

HodInaut Pte. Ltd. (In Liquidation) ("the Company")  
Frequently Asked Questions on the Directions Application and the  
Status of the Liquidation of the Company as at 5 September 2024

1) What is the current status of the liquidation at this juncture?

- The Liquidators had, on 5 July 2024, filed an application (the "Authorisation Application") seeking authorisation from the Court to commence an application for a direction that the Liquidators are entitled to proceed with the administration of the liquidation of the Company on the basis that (a) all of the Digital Assets which belong to the HodInaut Group are assets of the Company, and (b) all of the Users of the HodInaut Group are creditors of the Company (the "Directions Application").
- The Authorisation Application has been scheduled to be heard on 17 September 2024. We will continue to keep creditors apprised of further material developments.
- The Directions Application is crucial to the progress of the liquidation of the Company before the Liquidators can proceed with the next stages of the liquidation. This has been explained in the 5<sup>th</sup> Affidavit of Aaron Loh Cheng Lee filed in support of the Authorisation Application on 5 July 2024 (a copy of which has been circulated under cover of the 13<sup>th</sup> Circular (Liquidation) dated 11 July 2024, and will be further explained in #2 below.

2) What is the purpose of the Directions Application and the importance of it?

- The purpose of the Directions Application is to seek the direction from the Court in determining the two fundamental questions which have arisen during the liquidation of the Company:
  - a. Question 1: Of the Digital Assets belonging to the HodInaut Group, which assets belong to the Company ("Q1"); and
  - b. Question 2: Of the Users of the HodInaut Group, which Users are creditors of the Company ("Q2").
- The Directions Application will be filed pursuant to section 145(3) of the Insolvency, Restructuring and Dissolution Act 2018, which empowers the Liquidators to make applications to the court for directions in relation to any particular matter arising under the liquidation of the Company.
- The Directions Application arises as the Directors of the Company have taken the following positions in their affidavits they filed on behalf of the Company in support of the Company's judicial management application and interim judicial management application:
  - a. All Digital Assets deployed on Centralised Exchanges are assets of the Company, and all Digital Assets deployed on DeFi Protocols are assets of HodInaut HK; and
  - b. All Singapore Users are creditors of the Company, and all Foreign Users are creditors of HodInaut HK.
- These positions taken by the Directors would, in the Liquidators' view, have significant implications on the conduct of the liquidation of the Company.
- The Liquidators had previously, in their capacities as the then-Interim Judicial Managers of the Company, conducted a preliminary view of the Directors' positions. The Directors' positions and the then-IJMs preliminary conclusions on the same were documented in the 1<sup>st</sup> Interim Judicial Management Report (Amendment No. 1) dated 1 November 2022 (a copy of which has been circulated under cover of the 11<sup>th</sup> Circular to Creditors dated 1 November 2022) and the 2<sup>nd</sup> Interim Judicial Management Report dated 15 December 2022 (a copy of which has been circulated under cover of the 21<sup>st</sup> Circular dated 15 December 2022).

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- Since taking office as liquidators of the Company on 10 November 2023, the Liquidators conducted a further thorough forensic analysis of all the Company's recoverable documents, data and records and reviewing all of the information provided by the Directors and former employees of the Company.
  - The Liquidators' findings, based on their independent investigation are that Q1 and Q2 should be answered as follows:
    - Answer to Q1: All Digital Assets of the HodInnaut Group belong to the Company
    - Answer to Q2: All Users of the HodInnaut Group are creditors of the Company.
  - In light of the above, the Liquidators are of the view that it is critical to proceed with the Directions Application to obtain a clear determination from the Court on Q1 and Q2. Given the lack of clarity on these two fundamental questions, the Liquidators are not in the position to take the necessary steps to proceed with the next stages of liquidation of the Company until the Court has decided the Determination Application.
  - It is prudent that Q1 and Q2 be determined based on the available evidence so that the Liquidators have certainty on the assets and the creditor pool they are dealing with to ensure a just distribution of the Company's assets among its creditors and contributories.
- 3) Why do the Liquidators have to file an Authorisation Application before filing the Directions Application?
- The Liquidators have been advised that under section 144(1)(e) of the IRDA, the Liquidators require authorisation by either the Court or the Committee of Inspection ("COI") before they bring or defend any action or legal proceeding in the name and on behalf of the Company.
  - The Liquidators have also been advised that the Company will be a claimant in the Directions Application, authorisation must be obtained pursuant to section 144(1)(e) before the Directions Application is filed.
  - As there is currently no COI appointed in respect of the Company, the Liquidators must seek the Court's authorisation to commence a Directions Application in the name and on behalf of the Company.
  - The reasons which the Liquidators have not asked for a formation of COI at this juncture will be addressed in #5 below.
- 4) What is a COI?
- A COI is a consultative body consisting of between 3 and 5 creditors, appointed to represent the interests of creditors as a whole. The main functions of a COI include monitoring the progress of the liquidation, assisting the liquidator with discharging their duties and reviewing the liquidators' remuneration and expenses.
- 5) What are the reasons that the Liquidators are not able to convene a meeting with the creditors and form a COI at this juncture?
- The Liquidators have no objections in principle to the establishment of a COI. Under normal circumstances, the Liquidators would have convened a creditors' meeting shortly after the commencement of the liquidation for the purposes of determining: (1) whether or not the creditors require the appointment of a COI and; (2) if so, who are to be the members of the COI.

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- Given that a COI must comprise creditors of the Company, the question of which Users of the HodInnaut Group are creditors of the Company (i.e. Q2 as explained above) needs to be resolved first so that the identity of the Company's creditors (with respect to the overseas Users) can be clarified before the Liquidators can convene a meeting of creditors to establish a COI.
- Any steps taken to try and establish a COI prematurely before Q2 has been resolved may potentially unfairly exclude certain Users and would not be in line with the Liquidators' duties, which are owed to the general body of creditors as a whole in administering the estate of the Company.
- In view of the above, the Liquidators are of the view that it will be more cost-efficient and in the interests of the body of creditors as a whole to wait for a decision by the Court to shed light on the issue of the Company's creditors before holding creditors' meeting and forming a COI. This is also to ensure that all Users' interests are considered in a fair manner.

6) What are the next steps and timing?

- The timeline of the next stages of the liquidation will be dependent on the Court's decision in relation to the Authorisation Application at the scheduled hearing on 17 September 2024. If the Court grants the Authorisation Application, the Liquidators will proceed to file the Directions Application with the Court to determine both Q1 and Q2 as soon as possible thereafter.
- The Directions Application would then need to be heard and determined by the Court (if the Authorisation Application is granted). The timing of the hearing of the Directions Application will be dependent on, amongst other things, the Court's schedule.

For avoidance of doubt, nothing herein shall be construed as an admission by the Liquidators and/or the Company of any outstanding sums which may be due and owing by the Company to you.

For and on behalf of  
Liquidators of HodInnaut Pte. Ltd. (In Liquidation)