

HATTEN LAND LIMITED

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

RESPONSES TO QUESTIONS FROM SHAREHOLDER AND SECURITIES INVESTORS ASSOCIATION (SINGAPORE)

The board of directors (the “**Board**”) of Hatten Land Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) refers to the queries received from the Securities Investors Association (Singapore) (“**SIAS**”) and a shareholder in relation to the Company’s Annual Report for the financial year ended 30 June 2021. The Group would like to thank shareholders for submitting their question ahead of the Company’s Annual General Meeting to be held on 30 December 2021 at 10.00a.m. via live webcast.

The Company did not receive any comments, queries and/or questions from the shareholders in relation to the Circular dated 15 December 2021 as at the deadline stated in the Notice of Extraordinary General Meeting.

The Company sets out its responses to the substantial and relevant queries raised by SIAS and shareholder below:

Response to the question received from the shareholder:-

Question 1:

What is the qualification by your auditor going to affect your business as going concern and the impact as it also affects your new business going forward?

Response:

For information on the Board’s comments on the Disclaimer of Opinion by the auditor, please refer to the Company’s announcement dated 15 December 2021.

In light of the factors stated in aforementioned announcement, the Board is of the view that the Group has the requisite resources to continue its existing core business activities, as well as fund its new growth strategies in the digital economy and the renewable energy industry, which are intended to add new growth catalysts and create new value propositions for long-term growth.

Response to the queries from SIAS :-

Question 1:

In the overview section of the annual report, the Company highlighted its new digital and blockchain strategy on pages 4 to 7. This is also mentioned in the chairman’s statement which disclosed that the Group is re-purposing its property assets in Melaka to pivot towards digital and blockchain activities. These would include: Blockchain and cryptomining; Metaverse; Renewable energy; and Phygital (pages 8 to 10).

The Group is collaborating with partners including SMI Vantage Ltd (formerly known as “Singapore Myanmar Investco Limited”), Prakal Pte Ltd (“Enjinstarter”), Frontier Digital Asset Management and Hydra X.

- (i) **Can the Company help shareholders understand the experience and the expertise of the Board and the management in the new areas of digital economy and blockchain?**

While expanding its in-house talent pool, the Group is also partnering with industry experts and leveraging on the expertise, resources, capability, and experience of its business partner(s) in the new areas of digital economy and blockchain.

In addition, the Group is also tapping on the network of contacts of its business partner(s) to facilitate further strategic partnerships and commercial opportunities to support and strengthen the Company's investments and venture into the new areas.

(ii) What is the level of commercial due diligence carried out by the Board/management? What was the projected ROI assumed in the board approval?

The management has conducted the key due diligence assessments on each of its agreements entered with various partners. These assessments include:

- a. Experience and track record of each company and its key management team
- b. Financial Impact to the Company, including cost-benefit analysis; and
- c. Risk exposure analysis and evaluation

Due to commercial sensitivities, the Company is unable to share more details on the projected ROIs.

(iii) How was the sourcing for deals and collaborators carried out? What were the criteria used by the Board in shortlisting and selecting its partners? Did the Board assess the track record and counterparty-risk of its partners?

The Group, together with its associated companies, has built up an extensive business network in Singapore, Malaysia and the region. With our proactive business approach, the Group further expanded its business network to reach out to targeted established industry partners. As explained above, all corporate collaborations and partnerships are required to undergo our due diligence assessment and Board approval processes.

(iv) Please elaborate further on the Group's long-term view of cryptocurrencies and cryptomining. Please also identify the risks from these ventures and the Group's risk management strategy.

Blockchain technology has reached relative maturity in recent years and has already been widely adopted in many industries. Blockchain-based digital assets such as cryptocurrencies, tokens and non-fungible tokens (NFTs) are regarded as an emerging asset class that is already being used for payments, e-wallets, investments and even cross-order financial transactions. Their growing popularity, in turn, underscores rapid adoption. Hence, the Group believes that a strategy that involves these digital trends can enhance the Group's existing business.

Cryptomining activities are highly automated, and we believe cryptomining can offer attractive financial returns, interact and support the Group's other business initiatives. As the new business continues to grow, Hatten Land intends to build a sustainable and profitable business that will contribute positively to its financial position and in turn enhance shareholders value. While energy is a significant cost component of cryptomining, this is mitigated by i) the activities will be carried out in Malaysia which has a relatively lower per-unit energy pricing; ii) Hatten Land has adopted a low-CAPEX, asset-light sharing formula with its partners; and iii) integrating renewable energy sources such as solar power into the Group's energy mix.

These initiatives will position the Group as a pioneer within the digital economy segment in Malaysia, and can also provide synergies with our existing business as the digital economy grows further.

Please refer to the circular to shareholders dated 15 December 2021, where the associated risks and the Group's Risk Management Procedures are elaborated.

- (v) **Please outline the Group's operational plans in the aforementioned ventures, and their respective milestones and timelines which were used in the Board approval process. For instance, please disclose the amount of Bitcoin expected to be mined based on current and forecasted capacity; number of expected users in the metaverse; the number/range of non-fungible tokens ("NFTs") etc.**

Hatten has completed construction and set-up works for our first cryptomining facility in Melaka that is capable of accommodating approximately 3,000 cryptomining rigs and it is ready for operation on 28 December 2021.

However, due to logistics supply chain disruptions that led to the delay in the delivery of the cryptomining rigs and the hold up in the deployment of technical personnel from Singapore to Melaka caused by the recent tightening of Covid-19 control measures, the commencement of cryptomining activities, including 80 rigs in the pilot phase previously announced, has been rescheduled to January 2022.

Barring unforeseen circumstances, the Group expects over 2,500 cryptomining rigs to be installed at the cryptomining facility by the end of 2022, increasing to at least 10,000 cryptomining rigs in near future as we add more partnerships with other cryptomining partners. The Group will continue to make timely announcements via SGXNet on material business developments.

Upon the completion of the 3.19 MWp solar photovoltaic plant and facility ("SPPF") on the roof of Dataran Megamall, the Group aim to expand our efforts and investments on renewable energy via SPPFs at other malls and sites, targeting to achieve at least 10 MWp and thereafter to further increase to the Group's near-term target of 100 MWp.

- (vi) **What is the amount earmarked to fund the Group's new digital and blockchain strategy? How will the Company be able to fund these investments?**

The initial funding of the Group's digital and blockchain initiatives are supported by approximately 70% of new funds raised, together with the Group's internal funding. Since 16 September 2021, the Group has raised S\$4.96 million through new share placements and exercised warrants.

The Group's digital strategy is essentially asset-light and involves re-purposing existing physical assets in Melaka which are currently under-utilised because of the COVID-19 pandemic. The Group will assess future fundraising needs depending on the forward momentum of the various projects already announced as well as future partnerships.

Question 2:

The Group reported losses of RM(168.7) million and RM(229.7) million in the financial years ended 30 Jun 2021 and 2020 respectively. Operating cash (out)flow before working capital changes amounted to RM(113.7) million in FY2021 (page 60 – Consolidated statement of cash flows). Cash and cash equivalents at the end of the financial year was RM8.3 million (page 61). Equity attributable to owners of the company decreased from RM160 million to RM21.5 million as at 30 June 2021. The gearing ratio (net debt over adjusted capital) increased to 95% (page 117).

The auditors have highlighted that the Group had not been able to meet its forecasted sales target for its development properties and experienced slower recovery of its receivables. In addition, as at 30 June 2021, the Group's total loans and borrowings amounted to RM298.6 million, of which RM217.6 million were classified as current liabilities and exceeded the Group's cash and bank balances of RM8.1 million.

- (i) **What is the sentiment on the ground in Melaka?**

Amid increasing rates of vaccination, Malaysia has opened up interstate and overseas travel since 11 October 2021. However, due to the emergence of new COVID-19 variants such as Omicron, there may be more uncertainties ahead.

The Group has been stepping up preparations ahead of this reopening including i) implementation of health and safety procedures at all malls and hospitality assets such as regular testing for staff, safe distancing, regular cleaning and disinfection; ii) engaging tenants who are making their own preparations to resume business operations; and iii) planning for and sales and marketing promotion activities. While these activities have commenced ahead of the Christmas holiday period, the momentum is expected to build up more significantly from the 2H FY2022 (January-June 2022).

In view of the leaner operating structure after improving internal efficiencies, the expected reopening of travel lanes as well as digital pivot outlined above, the Group expects that, barring unforeseen circumstances:

- Cryptomining activities will commence at our malls from January 2022 and are likely to increase substantially from 2H FY2022. Our share of cryptocurrencies being mined will be recognised as intangible assets and the Group can also earn revenue for services rendered to mining partners;
- The proposed crypto exchanges can potentially create different revenue streams such as trading commissions, listing fees and custodian services;
- The development of Hatten's Metaverse world, commencing with Digital Melaka, which will contain digital/NFT assets such as virtual land, fashion items, art pieces, heritage collections, and other collectables to create potential revenue to the Group from sale of digital assets including NFTs
- Occupancy of our malls in Melaka to increase by 2H FY2022 and will increase further as travel restrictions ease and new concepts and revenue-sharing with tenants are implemented;
- Upon the completion of the SPPF on the roof of Dataran Megamall and other malls, the Group expects to recognise share of solar energy revenue from the clean energy and green credits generated as well as reduce utility costs of the Group; and
- The financial performance of the Group for the six months ending 30 June 2022 ("2H FY2022") is expected to improve compared to 1H FY2022 and consequently, FY2022 performance is expected to improve upon that of FY2021.

The developments above aim to strengthen the business foundation of the Company and add new revenue streams and create a stronger revenue base as it pivots from a property developer/mall operator towards the digital economy.

(ii) How has the Movement Control Order (MCO) impacted the Group's operations?

The Movement Control Order imposed by the Malaysian Government since 2020 greatly dampened domestic and international tourism, and the hospitality and commercial sector in Malaysia was severely affected. As Melaka is a popular tourist destination, Hatten Land's operations were directly affected.

With the lifting of MCO and interstate travel restrictions in recent months, the Group is ramping up our marketing efforts with an aim to boost our business activities.

(iii) Can the Company provide shareholders with a holistic overview of the operating performance of its developments, including Hatten City Phase 1 and Phase 2, Vedro by the River and Unicity?

Due to the COVID-19 pandemic, travel and movement restrictions imposed by the Malaysian Government since 2020 have affected domestic and international tourism. These restrictions have curtailed foot traffic to the malls and property development projects of the Group. The Group is preparing for the resumption of commercial activity as well as the progressive efforts to re-purpose our malls. These efforts aim to not only

invigorate retail activities and enhance retail experiences in our malls by creating an omni-channel or “phygital” retail platform with e-commerce and our real estate assets, but also open up new opportunities such as digital assets and digital economy activities.

(iv) What is the current status of Satori and Harbour City?

Satori

Due to the ongoing COVID-19 pandemic and uncertainties resulting from the situation, the construction of Satori has been temporarily halted. We are making efforts to resume construction activities for this project, and we are in the midst of engaging a contractor to commence work on the site.

Harbour City

On 11 August 2020, the Company announced the disposal of Gold Mart Sdn Bhd (“GMSB”) to a third party. At the date of this announcement, the conditions precedent for completion of this transaction, namely the payment of the consideration, has not been met and management currently cannot reasonably ascertain the date of completion. Tayrona Capital Group Corporation has provided assurance that they remain keen and committed to completing the deal. However, the Board recognises that there has been an undue delay in completion and that the Group cannot wait for payment indefinitely and will keep its options open for other alternatives should the deal fall through.

(v) Has the Board reviewed the long-term performance of the Group in the property development segment? How strategic is the property development segment given the Group’s diversification to new economy initiatives?

In the near term, the operating environment of Group’s property development segment will continue to remain challenging due to the pandemic. Nonetheless, the Board believes the segment will recover back to pre-pandemic levels in the long term based on the strong fundamentals of Melaka’s location and its existing infrastructure as well as its potential in energy, tourism, manufacturing and services.

The property development segment will serve as an important pillar in Hatten Land’s diversification. For example, part of our malls will serve as facilities for the cryptomining activities, while our extensive land bank will be used in our renewable energy initiatives. As we continue to develop our digital economy initiatives, we expect to see greater synergies between our New Business and our existing property business.

The Board also wishes to highlight that, as and when necessary, it will review the operations and long-term plans of the Group in order to ensure that it is able to provide returns to its capital providers (such as Shareholders) while ensuring that it can support the Group’s necessary operations and growth plans.

(vi) Given the Group’s diversification, is there sufficient management/Board bandwidth to focus on the issues faced by the Group in the property segment? In Note 33 (pages 117 to 119 – Subsequent events), it can be seen that the Group is involved in numerous transactions and corporate actions, including the proposed disposal of land, private placement, litigation and restructuring of MDSA Ventures Sdn Bhd (“MVSB”) and MDSA Resources Sdn Bhd (“MRSB”).

It is currently envisaged that the New Business and related management will be overseen and spearheaded by the Executive Chairman and Managing Director of the Company and assisted by the existing management team with varied qualifications and experience. In addition, one of the Independent Directors (“IDs”) on the Board is a highly qualified and well-regarded Professional Engineer in Singapore with deep expertise and experience in engineering and technologies. He was credited as Fellow of the Institution of Engineers, Singapore, FIES.

Although the New Business is different from the existing Business of the Group, the

Board recognises that the relevant experience and expertise required can be acquired and developed internally or externally by the Group over time as it progresses in the New Business. Where necessary, the Group will hire external consultants, industry experts and professionals.

The Group may also outsource certain functions where appropriate and in doing so, the Group will take into account the specific expertise and competencies necessary for the New Business.

Question 3:

The Company's independent auditors have in their independent auditor's report expressed a Disclaimer of Opinion, based on the following matters:

- **Use of going concern assumption;**
- **Appropriateness of the classification of disposal group classified as held-for-sale;**
- **Investment in subsidiaries and amounts due from subsidiaries in the Company's financial statements**

The disclaimer of opinion and the basis for the disclaimer of opinion by the independent auditors can be found on pages 52 and 53 of the annual report. The auditors have stated that they have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

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 the independent auditors, the auditors were unable to obtain sufficient appropriate audit evidence to satisfy themselves 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 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 recovering the related receivables as planned.

- (i) Can the audit and risk committee (ARC) members help shareholders understand the level of support they have given to the independent auditors?**
- (ii) What were the sufficient appropriate audit evidence requested by the independent auditors? Did the ARC work with management to provide the independent auditors with the requested audit evidence?**
- (iii) Has the ARC been effective at discharging its duties?**
- (iv) Would the directors, especially the ARC members, help shareholders understand the basis of their opinion (page 49 of the annual report; reproduced below) given the significance of the matters described by the independent auditors in the Disclaimer of Opinion (pages 52-53)?**

The Audit and Risk Committee ("ARC") members have given full support to the independent auditor during the audit. The ARC has worked together with the management to provide sufficient appropriate audit evidence requested by the independent auditor. The management has provided the independent auditors with the Group's 2 years cashflow projection, asset and business valuation report, third party confirmation on payables and receivables and other relevant correspondences.

Strategies were regularly discussed, reviewed and evaluated at Board and ARC meetings. In addition, the ARC has an adequate mix of competencies to discharge its duties and responsibilities.

For further information on the Board's comments on the Disclaimer of Opinion, please refer to the Company's announcement dated 15 December 2021.

By Order of the Board
HATTEN LAND LIMITED

Dato' Tan June Teng, Colin
Executive Chairman and Managing Director
29 December 2021

This announcement has been prepared by Hatten Land Limited (the "Company") and its contents have been reviewed by the Company's sponsor, UOB Kay Hian Private Limited (the "Sponsor") for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalyst.

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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