

HATTEN LAND LIMITED

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

RESPONSE TO SGX QUERIES

The board of directors (the “**Board**”) of Hatten Land Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to inform shareholders that it had received queries from the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) (the “**Queries**”) in relation to Company’s announcement dated 29 June 2020 in respect of the proposed acquisition of 20% equity interest in ECXX Global Pte. Ltd. (“**Previous Announcement**”). The Board wishes to respond to the Queries as follows:

Unless otherwise expressly defined herein, all capitalised terms shall bear the same meanings ascribed to them in the Previous Announcement.

Query 1:

How was the purchase consideration arrived at? Hatten is paying US\$6 million for a 20% stake in ECXX, whose paid up capital is only US\$5.8 million. ECXX was incorporated in October 2018, as at 31 August 2019, its net asset value is US\$2.4 million and loss of US\$1.2 million.

Response:

The Purchase Consideration was arrived at on willing-buyer and willing-seller basis and upon arm’s length negotiations after taking into consideration the rationale and benefits of the Proposed Acquisition as set out as follows:

(i) Digital Vision of the Company

The various properties developed and in construction in Melaka provide a significant amount of touchpoints with local consumers and tourists in Melaka. The Company intends to develop a digital ecosystem to connect consumers and stakeholders such as purchase of our properties, tenants in our malls and businesses. Technology is integral and critical to this vision.

The Proposed Acquisition provides the Company access to expertise, experience and network of ECXX and its shareholders in areas such as blockchain.

(ii) Strategic Partnership and Human Resource

Technology is heavily dependent on the expertise, experiences and network of people. The Proposed Acquisition is a strategic move for the Company to tap onto the expertise and network of ECXX and its reputable shareholders. This provides immediate access to the technology and strategic human capital of ECXX as opposed to the Company developing such capability in-house, which may be more timely, costly and uncertain in terms of execution.

(iii) Technology Business as a New Revenue Pillar

Technology is revolutionizing businesses and how we live. COVID-19 has further solidified the role and contribution of technology in our lives. Investment in ECXX is a step to the right direction of embracing technology and development of a technology business to complement existing businesses of the Company.

(iv) Development of New Products

ECXX is currently developing new digital products to complement its existing digital asset exchange business. If successfully commercialized, these new digital products will greatly enhance the competitive advantages of ECXX.

The Company also noted that the previous fund-raising exercise by ECXX was based on the valuation of US\$22 million.

Query 2:

Who introduced ECXX to the Group? What due diligence did the Board perform on ECXX?

Response:

Hatten Land Limited's executive director Dato' Colin Tan has known Mr Eric Cheng of CapitalX Global for a long time. Mr Eric Cheng introduced ECXX to Dato' Colin Tan.

The due diligence performed by the Company include:

- Appointment of Dentons Rodyk & Davidson as legal advisors to conduct legal due diligence on ECXX and review of transaction documents such as the Sale and Purchase Agreement. Due diligence covers areas such as review of all legal matters relating to ECXX and its business, review the applications and correspondences with MAS for the payment license and sandbox and conduct searches on ECXX.
- Auditor Baker Tilly reviewed ECXX's audited financial statements to advice on any material concerns;
- Interviews with ECXX's CEO Mr Lee Chin Foong, his key staffs and major shareholder CapitalX Global Mr Eric Cheng; and
- Site visit to ECXX's office at Paya Lebar Square.

Query 3:

For our information, does ECXX have any proprietary licenses/assets unique to them?

Response:

ECXX's principal activity is the provision digital asset exchange services in Singapore. Its digital asset exchange (ecxx.com), built on blockchain technology, allows both professional traders and retail investors to buy, sell and store digital assets. Its digital exchange platform is integrated with MyInfo, the one-stop Singapore government identity platform. The integration allows seamless Know-Your-Customer checks on members of MyInfo who can log-in to ECXX's digital asset exchange using their SingPass. This feature is unique to ECXX.

In addition, ECXX is currently developing new digital product to complement its existing digital asset exchange business. To this end, it has applied to the Monetary Authority of Singapore ("MAS") for the Payment Service Act and Fintech regulatory Sandbox licenses.

Query 4:

It is announced that - "Pursuant to the SPA, ECXX's largest shareholder CapitalX Global Limited has also agreed to grant an option to Hatten Tech to acquire up to 33,115 ordinary shares, representing approximately 31% of the enlarged issued and paid-up share capital of ECXX as at the completion of the SSA at a price determined based on the fair market value of the Company and on terms and conditions to be mutually agreed between the parties thereto (the "Option Agreement"). The Option Agreement comprising the terms and conditions shall be entered into by the parties at the completion of the Proposed Acquisition."

- (a) Should it be based on fair market value of ECXX (instead of the Company – i.e. Hatten Land Ltd)?
- (b) What is the fair market value of ECXX now? Was this taken into consideration when Hatten entered into the agreement to acquire 20% in ECXX?
- (c) Assuming the Option Agreement is completed, Hatten Group will own 51% in ECXX, and become the single largest shareholder of ECXX. Does Hatten Group have the experience and expertise in running the ECXX business?
- (d) CapitalX is currently the largest shareholder of ECXX (73%). What is CapitalX's role in the running of ECXX?
- (e) It is stated that Mr Lee Chin Foong is the sole director and CEO of ECXX. How is Mr Lee related to the shareholders of ECXX? Is Mr Lee related to Hatten Land, the Hatten Group or any of the Hatten Group's directors and substantial shareholders?
- (f) What is the rationale for entering into the Option Agreement only after the completion of the Proposed Acquisition? Is there a timeframe for entering into the Option Agreement?

Response:

- (a) The Company would like to clarify that it should be based on fair market value of ECXX, instead of Hatten Land Ltd.
- (b) The Company believes that the fair market value of ECXX is estimated at US\$30 million based on the factors described in the response to Query 1 above.
- (c) The Company's past experience in previous project relating to blockchain and token provides the Company with some relevant experience on technology. Assuming Hatten Group acquires 51% in ECXX, the Company will conduct appropriate personnel recruitment to manage and grow the business of ECXX and put in place corporate governance procedures to monitor the progress of ECXX.
- (d) CapitalX provides strategic resources and advice to enable ECXX to scale rapidly. CapitalX also brings a wealth of experience in the blockchain space with its vast network.
- (e) Mr Lee is not related to Hatten Land, the Hatten Group or any of the Hatten Group's directors and substantial shareholders. Mr Lee is also not related to any of the shareholders of ECXX.
- (f) The Proposed Acquisition is a strategic decision for the Company towards developing the Digital Vision for the Group and Melaka. The Option Agreement allows Hatten Land to lock in the opportunity to take control of ECXX. If ECXX's business performs well in the future, Hatten Land will exercise the option to acquire control. The proposed investment structure also allows Hatten Land to minimize in upfront capital commitment to just US\$6 million for 20% stake in ECXX.

The Option may be exercised during the period of five years commencing on the date the subscription amount under the SSA has been duly paid in full by Hatten.

Query 5:

ECXX only has one director currently. It is announced that upon completion of the Proposed Acquisition, Hatten will nominate board representatives to the board of ECXX, representing no more than one third of the board of ECXX. How many directors will Hatten be able to nominate as the addition of 1 director would already represent 50% of ECXX's board composition.

Response:

ECXX currently only has one director. Each of CapitalX and Hatten is entitled to nominate two directors and Ariki is entitled to nominate one director to the board of ECXX. Based on a board of six directors, Hatten's nominated directors will represent one third of the board of ECXX. For avoidance of doubt, Hatten can nominate two directors to the board of ECXX and this is not dependent on whether CapitalX and/or Ariki will nominate their directors for appointment.

By Order of the Board
HATTEN LAND LIMITED

Dato' Tan June Teng, Colin
Executive Chairman and Managing Director
29 July 2020

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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