheme"); and

(ii) A restraining order pursuant to Section 368 of the Act restraining any legal proceedings against the applicants and/or their assets, including but not limited to court, winding up and arbitration proceedings for a period of 3 months from the date of the order, except with leave of court and subject to such terms as the court may impose (the "Order").

33. Significant events during the financial year (cont'd)

(b) Restructuring of MDSA Ventures Sdn. Bhd. ("MVSB") and MDSA Resources Sdn. Bhd. ("MRSB") (cont'd)

MVSB and MRSB have been granted the restraining order and leave to call for the creditors' meetings by the High Court of Malaya at Malacca, Malaysia pursuant to the Act. The scheme entities are working with its legal counsel to formulate the details of the Scheme accordingly.

MVSB

On 6 January 2021, the High Court of Malaya in Malacca, Malaysia has approved the scheme of arrangement between MVSB and its creditors. The court order dated 6 January 2021 approving the Scheme was lodged with the Companies Commission of Malaysia on 19 January 2021 (the "Effective Date").

The scheme creditors under the Scheme are the unsecured creditors of MVSB, which consists of:

- Third party scheme creditors relating to purchasers of sold units in the mixed development of approximately four (4) acres in Bandar Hilir, Melaka, known as Hatten City Phase 2 (the "Development") having outstanding Guaranteed Rental Return ("GRR") payables and future GRR claims (the "GRR Creditors"), purchasers of sold units in the Development with Liquidated Ascertained Damages claims (the "LAD Creditors") and other third party trade creditors. The Scheme is pending for the completion of verification of the proof of debt conducted by the liquidator(s). As at the Effective Date, all GRR arrangements were terminated as future GRR have been included as part of the Scheme; and

- Hatten Group scheme creditors, the total amount due to them being approximately RM231.9 million.

This Scheme is formulated to allow MVSB to meet its financial obligations whilst it continues its business operations. Under the Scheme, MVSB will earmark 32 unsold and unencumbered units in Imperio Mall in Melaka (the "Earmarked Properties") with an approximate value of RM114.6 million to a Special Purpose Vehicle (the "SPV") set up for the implementation of the Scheme.

The SPV will be placed into creditors' voluntary liquidation where the liquidator(s)' will realise the Earmarked Properties and distribute the monies to the scheme creditors. Under the Scheme, third party scheme creditors will be paid first from the proceeds from the disposal of the Earmarked Properties.

At the date of this report, there are no disposal of the Earmarked Properties and no distribution made to the scheme creditors as the liquidator is still in the midst of performing the proof of debts.

MRSB

The High Court of Malaya in Malacca, Malaysia has dismissed MRSB's application for the approval of the scheme of arrangement and the Group has filed an appeal to the Court of Appeal of Malaysia against the decision of the High Court. The Court of Appeal of Malaysia fixed a hearing date for MRSB on 4 January 2022 and allowed for any additional submissions, authorities, and executive summary (if any) to be filed before 21 December 2021.

33. Significant events during the financial year (cont'd)

(b) Restructuring of MDSA Ventures Sdn. Bhd. ("MVSB") and MDSA Resources Sdn. Bhd. ("MRSB") (cont'd)

MRSB (cont'd)

As announced by the Company on 11 March 2022, the Court of Appeal has dismissed the Group's appeal against the dismissal of sanction of the scheme of arrangement in the High Court. The Group has filed an application for leave to appeal to the Federal Court and the hearing was fixed on 13 July 2022. The Federal Court of Malaysia fixed the case management of the appeal on 5 September 2022.

As announced by the Company on 10 November 2022, 14 February 2023 and 15 May 2023, MRSB has successfully obtained the leave from the Federal Court of Malaysia. Followed by the hearing held by the Federal Court on 5 January 2023 and 19 April 2023, the subsequent session was initially scheduled for 16 May 2023. MRSB has received a letter from the Federal Court of Malaysia informing them that the session date scheduled for 16 May 2023 has been vacated due to a rearrangement of cases.

On 5 July 2023, the Company announced that the Federal Court of Malaysia has heard the matter and has dismissed MRSB's appeal against the dismissal of sanction of the scheme of arrangement in the High Court and in the Court of Appeal. There will be no financial impact to the Group for the financial year ended 30 June 2023, as potential waiver of debts under the Scheme has not been accounted for, unless sanctioned by the court.

At the date of this report, the Group will continue to seek legal advice on the next steps and collaborate with relevant creditors to engage in discussions regarding the settlement arrangements.

(c) Restructuring of Goldmart Sdn Bhd ("GMSB")

On 14 June 2023, the Company announced that GMSB, a wholly-owned subsidiary of the Company, has updated that, pursuant to Sections 366 and 368(1) of the Malaysian Companies Act 2016 (the "Act"), the following orders were granted by the Kuala Lumpur High Court during a hearing held on 12 June 2023:

- GMSB shall call for a creditors' meeting (the "Meeting") pursuant to Section 366 (1) of the Act for the purpose of considering and if deemed appropriate, to approve with or without modification, a proposed scheme of arrangement between the GMSB and its unsecured creditors (the "Proposed Scheme") where the Meeting is to be held within 90 days from 12 June 2023; and

- A restraining order pursuant to Section 368(1) of the Act restraining all legal proceedings against GMSB including but not limited to enforcement of any security, the commencement or continuing of winding up proceedings and/or any appointment of receiver and/or manager over any and all of the assets of GMSB for a period of three months from 12 June 2023, except with leave of Court and subject to such terms as the Kuala Lumpur High Court may impose.

The Proposed Scheme was initiated by a group of 660 purchasers (the "Initiating Purchasers") and supported by GMSB. The purpose of the Proposed Scheme is to enable GMSB to restructure its outstanding financial obligations and to allow GMSB to complete the construction of Harbour City project.

33. Significant events during the financial year (cont'd)

(c) Restructuring of Goldmart Sdn Bhd ("GMSB") (cont'd)

On 13 September 2023, the Company announced the results of the Meeting in connection with the Proposed Scheme between GMSB and its unsecured creditors (the "Scheme Creditors") held in Malaysia on 8 September 2023.

The salient terms and quantum of the Proposed Scheme are as follows:

- The Scheme Creditors shall waive 60% of their liquidated ascertained damages ("LAD"), amounting to approximately RM67.0 million (Notes 4 and 22) of waiver, based on LAD as at the cut-off date, i.e. 30 November 2022;

- The balance 40% of the LAD shall be settled by way of proceeds received from the sale of certain unsold units of Harbour City (the "Assigned Properties"), thereby preserving the Group's cash reserves; and

- GMSB shall complete the development of Harbour City within three years from the commencement date.

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. Once approval of the Proposed Scheme has been obtained, the Proposed Scheme shall be binding on GMSB and the Scheme Creditors.

At the date of this report, the Proposed Scheme is awaiting the approval by the Kuala Lumpur High Court.

34. Basis for disclaimer of opinion on the consolidated financial statements for the financial year ended 30 June 2022

The independent auditor's report dated 28 November 2022 contained a disclaimer of opinion on the consolidated financial statements for the financial year ended 30 June 2022. The extract of the basis for disclaimer of opinion, which should be read in conjunction with the Group's 2022 Annual Report as all figures and references are in respect of the financial statements for the financial year ended 30 June 2022, is as follows:

Basis for Disclaimer of Opinion

1) *Use of the going concern assumption*

We draw attention to Note 3(i) to the financial statements with respect to the Group's and the Company's ability to continue as going concerns. The Group and the Company incurred a net loss of RM32.3 million and RM0.09 million respectively during the financial year ended 30 June 2022. The Group also incurred net cash flows used in operating activities of RM12.2 million during the financial year ended 30 June 2022.

34. Basis for disclaimer of opinion on the consolidated financial statements for the financial year ended 30 June 2022 (cont'd)

Basis for Disclaimer of Opinion (cont'd)

1) *Use of the going concern assumption (cont'd)*

The Group's working capital primarily comprises development properties and the related receivables. Subsequent to the end of the financial year, the Group had not been able to meet its forecasted sales target for its development properties and continued to experience slow recovery of its receivables. As disclosed in Note 3(i), the Group continues to face uncertainties from the COVID-19 pandemic which has disrupted and distorted the property market outlook in Melaka, Malaysia, despite the gradual recovery from the pandemic. Coupled with the heightened uncertainty of the global economy and volatility of macroeconomic factors such as inflation and rising interest rates, these may continue to impact the demand and realisation of the Group's development properties which will cause a strain on its cash flows.

In addition to the above, as at 30 June 2022, the Group's total loans and borrowings (including loans and borrowings of Gold Mart Sdn. Bhd. as disclosed in Note 18) amounted to RM398.4 million, of which RM325.6 million were classified as current liabilities and exceeded the Group's cash and bank balances of RM11.3 million (Note 17). The Company's total loans and borrowings amounted to RM198.4 million, all of which were classified as current liabilities, and exceeded the Company's cash and bank balances of RM2.1 million. Included in the Group's and Company's loans and borrowings are convertible loan and secured bonds of US$20 million (approximately RM88.2 million) and US$25 million (approximately RM110.2 million) as at 30 June 2022, which originally matured on 10 October 2019 and 8 March 2020, respectively (Note 20). The Company is in the process of negotiation with the lender and the bondholders on the possible extension of repayments. At the date of this report, the definitive outcome of the extension of repayments or potential loan refinancing has yet to be executed.

The Group is also undergoing restructuring of its indirect wholly-owned subsidiaries as disclosed in Note 33(a).

These conditions give rise to material uncertainties on the ability of the Group and the Company to continue as going concerns.

Notwithstanding the above, the directors have prepared the financial statements on a going concern basis based on the assumptions disclosed in Note 3(i) to the financial statements. However, based on the information available to us, we are 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 exact timing for the date of completion in relation to the disposal of Gold Mart Sdn. Bhd. ("GMSB") to a third party which will generate gross proceeds of US$60 million for the Company cannot be reasonably ascertained; (ii) the arrangements to secure additional funding and loan refinancing have yet to conclude satisfactorily; and (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 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.

Notes to the Financial Statements

For the financial year ended 30 June 2023

34. Basis for disclaimer of opinion on the consolidated financial statements for the financial year ended 30 June 2022 (cont'd)

Basis for Disclaimer of Opinion (cont'd)

1) *Use of the going concern assumption (cont'd)*

The financial statements did not include any adjustments that may result in the event that the Group and the Company are unable to continue as going concerns. In the event that the Group and the Company are unable to continue in operational existence for the foreseeable future, the Group and the Company may be unable to realise their assets and discharge their liabilities in the ordinary course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the ordinary course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statement of financial position. In addition, the Group and the Company may have to provide for further liabilities which may arise, and to reclassify non-current assets as current assets and non-current liabilities as current liabilities. No such adjustments have been made to the financial statements.

2) *Appropriateness of the classification and measurement of disposal group classified as held-for-sale*

The assets and liabilities related to GMSB have been presented as disposal group classified as held-for-sale in accordance with SFRS(I) 5 *Non-current Assets Held for Sale and Discontinued Operations* as disclosed in Note 3(v) and Note 18 to the financial statements. As disclosed in Note 18, there was a delay in the completion of the disposal due to the substantial documentation and time required by the financial institutions involved to approve and process the cross-border payment and this was further exacerbated by the COVID-19 pandemic situation. In view of the continued delay and also the significant uncertainties with respect to the estimated date of completion of the disposal, we are unable to obtain sufficient appropriate audit evidence to ascertain the appropriateness of the classification and measurement of the disposal group classified as held-for-sale as at 30 June 2022.

3) *Impairment of the Group's trade and other receivables*

As at 30 June 2022, the carrying amount of the Group's trade and other receivables was RM278.1 million (including trade and other receivables of GMSB) as disclosed in Notes 16 and 18 to the financial statements. Management had performed an expected credit loss assessment as at 30 June 2022 and a loss allowance of RM0.07 million was recognised during the current financial year (Note 29(a)).

Based on the information available to us, we are unable to obtain sufficient appropriate audit evidence on the reasonableness of management's expected credit loss assessment on the carrying amount of the Group's trade and other receivables as at 30 June 2022 and whether any adjustments to the Group's trade and other receivables are necessary. Consequently, we are unable to determine the appropriateness of the disclosures of credit risk with respect to the Group's trade and other receivables in Note 29(a) to the financial statements.

34. Basis for disclaimer of opinion on the consolidated financial statements for the financial year ended 30 June 2022 (cont'd)

Basis for Disclaimer of Opinion (cont'd)

4) *Impairment of intangible assets in relation to development costs*

As at 30 June 2022, the carrying amount of the Group's intangible assets in relation to development costs was RM7.0 million as disclosed in Note 12 to the financial statements.

The Group has carried out an impairment assessment on the Group's development costs capitalised for its respective projects pertaining to crypto assets exchange platform, metaverse gateway and integrated Esports and gaming experiential hub as at 30 June 2022. The impairment assessment was performed on the respective projects or cash generating units ("CGU") of the Group and management has determined the recoverable amount of the CGU using the value-in-use approach based on the discounted cash flow method. Given that 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, there are material uncertainties with respect to the reliability and reasonableness of the key assumptions and estimates that are used in the respective CGU forecasts prepared by the management.

Based on the information available to us, we are unable to obtain sufficient appropriate audit evidence and explanation to satisfy ourselves that the key assumptions and estimates used in the respective CGU forecasts prepared by the management can be relied upon. Consequently, we are unable to determine whether any impairment loss is required on the carrying amount of the Group's intangible assets in relation to development costs as at 30 June 2022.

5) *Development properties*

As at 30 June 2022, the carrying amount of the Group's development properties was RM455.5 million as disclosed in Note 15 to the financial statements. During the financial year ended 30 June 2022, the Group recognised a loss on revocation of sales of RM31.3 million which represents the losses recognised when the Group revoked the sales and purchase agreements on properties purchased by the customers. The properties repossessed by the Group relating to these revocations amounted to approximately RM32.1 million (the "repossessed properties") which are included in development properties in the consolidated statement of financial position as at 30 June 2022.

Based on the information available to us, we are unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to whether the repossessed properties are appropriately measured and recognised in accordance with SFRS(I) 1-2 *Inventories* at the point of repossession. Accordingly, we are unable to determine whether the carrying amount of the development properties as at 30 June 2022 are fairly stated, and whether any adjustments might have been found necessary in respect of the loss on revocation of sales recognised during the financial year ended 30 June 2022.

34. Basis for disclaimer of opinion on the consolidated financial statements for the financial year ended 30 June 2022 (cont'd)

Basis for Disclaimer of Opinion (cont'd)

6) *Inability to obtain confirmations from third party bondholders*

We are not able to obtain confirmations from two third party bondholders amounting to US$10,000,000 and US$6,000,000 (approximately RM44,080,000 and RM26,448,000) respectively, which are included in "loan and secured bonds" within the Group's loans and borrowings as at 30 June 2022 (Note 20). Consequently, we are unable to ascertain the accuracy and completeness of the Group's loans and borrowings and whether there are any additional information or terms which could have an impact on the financial statements that require disclosure.

7) *Investment in subsidiaries and amount due from subsidiaries in the Company's financial statements*

As at 30 June 2022, the carrying amounts of the Company's investment in subsidiaries and amount due from subsidiaries were RM710.7 million and RM303.5 million as disclosed in Notes 13 and 16 to the financial statements, respectively.

In view of the material uncertainties on the ability of the Group to continue as going concern as described in point 1 above and the ability of the subsidiaries in realising its development properties at expected timings which is inherently uncertain, we are unable to determine whether any impairment loss is required on the carrying amounts of the Company's investment in subsidiaries and amount due from subsidiaries as at 30 June 2022. We are also unable to obtain sufficient appropriate audit evidence on the appropriateness of the classification of amount due from subsidiaries as current assets in the statement of financial position of the Company, and the disclosures of credit risk with respect to the Company's amount due from subsidiaries in Note 29(a) to the financial statements.

35. Prior year adjustments and comparatives

As part of the Group'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 revocation of sales to ensure proper recognition of the sales revocation and properties repossessed (the "Accounting Review"). Revocation of sales which arises when the Group revoked the sales and purchase agreements on properties purchased by the customers. The Group has subsequently assessed the financial impact arising from the Accounting Review and make the prior year adjustments.

In addition, certain reclassifications have been made to the previous year's financial statements to enhance comparability with the current year's financial statements to conform to the current year presentation.