

HATTEN LAND LIMITED

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

RESPONSES 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 Company’s announcements dated 29 November 2022 in relation to the auditor’s comments of accounts and the Company’s responses to the queries are as follows:

Question 1: Use of going concern assumption

a. It was stated that the Group's priority is to monetise these assets through sales and collection to generate cashflow. Does the Company have any concrete plan on this and what's the timeline, actions and impact on the Group's cashflow?

b. It was stated that the payment of the consideration, has not been met and management currently cannot reasonably ascertain the date of completion of the proposed disposal of GMSB. Why is it that the payment of the consideration has not been met? Given that management cannot reasonably ascertain the date of completion, what would be the impact on the Group's cashflow position in the next 12 months?

c. It was stated that the Group has embarked on strategic restructuring of its subsidiary. Please provide more details on such restructuring, including the key timeline and impact on the Group's cashflow.

d. It was stated that (i) the Group has worked closely with its lender and bondholders to extend the repayment obligations for its borrowings and (ii) the Company is also working to secure a refinancing package for the US\$20 million loan and US\$25 million bond.

* For (i), what's the current status? Has the repayment obligations being extended? If not, when would it be extended? What's the quantum of these repayment obligation?

* For (ii), has the Group secured such refinancing packages? If not, what's the timeline of completion?

e. It was stated that the Group has worked closely with its creditors to extend on repayment plans and its banker to extend the repayment obligations for its borrowing. Please provide the list of creditors and banks the Group is working with on these, as well as the status, target completion time and amount of repayments and borrowings.

Company's response

a. 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, in Q1 2023, the Group managed to achieve an improvement in its revenue, approximated to 513% increment as compared to Q1 2022. Furthermore, the Group attained positive operating cash flows in Q1 2023, after having consecutively 2 years of negative operating cash flows. Barring unforeseen circumstances, we expect the Group’s performance and cashflow to continue to improve in the financial year ending 30 June 2023.

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, such as the first-of-its-kind MLBB-themed ElementX which would be positioned as Southeast Asia’s first large-scale integrated Esports experiential hub and themed award-winning hotel accommodation. To achieve this, it requires the Group to form alliances with established Esports partners. The Group has inked multiple partnership agreements with top mobile games in the Southeast Asia and leading Esports organisations for ElementX. The Group is

actively carrying out fundraising exercises. As one of the financing plans being negotiated, the Group is currently in the advanced stage of reaching an agreement for a financing package which includes the funds required to complete the transformation of ElementX which is likely to be launched in the second quarter of calendar year 2023. The Group will provide timely updates via SGXnet once relevant definitive agreements have been signed.

In addition to the above, the Group has also commenced its marketing and promotion activities on the 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 RM18 million and RM591 million respectively.

b. According to recent communications made with the representative of Tayrona on 1 December 2022, Tayrona's source of funds is sovereign funds which involves different banking clearance system, which involves complicated process and additional coordination among the sovereign fund and banks from their end to smoothen out the payment process. Tayrona has reassured the Group that they remain keen and committed to completing the deal and will put in their best effort to complete the transaction as soon as possible. Should the transaction with Tayrona is completed in the next 12 months, the Group expects positive impact to its cashflow. Otherwise, if the transaction fails to follow through, as the construction is halted, the Group does not expect significant impact to its cashflow position in the next 12 months.

Nevertheless, the Group is concurrently discussing with various parties for alternative plans, should the transaction fail to follow through by Q4 2023. The Group is also exploring the option of restarting the construction of the project and once the construction work resumes, the Group is of the view that the progress claims should not have significant impact to the Group. Furthermore, the Group is concurrently in talks for negotiation to increase the amount of funding to expedite the construction progress of the project. The Group expects this matter to be concluded in FY2023, either through Tayrona or alternative plans, and will provide timely updates via SGXnet with regard to this matter.

c. For MDSA Ventures Sdn. Bhd. ("MVSb"), the High Court of Malaya in Malacca, Malaysia has approved the scheme of arrangement between MVSb and its creditors amounting to RM31 million with effective from 19 January 2021 ("MVSb Scheme"). As a result of the approval of MVSb Scheme, the Group has been granted with RM13 million waiver of debt and further preserved RM31 million of cash for full settlement of relevant liabilities, which both are positive to the Group's cashflow. 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 Malaysia in Malacca, Malaysia and the Federal Court has set a further case management update on 6 January 2023. Both 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. As disclosed in Note 33(a) of the FY2022 financial statements, 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. At the date of this announcement, the grounds of judgement of the Court of Appeal are pending and the Federal Court has set a further case management update on 6 January 2023. If approved by court, similar to MVSb Scheme, the scheme for MRSb will result in waiver of debt and preservation of cash for the Group. The Group will provide timely updates via SGXnet with regard to this matter.

d. The Group has received non-binding offers and term sheets from reputable international funds ("Financiers") with regards to fundraising facilities ("Fundraising Facilities") which include refinancing and restructuring of the exiting loan and bonds. The Group is having both regular and ad-hoc meetings with existing lender and bondholders for (i) extension of the repayment obligations for its borrowings and (ii) negotiation on the commercial conditions for the acceptance of the Fundraising Facilities including the quantum of the repayment obligation. The Group is concurrently in midst of discussion with the bondholders to extend the repayment timeline while at the same time, the Group is also approaching Financiers to refinance the loan. Subject to the negotiation process, the Group strives to complete the finalisation process in the first quarter of 2023. According to the terms stipulated in the Fundraising Facilities, the Group expects to draw down the full amount within a month after the finalisation process. As such, the Group expects to reach agreement with lender and bondholders, either through the Fundraising Facilities or extension, in FY2023. The Group will provide timely updates via SGXnet once relevant definitive agreements have been entered.

e. The creditors and banks mainly consist of commercial banks in Malaysia, contractors and service suppliers. The Group is in the process of negotiation with its creditors to extend the repayment plans that include payment structure such as contra payment with the Groups's property units. With regards to loans, the Group is actively discussing with the banks for roll-over and extension. As announced on 26 September 2022, the Group has extended the maturity date of the RM13,500,000 medium-term notes to March 2023. The Group has also fully repaid the term loan amounting to RM14,700,000 upon the completion of the disposal of the Group's land as announced by the Group on 13 October 2022.

Question 2: Impairment of the Group's trade and other receivables

It was stated that the Independent Auditor is unable to obtain sufficient appropriate audit evidence on the reasonableness of management's expected credit loss assessment and the Board is of the opinion that the methodologies used to determine the value of the impairment on trade receivables are reasonable,

- a. Why was the Independent Auditor unable to obtain sufficient appropriate audit evidence?
- b. Did the Auditor access the methodologies used by the Board and management to determine the value of the impairment on trade receivables? What's the outcome of such assessment by the Auditor?

Company's response

a. The Group has provided the Independent Auditor with all relevant records and documents, including the Group's expected credit loss assessment and computation, which the methodologies applied are consistent with prior years, sales contracts, property units as security of the trade receivables, actual credit loss records and etc. However, in view of the material uncertainties on the ability of the Group to continue as going concern as described in *Basis for Disclaimer of Opinion* point 1 in the Auditor's report, the Group has continued to experience slow recovery of its receivables and faced 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. There is also a heightened uncertainty of the global economy and volatility of macroeconomic factors such as inflation and rising interest rates.

b. The Group has assessed that the ECL on trade receivables is not material because the Group may enforce payments via legal proceedings or if the purchaser is assessed to be insolvent, the Group may resume possession of the units, retain a portion of the purchaser's deposits from payments made to date, and resell the property. However, in view of the material uncertainties on the ability of the Group to continue as going concern as described in *Basis for Disclaimer of Opinion* point 1 in the Auditor's report, the Independent Auditor is unable to obtain sufficient appropriate audit evidence on the reasonableness of the above ECL assessment and whether any adjustments to the ECL is required.

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 can be relied upon. Why was the Independent Auditor unable to obtain sufficient appropriate audit evidence?

Company's response

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* point 4 in the 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. Based on the information available to the Independent Auditor, the independent Auditor whereby is unable to obtain sufficient appropriate audit evidence on the key assumptions and estimates that are used in the respective cash generating units forecasts prepared by the management.

Question 4: Development properties

- a. It was stated that the Independent Auditor is unable to obtain sufficient appropriate audit evidence as to whether the repossessed properties are appropriately measured and recognized. Why was the Independent Auditor unable to obtain sufficient appropriate audit evidence?
- b. It was stated that the Board is of opinion that no additional credit loss adjustment required as there is no concentration risk from a particular debtor. How does this gel with the fact that the Group recognized losses from revoked sales of RM31.3M during the year?

Company's response

a. As described in *Basis for Disclaimer of Opinion* point 5 in the Auditor's report, the Group recognised a significant loss on revocation of sales which represents the losses recognised when the Group revoked the sales and purchase agreements on properties purchased by the customers during the financial year ended 30 June 2022. The Group applied consistent accounting policies with regard to the accounting treatment for repossessed properties, as those used in prior years and disclosed in the financial statements. The Group has provided the Independent Auditor with all relevant records and documents, including the Group's justification and computation, relevant sales contracts, accounting treatment and journal records and etc. Loss on revocation of sales is merely an accounting treatment to rewind the profit recognised in previous years when sales and profit was recognised, and in accordance with SFRS(I) 15 *Revenue from Contracts with Customers*, such rewinding of previous profit recognised shall be presented as a separate line item in the profit or loss. In addition, the Group is of the view that, the repossessed property units increase the Group's inventory which could be sold at the same or even higher price through the Group's effort of value enhancement initiatives and when the real estate market has gradually recovered from the pandemic. In accordance with SFRS(I) 1-2 *Inventories*, the Group's inventory, being development properties, shall be recognised at lower of cost or net realisable value, which the net realisable value is usually referred to recent sales made by the Group. As evidenced in the Group's healthy gross profit margin in FY2022 and Q1 FY2023, the Group is of the view that the risk of net realisable value be lower of cost is minimal. However, based on the information available to the Auditor, the Auditor is unable to conclude whether the repossessed properties are appropriately measured and recognised in accordance with SFRS(I) 1-2 *Inventories*, i.e. consideration to recognise at fair value less costs to sell at the point of repossession.

b. As explained in part a above, loss on revocation of sales is merely an accounting treatment to rewind the profit recognised in previous years when sales and profit was recognised, and in accordance with SFRS(I) 15 *Revenue from Contracts with Customers*, such rewinding of previous profit recognised shall be presented as a separate line item in the profit or loss. It shall not be associated directly with the assessment of credit risk.

Question 5: Inability to obtain confirmations from third party bondholders

It was stated that the Independent Auditor is not able to obtain confirmations from two bondholders amounting to US\$10,000,000 and US\$6,000,000. Why was the Independent Auditor unable to obtain the confirmation? Who are these two bondholders?

Company's response

Despite the Group's substantial effort including numerous reminders and communications with the respective bondholders, the respective bondholders still did not respond to the Independent Auditor without giving reason or explanation as at the date of Auditor's report. The bond of US\$10,000,000 is held by a fund company registered in Cayman Island and the bond of US\$6,000,000 is held by an individual investor from Singapore.

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 RM703 million as at 30 June 2022, 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 as announced in Q1 2023 result. 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, share placement and etc.

Question 7:

Has the Company and/or Group received any letter of demand so far?

Company's response

No, both the Company and the Group has not received any 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 positive cashflow from operations in Q1 2023 result. Taking into account progress made and factors that have materialised to date as set out above and in the Company's previous announcement on 29 November 2022, the Board is of the view that the Group has the ability to continue as a going concern.

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 auditors on the use of the going concern assumption for the FY2022 financial statements, similar disclaimers had also been issued for the financial statements of the Company for FY2021 and FY2019. An emphasis of matter on the material uncertainty to the Company's ability to continue as a going concern was also issued by the auditors 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 3 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 Company's representation that no letter of demand has been received to date. 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 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.

By Order of the Board
HATTEN LAND LIMITED

Dato' Tan June Teng Colin @ Chen JunTing
Executive Chairman and Managing Director
2 December 2022

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 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.

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