



CHINA REAL ESTATE GRP LTD.

(Company Reg. No. 200609901H)

Financial Statements And Related Announcement for the First Quarter Ended 30 September 2019

PART I INFORMATION REQUIRED FOR QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR ANNOUNCEMENTS

1(a)(i) An income statement and statement of comprehensive income, or a statement of comprehensive income, for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Note	1st Qtr Ended 30/09/2019 S\$'000	30/09/2018 S\$'000	Increase/ (decrease) %
Revenue		35	3,036	(98.8)
Cost of services		<u>(43)</u>	<u>(2,860)</u>	(98.5)
Gross (loss)/profit		(8)	176	n.m.
Other gains and losses, net		(190)	(69)	175.4
Expenses				
- Distribution and marketing		(67)	(132)	(49.2)
- Administrative		(1,413)	(1,300)	8.7
- Finance		<u>(13)</u>	<u>(20)</u>	(35.0)
Loss before income tax		(1,691)	(1,345)	25.7
Income tax expense		<u>-</u>	<u>-</u>	-
Total loss	A	<u>(1,691)</u>	<u>(1,345)</u>	25.7

n.m. = Not meaningful.

This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, Stamford Corporate Services Pte Ltd (the "Sponsor"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("SGX-ST").

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, correctness of any of the information, statements made, or opinions made or reports contained in this announcement.

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	Note	1st Qtr Ended 30/09/2019 S\$'000	30/09/2018 S\$'000	Increase/ (decrease) %
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss:				
Currency translation loss arising from consolidation		(318)	(1,114)	(71.5)
Items that may not be reclassified subsequently to profit or loss:				
Currency translation loss arising from consolidation		(118)	(321)	(63.2)
Other comprehensive loss, net of tax.		<u>(436)</u>	<u>(1,435)</u>	(69.6)
Total comprehensive loss		<u>(2,127)</u>	<u>(2,780)</u>	(23.5)
Loss attributable to:				
Equity holders of the Company		(1,543)	(1,287)	19.9
Non-controlling interests		(148)	(58)	155.2
		<u>(1,691)</u>	<u>(1,345)</u>	25.7
Total comprehensive loss attributable to:				
Equity holders of the Company		(1,861)	(2,401)	(22.5)
Non-controlling interests		(266)	(379)	(29.8)
		<u>(2,127)</u>	<u>(2,780)</u>	(23.5)

1(a)(ii) Notes to statement of comprehensive income.

A. The net loss is determined after (charging)/crediting the following:

	Note	1st Qtr Ended 30/09/2019 S\$'000	30/09/2018 S\$'000	Increase/ (decrease) %
Foreign exchange loss		(187)	(178)	5.1
Interest expense:				
- Lease liabilities		(13)	-	n.m.
- Bank borrowings		-	(20)	n.m.
Fair value loss on financial assets at FVPL	(i)	(25)	(150)	(83.3)
Loss on disposal of financial assets at FVPL	(ii)	(89)	(11)	709.1
Dividend income	(iii)	89	173	(48.6)
Depreciation of property plant and equipment	(iv)	(23)	(90)	(74.4)
Operating lease expenses	(v)	(11)	(268)	(95.9)
Depreciation of right-of-use assets	(v)	(72)	-	n.m.

n.m. = Not meaningful.

Note (i)

The Group reported a fair value loss of S\$25,000 on financial assets at FVPL in the financial period ended 30 September 2019 (“1QFY20”) as compared with S\$150,000 in the financial period ended 30 September 2018 (“1QFY19”), largely because of the lower quantity of underlying financial assets held as at the end of 1QFY20 and the fluctuation in quoted prices of investments.

Note (ii)

The loss on disposal of financial assets at FVPL was due to loss from disposal of quoted investments.

Note (iii)

The lower dividend income in 1QFY20 was due to lower quantity of quoted investments held as well as lower dividend declared and paid by the investee company.

Note (iv)

The lower depreciation of property, plant and equipment was due to the lower level of depreciable assets during this period.

Note (v)

The lower operating leases expenses are due to the following:

- (a) the Group adopted Singapore Financial Reporting Standards (International) (“SFRS(I)”) 16 *Leases* on 1 July 2019 which resulted in all leases, except short-term and low value leases, been recognised as right-of-use assets and related financial liability to pay rentals as lease liabilities. The right-of-use assets are depreciated periodically to the income statement; and
- (b) the non-renewal of a subsidiary corporation’s office leases which expired on 31 March 2019.

1(b)(i) A statement of financial position (for the issuer and the group), together with a comparative statement as at the end of the immediate preceding financial year.

	Group		Company	
	30/09/2019	30/06/2019	30/09/2019	30/06/2019
	S\$'000	S\$'000	S\$'000	S\$'000
ASSETS				
Current assets				
Cash and cash equivalents	2,409	6,874	329	633
Financial assets, at FVPL	6,813	7,811	6,813	7,811
Trade and other receivables	11,215	11,406	6,162	6,255
Inventories	86	-	-	-
Other current assets	2,771	2,268	168	136
Financial assets, at FVOCI	2,000	2,000	2,000	2,000
	<u>25,294</u>	<u>30,359</u>	<u>15,472</u>	<u>16,835</u>
Non-current assets				
Trade and other receivables	-	-	13,090	12,504
Development properties	10,125	10,283	-	-
Investment in subsidiary corporations	-	-	24,400	24,400
Right-of-use assets	7,464	-	575	-
Property, plant and equipment	24,595	21,992	11	12
Intangible assets	37	-	-	-
	<u>42,221</u>	<u>32,275</u>	<u>38,076</u>	<u>36,916</u>
Total assets	<u>67,515</u>	<u>62,634</u>	<u>53,548</u>	<u>53,751</u>
LIABILITIES				
Current liabilities				
Trade and other payables	3,471	3,902	147	120
Lease liabilities	900	-	348	-
Current income tax liabilities	16	16	16	16
	<u>4,387</u>	<u>3,918</u>	<u>511</u>	<u>136</u>
Non-current liability				
Lease liabilities	6,548	-	211	-
Deferred income tax liabilities	561	570	-	-
	<u>7,109</u>	<u>570</u>	<u>211</u>	<u>-</u>
Total liabilities	<u>11,496</u>	<u>4,488</u>	<u>722</u>	<u>136</u>
Net assets	<u>56,019</u>	<u>58,146</u>	<u>52,826</u>	<u>53,615</u>
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	195,733	195,733	195,733	195,733
Foreign currency translation reserve	(17,385)	(17,067)	(15,939)	(15,939)
Fair value reserve	(4,000)	(4,000)	(4,000)	(4,000)
Accumulated losses	(125,940)	(124,397)	(122,968)	(122,179)
	<u>48,408</u>	<u>50,269</u>	<u>52,826</u>	<u>53,615</u>
Non-controlling interests	<u>7,611</u>	<u>7,877</u>	<u>-</u>	<u>-</u>
Total equity	<u>56,019</u>	<u>58,146</u>	<u>52,826</u>	<u>53,615</u>

1(b)(ii) The aggregate amount of group's borrowings and debt securities at the end of the current financial period reported on with comparative figures as at the end of the immediately preceding financial year.

The Group does not have any borrowings or debt securities as at 30 September 2019 and 30 June 2019.

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	1st Qtr Ended	
	30/09/2019	30/09/2018
	S\$'000	S\$'000
Cash flows from operating activities		
Total loss	(1,691)	(1,345)
Adjustments for:		
- Depreciation of property, plant and equipment	23	90
- Depreciation of right-of-use assets	72	-
- Loss on disposal of property, plant and equipment	-	9
- Interest income	(3)	(27)
- Interest expense	13	20
- Dividend income	(89)	(173)
- Unrealised currency translation differences	-	(222)
	<u>(1,675)</u>	<u>(1,648)</u>
Changes in working capital		
- Development properties	-	(1,320)
- Trade and other receivables	28	1,408
- Inventories	(86)	-
- Other current assets	(540)	11
- Financial assets, at FVPL	998	1,969
- Trade and other payables	(392)	(1,540)
	<u>(1,667)</u>	<u>(1,120)</u>
Net cash used in operations	(1,667)	(1,120)
- Interest received	3	27
	<u>(1,664)</u>	<u>(1,093)</u>
Net cash used in operating activities		
Cash flows from investing activities		
- Additions to property, plant and equipment	(2,961)	(1,520)
- Additions to intangible assets	(37)	-
- Dividend received	89	173
	<u>(2,909)</u>	<u>(1,347)</u>
Net cash used in investing activities		
Cash flows from financing activities		
- Proceeds from issuance of new ordinary shares	-	12,291
- Share issue expenses	-	(269)
- Proceeds from issuance of new ordinary shares pursuant to exercise of warrants	-	-*
- Principal payment of lease liabilities	(87)	-
- Interest paid	(13)	-
	<u>(100)</u>	<u>12,022</u>
Net cash (used in)/from financing activities		
Net (decrease)/increase in cash and cash equivalents	(4,673)	9,582
Cash and cash equivalents at beginning of period	6,874	14,136
Effects of currency translation on cash and cash equivalents	208	(246)
Cash and cash equivalents at end of period	<u>2,409</u>	<u>23,472</u>

* Less than S\$1,000

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalising issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	← Attributable to equity holders of the Company →				Total S\$'000	Non- controlling interests S\$'000	Total S\$'000
	Share capital S\$'000	Foreign currency translation reserve S\$'000	Fair value reserve S\$'000	Accumulated losses S\$'000			
Group							
3 months ended 30 September 2019							
Balance as at 1 July 2019	195,733	(17,067)	(4,000)	(124,397)	50,269	7,877	58,146
Total comprehensive loss	-	(318)	-	(1,543)	(1,861)	(266)	(2,127)
Balance as at 30 September 2019	<u>195,733</u>	<u>(17,385)</u>	<u>(4,000)</u>	<u>(125,940)</u>	<u>48,408</u>	<u>7,611</u>	<u>56,019</u>
3 months ended 30 September 2018							
Balance as at 30 June 2018	183,709	(15,999)	-	(122,365)	45,345	8,648	53,993
Adoption of SFRS(I) 9	-	-	(4,000)	4,000	-	-	-
Balance as at 1 July 2018	183,709	(15,999)	(4,000)	(118,365)	45,345	8,648	53,993
Total comprehensive loss	-	(1,114)	-	(1,287)	(2,401)	(379)	(2,780)
Issuance of new ordinary shares	12,291	-	-	-	12,291	-	12,291
Share issue expenses	(269)	-	-	-	(269)	-	(269)
Issuance of new ordinary shares pursuant to exercise of warrants	-	-	-	-	-*	-	-*
Balance as at 30 September 2018	<u>195,731</u>	<u>(17,113)</u>	<u>(4,000)</u>	<u>(119,652)</u>	<u>54,966</u>	<u>8,269</u>	<u>63,235</u>

* Less than S\$1,000

	Share capital S\$'000	Foreign currency translation reserve S\$'000	Fair value reserve S\$'000	Accumulated losses S\$'000	Total equity S\$'000
Company					
3 months ended 30 September 2019					
Balance as at 1 July 2019	195,733	(15,939)	(4,000)	(122,179)	53,615
Total comprehensive loss	-	-	-	(789)	(789)
Balance as at 30 September 2019	<u>(195,733)</u>	<u>(15,939)</u>	<u>(4,000)</u>	<u>(122,968)</u>	<u>52,826</u>
3 months ended 30 September 2018					
Balance as at 30 June 2018	183,709	(15,939)	-	(117,623)	50,147
Adoption of SFRS(I) 9	-	-	(4,000)	4,000	-
Balance as at 1 July 2018	183,709	(15,939)	(4,000)	(113,623)	50,147
Total comprehensive loss	-	-	-	(973)	(973)
Issue of new ordinary shares	12,291	-	-	-	12,291
Share issue expenses	(269)	-	-	-	(269)
Issuance of new ordinary shares pursuant to exercise of warrants	-*	-	-	-	-*
Balance as at 30 September 2018	<u>195,731</u>	<u>(15,939)</u>	<u>(4,000)</u>	<u>(114,596)</u>	<u>61,196</u>

* Less than S\$1,000

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

There is no change in the Company's share capital since the end of the previous reported period.

The Company did not have any treasury shares or subsidiary holdings as at 30 September 2019 and 30 September 2018.

The number of shares that may be issued on conversion of the Company's outstanding warrants as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year:

	30/09/2019	30/09/2018
- Warrants expired on 6 May 2019 ("2014 Warrants")	-	1,325,578,711
- Warrants expiring on 19 November 2020 ("2015 Warrants")	4,443,277,094	4,443,277,094
- Warrants expiring 30 January 2023 ("2018 Warrants A")	10,008,570,063	10,009,570,061
- Warrants expiring 26 July 2023 ("2018 Warrants B")	<u>6,145,168,199</u>	<u>6,145,168,199</u>
	<u>20,597,015,356</u>	<u>21,923,594,065</u>

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediate preceding financial year.

	30/09/2019	30/06/2019
Total number of issued shares excluding treasury shares	<u>17,824,183,658</u>	<u>17,824,183,658</u>

1(d)(iv) A statement showing all sales, transfers, disposals, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable.

1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

Not applicable.

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed by the auditors.

3. Where the figures have been audited or reviewed, a statement on whether there are any qualifications or emphasis of matter.

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The accounting policies and methods of computation are consistent with those applied in the audited financial statements for the financial year ended 30 June 2019, except as disclosed in paragraph 5 below.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

The Group has adopted all the new and revised SFRS(I) and Interpretation of SFRS(I) ("SFRS(I) INT") that are relevant to its operations and effective from annual periods beginning on or after 1 July 2019. The adoption of the new/revised SFRS(I) and SFRS(I) INT did not result in material changes to the Group's or

the Company's accounting policies and had no material impact on the results under review. Where applicable, the presentation of the financial information has been amended to comply with these standards.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends:

- (a) based on the weighted average number of ordinary shares on issue; and
 (b) on a fully diluted basis (detailing any adjustments made to the earnings).

	1st Qtr Ended	
	30/09/19	30/09/18
Net loss attributable to equity holders of the Company (S\$'000)	<u>(1,543)</u>	<u>(1,287)</u>
Weighted average number of ordinary shares outstanding for basic loss per share ('000)	<u>17,824,184</u>	<u>14,851,955</u>
Basic and diluted loss per share (cents per share)	<u>(0.01)</u>	<u>(0.01)</u>

As the Group was making losses for the financial period ended 30 September 2019 and 30 September 2018, the dilutive potential shares from the warrants were anti-dilutive and no changes were made to the diluted loss per share.

7. Net asset value (for the issuer and group) per ordinary share based on total number of issued shares excluding treasury shares of the issuer at the end of the:-

- (a) current financial period reported on; and
 (b) immediately preceding financial year.

	Group		Company	
	30/09/2019	30/06/2019	30/09/2019	30/06/2019
Net asset value per ordinary share	<u>S\$0.003</u>	<u>S\$0.003</u>	<u>S\$0.003</u>	<u>S\$0.003</u>

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following :-

- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
 (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

A. Review of Financial Performance

1QFY20 vs 1QFY19

Revenue and gross profit

The Group reported lower revenue of S\$35,000 in 1QFY20 as compared with the S\$3.0 million recorded in 1QFY19. The decrease was due to the discontinuation of the real estate agency business operations of Global Alliance Property Pte Ltd (GAP) in the fourth quarter of FY19.

The Group commenced the trial operations of Cheery Huzhou Hotel, which located in Huzhou, the People's Republic of China ("the PRC"), in 1QFY20 and carried out promotional activities during the trial

operations. A discount was given to customers and this has resulted in the Group reporting a gross loss in 1QFY20 of S\$8,000.

Other gains and losses, net

The higher other losses reported in 1QFY20 was attributable mainly to the lower dividend income from financial assets at FVPL of S\$89,000 as compared to S\$173,000 in 1QFY19.

Distribution and marketing expenses

The decrease in distribution and marketing expenses was attributable mainly to the lower volume of marketing advertisements in 1QFY20 after the discontinuation of the real estate agency business operations of the Group as mentioned above.

Net loss

The Group reported a net loss of S\$1.7 million in 1QFY20 as compared with the net loss of S\$1.3 million posted in 1QFY19. The higher net loss was due mainly to the lower revenue and dividend income as mentioned above.

B. Review of Financial Position

Cash and cash equivalents

The decrease in cash and cash equivalents was due mainly to cash outflows of S\$1.7 million in operating activities and S\$2.9 million in additions to property, plant and equipment mainly for payment of construction cost of Cheery Hotel Huzhou.

Financial assets, at FVPL

The Group's financial assets, at FVPL, consist mainly of shares quoted on Bursa Malaysia. The decrease in financial assets was due mainly to the disposal of quoted shares.

Trade and other receivables

The drop in trade and other receivables was due mainly to the lower commission receivable as at 1QFY20.

Inventories

Inventories consist of ingredient and stocks in relation to the food and beverages operations of the Group.

Other current assets

The increase in other current assets was due mainly to higher prepaid expenses as at 1QFY20.

Property, plant and equipment

The increase in property, plant and equipment was due to the payment of construction cost of Cheery Hotel Huzhou.

Intangible assets

The intangible assets represents right-of-use of the Cheery trade mark.

Trade and other payables

The decrease in trade and other payables was due mainly to lower commission payable as at 1QFY20, corresponding to the lower commission receivable mentioned above.

Right-of-use assets
Lease liabilities

The Group adopted SFRS(I) 16 *Leases* on 1 July 2019 which resulted in all leases, except short-term and low value leases, been recognised as right-of-use assets and related financial liability to pay rentals as lease liabilities.

C. Review of Cash Flow

In 1QFY20, the Group recorded a decrease of S\$4.7 million in cash and cash equivalents. The decrease was due mainly to:

- i. net cash used in operating activities of S\$1.7 million. The cash outflow resulted from the operating loss during the financial period; and
- ii. net cash used in investing activities of S\$2.9 million. This was mainly due to additional construction cost incurred for the Cheery Hotel Huzhou.

9. Where a forecast or prospect statement has been made and disclosed to shareholders, any variances between the forecast and actual results has been explained.

Not applicable.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The Group's 113-room Cheery Hotel Huzhou is fully operational since October 2019. Being a brand new hotel in Huzhou, the Group will stay focused on building up the brand and clientele of the Cheery Hotel Huzhou.

As for the residential and commercial development in Huzhou (the "Huzhou Project"), the Group is currently in the midst of preparing the development implementation and business plans. Once these are approved, the Group shall embark on the development of this 320-hectare site in Huzhou, Zhejiang province.

11. If a decision regarding dividend has been made:

- (a) **Whether an interim (final) ordinary dividend has been declared (recommended); and**

No dividend for the current financial period reported on has been declared (recommended).

- (b) (i) **Amount per share cents**
(ii) **Previous corresponding period cents**

Not applicable.

- (c) **Whether the dividend is before tax, net of tax or tax exempt. If before tax or net tax, state the tax rate and the country where dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated).**

Not applicable.

- (d) **The date the dividend is payable.**

Not applicable.

- (e) **The date on which Registrable Transfers received by the company up to 5.00 pm will be registered before entitlements to the dividend determined.**

Not applicable.

- 12. If no dividend has been declared (recommended), a statement to the effect and the reason(s) for the decision.**

No dividend has been declared for the period ended 30 September 2019 because of losses incurred in the financial period ended 30 September 2019 and the financial position of the Company.

- 13. If the Group has obtained a general mandate from shareholders for interested person transactions (“IPTs”), the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.**

No IPT mandate has been obtained for the quarter ended 30 September 2019.

- 14. Negative confirmation pursuant to Rule 705(5) (not required for announcement on full year results).**

The Board confirms that to the best of its knowledge, nothing has come to the attention of the board of directors of the Company that might render the financial results for the first quarter ended 30 September 2019 to be false or misleading in any material respect. A statement signed by two directors is on record.

- 15. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7H) under Rule 720(1).**

The Company confirms that it has procured the undertakings from all its directors and executive officers (in the format set out in Appendix 7H) under Rule 720(1).

PART II INTERESTED PERSON TRANSACTIONS, USE OF PROCEEDS AND WHITE WASH WAIVER

- 16. The aggregate value of transactions conducted pursuant to the general mandate for the financial periods which it is required to report on pursuant to Rule 705 within the time required for the announcement of such report. The disclosure must be in the form set out in Rule 907.**

There were no interested person transactions, as defined in Chapter 9 of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited, entered into by the Group or by the Company for the financial period ended 30 September 2019.

The Company does not have a general mandate from shareholders for interested person transactions.

17. **The status on the use of proceeds raised from IPO and any offerings pursuant to Chapter 8 of the Catalyst Rules and whether the use of proceeds is in accordance with the stated use. Where the proceeds have been used for working capital purposes, a breakdown with specific details on how the proceeds have been applied must be disclosed.**

A. Rights cum warrants issue completed on 20 November 2015 (“2015 Rights cum Warrants Issue”)

On 20 November 2015, the Company issued 2,593,863,776 new ordinary shares at S\$0.005 per share pursuant to the 2015 Rights cum Warrants Issue and raised net proceeds of S\$12,618,700. The status in terms of utilisation of proceeds is as follows:

Use of Proceeds	Actual utilisation S\$'000	As a percentage of net proceeds %	Proposed utilisation ratio %
To fund the proposed expansion in new business of real estate agency and real estate-related services and support	7,040	55.8	30-70 ⁽¹⁾
General working capital	3,785	30.0	10-30 ⁽¹⁾
To fund the proposed expansion of the new business of property development and property investments ⁽²⁾	<u>1,794</u>	<u>14.2</u>	
Total	<u>12,619</u>	<u>100.0</u>	

Note:

- (1) The proposed utilisation ratio as a percentage of net proceeds, after deducting all share issue expenses.
- (2) As reported by the Company in the financial statements and related announcement for the third quarter ended 31 March 2019, the Group has ceased its business of real estate agency and real estate-related services; therefore, as disclosed by the Company in its annual report for the financial year ended 30 June 2019, the Company had re-allocated the balance net proceeds of S\$1,793,700 (“Balance Net Proceeds”) towards general working capital (for the purposes above) and to fund the proposed expansion of the new business of property development and property investments. As at 1QFY20, the Balance Net Proceeds have been fully utilised to fund the proposed expansion of the new business of property development and property investments.

With respect to the S\$3,785,000 used for general working capital, the breakdown is as follows:

General working capital – Purpose of utilisation	Percentage utilised (%)
Payment of employee compensation and directors’ fees	47.6
Payment of office overheads	29.3
Payment of professional fees and other compliance costs	<u>23.1</u>
Total	<u>100.0</u>

The use of the proceeds is in accordance with the stated use.

B. Rights cum warrants issue completed on 31 January 2018 (“2018 Rights cum Warrants Issue A”)

On 31 January 2018, the Company issued 7,785,307,748 new ordinary shares at S\$0.003 per share pursuant to the 2018 Rights cum Warrants Issue A and raised net proceeds of S\$22,375,000. The status in terms of utilisation of proceeds is as follows:

Use of Proceeds	Actual utilisation S\$'000	As a percentage of net proceeds %	Proposed utilisation ratio %
To fund the proposed expansion of the new business of property development and property investments	20,138	90.0	70-90*
General working capital	<u>2,237</u>	<u>10.0</u>	10-30*
Total	<u>22,375</u>	<u>100.0</u>	

Note:

* The proposed utilisation ratio as a percentage of net proceeds, after deducting all share issue expenses.

With respect to the S\$2,237,000 used for general working capital, the breakdown is as follows:

General working capital – Purpose of utilisation	Percentage utilised (%)
Payment of employee compensation and directors' fees	46.2
Payment of office overheads	31.2
Payment of professional fees and other compliance costs	<u>22.6</u>
Total	<u>100.0</u>

The use of proceeds is in accordance with the stated use.

C. Rights cum warrants issue completed on 27 July 2018 (“2018 Rights cum Warrants Issue B”)

On 27 July 2018, the Company issued 6,145,168,199 new ordinary shares at S\$0.002 per share pursuant to the 2018 Rights cum Warrants Issue B and raised net proceeds of S\$12,022,000. The status in terms of utilisation of proceeds is as follows:

Use of Proceeds	Actual utilisation S\$'000	As a percentage of net proceeds %	Proposed utilisation ratio %
To fund the proposed expansion of the new business of property development and property investments	9,617	80.0	50-80*
Funding growth and expansion	-	-	10-30*
General working capital	<u>252</u>	<u>2.1</u>	10-30*
Total	<u>9,869</u>	<u>82.1</u>	

Note:

* The proposed utilisation ratio as a percentage of net proceeds, after deducting all share issue expenses.

With respect to the S\$252,000 used for general working capital, the breakdown is as follows:

General working capital – Purpose of utilisation	Percentage utilised (%)
Payment of employee compensation and directors' fees	55.2
Payment of office overheads	23.8
Payment of professional fees and other compliance costs	21.0
	<hr/>
Total	100.0
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The use of proceeds is in accordance with the stated use.

18. Whitewash waiver

Capitalised terms used below, unless otherwise defined, shall have the same meanings as defined in the circular to shareholders of the Company dated 21 November 2017 (the "2017 Circular").

In connection with the Rights cum Warrants Issue A, the Securities Industry Council of Singapore (the "SIC") had on 6 November 2017 waived the obligation under Rule 14 of the Singapore Code on Takeovers and Mergers (the "Code") for Mr Oei Hong Leong ("Mr Oei") and his concert parties (the "Concert Party Group") to make a Mandatory Offer for the Company in the event the Concert Party Group increases their aggregate shareholding in the Company to 30% or more based on the Company's enlarged issued share capital as a result of:

- (a) the subscription for Rights Shares (as defined in the 2017 Circular) pursuant to the Sub-underwriting Commitment (as defined in the 2017 Circular) or 2018 Rights cum Warrants Issue A,
 - (b) the exercise of 2018 Warrants A subscribed for pursuant to the Sub-underwriting Commitment or 2018 Rights cum Warrants Issue A, or
 - (c) the exercise of Adjustment Warrants (as defined in the 2017 Circular),
- (the "Whitewash Waiver").

Disclosure Note required under the Code

In the Extraordinary General Meeting held on 6 December 2017, the Shareholders of the Company approved, *inter alia*, (i) a rights cum warrants issue of up to 14,537,002,596 new ordinary shares with 14,537,002,596 warrants; and (ii) a Whitewash Resolution (as defined in the 2017 Circular). The disclosures as required under Note 2, Section 2 of Appendix 1 of the Code are set out below:

- (a) the Shareholders (other than Mr. Hano Maeloa and Ms Oei Siu Hoa @ Sukmawati Widjaja, the concert parties of the Concert Party Group and parties not independent of them) approved the Whitewash Resolution waiving their rights to receive a mandatory general offer from the Concert Party Group in accordance with Rule 14 of the Code, in the event that the Concert Party Group's subscription of the Rights Shares and Warrant Shares (as defined in the 2017 Circular) arising from the exercise of the 2018 Rights cum Warrants Issue A and/or the Adjustment Warrant Shares (as defined in the 2017 Circular) arising from the exercise of the Adjustment Warrants (including (a) the subscription of up to 7,785,299,728 Rights Shares by Mr. Oei pursuant to the Sub-underwriting Commitment; and/or (b) the exercise of up to 7,785,299,728 2018 Warrants A subscribed by Mr. Oei under the Sub-underwriting Commitment) results in the Concert Party Group incurring an obligation to make a mandatory general offer pursuant to Rule 14 of the Code. To rely on the Whitewash Resolution, the acquisition of Rights Shares and 2018 Warrants A under the 2018 Rights cum Warrants Issue A by the Concert Party Group must be completed within three (3) months of the approval of the Whitewash Resolution, and (A) the acquisition of the Warrant Shares by the Concert Party Group upon the exercise

of the 2018 Warrants A and (B) the acquisition of new Shares upon the exercise of the Adjustment Warrants by Mr. Hano Maeloa and Ms. Oei Siu Hoa @ Sukmawati Widjaja must be completed with five (5) years of the date of issue of the Warrants A (being 30 January 2023);

- (b) based on the latest available information, the Concert Party Group holds in aggregate:
 - (i) 6,669,033,775 Shares representing 37.42% of the voting rights in the capital of the Company; and
 - (ii) 371,068,831 2015 Warrants, 5,228,472,227 2018 Warrants A and 2,197,820,126 2018 Warrants B (collectively, the “Convertibles”);
- (c) the maximum potential voting rights of the Concert Party Group in the Company, assuming that only the Concert Party Group (but not other Shareholders) exercise their Convertibles in full is 55.72% (based on the enlarged share capital which includes the shares issued arising from the exercise of Convertibles held by the Concert Party Group);
- (d) having approved the Whitewash Resolution on 6 December 2017, Shareholders have waived their rights to a general offer from the Concert Party Group and their concert parties at the highest price paid by the Concert Party Group for Shares in the past 6 months preceding the commencement of the offer; and
- (e) having approved the Whitewash Resolution on 6 December 2017, Shareholders could be forgoing the opportunity to receive a general offer from another person who may be discouraged from making a general offer in view of the potential dilution effect of (A) the 2018 Warrants A subscribed by the Concert Party Group pursuant to the Sub-underwriting Commitment or 2018 Rights cum Warrants Issue A and (B) the Adjustment Warrants to be issued to Mr Hano Maeloa and Ms Oei Siu Hoa @ Sukmawati Widjaja.

BY ORDER OF THE BOARD

Lee Keng Mun
Chief Operating Officer
13 November 2019