

**HODLNAUT PTE. LTD.**  
**(INTERIM JUDICIAL MANAGERS APPOINTED BY COURT)**  
**(REG. NO. 201911850K)**

10 September 2022

**BY EMAIL**

c/o EY Corporate Advisors Pte Ltd  
One Raffles Quay, North Tower  
Level 18, Singapore 048583  
Telephone: 6535 7777  
Fax: 6327 8318  
www.ey.com

**Second Circular to Creditors**

**HODLNAUT PTE. LTD. (INTERIM JUDICIAL MANAGERS APPOINTED BY COURT)**  
**(THE "COMPANY")**

Dear Sir/ Madam

We refer to the appointment of Ee Meng Yen Angela and I as the Interim Judicial Managers ("**IJMs**") of the Company on 29 August 2022. We enclose a copy of the Interim Judicial Management Order dated 29 August 2022 ("**IJMO**") for your attention.

We are writing to provide creditors with an update in relation to certain key matters relating to the interim judicial management of the Company.

**A. Investments in Subsidiaries**

The Company is the sole shareholder of Hodlnaut Trading Limited ("**Hodlnaut HK**") and Hodlnaut Trading Ltd ("**Hodlnaut BVI**") (together, the "**Subsidiaries**"). The directors of the Company, Mr Simon Eric Lee and Mr Zhu Juntao, are also the directors of Hodlnaut HK. According to information contained within the affidavits filed in support of the Company's application for the IJMO and/or provided by the directors:

1. Certain digital tokens (the "**Tokens**") deposited with the Company by its customers were lent onwards by the Company to Hodlnaut HK;
2. The principal assets of Hodlnaut HK comprise Tokens staked on decentralized finance ("**DeFi**") platforms;
3. As at 8 August 2022, Hodlnaut HK owed approximately SG\$82M to the Company, representing the balance of the intercompany loan mentioned above; and
4. Hodlnaut BVI is non-operational and does not hold any Tokens.

We refer to the upcoming merge of Ethereum, that is the joining of the existing execution layer of Ethereum with its new proof-of-stake consensus layer ("**Merge**"). By way of background, Ethereum has served as one of the primary networks of a significant amount of crypto activity since its inception, including DeFi. The IJMs understand that the Merge may be completed during the early part of next week (week commencing 12 September 2022).

The IJMs understand from the directors that there are several risks associated with the Merge, which could be detrimental to assets held on the Ethereum network (including DeFi platforms) if they were to materialise.

The IJMs recently met with the directors to discuss the current status of the assets of Hodlnaut HK and the directors' plan for Hodlnaut HK in respect of the Merge. During this meeting, the directors raised the issue of the risks which assets deployed on DeFi platforms may face as a

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result of the anticipated Merge. Specifically, the directors considered that there would be a risk that the pricing oracles that power the underlying smart contracts could give out erroneous prices during the transition of Ethereum, which could in turn cause the smart contracts to automatically liquidate the assets. Liquidation of the assets could potentially be triggered if a lower price is reported for assets which are deposited as collateral, a higher price on assets that are borrowed, or a combination of both. In addition, the IJMs understand that the assets of Hodlnaut HK staked on DeFi platforms could also be at risk if (for any reason) the platforms are not able to function properly on the new ETH2.0 network.

The IJMs understand from the directors that one of the ways of mitigating such risks in advance of the Merge would be for Hodlnaut HK to unwind the Tokens deployed on the DeFi platforms, which may result in material losses (subject to the terms of the individual smart contracts). The IJMs are currently enquiring with the directors to confirm: (i) the total estimated losses which may be suffered if all of the positions on the DeFi platforms were unwound/liquidated; (ii) the dates of maturity for each of the positions; and what (if any) precautionary or other steps will be taken by the directors of Hodlnaut HK to preserve its assets in advance of the Ethereum merge.

At this stage, the IJMs are only empowered to control the affairs of the Company and do not have any management powers in relation to Hodlnaut HK. The IJMO does not give the IJMs the power or authority to manage the affairs, business, and property of Hodlnaut HK. The directors therefore remain in control of Hodlnaut HK and have the power to manage and deal with Hodlnaut HK's business and assets.

For the purposes of discharging their duties, the IJMs are currently undertaking a review of the business and affairs of the Subsidiaries to have a better understanding and also to determine what steps need to be taken during the interim judicial management of the Company (if any) to protect and preserve the value of the Company's interests in the Subsidiaries. In the meantime, the IJMs will continue to keep creditors apprised of any material developments or issues relating to the Subsidiaries.

## **B. The Judicial Review Proceedings**

On 27 July 2022, the Company applied, *viz* HC/OA 395/2022, to the Singapore High Court for permission to file an application for judicial review of certain orders made by the Commercial Affairs Department and Singapore Police Force ("**SPF**") ("**OA 395**"). These orders directed that the Company transfer the asset balances in the account under Samtrade Custodian Limited ("**Samtrade Custodian**") to the SPF. The Company had also filed two interlocutory applications ("**Interlocutory Applications**") in OA 395 that had been fixed for hearing on 21 September 2022, with a Pre-Trial Conference ("**PTC**") being fixed on 7 September 2022 for any further directions to be given in respect of the Interlocutory Applications.

As IJMs, we have to independently assess, with the benefit of legal advice, the appropriate course of action to take with regard to this action that had been commenced by the Company prior to our appointment. In making such a determination, our paramount consideration would be to take such action that would be in the best interests of the Company, its creditors and other stakeholders.

Shortly after our appointment as IJMs, we communicated with the Attorney-General's Chambers ("**AGC**") who act on behalf of the SPF in OA 395. It was conveyed to us that now that the IJMs had been appointed over the Company, the AGC were willing to put forth a proposal to amicably resolve OA 395. As the discussions with the AGC were "without prejudice", we are not currently

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in a position to disclose the terms of this proposal. However, we can disclose that our preliminary view is that the proposal by the AGC represents a good starting point as it appears to address much of the Company's concerns that led to the commencement of OA 395.

In these circumstances, the IJMs took the view that they should independently review OA 395 with a fresh pair of eyes, and with the benefit of advice from their solicitors, WongPartnership LLP ("**WongP**"). In particular, the IJMs would have to assess the prospects of success of OA 395 and to explore whether an amicable resolution of OA 395 can be reached with the AGC that is acceptable to all parties, especially since the AGC has now put forth a proposal for amicable resolution.

Accordingly, the IJMs appointed their solicitors, WongP, to take over conduct of OA 395 and instructed them to seek an adjournment of the hearing of the Interlocutory Applications so that the IJMs can independently review OA 395 with the benefit of legal advice and to try to work out an amicable resolution of OA 395 with the AGC. In our view, an amicable resolution of OA 395 would be to the benefit of the Company, its creditors and stakeholders as it would eliminate the litigation risk that OA 395 might not be decided in favour of the Company and would result in savings of time and costs for the Company as it would not have to be engaged in extended litigation.

The IJMs are encouraged that since then, the AGC has sent WongP a formal proposal to amicably resolve OA 395, and that there have been productive "without prejudice" discussions between WongP and the AGC.

At the PTC on 7 September 2022, the parties updated the Court that there were ongoing productive "without prejudice" discussions between the parties and that the parties were seeking an 8-week adjournment of the PTC and for the hearing on 21 September 2022 to be vacated, so that the parties could seek to work out an amicable resolution of OA 395. The Court agreed to the requested adjournment, vacated the hearing on 21 September 2022, and fixed the next PTC for 2 November 2022.

We will provide a further update at the appropriate juncture.

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

If you have any queries in relation to the above, please email us at [hodlnaut@sg.ey.com](mailto:hodlnaut@sg.ey.com).

Yours faithfully,



Aaron Loh Cheng Lee  
Interim Judicial Manager  
For and on behalf of  
Hodlnaut Pte. Ltd.  
(Interim Judicial Managers Appointed by Court)

Attachments

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IN THE GENERAL DIVISION OF THE HIGH COURT OF THE REPUBLIC OF SINGAPORE

Case No.: HC/OA 451/2022  
Sub Case No.: HC/SUM 3011/2022  
Doc No.: HC/ORC 4448/2022  
Filed: 07-September-2022 01:41 PM

In the matter of Part 7 of the Insolvency, Restructuring and  
Dissolution Act (Act 40 of 2018)

And

In the matter of Sections 91, 92 and 99 of the Insolvency,  
Restructuring and Dissolution Act 2018

And

In the matter of Insolvency, Restructuring and Dissolution Act 2018  
(Act 40 of 2018)

And

In the matter of Insolvency, Restructuring and Dissolution  
(Corporate Insolvency And Restructuring) Rules 2020

Between

HODLNAUT PTE. LTD.  
(Singapore UEN No. 201911850K)

...Applicant(s)

And

HODLNAUT PTE. LTD.  
(Singapore UEN No. 201911850K)

...Claimant(s)



**ORDER OF COURT**

(Amendment No. 1, By Order of Court made on 06 September 2022)

Case No: HC/OA 451/2022  
SubCase No: HC/SUM 3011/2022  
Before: Justice Aedit Abdullah  
Venue: in Chambers  
Hearing date/Time: 29-August-2022

**UPON THE APPLICATION** of the abovenamed Applicant by way of HC/SUM 3011/2022 (“**SUM 3011**”) filed on 13 August 2022 and coming on for hearing on this day, **AND UPON READING** the 1st Affidavit of Zhu Juntao filed on 13 August 2022, the 2nd Affidavit of Zhu Juntao filed on 13 August 2022, the 1st Affidavit of Goh Thien Phong filed on 19 August 2022, the 4th Affidavit of Zhu Juntao filed on 22 August 2022, the 1st Affidavit of Chiang Kheng Tek filed on 25 August 2022 and the 5th Affidavit of Zhu Juntao filed on 26 August 2022 and the exhibits referred to therein, the Applicant’s Written Submissions and Bundle of Authorities both filed on 19 August 2022, the 1st letter from Damodara Ong LLC to Court filed on 29 August 2022 (11.53am), the letter from Providence Law Asia LLC to Court filed on 29 August 2022, the letter from WongPartnership LLP to Court filed on 29 August 2022, **AND UPON HEARING** counsel for the Applicant, counsels for the parties set out in Annex A, and the parties set out in Annex B, The Court made the following orders in the above action application:

1. EE MENG YEN ANGELA (NRIC No. XXXXX823F) and AARON LOH CHENG LEE (NRIC No. XXXXX506A), care of Ernst & Young Solutions LLP EY Corporate Advisors Pte Ltd of One Raffles Quay, North Tower Level 18, Singapore 048582, (Singapore UEN No. F08LL0784H 201911025K) be appointed as interim judicial managers (the “**Interim Judicial Managers**”) of Hodlnaut Pte. Ltd. (the “**Company**”);

2. The affairs, business and property of the Company be managed by the Interim Judicial Managers during the period in which the Order for the appointment of the Interim Judicial Managers is in force;

3. The Interim Judicial Managers be empowered and authorised to exercise all powers and entitlements of a judicial manager conferred by the Insolvency, Restructuring and Dissolution Act 2018 (No. 40 of 2018) (the "Act") and all powers and entitlements of directors of the Company conferred by the Companies Act (2020 Revised Edition) ("Companies Act"), and/or by the memorandum and articles of association of the Company, or by any other applicable law in force, but nothing in this Order shall require the Interim Judicial Managers to call any meetings of the Company;

4. Without prejudice to paragraph 3 above, the Interim Judicial Managers be authorised pursuant to section 99 of the Act to:

(a) continue, maintain and take all necessary steps in the name and on behalf of the Company in HC/OA 395/2022; and

(b) open, operate and close one or more separate bank account(s) and/or cryptocurrency wallet(s) and that the signatories to the account(s) and/or wallet(s) be the Interim Judicial Managers and/or such other persons as may be nominated by the Interim Judicial Managers; and

5. The costs of and incidental to this application be deemed to be part of the costs and expenses of the interim judicial management of the Company and be paid out of the assets of the Company.



Notes:

1. The person or entity served with this judgment/order and who/which has been ordered to pay money, to do or not to do any act must comply immediately or within the time specified in the judgment/order, if any.

2. Failure to comply may result in enforcement of judgment/order proceedings, including contempt of Court proceedings, against the said person or entity.



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A handwritten signature in black ink, appearing to be 'JW' or similar initials.

HC/OA451/2022-JC/SUM3011/2022-JC/ORC4448/2022-JC/OA451/2022-JC/SUM3011/2

TAN BOON HENG  
REGISTRAR  
SUPREME COURT  
SINGAPORE

## **Annex A**

Parties represented by Counsel:

1. Samtrade Custodial Limited;
2. S.A.M. Fintech Pte. Ltd.;
3. Algorand Foundation Limited;
4. Brian Gothong Tan; and
5. Kong Xie Shern.

## **Annex B**

Parties not represented by Counsel:

1. Goh Joon Sian Kenneth