# PACIFIC STAR DEVELOPMENT LIMITED

# AN AWARD-WINNING ASEAN DEVELOPER

ANNUAL REPORT 2019

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*This Annual Report has been reviewed by the Company's Sponsor, SAC Capital Private Limited (the "**Sponsor**").*

*This Annual Report has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") and the SGX-ST assumes no responsibility for the contents of this Annual Report including the correctness of any of the statements or opinions made or reports contained in this Annual Report.*

*The contact person for the Sponsor is Mr David Yeong, SAC Capital Private Limited at 1 Robinson Road, #21-00 AIA Tower, Singapore 048542. Telephone number: +65 6232 3210.*

# CORPORATE PROFILE

**Pacific Star Development Limited** ("**PSDL**" or the "**Company**" and together with its subsidiaries, the "**Group**") is a premier, award-winning ASEAN property developer with a track record in the development and investment of prime integrated mixed-use and residential developments in key gateway cities across ASEAN.

With over a decade in real estate investment management experience as well as a solid background in development management, the Group counts among its past investments the highly successful mixed-use project, Pavilion in Kuala Lumpur within its portfolio of properties. Its current property portfolio comprises the award-winning mixed-use project, Puteri Cove Residences in Iskandar Puteri, Malaysia, where the residences have been sold to more than 28 different nationalities worldwide as well as another award-winning project, a high-rise residential development in Bangkok, Thailand, known as The Posh Twelve.

For more information, please visit
*www.pacificstar-dev.com*

# CHAIRMAN STATEMENT

## DEAR SHAREHOLDERS,

On behalf of the Board of Directors (the "**Board**") of Pacific Star Development Limited ("**PSDL**" or the "**Company**" and together with its subsidiaries, the "**Group**"), it is my pleasure to present to you Pacific Star Development Limited's Annual Report for the financial year ended 30 June 2019 ("**FY2019**").

FY2019 was a challenging year for the Group as it faced a perfect storm when an oversupply glut was created with newly completed residential properties in Iskandar Puteri and Johor Bahru (Malaysia) entering the market, a tightened approach adopted by central banks towards financing residential properties purchases and property developments, market uncertainties and dampened economic growth due to the US-Sino Trade War. All these events have affected the Group's performance negatively.

Despite these short-term setbacks, the Group remains focus on its path to delivering quality development projects in key gateway cities in ASEAN. We believe that we will emerge stronger.

Facing such challenges, the Group will persevere by focusing its energy to market and sell its unsold inventories of properties in Iskandar Puteri and Bangkok. With the liquidation of the Group's non-core business, we believe that the Group is in a stronger position to ride through existing challenges. The Group intends to capitalise on its core strength and strategically seek new, stable and recurring revenue streams going forward.

The Group will continue to keep a close watch on its cash flows while continuing to improve its corporate governance practices and strengthen its internal controls systems.

## A NOTE OF APPRECIATION

On behalf of the Board, I would like to take this opportunity to express our heartfelt thanks to all our shareholders, staff, bankers, financiers, contractors and service providers for their continued support.

During FY2019, our Board has also undergone some changes as Messrs Yee Kee Shian Leon, Heng Su-Ling Mae, Peh Siong Woon Terence, Tai Hai Peng Micheal, Teo Khee Hwee and Low Siew Sie Bob relinquished their directorships in the Company. On behalf of the Group and the Board, I express our sincere appreciation for their services, guidance and support during their tenure with the Group.

**LESLIE YING WEI HSEIN**
*Executive Chairman*

# CEO STATEMENT

**DEAR SHAREHOLDERS,**

FY2019 has been a challenging year for the Group.

With the increasing volatile global economy, the Group made a decision in May 2019 to liquidate its non-core Aluminum Division (the "**Aluminium Business Discontinuance**") consisting Durabeau Industries Pte Ltd and LH Aluminum Industries Pte. Ltd. As at the date of this report, the liquidation process is currently in progress.

The Group is of the view that the Aluminium Business Discontinuance will be in the best interests of the Group as a whole, freeing up resources and management time and attention to further support the Group's property development business.

The Group's Property Division felt the negative spillover effects from the deferment of the Kuala Lumpur – Singapore High Speed Rail construction, which resulted in aggravating the poor market sentiments in the residential market in Iskandar Puteri, Malaysia. This had in turn negatively impacted the sales of the Group's Puteri Cove Residences project, located in Puteri Harbour, Iskandar Puteri, Malaysia.

The large amount of completed but unsold inventory plaguing the gross oversupply situation in the residential property market in Iskandar Puteri and Johor Bahru has posed challenges for the Group's Property Division.

The Group, through its joint venture, currently has another property project, The Posh Twelve, located at Tiwanon Road in Bangkok, Thailand. The residential property market in Bangkok, Thailand is likewise facing an oversupply situation in the high rise condominium market due to over-building by property developers.

The Group foresees that the business outlook will continue to be further dampened by the stringent mortgage lending measures imposed by the central banks in Malaysia and Thailand, which has further restricted the purchasing ability of buyers who rely on bank loans in their respective property acquisitions.

Amid the challenging market outlook, the Group continues to persist with marketing and promotion efforts to sell the unsold inventory in both property projects to both end users and investor groups. Regionally, our marketing and sales activities are held in China, Hong Kong, Korea and Indonesia, with customized promotional and sales packages to suit the respective markets. In Malaysia, we collaborated with business partners, trade associations and chambers of commerce to expand our reach to potential buyers.

While our financial results for FY2019 were a consequence of the harsh market environment, we recognised the challenges that we faced and are committed to improve the performance of the Group in the foreseeable future. To this end, I wish to extend my appreciation to all shareholders, business partners, bankers and suppliers for their support.

**GLEN CHAN**
*CEO and Managing Director*

# BOARD OF DIRECTORS

### MR LESLIE YING WEI HSEIN
*Executive Chairman*

**MR YING** is the Executive Chairman of the Company and oversees the Company's finance, human resource and legal functions. Mr Ying has 22 years of experience in finance and accounting. He founded Singularity Consultancy Pte Ltd, a boutique consultancy firm specializing in initial public offering, reverse takeover, mergers & acquisition, corporate restructuring, crisis management, finance and accounting matters. He was previously the Chief Financial Officer of two companies listed on the mainboard of SGX-ST. Mr Ying graduated with a Bachelor of Accountancy and minor in Banking and Finance from Nanyang Technological University, Singapore, and is Fellow Member of the Institute of Singapore Chartered Accountants and member of Singapore Institute of Directors.

### MR GLEN CHAN
*CEO and Managing Director*

**MR CHAN** is the CEO and Managing Director of the Company. Mr Chan oversees and manages the Company's investments in real estate development projects in ASEAN and is also involved in all key aspects of the operations, business and strategic planning of the Company. Mr Chan has over 30 years of comprehensive experience in all aspects of real estate development and investments with in-depth expertise in development management, deal structuring, transaction management, fund management and investment management in both development projects and existing properties. Prior to joining the Company, Mr Chan was an Executive Director in CBRE Singapore, a member of the CBRE Asia Board of Directors, Country Head and Managing Director of CBRE Indonesia. He obtained his Bachelor of Science in Estate Management from the National University of Singapore in 1988.

*Puteri Cove Residences | Sky Library*

**MR LEOW CHIN BOON**
*Lead Independent Director*

**MR LEOW** serves as the Lead Independent Director of the Company and is also the Chairman of the Audit Committee and member of the Nominating and Remuneration Committees. He is currently the Group Chief Financial Officer of I-Serve Technology Limited. Prior to that, he was the Global CFO of DIH Technologies Limited and VP Finance of Hocoma AG, a Group which specialises in medical robotics rehabilitation. Mr Leow was formerly the CFO of Hengxin Technology Ltd, a telecommunications equipment company listed on the Hong Kong Stock Exchange. Mr Leow has over 19 years of experience in audit, finance and accounting spanning countries from China, Hong Kong, South Korea and India to Switzerland and Netherlands. Mr Leow graduated with a Bachelor of Commerce from the University of Western Australia and is currently a Chartered Accountant of the Institute of Singapore Chartered Accountants and a Certified Practising Accountant of CPA Australia.

**MR YEONG WAI CHEONG**
*Independent Director*

**MR YEONG** serves as the Independent Director of the Company and is also the Chairman of the Nominating Committee and Remuneration Committee, and member of the Audit Committee. He is currently a Director at Drew & Napier LLC. Mr Yeong as a practicing lawyer has extensive real estate and financing experience and advises on many financing and real estate transactions. Prior to joining Drew & Napier LLC, Mr Yeong was one of founding partners of a Singapore law firm. He was also previously the General Counsel for Asia as well as the Head of Legal for Singapore for a European bank. Mr Yeong graduated with a Bachelor of Laws (Honours) from National University of Singapore and is a member of Law Society of Singapore and Singapore Academy of Law.

*Puteri Cove Residences | SOHO 2-bedroom unit, overlooking a private marina*

# MANAGEMENT TEAM (EXCLUDING EXECUTIVE DIRECTORS)

### MR DARREN CHUA
*Head of Legal and Vice President*

**MR CHUA** is Head of Legal and Vice President at Pacific Star Development Limited. He acts as the Group's general counsel and oversees the Group's legal matters. In addition, Mr Chua carries out business development and works on the Group's various technology initiatives. Mr Chua has over 8 years' experience in the legal industry, having been a corporate lawyer specialising in Mergers & Acquisitions and Corporate Finance in Rajah & Tann LLP and Shook Lin & Bok LLP, two of the largest law firms in Singapore.

Mr Chua holds a Bachelor of Laws (Honours) and a Bachelor of Business Administration (Honours) from the National University of Singapore, graduating from the NUS Double Degree Programme in 2011. He was called to the Singapore Bar as an Advocate & Solicitor in 2012.

### MR ROBBY SUCIPTO
*Group Financial Controller and Vice President*

**MR SUCIPTO** is Group Financial Controller and Vice President at Pacific Star Development Limited and is responsible for the Group's statutory financial accounts, consolidation and financial reporting to the SGX-ST. He oversees the overall financial and accounting management of the Group. Backed by the Big 4 fundamentals in financial audit and Mergers & Acquisitions experiences, Mr Sucipto has more than 12 years of experience in delivering leadership and values to organisations through finance and accounting. Previously, Mr Sucipto served in Ernst & Young LLP, KPMG LLP and a group company of Hitachi Ltd.

Mr Sucipto graduated with a Bachelor of Commerce (Double Major, Finance and Accounting) from Monash University. He is a member of Institute of Singapore Chartered Accountants and a certified Internal Auditor for ISO9001:2015, ISO14001:2015 and OHSAS18001.


*The Posh Twelve is a premium resort-style residence building, complete with world-class amenities and services. The commercial units at ground floor provides convenience for its residents.*

# OPERATIONS AND FINANCIAL REVIEW

## INCOME STATEMENT

The current period under review refers to the twelve months financial year ended 30 June 2019 ("**FY2019**") while the comparative period refers to the eighteen months financial period ended 30 June 2018 ("**FP2018**").

### REVENUE

The Group's revenue for FY2019 decreased by $116.91 million from $121.43 million to $4.52 million due to decreased sales in Puteri Cove Residences & Quayside ("**PCR**") in Iskandar, Malaysia and reclassification of revenue from Aluminium Division (which is currently under liquidation) to discontinued operations.

### COST OF SALES AND GROSS PROFIT

In line with the decrease in revenue, the Group's cost of sales decreased by $59.52 million from $62.43 million to $2.91 million in FY2019. Gross profit decreased by $57.39 million from $59.00 million to $1.61 million in FY2019. This was attributable to decrease in the number of units sold at PCR, lower average selling prices and sales incentives for PCR, and reclassification of $1.89 million cost of sales relating to the Aluminium Division to discontinued operations.

### OTHER OPERATING INCOME

Other operating income decreased by $3.01 million from $3.91 million to $0.90 million in FY2019. This reduction was largely attributable to non-recurring transactions for FP2018 which included $1.07 million reversal of provision for warranty, $1.22 million gain on acquisition of subsidiaries pertaining to the Reverse Takeover in February 2017 and absence of $0.79 million of other income from the Aluminium Division. Disregarding such non-recurring income, the other operating income for FP2018 amounted to $0.83 million which was not significantly different from that in FY2019.

### MARKETING AND DISTRIBUTION EXPENSES

Marketing and distribution expenses decreased by $6.35 million from $6.50 million to $0.15 million in FY2019 as part of the Group's cost control measures in view of the poor market sentiments for sales of residential projects in Iskandar Malaysia.

### ADMINISTRATIVE EXPENSES

Administrative expenses decreased by $3.49 million from $12.52 million to $9.03 million in FY2019 due to the fact that FP2018 included an additional six months of expenses as compared to FY2019. However, this reduction was partly offset by $1.23 million increase in legal and professional fees relating in the $70 million loan facility (the "**Loan Facility**") obtained in FY2019.

### OTHER EXPENSES

Other expenses increased by $4.02 million from $0.07 million to $4.09 million in FY2019. The increase was largely due to penalties imposed by the Malaysian Tax Authority amounting to $3.11 million and $0.93 million write down on development property.

### FINANCE COSTS

Finance costs increased by $6.85 million from $4.32 million to $11.17 million in FY2019 due largely to additional financing cost incurred in relation to the Loan Facility.

### NET LOSS

The Group recorded a net loss after tax of $25.22 million in FY2019 compared with a net profit after tax of $23.32 million in FP2018. This was largely attributable to the significantly lower revenue in PCR, increased finance costs, tax penalties incurred, legal and professional fees relating to the Loan Facility and write down of development property as explained in the preceding sections.

## BALANCE SHEET

### ASSETS

Total assets decreased by $16.94 million from $192.01 million as at 30 June 2018 to $175.07 million as at 30 June 2019, which was mainly due to the decrease in current assets.

The current assets of the Group decreased by $16.80 million from $191.82 million as at 30 June 2018 to $175.02 million as at 30 June 2019. This decrease was due largely to $24.54 million decrease in trade receivables as a result of routine collection and due to lower revenue recorded in FY2019. This was partially offset by (i) $6.58 million increase in other receivables due from associate and joint venture and (ii) $2.54 million increase in restricted cash in relation to Debt Service Reserve Account of the Loan Facility.

### LIABILITIES

The Group's current liabilities decreased by $53.39 million from $103.90 million as at 30 June 2018 to $50.51 million as at 30 June 2019. This decrease is due largely to (i) $21.63 million decrease in secured loans from UOB Malaysia ("**Facility A**") as it was restructured and the bulk of the loan was reclassified to non-current liabilities, (ii) $14.37 million reduction in trade payables due to routine payment upon the completion of Tower 1 & 2, SOHO and retail units at PCR and (iii) $8.00 million net repayment to a company controlled by a controlling shareholder of the Company via proceeds from the Loan Facility and (iv) $2.49 million net of routine payment and additional income tax liabilities.

The Group's non-current liabilities increased by $71.96 million from $43.27 million as at 30 June 2018 to $115.23 million as at 30 June 2019. This increase was largely due to (i) $21.63 million increase due to the reclassification of Facility A as explained above and (ii) $65.85 million of drawdown from Loan Facility including accrued finance costs. These increases amounting to $87.48 million was partially offset by the repayment of $15.21 million to non-controlling interests via proceeds from the Loan Facility.

## CASH FLOW

Net cash used in operating activities amounted to $27.73 million. This was largely attributable to (i) $14.84 million of cash used in operations due to losses before tax incurred by the Group, (ii) payment of finance costs amounting to $8.63 million and (iii) income tax paid amounting to $4.36 million.

The Group's net cash generated from financing activities amounted to $27.20 million where this was largely due to $61.92 million drawdown from the Loan Facility which was partially offset by the (i) $15.21 million loan repayment to non-controlling interest as explained above, (ii) $11.00 million used for the acquisition of 49% equity interest in its then 51% owned subsidiary, Twin Prosperity Group Ltd., from the non-controlling interest and (iii) $8.00 million net repayment to a company controlled by a controlling shareholder of the Company.

# PORTFOLIO

## PUTERI COVE RESIDENCES AND QUAYSIDE

**WINNER of 10 International Awards for Development Excellence, including:**

- Best Luxury Condominium Development in Malaysia – 2016
- Best Residential Landscape Architecture in Malaysia – 2017/2018
- Best Residential High-Rise Development in Malaysia – 2017/2018
- Best Residential Interior Design in Malaysia – 2016

***Puteri Cove Residences and Quayside*** is a freehold mixed-use development located in Puteri Harbour, Iskandar Puteri, Malaysia, comprising 658 luxury residences in two 32-storey tower blocks, SOHO, lofts, Pan Pacific Serviced Suites in a separate 32-storey tower block, and a 2-storey lifestyle retail centre, all overlooking ONE°15 Marina Club.

## RESIDENCES

### *Puteri Cove Residences*

Puteri Cove Residences was developed with a vision to set luxury international standards – providing resort-style living packed with endless value for homeowners and investors. All units are in ready-to-move-in-condition, fully-equipped with branded kitchen appliances and kitchen cabinets, light fittings, ducted air-condition system, water heater, built-in wardrobes and storage cabinets.

The resort living ambience is evidenced from the over 30 world-class facilities that are spread across 3 dedicated levels. These facilities include lushly landscaped sky garden amenities and outdoor sky observation deck, infinity lap pools and jacuzzis, tennis courts, basketball court and yoga meditation decks to stunningly designed and appointed hotel-inspired grand lobbies, sky library, spacious fitness gyms, grand lounge & club, private dining rooms and function rooms.

*SOHO 2-bedroom unit, comes with a 5-metre jet pool*

*Tropical themed resort facilities*

# PORTFOLIO

*Puteri Cove Quayside will boast marina-front restaurants, alfresco dining outlets, hipster cafes, specialty grocer, medical clinics, beauty and wellness outlets that epitomize the finest lifestyle commercial destination.*

## RETAIL

### *Puteri Cove Quayside*

Puteri Cove Quayside features 2-storey of 78 commercial outlets spread across 120,000 sq ft rentable space, presenting a unique opportunity for F&B concepts and lifestyle businesses to take advantage of the panoramic view overlooking ONE°15 Marina Club and the waterfront.

The key tenants at Puteri Cove Quayside are:

### *The Pasar*

The Pasar is a premium gourmet grocer located on the ground floor of Puteri Cove Quayside. Occupying 15,000 sq ft of space, the supermarket carries a full assortment of up to 60% internationally sourced food merchandise with dedicated counters offering niche products to cater to specific nationalities such as Korean and Japanese.

### *ONE°15 Marina Club Sales Gallery*

ONE°15 Marina Club has set up a sales gallery at Puteri Cove Quayside. The sales gallery showcases key features of the marina and includes a scale model of the ONE°15 Marina Club @ Puteri Harbour project. Sales of ONE°15 Marina Club memberships have begun with the commencement of the construction of the marina. ONE°15 Marina Club @ Puteri Harbour is expected to be completed in 2020.


*The Pasar opened in September 2019.*

*An artist impression of ONE°15 Marina Club @ Puteri Harbour*

# PORTFOLIO

Luxurious lobby

78 units of studio suites

## SERVICED SUITES

### *Pan Pacific Serviced Suites Puteri Harbour*

Located in Tower 3 of Puteri Cove Residences, Pan Pacific Serviced Suites Puteri Harbour will have its soft opening in 2020. This will be one of the highest quality hospitality offerings in the Iskandar region. The Pan Pacific Serviced Suites Puteri Harbour offers 205 smartly furnished studios, one- and two-bedroom suites. The sizable suites integrate intuitive modern designs and practical necessities that ease the stresses of living away from home, whether as a business or leisure traveller.

A comprehensive range of facilities and services, including an infinity lap pool that faces the marina, outdoor jacuzzis, well equipped fitness gym, residents' lounge and state-of-the-art security system complete the experience of exclusive waterfront living in Puteri Harbour.

Pan Pacific Serviced Suites Puteri Harbour had initially been slated to open in 2019. This opening date has been shifted to 2020 as work on obtaining the Certificate of Completion and Compliance for Tower 3, as well as the tail-end of fitting out and renovation works, is in progress.

*The Posh Twelve, with Tower A standing at 39 storeys and Tower B standing at 45 storeys, is the tallest development in the Tiwanon vicinity, allowing its residents to capture fantastic views.*

# THE POSH TWELVE

**2018/2019 WINNER of**

**Best Residential High-Rise Development in Thailand**

**Best Interior Design Show Home in Thailand**

***The Posh Twelve*** is a freehold condominium project with 1,373 apartments in two blocks and 7 commercial units in Tiwanon Road, an up-and-coming neighbourhood at Bangkok's city fringe, as Bangkok places greater emphasis on promoting growth centres outside the traditional city centre. Being just a 3-minute walk from the Ministry of Public Health MRT station on Bangkok's Purple MRT Line, The Posh Twelve offers superb accessibility via MRT and expressway to the city centre, airports and places far and wide.

# PORTFOLIO

*Infinity Edge Swimming Pool*

*The duplex 1-bedroom offers a unique loft experience with a spacious high ceiling mezzanine.*

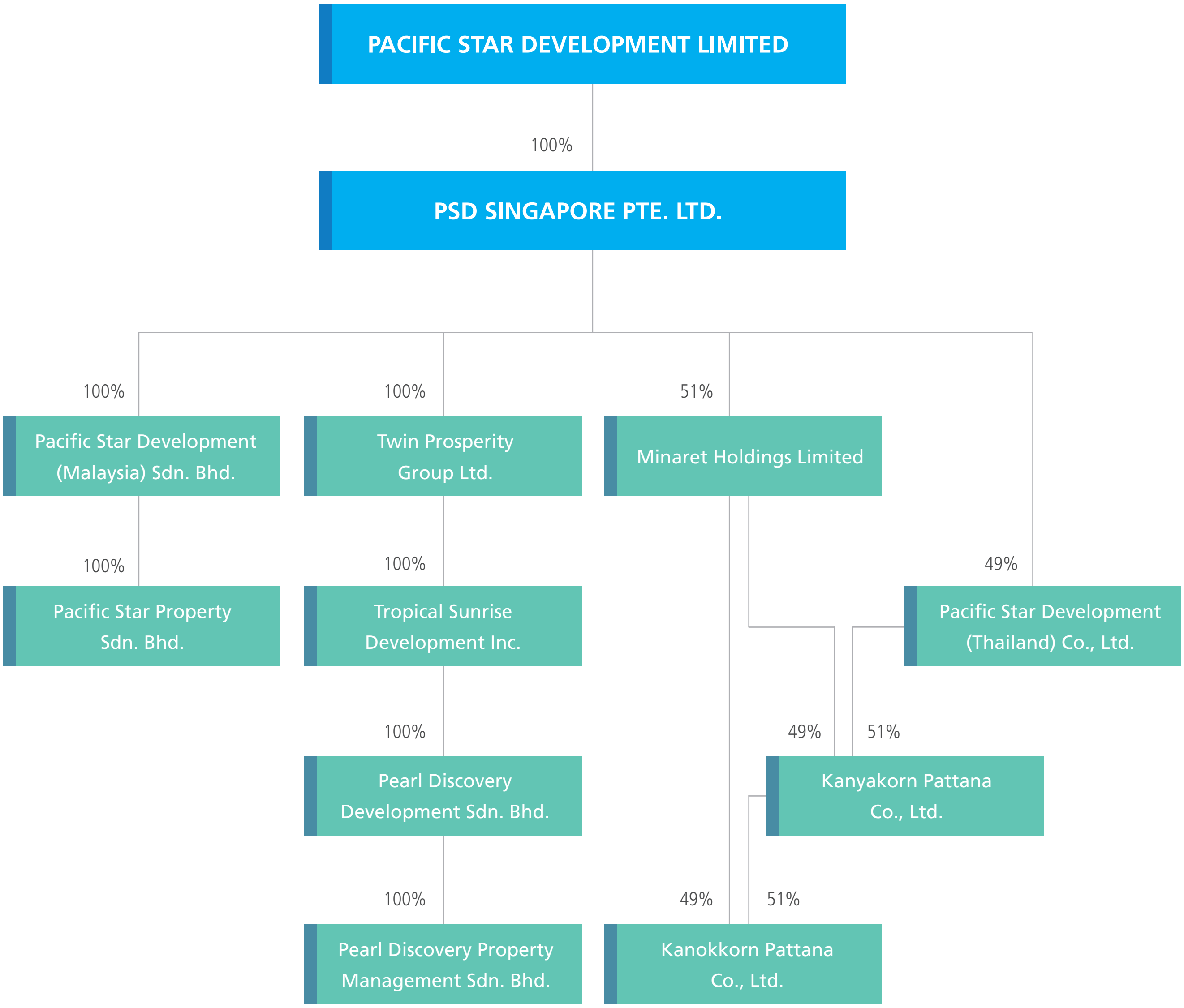
As the tallest twin towers in the Tiwanon area, The Posh Twelve is prominently located along Tiwanon Road surrounded by a myriad of amenities such as Central Plaza Westgate, Harrow International School, Nonthavej Hospital, Ministry of Public Health, Don Mueng International Airport, and Government Centre of Nonthaburi District.

The Posh Twelve stands out as the area's most premium resort-style residences comprising studio, 1-bedroom and 2-bedroom units in fully fitted and furnished condition, with quality brand names and a full suite of more than 25 world-class amenities.

Construction of The Posh Twelve is in progress. As the construction phase may require additional time, the completion and handover of The Posh Twelve units may take place in the latter part of 2020.

# CORPORATE STRUCTURE

*(As of 30 June 2019)*




*Entities undergoing liquidation:*
*1. LH Aluminium Industries Pte. Ltd.*
*2. Durabeau Industries Pte Ltd*

*Note:*
*The other 49% in Minaret Holdings Limited is held by a joint venture partner, Tiwanon Development Ltd.*
*The other 51% in Pacific Star Development (Thailand) Co., Ltd. is held by local Thai shareholders.*

*Puteri Cove Residences | Private Dining Room*

*Puteri Cove Residences | 3-bedroom unit*

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

Mr Ying Wei Hsein, *Executive Chairman*
Mr Glen Chan, *CEO and Managing Director*
Mr Leow Chin Boon, *Lead Independent Director*
Mr Yeong Wai Cheong, *Independent Director*

## AUDIT COMMITTEE

Mr Leow Chin Boon, *Chairman*
Mr Yeong Wai Cheong, *Member*

## NOMINATING COMMITTEE

Mr Yeong Wai Cheong, *Chairman*
Mr Leow Chin Boon, *Member*
Mr Ying Wei Hsein, *Member*

## REMUNERATION COMMITTEE

Mr Yeong Wai Cheong, *Chairman*
Mr Leow Chin Boon, *Member*

## REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

2 Venture Drive
#19-15/17 Vision Exchange
Singapore 608526
Website: www.pacificstar-dev.com
Telephone Number: +65 6411 0688

## REGISTRAR AND SHARE TRANSFER OFFICE

B.A.C.S. Private Limited
8 Robinson Road
#03-00 ASO Building
Singapore 048544

## PRINCIPAL BANKERS

DBS Bank
Malayan Banking Berhad
Siam Commercial Bank
United Overseas Bank (Malaysia) Berhad

## THE AUDITORS

Ernst & Young LLP
One Raffles Quay
North Tower, Level 18
Singapore 048583
Partner-in-charge: Low Bek Teng
(Date of Appointment: since financial year ended 30 June 2018)

## COMPANY SECRETARY

Mr Kennedy Chen
(Date of Appointment: 1 August 2019)

## SPONSOR

SAC Capital Private Limited
1 Robinson Road
#21-00 AIA Tower
Singapore 048542

The Board of Directors (the "**Board**") is committed to ensure that a high standard of corporate governance is practised throughout Pacific Star Development Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**"), as a fundamental part of its responsibilities to protect and enhance shareholder value and the financial performance of the Group.

This report describes the Group's corporate governance practices and structures that were in place during the financial year from 1 July 2018 to 30 June 2019 ("**FY2019**"), with specific reference to the principles and guidelines of the Code of Corporate Governance 2012 (the "**Code**") and, where applicable, the Listing Manual Section B: Rules of Catalist (the "**Catalist Rules**") of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"), the Companies Act (Chapter 50 of Singapore) (the "**Companies Act**") and the Audit Committee Guidance Committee Guidebook, focusing on areas such as internal controls, risk management, financial reporting, internal and external audits. The revised Code of Corporate Governance was recently issued on 6 August 2018 (the "**2018 Code**"), with the aim to enhance board quality by strengthening board independence and diversity and encourage better engagement between companies and all stakeholders. The 2018 Code is effective for annual reports covering financial years commencing from 1 January 2019. Beginning from the next financial year (i.e. the financial year beginning 1 July 2019 and ending 30 June 2020), the Company will prepare its Corporate Governance Report in accordance with the 2018 Code.

The Board is pleased to confirm that for FY2019, the Group has adhered to the principles and guidelines as set out in the Code and the Catalist Rules and where applicable it has specified and explained the areas and reason(s) for any deviations from the Code.

**Sustainability Reporting**

The Board believes believe that it is integral for the Group's success to have long-term growth and development in a sustainable manner and considers sustainability issues as part of its strategic formulation. The Company endeavors to comply with Rule 711A of the Catalist Rules to issue its sustainability report for FY2019 by end November 2019.

## I BOARD MATTERS

**The Board's Conduct of Affairs**
**<u>Principle 1: Effective Board to lead and control the Company</u>**

The Board as at the date of this report comprises:-

| | |
|---|---|
| Mr Ying Wei Hsein | (Executive Chairman) |
| Mr Glen Chan | (Chief Executive Officer ("**CEO**") and Managing Director ("**MD**")) |
| Mr Leow Chin Boon | (Lead Independent Director and Independent Non-Executive Director) |
| Mr Yeong Wai Cheong | (Independent Non-Executive Director) |

The Board's role is to:

- Provide entrepreneurial leadership, set strategic objectives, and ensure that the necessary financial and human resources are in place for the Group to meet its objectives;
- Establish a framework of prudent and effective controls which enables risks to be identified, assessed and managed, including safeguarding of shareholders' interests and the Group's assets;
- Evaluating the adequacy of the Group's internal controls including financial, operational, compliance and information technology controls, and risk management systems;
- Approve the nomination of Board members and the appointment of key management personnel (the "**Management**");
- Review Management's performance;
- Identify the key stakeholder groups and recognise that their perceptions affect the Group's reputation;

- Set the Group's values and standards, and ensure that obligations to shareholders and others are understood and met;
- Consider sustainability issues, e.g. environmental and social factors, as part of its strategic formulations;
- Approve the Group's annual budget, financial results announcements, announcements, major investments, divestments and funding decisions; and
- Ensure accurate, adequate and timely reporting to, and communication with shareholders.

The Board regularly reviews the Group's strategic business plans, the assessment of key risks by Management and the operational and financial performance of the Group to enable the Group to meet its objectives. The Board has overall responsibility for establishing and maintaining a framework of good corporate governance in the Group, including the risk management systems and internal controls to safeguard shareholders' interests and the Group's assets. All Board members bring their independent judgement, diversified knowledge and experience to bear on issues of strategy, performance, resources and standards of conduct and ethics.

The Board objectively takes decisions in the interests of the Group. The Board has delegated specific responsibilities to three (3) Committees, namely the Audit Committee (the "**AC**"), Nominating Committee (the "**NC**") and Remuneration Committee (the "**RC**") (collectively referred to herein as the "**Committees**"). Information on each of the Committees is set out below. These Committees function within clearly defined terms of reference which are reviewed on a regular basis. The Board accepts that while these Committees have the authority to examine particular issues and will report back to the Board with their decisions and/or recommendations, the ultimate responsibility on all matters lies with the Board. Between 15 February 2017 and 7 June 2019, an Executive Committee ("**EXCO**") was established to assist the Board with operational management during the interim period between formal Board meetings as the Board only had one Executive Director then. With the stepping down and appointment of the various members of the Board in May and June 2019 and the appointment of the Executive Chairman of the Board on 4 June 2019, the EXCO was dissolved as at 7 June 2019.

The Company has in place a set of internal controls and guidelines that sets out finance authorisation and approval limits for investments, divestments, capital and operating expenditures and expenses. The Board approves transactions exceeding certain threshold limits, while delegating authority for transactions below those limits to Management to facilitate operational efficiency.

The Board is involved in the supervision of the management of the Group's operations. All Directors of the Company (the "**Directors**") shall discharge their fiduciary duties and responsibilities at all meetings in the interests of the Group. Matters which specifically require the Board's decision or approval include:

(a) corporate strategy, business plans and direction of the Group;

(b) material acquisitions and disposals of assets;

(c) corporate and financial restructuring;

(d) share issuance and dividends;

(e) appointment, termination and compensation of Executive Director(s);

(f) annual budgets, financial results announcements, annual report and audited financial statements; and

(g) interested person transactions.

The Board meets at least four (4) times a year to coincide with the announcement of the Group's results. Fixed meetings are scheduled at the start of each financial year. Additional *adhoc* meetings are called as and when there are pressing matters requiring the Board's consideration and decision in between the scheduled meetings. Decisions of the Board and Committees may also be obtained through circular resolution.

The Constitution of the Company allows Directors to participate in Board or Committees meeting by telephone conference or video-conference whereby all persons participating in the meeting are able to communicate as a group, without requiring the Director's physical presence at the meeting. The numbers of Board and Committees meetings held in FY2019 and the attendance of Directors during these meetings are as follows:

| | Board | AC | RC | NC | EXCO |
|---|---|---|---|---|---|
| **No. of meetings held** | 8 | 6 | 4 | 2 | 5 |
| **No. of meetings attended** | | | | | |
| Yee Kee Shian, Leon(1) | 6 | 5 | 4 | 2 | 5 |
| Ying Wei Hsein(2) | 2 | 1* | N.A | N.A | N.A |
| Glen Chan | 8 | 6* | 4* | 2* | 5* |
| Heng Su-Ling Mae(3) | 7 | 5 | 4 | 2 | 5 |
| Peh Siong Woon Terence(3) | 7 | 5 | 4 | 2 | 5 |
| Tai Hai Peng Micheal(3) | 6 | 5* | 2* | 1* | N.A |
| Teo Khee Hwee(4) | 4 | 2* | 2* | 1* | N.A |
| Leow Chin Boon(2) | 2 | 1 | N.A | N.A | N.A |
| Low Siew Sie Bob(5) | 2 | 1 | N.A | N.A | N.A |
| Yeong Wai Cheong(6) | N.A | N.A | N.A | N.A | N.A |

(1) Resigned as Director on 31 May 2019.
(2) Appointed as Director on 4 June 2019.
(3) Resigned as Director on 7 June 2019.
(4) Resigned as Director on 8 November 2018.
(5) Appointed as Director on 4 June 2019, and resigned as Director on 31 August 2019.
(6) Appointed as Director on 30 August 2019.
* Attended by invitation
N.A Not applicable

The Company conducts an informal orientation programme for new Directors to familiarise them with the business activities of the Group, its strategic direction and corporate governance practices. To get a better understanding of the Group's businesses, newly appointed Directors will also be given the opportunity to visit the Group's development properties and meet with Management. If a new Director has no prior experience as a director of a listed company in Singapore, the Company will arrange for training for new directors as prescribed by the SGX-ST, pursuant to the amended Rule 406(3)(a) of the Catalist Rules.

The Directors also have access to further relevant training, particularly on relevant new laws, regulations and changing commercial risks, from time to time, at the expense of the Company.

The Board values on-going professional development and recognises that it is important that all Directors receive regular training so as to be able to serve effectively on and contribute to the Board. The Board will consider adopting a policy on continuous professional development for Directors.

To keep pace with new laws, regulations, changing commercial risks and financial reporting standards, all Directors are encouraged to be members of the Singapore Institute of Directors and attend specifically tailored training conducted by professionals at least annually. Directors are also encouraged to attend, at the Company's expense, relevant and useful seminars for their continuing education and skills improvement courses that are conducted by external organisations. The Company Secretary will bring to Directors' attention information on seminars that may be of relevance or use to them.

Briefings, updates and trainings for the Directors in FY2019 included:

- the External Auditors ("**EA**") had briefed the AC and the Board on changes or amendments to accounting standards; and
- the Company Secretary and/or the Company's sponsor (SAC Capital Private Limited) had briefed the Board on the continuing obligations under the Catalist Rules as well as periodic updates on the Catalist Rules where necessary.

# CORPORATE GOVERNANCE

The newly appointed Directors, namely Mr Leow Chin Boon and Mr Yeong Wai Cheong have scheduled themselves to attend the relevant training at the Singapore Institute of Directors.

**Executive Committee**

To assist the Board to discharge its duties, the Company previously had an EXCO, which comprised of the following members:

| | |
|---|---|
| Mr Yee Kee Shian, Leon | (Chairman) |
| Ms Heng Su-Ling Mae | (Member) |
| Mr Peh Siong Woon Terence | (Member) |

The EXCO had been established to assist the Board with operational management during the interim period between formal Board meetings. This allowed for a more streamlined interim decision-making process and enabled the Group to be able to act in circumstances that require fast response and decision-making. With the stepping down and appointment of the various members of the Board in May and June 2019 and the appointment of the Executive Chairman of the Board on 4 June 2019, the EXCO has since been dissolved with effect from 7 June 2019.

During the time that the EXCO was in existence, its terms of reference included:-

- Review investments and divestments of the Group;
- Review the Company's and Group's strategy, business plans, operations, annual budget and capital structure;
- Review and supervise the operations of the Group including implementing all the Group's operating, financial and personnel policies;
- Review and approve land acquisitions for purpose of development that are proposed by Management and approving such land acquisitions of up to a value of $60 million, or in the context of land acquisition via joint ventures with other parties, the investment quantum required of the Company/Group under the joint venture for such land acquisition and development being a maximum of $30 million;
- Approve Management signing non-definitive agreements for property development projects in the ASEAN region including (without limitation) memoranda of understanding, framework agreements, expressions of interest, collaboration/cooperation agreements, non-disclosure/confidentiality agreements. For the avoidance of doubt, definitive agreements such as sale & purchase agreements, joint venture agreements, shareholder agreements, financing/loan agreements and other similar agreements shall be subject to Board review and approval;
- Review and approve announcements which are routine in nature, including without limitation change of interest of Directors/substantial shareholders, changes in registered office, etc.;
- Seek any information which it requires from any employee in order to perform its duties and have access to all relevant records;
- Invite any employee or any other individual to attend a meeting of the EXCO;
- Seek external professional advice to carry out its duties and to invite their attendance at the EXCO meeting where necessary;
- Identify and manage risk in the Company's businesses;
- Review the internal controls environment and prepare reports for presentation to the Audit Committee and the Board as and when necessary; and
- Carrying on such other functions as may be delegated to it by the Board.

**Board Composition and Balance**
**Principle 2: Strong and independent element on the Board**

The Board currently comprises two (2) Executive Directors and two (2) Independent Non-Executive Directors as follows:

| | |
|---|---|
| Mr Ying Wei Hsein | (Executive Chairman) |
| Mr Glen Chan | (CEO and MD) |
| Mr Leow Chin Boon | (Lead Independent Director and Independent Non-Executive Director) |
| Mr Yeong Wai Cheong | (Independent Non-Executive Director) |

The Board consists of four (4) Directors, of whom two (2) are independent, namely Mr Leow Chin Boon and Mr Yeong Wai Cheong (the "**Independent Directors**"). The Independent Directors make up half of the Board and this complies with the Code where the Company is required to have at least half the Board as Independent Directors as the Executive Chairman is part of the management team and not an Independent Director.

All Independent Directors are required to disclose any relationships or appointments which would impair their independence to the Board in a timely manner. In addition, the Board, on annual basis, determines whether or not a Director is independent, taking into account the Code's definition and the Catalist Rules.

The Independent Directors, Mr Leow Chin Boon and Mr Yeong Wai Cheong, have confirmed that they do not have any relationship with the Company, its related corporations, its 10% shareholders or its officers that could interfere or be reasonably perceived to interfere, with the exercise of their independent business judgement with a view to the best interests of the Company.

The NC had reviewed the independence of the Mr Leow Chin Boon post FY2019 at a meeting held on 20 August 2019. The NC had endorsed the independence status of Mr Yeong Wai Cheong prior to his appointment to the Board on 30 August 2019. The independence of each Director will be reviewed annually by the NC in accordance with the Code.

The Board, on annual basis, determines whether or not a Director is independent. The Board has determined, taking into account the views of the NC and based on the Board's observation, that Mr Leow Chin Boon and Mr Yeong Wai Cheong have demonstrated independent mindedness and conduct at Board and Committees interactions and are independent in character and judgement and that there are no relationships or circumstances which are likely to affect, or could appear to affect, the judgement of each of the aforesaid Directors. Notwithstanding that Mr Yeong Wai Cheong was appointed to the Board on 30 August 2019, he has participated in *adhoc* Board and Committees discussions which were held after the end of FY2019. The Board is of the firm view and opinion that the Independent Directors are able to exercise independent judgement in the best interests of the Company in the discharge of their duties as Independent Directors.

There are no Directors who are deemed independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent.

As at the date of this Annual Report, none of the Independent Directors have served on the Board beyond nine (9) years since the date of his first appointment. Nonetheless, the Board will assess the independence of each Independent Director whose tenure had exceeds nine (9) years from the date of his first appointment. The independence of such Directors will be subjected to rigorous review.

Following the recent revision to the Code, the Catalist Rules have been amended to be consistent with the 2018 Code. In relation to the assessment of the independence of the directors, specific tests of directors' independence have been hardcoded into the listing rules of the SGX-ST to clarify that these circumstances which deemed directors not to be independent should be applied without any exceptions.

Under Rules 406(3)(d)(i) and 406(3)(d)(ii) of the Catalist Rules which take effect on 1 January 2019, it stipulates that a director will not be independent if he is employed by the issuer or any of its related corporations for the current or any of the past three financial years; or if he has an immediate family member who is employed or has been employed by the issuer or any of its related corporations for the past three (3) financial years, and whose remuneration is determined by the RC of the issuer. In this regard, none of the Company's Independent Directors or their respective associates has any employment relationships with the Company.

# CORPORATE GOVERNANCE

The NC is responsible for examining the size and composition of the Board and Committees. As at the date of this Annual Report, the Board notes that the AC and RC has less than three (3) members, and will endeavor to appoint an Independent Director to fill the vacancy within two (2) months, and in any case not later than three (3) months, from the date of resignation by Mr Low Siew Sie Bob (on 31 August 2019).

The NC and Board reviews the size of the Board on an annual basis, and considers the present Board size appropriate for the current scope and nature of the Group's operations (subject to the appointment of an additional Independent Director as stated above). As Independent Directors currently make up half of the Board, no individual or group is able to dominate the Board's decision-making process. There is also balance in the Board because of the presence of Independent Directors of the calibre necessary to carry sufficient weight in Board decisions. Although all the Directors have an equal responsibility for the Group's operations, the role of these Independent Directors is particularly important in ensuring that the strategies proposed by Management are constructively challenged, fully discussed and examined, and take account of the long-term interests, not only of the shareholders, but also of employees, customers, suppliers and the many communities in which the Group conducts business. The Independent Directors are also encouraged to meet regularly without the presence of Management.

The Board's policy in identifying nominees for directorship is primarily to have an appropriate mix of members with complementary skills, core competencies and experience for the Group, regardless of gender.

The Board comprises businessmen and includes professionals with financial, accounting and legal backgrounds. Profiles of the Directors are set out in the "Board of Directors" section of this Annual Report. The NC is of the view that the Board consists of persons who, as a group, provide core competencies such as business and management experience, industry knowledge, legal expertise, financial and strategic planning experience and knowledge that are necessary to meet the Company's objectives.

The Board has taken the following steps to maintain or enhance its balance and diversity:

- annual review by the NC to assess if the existing attributes and core competencies of the Board are complementary and enhance the efficacy of the Board; and
- annual evaluation by the Directors of the skill sets the other Directors possess, with a view to understand the range of expertise which is lacking by the Board.

The current Board composition provides a diversity of skills, experience, and knowledge to the Company as follows:

| Core competencies | Number of Directors at the date of this report | Proportion of Board at the date of this report |
|---|---|---|
| Accounting or finance | 2 | 2/4 |
| Business management | 4 | 4/4 |
| Legal or corporate governance | 4 | 4/4 |
| Relevant industry knowledge or experience | 2 | 2/4 |
| Strategic planning experience | 3 | 3/4 |
| Customer based knowledge or experience | 4 | 4/4 |

The NC will consider the results of these exercises in its recommendation for the appointment of new Directors and/or the re-appointment of incumbent Directors.

Management provides the Independent Directors with accurate, complete and timely information. Further, the Independent Directors have unrestricted access to Management, the auditors and the Company Secretary. The Independent Directors have access to Management to query and request for further information on proposed significant transactions and the development of business strategies. The Board (including the Independent Directors) reviews the business performance of the Group on a quarterly basis prior to the release of the financial results. The Independent Directors also review the performance of Management in meetings, set goals and objectives and monitor their performance. Such review of Management's performance is done annually and the Independent Directors provide their feedback to the Board in relation to Management's performance.

**Chairman and CEO**
**<u>Principle 3: Clear division of responsibilities and balance of power and authority</u>**

Mr Ying Wei Hsein is the Executive Chairman and Mr Glen Chan is the CEO and MD of the Company. The Executive Chairman has direct oversight of the Group's finance, human resource and legal functions. The role of the Executive Chairman and the CEO are separate to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making. The Executive Chairman and CEO are not related. The division of responsibilities between the Executive Chairman and the CEO has been discussed, agreed and endorsed by the Board.

The Executive Chairman ensures that Board meetings are held as and when necessary. He leads the Board to ensure its effectiveness and approves the agenda of each Board meeting. The Executive Chairman ensures that Board papers are prepared and presented to the Board for major decisions The Chairman together with the CEO ensures that Board members are provided with accurate, timely and clear information for their decision making. Further, he ensures that all agenda items included in the Board papers are provided sufficient airtime and adequately debated at Board meetings. Management staff who have prepared the Board papers, or who can provide additional insight into the matters to be discussed, are invited to present the Board papers or attend at the relevant time during the Board meetings. The Executive Chairman monitors communications and relations between the Company and its shareholders, within the Board and between the Board and Management, with a view to encourage constructive relations and dialogue amongst them. The Executive Chairman, in conjunction with the AC, promotes high standards of corporate governance. The Executive Chairman works to facilitate the effective contribution of all Directors.

The CEO and MD takes a leading role in developing the business of the Group and manages the day-to-day operations with the assistance of Management. He also oversees the execution of the Group's business and corporate strategy decisions made by the Board.

Since the Chairman is part of the management team, Mr Leow Chin Boon was appointed as the Lead Independent Director in compliance with the Code. He will be available to shareholders where they have concerns and for which contact through the normal channels of the Executive Chairman, the CEO and MD or the Group Financial Controller (the "**GFC**") has failed to resolve or is inappropriate. Led by the Lead Independent Director, the Independent Directors would meet, where necessary, without the presence of the other Directors and the Lead Independent Director will provide feedback to the Executive Chairman after such meetings.

## BOARD MEMBERSHIP

**<u>Principle 4: Formal and transparent process for the appointment and reappointment of Directors to the Board</u>**

The NC comprises three (3) Directors, the majority of whom, including the Chairman of the NC, are independent. The NC is chaired by an Independent Non-Executive Director and, as at the date of this Annual Report, the NC members are:

| | |
|---|---|
| Mr Yeong Wai Cheong | (Chairman) |
| Mr Leow Chin Boon | (Member) |
| Mr Ying Wei Hsein | (Member) |

The NC has a written terms of reference endorsed by the Board that sets out its duties and responsibilities. Amongst them, the NC is responsible for making recommendations to the Board on all board appointments and nominating Directors for re-election in accordance with the Company's constitution at each Annual General Meeting ("**AGM**") of the Company, evaluation of performance of the Board and its Committees, Directors, adequacy of the Board's training and professional development programmes and reviewing the Board's succession plans for Directors, in particular the Executive Chairman and the CEO and MD.

The NC is also responsible for determining annually, and as and when circumstances require, the independence of Directors. In doing so, the NC takes into account the circumstances set out in the Code and factors such as relationships with the Company, its related corporations, its 10% shareholders or its officers and whether these relationships interfere with his/her judgement. Following its annual review for FY2019, the NC has endorsed the independence status of Mr Leow Chin Boon. The NC has endorsed the independence status of Mr Yeong Wai Cheong prior to his appointment to the Board on 30 August 2019.

The NC will determine the criteria for the appointment of new Directors and will set up a process for the selection and appointment of such Directors, taking into consideration amongst others, diversity, the composition and progressive renewal of the Board and the expertise and experience of each candidate.

In the search, nomination and selection process for new Directors, the NC identifies the key attributes that an incoming Director should have, based on a matrix of the attributes of the existing Board and the requirements of the Group. After endorsement by the Board of the key attributes, the NC taps on the resources of Directors' personal contacts and recommendations of potential candidates, and goes through a shortlisting process. If candidates identified from this process are not suitable, executive recruitment agencies can be appointed to assist in the search process. Interviews are set up with potential candidates for NC members to assess them, before a decision is reached. The NC also oversees the re-appointment of Directors as and when their tenure of appointment is due. In assessing the Directors for reappointment, the NC evaluates several criteria including qualifications, contributions, performance, attendance, preparedness, participation, candour and independence of the Directors, if applicable.

In the nomination and selection process, the NC identifies the candidates and reviews the nominations for the appointments based on the following criteria:

(a) at least half of the Board shall be Independent Directors; and

(b) the candidate shall be a fit and proper person to hold such office, and the most qualified candidate nominated for the office, taking into account his participation and contributions during and outside board meetings, the candidate's track record, experience, capabilities and other relevant factors.

Currently, the NC does not have a practice of appointing alternate Directors. In the event that the need should arise, the NC will review this on a case by case basis. The NC notes that the appointment of an alternate Director is only in exceptional cases and for a limited period. The NC and the Board will review the period for the appointment of the alternate Director where necessary.

Information on each Director's dates of initial appointment and last re-election, academic and professional qualifications, shareholdings, relationships (if any), directorships and other principal commitments is presented in pages 25 to 31 of this Annual Report.

Pursuant to Regulation 84 of the Company's Constitution, the Directors may from time to time appoint one or more of their body to be MD or MDs or such equivalent position of the Company and may from time to time (subjected to provisions of any contract between him or them and the Company) remove or dismiss him or them from office and appoint another or others in his or their places. Where such an appointment is for a fixed term, such term shall not exceed five years.

Pursuant to Regulation 86 of the Company's Constitution, a MD shall not while he continues to hold that office be subjected to retirement by rotation and he shall not be taken into account in determining the rotation of retirement of Directors but he shall, subject to the provision of any contract between him and the Company, be subjected to the same provisions as to resignation and removal as other Directors and if he ceases to hold the office of Director from any cause he shall *ipso facto* and immediately cease to be a MD.

Pursuant to Regulation 88 of the Company's Constitution, a newly appointed Director is also required to submit himself or herself for re-election at the AGM following his or her appointment, but shall not be taken into account in determining the number of Directors who are to retire at such meeting.

Pursuant to Regulation 89 of the Company's Constitution, not less than one-third of the Directors (referring to those who have been longest in office since their appointment or re-election) are required to retire from office by rotation at each AGM, provided that no Directors holding the office of MD shall be required to retire by rotation or be taken into account in determining the number of Directors to retire. When the 2018 Code is implemented and comes into effect, Regulation 86 and Regulation 89 of the Company's Constitution will no longer be in compliance with the updated 2018 Code. The Company will amend the Company's Constitution to be in compliance with the 2018 Code and the Catalist Rules at the AGM to be held after the conclusion of the financial year ending 30 June 2020, i.e. at the 2020 AGM expected to be held in October 2020.

The NC reviews the independence of each Director annually in accordance with the Code's definition of independence. In respect of the Company's current Independent Directors, Mr Leow Chin Boon and Mr Yeong Wai Cheong, the Board is of the view that they are independent, taking into account the circumstances set forth in the Code and any other salient factors. The Independent Directors had also confirmed their independence in accordance with the Code.

Each member of the NC shall abstain from voting on any recommendation and/or participating in respect of matters in which he has an interest.

The NC is satisfied that:

(a) no individual or small group of individuals dominates the Board's decision-making process; and

(b) based on the Directors' contributions at meetings of the Board and Committees, and their time commitment to the affairs of the Company, it would not be necessary to put a maximum limit on the number of listed company board representations and other principal commitments of each Director. The NC would continue to review from time to time the board representations and other principal commitments of each Director to ensure that the Directors continue to meet the demands of the Group and are able to discharge their duties adequately. However, the Board will exercise its discretion in assessing the time commitment of individual Directors in view of their multiple board representations if it arises.

As stated above in this Annual Report, the AC and RC has less than three (3) members, and the Company will endeavor to appoint an Independent Director to fill the vacancy within two (2) months, and in any case not later than three (3) months, from the date of resignation by Mr Low Siew Sie Bob (on 31 August 2019).

Mr Ying Wei Hsein and Mr Leow Chin Boon, who were appointed to the Board during FY2019 and Mr Yeong Wai Cheong, who was appointed to the Board on 30 August 2019, will retire pursuant to Regulation 88 of the Company's Constitution, have given their consent for re-election at the forthcoming AGM of the Company.

The NC has recommended the re-appointment of Mr Ying Wei Hsein, Mr Leow Chin Boon and Mr Yeong Wai Cheong, following a review of their performance and contributions. The Board has accepted the NC's recommendations and accordingly, the above-named Directors will be offering themselves for re-election at the forthcoming AGM of the Company. Each Director had abstained from deliberations in respect of his own nomination.

There are no other relationships, including family relationships between the above-named Directors and the remaining Directors, the Company or its 10% shareholders.

Mr Ying Wei Hsein will, upon re-election as a Director of the Company, remain as Executive Chairman and member of the NC.

Mr Leow Chin Boon will, upon re-election as a Director of the Company, remain as the Lead Independent Director of the Company, the Chairman of the AC and member of the RC and NC. Mr Leow Chin Boon is considered by the Board to be independent for the purposes of Rule 704(7) of the Catalist Rules.

Mr Yeong Wai Cheong will, upon re-election as a Director of the Company, remain as an Independent Director of the Company, the Chairman of the NC and RC and member of the AC. Mr Yeong Wai Cheong is considered by the Board to be independent for the purposes of Rule 704(7) of the Catalist Rules.

Pursuant to Rule 720(5) of the Catalist Rules, the information relating to the retiring Directors as set out in Appendix 7F of the Catalist Rules is disclosed below:

| Name of Director | Ying Wei Hsein | Leow Chin Boon | Yeong Wai Cheong |
|---|---|---|---|
| Date of Appointment | 4 June 2019 | 4 June 2019 | 30 August 2019 |
| Date of last re-appointment (if applicable) | Not applicable | Not applicable | Not applicable |
| Age | 46 | 42 | 54 |
| Country of principal residence | Singapore | Singapore | Singapore |

# CORPORATE GOVERNANCE

| **Name of Director** | **Ying Wei Hsein** | **Leow Chin Boon** | **Yeong Wai Cheong** |
|---|---|---|---|
| The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process) | The re-election of Mr Ying Wei Hsein as the Executive Chairman was recommended by the NC and the Board has accepted the recommendation, after taking into consideration his qualifications, expertise, past experiences and overall contribution since he was appointed as a Director. | The re-election of Mr Leow Chin Boon as the Independent Non-Executive Director was recommended by the NC and the Board has accepted the recommendation, after taking into consideration his qualifications, expertise, past experiences and overall contribution since he was appointed as a Director. | The re-election of Mr Yeong Wai Cheong as the Independent Non-Executive Director was recommended by the NC and the Board has accepted the recommendation, after taking into consideration his qualifications, expertise, past experiences and overall contribution since he was appointed as a Director. |
| Whether appointment is executive, and if so, the area of responsibility | Executive. Mr Ying Wei Hsein has direct oversight of the Group's Finance, Legal and Human Resource functions. | Non-Executive | Non-Executive |
| Job Title (e.g. Lead ID, AC Chairman, AC Member etc.) | Executive Chairman of the Board and NC Member. | Lead Independent Director, Chairman of AC, RC member and NC member. | Chairman of RC, Chairman of NC and AC member. |
| Professional qualifications | • Bachelor of Accountancy and minor in Banking and Finance from Nanyang Technological University, Singapore<br>• Fellow Member of the Institute of Singapore Chartered Accountants<br>• Member of Singapore Institute of Directors | • Bachelor of Commerce from the University of Western Australia<br>• Chartered Accountant of the Institute of Singapore Chartered Accountants<br>• Certified Practising Accountant of CPA Australia | • Bachelor of Laws (Honours) from National University of Singapore<br>• Member of Law Society of Singapore and Singapore Academy of Law. |

| Name of Director | Ying Wei Hsein | Leow Chin Boon | Yeong Wai Cheong |
|---|---|---|---|
| Working experience and occupation(s) during the past 10 years | May 2015 to Present<br>Director, Singularity Consultancy Pte Ltd<br><br>September 2008 to December 2014<br>Chief Financial Officer, China Energy Limited<br><br>April 2008 to August 2008<br>Independent Consultant, China Energy Limited | August 2018 to Present<br>• Director, Moppetto Pte Ltd<br>• Group Chief Financial Officer, I-Serve Holdings Limited<br><br>June 2017 to July 2018<br>Global Chief Financial Officer, DIH Technologies Limited<br><br>June 2007 to June 2017<br>Chief Financial Officer, Hengxin Technologies Limited | 2013 to Present<br>Director, Drew & Napier LLC<br><br>2011 to 2013<br>Partner, RHT Law Taylor Wessing LLP<br><br>2008 to 2011<br>Partner, KhattarWong LLP |
| Shareholding interest in the listed issuer and its subsidiaries | None | None | None |
| Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries | None | None | None |
| Conflict of interest (including any competing business) | None | None | None |
| Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer | Yes | Yes | Yes |
| Other Principal Commitments including Directorships | | | |
| Past (for the last 5 years) | • Kung Management Services Pte Ltd<br>• Spring Advisory Pte Ltd<br>• Caroco Investment SA | • Hengxin Technologies (India) Pvt Ltd<br>• Hocoma AG | • RHT Law Taylor Wessing LLP |
| Present | • Singularity Consultancy Pte Ltd<br>• Sirius A Pte Ltd<br>• East Gate Commodities Pte Ltd | • Moppetto Pte Ltd | • Drew & Napier LLC<br>• Spiron Medical Pte. Ltd |

# CORPORATE GOVERNANCE

| Name of Director | Ying Wei Hsein | Leow Chin Boon | Yeong Wai Cheong |
|---|---|---|---|
| Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given. | | | |
| (a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner? | None | None | None |
| (b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency? | None | None | None |
| (c) Whether there is any unsatisfied judgment against him? | None | None | None |
| (d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose? | None | None | None |

| Name of Director | Ying Wei Hsein | Leow Chin Boon | Yeong Wai Cheong |
|---|---|---|---|
| Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given. | | | |
| (e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach? | None | None | None |
| (f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part? | None | None | None |
| (g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust? | None | None | None |
| (h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust? | None | None | None |
| (i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity? | None | None | None |

# CORPORATE GOVERNANCE

| Name of Director | Ying Wei Hsein | Leow Chin Boon | Yeong Wai Cheong |
|---|---|---|---|
| Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given. | | | |
| (j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of :— | | | |
| (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or | None | None | None |
| (ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or | None | None | None |
| (iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or | None | None | None |
| (iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust? | None | None | None |
| (k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere? | None | None | None |

| Name of Director | Ying Wei Hsein | Leow Chin Boon | Yeong Wai Cheong |
|---|---|---|---|
| Disclosure applicable to the appointment of Director only | | | |
| Any prior experience as a director of an issuer listed on the Exchange? If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange. Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable). | Not applicable | Not applicable | Not applicable |

The NC is of the view that the effectiveness of each of the Directors is best assessed by a qualitative assessment of the Director's contributions, after taking into account his other listed company board directorships and other principal commitments, not guided by a numerical limit. The NC also believes that it is for each Director to assess his own capacity and ability to undertake other obligations or commitments together with serving on the Board effectively. The NC does not wish to omit from consideration outstanding individuals who, despite the demands on their time, have the capacity to participate and contribute as members of the Board.

The considerations in assessing the capacity of Directors include the following:

- Expected and/or competing time commitment of Directors, including whether such commitment is full-time or part-time employment capacity;
- Size and complexity of the Board;
- Nature and scope of the Group's operations and size;
- Relevant industry knowledge and experience;
- Relevant corporate, professional and management experience; and
- Capacity, complexity and expectations of the other listed directorships and principal commitments held.

The NC has reviewed the time spent and attention given by each of the Directors to the Company's affairs, taking into account the multiple directorships and other principal commitments of each of the Directors (if any), and is satisfied that all Directors, appointed before 30 June 2019, have discharged their duties adequately in FY2019. Currently, none of the Directors have multiple listed company board representations.

**Board Performance**
**<u>Principle 5: Formal assessment of the effectiveness of the Board and contribution by each Director</u>**

The Board has implemented a process for assessing its effectiveness as a whole and its Committees and the contribution by each Director to the effectiveness of the Board. The Group has designed and implemented internally the board evaluation process conducted by way of a questionnaire. The Board assessment considered the following key performance criteria:

- Board size and composition;
- Board process;
- Board effectiveness and training;

- Committee process;
- Provision of information to the Board;
- Standards of conduct;
- Financial performance; and
- Risk management.

Based on the results of the evaluation, the Executive Chairman will give feedback to the NC on the appointment of new Directors or retirement or resignation of existing Directors and the NC will take into consideration his views in this regard before making recommendations to the Board. For FY2019, the Board has not engaged any external facilitator in conducting the assessment of the effectiveness of the Board as a whole and its Committees. Where relevant and when the need arises, the NC will consider such an engagement.

The NC had concurred that it was difficult to evaluate the effectiveness of the Board as a whole given the changes to the composition of the Board during FY2019. As such no assessment was carried out in respect of the Board's performance for FY2019.

The NC had decided unanimously that the Directors will not be evaluated individually but factors taken into consideration for the nomination are the extent of their attendance, participation and contribution in the proceeding of the meetings. The NC had also concurred that it was difficult to evaluate the performance of each Committee given the changes to the composition of the Committees during FY2019. As such, no assessment was carried out for each Committee and individual Director for FY2019. The NC would consider implementing such performance evaluation for each individual Director at a time deemed appropriate.

**Access to Information**
**Principle 6: Board members to have access to complete, adequate and timely information**

All Directors will receive a set of Board papers prior to the Board and Committees meetings. The Board papers are generally circulated to Directors at least three (3) to five (5) working days prior to the meeting to provide for sufficient time to enable the Directors to obtain further explanations, where necessary, in order to be briefed properly and prepare for the meeting. The Board papers include, among others, the following documents and details:

- Minutes of the previous Board meeting;
- Minutes of meetings of all Committees held since the previous Board meeting;
- Background or explanations on matters brought before the Board for decision, including issues being dealt with by Management, Management's recommendation with regard to the issues being discussed, relevant budgets, forecasts and projections, as the case may be. In respect of budgets, any material variance between the projections and actual results is disclosed and explained to the Board; and
- Major operational and financial issues.

The Directors have separate and independent access to the Group's senior management, including the Executive Chairman, CEO and MD, the GFC and other members of Management, as well as the Group's Internal Auditors (the "**IA**") and the EA. The Directors are also entitled to request from Management and will be provided with such information as needed to make informed decisions. Management will provide the same in a timely manner. Queries by individual Directors on circulated Board papers are directed to Management who will respond accordingly. Where relevant, Directors' queries and Management's responses are circulated to all Board members for their information. Due to the size of the Group's current operations, the Board is satisfied that such access to information is sufficient for its purposes.

All Directors have separate and independent access to the advice and services of the Company Secretary. The Company Secretary attends meetings of the Board and ensures that Board procedures are followed and that applicable rules and regulations, including the requirements of the Companies Act and the Catalist Rules, are complied with. The Company Secretary also attends Committees meetings. Under the direction of the Executive Chairman, the Company Secretary is responsible for ensuring good information flows within the Board and its Committees and between senior management and Independent Directors, assisting the Executive Chairman, the Chairperson of each Committee and Management in the development of the agendas for the various Board and Committees meetings; attending and preparing minutes for Board and Committees meetings; and advising the Board on governance matters.

Under the Constitution of the Company, the decision to appoint or remove the Company Secretary can only be taken by the Board as a whole.

The Board members are aware that they, whether as a group or individually, in the furtherance of their duties, can take independent professional advice, if necessary, at the Company's expense.

Changes to regulations and accounting standards are closely monitored by Management. The Directors are briefed either during Board or Committees meetings by the Company Secretary and/or the EA of these changes especially where these changes, *inter alia*, have an important bearing on the Directors' disclosure obligations.

## II REMUNERATION MATTERS

**Procedures for Developing Remuneration Policies**
**<u>Principle 7: Formal and transparent procedures for developing policy on executive remuneration and for fixing the remuneration package of Directors</u>**

The RC is responsible for ensuring a formal and transparent procedure for developing policy on executive remuneration, and for fixing the remuneration packages of individual Directors and Management.

The RC comprises two (2) Non-Executive Directors, all of whom, including the Chairman, are independent. As at the date of this Annual Report, the RC members are:

| | |
|---|---|
| Mr Yeong Wai Cheong | (Chairman) |
| Mr Leow Chin Boon | (Member) |

The RC has a written terms of reference which is endorsed by the Board and sets out its duties and responsibilities. Its key terms of reference are as follows:

(a) Reviewing, recommending to the Board for endorsement a framework of remuneration for the Board and key executives with the aim of building a capable and committed Board and management team through competitive compensation and focused management and progressive policies;

(b) Recommending specific remuneration packages and terms of employment for each Executive Director and key executive;

(c) Reviewing and recommending Directors' fees for Non-Executive Directors, taking into account factors such as their effort and time spent, and their responsibilities; and

(d) Administering the Company's Employee Share Option Scheme.

The RC recommends to the Board for endorsement, a framework of remuneration for the Board and key management personnel to ensure that the structure is competitive and sufficient to attract, retain and motivate senior management to run the Company successfully in order to maximise shareholders' value.

The RC reviews the fairness and reasonableness of the contracts of service of the Executive Directors and key management personnel. The RC covers all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options, share-based incentives and benefits-in-kind.

If required, the RC will seek expert advice inside or outside the Company on remuneration of all Directors and key management personnel. Remuneration consultants (Aon Hewitt Singapore Pte Ltd) were engaged by the Company in FY2019. Aside from the abovementioned engagement, the remuneration consultants do not have any relationship with the Company. The remuneration policy recommended by the RC is submitted for approval by the Board.

There is a formal and transparent procedure for fixing the remuneration packages of the Non-Executive Directors. It comprises of a basic retainer fee and additional fees for appointment as Chairman of Committees. Directors' fees are not paid to Executive Directors.

No director is involved in deciding his own remuneration, except for providing information and documents specifically requested by the RC to assist in its deliberations.

The RC reviews the terms and conditions of service agreements of the Executive Directors and key management personnel before their execution. In the course of such review, the RC will consider the Group's obligations arising in the event of termination of Executive Director and key management personnel, to ensure that the service agreements contain fair and reasonable termination clauses and are not overly generous so as to avoid rewarding poor performance.

Save for Mr Glen Chan, whose notice period is not less than six (6) months, the current notice period for the other Executive Director and key management personnel under their respective service contracts are less than six (6) months.

**Level and Mix of Remuneration**
**Principle 8: Remuneration of Directors should be adequate but not excessive**

The remuneration package of Executive Directors consists of the following components:

- The fixed components comprise a basic salary and Central Provident Fund ("**CPF**") contribution. To ensure that the Executive Directors' remuneration are consistent and comparable with market practice, the RC regularly benchmarks remuneration components against those of comparable companies, while continuing to be mindful that there is a general correlation between increased remuneration and performance improvements.

- The variable components comprise a variable bonus based on the Group's and the individual's performance. Bonuses payable to Executive Directors are reviewed by the RC and approved by the Board to ensure alignment of their interests with those of shareholders and to promote the long-term success of the Group.

- Benefits provided are consistent with market practice and include medical benefits, car and mobile phone allowance.

The RC reviews the proposals put in place by the Company for rewarding the Non-Executive Directors to ensure the compensation is commensurate with effort, time and role of the Non-Executive Directors. The RC also ensures that in doing so, the independence of the Independent Directors will not be compromised.

The Non-Executive Directors are paid a Directors' fee for their efforts and time spent, responsibilities and contribution to the Board and Committees, subject to approval by shareholders at the AGM. Except as disclosed, the Non-Executive Directors did not receive any other remuneration from the Group and they do not have any service agreements with the Company and/or the Group.

The Directors (including Executive as well as Non-Executive Directors), senior management and staff with at least twelve (12) months of service, or such shorter period as the RC may determine, are eligible for the grant of options under the Company's Employee Share Option Scheme. The options granted will vest only one (1) year after the offer date for options granted without discount and two (2) years after the offer date for options granted at a discount. The Directors, senior management and staff are encouraged to hold their shares beyond the vesting period. No share options were granted in FY2019. The RC will continue to review the need to include share based compensation as part of the Group's remuneration framework. Pursuant to Section 77 of the Companies Act, the maximum lifespan for options granted to Non-Executive Directors is five (5) years.

The Company currently does not have any contractual provisions which allow it to reclaim incentives from the Executive Directors and key management personnel. The Board is of the view that as the Group pays performance bonuses based on the actual performance of the Group (and not on forward looking results) as well as the actual performance of its Executive Directors and key management personnel, "claw-back" provisions in the service agreements may not be relevant or appropriate.

**Disclosure on Remuneration**
**Principle 9: Disclosure on remuneration policy, level and mix of remuneration and procedure for setting remuneration**

The Board has not included a separate annual remuneration report to shareholders in the Annual Report on the remuneration of Directors and the top five key management personnel (who are not Directors or the CEO of the Company) as the Board is of the view that the matters which are required to be disclosed in such annual remuneration report have already been sufficiently disclosed in this report and in the Group's financial statements.

The remuneration of each individual Director and key management personnel of the Group is not disclosed as the Company believes that disclosure may be prejudicial to its business interests, affect the retention or recruitment of competent personnel as well as the competitive pressures in the talent market given the highly competitive environment it is operating in. Additionally, the Company has experienced turnover of Directors during FY2019 and the disclosure of remuneration packages does not give a meaningful picture to shareholders. The RC has reviewed the practice of the industry in this regard, weighting the advantages and disadvantages of such disclosure.

Discretion and independent judgement are exercised by the RC in ensuring that the compensation structure aligns with shareholders' interest and promotes long-term success of the Group while discouraging behavior contrary to the Group's risk profile. The total Directors' fees for FY2019 amounted to $134,711 which will be subject to shareholders' approval at the forthcoming AGM.

The RC and Board is of the opinion that due to confidentiality and sensitivity issues attached to remuneration matters, it would not be in the best interests of the Company to disclose the remuneration of each individual Director to the nearest thousand as recommended by the Code. The RC has also reviewed the practice of the industry and considered the pros and cons of such disclosure. Instead, remuneration has been disclosed in bands and further broken down to various remuneration components.

**Disclosure on Directors' Fees And Remuneration**

The breakdown of remuneration of the Directors of the Company for FY2019 is set out below:

| Remuneration Band and Name of Director | Basic Salary[1] | Directors' Fees[2] | Variable or Performance Related Income/Bonus | Share-based Incentives/ Benefits-in-kind |
|---|---|---|---|---|
| **Below $50,000** | | | | |
| Mr Yee Kee Shian, Leon[3] | – | 100% | – | – |
| Ms Heng Su-Ling Mae[3] | – | 100% | – | – |
| Mr Peh Siong Woon Terence[4] | – | – | – | – |
| Mr Tai Hai Peng Micheal[3] | – | 100% | – | – |
| Mr Teo Khee Hwee[3] | – | 100% | – | – |
| Mr Leow Chin Boon[3] | – | 100% | – | – |
| Mr Low Siew Sie Bob[3] | – | 100% | – | – |
| Mr Yeong Wai Cheong[5] | – | – | – | – |
| Mr Ying Wei Hsein[6] | 100% | – | – | – |
| **Between $350,001 to $600,000** | | | | |
| Mr Glen Chan | 99.5% | – | – | 0.5% |

(1) Basic salary includes CPF contribution.
(2) The Directors' fees for FY2019.
(3) Director's fee was prorated according to the length of service as Director since the Director did not serve throughout FY2019.
(4) Mr Peh Siong Woon Terence had waived his Director's fees for FY2019.
(5) Mr Yeong Wai Cheong was appointed to the Board on 30 August 2019. No Director's fees apply for him in respect of FY2019.
(6) Salary from date of appointment (4 June 2019) to 30 June 2019.

The service agreement for Mr Glen Chan is for a fixed appointment period of three (3) years from 15 February 2017 and does not contain onerous removal clauses. Notice period is fixed at no less than six (6) months in writing. The service agreement is due for review in 2020.

The service agreement for Mr Ying Wei Hsein is for an appointment period of one (1) year from 4 June 2019, renewable automatically every year, and does not contain onerous removal clauses. Notice period is fixed at no less than two (2) months in writing or otherwise as may be mutually agreed between Mr Ying Wei Hsein and the Company. The service agreement is due for review on 3 June 2020.

The RC is responsible for reviewing the compensation commitments arising from Directors' contracts of service in the event of early termination.

The Executive Directors do not receive any Director's fee. The Company advocates a performance based remuneration system for Executive Directors and key management personnel that is flexible and responsive to the market, comprising a base salary and other fixed allowances, as well as variable performance bonus which is based on the Group's performance and the individual's performance such as management skills, process skills, people skills and business planning skills. This is designed to align remuneration with the interests of shareholders and link rewards to corporate and individual performance so as to promote the long-term sustainability of the Group.

The following performance conditions were chosen for the Company to remain competitive and to motivate the Executive Directors and key management personnel to work in alignment with the goals of all stakeholders:

| Performance condition | Performance criteria |
|---|---|
| Qualitative | 1. Leadership and people development<br>2. Brand development<br>3. Commitment<br>4. Teamwork<br>5. Current market and industry practices<br>6. Macro-economic factors |
| Quantitative | 1. Profit before tax<br>2. Return on equity<br>3. Relative financial performance of the Group to its industry peers<br>4. Group's Cash flow |

The above performance conditions were not met for FY2019, hence no performance bonus was granted to Executive Directors and Management.

**Disclosure on Key Management Personnel's Remuneration**

The Company has six (6) key management personnel for FY2019 of whom four (4) resigned during FY2019. The gross remuneration received by each of the key executives (excluding Directors) for FY2019 and the breakdown of the level and mix of the remuneration of the key executives is as follows:

| Remuneration Bands | FY2019 |
|---|---|
| $200,001 to below $300,000 | 2* |
| $100,000 to below $200,000 | 3* |
| Below $100,000 | 1* |

* Includes members of key management personnel who resigned during FY2019

The RC and the Board are of the opinion that the disclosure of the names and remuneration of each of the key management personnel is not in the best interest of the Group due to confidentiality and sensitivity issues.

As at the date of this Annual Report, aside from the Executive Chairman and the CEO and MD, the Group has two (2) key management and executive personnel, namely Mr Robby Sucipto (the GFC) and Mr Darren Chua (Head Legal Vice President).

The aggregate remuneration paid to the above key executives (excluding Directors and the CEO) for FY2019 is approximately $885,000.

There were no termination or retirement benefits, as well as post-employment benefits that are granted to the Executive Directors and key management personnel.

There were no employees of the Group who are immediate family members of any Director, the CEO and MD or a substantial shareholder and whose remuneration exceeds $50,000 during FY2019.

The annual reviews of the compensation of Directors and key management personnel are carried out by the RC to ensure that their remuneration is commensurate with their performance, giving due regard to the financial and commercial health and business needs of the Group. The performance of the Executive Chairman, CEO and MD together with other key management and executive personnel is reviewed periodically by the RC and the Board.

## III ACCOUNTABILITY AND AUDIT

**Accountability**
**<u>Principle 10: Presentation of a balanced and understandable assessment of Company's performance, position and prospects</u>**

The Board understands its responsibility and provides to the shareholders on a timely basis a balanced and understandable assessment of the Group's performance, position and prospects when presenting interim and other price sensitive public reports, and reports to regulators (if required). The Board also ensures full disclosure of material information to shareholders in compliance with statutory requirements and the Catalist Rules, including the release of the Group's quarterly and full-year financial statements results announcements. Strong emphasis is placed on removing technical jargon and using simple language for clarity.

The Board also reviews operational and regulatory compliance reports from Management to ensure compliance with all of the Group's operational practices and procedures and relevant regulatory requirements.

The Management currently provides the Board with appropriately detailed results of the Group at least on a quarterly basis or when upon request in order for the Board to understand and make a balanced and informed assessment of the Group's financial and operational performance and prospects. Due to the size of the Group's current operations, the Board is satisfied that such access to information is sufficient for its purposes.

**Risk Management and Internal Controls**
**<u>Principle 11: Maintenance of sound system of risk management and internal controls</u>**

The Board is responsible for the governance of risks and sets the tone and direction for the Group in the way risks are managed in the Group's businesses. The Board has ultimate responsibility for approving the strategy of the Group in a manner which addresses stakeholders' expectations and does not expose the Group to an unacceptable level of risk. The Board approves the key risk management policies and ensures a sound system of risk management and internal controls and monitors performance against them. In addition to determining the approach to risk governance, the Board sets and instills the right risk-focused culture throughout the Group for effective risk governance. The Company's current approach to risk management is set out on pages 126 to 132 of this Annual Report.

The Board reviews regularly the adequacy and effectiveness of the Group's risk management framework and internal control systems and where necessary, conducted sessions with Management to understand the process to identify, assess, manage and monitor risks within the Group.

The Group currently does not have a Risk Management Committee but the management regularly reviews the Group's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. The Management reviews all significant control policies and procedures and will highlight all significant matters to the Board and the AC.

The Board with the assistance of the Management has undertaken an annual assessment on the adequacy and effectiveness of the Group's risk management and internal control systems over financial, operational, compliance and information technology risks. The assessment considered issues dealt with in reports reviewed by the Board during the year together with any additional information necessary to ensure that the Board has taken into account all significant aspects of risks and internal controls for the Group for FY2019.

The Board's annual assessment in particular considered:

- the changes since the last annual assessment in the nature and extent of significant risks, and the Company's ability to respond to changes in its business and the external environment;
- the scope and quality of Management's ongoing monitoring of risks and of the system of internal controls and the work of its internal audit function and other providers of assurance;
- the extent and frequency of the communication of the results of the monitoring to the AC; and
- the incidence of significant internal controls weaknesses that were identified during the financial year.

The Board notes that all internal control systems contain inherent limitations and no system of internal controls could provide absolute assurance against the occurrence of material errors, poor judgement in decision making, human error losses, fraud and other irregularities.

In order to obtain assurance that the Group's risks are managed adequately and effectively, the Board had reviewed an overview of the risks which the Group is exposed to, as well as an understanding of what countermeasures and internal controls are in place to manage them.

RSM Risk Advisory Pte Ltd ("**RSM**"), the Company's IA, was engaged to conduct an Independent Review on the internal controls relating to the revenue reversal adjustments (the "**Review**") to assess the appropriateness of revenue recognized, was initiated by the AC after being made aware by the incumbent GFC of non-fulfillment of certain Sale and Purchase Agreements (the "**SPAs**") pertaining to seventeen (17) units in PCR, of which ten (10) units and five (5) units were recognised as sales in the second ("**2Q**") and third quarter ("**3Q**") of FY2019 respectively whilst two (2) units were recognised as sales in prior years (in 2014 and 2015).

The effect of the revenue reversal adjustments to the Group's revenue in 2QFY2019 and 3QFY2019 amounted to $4.7 million and $2.5 million respectively (the "**Adjustments**") and total comprehensive loss for 2QFY2019 and 3QFY2019 were understated by $2.0 million and $0.9 million respectively. The impact of the Adjustments had been adjusted in the Company's unaudited financial statements and dividend announcement for the twelve (12) months ended 30 June 2019 which had been released on 29 August 2019. Please refer to the 28 August 2019 announcement for further details relating to the revenue reversal adjustments.

Pursuant to the Review, RSM has provided its findings and recommendations in a report (the "**Report**"). Please refer to the announcement released on 10 October 2019 for a summary of the Report. The AC and the Board have reviewed RSM's findings and has accepted those findings. Moving forward, the Company will implement all of the recommendations provided by RSM and improve all necessary processes and internal controls. Specifically, the Company will:

(i) **Review and update the Policy to incorporate all the recommendation by RSM, specifically:**

   - All revenue to be recognised must satisfy the revenue recognition criteria as stated in Singapore Financial Reporting Standards (International) 15 – Revenue From Contract with Customers;
   - To reiterate the signing of the SPA is not the sole revenue recognition criteria;
   - Detailed guidance relating to the recognition of revenue relating to buyers opting to pay in cash, via loans or in exchange of services provided to the Group;
   - Unless there are commercial justifications, prohibiting the signing of SPAs with parties that do not represent sales to end-buyer. Provided always that, such SPA can only be recognised as revenue if it satisfy the revenue recognition criteria as stated in Singapore Financial Reporting Standards (International) 15 – Revenue From Contract with Customers; and
   - Cross funding of units has to be in the best interest of the Group and has to be approved by the local finance manager, the GFC and the CEO.

(ii) **To review and update the Delegation of Authority (the "DOA") to address, amongst others, the following:**

- Deposits returns;
- Approval of non-standard financing arrangements/sales terms/standard sale contract;
- Any waiver of deposits from the standard rate as stated in the update Policy; and
- Approval of related party transactions.

(iii) **Other matters**

- With effect from 18 June 2019, the Executive Chairman has direct oversight of the Group's Finance Function. It has been reiterated to the incumbent GFC and members of the Group's finance team on their oversight roles for reporting and stewardship of the Group's financial resources and the escalation procedures relating to accounting issues to the Executive Chairman and to the AC (if necessary).
- New monthly reporting for SPAs signed, deposits received, proposed SPA revocation and recommendations of revenue to be recognised to be jointly submitted by local finance manager, the GFC and the CEO ("**New Sales Reporting Format**") for approval by the Executive Chairman.
- Tabling of the New Sales Reporting Format at the quarterly AC meeting for review and approval.
- Monthly review of Trade Receivables ageing to enhance sales collection and identify potential risk of bad debts and/or delinquent SPAs.
- Formalise follow up actions on delinquent SPAs and timely termination of delinquent contracts at the end of grace period.

Item (i) to (iii) of the preceding paragraphs are collectively referred to the "**Additional Controls**".

The AC has reviewed and approved the implementation of the Additional Controls.

The Company will engage the help of its IA to follow up on the implementation of the Additional Controls, and/or to review the scope of the internal audit to be conducted for the Group at an appropriate time. Based on the above findings and recommendations of RSM as set out in the Report, the AC and the Board are of the view that the Additional Controls, in addition to the Group's existing internal controls, will be adequate and effective for the internal controls of the Group.

Taking into account the Review performed by RSM and the audit conducted by the Company's EA, the Adjustments being confined to revenue, the size of the Group's operations, straight forward business model, non-complex information technology system, the Board, with the concurrence of the AC, is of the opinion that the current set of internal controls (excluding those relating to revenue recognition), including financial, operational, compliance and information technology controls, and the risk management systems, is adequate and effective. The AC and the Board are of the view that the controls relating to revenue recognition will be further enhanced by implementation of Additional Controls.

The Board has obtained a written confirmation from the CEO and the GFC:

(a) that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and

(b) regarding the effectiveness of the Group's risk management and internal control systems (other than revenue recognition).

**Audit Committee**
**Principle 12: Establishment of Audit Committee with written terms of reference**

The AC comprises two (2) Non-Executive Directors, all of whom, including the Chairman, are independent. As at the date of this Report, the AC comprises:-

| | |
|---|---|
| Mr Leow Chin Boon | (Chairman) |
| Mr Yeong Wai Cheong | (Member) |

Based on the current Board composition, the Board notes that the AC is unable to meet the minimum requirement of having three (3) non-executive directors under Rule 704(7) of Catalist Rules. Accordingly, the Board shall endeavour to fill the vacancy within two (2) months, and in any case not later than three (3) months, from 31 August 2019 (the date of resignation of the Independent Director Mr Low Siew Sie Bob).

None of the AC members were previous partners or directors of the Company's external audit firm within the last twelve (12) months and none of the AC members hold any financial interest in the Company's external audit firm.

The Board is of the opinion that as at the date of this report, one of the members of the AC has many years of experience in accounting and related financial management and is qualified to discharge the AC's responsibilities.

The AC is responsible for assisting the Board in discharging its statutory and other responsibilities relating to internal controls, financial and other accounting matters as well as matters pertaining to regulatory compliance. The Board is of the view that the members of the AC are appropriately qualified to discharge their responsibilities. The details of the Board member's qualifications and experience are presented in this Annual Report under the section "Board of Directors".

The AC has a written terms of reference which is endorsed by the Board and sets out the AC's duties and responsibilities. The AC is authorised by the Board to investigate any matter within its terms of reference and has full access to, and cooperation of Management, with full discretion to invite any Director or executive officer to attend its meetings. The AC has adequate resources to enable it to discharge its functions properly.

The AC is guided by its terms of reference as follows:

(i) Reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Group;

(ii) Reviewing the quarterly, half-yearly and full-year financial reports of the Group, prior to their submission to the Board;

(iii) Reviewing the adequacy of the Group's internal controls, including financial, operational, compliance and information technology controls at least annually;

(iv) Overseeing and advising the Board in formulating its risk policies to effectively identify and manage the Group's current (and future) risks in its financial, operational, compliance and information technology systems and all strategic transactions to be undertaken by the Group;

(v) Overseeing the design and implementation of the overall risk management systems and internal control systems (including financial, operational, compliance and information technology controls);

(vi) Meeting with the EA and with the IA without the presence of Management, at least annually, to discuss any problem and concern they may have;

(vii) Reviewing the assistance given by Management to the EA and IA;

(viii) Reviewing with the EA their audit plans, audit report, and the EA's evaluation of the system of internal accounting controls;

(ix) Ensuring co-ordination where more than one audit firm is involved;

(x) Reviewing and discussing with the EA, any suspected fraud or irregularity, or suspect infringement of any law, rules and regulations, which has or is likely to have a material impact on the Group's operating results or financial position, and Management's response;

(xi) Reviewing the scopes, approach and results of the audit and its cost effectiveness, and the independence and objectivity of the EA;

(xii) Reviewing the Management's representation letters before consideration by the Board, giving particular consideration to matters that related to non-standard issues;

(xiii) Reviewing the nature and extent of the EA's non-audit services to the Group as well as the extent of reliance placed by EA on the IA's work, seeking to balance the maintenance of objectivity and value for money;

(xiv) Making recommendations to the Board on the appointment, re-appointment and removal of the EA, and approving the remuneration and terms of engagement of the EA;

(xv) Reviewing the adequacy and effectiveness of the Group's internal audit function at least annually, including the adequacy of internal audit resources and its appropriate standing within the Group, as well as the scope and results of the internal audit procedures;

(xvi) Approving the hiring, removal, evaluation and compensation of the head of the internal audit function, or the accounting firm/auditing firm or corporation which the internal audit function is outsourced. The AC also ensures that the internal audit function is staffed with persons with the relevant qualification and experience and that they carry out their function according to the standards set by nationally or internationally recognised professional bodies, including the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors;

(xvii) Investigating any matter within its terms of reference, with full access to and cooperation by Management and full discretion to invite any Director or executive officer to its meetings;

(xviii) Reviewing policy and arrangements by which staff of the Group and any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and ensuring that arrangements are in place for such concerns to be raised and independently investigated and for appropriate follow up actions to be taken;

(xix) Reporting to the Board its findings from time to time on matters arising and requiring the attention of the AC;

(xx) Reviewing interested person transactions falling within the scope of the listing rules;

(xxi) Undertaking such other reviews and projects as may be requested by the Board; and

(xxii) Undertaking such other functions and duties as may be required by statute or the Listing Manual, and by such amendments made thereto from time to time.

The AC meetings were attended by the Executive Chairman, CEO and MD and GFC at the invitation of the AC. The Company's IA and EA, namely RSM and Ernst & Young LLP respectively, were also present at the relevant junctures during these meetings. The AC has also met the EA and IA separately, without the presence of Management, at least once during the financial year to:

- obtain feedback on the competency and adequacy of the finance function;
- enquire into the root causes for major audit adjustments and issues if any; and
- inquire if there are any material weaknesses of control deficiencies over the Group's financial reporting process and the corresponding effect on the financial statements as well as over other operational, compliance and information technology areas.

The AC assesses the independence of the EA annually. In addition, the AC reviewed the independence and objectivity of the EA through discussions with them as well as a review of the volume and nature of non-audit services provided by the EA during the financial year under review. The AC concluded that it is satisfied with the independence of the EA and that they have not been compromised by the provision of such non-audit services.

The Company has currently appointed a different auditing firm for its subsidiaries. Nonetheless, the Board and the AC are satisfied that the appointment of a different audit firm would not compromise the standard and effectiveness of the audit of the Group. Therefore, the Company is in compliance with Rule 712 and 716 of the Catalist Rules.

The details of the fees of the auditors of the Group during FY2019 are set out as follows:

| **Fees on Audit Services to Independent Auditors:** | **$'000** |
|---|---|
| Company's EA | 136 |
| Other Independent Auditors relating to the Group's overseas subsidiaries | 2 |
| **Total** | **138** |

| **Fees on Non-Audit Services to Independent Auditors:** | **$'000** |
|---|---|
| Company's EA | 8 |
| Other Independent Auditors relating to the Group's overseas subsidiaries | – |
| **Total** | **8** |

The Company's EA is a firm of Chartered Accountants in Singapore registered with the Accounting and Corporate Regulatory Authority. The Other Independent Auditors engaged to audit the Group's overseas subsidiaries is a firm of Chartered Accountants registered with the Malaysian Institute of Accountants.

The AC has reviewed the non-audit services provided by the EA and is satisfied that the nature and extent of such services would not prejudice the independence of the EA, and has recommended the re-appointment of Messrs Ernst & Young LLP as the EA of the Company at the forthcoming AGM.

The Group is committed to a high standard of ethical conduct and adopts a zero tolerance approach to fraud. The AC has put in place a whistle-blowing policy, whereby employees of the Group and external parties, may in confidence, raise concerns about possible improper financial reporting, fraud, corruption or dishonest and unethical practices or other matters to the AC Chairman, via email at whistleblowing@pacificstar-dev.com. The objective for such arrangement is to ensure independent investigations of such matters and for appropriate follow-up actions. The whistle blowing policy is communicated to all staff and is readily available on the Group's information system. All such investigations are undertaken by an appointed manager, if appropriate, who reports directly to the Chairman of the AC. During FY2019, there have been no reported whistle blowing incident.

The AC members take measures to keep abreast of changes of accounting standards and issues which have a direct impact on the Group's financial statements through attending training and seminars as well as receiving updates from the Group's EA.

The EA in attendance at the quarterly meetings, provides updates to keep the AC abreast of changes in accounting standards or other codes and regulations, and issues which have a direct impact on the Group's financial statements.

**Internal Audits**
**Principle 13: Effective and independent internal audit function**

The Board recognises the importance of maintaining a system of internal controls, procedures and processes for the Group to safeguard the shareholders' investments and the Group's assets.

The Company's internal audit function is out-sourced to an independent third party accounting firm and is independent of Management. The appointment of the auditing firm to perform such services is approved by the AC. The AC also approves the removal, evaluation and compensation of the IA. The AC's oversight and supervision of the Group's internal controls are complemented by the work of the IA, whose role is to assist the AC to ensure that the Group maintains a sound system of internal controls by regular monitoring of key controls and procedures and ensuring their effectiveness, undertaking investigations as directed by the AC, and conducting regular in-depth audits of high risk areas. The IA has unfettered access to all the Group's documents, records, properties and personnel, including access to the AC.

The AC reviews the adequacy and effectiveness of the internal audit function on a regular basis at least annually, including overseeing and monitoring the implementation of the improvements required for various internal control weaknesses identified by Management, IA and the EA. Despite the changes to the composition of the Board and the Committees during FY2019, the AC, together with the Board, continues to assess the Group's internal controls and risk management policies and processes to be assured that there are adequate internal controls in place.

The AC is responsible for the hiring, removal, evaluation and compensation of the IA. The internal audit plan complements that of the EA and together forms a robust risk-based audit approach to facilitate the AC's review of the adequacy and effectiveness of the Group's risk management and internal control systems.

The AC met the IA separately without the presence of Management at least once a year during FY2019.

The IA's primary line of reporting is to the Chairman of AC.

The AC approves the internal audit plan and budget and ensures the adequacy and effectiveness of internal audit resources. The scope of the internal audit covers all business and support functions within the Group.

During the financial year, the IA conducted its audit reviews based on the approved internal audit plans. Upon completion of each audit assignment, the IA reported its findings and recommendations to Management who would respond on the actions to be taken. The IA submitted its internal audit summary reports to the AC on the status of the audit plan and on audit findings and actions taken by Management on the findings.

The AC is satisfied that the internal audit work is carried out in accordance with the Standards for Professional Practice of Internal Auditing set by the Institute of Internal Auditors.

## IV SHAREHOLDER RIGHTS AND RESPONSIBILITIES

**Principle 14: Shareholder Rights**

The Group is committed to providing shareholders with adequate, timely and sufficient information pertaining to changes in the Group's business which could have a material impact on the share price or value.

The Group strongly encourages shareholder participation during the AGM and/or Extraordinary General Meetings ("**EGM**"). Shareholders are able to proactively engage the Board and Management on the Group's business activities, financial performance and other business related matters. Resolutions are passed through a process of voting by poll and shareholders are entitled to vote in accordance with established voting rules and procedures. The poll results in favour and against for each resolution put forth are presented during the AGM and/or EGM.

Registered shareholders including corporations and custodial services providers who are unable to attend the AGM or EGM are provided the option to appoint not more than two (2) proxies. This allows shareholders who hold shares through corporations to attend and participate in the AGM or EGM via proxies. The Companies Act allows certain members who are relevant intermediaries (the meaning ascribed to it in Section 181 of the Companies Act, Cap. 50) such as corporations holding licences in providing nominee and custodial services and CPF Board which purchases shares on behalf of CPF investors, to appoint multiple proxies to attend and participate in general meetings.

For the time being, the Board is of the view that this is adequate to enable shareholders to participate in AGMs and/or EGMs of the Company and is not proposing to amend its Constitution to allow votes in absentia.

**Principle 15: Communication with shareholders**

In line with the Group's disclosure obligations pursuant to the Catalist Rules and the Companies Act, the Board's policy is that all shareholders should be informed simultaneously in an accurate and comprehensive manner for all material developments that impact the Group through SGXNet on an immediate basis.

# CORPORATE GOVERNANCE

The Board recognises that it is accountable to shareholders for the Group's performance. The Board believes in transparency and strives towards timeliness in the dissemination of material information to the Company's shareholders and the public on a timely and non-selective basis. Pertinent information will be disclosed to shareholders through the SGXNet and press releases in a fair and equitable manner.

The Company does not practice selective disclosure of material information. The Group makes all necessary disclosures to the public via SGXNet.

The Group values dialogue with its shareholders and believes in regular, effective and fair communication with its shareholders and is committed to hearing shareholders' views and addressing their concerns where possible.

Notices of the AGMs and/or EGMs are sent to every shareholder of the Company. The Notices of such meetings are also advertised in the newspapers and released via SGXNet. The Annual Report and circular(s) are distributed electronically, and if requested, can be sent to the relevant shareholder in hardcopy.

The Company currently does not have an Investor Relations Policy as the numbers of shareholders is relatively low. The Company will assess the need to have such a policy as and when there is a substantial increase in the number of shareholders.

**Dividend Policy**

The Group currently does not have a formal dividend policy. No dividend was declared for FY2019 as the Company did not report a profit. The Board will take into consideration the performance of the Group, including the operating results, financial condition, working capital requirements, capital expenditure needs, the terms of borrowing arrangements (if any), the level of cash and retained earnings, and other factors deemed relevant with a view to maximize shareholders' value.

**Principle 16: Conduct of shareholder meetings**

Each item of special business included in the notice of the meeting will be accompanied by a full explanation of the effects of a proposed resolution. Separate resolutions are proposed for substantially separate issues at the meeting. "Bundling" of resolutions are kept to a minimum and are done only where the resolutions are interdependent so as to form one significant proposal and only where there are reasons and material implications justifying the same.

At each AGM, the Executive Chairman presents the performance of the Group and encourages shareholders to participate in the Question and Answer session. The EA is present to address shareholders' queries on the conduct of the audit and the preparation and content of the auditor's report.

The Chairpersons of the Board and the AC, NC and RC, or members of the respective Committees standing in for them, are present at each AGM or EGM, and other general meetings held by the Company, to address shareholders' queries. Appropriate senior management personnel/members are also present at general meetings to respond, if necessary, to operational questions from shareholders.

The Company prepares minutes of general meetings, which include substantive comments or queries from shareholders and responses from the Directors and Management. These minutes are available to shareholders upon their request.

In support of greater transparency of the voting process and to enhance shareholders' participation, the Company puts all resolutions proposed at the AGMs and/or EGMs to vote by poll since 2015. Shareholders who are present in person or represented by proxies will be entitled to one vote for each share held. A scrutineer is appointed to count and validate the votes cast at the meetings. The total number of votes cast for and against each resolution and the respective percentage are announced at the general meeting and released to the SGX-ST via SGXNet.

The Company also solicits the views of the shareholders through analyst briefings and meetings with investors and fund managers, where necessary. The Company is open to meetings with investors and analysts, and in conducting such meetings, the Company is mindful of the need to ensure fair disclosure.

## DEALINGS IN SECURITIES OF THE COMPANY

The Company has adopted a set of code of conduct to provide guidance to its officers regarding dealings in the Company's securities, in compliance with Rule 1204(19) of the Catalist Rules.

The Company has issued notices to its Directors, officers and employees to state that there must be no dealings in the Company's shares whilst they are in possession of unpublished material or price sensitive information and during the period commencing two (2) weeks before the announcement of the Group's results for each of the first three quarters of the financial year and one (1) month before the announcement of the Group's full year results, as the case may be, and ending on the date of announcement of such financial results.

The Directors are also required to notify the Company of any dealings in the Company's securities within two (2) days of the transaction and to submit an annual confirmation on their compliance with the Code of Best Practices.

Directors and officers are also discouraged from dealing in the Company's securities on short-term considerations.

## INTERESTED PERSON TRANSACTIONS

The Company has established internal control procedures governing all Interested Person Transactions ("**IPTs**") to ensure that they are properly documented and reported on a timely manner to the AC and that they are carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders. All IPTs are recorded in an IPT Register and subject to quarterly review by the AC.

The Company does not have a general mandate from shareholders for IPTs. Should there be a need to; the Company will hold a shareholders' meeting to seek the necessary shareholders' approval.

The Group does not have any IPTs for FY2019 that is more than $100,000. The AC has reviewed the IPTs for FY2019 and is of the view that the transactions were on normal commercial terms and not prejudicial to the interests of the Company and its minority shareholders.

## MATERIAL CONTRACTS

As at the end of FY2019, there subsists a material contract between the Group (specifically PSD Singapore Pte. Ltd., a wholly-owned subsidiary of the Company) and PSD Holdings Pte. Ltd. (a company in which Mr Glen Chan, the CEO and MD as well as a controlling shareholder of the Company, controls) in the form of a loan facility agreement (the "**PSDH Facility**"). Under the PSDH Facility, PSD Holdings Pte. Ltd. is the lender whilst PSD Singapore Pte. Ltd. is the borrower. Please refer to Note 28 of the financial statements for further information on the PSDH Facility, namely the amount of the loan, interest rate, terms as to payment of interest and repayment of principal and the security provided.

Other than as disclosed above and the service agreements of the Executive Chairman and the CEO and MD, there were no material contracts entered into by the Company or any of its subsidiary companies involving the interests of the Executive Chairman and the CEO and MD, any Director and/or controlling shareholder of the Company, either still subsisting at the end of FY2019 or if not then subsisting, which were entered into since the end of the previous financial year.

## NON-SPONSOR FEES

There were no non-sponsor fees paid to SAC Capital Private Limited during FY2019.

# DIRECTORS' STATEMENT

For the financial year ended 30 June 2019

The directors of the Company (the "**Directors**") hereby present their statement to the members together with the audited consolidated financial statements of Pacific Star Development Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**") and the balance sheet and statement of changes in equity of the Company for the financial year ended 30 June 2019.

**Opinion of the directors**

In the opinion of the Directors,

(i) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and the Company as at 30 June 2019 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year ended on that date; and

(ii) based on the information available as at the date of this report and the assumptions as disclosed in Note 3.1 "Going concern assumption", as at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

**Directors**

The Directors in office at the date of this statement are:

| | |
|---|---|
| Ying Wei Hsein | (Appointed on 4 June 2019) |
| Glen Chan | |
| Leow Chin Boon | (Appointed on 4 June 2019) |
| Yeong Wai Cheong | (Appointed on 30 August 2019) |

**Arrangements to enable directors to acquire shares and debentures**

Except as disclosed in this statement, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the Directors to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

**Director's interests in shares and debentures**

The following Director, who held office at the end of the financial year, had, according to the register of director's shareholdings, required to be kept under Section 164 of the Singapore Companies Act, Chapter 50, an interest in shares of the Company (the "**Shares**") and related corporations (other than wholly-owned subsidiaries) as stated below:

| | Direct interest | | Deemed interest [1] | |
|---|---|---|---|---|
| **Name of director** | **At the beginning of financial year** | **At the end of financial year** | **At the beginning of financial year** | **At the end of financial year** |
| *Ordinary shares of the Company* | | | | |
| Glen Chan | – | – | 169,571,100 | 169,571,100 |

[1] Deemed to have an interest pursuant to Section 4 of the Securities and Futures Act, Chapter 289 of Singapore and Section 7 of the Companies Act, Chapter 50 of Singapore.

There was no change in the above-mentioned interest between the end of financial year and 21 July 2019.

**Director's interests in shares and debentures (cont'd)**

Glen Chan, the Chief Executive Officer and Managing Director of the Company, is deemed interested in the 64,535,550 Shares and 105,035,550 Shares held by Double Blessing Holdings Limited and Glaxier City Limited respectively.

Glen Chan, who by virtue of his interest in not less than 20% of the issued capital of the Company, is deemed to have an interest in the whole of the issued share capital of the Company's subsidiaries to the extent that the Company has interest.

**Share Options**

The Company's Employee Share Option Scheme (the "**ESOS**") for key management personnel, employees of the Group and Directors was approved by members of the Company at an Extraordinary General Meeting on 25 April 2013 and is administered by the Remuneration Committee (the "**RC**").

The ESOS provides a means to recruit, retain and give recognition to employees and Directors who have contributed to the growth and success of the Group.

Under the ESOS, options to subscribe for the ordinary shares of the Company are granted to key management personnel, employees and Directors who have been in the employment of the Group for a period of at least 12 months, or such shorter period as the RC may determine. The exercise price of the options is (i) determined at the volume weighted average of the Company's ordinary shares as quoted on the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") for five consecutive market days immediately preceding the date of the grant (the "**Market Price**"); or (ii) set at a discount not exceeding 20% of the Market Price. The vesting of the options is conditional on the recipient completing another (i) one year of service to the Group for options granted with the exercise price set at Market Price; or (ii) two years of service to the Group for options granted with the exercise price set at a discount to the Market Price. Once the options are vested, they are exercisable for a period of four years. The options may be exercised in full or in part in respect of 100 shares or a multiple thereof, on the payment of the exercise price.

The aggregate number of shares over which options may be granted on any date, when added to the number of shares issued and issuable in respect of all options granted under the ESOS, shall not exceed 15% of the issued share capital of the Company on the day preceding that date.

During the financial year, the Company did not grant any option and as at 30 June 2019, the Company had no outstanding instruments convertible into shares of the Company. The details of the number of share option outstanding, cancelled and lapsed and the exercise price of the options and the period of exercise is disclosed in Note 31(c) to the financial statements.

There are no participants under the ESOS who are Directors or Controlling Shareholders of the Company or their associates.

No participant under the ESOS has received 5% or more of the total number of shares under option available under ESOS.

**Audit Committee**

The Audit Committee (the "**AC**") carried out its functions in accordance with Section 201B (5) of the Singapore Companies Act, Chapter 50, including the following:

- Reviewed the audit plans of the Company's internal and external auditors, the internal and external auditors' evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Group's and the Company's management to the external and internal auditors;
- Reviewed the quarterly and annual financial statements and the auditor's report on the annual financial statements of the Group and the Company before their submission to the board of directors (the "**Board**");
- Reviewed effectiveness of the Group's and the Company's material internal controls, including financial, operational, compliance and information technology controls and their risk management at least annually;

**Audit Committee (cont'd)**

- Met with the external auditor and internal auditors at least once annually, to discuss any problem and concern they may have;

- Reviewed and discussed with the external auditors, any suspected fraud or irregularity, or suspect infringement of any law, rules and regulations, which has or is likely to have a material impact on the Group's operating results or financial position, and management's response;

- Reviewed the cost effectiveness and the independence and objectivity of the external auditor;

- Reviewed the nature and extent of non-audit services provided by the external auditor;

- Made recommendations to the Board on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors;

- Reviewed the adequacy and effectiveness of the Group's internal audit function at least annually, including the adequacy of internal audit resources and its appropriate standing within the Group, as well as the scope and results of the internal audit procedures;

- Reviewed policy and arrangements by which staff of the Group and any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and ensuring that arrangements are in place for such concerns to be raised and independently investigated and for appropriate follow up actions to be taken; and

- Reviewed and approved interested person transactions in accordance with the requirements of the SGX-Listing Manual.

The AC, having reviewed all non-audit services provided by the external auditor to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditor.

During the financial year ended 30 June 2019, the AC has met with internal and external auditors, without the presence of the Company's management, at least once.

Further details regarding the AC are disclosed in the Report on Corporate Governance.

**Auditor**

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditor.

On behalf of the board of directors:

Ying Wei Hsein
Director

Glen Chan
Director

Singapore
11 October 2019

**Report on the Audit of the Financial Statements**

**Disclaimer of Opinion**

We were engaged to audit the financial statements of Pacific Star Development Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**"), which comprise the balance sheets of the Group and the Company as at 30 June 2019, the statements of changes in equity of the Group and the Company and the consolidated statement of comprehensive income and consolidated statement of cash flows of the Group for the year then ended, notes to the financial statements, including a summary of significant accounting policies.

We do not express an opinion on the accompanying financial statements of the Group and the balance sheet and the statement of changes in equity of the Company. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

**Basis for Disclaimer of Opinion**

<u>Use of the going concern assumption</u>

As at 30 June 2019, the Group's loans and borrowings amounted to $117,762,000, of which $4,093,000 were classified as current liabilities and as at that date, the Group is in net cash deficit position of $446,000. The Group's current assets of $175,022,000 mainly comprise development properties amounting to $136,163,000 as at 30 June 2019. The Company incurred a net loss of $123,054,000 during the financial year ended 30 June 2019 and as at that date, the Company's current liabilities exceeded its current assets by $12,684,000. The Group's results for the year were adversely affected by the weak property market in Johor, Malaysia and incurred a net loss of $25,219,000. These factors and the challenging property market condition in Johor, Malaysia, which could adversely impact the sale of the Group's development properties, give rise to material uncertainties on the ability of the Group and Company to continue as going concern.

The financial statements have been prepared on going concern basis based on the assumptions as disclosed in Note 3.1 to the financial statements. However, we are unable to obtain sufficient appropriate evidence to conclude whether it is appropriate to use the going concern assumption to prepare these financial statements as the outcome of the Group's and Company's plans to address its liquidity challenges cannot be reasonably determined at this time and the ability of the Group to realise its development properties as planned is uncertain.

The carrying value of the assets as recorded on the balance sheets of the Group and Company as at 30 June 2019 has been determined based on the continuation as a going concern and recovery in the normal course of business. If the going concern assumption is not appropriate and the financial statements were presented on a realisation basis, the carrying value of assets and liabilities may be materially different from that currently recorded in the balance sheets. If the Group and Company were unable to continue in operational existence for the foreseeable future, the Group and Company may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheet.

**Responsibilities of Management and Directors for the Financial Statements**

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Companies Act, Chapter 50 (the "**Act**") and Singapore Financial Reporting Standards (International) ("**SFRS(I)**"), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

# INDEPENDENT AUDITOR'S REPORT

To the Members of Pacific Star Development Limited

**Report on the Audit of the Financial Statements (cont'd)**

**Responsibilities of Auditor for the Audit of the Financial Statements**

Our responsibility is to conduct the audit of the Group and Company's financial statements in accordance with Singapore Standards on Auditing ("**SSAs**") and to issue an auditor's report. However, because of the matter described in the Basis of Disclaimer of Opinion section of our report, we were unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

**Report on Other Legal and Regulatory Requirements**

Considering insufficient information available in respect of the appropriateness of the going concern assumption of the Group and the Company, we do not express an opinion on whether the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors, have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Low Bek Teng.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

11 October 2019

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 30 June 2019

| | Note | Financial year ended 30 June 2019 $'000 | Financial period from 1 January 2017 to 30 June 2018 $'000 (Restated) |
|---|---|---|---|
| **Continuing operations** | | | |
| **Revenue** | 5 | 4,519 | 121,426 |
| Cost of sales | | (2,912) | (62,429) |
| **Gross profit** | | 1,607 | 58,997 |
| Other operating income | 6 | 901 | 3,909 |
| **Expenses:** | | | |
| Marketing and distribution | | (145) | (6,499) |
| Administrative | | (9,034) | (12,523) |
| Other | 7 | (4,090) | (67) |
| Finance costs | 8 | (11,165) | (4,322) |
| Share of results joint venture | | (482) | (1,543) |
| Share of results associate | | (427) | (577) |
| **(Loss)/Profit before tax from continuing operations** | 9 | (22,835) | 37,375 |
| Income tax expense | 10 | (1,865) | (11,075) |
| **Net (loss)/profit from continuing operations, net of tax** | | (24,700) | 26,300 |
| Net loss from discontinued operations, net of tax | 11 | (519) | (2,982) |
| **Net (loss)/profit for the financial year/period** | | (25,219) | 23,318 |
| Other comprehensive income, net of tax: | | | |
| Items that may be reclassified subsequently to profit or loss | | | |
| Currency translation differences arising from | | | |
| - joint venture | | 2,675 | – |
| - associate | | (614) | – |
| - consolidation | | (1,345) | 973 |
| | | 716 | 973 |
| **Total comprehensive (loss)/income for the financial year/period** | | (24,503) | 24,291 |
| **Attributable to:** | | | |
| **Owners of the Company** | | | |
| (Loss)/Profit from continuing operations, net of tax | | (24,497) | 10,829 |
| Loss from discontinued operations, net of tax | | (519) | (2,982) |
| (Loss)/Profit for the financial year/period attributable to owners of the Company | | (25,016) | 7,847 |
| **Non-controlling interests** | | | |
| (Loss)/Profit from continuing operations, net of tax | | (203) | 15,471 |
| Loss from discontinued operations, net of tax | | – | – |
| (Loss)/Profit for the financial year/period attributable to non-controlling interest | | (203) | 15,471 |

*The accompanying accounting policies and explanatory notes form an integral part of the financial statements.*

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 30 June 2019

| | Note | Financial year ended 30 June 2019 $'000 | Financial period from 1 January 2017 to 30 June 2018 $'000 (Restated) |
|---|---|---|---|
| **Attributable to:** | | | |
| Owners of the Company | | (24,096) | 8,393 |
| Non-controlling interest | | (407) | 15,898 |
| **Total comprehensive (loss)/income for the financial year/period** | | (24,503) | 24,291 |
| **Attributable to:** | | | |
| **Owners of the Company** | | | |
| Total comprehensive (loss)/income from continuing operations, net of tax | | (23,577) | 11,375 |
| Total comprehensive loss from discontinued operations, net of tax | | (519) | (2,982) |
| **Total comprehensive (loss)/income for the financial year/ period attributable to owners of the Company** | | (24,096) | 8,393 |
| **Earnings per share from continuing operations attributable to owners of the Company** | | **Singapore cents per share** | **Singapore cents per share** |
| Basic and diluted | 12(a) | (4.90) | 2.21 |
| **Earnings per share** | | | |
| Basic and diluted | 12(b) | (5.01) | 1.60 |

*The accompanying accounting policies and explanatory notes form an integral part of the financial statements.*

# BALANCE SHEETS

As at 30 June 2019

| | Note | Group 30 June 2019 $'000 | Group 30 June 2018 $'000 (Restated) | Group 1 January 2017 $'000 (Restated) | Company 30 June 2019 $'000 | Company 30 June 2018 $'000 | Company 1 January 2017 $'000 |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| **Non-current assets** | | | | | | | |
| Property, plant and equipment | 13 | 52 | 129 | 340 | – | 12 | 3 |
| Investment in subsidiaries | 14 | – | – | – | 49,198 | 169,647 | – |
| Deferred costs | 15 | – | – | 260 | – | – | – |
| Trade receivables | 19 | – | 59 | – | – | – | – |
| | | 52 | 188 | 600 | 49,198 | 169,659 | 3 |
| **Current assets** | | | | | | | |
| Marketable security | 16 | – | 4 | – | – | – | – |
| Development properties | 17 | 136,163 | 136,667 | 97,553 | – | – | – |
| Inventories | 18 | – | 574 | – | – | – | – |
| Deferred costs | 15 | – | – | 2,997 | – | – | – |
| Trade receivables | 19 | 13,652 | 38,194 | 5,559 | – | – | – |
| Other receivables and other current assets | 20 | 20,595 | 13,862 | 12,137 | 241 | 2,244 | 4,262 |
| Fixed deposits pledged | 21 | 103 | 501 | – | 103 | 501 | 8,131 |
| Cash at bank | 21 | 1,965 | 2,015 | 6,412 | 5 | 119 | 2,343 |
| Restricted cash | 22 | 2,544 | – | – | – | – | – |
| | | 175,022 | 191,817 | 124,658 | 349 | 2,864 | 14,736 |
| **Total assets** | | 175,074 | 192,005 | 125,258 | 49,547 | 172,523 | 14,739 |
| **Liabilities** | | | | | | | |
| **Non-current liabilities** | | | | | | | |
| Loans and borrowings | 23 | 113,669 | 26,938 | 35,497 | – | – | – |
| Loans from non-controlling interests | 24 | – | 15,205 | 13,227 | – | – | – |
| Deferred tax liabilities | 25 | – | – | 1,807 | – | – | – |
| Provision for warranty | 26 | – | 1,129 | – | – | – | – |
| Other payables | 28 | 1,557 | – | – | – | – | – |
| | | 115,226 | 43,272 | 50,531 | – | – | – |
| **Current liabilities** | | | | | | | |
| Loans and borrowings | 23 | 4,093 | 25,592 | 4,152 | – | – | – |
| Trade payables | 27 | 7,843 | 22,212 | 20,512 | – | – | – |
| Other payables | 28 | 24,172 | 26,319 | 14,986 | 13,033 | 12,955 | 2,283 |
| Advance billings | | – | 11,724 | 1,865 | – | – | – |
| Joint venture | 29 | 1,353 | 3,547 | 2,004 | – | – | – |
| Associate | 30 | 2,174 | 1,132 | 555 | – | – | – |
| Current tax liabilities | | 10,879 | 13,370 | 5,835 | – | – | – |
| | | 50,514 | 103,896 | 49,909 | 13,033 | 12,955 | 2,283 |
| **Total liabilities** | | 165,740 | 147,168 | 100,440 | 13,033 | 12,955 | 2,283 |
| **Net assets** | | 9,334 | 44,837 | 24,818 | 36,514 | 159,568 | 12,456 |

*The accompanying accounting policies and explanatory notes form an integral part of the financial statements.*

# BALANCE SHEETS

As at 30 June 2019

| | | Group | | | Company | | |
|---|---|---|---|---|---|---|---|
| | Note | 30 June 2019 $'000 | 30 June 2018 $'000 (Restated) | 1 January 2017 $'000 (Restated) | 30 June 2019 $'000 | 30 June 2018 $'000 | 1 January 2017 $'000 |
| **Equity** | | | | | | | |
| **Capital and reserves attributable to owners of the Company** | | | | | | | |
| Share capital | 31(a) | 47,801 | 47,801 | 17,738 | 197,055 | 197,055 | 48,196 |
| Treasury shares | 31(b) | – | – | – | (513) | (513) | (513) |
| (Accumulated losses)/ Retained earnings | | (39,479) | 2,356 | (5,117) | (160,028) | (35,546) | (33,828) |
| Other reserves | 32 | 1,012 | (30,879) | 2,536 | – | (1,428) | (1,399) |
| **Equity attributable to owners of the Company** | | 9,334 | 19,278 | 15,157 | 36,514 | 159,568 | 12,456 |
| Non-controlling interest | | – | 25,559 | 9,661 | – | – | – |
| **Total equity** | | **9,334** | **44,837** | **24,818** | **36,514** | **159,568** | **12,456** |

*The accompanying accounting policies and explanatory notes form an integral part of the financial statements.*

# STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 30 June 2019

| Group | Note | Share Capital | Retained earnings/ (Accumulated losses) | Other reserves | Foreign currency translation reserve | Total | Non-controlling interest | Total equity |
|---|---|---|---|---|---|---|---|---|
| | | Attributable to owners of the Company | | | | | | |
| | | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| | | Note 31(a) | | Note 32 | Note 32 | | | |
| **2019** | | | | | | | | |
| **Balance as at 1 July 2018** | | 47,801 | 5,789 | (30,971) | 92 | 22,711 | 29,405 | 52,116 |
| **Effects of adoption of IFRSIC Conclusion** | 3.2 | – | (3,433) | – | – | (3,433) | (3,846) | (7,279) |
| **Balance as at 1 July 2018, restated** | | 47,801 | 2,356 | (30,971) | 92 | 19,278 | 25,559 | 44,837 |
| Net loss for the financial year | | – | (25,016) | – | – | (25,016) | (203) | (25,219) |
| Other comprehensive income for the financial year, net of tax | | | | | | | | |
| Currency translation differences arising from: | | | | | | | | |
| - joint venture | | – | – | – | 2,675 | 2,675 | – | 2,675 |
| - associate | | – | – | – | (614) | (614) | – | (614) |
| - consolidation | | – | – | – | (1,141) | (1,141) | (204) | (1,345) |
| **Total comprehensive loss for the financial year** | | – | (25,016) | – | 920 | (24,096) | (407) | (24,503) |
| Acquisition of investment in a subsidiary from non-controlling interest | 14(g) | – | 14,152 | – | – | 14,152 | (25,152) | (11,000) |
| **Total transactions with owners of the Company** | | – | 14,152 | – | – | 14,152 | (25,152) | (11,000) |
| Transfer of other reserves to accumulated losses | | – | (34,000) | 34,000 | – | – | – | – |
| Transfer of capital reserves to accumulated losses | | – | 3,029 | (3,029) | – | – | – | – |
| **Balance as at 30 June 2019** | | **47,801** | **(39,479)** | **–** | **1,012** | **9,334** | **–** | **9,334** |

*The accompanying accounting policies and explanatory notes form an integral part of the financial statements.*

# STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 30 June 2019

| | | Attributable to owners of the Company | | | | | | |
|---|---|---|---|---|---|---|---|---|
| <u>Group</u> | Note | Share Capital | Retained earnings/ (Accumulated losses) | Other reserves | Foreign currency translation reserve | Total | Non-controlling interest | Total equity |
| | | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| | | Note 31(a) | | Note 32 | Note 32 | | | |
| <u>**2018**</u> | | | | | | | | |
| **Balance as at 1 January 2017** | | 17,738 | (2,269) | 3,029 | (493) | 18,005 | 12,397 | 30,402 |
| **Effects of adoption of IFRSIC Conclusion** | 3.2 | – | (2,848) | – | – | (2,848) | (2,736) | (5,584) |
| **Balance as at 1 January 2017, restated** | | 17,738 | (5,117) | 3,029 | (493) | 15,157 | 9,661 | 24,818 |
| Net profit for the financial period | | – | 7,847 | – | – | 7,847 | 15,471 | 23,318 |
| <u>Other comprehensive income for the financial period, net of tax</u> | | | | | | | | |
| Currency translation differences arising from consolidation | | – | – | – | 546 | 546 | 427 | 973 |
| **Total comprehensive income for the financial period** | | – | 7,847 | – | 546 | 8,393 | 15,898 | 24,291 |
| <u>Contributions by owners</u> | | | | | | | | |
| Issue of shares | | 15,021 | – | – | – | 15,021 | – | 15,021 |
| <u>Changes in ownership interest in subsidiaries</u> | | | | | | | | |
| Acquisition of subsidiaries arising from reverse acquisition | 14(c) | 15,042 | – | (34,000) | (3) | (18,961) | (3,412) | (22,373) |
| Disposal of subsidiaries | | – | (374) | – | 42 | (332) | 3,412 | 3,080 |
| **Total transaction with owners of the Company** | | 30,063 | (374) | (34,000) | 39 | (4,272) | – | (4,272) |
| **Balance as at 30 June 2018, restated** | | **47,801** | **2,356** | **(30,971)** | **92** | **19,278** | **25,559** | **44,837** |

*The accompanying accounting policies and explanatory notes form an integral part of the financial statements.*

# STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 30 June 2019

| Company | Share capital $'000 Note 31(a) | Treasury shares $'000 | Accumulated losses $'000 | Share options reserve $'000 Note 32 | Other reserves $'000 Note 32 | Total equity $'000 |
|---|---|---|---|---|---|---|
| **2019** | | | | | | |
| **Balance as at 1 July 2018** | 197,055 | (513) | (35,546) | 42 | (1,470) | 159,568 |
| **Loss for the financial year, representing total comprehensive loss for the financial year*** | – | – | (123,054) | – | – | (123,054) |
| Contributions by owners | | | | | | |
| Expiry of employee share options | – | – | 42 | (42) | – | – |
| **Total transactions with owners in their capacity as owners of the Company** | – | – | 42 | (42) | – | – |
| Transfer of other reserves to accumulated losses | – | – | (1,470) | – | 1,470 | – |
| **Balance as at 30 June 2019** | **197,055** | **(513)** | **(160,028)** | **–** | **–** | **36,514** |
| **2018** | | | | | | |
| **Balance as at 1 January 2017** | 48,196 | (513) | (33,828) | 71 | (1,470) | 12,456 |
| **Loss for the financial period, representing total comprehensive loss for the financial period** | – | – | (1,747) | – | – | (1,747) |
| Contributions by owners | | | | | | |
| Issue of shares | 149,168 | – | – | – | – | 149,168 |
| Share issuance expense | (309) | – | – | – | – | (309) |
| Expiry of employee share options | – | – | 29 | (29) | – | – |
| **Total transactions with owners in their capacity as owners of the Company** | 148,859 | – | 29 | (29) | – | 148,859 |
| **Balance as at 30 June 2018** | **197,055** | **(513)** | **(35,546)** | **42** | **(1,470)** | **159,568** |

* The loss for the financial year ended 30 June 2019 included $120,449,000 (30 June 2018: $1,941,000) of impairment of investment in subsidiaries which are eliminated on consolidation.

*The accompanying accounting policies and explanatory notes form an integral part of the financial statements.*

# CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 30 June 2019

| | Financial year ended 30 June 2019 $'000 | Financial period from 1 January 2017 to 30 June 2018 $'000 (Restated) |
|---|---|---|
| **Cash flows from operating activities** | | |
| (Loss)/Profit before income tax from continuing operations | (22,835) | 37,375 |
| Loss before income tax from discontinued operations | (519) | (2,982) |
| (Loss)/Profit before tax | (23,354) | 34,393 |
| Adjustments for: | | |
| Finance costs | 11,165 | 4,322 |
| Accrual for penalties payable to Malaysian Tax Authority | 3,060 | – |
| Write-down of development properties | 931 | – |
| Loss on liquidation of subsidiaries | 519 | – |
| Share of results of joint venture | 482 | 1,543 |
| Share of results of associate | 427 | 577 |
| Depreciation of property, plant and equipment | 113 | 449 |
| Bad debts written off | 49 | – |
| Interest income | (377) | (332) |
| Amortisation of deferred cost | – | 5,237 |
| Loss on disposal of subsidiaries | – | 2,777 |
| Write-down of inventories | – | 199 |
| Provision for warranty | – | 177 |
| Gain on acquisition of subsidiaries (negative goodwill) | – | (1,224) |
| Reversal of provision for warranty | – | (1,077) |
| Reversal of write down of inventories | – | (95) |
| **Operating cash flow before working capital changes** | (6,985) | 46,946 |
| Movement in working capital: | | |
| Changes in trade, other receivables and other current assets | 14,212 | (27,930) |
| Changes in inventories and construction contracts | – | (468) |
| Changes in deferred costs | – | (1,830) |
| Changes in development properties | (13,427) | (36,823) |
| Changes in trade, other payables and provision for warranty | 4,678 | (5,875) |
| Changes in advance billings | (10,344) | 9,859 |
| Effects of currency translation on working capital | (2,971) | (454) |
| Cash flows used in operations | (14,837) | (16,575) |
| Interest income received | 98 | 332 |
| Finance costs paid | (8,633) | (4,199) |
| Income tax paid | (4,356) | (5,611) |
| **Net cash used in operating activities** | (27,728) | (26,053) |
| **Cash flows from investing activities** | | |
| Purchase of property, plant and equipment | (64) | (134) |
| Proceeds from disposal of property, plant and equipment | – | 271 |
| Proceeds from disposal of vehicle sub-division | – | 350 |
| **Net cash (used in)/generated from investing activities** | (64) | 487 |

*The accompanying accounting policies and explanatory notes form an integral part of the financial statements.*

# CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 30 June 2019

| | Financial year ended 30 June 2019 $'000 | Financial period from 1 January 2017 to 30 June 2018 $'000 (Restated) |
|---|---|---|
| **Cash flows from financing activities** | | |
| Proceeds from loan from a group of third parties | 61,921 | – |
| Net proceeds from bank loan | 1,695 | 13,790 |
| Advances from a related party | 1,600 | 3,420 |
| Movement in fixed deposits pledged with banks | 398 | 4,586 |
| Repayment of loan from non-controlling interest | (15,205) | – |
| (Acquisition)/Disposal of subsidiaries, net of cash | (11,000) | 7,526 |
| Repayment to a related party | (9,600) | – |
| Movement in restricted cash | (2,544) | – |
| Repayment of finance lease liabilities | (58) | (92) |
| Deemed disposal of cash and cash equivalent | (4) | – |
| Deemed distribution to shareholders | – | (16,000) |
| Proceeds from conditional placement of shares | – | 8,521 |
| **Net cash generated from financing activities** | 27,203 | 21,751 |
| **Net decrease in cash and cash equivalents** | (589) | (3,815) |
| Effects of currency translation on cash and cash equivalents | (27) | (10) |
| Cash and cash equivalents at the beginning of the financial year/period | 170 | 3,995 |
| **Cash and cash equivalents at the end of the financial year/period (Note 21)** | (446) | 170 |

*The accompanying accounting policies and explanatory notes form an integral part of the financial statements.*

## 1. Corporate information

Pacific Star Development Limited (Co. Reg. No: 198203779D) (the "**Company**") is a public limited liability company incorporated and domiciled in Singapore. The Company is listed on the Singapore Exchange Securities Trading Limited (the "**SGX-ST**").

The registered office and the principal place of business of the Company is located at 2 Venture Drive, #19-15/17 Vision Exchange, Singapore 608526.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are disclosed in Note 14(a).

## 2. Reverse acquisition

On 15 February 2017, the Company completed its acquisition of the entire share capital of PSD Singapore Pte. Ltd. (formerly known as Pacific Star Development Pte. Ltd.) (the "**Target**" or "**PSDS**" and together with its subsidiaries, the "**Target Group**") ("**Reverse Acquisition**") via the issuance of ordinary shares in the Company to the shareholders of the Target Group. The transaction is treated as a reverse acquisition for accounting purposes as the shareholders of the Target Group became the controlling shareholders of the Company on completion of the transaction. Accordingly, the Target Group (being the legal subsidiary in the transaction) is regarded as the "**Accounting Acquirer**", and the Company (being the legal parent in the transaction) is regarded as the "**Accounting Acquiree**".

The consolidated financial statements represent a continuation of the financial position, performance and cash flows of the Target Group. Accordingly, the consolidated financial statements are prepared on the following basis:

(a) the assets and liabilities of the Target Group are recognised and measured in the balance sheet of the Group at their pre-acquisition carrying amounts;

(b) the assets and liabilities of the Company are recognised and measured in the balance sheet of the Group at their acquisition-date fair values;

(c) the retained earnings and other equity balances recognised in the consolidated financial statements are the retained earnings and other equity balances of the Target Group immediately before the Reverse Acquisition;

(d) the amount recognised as issued equity interests in the consolidated financial statements is determined by adding to the issued equity of the Target Group immediately before the Reverse Acquisition and the fair value of the consideration effectively transferred based on the share price of the Company at the acquisition date. However, the equity structure appearing in the consolidated financial statements (i.e. the number and type of equity instruments issued) reflects the equity structure of the legal parent (i.e. the Company), including the equity instruments issued by the Company to effect the Reverse Acquisition;

(e) the consolidated statement of comprehensive income for the financial period ended 30 June 2018 reflects the results of the Target Group together with the post-acquisition results of the Company; and

(f) the Group's balance sheet as at 1 January 2017 is that of the Target Group.

The consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity of the Group for the financial period ended 30 June 2018 refers to the Group which includes the results of the Target Group from 1 January 2017 to 30 June 2018 and the post-acquisition results of the Company from the date of completion of the Reverse Acquisition to 30 June 2018.

The balance sheet of the Group as at 30 June 2018 refers to the balance sheet of the Target Group and the Company as at 30 June 2018. The balance sheet of the Group as at 1 January 2017 refers to the balance sheet of the Target Group.

## 2. Reverse acquisition (cont'd)

**Separate financial statements of the Company**

In connection with the Reverse Acquisition, the Company has changed its reporting year end from 31 December to 30 June. Therefore, the financial statements of the Company for the current year covered the twelve months financial year ended 30 June 2019 while the comparative covered the eighteen months financial period from 1 January 2017 to 30 June 2018.

The balance sheet of the Company as at 1 January 2017 refers to that of the Accounting Acquiree.

In the Company's balance sheet, investments in the legal subsidiaries (including the Target Group) is accounted for at cost less accumulated impairment losses, if any.

Further details on accounting of the Reverse Acquisition are provided in Note 31(a).

## 3. Summary of significant accounting policies

### 3.1 Basis of preparation

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (International) ("**SFRS(I)**").

For all periods up to and including the financial period ended 30 June 2018, the Group prepared its financial statements in accordance with Financial Reporting Standards in Singapore ("**FRS**"). These financial statements for the financial year ended 30 June 2019 are the first the Group has prepared in accordance with SFRS(I). Refer to Note 3.2 for information on how the Group adopted SFRS(I).

The financial statements have been prepared on a historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Singapore Dollars (SGD or $) and all values are rounded to the nearest thousand ($'000), except when otherwise indicated.

**Going concern assumption**

As at 30 June 2019, the Group's loans and borrowings amounted to $117,762,000, of which $4,093,000 were classified as current liabilities and as at that date, the Group is in net cash deficit position of $446,000. The Group's current assets of $175,022,000 mainly comprise development properties amounting to $136,163,000 as at 30 June 2019. The Company incurred a net loss of $123,054,000 during the financial year ended 30 June 2019 and as at that date, the Company's current liabilities exceeded its current assets by $12,684,000. The Group's results for the year were adversely affected by the weak property market in Johor, Malaysia and incurred a net loss of $25,219,000. These factors and the challenging property market condition in Johor, Malaysia, which could adversely impact the sale of the Group's development properties, give rise to material uncertainties on the ability of the Group and Company to continue as going concern.

The ability of the Company to continue as a going concern depends on materialisation of the continued financial support from PSD Holdings Pte. Ltd. ("**PSDH**"), being a company that is wholly-owned by a director and controlling shareholder, Glen Chan, the sale of the Group's unsold units at Puteri Cove Residences located in Iskandar Puteri, Malaysia ("**PCR**") and the timely repatriation of such profits to enable the Company to continue as a going concern.

The ability of the Group to continue as a going concern depends on materialisation of the continued financial support from PSDH, the sale of the Group's unsold units at PCR, and the refinancing of the Group's investment via its joint venture in the Posh Twelve project in Bangkok ("**P12**") to enable the Group to continue as a going concern.

## 3. Summary of significant accounting policies (cont'd)

### 3.1 Basis of preparation (cont'd)

**Going concern assumption (cont'd)**

The Directors are of the view that going concern assumption is appropriate due to the following reasons:

(i) The Group is exploring with various parties in relation to the enbloc sale for Tower 3 in PCR and has received a letter of offer from one of these parties. The Group is reviewing the offer while concurrently pursuing the divestment opportunities with other parties. The Group is cautiously confident in moving such discussions on potential enbloc sale towards a positive conclusion;

(ii) The Group has been in discussion to sell the unsold units in Tower 1 and Tower 2 of PCR (the "**Remaining Units**") to a buyer whilst concurrently holding preliminary discussions with other parties with a view of selling all the Remaining Units. In addition, the Group is also in discussions with several potential bulk buyers who are considering purchasing 10 to 20 units in PCR units. The Group continues to dialogue with these potential bulk buyers with a view to securing binding transactions;

(iii) The Group is currently working to secure a re-financing package for P12, subject to amongst others, the consent of the Lenders (as defined in Note 23(b)) as well as conditions precedent, which if materializes, may allow the Group to receive approximately $18.70 million (based on current approximate projections) in capital and loans repatriation from the abovementioned re-financing;

(iv) Notwithstanding the current challenging market conditions in Iskandar Puteri, the Group continues to market and promote sales of PCR, from 1 July 2019 to the date of this report, the Group has signed eight (8) Sales & Purchase Agreements ("**SPAs**") for PCR units for total net contract value of RM11.1 million, of which RM7.0 million has been collected. In addition, the Group had collected another RM0.5 million from its trade receivables as at 30 June 2019. The Group will continue to work on cash collection as well as new SPAs for PCR; and

(v) While the $11.52 million loans granted by PSDH to the Group is subordinated to the $70.0 million facility (Note 23(b)), pursuant to the supplemental agreement dated 8 December 2018, PSDH has undertaken to provide up to $5.72 million of loans to the Group to support its short-term cash shortfall, if required.

If the Group and Company is unable to continue in operational existence for the foreseeable future, the Group and the Company may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheets. In addition, the Group and Company may have to reclassify non-current assets and liabilities as current assets and liabilities respectively. No such adjustments have been made to these financial statements.

### 3.2 First-time adoption of SFRS(I)

These financial statements for the financial year ended 30 June 2019 are the first the Group and the Company have prepared in accordance with SFRS(I). Accordingly, the Group and the Company have prepared financial statements that comply with SFRS(I) applicable as at 30 June 2019, together with the comparative period data for the financial period ended 30 June 2018, as described in the summary of significant accounting policies. On preparing the financial statements, the Group's and the Company's opening balance sheets were prepared as at 1 January 2017, the Group and the Company's date of transition to SFRS(I).

The principal adjustments made by the Group on adoption of SFRS(I) and the adoption of the new standards that are effective on 1 July 2018 are disclosed below.

**3. Summary of significant accounting policies (cont'd)**

**3.2 First-time adoption of SFRS(I) (cont'd)**

**Exemptions applied on adoption of SFRS(I)**

SFRS(I) allows first-time adopters exemptions from the retrospective application of certain requirements under SFRS(I). The Group has applied the following exemptions:

- SFRS(I) 3 Business Combinations has not been applied to either acquisitions of subsidiaries that are considered businesses under SFRS(I), or acquisitions of interests in associates and joint ventures that occurred before 1 January 2017. The carrying amounts of assets and liabilities at the date of transition to SFRS(I) is the same as previously reported under FRS.

- SFRS(I) 1-21 The Effects of Changes in Foreign Exchange Rates has not been applied retrospectively to fair value adjustments and goodwill from business combinations that occurred before the date of transition to SFRS(I). Such fair value adjustments and goodwill are treated as assets and liabilities of the parent rather than as assets and liabilities of the acquiree. Therefore, those assets and liabilities are already expressed in the functional currency of the parent or are non-monetary foreign currency items and no further translation differences occur.

- The comparative information do not comply with SFRS(I) 9 Financial Instruments or SFRS(I) 7 Financial Instruments: Disclosures to the extent the disclosures relate to items within the scope of SFRS(I) 9.

**New accounting standards effective on 1 July 2018**

The accounting policies adopted are consistent with those previously applied under FRS except that in the current financial year, the Group has adopted all the SFRS(I) which are effective for annual financial periods beginning on or after 1 July 2018. Except for the impact arising from the exemptions applied as described above and the adoption of SFRS(I) 9, the adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

***SFRS(I) 9 Financial Instruments***

On 1 July 2018, the Group adopted SFRS(I) 9 Financial instruments, which is effective for annual periods beginning on or after 1 July 2018.

The changes arising from the adoption of SFRS(I) 9 has been applied retrospectively. The Group has elected to apply the exemption in SFRS(I) 9 and has not restated comparative information in the year of initial adoption. The impact arising from the adoption of SFRS(I) 9 is immaterial. Hence, there was no changes included in the opening retained earnings at the date of initial application, 1 July 2018.

*Classification and measurement*

SFRS(I) 9 requires debt instruments to be measured either at amortised cost, fair value through other comprehensive income ("**FVOCI**") or fair value through profit or loss ("**FVPL**"). Classification of debt instruments depends on the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest ("**SPPI**"). An entity's business model is how an entity manages its financial assets in order to generate cash flows and create value for the entity either from collecting contractual cash flows, selling financial assets or both. If a debt instrument is held to collect contractual cash flows, it is measured at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held both to collect the assets' contractual cash flows and to sell the assets are measured at FVOCI. Financial assets are measured at FVPL if they do not meet the criteria of FVOCI or amortised cost.

**3. Summary of significant accounting policies (cont'd)**

**3.2 First-time adoption of SFRS(I) (cont'd)**

<u>**New accounting standards effective on 1 July 2018**</u> **(cont'd)**

***<u>SFRS(I) 9 Financial Instruments</u> (cont'd)***

*<u>Classification and measurement</u> (cont'd)*

The assessment of the business model and whether the financial assets meet the SPPI requirements was made as of 1 July 2018, and then applied retrospectively to those financial assets that were not de-recognised before 1 July 2018, if any.

The Group's debt instruments have contractual cash flows that are solely payments of principal and interest. The Group has a mixed business model. Debt instruments that were measured at amortised cost previously are held to collect contractual cash flows, and accordingly measured at amortised cost under SFRS(I) 9. For debt instruments that were measured at FVOCI previously, the Group's business model is to hold the debt instrument to collect contractual cash flows and sell, and accordingly measured at FVOCI when it applies SFRS(I) 9. There is no significant impact arising from measurement of these instruments under SFRS(I) 9.

SFRS(I) 9 requires all equity instruments to be carried at FVPL, unless an entity chooses on initial recognition, to present fair value changes in other comprehensive income.

During the financial year ended 30 June 2019, the Group continues to measure its available-for-sale ("**AFS**") quoted equity securities at FVPL.

*<u>Impairment</u>*

SFRS(I) 9 requires the Group to record expected credit losses on all of its financial assets measured at amortised cost or FVOCI and financial guarantees. The Group previously recorded impairment based on the incurred loss model when there is objective evidence that a financial asset is impaired.

No additional impairment on the Group's and the Company's financial assets and contract assets were recognised upon adoption of SFRS(I) 9 as at 1 July 2018.

***<u>IFRS Interpretations Committee - Recognition of borrowing costs</u>***

The Group has early adopted SFRS(I) 15 Revenue from Contracts with Customers in the financial period ended 30 June 2018.

In March 2019, the IFRS Interpretations Committee (the "**IFRSIC**") issued an update on the decisions reached by the IFRSIC and concluded its views that borrowing costs relating to development properties that are ready for its intended sales (i.e. ready for launch) should not be capitalised and instead, be expensed when incurred. Following the update of the agenda decision by IFRSIC, the Group has ceased capitalisation of the borrowing costs relating to its development property when the property is ready for its intended sales.

Accordingly, the Group has restated its previously audited financial figures which are shown as "**IFRSIC Conclusion**".

**3. Summary of significant accounting policies (cont'd)**

**3.2 First-time adoption of SFRS(I) (cont'd)**

**New accounting standards effective on 1 July 2018 (cont'd)**

***IFRS Interpretations Committee - Recognition of borrowing costs* (cont'd)**

Before 1 June 2018, the Group capitalised borrowing costs and recognised such capitalised borrowing costs incurred on development properties on a percentage of completion method. Under IFRSIC Conclusion, borrowing costs incurred in relation to the acquisition of land and construction of development project where revenue is recognised over time is capitalised up to the point that the project is ready for its intended sale. Borrowing costs incurred after that date is expensed as incurred.

As a result, the Group recognised a decrease in development properties of $5,584,000 and corresponding increase in accumulated losses and decrease in non-controlling interests of $2,848,000 and $2,736,000 respectively on 1 January 2017. The Group's balance sheet as at 30 June 2018 was restated, resulting in a decrease in development properties of $7,279,000 and corresponding decreases in retained earnings and non-controlling interests of $3,433,000 and $3,846,000 respectively. The statement of comprehensive income for the financial period ended 30 June 2018 was also restated, resulting in a decrease in cost of sales and increase in finance costs of $624,000 and $2,319,000 respectively.

The following is the reconciliation of the impact arising from the adoption of IFRSIC Conclusion on 1 January 2017 to the balance sheet of the Group.

| | Group | | |
|---|---|---|---|
| | 1 January 2017 (FRS) | IFRSIC Conclusion | 1 January 2017 (SFRS(I)) |
| | $'000 | $'000 | $'000 |
| | Previously Reported | | Restated |
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 340 | – | 340 |
| Deferred costs | 260 | – | 260 |
| | 600 | – | 600 |
| **Current assets** | | | |
| Development properties | 103,137 | (5,584) | 97,553 |
| Deferred costs | 2,997 | – | 2,997 |
| Trade receivables | 5,559 | – | 5,559 |
| Other receivables and other current assets | 12,137 | – | 12,137 |
| Cash at bank | 6,412 | – | 6,412 |
| | 130,242 | (5,584) | 124,658 |
| **Total assets** | 130,842 | (5,584) | 125,258 |

**3. Summary of significant accounting policies (cont'd)**

**3.2 First-time adoption of SFRS(I) (cont'd)**

**New accounting standards effective on 1 July 2018 (cont'd)**

***IFRS Interpretations Committee - Recognition of borrowing costs* (cont'd)**

| | Group | | |
|---|---|---|---|
| | 1 January 2017 (FRS) | IFRSIC Conclusion | 1 January 2017 (SFRS(I)) |
| | $'000 | $'000 | $'000 |
| | Previously Reported | | Restated |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Loans and borrowings | 35,497 | – | 35,497 |
| Loans from non-controlling interests | 13,227 | – | 13,227 |
| Deferred tax liabilities | 1,807 | – | 1,807 |
| | 50,531 | – | 50,531 |
| **Current liabilities** | | | |
| Loans and borrowings | 4,152 | – | 4,152 |
| Trade payables | 20,512 | – | 20,512 |
| Other payables | 14,986 | – | 14,986 |
| Advance billings | 1,865 | – | 1,865 |
| Joint venture | 2,004 | – | 2,004 |
| Associate | 555 | – | 555 |
| Current tax liabilities | 5,835 | – | 5,835 |
| | 49,909 | – | 49,909 |
| **Total liabilities** | 100,440 | – | 100,440 |
| **Net assets** | 30,402 | (5,584) | 24,818 |
| **Equity** | | | |
| **Capital and reserves attributable to owners of the Company** | | | |
| Share capital | 17,738 | – | 17,738 |
| Accumulated losses | (2,269) | (2,848) | (5,117) |
| Other reserves | 2,536 | – | 2,536 |
| **Equity attributable to owners of the Company** | 18,005 | (2,848) | 15,157 |
| **Non-controlling interest** | 12,397 | (2,736) | 9,661 |
| **Total equity** | 30,402 | (5,584) | 24,818 |

**3. Summary of significant accounting policies (cont'd)**

**3.2 First-time adoption of SFRS(I) (cont'd)**

**New accounting standards effective on 1 July 2018 (cont'd)**

***IFRS Interpretations Committee - Recognition of borrowing costs* (cont'd)**

The following is the reconciliation of the impact arising from first-time adoption of IFRSIC Conclusion on 30 June 2018 to the balance sheet of the Group.

| | Group | | |
|---|---|---|---|
| | **30 June 2018 (FRS)** | **IFRSIC Conclusion** | **30 June 2018 (SFRS(I))** |
| | **$'000** | **$'000** | **$'000** |
| | **Previously Reported** | | **Restated** |
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 129 | – | 129 |
| Trade receivables | 59 | – | 59 |
| | 188 | – | 188 |
| **Current assets** | | | |
| Marketable security | 4 | – | 4 |
| Development properties | 143,946 | (7,279) | 136,667 |
| Inventories | 574 | – | 574 |
| Trade receivables | 38,194 | – | 38,194 |
| Other receivables and other current assets | 13,862 | – | 13,862 |
| Fixed deposits pledged | 501 | – | 501 |
| Cash at bank | 2,015 | – | 2,015 |
| | 199,096 | (7,279) | 191,817 |
| **Total assets** | 199,284 | (7,279) | 192,005 |

**3. Summary of significant accounting policies (cont'd)**

**3.2 First-time adoption of SFRS(I) (cont'd)**

**New accounting standards effective on 1 July 2018 (cont'd)**

***IFRS Interpretations Committee - Recognition of borrowing costs* (cont'd)**

| | Group | | |
|---|---|---|---|
| | **30 June 2018 (FRS)** | **IFRSIC Conclusion** | **30 June 2018 (SFRS(I))** |
| | **$'000** | **$'000** | **$'000** |
| | **Previously Reported** | | **Restated** |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Loans and borrowings | 26,938 | – | 26,938 |
| Loans from non-controlling interests | 15,205 | – | 15,205 |
| Provision for warranty | 1,129 | – | 1,129 |
| | 43,272 | – | 43,272 |
| **Current liabilities** | | | |
| Loans and borrowings | 25,592 | – | 25,592 |
| Trade payables | 22,212 | – | 22,212 |
| Other payables | 26,319 | – | 26,319 |
| Advance billings | 11,724 | – | 11,724 |
| Joint venture | 3,547 | – | 3,547 |
| Associate | 1,132 | – | 1,132 |
| Current tax liabilities | 13,370 | – | 13,370 |
| | 103,896 | – | 103,896 |
| **Total liabilities** | 147,168 | – | 147,168 |
| **Net assets** | 52,116 | (7,279) | 44,837 |
| **Equity** | | | |
| **Capital and reserves attributable to owners of the Company** | | | |
| Share capital | 47,801 | – | 47,801 |
| Retained earnings | 5,789 | (3,433) | 2,356 |
| Other reserves | (30,879) | – | (30,879) |
| **Equity attributable to owners of the Company** | 22,711 | (3,433) | 19,278 |
| **Non-controlling interest** | 29,405 | (3,846) | 25,559 |
| **Total equity** | 52,116 | (7,279) | 44,837 |

**3. Summary of significant accounting policies (cont'd)**

**3.2 First-time adoption of SFRS(I) (cont'd)**

**New accounting standards effective on 1 July 2018 (cont'd)**

***IFRS Interpretations Committee - Recognition of borrowing costs* (cont'd)**

The following is the reconciliation of the impact arising from first-time adoption of IFRSIC Conclusion to the consolidated statement of comprehensive income of the Group for the financial period ended 30 June 2018.

| | Group | | |
|---|---|---|---|
| | Financial period from 1 January 2017 to 30 June 2018 (FRS) | IFRSIC Conclusion | Financial period from 1 January 2017 to 30 June 2018 (SFRS(I)) |
| | $'000 | $'000 | $'000 |
| | Previously Reported | | Restated |
| Revenue | 121,426 | – | 121,426 |
| Cost of sales | (63,053) | 624 | (62,429) |
| **Gross profit** | 58,373 | 624 | 58,997 |
| Other operating income | 3,909 | – | 3,909 |
| **Expenses:** | | | |
| Marketing and distribution | (6,499) | – | (6,499) |
| Administrative | (12,523) | – | (12,523) |
| Other | (67) | – | (67) |
| Finance costs | (2,003) | (2,319) | (4,322) |
| Share of results of joint venture | (1,543) | – | (1,543) |
| Share of results of associate | (577) | – | (577) |
| **Profit before tax from continuing operations** | 39,070 | (1,695) | 37,375 |
| Income tax expense | (11,075) | – | (11,075) |
| **Net profit from continuing operations, net of tax** | 27,995 | (1,695) | 26,300 |
| Net loss from discontinued operations, net of tax | (2,982) | – | (2,982) |
| **Net profit for the financial period** | 25,013 | (1,695) | 23,318 |
| **Other comprehensive income, net of tax:** | | | |
| **Items that may be reclassified subsequently to profit or loss** | | | |
| Currency translation differences arising from consolidation | 973 | – | 973 |
| **Total comprehensive income for the financial period** | 25,986 | (1,695) | 24,291 |

**3. Summary of significant accounting policies (cont'd)**

**3.2 First-time adoption of SFRS(I) (cont'd)**

**New accounting standards effective on 1 July 2018 (cont'd)**

***IFRS Interpretations Committee - Recognition of borrowing costs* (cont'd)**

| | Group | | |
|---|---|---|---|
| | **Financial period from 1 January 2017 to 30 June 2018 (FRS)** | **IFRSIC Conclusion** | **Financial period from 1 January 2017 to 30 June 2018 (SFRS (I))** |
| | **$'000** | **$'000** | **$'000** |
| | **Previously Reported** | | **Restated** |
| **Attributable to:** | | | |
| **Owners of the Company** | | | |
| Profit from continuing operations, net of tax | 11,414 | (585) | 10,829 |
| Loss from discontinued operations, net of tax | (2,982) | – | (2,982) |
| Profit for the financial period attributable to owners of the Company | 8,432 | (585) | 7,847 |
| **Non-controlling interests** | | | |
| Profit from continuing operations, net of tax | 16,581 | (1,110) | 15,471 |
| Loss from discontinued operations, net of tax | – | – | – |
| Profit for the financial period attributable to non-controlling interest | 16,581 | (1,110) | 15,471 |
| **Attributable to:** | | | |
| **Owners of the Company** | 8,978 | (585) | 8,393 |
| **Non-controlling interest** | 17,008 | (1,110) | 15,898 |
| **Total comprehensive income for the financial period** | 25,986 | (1,695) | 24,291 |
| **Attributable to:** | | | |
| **Owners of the Company** | | | |
| Total comprehensive income from continuing operations, net of tax | 11,960 | (585) | 11,375 |
| Total comprehensive loss from discontinued operations, net of tax | (2,982) | – | (2,982) |
| **Total comprehensive income for the financial period attributable to owners of the Company** | 8,978 | (585) | 8,393 |
| **Earnings per share from continuing operations attributable to owners of the Company** | **Singapore cents per share** | **Singapore cents per share** | **Singapore cents per share** |
| Basic and diluted | 2.33 | (0.12) | 2.21 |
| **Earnings per share** | | | |
| Basic and diluted | 1.72 | (0.12) | 1.60 |

**3. Summary of significant accounting policies (cont'd)**

**3.3 Standards issued but not yet effective**

The Group has not adopted the following applicable standards that have been issued but not yet effective:

| | **Effective for annual periods beginning on or after** |
|---|---|
| SFRS (I) 16 *Leases* | 1 January 2019 |
| SFRS (I) INT 123 *Uncertainty over Income Tax Treatments* | 1 January 2019 |
| Amendments to SFRS(I) 1-28 *Long-term interests in Associates and Joint Ventures* | 1 January 2019 |
| Amendments to SFRS(I) 1-19 *Plan Amendment, Curtailment or Settlement* | 1 January 2019 |
| Annual Improvements to SFRS(I)s 2015-2017 Cycle | 1 January 2019 |
| Amendments to SFRS(I) 3: *Definition of a Business* | 1 January 2020 |
| Amendments to SFRS(I) 1-1 and SFRS(I) 1-8: *Definition of Material* | 1 January 2020 |
| Amendments to SFRS(I) 10 and SFRS(I) 1-28 *Sales or Contribution of Assets between an Investor and its Associate or Joint Venture* | Date to be determined |

Except for SFRS(I) 16, the directors expect that the adoption of the other standards above will have no material impact on the Group's financial statements in the year of initial application. The nature of the impending changes in accounting policy on adoption of SFRS(I) 16 are described below.

**SFRS(I) 16 Leases**

SFRS(I) 16 requires lessees to recognise most leases on balance sheet. The standard includes two recognition exemptions for lessees – leases of 'low value' assets and short-term leases. SFRS(I) 16 is effective to the Group's financial statements for the financial year beginning 1 July 2019. At commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Group plans to adopt SFRS(I) 16 retrospectively with the cumulative effect of initially applying the standard as an adjustment to the opening accumulated losses at the date of initial application, 1 July 2019.

On the adoption of SFRS(I) 16, the Group expects to choose, on a lease-by-lease basis, to measure the right-of-use asset at either:

(i) its carrying amount as if SFRS(I) 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate as of 1 July 2019; or

(ii) an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet immediately before 1 July 2019.

**3. Summary of significant accounting policies (cont'd)**

**3.3 Standards issued but not yet effective (cont'd)**

**SFRS(I) 16 Leases (cont'd)**

In addition, the Group plans to elect the following practical expedients:

- not to reassess whether a contract is, or contains a lease at the date of initial application and to apply SFRS(I) 16 to all contracts that were previously identified as leases;
- to apply the exemption not to recognise right-of-use asset and lease liabilities to leases for which the lease term ends within 12 months as of 1 July 2019; and
- to apply a single discount rate to a portfolio of leases with reasonably similar characteristics.

The Group has performed a preliminary impact assessment based on currently available information, and the assessment may be subject to changes arising from ongoing analysis.

On the adoption of SFRS(I) 16, the Group expects to record an adjustment to increase right-of-use assets and corresponding adjustment to lease liabilities as at 1 July 2019. In addition, the Group expects to record an adjustment to increase its depreciation and interest expense with related adjustment to lease expenses recorded under the "Administrative expense" line item.

**3.4 Basis of consolidation and business combinations**

**(a) Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of each of the reporting periods. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

**(b) Transactions with non-controlling interest**

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

**3. Summary of significant accounting policies (cont'd)**

**3.4 Basis of consolidation and business combinations (cont'd)**

**(c) Business combinations involving entities under common control**

Business combinations involving entities under common control are accounted for by applying the pooling of interest method which involves the following:

- The assets and liabilities of the combining entities are reflected at their carrying amounts reported in the consolidated financial statements of the controlling holding company.
- No adjustments are made to reflect the fair values on the date of combination, or recognise any new assets or liabilities.
- No additional goodwill is recognised as a result of the combination.
- Any difference between the consideration paid/transferred and the equity 'acquired' is reflected within the equity as merger reserve.
- The statement of comprehensive income reflects the results of the combining entities for the full year, irrespective of when the combination took place.

Comparatives are restated to reflect the combination as if it had occurred from the beginning of the earliest period presented in the financial statements or from the date the entities had come under common control, if later.

**3.5 Foreign currency**

The functional currency of the Company is Singapore Dollars ("**SGD**" or "**$**") as it reflects the primary economic environment which the entity operates. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

**(a) Transactions and balances**

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

**(b) Translation**

For consolidation purpose, the assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the end of each of the reporting periods and their profit or loss are translated at the average exchange rates prevailing during the reporting period. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

**3. Summary of significant accounting policies (cont'd)**

**3.6 Revenue recognition**

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when/as the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service.

A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

**(a) Sale of development properties held for sale and revenue from construction contracts**

The Group develops and sells residential and commercial properties before completion of construction of the properties.

Revenue is recognised when control over the property has been transferred to the customer, either over time or at a point in time, depending on the contractual terms and the practices in the legal jurisdictions.

For development properties whereby the Group is restricted contractually from directing the properties for another use as they are being developed and has an enforceable right to payment for performance completed to date, revenue is recognised over time, based on the construction and other costs incurred to date as a proportion of the estimated total construction and other costs to be incurred.

For development properties whereby the Group does not have an enforceable right to payment for performance completed to date, revenue is recognised when the customer obtains control of the asset.

Progress billings to the customers are based on a payment schedule in the contract and are typically triggered upon achievement of specified construction milestones. A contract asset is recognised when the Group has performed under the contract but has not yet billed the customer. Conversely, a contract liability is recognised when the Group has not yet performed under the contract but has received advanced payments from the customer. Contract assets are transferred to receivables when the rights to consideration become unconditional. Contract liabilities are recognised as revenue as the Group performs under the contract.

Incremental costs of obtaining a contract are capitalised if these costs are recoverable. Costs to fulfil a contract are capitalised if the costs relate directly to the contract, generate or enhance resources used in satisfying the contract and are expected to be recovered. Other contract costs are expensed as incurred.

Capitalised contract costs are subsequently amortised on a systematic basis as the Group recognises the related revenue. An impairment loss is recognised in profit or loss to the extent that the carrying amount of the capitalised contract costs exceeds the remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the contract costs relates less the costs that relate directly to providing the goods and that have not been recognised as expenses.

**(b) Rental income**

Rental income arising from operating leases is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

**(c) Interest income**

Interest income is recognised using the effective interest method.

**3. Summary of significant accounting policies (cont'd)**

**3.6 Revenue recognition (cont'd)**

**(d) Forfeiture income**

Deposit collected from customer pertaining to contract is forfeited and recognised as income when the customer cancels the contract or when the Group evokes the terms of the contract for non-performance on the part of the customer. Forfeiture income is recognised in the profit or loss as incurred.

**(e) Sale of goods**

Revenue is recognised when the goods are delivered to the customers and all criteria for acceptance have been satisfied.

**3.7 Leases**

**(a) As lessee**

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Where a sale-and-leaseback transaction results in an operating lease, and it is clear that the transaction is established at fair value, any profit or loss shall be recognised immediately. If the sale price is below fair value, any profit or loss shall be recognised immediately except that, if the loss is compensated for by future lease payments by the Group at below market price, it shall be deferred and amortised in proportion to the lease payments over the period for which the asset is expected to be used. If the sale price is above fair value, the excess over fair value shall be deferred and amortised over the period for which the asset is expected to be used.

**(b) As lessor**

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 3.6(b). Contingent rents are recognised as revenue in the period in which they are earned.

**3.8 Borrowing costs**

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

**3.9 Employee benefits**

**(a) Defined contribution plans**

The Group participates in national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund scheme in Singapore, and the Malaysian companies in the Group make contributions to the Employees Provident Fund scheme in Malaysia, which are defined contribution pension schemes. Contributions to defined contribution pension schemes are recognised as expense in the period in which the related service is performed.

**3. Summary of significant accounting policies (cont'd)**

**3.9 Employee benefits (cont'd)**

**(b) Employees share option plans**

Employees of the Group and Directors may receive remuneration in the form of share options as consideration for services rendered. The cost of these equity-settled share based payment transactions with participants is measured by reference to the fair value of the options at the date on which the options are granted which takes into account market conditions and non-vesting conditions. This cost is recognised in profit or loss, with a corresponding increase in the share options reserve, over the vesting period. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of options that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employees benefit expense.

The share options reserve is transferred to retained earnings upon expiry of the share option.

**3.10 Taxes**

**(a) Current income tax**

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

**(b) Deferred tax**

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

## 3. Summary of significant accounting policies (cont'd)

### 3.10 Taxes (cont'd)

#### (c) Sales tax

Revenue, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of sales tax included.

### 3.11 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

The cost of an item of property, plant and equipment includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The projected cost of dismantlement, removal or restoration is also included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset. Expenditure relating to construction is capitalised as capital work-in-progress when incurred and no depreciation is provided until the construction is completed.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

| | Useful lives |
|---|---|
| Property | 40 years |
| Computer equipment | 1 year |
| Plant and equipment | 1 to 10 years |
| Motor vehicles | 5 to 6 years |
| Office equipment and furniture of fittings consist of: | |
| - Artworks | 3 years |
| - Office equipment | 3 years |
| - Furniture and fittings | 4 years |
| Show units | 4 years |
| Renovations | 5 years |

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful lives and depreciation method are reviewed at each reporting period, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on de-recognition of the asset is included in profit or loss in the year the asset is de-recognised.

## 3. Summary of significant accounting policies (cont'd)

### 3.12 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of work-in-progress and finished goods comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. The net realisable value represents the estimated selling price in the ordinary course of business, less the estimated costs of completion and applicable variable selling expenses.

### 3.13 Subsidiaries

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Company's balance sheet, investments in subsidiaries are accounted for at cost less impairment losses.

### 3.14 Associate and joint venture

An associate is an entity over which the Group has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control of those policies.

A joint venture is an entity over which the Group and its partners have joint control over the entity's operations via a contractual arrangement.

The Group accounts for its investment in associate and joint venture using the equity method from the date which it becomes an associate or joint venture.

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities is accounted as goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate or joint venture's profit or loss in the period in which the investment is acquired.

Under the equity method, the investment in associate or joint venture is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate or joint venture. The profit or loss reflects the share of results of the operations of the associate or joint venture. Distributions received from associate or joint ventures reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the associate or joint venture, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

When the Group's share of losses in an associate or joint venture equals or exceeds its interest in the associate or joint venture, the Group does not recognise further losses, unless it has incurred obligations or provided advances/loans to or made payments on behalf of the associate or joint venture.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in associate or joint venture. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate or joint venture is impaired.

If there is objective evidence that impairment has arisen, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognises the amount in profit or loss.

The financial statements of the associate or joint venture are prepared as the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

## 3. Summary of significant accounting policies (cont'd)

### 3.15 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognised in profit or loss.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

### 3.16 Development properties

Development properties are properties acquired or constructed for sale in the ordinary course of business, rather than to be held for the Group's own use, rental or capital appreciation.

**Development properties are measured at lower of cost and net realisable value**

Completed development properties/development properties under construction (unsold units) are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, based on market prices at the reporting date and discounted for the time value of money if material, less the estimated costs to completion and the estimated costs necessary to make the sale.

The costs of development properties recognised in profit or loss on disposal are determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs based on the relative size of the property sold.

**Contract costs**

Costs to obtain contracts are deferred if they are incurred to obtain a contract with a customer that the Group would not have incurred if the contract had not been obtained, and the costs are expected to be recoverable.

Costs to fulfil a contract are deferred if the costs relate directly to the contract, generate or enhance resources used in satisfying the contract and are expected to be recovered.

Subsequent to initial measurement, contract costs are amortised to profit or loss using the same measure of progress as the related contract revenue.

The Group recognises an impairment loss in profit or loss to the extent that the carrying amount of the contract costs exceeds the remaining amount of consideration that the Group expects to receive for the sold units less the estimated costs of completion that have not been recognised as expenses. An impairment loss is reversed if the conditions no longer exist or have improved.

## 3. Summary of significant accounting policies (cont'd)

### 3.17 Financial instruments

These accounting policies are applied on and after the initial application date of SFRS(I) 9, 1 July 2018.

**(a) Financial assets**

**Initial recognition and measurement**

Financial assets are recognised when, and only when the entity becomes party to the contractual provisions of the instruments.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

**Subsequent measurement**

*Investments in debt instruments*

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. The three measurement categories for classification of debt instruments are:

**(i) Amortised cost**

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are de-recognised or impaired, and through amortisation process.

**(ii) Fair value through other comprehensive income ("FVOCI")**

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Financial assets measured at FVOCI are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is de-recognised.

**(iii) Fair value through profit or loss ("FVPL")**

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt instruments that is subsequently measured at FVPL and is not part of a hedging relationship is recognised in profit or loss in the period in which it arises.

**3. Summary of significant accounting policies (cont'd)**

**3.17 Financial instruments (cont'd)**

**(a) Financial assets (cont'd)**

**De-recognition**

A financial asset is de-recognised where the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income for debt instruments is recognised in profit or loss.

**(b) Financial liabilities**

All financial liabilities are recognised initially at fair value, plus directly attributable transaction costs. After initial recognition, financial liabilities are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are de-recognised, and through the amortisation process.

**Initial recognition and measurement**

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at FVPL, directly attributable transaction costs.

**Subsequent measurement**

After initial recognition, financial liabilities that are not carried at FVPL are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are de-recognised, and through the amortisation process.

**De-recognition**

A financial liability is de-recognised when the obligation under the liability is discharged, cancelled or expired. On de-recognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

These accounting policies are applied before the initial application date of SFRS(I) 9, 1 July 2018.

**(a) Financial assets**

**Classification**

The Group classifies its financial assets in the following categories: financial assets at FVPL and loans and receivables. The classification depends on the purpose of which the assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date, with the exception of the designation of financial assets at FVPL, which is irrevocable.

**(i) Financial assets at fair value through profit or loss**

Financial assets designated at FVPL at inception are those that are managed and their performances are evaluated on a fair value basis, in accordance with a documented Group investment strategy. Assets in this category are presented as current assets if they are either trading or are expected to be realised within 12 months after the balance sheet date.

**3. Summary of significant accounting policies (cont'd)**

**3.17 Financial instruments (cont'd)**

**(a) Financial assets (cont'd)**

**(ii) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provide money, goods or services directly to a debtor with no intention of trading the receivables. They are presented as current assets, except for those maturing later than 12 months after the balance sheet date, in which case they are presented as non-current assets.

**Recognition and de-recognition**

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

Purchase and sales of financial assets in a regular way are recognised on trade-date, the date on which the Group commits to purchase and sell the asset.

Financial assets are de-recognised where the contractual right to receive cash flows from the asset has expired or has been transferred and the Group has transferred substantially all risks and rewards of ownership. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in profit or loss.

**Initial measurement**

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at FVPL, which are recognised at fair value. Transaction costs for financial assets at FVPL are recognised immediately in the income statement.

**Subsequent measurement**

Financial assets at FVPL are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Changes in fair values of financial assets at FVPL including the effects of currency translation, interest and dividend, are recognised in the income statement when changes arise.

**(b) Financial liabilities**

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value, plus directly attributable transaction costs. After initial recognition, financial liabilities are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are de-recognised, and through the amortisation process.

A financial liability is de-recognised when the obligation under the liability is discharged, cancelled or expired.

**(c) Offsetting of financial instruments**

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

## 3. Summary of significant accounting policies (cont'd)

### 3.18 Impairment of financial assets

**These accounting policies are applied on and after the initial application date of SFRS(I) 9, 1 July 2018**

The Group recognises an allowance for expected credit losses ("**ECLs**") for all debt instruments not held at fair value through profit or loss and financial guarantee contracts. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

**These accounting policies are applied before the initial application date of SFRS(I) 9, 1 July 2018**

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised, are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial asset is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

**3. Summary of significant accounting policies (cont'd)**

**3.18 Impairment of financial assets (cont'd)**

**<u>These accounting policies are applied before the initial application date of SFRS(I) 9, 1 July 2018</u> (cont'd)**

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

**3.19 Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and on hand and fixed deposits that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

**3.20 Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

**3.21 Government grants**

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the balance sheet and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Where loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as additional government grant.

**3.22 Share capital and share issuance expenses**

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

**3.23 Treasury shares**

The Group's own equity instruments, which are re-acquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount of treasury shares and the consideration received, if reissued, is recognised directly in equity. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively.

**4. Critical accounting judgments and key sources of estimation uncertainty**

While applying the accounting policies as stated in Note 3, management has made certain judgments, estimates and assumptions that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

## 4. Critical accounting judgments and key sources of estimation uncertainty (cont'd)

The estimates and underlying assumptions are reviewed on an ongoing basis. Financial impact arising from revision to accounting estimates is recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### 4.1 Critical judgments in applying accounting policies

Significant judgments made by management that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

**(a) Impairment of non-financial assets**

Non-financial assets are tested for impairment whenever there is objective evidence or indication that these assets may be impaired. Judgment is required to determine if any such evidence or indication exists, based on the evaluation of both internal and external sources of information. An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. Based on management's assessment, other than the impairment of investment in subsidiaries and development properties, there were no indicators of impairment of other non-financial assets.

**(b) Contracts with customers**

**Satisfaction of performance obligations**

The Group is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method for recognising revenue. The Group has assessed that based on the contracts entered into with customers and the provisions of relevant laws and regulations, the Group recognises revenue over time where contracts are entered into for property development (sale of properties to customers), the Group does not create an asset with an alternative use to the Group and has an enforceable right to payment for performance completed to date.

Where the above criteria are not met, revenue is recognised at a point in time. Where revenue is recognised at a point of time, the Group assesses each contract with customers to determine when the performance obligation of the Group under the contract is satisfied.

**Determination of transaction prices**

The Group is required to determine the transaction price in respect of each of its contracts with customers. In making such judgment, the Group assesses the impact of any variable consideration in the contract, due to discounts or penalties, the existence of any significant financing component and any non-cash consideration in the contract.

### 4.2 Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

**(a) Allocation of transaction price to performance obligations in contracts with customers**

The Group applies the input method in allocating the transaction price to performance obligations where revenue is recognised over time. The Group considers that the use of the input method, which requires revenue recognition on the basis of the Group's efforts to the satisfaction of performance obligation, provides the best reference of revenue actually earned. In applying the input method, the Group estimates the efforts or inputs to the satisfaction of a performance obligation. These estimates mainly include: (a) for development contracts, the cost of development and (b) for services contracts, the time elapsed.

**4. Critical accounting judgments and key sources of estimation uncertainty (cont'd)**

**4.2 Key sources of estimation uncertainty (cont'd)**

**(b) Estimation of net realisable value for development properties**

Development properties are stated at lower of cost or net realisable value ("**NRV**"). NRV is assessed with reference to the estimated selling prices and estimated total construction costs. The estimated selling prices are based on recent selling prices for the development project or comparable projects and prevailing market conditions or indicative offers. The estimated total construction costs are based on contracted amounts and, in respect of amounts not contracted for, management's estimates of the amounts to be incurred taking into consideration historical trends of the amounts incurred.

The Group's carrying value of development properties as at 30 June 2019 is $136,163,000 (30 June 2018: $136,667,000, 1 January 2017: $97,553,000).

During the financial year ended 30 June 2019, $931,000 (2018: $Nil) of write down of development properties was charged to the Group's profit or loss.

**(c) Provision for expected credit losses of trade receivables**

The Group calculates ECLs provision for trade receivables based on the Group's historical observed default rates. The Group's ECLs provision adjusts for its historical credit loss experience with forward-looking information. At every reporting date, historical default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The management is satisfied that no ECLs is required on its trade receivables.

The Group's carrying amount of trade receivables as at 30 June 2019 is $13,652,000 (30 June 2018: $38,253,000, 1 January 2017: $5,559,000).

**(d) Estimation of the recoverable value of the Company's investment in subsidiaries**

An estimate of the projected cash flow from the Company's investment in subsidiaries is made when there is indication that impairment exists. The projected cash flow is based on assumptions, including, amongst others, the expected performance, the materialisation of the business plans and macroeconomic environment that is beyond the control of management, which are inherently subjected to uncertainties. The recoverable value of the Company's investments in subsidiaries represents management's best estimate as at the end of the reporting period.

The Company's carrying amount of investment in subsidiaries as at 30 June 2019 is $49,198,000 (30 June 2018: $169,647,000, 1 January 2017: $Nil). During the financial year ended 30 June 2019, impairment of investment in subsidiaries amounted to $120,449,000 (30 June 2018: $1,941,000) was charged to the Company's profit or loss.

## 5. Revenue

| | Group | |
|---|---|---|
| | Financial year ended 30 June 2019<br>$'000 | Financial period from 1 January 2017 to 30 June 2018<br>$'000 |
| Sale of development properties | 4,519 | 117,417 |
| Revenue from construction contracts | – | 3,963 |
| Sale of goods | – | 46 |
| | 4,519 | 121,426 |

The following table provides information about receivables and contract liabilities from contracts with customers.

| | Group | |
|---|---|---|
| | 30 June 2019<br>$'000 | 30 June 2018<br>$'000 |
| Receivables from contracts with customers (included in "**Trade receivables**") (Note 19) | 8,823 | 37,316 |
| Contract liabilities ("**Advance billings**") | – | (11,724) |

The contract liabilities primarily relate to advance consideration received from customers, for which revenue is recognised as construction progresses.

**Contract balances**

| | Group | |
|---|---|---|
| | 30 June 2019<br>$'000 | 30 June 2018<br>$'000 |
| Beginning balance | 11,724 | 1,865 |
| Revenue recognised for the financial year/period | (4,519) | (121,380) |
| Ending balance | – | 11,724 |

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date:

| | Group | |
|---|---|---|
| | 30 June 2019<br>$'000 | 30 June 2018<br>$'000 |
| Aggregate amount of the transaction price allocated to sale of development properties and construction contracts that are partially or fully unsatisfied as at the end of financial year/period | – | 11,724 |

Contract liabilities are recognised as revenue as the Group performs its obligations under the contract.

## 5. Revenue (cont'd)

### Disaggregation of revenue

| | Development properties | | Construction contracts | | Sale of goods | | Corporate service | | Adjustments and eliminations | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 30 June 2019 $'000 | 30 June 2018 $'000 | 30 June 2019 $'000 | 30 June 2018 $'000 | 30 June 2019 $'000 | 30 June 2018 $'000 | 30 June 2019 $'000 | 30 June 2018 $'000 | 30 June 2019 $'000 | 30 June 2018 $'000 | 30 June 2019 $'000 | 30 June 2018 $'000 |
| **Primary geographical markets** | | | | | | | | | | | | |
| Singapore | – | – | – | 3,963 | – | 46 | – | 822 | – | (822) | – | 4,009 |
| Malaysia | 4,519 | 117,417 | – | – | – | – | – | – | – | – | 4,519 | 117,417 |
| | 4,519 | 117,417 | – | 3,963 | – | 46 | – | 822 | – | (822) | 4,519 | 121,426 |
| **Major product or service lines** | | | | | | | | | | | | |
| Residential properties | 4,519 | 117,417 | – | – | – | – | – | – | – | – | 4,519 | 117,417 |
| Construction contracts for housing development board properties | – | – | – | 1,659 | – | – | – | – | – | – | – | 1,659 |
| Construction contracts for condominium and other properties | – | – | – | 2,304 | – | – | – | – | – | – | – | 2,304 |
| Trading income | – | – | – | – | – | 46 | – | – | – | – | – | 46 |
| Corporate service | – | – | – | – | – | – | – | 822 | – | (822) | – | – |
| | 4,519 | 117,417 | – | 3,963 | – | 46 | – | 822 | – | (822) | 4,519 | 121,426 |
| **Timing of transfer of goods or services** | | | | | | | | | | | | |
| At a point in time | – | – | – | – | – | 46 | – | – | – | – | – | 46 |
| Over time | 4,519 | 117,417 | – | 3,963 | – | – | – | 822 | – | (822) | 4,519 | 121,380 |
| | 4,519 | 117,417 | – | 3,963 | – | 46 | – | 822 | – | (822) | 4,519 | 121,426 |

## 6. Other operating income

| | Group | |
|---|---|---|
| | Financial year ended 30 June 2019 | Financial period from 1 January 2017 to 30 June 2018 |
| | $'000 | $'000 |
| Forfeiture income | 418 | 396 |
| Interest income | 377 | 332 |
| Rental income | 62 | 201 |
| Others | 44 | 162 |
| Gain on acquisition of subsidiaries (negative goodwill) | – | 1,224 |
| Reversal of provision for warranty | – | 1,077 |
| Foreign exchange net gain | – | 422 |
| Reversal of write-down of inventories | – | 95 |
| | 901 | 3,909 |

## 7. Other expense

| | Group | |
|---|---|---|
| | Financial year ended 30 June 2019 | Financial period from 1 January 2017 to 30 June 2018 |
| | $'000 | $'000 |
| Penalties imposed by Malaysian Tax Authority | 3,110 | – |
| Write down of development properties | 931 | – |
| Bad debts written off | 49 | – |
| Penalties and fine | – | 54 |
| Loss on disposal of property, plant and equipment | – | 13 |
| | 4,090 | 67 |

## 8. Finance costs

| | Group | |
|---|---|---|
| | Financial year ended 30 June 2019 | Financial period from 1 January 2017 to 30 June 2018 |
| | $'000 | $'000 |
| Interest expense on: | | |
| Loan from a group of third parties | 8,027 | – |
| Bank loan | 2,851 | 3,547 |
| Amount due to a related party | 161 | 574 |
| Bank overdrafts | 124 | 194 |
| Finance lease liabilities | 2 | 7 |
| | 11,165 | 4,322 |

**9. (Loss)/Profit before tax from continuing operations**

The following items have been included in arriving at (loss)/profit before tax from continuing operations:

| | Group | |
|---|---|---|
| | **Financial year ended 30 June 2019** | **Financial period from 1 January 2017 to 30 June 2018** |
| | **$'000** | **$'000** |
| Employee benefit expense (including directors): | | |
| - salaries and bonuses | 2,834 | 5,571 |
| - contributions to defined contribution plans | 280 | 535 |
| - staff welfare | 195 | 321 |
| Write down of development properties | 931 | – |
| Foreign exchange net loss | 871 | – |
| Amortisation of transaction costs: | | |
| - loan from a group of third parties | 478 | – |
| - bank loan | 69 | – |
| Operating lease expenses | 371 | 900 |
| Audit fees: | | |
| - auditor of the Company | 136 | 150 |
| - other auditors | 2 | 9 |
| Non-audit fees: | | |
| - auditor of the Company | 8 | – |
| - other auditors | 16 | 27 |
| Depreciation of property, plant and equipment | 113 | 449 |
| Bad debts written off | 49 | – |
| Reversal of write-down of inventories | – | (95) |
| Amortisation of deferred costs | – | 5,237 |
| Transaction costs arising from the Reverse Acquisition | – | 234 |
| Inventories written-down | – | 199 |
| Provision for warranty | – | 177 |

## 10. Income tax expense

**Major components of income tax expense**

The major components of income tax expense for the respective financial year/period are as follow:

| | Group | |
|---|---|---|
| | Financial year ended 30 June 2019 | Financial period from 1 January 2017 to 30 June 2018 |
| | $'000 | $'000 |
| **Consolidated Statement of Comprehensive Income** | | |
| Current income tax – continuing operations: | | |
| - Current income taxation | – | 12,663 |
| - Under-provision in respect of previous years | 1,865 | 219 |
| | 1,865 | 12,882 |
| Deferred income tax – continuing operations (Note 25): | | |
| - Origination and reversal of temporary differences | – | (1,807) |
| Income tax attributable to continuing operations | 1,865 | 11,075 |
| Income tax attributable to discontinued operations | – | – |
| Income tax expense recognised in profit or loss | 1,865 | 11,075 |

**Relationship between tax expense and accounting profit**

A reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the respective financial year/period are as follow:

| | Group | |
|---|---|---|
| | Financial year ended 30 June 2019 | Financial period from 1 January 2017 to 30 June 2018 |
| | $'000 | $'000 |
| (Loss)/Profit before tax from continuing operations | (22,835) | 37,375 |
| Loss before tax from discontinued operations (Note 11) | (519) | (2,982) |
| Accounting (loss)/profit before tax | (23,354) | 34,393 |
| Tax calculated using Singapore tax rate at 17% (2018: 17%) | (3,970) | 5,847 |
| Effects of tax rates in foreign jurisdictions | 768 | 4,034 |
| Under-provision in respect of prior years | 1,865 | 219 |
| Expenses not deductible for tax purposes | 1,546 | 1,105 |
| Deferred tax assets not recognised | 1,480 | 76 |
| Effects of share of results of associate | 73 | 98 |
| Effects of share of results of joint venture | 82 | 262 |
| Others | 21 | 9 |
| Income not subjected for tax purposes | – | (575) |
| Income tax expense recognised in profit or loss | 1,865 | 11,075 |

## 11. Discontinued operations

### (a) Financial year ended 30 June 2019

On 22 May 2019, the Company announced its decision to liquidate two of its wholly-owned subsidiaries, Durabeau Industries Pte Ltd and LH Aluminium Pte. Ltd. (collectively, the "**Aluminium Division**"). On 30 May 2019, the control of Aluminium Division was transferred to its liquidators. Accordingly, the results of Aluminium Division are presented separately as "Net loss from discontinued operations, net of tax". At the date of issue of this set of financial statements, the liquidation is still on-going.

### (b) Financial period ended 30 June 2018

On 8 May 2017, the Company entered into a sale and purchase agreement to dispose all of its 51% shareholding in Autotrax International Pte. Ltd. and its wholly-owned subsidiary, Autovox Korea Co., Ltd. (collectively the "**Autotrax Group**"). The results of Autotrax Group were previously reported as "Others Segment". The disposal was completed on 25 May 2017. Accordingly, the results of Autotrax Group were presented separately as "Net loss from discontinued operations, net of tax".

**Balance sheet disclosures**

The major classes of assets and liabilities of the Aluminum Division which commenced liquidation during the financial year ended 30 June 2019 and Autotrax Group which was disposed during the financial period ended 30 June 2018 are as follow:

| | Aluminium Division | Autotrax Group |
|---|---|---|
| | 30 May 2019 | 25 May 2017 |
| | $'000 | $'000 |
| **Assets:** | | |
| Property, plant and equipment | 1 | 324 |
| Inventories | 13 | 2,042 |
| Trade and other receivables | 2,035 | 647 |
| Cash and short-term deposits | 4 | 21 |
| Assets of discontinued operations | 2,053 | 3,034 |
| **Liabilities:** | | |
| Trade and other payables | 6,806 | 2,306 |
| Loans and borrowings | – | 9,309 |
| Provision for income tax | – | 44 |
| Liabilities of discontinued operations | 6,806 | 11,659 |
| Net liabilities of discontinued operations | (4,753) | (8,625) |

**11. Discontinued operations (cont'd)**

**Income statement disclosures**

The results of Aluminium Division and Autotrax Group for the respective financial year/period are as follow:

| | Group | |
|---|---|---|
| | Financial year ended 30 June 2019 | Financial period from 1 January 2017 to 30 June 2018 |
| | $'000 | $'000 |
| Revenue | 2,479 | 52 |
| Expenses | (7,751) | (4,101) |
| Loss from discontinued operations | (5,272) | (4,049) |
| Gain on liquidated/disposed of subsidiaries | 4,753 | 1,067 |
| Net loss from discontinued operations, net of tax | (519) | (2,982) |

**Loss per share disclosures**

| | Group | |
|---|---|---|
| | Financial year ended 30 June 2019 | Financial period from 1 January 2017 to 30 June 2018 |
| | Singapore cents per share | Singapore cents per share |
| Loss per share from discontinued operations attributable to owners of the Company | | |
| Basic and diluted | (0.10) | (0.61) |

The basic loss per share from discontinued operations are calculated by dividing the loss from discontinued operations, net of tax, attributable to owners of the Company, by the weighted average number of ordinary shares in issue (excluding treasury shares) during the reporting period.

The diluted loss per share from discontinued operations are calculated by dividing the loss for discontinued operations, net of tax, attributable to owners of the Company, by the weighted average number of ordinary shares in issue (excluding treasury shares) as adjusted for the effects of all dilutive potential ordinary shares during the reporting period.

These losses and share data are presented in Note 12. The basic and diluted loss per share for discontinued operations are the same as the outstanding share options are anti-dilutive.

## 12. Earnings per share

### (a) Continuing operations

Basic earnings per share from continuing operations are calculated by dividing (loss)/profit from continuing operations, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year/period.

Diluted earnings per share from continuing operations are calculated by dividing (loss)/profit from continuing operations, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year/period plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The basic and diluted earnings per share for the financial year/period ended 30 June 2019 and 2018 are the same because the share options of the Company were anti-dilutive and does not have any potential dilutive ordinary shares for the respective financial year/period.

The following tables reflect the (loss)/profit and share data used in the computation of basic and diluted earnings per share for the financial year/period ended 30 June:

| | Group | |
|---|---|---|
| | **Financial year ended 30 June 2019** | **Financial period from 1 January 2017 to 30 June 2018** |
| | **$'000** | **$'000** |
| (Loss)/Profit from continuing operations, net of tax, attributable to owners of the Company used in the computation of basic and diluted earnings per share from continuing operations | (24,497) | 10,829 |
| | **No. of Shares** | **No. of Shares** |
| | **'000** | **'000** |
| Weighted average number of ordinary shares for basic and diluted earnings per share | 499,661 | 490,488[1][2] |
| **Earnings per share** | **Singapore cents per share** | **Singapore cents per share** |
| Basic and diluted | (4.90) | 2.21 |

[1] The weighted average number of ordinary shares (excluding treasury shares) outstanding during the financial period ended 30 June 2018 was adjusted for the effects of the Share Split as disclosed in Note 31(a) to the financial statements.

[2] The basic and diluted earnings per share was computed based on the weighted average number of ordinary shares (excluding treasury shares) adjusted for the Share Split.

In connection with the Reverse Acquisition, the number of ordinary shares outstanding from the beginning of the period to the completion date of the Reverse Acquisition for purpose of calculating the weighted average number of ordinary shares is deemed to be the number of ordinary shares issued by the Company to the owners of the Target Group. The number of ordinary shares outstanding from the completion date to the end of the period is the weighted average number of ordinary shares of the Company outstanding during the period.

The basic and diluted loss per share for discontinued operations are the same as the outstanding share options are anti-dilutive.

**12. Earnings per share (cont'd)**

**(b) Earnings per share computation**

| | Group | |
|---|---|---|
| | **Financial year ended 30 June 2019** | **Financial period from 1 January 2017 to 30 June 2018** |
| | **$'000** | **$'000** |
| (Loss)/Profit attributable to owners of the Company used in the computation of basic and diluted earnings per share | (25,016) | 7,847 |
| | **No. of Shares** | **No. of Shares** |
| | **'000** | **'000** |
| Weighted average number of ordinary shares for basic and diluted earnings per share | 499,661 | 490,488[1][2] |
| **Earnings per share** | **Singapore cents per share** | **Singapore cents per share** |
| Basic and diluted | (5.01) | 1.60 |

(1) The weighted average number of ordinary shares (excluding treasury shares) outstanding during the financial period ended 30 June 2018 was adjusted for the effects of the Share Split as disclosed in Note 31(a) to the financial statements.

(2) The basic and diluted earnings per share was computed based on the weighted average number of ordinary shares (excluding treasury shares) adjusted for the Share Split.

In connection with the Reverse Acquisition, the number of ordinary shares outstanding from the beginning of the period to the completion date of the Reverse Acquisition for purpose of calculating the weighted average number of ordinary shares is deemed to be the number of ordinary shares issued by the Company to the owners of the Target Group. The number of ordinary shares outstanding from the completion date to the end of the period is the weighted average number of ordinary shares of the Company outstanding during the period.

The basic earnings per share are calculated by dividing the (loss)/profit for the reporting period attributable to owners of the Company, adjusted for interest expense on convertible redeemable shares (if any) by the weighted average number of ordinary shares (excluding treasury shares) in issue during the reporting period.

The diluted earnings per share are calculated by dividing the (loss)/profit for the reporting period attributable to owners of the Company, adjusted for interest expense on convertible redeemable shares (if any) by the weighted average number of ordinary shares (excluding treasury shares) in issue as adjusted for the effects of all dilutive potential ordinary shares during the reporting period.

The basic and diluted loss per share are the same as the outstanding share options are anti-dilutive.

**13. Property, plant and equipment**

| Group | Motor vehicles | Computer equipment | Office equipment and furniture and fittings | Show units | Renovations | Plant and equipment | Property | Total |
|---|---|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Cost:** | | | | | | | | |
| At 1 January 2017 | 532 | 117 | 31 | 485 | 198 | – | – | 1,363 |
| Additions | – | 121 | 6 | – | 65 | – | – | 192 |
| Additions due to Reverse Acquisition | 889 | 512 | 175 | – | 50 | 2,991 | 277 | 4,894 |
| Attributable to discontinued operations | (5) | – | – | – | (4) | – | (277) | (286) |
| Disposals/written-off | (310) | (6) | – | – | – | – | – | (316) |
| Exchange differences | 5 | 5 | – | 23 | – | – | – | 33 |
| At 30 June 2018 and 1 July 2018 | 1,111 | 749 | 212 | 508 | 309 | 2,991 | – | 5,880 |
| Additions | – | 17 | 6 | – | 41 | – | – | 64 |
| Attributable to discontinued operations | (101) | (243) | (136) | – | (52) | (1,710) | – | (2,242) |
| Disposals/written-off | (473) | – | – | – | – | – | – | (473) |
| Exchange differences | 2 | 3 | – | – | – | – | – | 5 |
| At 30 June 2019 | 539 | 526 | 82 | 508 | 298 | 1,281 | – | 3,234 |

**13. Property, plant and equipment (cont'd)**

| Group | Motor vehicles | Computer equipment | Office equipment and furniture and fittings | Show units | Renovations | Plant and equipment | Property | Total |
|---|---|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Accumulated depreciation:** | | | | | | | | |
| At 1 January 2017 | 449 | 113 | 23 | 363 | 75 | – | – | 1,023 |
| Depreciation charged | 84 | 95 | 9 | 127 | 124 | 10 | – | 449 |
| Additions due to Reverse Acquisition | 884 | 512 | 171 | – | 46 | 2,954 | – | 4,567 |
| Disposals/written-off | (311) | (5) | – | – | – | – | – | (316) |
| Exchange differences | 5 | 5 | – | 18 | – | – | – | 28 |
| At 30 June 2018 and 1 July 2018 | 1,111 | 720 | 203 | 508 | 245 | 2,964 | – | 5,751 |
| Depreciation charged | – | 37 | 8 | – | 68 | – | – | 113 |
| Attributable to discontinued operations | (101) | (243) | (136) | – | (52) | (1,683) | – | (2,215) |
| Disposals/written-off | (473) | – | – | – | – | – | – | (473) |
| Exchange differences | 2 | 2 | 2 | – | – | – | – | 6 |
| At 30 June 2019 | 539 | 516 | 77 | 508 | 261 | 1,281 | – | 3,182 |
| **Net carrying amount:** | | | | | | | | |
| At 1 January 2017 | 83 | 4 | 8 | 122 | 123 | – | – | 340 |
| At 30 June 2018 | – | 29 | 9 | – | 64 | 27 | – | 129 |
| At 30 June 2019 | – | 10 | 5 | – | 37 | – | – | 52 |

The carrying amount of motor vehicles held under finance leases as at 30 June 2019 is $Nil (30 June 2018: $Nil, 1 January 2017: $83,000). These motor vehicles are pledged as security for the related finance lease liabilities (Note 23).

**13. Property, plant and equipment (cont'd)**

| Company | Motor vehicles | Computer equipment | Office equipment and furniture and fittings | Plant and equipment | Total |
|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Cost:** | | | | | |
| At 1 January 2017 | 311 | 274 | 41 | 1,238 | 1,864 |
| Additions | – | 61 | 2 | – | 63 |
| Disposals/written-off | – | (6) | – | – | (6) |
| At 30 June 2018 and 1 July 2018 | 311 | 329 | 43 | 1,238 | 1,921 |
| Disposals/written-off | (311) | – | – | – | (311) |
| At 30 June 2019 | – | 329 | 43 | 1,238 | 1,610 |
| **Accumulated depreciation:** | | | | | |
| At 1 January 2017 | 311 | 274 | 39 | 1,237 | 1,861 |
| Depreciation charged | – | 49 | 4 | 1 | 54 |
| Disposals/written-off | – | (6) | – | – | (6) |
| At 30 June 2018 and 1 July 2018 | 311 | 317 | 43 | 1,238 | 1,909 |
| Depreciation charged | – | 12 | – | – | 12 |
| Disposals/written-off | (311) | – | – | – | (311) |
| At 30 June 2019 | – | 329 | 43 | 1,238 | 1,610 |
| **Net carrying amount:** | | | | | |
| At 1 January 2017 | – | – | 2 | 1 | 3 |
| At 30 June 2018 | – | 12 | – | – | 12 |
| At 30 June 2019 | – | – | – | – | – |

**14. Investment in subsidiaries**

| | Company | | |
|---|---|---|---|
| | 30 June 2019 | 30 June 2018 | 1 January 2017 |
| | $'000 | $'000 | $'000 |
| Cost of investments | 197,188 | 27,555 | 27,555 |
| Liquidation of subsidiaries | (29,350) | – | – |
| Acquisition of the Target Group arising from the Reverse Acquisition | – | 167,838 | – |
| Additional investments via: | | | |
| Capitalisation of inter-company loan | – | 2,250 | – |
| Cash | – | 1,500 | – |
| Disposal of subsidiaries | – | (1,955) | – |
| Less: Allowance for impairment losses | (118,640) | (27,541) | (27,555) |
| | 49,198 | 169,647 | – |

**14. Investment in subsidiaries (cont'd)**

During the financial period 30 June 2018, the acquisition cost of the Target Group arising from the Reverse Acquisition was determined by reference to the issue of the shares pursuant to the Reverse Acquisition, commission for placement shares, contingent consideration, cash deposits and cash payments/payable as follows:

| | Company |
|---|---|
| | 30 June 2018 |
| | $'000 |
| Issuance of shares pursuant to the Reverse Acquisition | 133,838 |
| Issuance of placement shares | 8,830 |
| Issuance cost for placement shares | (330) |
| Issuance of top-up shares in relation to the Reverse Acquisition | 4,778 |
| Contingent consideration of issuance of top-up shares | 1,722 |
| Contingent balance consideration | 10,000 |
| Cash consideration paid | 7,500 |
| Cash payable | 1,500 |
| | 167,838 |

The movement in allowance for impairment losses in investment in subsidiaries is as follows:

| | Company | |
|---|---|---|
| | 30 June 2019 | 30 June 2018 |
| | $'000 | $'000 |
| At beginning of the financial year/period | 27,541 | 27,555 |
| Impairment loss charged to profit or loss | 120,449 | 1,941 |
| Liquidation of subsidiaries[1] | (29,350) | – |
| Disposal of subsidiary[2] | – | (1,955) |
| At end of the financial year/period | 118,640 | 27,541 |

(1) Commencement of liquidation of Durabeau Industries Pte Ltd and LH Aluminium Pte. Ltd. in May 2019.
(2) Disposal of Autotrax International Pte. Ltd. in May 2017.

As at 30 June 2018, the subsidiaries of the Company relate to entities held directly or indirectly by the Company subsequent to the Reverse Acquisition.

**14. Investment in subsidiaries (cont'd)**

**(a) Composition of the Group**

Details of subsidiaries at the end of the financial year/period are as follow:

| Name | Principal activities | Principal place of business/ incorporation | Effective ownership interest | | |
|---|---|---|---|---|---|
| | | | 30 June 2019 | 30 June 2018 | 1 January 2017 |
| | | | % | % | % |
| Held by the Company | | | | | |
| PSD Singapore Pte. Ltd. (1)(2) | Investment holding, real estate investment and development advisory services | Singapore | 100 | 100 | – |
| Durabeau Industries Pte Ltd (1)(3)(7) | Manufacturer of aluminium grilles, windows and doors | Singapore | – | 100 | 100 |
| LH Aluminium Industries Pte. Ltd. (1)(3)(7) | Design, engineering, fabrication and installation of aluminium architectural and engineering products | Singapore | – | 100 | 100 |
| Autotrax International Pte. Ltd. (3)(8) | Investment holding and design, manufacture and marketing of vehicle traction equipment | Singapore | – | – | 51 |
| Held through subsidiaries | | | | | |
| Twin Prosperity Group Ltd. (4)(9) | Investment holding | British Virgin Islands | 100 | 51 | – |
| Tropical Sunrise Development Inc. (4)(9) | Investment holding | British Virgin Islands | 100 | 51 | – |
| Pearl Discovery Development Sdn. Bhd. (5)(9) | Real estate developer | Malaysia | 100 | 51 | – |
| Pearl Discovery Property Management Sdn. Bhd. (6)(9) | Provision of property management services, project management services, marketing, leasing and sales services | Malaysia | 100 | 51 | – |

## 14. Investment in subsidiaries (cont'd)

### (a) Composition of the Group (cont'd)

| Name | Principal activities | Principal place of business/ incorporation | Effective ownership interest | | |
|---|---|---|---|---|---|
| | | | 30 June 2019 % | 30 June 2018 % | 1 January 2017 % |
| Held through subsidiaries (cont'd) | | | | | |
| Pacific Star Development (Malaysia) Sdn. Bhd. [6] | Provision of project management services | Malaysia | 100 | 100 | – |
| Pacific Star Property Sdn. Bhd. [6] | Investment holding | Malaysia | 100 | 100 | – |
| Autovox Korea Co., Ltd. [3][4][8] | Manufacturing automotive traction devices and parts | South Korea | – | – | 100 |

(1) Audited by Ernst & Young LLP, Singapore.
(2) The increase in shareholding during the financial period ended 30 June 2018 relates to the Reverse Acquisition (Note 2).
(3) Acquired as part of the Reverse Acquisition.
(4) Statutory audit not required by law in its country of incorporation.
(5) Audited by a member firm of EY Global in Malaysia.
(6) Audited by Tay Wong & Associates.
(7) Under liquidation since May 2019, statutory audit not required.
(8) Disposed in May 2017.
(9) During the financial year ended 30 June 2019, the Group acquired 49% equity interest from the non-controlling interest. For further details on the acquisition, please refer to Note 14(g).

### (b) Increased in paid up share capital of subsidiaries

On 14 February 2017, the Company has increased the issued and paid up capital of its wholly owned subsidiaries, Durabeau Industries Pte Ltd and LH Aluminium Industries Pte. Ltd. by way of capitalisation of the inter-company loans of $2,250,000 due from these two subsidiaries and additional cash contribution of $1,500,000 to LH Aluminium Industries Pte. Ltd.

### (c) Reverse Acquisition

As disclosed in Note 2, the Reverse Acquisition, the acquisition of the PSDS was completed on 15 February 2017. As PSDS is a privately held group, the quoted market price of the Company's shares provide a more reliable basis for measuring the consideration transferred for the Reverse Acquisition. The consideration transferred is determined using the fair value of the issued equity of the Company before the Reverse Acquisition, being approximately 14,891,000 shares at the quoted market price of $1.01 per share at the date of acquisition, amounting to approximately $15,042,000.

PSDS is regarded as the Accounting Acquirer, and the Company is regarded as the Accounting Acquiree of the Reverse Acquisition.

**14. Investment in subsidiaries (cont'd)**

**(c) Reverse Acquisition (cont'd)**

The fair value of the identifiable assets and liabilities of Accounting Acquiree as at the date of the Reverse Acquisition were:

| | **Fair value recognised on acquisition** |
|---|---|
| | **$'000** |
| Property, plant and equipment | 327 |
| Inventories | 510 |
| Trade receivables | 6,474 |
| Allowance for impairment | (102) |
| Other receivables, deposits and prepayments | 3,951 |
| Financial assets, at fair value through profit or loss | 4 |
| Cash at bank and on hand | 7,740 |
| Fixed deposits pledged | 5,087 |
| Trade payables | (3,586) |
| Other payables and accruals | (2,987) |
| Provision for warranty | (2,171) |
| Contract work-in-progress | (1,536) |
| Bank overdrafts | (214) |
| Borrowings | (538) |
| Provision for income tax | (45) |
| Total identifiable net assets at fair value | 12,914 |
| Non-controlling interests measured at the non-controlling interest's proportionate share of net identifiable assets | 3,352 |
| Gain on acquisition (negative goodwill) | (1,224) |
| Consideration for the acquisition | 15,042 |

**Effects of the acquisition on cash flows**

| | |
|---|---|
| Consideration for the acquisition | 15,042 |
| Less: non-cash consideration | (15,042) |
| Consideration settled in cash | – |
| Less: Cash and cash equivalents of Accounting Acquiree acquired | 7,526 |
| Net cash inflow on completion of Reverse Acquisition | 7,526 |

**Impact of the acquisition on profit or loss**

From the Reverse Acquisition date, the Accounting Acquiree has contributed $4,008,000 of revenue and losses after tax of $3,833,000 to the Group's profit for the financial period. If the business combination had taken place at the beginning of the financial period, the Group's revenue would have increased approximately by $719,000 and profit after tax would have decreased approximately by $333,000 respectively.

**14. Investment in subsidiaries (cont'd)**

**(d) Interest in subsidiaries with material non-controlling interest ("NCI")**

As at 30 June 2018, the Group has the following subsidiaries that have NCI that are material to the Group. Twin Prosperity Group Ltd.; Tropical Sunrise Development Inc.; Pearl Discovery Development Sdn. Bhd.; and Pearl Discovery Property Management Sdn. Bhd. is collectively referred to as the "**TPG Group**".

| | | Group | | |
|---|---|---|---|---|
| **Name of subsidiary** | **Principal place of business/ incorporation** | **Proportion of ownership interest held by non-controlling interest** | **Profit/(loss) allocated to NCI during the reporting period** | **Accumulated NCI at the end of reporting period** |
| | | | **$'000** | **$'000** |
| **30 June 2018** | | | | |
| Twin Prosperity Group Ltd. | British Virgin Islands | 49% | (641) | (453) |
| Tropical Sunrise Development Inc. | British Virgin Islands | 49% | 1,781 | 3,238 |
| Pearl Discovery Development Sdn. Bhd. | Malaysia | 49% | 14,756 | 22,770 |
| Pearl Discovery Property Management Sdn. Bhd. | Malaysia | 49% | 2 | 4 |
| | | | 15,898 | 25,559 |

| | | Group | | |
|---|---|---|---|---|
| **Name of subsidiary** | **Principal place of business/ incorporation** | **Proportion of ownership interest held by non-controlling interest** | **Profit/(loss) allocated to NCI during the reporting period** | **Accumulated NCI at the end of reporting period** |
| | | | **$'000** | **$'000** |
| **1 January 2017** | | | | |
| Twin Prosperity Group Ltd. | British Virgin Islands | 49% | (641) | 188 |
| Tropical Sunrise Development Inc. | British Virgin Islands | 49% | 909 | 1,457 |
| Pearl Discovery Development Sdn. Bhd. | Malaysia | 49% | 5,360 | 8,014 |
| Pearl Discovery Property Management Sdn. Bhd. | Malaysia | 49% | 2 | 2 |
| | | | 5,630 | 9,661 |

**14. Investment in subsidiaries (cont'd)**

**(e) Summarised financial information about subsidiaries with material NCI**

Summarised financial information including consolidation adjustments and intercompany eliminations of subsidiaries with material non-controlling interest are as follow:

| TPG Group | 30 June 2018 $'000 | 1 January 2017 $'000 |
|---|---|---|
| **Summarised statement of comprehensive income** | | |
| Revenue | 117,417 | 56,178 |
| Profit before income tax | 43,676 | 16,992 |
| Income tax expense | (12,102) | (5,394) |
| **Profit after tax** | 31,574 | 11,598 |
| Other comprehensive income/(loss) | 871 | (108) |
| **Total comprehensive income** | 32,445 | 11,490 |
| **Summarised balance sheet** | | |
| Non-current assets | 13 | 2,089 |
| Current assets | 172,020 | 117,788 |
| Non-current liabilities | (44,006) | (52,106) |
| Current liabilities | (75,866) | (48,055) |
| **Net assets** | 52,161 | 19,716 |
| **Other summarised information** | | |
| **Net assets attributable to NCI** | 25,559 | 9,661 |
| Cash flows used in operating activities | (19,646) | (12,277) |
| Cash flows generated from financing activities | 15,513 | 13,977 |
| Cash flows used in investing activities | (49) | – |
| **Net (decrease)/increase in cash and cash equivalents** | (4,182) | 1,700 |

**14. Investment in subsidiaries (cont'd)**

**(f) Liquidation of Aluminium Division**

On 22 May 2019, the Group announced to discontinues its aluminium business division by way of creditors voluntary liquidation. The liquidation commended on 30 May 2019, on which date control of Alumunium Division passed to the liquidator.

The value of assets of Aluminium Division recorded in the consolidated financial statements as at 30 May 2019, and the effects of the liquidation were:

| | Durabeau Industries Pte Ltd | LH Aluminium Pte. Ltd. | Total |
|---|---|---|---|
| | $'000 | $'000 | $'000 |
| Property, plant and equipment | – | 1 | 1 |
| Inventories | 12 | 1 | 13 |
| Trade receivables | 570 | 584 | 1,154 |
| Other receivables and other current assets | 100 | 781 | 881 |
| Cash and bank balances | 2 | 2 | 4 |
| | 684 | 1,369 | 2,053 |
| Trade payables | (2,210) | (2,892) | (5,102) |
| Other payables | (1,598) | (106) | (1,704) |
| Net liabilities of subsidiaries liquidated | (3,124) | (1,629) | (4,753) |
| Gain on liquidation: | | | |
| Net liabilities de-recognised | (3,124) | (1,629) | (4,753) |
| Gain on liquidation (reversal of net liabilities) | 3,124 | 1,629 | 4,753 |

**(g) Acquisition of ownership interest in a subsidiary**

On 28 December 2018, the Group's wholly-owned subsidiary company, PSDS, acquired an additional 49% equity interest in Twin Prosperity Group Ltd. ("**TPG**") from its non-controlling interests for a cash consideration of $11,000,000 and loan repayment sum of S$15,000,000. As a result of this acquisition, TPG and its subsidiaries ("**TPG Group**") became a wholly-owned subsidiary of PSDS. The carrying value of the TPG Group's net assets as at 28 December 2018 was approximately $44,898,000 and the carrying value of the additional interest acquired was approximately $22,000,000. The difference of $11,000,000 between the consideration and the carrying value of the additional interest acquired has been recognised as "Acquisition of investment in a subsidiary from non-controlling interest" within equity.

The following summarises the effects of the change in the Group's ownership interest in TPG Group on the equity attributable to owners of the Company:

| | $'000 |
|---|---|
| Consideration paid for acquisition of non-controlling interests | 11,000 |
| Decrease in equity attributable to non-controlling interests | (25,152) |
| Increase in equity attributable to owners of the Company | (14,152) |

## 15. Deferred costs

| | Group | | |
|---|---|---|---|
| | 30 June 2019 $'000 | 30 June 2018 $'000 | 1 January 2017 $'000 |
| Beginning balance | – | 3,257 | 4,289 |
| Addition during the financial year/period | – | 1,830 | 743 |
| Amortisation during the financial year/period | – | (5,237) | (1,719) |
| Exchange differences | – | 150 | (56) |
| Ending balance | – | – | 3,257 |
| Less: Current portion of deferred costs | – | – | (2,997) |
| Non-current portion of deferred costs | – | – | 260 |

## 16. Marketable security

| | Group | | |
|---|---|---|---|
| | 30 June 2019 $'000 | 30 June 2018 $'000 | 1 January 2017 $'000 |
| At fair value through profit or loss | | | |
| - Equity securities (quoted) | – | 4 | – |

## 17. Development properties

| | Group | | |
|---|---|---|---|
| | 30 June 2019 $'000 | 30 June 2018 $'000 | 1 January 2017 $'000 |
| Land costs | 30,742 | 30,742 | 30,742 |
| Development costs | 227,422 | 205,435 | 119,639 |
| Borrowing costs | 1,529 | 2,109 | 2,369 |
| | 259,693 | 238,286 | 152,750 |
| Accumulated costs of properties sold and recognised to profit and loss | (114,457) | (111,545) | (52,614) |
| Development properties written-down | (931) | – | – |
| Exchange differences | (8,142) | 9,926 | (2,583) |
| | 136,163 | 136,667 | 97,553 |

Borrowing costs incurred with respect the development properties prior to launch date on 22 February 2014 is capitalised.

As at 30 June 2019, the development property of the Group has been pledged as security for bank loan (Note 23(a)).

**17. Development properties (cont'd)**

Details of the development properties held by the Group as at 30 June 2019 are as follow:

| Description and location | % owned | Site area (square meter) | Gross floor area (square meter) | Stage of completion as at date of annual report (expected year of completion) |
|---|---|---|---|---|
| Puteri Cove Residences and Quayside<br>Lot No. 194422<br>Persiaran Tanjung,<br>Puteri Harbour 79000<br>Iskandar Puteri,<br>Johor Darul Ta'zim,<br>Malaysia | 100% | 31,570 | 120,000 | Phase 1 Completed, consisting two 32-storey residential towers, four Soho blocks and 2-storey lifestyle retail centre.<br><br>Phase 2 consisting one 32-storey serviced apartment tower; construction completion expected by 2020. |

**18. Inventories**

| | Group | | |
|---|---|---|---|
| | 30 June 2019 | 30 June 2018 | 1 January 2017 |
| | $'000 | $'000 | $'000 |
| Raw materials | – | 498 | – |
| Consumable stocks | – | 76 | – |
| | – | 574 | – |
| Inventories recognised as an expense in cost of sales inclusive of the following (credit)/charge: | | | |
| -Inventories written-down | – | 199 | – |
| -Reversal of write-down of inventories | – | (95) | – |

## 19. Trade receivables

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | 30 June 2019 | 30 June 2018 | 1 January 2017 | 30 June 2019 | 30 June 2018 | 1 January 2017 |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Non-current** | | | | | | |
| Retention receivables: | | | | | | |
| - third parties | – | 59 | – | – | – | – |
| **Current** | | | | | | |
| Due from: | | | | | | |
| - third parties | 8,823 | 37,146 | 5,559 | – | – | – |
| - related parties | – | 170 | – | – | – | – |
| Retention receivables: | | | | | | |
| - third parties | 4,829 | 980 | – | – | – | – |
| | 13,652 | 38,296 | 5,559 | – | – | – |
| Less: Allowance for impairment | | | | | | |
| - third parties (Note 14(c)) | – | (102) | – | – | – | – |
| | 13,652 | 38,194 | 5,559 | – | – | – |
| Total trade receivables | 13,652 | 38,253 | 5,559 | – | – | – |
| Add: | | | | | | |
| Cash at bank (Note 21) | 1,965 | 2,015 | 6,412 | 5 | 119 | 2,343 |
| Fixed deposits pledged (Note 21) | 103 | 501 | – | 103 | 501 | 8,131 |
| Restricted cash (Note 22) | 2,544 | – | – | – | – | – |
| Other receivables (excluding prepayments) (Note 20) | 20,313 | 13,637 | 12,033 | 208 | 2,219 | 4,249 |
| Less: | | | | | | |
| Net GST receivables (Note 20) | (612) | (252) | (254) | (39) | – | – |
| Deposits paid for proposed acquisition | – | – | – | – | – | (3,000) |
| Total financial assets carried at amortised cost | 37,965 | 54,154 | 23,750 | 277 | 2,839 | 11,723 |

Trade receivables are non-interest bearing and are generally on 30 to 60 days' credit terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

The amounts due from related parties are trade in nature, unsecured, interest-free and repayable on normal credit terms.

As at 30 June 2018, trade receivables that are past due and impaired is $102,000.

**19. Trade receivables (cont'd)**

**Trade receivables that are past due but not impaired**

The Group has trade receivables amounting to $1,812,000 (30 June 2018: $16,889,000, 1 January 2017: $3,986,000) that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their aging at the end of the reporting period is as follows:

| | Group | | |
|---|---|---|---|
| | 30 June 2019 $'000 | 30 June 2018 $'000 | 1 January 2017 $'000 |
| Trade receivables past due but not impaired: | | | |
| Lesser than 30 days | 1 | 1,742 | 720 |
| 31 - 60 days | 376 | 3,550 | 665 |
| 61 - 90 days | 3 | 732 | 985 |
| 91 - 120 days | 422 | 1,146 | 152 |
| More than 120 days | 1,010 | 9,719 | 1,464 |
| | 1,812 | 16,889 | 3,986 |

The Group's and the Company's exposure to credit risk and impairment losses are disclosed in Note 36(a).

**Trade receivables that are neither past due nor impaired**

The Group has trade receivables amounting to $11,840,000 (30 June 2018: $21,364,000, 1 January 2017:$1,573,000) that are neither past due at the end of the reporting period nor impaired. These are progress billings to purchasers of property units at PCR.

**20. Other receivables and other current assets**

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | 30 June 2019 $'000 | 30 June 2018 $'000 | 1 January 2017 $'000 | 30 June 2019 $'000 | 30 June 2018 $'000 | 1 January 2017 $'000 |
| Due from: | | | | | | |
| - joint venture | 13,852 | 7,736 | 5,099 | – | – | – |
| - associate | 5,396 | 4,934 | 3,716 | – | – | – |
| - subsidiaries | – | – | – | – | 1,922 | 10,992 |
| Deposits paid for proposed acquisition | – | – | – | – | – | 3,000 |
| Net GST receivables | 612 | 252 | 254 | 39 | – | – |
| Deposits | 405 | 508 | 196 | 169 | 169 | 206 |
| Sundry debtors | 48 | – | – | – | 325 | 222 |
| Other receivables | – | 207 | 2,768 | – | – | – |
| | 20,313 | 13,637 | 12,033 | 208 | 2,416 | 14,420 |

## 20. Other receivables and other current assets (cont'd)

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | **30 June 2019 $'000** | **30 June 2018 $'000** | **1 January 2017 $'000** | **30 June 2019 $'000** | **30 June 2018 $'000** | **1 January 2017 $'000** |
| Less: Allowance for impairment | | | | | | |
| - subsidiaries (Note 36(a)) | – | – | – | – | (197) | (10,171) |
| | 20,313 | 13,637 | 12,033 | 208 | 2,219 | 4,249 |
| Other current assets: | | | | | | |
| Prepaid interest | 222 | – | – | – | – | – |
| Other prepayments | 60 | 136 | 104 | 33 | 25 | 13 |
| Prepayment to suppliers | – | 89 | – | – | – | – |
| Other receivables and other current assets | 20,595 | 13,862 | 12,137 | 241 | 2,244 | 4,262 |

The amount due from subsidiaries and associate are non-trade in nature, unsecured, interest-free and repayable on demand. As at 30 June 2019, amount due from joint venture are non-trade in nature, unsecured, repayable on demand and interest free, except for $5.7 million (30 June 2018 and 1 January 2017: $Nil) bears interest at 12% per annum.

The Company did not charge any impairment loss on amount due from its subsidiaries during the financial year ended 30 June 2019. During the financial period ended 30 June 2018, the Company has charged an impairment loss on amounts due from its subsidiaries to profit or loss of $197,000. The Company's impairment losses on the amount due from subsidiaries are disclosed in Note 36(a).

Other receivables are non-interest bearing and repayable on demand. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

## 21. Cash and cash equivalents

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | **30 June 2019 $'000** | **30 June 2018 $'000** | **1 January 2017 $'000** | **30 June 2019 $'000** | **30 June 2018 $'000** | **1 January 2017 $'000** |
| Cash at bank | 1,965 | 2,015 | 6,412 | 5 | 119 | 2,343 |
| Fixed deposits pledged | 103 | 501 | – | 103 | 501 | 8,131 |
| | 2,068 | 2,516 | 6,412 | 108 | 620 | 10,474 |
| Less: | | | | | | |
| Fixed deposits pledged | (103) | (501) | – | (103) | (501) | (8,131) |
| Add: | | | | | | |
| Bank overdrafts (Note 23) | (2,411) | (1,845) | (2,417) | – | – | – |
| Cash and cash equivalents | (446) | 170 | 3,995 | 5 | 119 | 2,343 |

Cash at bank earns interest at floating rates based on daily bank deposit rates.

## 21. Cash and cash equivalents (cont'd)

Fixed deposits earned an average effective interest rate of 0.75% (30 June 2018: ranging from 0.25% to 0.75%, 1 January 2017: ranging from 0.25% to 0.95%) per annum. Fixed deposits mature in 7 months (30 June 2018: between 7 to 12 months, 1 January 2017: between 3 to 12 months) and are pledged to the banks as security for banking facilities amounting to $100,000 (30 June 2018: $500,000, 1 January 2017: Nil).

The Company has bank guarantees of $100,000 (30 June 2018: $403,000, 1 January 2017: $253,000) which are secured with pledged fixed deposits.

Cash and cash equivalents denominated in the respective entities' foreign currencies are as follow:

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | **30 June 2019** | **30 June 2018** | **1 January 2017** | **30 June 2019** | **30 June 2018** | **1 January 2017** |
| | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** |
| United States Dollars | 4 | 13 | – | – | – | 61 |
| Chinese Renminbi | – | 5 | – | – | – | – |

## 22. Restricted cash

As at 30 June 2019, restricted cash relates to the Debt Service Reserve Account under escrow in relation to the $70 million loan from a group of third parties (Note 23(b)).

## 23. Loans and borrowings

| | Group | | |
|---|---|---|---|
| | **30 June 2019** | **30 June 2018** | **1 January 2017** |
| | **$'000** | **$'000** | **$'000** |
| **Non-current** | | | |
| Loan from a group of third parties | 67,241 | – | – |
| Bank loan | 48,553 | 26,922 | 35,395 |
| Obligations under finance leases (Note 33(c)) | – | 16 | 102 |
| | 115,794 | 26,938 | 35,497 |
| Less: Unamortised transaction costs | | | |
| - loan from a group of third parties | (1,394) | – | – |
| - bank loan | (731) | – | – |
| | 113,669 | 26,938 | 35,497 |
| **Current** | | | |
| Bank overdrafts | 2,411 | 1,845 | 2,417 |
| Bank loan | 2,106 | 23,688 | 1,681 |
| Obligations under finance leases (Note 33(c)) | 17 | 59 | 54 |
| | 4,534 | 25,592 | 4,152 |
| Less: Unamortised transaction costs on bank loan | (441) | – | – |
| | 4,093 | 25,592 | 4,152 |
| Total loans and borrowings | 117,762 | 52,530 | 39,649 |

**23. Loans and borrowings (cont'd)**

**(a) Bank loan and overdrafts**

The bank loan and overdrafts are provided by the same bank.

As at 30 June 2019, the bank loan facility amounted to $53.99 million (30 June 2018: $74.34 million; 1 January 2017: $78.02 million) is denominated in Malaysian Ringgit ("**RM**") and bears interest at 2.75% + KLIBOR per annum (30 June 2018 and 1 January 2017: (2.25%-2.75%) + KLIBOR) and is repayable on a monthly basis beginning May 2020 (30 June 2018: March 2019, 1 January 2017: July 2017). The undrawn facility as at 30 June 2019 amounted to $6.70 million (30 June 2018: $5.41 million; 1 January 2017: $38.01 million).

The bank overdrafts facility amounted to $2.62 million (equivalent of RM8.00 million as at 30 June 2019, 30 June 2018 and 1 January 2017) is denominated in Malaysian Ringgit and bears interest at 1.25% + bank base lending rate per annum (30 June 2018 and 1 January 2017: 1.25% + bank base lending rate) is payable on demand. The undrawn bank overdrafts facility as at 30 June 2019 amounted to $205,000 (30 June 2018: $826,000; 1 January 2017: $163,000).

The bank loan and overdrafts are secured on the following:

(i) legal mortgage on the Group's PCR;

(ii) all-monies debenture and power of attorney over the assets and properties of the Company's wholly-owned subsidiary, Pearl Discovery Development Sdn. Bhd. ("**PDD**");

(iii) assignment of all rights and benefits to sale, lease and/or insurance proceeds in respect of PCR (including assignment of the PDD's project account); and

(iv) corporate guarantee from PSDS, a wholly-owned subsidiary of the Company.

**(b) Loan from a group of third parties**

During the financial year ended 30 June 2019, the Group obtained a $70.0 million facility ("**Facility**") from a group of third parties ("**Lenders**"), the Facility is denominated in Singapore Dollar and on an aggregate basis, the Facility bears simple interest and compound interest at 7.5% per annum and 5.0% per annum respectively. The Facility consists of various tranches earmarked for specific purposes.

Further, the Facility stipulates a profit distribution arrangement, wherein a fixed sum of $3.50 million and a variable sum of 12.5% of the distributions to the Group from PCR will be payable to the Lenders.

The Facility is repayable in full when it matures in December 2020 and as at 30 June 2019, the undrawn facility amounted to $8.10 million. The facility is secured by the following:

(i) assignment of intra-company loans owed to the Group for the purposes of PCR and P12;

(ii) assignment of development management agreements relating to PCR and P12;

(iii) debentures over the Company, and its wholly-owned subsidiary, PSDS and wholly-owned subsidiaries of PSDS, namely, Twin Prosperity Group Ltd. and Tropical Sunrise Development Inc.; and

(iv) share charges over shares of the Company's subsidiary, PSDS, and wholly-owned subsidiaries of PSDS, namely; Twin Prosperity Group Ltd., Tropical Sunrise Development Inc., Pearl Discovery Development Sdn. Bhd., and the Group's joint venture (Minaret Holdings Limited) and the Group's associate (Pacific Star Development (Thailand) Co., Ltd.).

Under the Facility, it includes, amongst others, certain sales covenants relating to achieving a minimum number of sales every quarter in PCR (the "**Sales Covenants**"). Whilst the Group was not able to meet the Sales Covenants for the period of January to March 2019, the Group had obtained a waiver from the Lenders in May 2019 in respect of the Sales Covenants for the aforesaid quarter. In the absence of such waivers, the non-fulfillment of the Sales Covenants may be regarded as an event of default under the Facility.

**23. Loans and borrowings (cont'd)**

**(c) Obligations under finance leases**

Finance leases pertain to the purchase of motor vehicles and are denominated in both SGD and RM, bears interest at 3.66% to 4.46% per annum (30 June 2018 and 1 January 2017: 3.66% to 4.46% per annum) and are secured by motor vehicles (Note 13).

**(d) Reconciliation to consolidated cash flow statement**

A reconciliation of liabilities arising from the Group's financing activities excluding bank overdrafts is as follows:

| | Group | | | | |
|---|---|---|---|---|---|
| | 30 June 2018 | Cash flows | Non-cash changes | | 30 June 2019 |
| | | | Foreign exchange movement | Other[1] | |
| | $'000 | $'000 | $'000 | $'000 | $'000 |
| Bank loan | | | | | |
| - non-current | 26,922 | – | (1,590) | 22,490 | 47,822 |
| - current | 23,688 | 1,695 | (56) | (23,662) | 1,665 |
| Obligations under finance leases | | | | | |
| - non-current | 16 | – | – | (16) | – |
| - current | 59 | (58) | – | 16 | 17 |
| Loan from a group of third parties | | | | | |
| - non-current | – | 61,921 | – | 3,926 | 65,847 |
| | 50,685 | 63,558 | (1,646) | 2,754 | 115,351 |

| | Group | | | | |
|---|---|---|---|---|---|
| | 1 January 2017 | Cash flows | Non-cash changes | | 30 June 2018 |
| | | | Foreign exchange movement | Other[2] | |
| | $'000 | $'000 | $'000 | $'000 | $'000 |
| Bank loan | | | | | |
| - non-current | 35,395 | 13,790 | (139) | (22,124) | 26,922 |
| - current | 1,681 | – | (117) | 22,124 | 23,688 |
| Obligations under finance leases | | | | | |
| - non-current | 102 | – | – | (86) | 16 |
| - current | 54 | (92) | 11 | 86 | 59 |
| | 37,232 | 13,698 | (245) | – | 50,685 |

(1) Included reclassification of non-current portion of loans and borrowings, the movement in unamortised transaction costs and accrual for cost relating to loan from a group of third parties.

(2) Relates to reclassification of non-current portion of loans and borrowings.

## 24. Loans from non-controlling interests

As at 30 June 2018, the loans from non-controlling interests are unsecured, interest-free and repayable on demand. The amount was fully repaid during the financial year ended 30 June 2019 via the utilisation of designated proceeds from the loan from a group of third parties (Note 23(b)).

## 25. Deferred tax liabilities

| | Group | | | | |
|---|---|---|---|---|---|
| | Consolidated balance sheet | | | Consolidated income statement | |
| | 30 June 2019 | 30 June 2018 | 1 January 2017 | 30 June 2019 | 30 June 2018 |
| | $'000 | $'000 | $'000 | $'000 | $'000 |
| Deferred tax liabilities: | | | | | |
| Deferred costs | – | – | 801 | – | 801 |
| Adjustment of percentage of completion | – | – | 1,006 | – | 1,006 |
| | – | – | 1,807 | | |
| Deferred tax credit | | | | – | 1,807 |

Unrecognised tax losses

As at 30 June 2019, deferred tax assets have not been recognised in respect of tax losses of the Group amounting to approximately $9,153,000 (2018: $447,000) because it is uncertain that future taxable profit will be available against which the Group and the Company can utilise the benefits and subject to the agreement of tax authorities of each jurisdiction that the subsidiaries operate.

## 26. Provision for warranty

The Group's former Aluminium Division (currently under liquidation) gives up to ten-year warranties on certain products sold by undertaking to repair or replace items that fail to perform satisfactorily. A provision is recognised at the financial reporting date for expected warranty claims based on past experience of the level of repairs.

| | Group | | |
|---|---|---|---|
| | 30 June 2019 | 30 June 2018 | 1 January 2017 |
| | $'000 | $'000 | $'000 |
| Beginning balance | 1,129 | – | – |
| At completion of Reverse Acquisition (Note 14(c)) | – | 2,171 | – |
| Arose during the financial year/period | 45 | 177 | – |
| Utilised | (29) | (142) | – |
| Unused amount reversed | (42) | (1,077) | – |
| Attributable to discontinued operations | (1,103) | – | – |
| Ending balance | – | 1,129 | – |

## 27. Trade payables

| | Group | | |
|---|---|---|---|
| | 30 June 2019 | 30 June 2018 | 1 January 2017 |
| | $'000 | $'000 | $'000 |
| Due to third parties | 7,843 | 22,212 | 20,512 |

Trade payables are non-interest bearing and are generally settled on credit term of 30 to 90 days.

## 28. Other payables

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | 30 June 2019 | 30 June 2018 | 1 January 2017 | 30 June 2019 | 30 June 2018 | 1 January 2017 |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Non-current** | | | | | | |
| Others | 68 | – | – | – | – | – |
| Penalties payable | 1,489 | – | – | – | – | – |
| | 1,557 | – | – | – | – | – |
| **Current** | | | | | | |
| Due to: | | | | | | |
| - a related party | 11,521 | 19,360 | 3,875 | 3,651 | 11,500 | – |
| - liquidators of subsidiaries | 410 | – | – | 410 | – | – |
| - subsidiaries | – | – | – | 8,428 | 730 | – |
| Accruals | 5,785 | 5,811 | 10,861 | 359 | 544 | 1,962 |
| Penalties payable | 1,571 | – | – | – | – | – |
| Others | 2,886 | – | – | – | – | – |
| Deposits received | 1,009 | – | – | – | – | – |
| Resident committee account | 760 | – | – | – | – | – |
| Sundry creditors | 230 | 1,148 | 250 | 185 | 181 | 228 |
| Restructuring costs | – | – | – | – | – | 93 |
| | 24,172 | 26,319 | 14,986 | 13,033 | 12,955 | 2,283 |
| Total other payables | 25,729 | 26,319 | 14,986 | 13,033 | 12,955 | 2,283 |
| Add: | | | | | | |
| Trade payables (Note 27) | 7,843 | 22,212 | 20,512 | – | – | – |
| Loans and borrowings (Note 23) | 120,328 | 52,530 | 39,649 | – | – | – |
| Loans from non-controlling interests (Note 24) | – | 15,205 | 13,227 | – | – | – |
| Total financial liabilities carried atamortised cost | 153,900 | 116,266 | 88,374 | 13,033 | 12,955 | 2,283 |

## 28. Other payables (cont'd)

As at 30 June 2019, the $11.52 million non-trade amounts were due to a related party, being a company controlled by Glen Chan, a director and controlling shareholder of the Company, pertains to $13.0 million loan facility (the "**PSDH Facility**"). The PSDH Facility is denominated in Singapore dollar, unsecured, repayable on demand and is interest-free with effect from 1 July 2018. As at 30 June 2019, the undrawn facility amounted to $5.72 million (30 June 2018: $5.72 million and 1 January 2017: $9.14 million). During the financial year ended 30 June 2019, $9.6 million (30 June 2018: $Nil) of repayment was made.

As at 30 June 2018, part of the amount due to a related party, bears interest as follows:

- $11,500,000 (1 January 2017: $Nil) relates to the remaining Reverse Acquisition consideration payables and bears interest of 5% per annum; and

- $4,480,000 (1 January 2017: $1,060,000) relates to the advances which bears an interest of 9.25% (1 January 2017: 9.25%) per annum.

The amounts due to subsidiaries and liquidators of subsidiaries are non-trade related, unsecured, interest-free and repayable on demand.

Penalties payable pertains to $3,060,000 of penalties imposed by the Malaysian Tax Authority for late payment and under-estimated chargeable income for corporate income tax in prior years. The amount is non-trade related, unsecured and is repayable in accordance with the agreed upon schedule of repayment.

Resident committee account refers to the amount collected on behalf of the resident committee of PCR. The amount is non-trade related, unsecured, interest-free and repayable on demand.

The Group's and the Company's exposure to liquidity risk related to trade and other payables are disclosed in Note 36(b).

## 29. Joint venture

The Group has 51% (30 June 2018 and 1 January 2017: 51%) interest in the ownership and voting right in a material joint venture, Minaret Holdings Limited ("**MHL**"), that is held through a subsidiary. The joint venture is incorporated in British Virgin Islands, where statutory audit is not required, and is principally engaged in investment holding. The Group jointly controls the venture with another partner under the contractual agreement and requires unanimous consent for all major decisions over the relevant activities.

**29. Joint venture (cont'd)**

MHL has the following associates:

| Name | Principal activities | Principal place of business/ incorporation | Effective ownership interest | | |
|---|---|---|---|---|---|
| | | | 30 June 2019 | 30 June 2018 | 1 January 2017 |
| | | | % | % | % |
| Kanyakorn Pattana Co., Ltd.[(1)] | Investment holding | Thailand | 49 | 49 | 49 |
| Kanokkorn Pattana Co., Ltd.[(1)(2)] | Property development | Thailand | 49 | 49 | 49 |

(1) Audited by Thai Info Ltd., Certified Public Accountants.
(2) Engaged in the development of P12.

Summarised financial information in respect of MHL based on its SFRS(I) financial statements, and reconciliation with the carrying amount of the investment in the consolidated financial statements are as follow:

**Summarised balance sheet**

| | MHL | | |
|---|---|---|---|
| | 30 June 2019 | 30 June 2018 | 1 January 2017 |
| | $'000 | $'000 | $'000 |
| Non-current assets | 3,519 | 804 | 627 |
| Current assets[(1)] | 18,230 | 10,640 | 4,008 |
| Current liabilities | (24,402) | (18,399) | (8,564) |
| **Net liabilities** | (2,653) | (6,955) | (3,929) |
| Proportion of the Group's beneficial interest | 51% | 51% | 51% |
| **Group's carrying amount of the investment** | (1,353) | (3,547) | (2,004) |

**Summarised statement of comprehensive income**

| | MHL | |
|---|---|---|
| | Financial year ended 30 June 2019 | Financial period from 1 January 2017 to 30 June 2018 |
| | $'000 | $'000 |
| Loss after tax[(2)] | (945) | (3,025) |
| Other comprehensive income – translation reserve | 5,245 | – |
| Total comprehensive income/(loss) for the financial year/period | 4,300 | (3,025) |

(1) Includes cash and cash equivalents of $27,000 (30 June 2018: $1,065,000, 1 January 2017: $88,000).
(2) Includes interest expense of $280,000 (2018: $61,000).

## 30. Associate

The Group has 49% (2018: 49%) interest in the ownership and voting right in a material associate, Pacific Star Development (Thailand) Co., Ltd. that is held through a subsidiary. The associate is incorporated in Thailand and is principally engaged in investment holding. The associate is audited by Thai Info Ltd., Certified Public Accountants.

Summarised financial information in respect of Pacific Star Development (Thailand) Co., Ltd. ("**PSDT**") and its subsidiaries ("**PSDT Group**") based on its SFRS(I) financial statements, and reconciliation with the carrying amount of the investment in the consolidated financial statements are as follow:

| Name | Principal activities | Principal place of business/ incorporation | Effective ownership interest | | |
|---|---|---|---|---|---|
| | | | 30 June 2019 % | 30 June 2018 % | 1 January 2017 % |
| Held by PSDT | | | | | |
| Kanyakorn Pattana Co., Ltd.[1] | Investment holding | Thailand | 51 | 51 | 51 |
| Held by subsidiary | | | | | |
| Kanokkorn Pattana Co., Ltd.[1][2] | Property development | Thailand | 51 | 51 | 51 |

[1] Audited by Thai Info Ltd., Certified Public Accountants.
[2] Engaged in the development of P12.

**Summarised balance sheet**

| | PSDT Group | | |
|---|---|---|---|
| | 30 June 2019 $'000 | 30 June 2018 $'000 | 1 January 2017 $'000 |
| Non-current assets | 26,944 | 3,204 | 3,181 |
| Current assets[1] | 43,484 | 107 | 80 |
| Non-current liabilities | (46) | – | – |
| Current liabilities | (70,698) | (5,238) | (845) |
| Non-controlling interest | (4,120) | (383) | (3,549) |
| **Net liabilities attributable to owners of the company** | (4,436) | (2,310) | (1,133) |
| Proportion of the Group's ownership | 49% | 49% | 49% |
| **Group's carrying amount of the investment** | (2,174) | (1,132) | (555) |

[1] Includes cash and cash equivalents of $2,784,000 (2018: $15,000).

## 30. Associate (cont'd)

**Summarised statement of comprehensive income**

| | PSDT Group | |
|---|---|---|
| | Financial year ended 30 June 2019 | Financial period from 1 January 2017 to 30 June 2018 |
| | $'000 | $'000 |
| Loss after tax | (871) | (1,178) |
| Other comprehensive income – translation reserve | (1,253) | – |
| Total comprehensive loss for the financial year/period | (2,124) | (1,178) |

## 31. Share capital and treasury shares

### (a) Share capital

| | Number of shares | Value |
|---|---|---|
| | '000 | $'000 |
| **Issued and fully paid ordinary shares** | | |
| **Group** | | |
| At 1 January 2017 [(1)] | 15,783 | 17,738 |
| Issuance of shares pursuant to the Reverse Acquisition [(1)] [(2)] (Note 14(c)) | 132,500 | 15,042 |
| Issuance of placement shares [(3)] | 11,038 | 8,521 |
| Additional shares due to share split [(4)] | 318,640 | – |
| Issuance of top-up shares in relation to the Reverse Acquisition [(5)] | 24,375 | 6,500 |
| At 30 June 2018, 1 July 2018 and 30 June 2019 | 502,336 | 47,801 |
| **Company** | | |
| At 1 January 2017 [(6)] | 15,783 | 48,196 |
| Issuance of shares pursuant to the Reverse Acquisition [(7)] | 132,500 | 133,838 |
| Issuance of placement shares [(3)] | 11,038 | 8,521 |
| Additional shares due to share split [(4)] | 318,640 | – |
| Issuance of top-up shares in relation to the Reverse Acquisition [(5)] | 24,375 | 6,500 |
| At 30 June 2018, 1 July 2018 and 30 June 2019 | 502,336 | 197,055 |

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

**31. Share capital and treasury shares (cont'd)**

**(a) Share capital (cont'd)**

The Group's share capital amount differs from that of the Company as a result of Reverse Acquisition accounting as described in Note 2.

(1) The amount recognised as issued equity instruments in the consolidated financial statements includes the issued equity of the Accounting Acquirer immediately before the Reverse Acquisition to the costs of the Reverse Acquisition.

(2) This represents the fair value of the consideration transferred in relation to the Reverse Acquisition. As Target Group is a privately held group, the quoted market price of the Company's shares provides a more reliable basis for measuring the consideration transferred than the estimated fair value of the share in the Target Group. The consideration transferred is determined using fair value of the issued equity of the Company before the acquisition, being 14,891,000 shares at $1.01 per share, totalling approximately $15,042,000, which represents the fair value of the Company being the quoted and traded price of the shares at 15 February 2017 (date of completion of Reverse Acquisition).

(3) Issue and allotment of 11,037,500 conditional placement shares at the issue price of $0.80 per conditional placement share ("**Conditional Placement**") on 15 February 2017. The net proceeds arising from the issue and allotment of 11,037,500 conditional placement shares was approximately $8,521,000, after deducting all costs, expenses and commission payable in respect of the Conditional Placement amounting to $0.3 million.

(4) With effect from 21 February 2017, the proposed share split of every one (1) existing ordinary share in the capital of the Company held by shareholders into three (3) share has been completed.

(5) On 4 May 2017, the Company has allotted and issued an aggregate of 24,375,000 top-up shares at an agreed price of $0.267 per share as part of the purchase consideration for the Company's acquisition of the Target Group.

(6) The equity structure (i.e the number and types of equity instruments issued) reflect the equity structure of the Company, being the legal parent, including the equity instruments issued by the Company to effect the Reverse Acquisition.

(7) This represents the purchase consideration for the Company's acquisition of the Target Group which was satisfied by the allotment and issuance of 132,500,000 ordinary shares at $1.01 per share, totalling approximately $133,838,000, in the capital of the Company on 15 February 2017.

**(b) Treasury shares**

| | Group | | Company | |
|---|---|---|---|---|
| | Number of shares | Value | Number of shares | Value |
| | '000 | $'000 | '000 | $'000 |
| At 1 January 2017 | – | – | (892) | (513) |
| Arising from the Reverse Acquisition | (892) | – | – | – |
| Additional share due to share split | (1,784) | – | (1,784) | – |
| At 30 June 2018, 1 July 2018 and 30 June 2019 | (2,676) | – | (2,676) | (513) |

Treasury shares relate to ordinary shares of the Company that are held by the Company.

Prior to the Reverse Acquisition, the Company purchased 892,000 of its ordinary shares in the open market. The total amount paid to purchase the ordinary shares was $513,000 and this was presented as a component within shareholder's equity. With effect from 21 February 2017, the proposed share split of every one (1) existing ordinary share in the capital of the Company held by shareholders into three (3) share has been completed. At the Group level, the Company's treasury share account is taken as part of the Reverse Acquisition accounting and hence does not have any amount.

**31. Share capital and treasury shares (cont'd)**

**(c) Employee Share Option Scheme ("ESOS")**

The ESOS for key management personnel, employees and directors of the Company was approved by members of the Company at an Extraordinary General Meeting on 25 April 2013 and its administered by the Remuneration Committee (the "**RC**").

The ESOS provides a means to recruit, retain and give recognition to Directors and employees who have contributed to the growth and success of the Company.

**Principal Terms of the ESOS**

**(i) Participants**

All key management personnel, employees and directors of the Company who have been in the employment of the Company for a period of at least 12 months, or such shorter period as the RC may determine are eligible to participate in the ESOS.

**(ii) Number of shares**

The aggregate number of shares over which options may be granted on any date, when added to the number of shares issued and issuable in respect of all options granted under the ESOS, shall not exceed 15% of the issued share capital of the Company on the day preceding that date.

**(iii) Options, exercise period and exercise price**

**Vesting period and exercise period**

The vesting of the options is conditional on the grantee completing another (i) one year of service to the Company for options granted with the exercise price set at market price; or (ii) two years of service to the Company for options granted with the exercisable price set at a discount to market price. Once the options are vested, they are exercisable for a period of four years. The options may be exercised in full or in part in respect of 100 shares or a multiple thereof, on the payment of the exercise price.

**Exercise price**

The exercise price of the options is (i) determined at the volume weighted average of the Company's ordinary shares are quoted on the SGX-ST for five-consecutive market days immediately preceding the date of the grant ("**Market Price**"); or (ii) set at a discount not exceeding 20% of the Market Price.

**(iv) Grant of options**

The RC may at any time during the period when the ESOS is in force, except that, for so long as the Company's shares are listed and quoted on the SGX-ST, no options under the ESOS shall be granted during the period of one month immediately preceding the date of announcement of the Company's quarterly results.

**(v) Acceptance of options**

The grant of options shall be accepted within 30 days from the date of offer. Offer of options made to grantees, if not accepted by the closing date, will lapse.

**(vi) Duration of the ESOS**

The ESOS shall continue to be in force at the discretion of the RC, subjected to a maximum period of ten years from 25 April 2013.

## 31. Share capital and treasury shares (cont'd)

### (c) Employee Share Option Scheme ("ESOS") (cont'd)

**Options Granted under ESOS**

Movements in the number of unissued ordinary shares under options and their exercise price are as follow:

| | Number of unissued ordinary shares under option | | | | | |
|---|---|---|---|---|---|---|
| | At 1 July 2018 '000 | Granted during the financial year '000 | Lapsed during the financial year '000 | At 30 June 2019 '000 | Exercise price | Exercise period |
| **Company** | | | | | | |
| 2014 Option | 72 | – | (72) | – | N.A. | N.A. |

| | Number of unissued ordinary shares under option | | | | | |
|---|---|---|---|---|---|---|
| | At 1 January 2017 '000 | Granted during the financial period '000 | Lapsed during the financial period '000 | At 30 June 2018 '000 | Exercise price | Exercise period |
| **Company** | | | | | | |
| 2014 Option | 126 | – | (54) | 72 | $1.75 | 3.3.2015 – 2.3.2019 |

N.A.: Not applicable

## 32. Other reserves

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | 30 June 2019 $'000 | 30 June 2018 $'000 | 1 January 2017 $'000 | 30 June 2019 $'000 | 30 June 2018 $'000 | 1 January 2017 $'000 |
| Foreign currency translation reserve | 1,012 | 92 | (493) | – | – | – |
| Capital reserves | – | 3,029 | 3,029 | – | – | – |
| Other reserves | – | (34,000) | – | – | (1,470) | (1,470) |
| Share options reserve | – | – | – | – | 42 | 71 |
| | 1,012 | (30,879) | 2,536 | – | (1,428) | (1,399) |

**Group**

Capital reserves relate to notional interest imputed on interest-free loans from the shareholders and considered as contribution by shareholders. The fair value of interest-free loans from shareholders is estimated using a discounted cash flow model based on various assumption, including market rates of interest and expected repayment terms.

**32. Other reserves (cont'd)**

**Group (cont'd)**

Other reserves relate to the deemed distribution to the shareholders arising from the cash consideration paid amounting to $16,000,000 and consideration payable amounting to $18,000,000 as a result of the Reverse Acquisition.

**Company**

Other reserves comprise share issues expenses arising from the issuance of ordinary shares, waiver of loan by the non-controlling interest and initial recognition and subsequent cancellation of a redemption liability in 2013 relating to an option to purchase the shares held by the non-controlling interest.

Share options reserve represents the equity-settled share options granted to participants of the ESOS (Note 31(c)). The reserve is made up of the cumulative value of services received from participants recorded over the vesting period commencing from the grant date of equity-settled share options and is reduced by the expiry or exercise of share options.

The Group's and the Company's reclassifications of capital reserves, other reserves and share options reserve are presented (as applicable) in the Group's and Company's statements of changes in equity.

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

**33. Commitments**

**(a) Operating lease commitments – as lessee**

The Group and the Company have entered into commercial leases for factory, office rental and office equipment. These leases have an average tenure of about 2 years with no renewal option or contingent rent provision included in the contracts. The Group and the Company are restricted from subleasing the office to third parties.

Minimum lease payments recognised as an expense in profit or loss for the financial year ended 30 June 2019 amounted to $371,000 (2018: $900,000). Future minimum rental payable under non-cancellable operating leases at the end of the reporting period are as follow:

| | Group | | Company | |
|---|---|---|---|---|
| | 30 June 2019 | 30 June 2018 | 30 June 2019 | 30 June 2018 |
| | $'000 | $'000 | $'000 | $'000 |
| Not later than one year | 279 | 284 | – | 272 |
| Later than one year but not later than five years | 451 | – | – | – |
| | 730 | 284 | – | 272 |

**33. Commitments (cont'd)**

**(b) Operating lease commitments – as lessor**

The future minimum lease receivable under non-cancellable operating leases, in respect of the factory with varying terms and renewal rights contracted for at the financial reporting date but not recognized as receivables are as follow:

| | Group | | Company | |
|---|---|---|---|---|
| | 30 June 2019 | 30 June 2018 | 30 June 2019 | 30 June 2018 |
| | $'000 | $'000 | $'000 | $'000 |
| Not later than one year | 222 | 125 | – | 125 |
| Later than one year but not later than five years | 619 | – | – | – |
| | 841 | 125 | – | 125 |

**(c) Finance lease commitments – as lessee**

The Group has finance leases for certain motor vehicles. These leases have terms of renewal but no purchase options and escalation clauses. Renewals are at the option of the specific entity that holds the lease.

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follow:

| | Group | | | | | |
|---|---|---|---|---|---|---|
| | 30 June 2019 | | | 30 June 2018 | | |
| Group | Minimum lease payments | Interest | Principal | Minimum lease payments | Interest | Principal |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Not later than one year | 17 | –* | 17 | 60 | (2) | 58 |
| Later than one year but not later than five years | – | –* | – | 17 | –* | 17 |
| | 17 | –* | 17 | 77 | (2) | 75 |

* Less than $1,000

**(d) Capital commitment**

PSDS, a wholly-owned subsidiary of the Company has entered into a shareholder loan agreement with its joint venture company to provide a loan facility up to $10.2 million for the purposes of the P12. The loan is available to the joint venture company at any time upon drawdown notice. As at 30 June 2019, $4.5 million (30 June 2018 and 1 January 2017: $Nil) of the loan facility balance remains undrawn.

## 34. Related party transactions

**Compensation of key management personnel**

| | Group | |
|---|---|---|
| | **Financial year ended 30 June 2019** | **Financial period from 1 January 2017 to 30 June 2018** |
| | **$'000** | **$'000** |
| Short-term employee benefits | 1,370 | 1,675 |
| Contributions to defined contribution plans | 69 | 14 |
| | 1,439 | 1,689 |

## 35. Fair value of assets and liabilities

### (a) Fair value hierarchy

The Group categories fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 - Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

### (b) Assets and liabilities measured at fair value

The following table shows an analysis of each class of assets measured at fair value at the end of the reporting period:

| | Group | | |
|---|---|---|---|
| | 30 June 2018 | | |
| | **Level 1** | **Level 2** | **Level 3** |
| | **$'000** | **$'000** | **$'000** |
| **Financial assets:** | | | |
| Marketable security at fair value through profit or loss | | | |
| Quoted equity securities | 4 | – | – |

**36. Financial risk management objectives and policies**

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk and interest rate risk.

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

**(a) Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The major classes of financial assets of the Group are cash and bank balances, trade receivables and other receivables.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure.

The Group considers the customers' credit risk upon initial recognition of assets:

- cash and bank balances are placed with financial institutions with good credit standing and have no history of default;

- the Group adopts the policy of dealing only with customers of appropriate credit standing, supported by letter of offer from bank or receive certain minimum deposits to mitigate credit risk;

- other receivables, which comprise mainly of advances to joint venture and associate, are entities that the Group has access to their financial information and business plans; and

- for other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties and does not hold any collateral.

The Group monitors whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period via the analysis of the financial assets' ageing profiles. The Group has determined the default event on a financial asset to be when the counterparty fails to make contractual payments, within 120 days when they fall due, which are derived based on the Group's historical information and business norms.

To assess whether there is a significant increase in credit risk, the Group compares the risk of default occurring on the financial asset as at the reporting date with the risk of default as at the date of initial recognition. The Group considers available reasonable and supportive forwarding-looking information which includes the following indicators:

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparties' abilities to meet their obligations; and

- the failure to meet the milestones of contractual payments.

The Group determines that its financial assets are credit-impaired when the customer shows significant difficulty to meet its payment obligations and/or breach of contract.

The Group categorises a financial asset for potential write-off when a debtor fails to make contractual payments more than 120 days past due. Financial assets are written off when there is no reasonable expectation of recovery. Where recoveries are made, these are recognised in profit or loss.

The following are credit risk management practices and quantitative and qualitative information about amounts arising from expected credit losses.

**36. Financial risk management objectives and policies (cont'd)**

**(a) Credit risk (cont'd)**

The Group provides for lifetime expected credit losses for financial assets using a provision matrix. The provision rates are determined based on the Group's historical observed default rates analysed in accordance to days past due as well as market norms. The expected credit losses also incorporate forward looking information such as forecast of economic conditions that may lead to an increased number of defaults.

In relation to the Group's trade receivables, the Group has limited credit risk as in the event where overdue trade receivables are not collected, the Group will cancel the contract, reverse the trade receivable and repossess the units.

The Group does not hold any collateral. The maximum exposure to credit risk for each class of financial asset is the carrying amount of that class of financial asset presented on the balance sheet.

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

Due to the nature of the Group's operation, its trade receivables are solely property buyers hence it is exposed to the country in which the development properties are located (i.e. Malaysia). However, the Group does not have any significant concentration of credit risk to any single group of buyers.

**Financial assets that are neither past due nor impaired**

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and bank balances are placed with financial institutions with good credit standing and have no history of default.

**Financial assets that are past due but not impaired**

Information regarding financial assets that are past due but not impaired is disclosed in Note 19.

**Financial assets that are past due and/or impaired**

The carrying amount of trade receivables individually determined to be impaired and the movement in the related allowance for impairment is as follows:

| | Group | |
|---|---|---|
| | **30 June 2019 $'000** | **30 June 2018 $'000** |
| Gross amount | 144 | 246 |
| Less: Allowance for impairment | – | (102) |
| Less: Written off due to discontinued operations | (144) | – |
| | – | 144 |
| Beginning balance | 102 | – |
| Additional due to Reverse Acquisition (Note 14(c)) | – | 102 |
| Written off due to discontinued operations | (102) | – |
| Ending balance | – | 102 |

**36. Financial risk management objectives and policies (cont'd)**

**(a) Credit risk (cont'd)**

**Financial assets that are past due and/or impaired (cont'd)**

The impaired trade receivables of the Group arose from long outstanding amounts due from customers which remained unpaid as at the financial reporting date and accordingly there are significant uncertainties over the recovery of these amounts due from these customers. These receivables are not secured by any collateral or credit enhancement.

**Other receivables**

The carrying amount of other receivables due from the subsidiaries individually determined to be impaired and the movement in the related allowance for impairment is as follows:

| | Company | |
|---|---|---|
| | **30 June 2019 $'000** | **30 June 2018 $'000** |
| Beginning balance | 197 | 10,171 |
| Impairment reversed charged to profit or loss | – | (1,223) |
| Written off due to discontinued operations | (197) | (8,751) |
| Ending balance | – | 197 |

The impaired other receivables of the Company arose from subsidiaries that have incurred losses for previous years and are currently under liquidation.

**(b) Liquidity risk**

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between sufficient cash balance, continuity of funding and flexibility through the utilisation of credit facilities.

The ability of the Company and the Group to continue as a going concern is disclosed in Note 3.1.

Management monitors rolling forecasts of the Group's and Company's liquidity reserve (comprises undrawn borrowing facilities (Note 23) and cash and bank balances) on the basis of expected cash flow.

In addition, the Group's and Company's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these, monitoring liquidity ratios and maintaining debt financing plans.

## 36. Financial risk management objectives and policies (cont'd)

### (b) Liquidity risk (cont'd)

The table below summarises the maturity profile of the Group's and Company's financial assets used for managing liquidity risk and financial liabilities at the end of reporting period based on contractual undiscounted cash flows.

| | 30 June 2019 | | | 30 June 2018 | | | 1 January 2017 | | |
|---|---|---|---|---|---|---|---|---|---|
| Group | One year or less $'000 | One to five years $'000 | Total $'000 | One year or less $'000 | One to five years $'000 | Total $'000 | One year or less $'000 | One to five years $'000 | Total $'000 |
| **Financial assets:** | | | | | | | | | |
| Trade receivables | 13,652 | – | 13,652 | 38,194 | 59 | 38,253 | 5,559 | – | 5,559 |
| Other receivables (excluding net GST receivables) | 19,701 | – | 19,701 | 13,385 | – | 13,385 | 11,779 | – | 11,779 |
| Marketable security | – | – | – | 4 | – | 4 | – | – | – |
| Fixed deposits pledged | 103 | – | 103 | 501 | – | 501 | – | – | – |
| Cash at bank | 1,965 | – | 1,965 | 2,015 | – | 2,015 | 6,412 | – | 6,412 |
| Restricted cash | 2,544 | – | 2,544 | – | – | – | – | – | – |
| Total undiscounted financial assets | 37,965 | – | 37,965 | 54,099 | 59 | 54,158 | 23,750 | – | 23,750 |
| **Financial liabilities:** | | | | | | | | | |
| Trade payables | 7,843 | – | 7,843 | 22,212 | – | 22,212 | 20,512 | – | 20,512 |
| Other payables | 24,172 | 1,557 | 25,729 | 26,319 | – | 26,319 | 14,986 | – | 14,986 |
| Loans and borrowings | 98,815 | 69,272 | 168,087 | 28,182 | 27,865 | 56,047 | 4,391 | 37,094 | 41,485 |
| Loans from non-controlling interests | – | – | – | – | 15,205 | 15,205 | – | 13,227 | 13,227 |
| Total undiscounted financial liabilities | 130,830 | 70,829 | 201,659 | 76,713 | 43,070 | 119,783 | 39,889 | 50,321 | 90,210 |
| Total net undiscounted financial liabilities | (92,865) | (70,829) | (163,694) | (22,614) | (43,011) | (65,625) | (16,139) | (50,321) | (66,460) |

**36. Financial risk management objectives and policies (cont'd)**

**(b) Liquidity risk (cont'd)**

| Company | 30 June 2019 One year or less $'000 | 30 June 2019 One to five years $'000 | 30 June 2019 Total $'000 | 30 June 2018 One year or less $'000 | 30 June 2018 One to five years $'000 | 30 June 2018 Total $'000 | 1 January 2017 One year or less $'000 | 1 January 2017 One to five years $'000 | 1 January 2017 Total $'000 |
|---|---|---|---|---|---|---|---|---|---|
| **Financial assets:** | | | | | | | | | |
| Other receivables (excluding net GST receivables) | 169 | – | 169 | 2,219 | – | 2,219 | 1,249 | – | 1,249 |
| Fixed deposits pledged | 103 | – | 103 | 501 | | 501 | 8,131 | – | 8,131 |
| Cash at bank | 5 | – | 5 | 119 | – | 119 | 2,343 | – | 2,343 |
| Total undiscounted financial assets | 277 | – | 277 | 2,839 | – | 2,839 | 11,723 | – | 11,723 |
| **Financial liabilities:** | | | | | | | | | |
| Other payables | 13,033 | – | 13,033 | 12,955 | – | 12,955 | 2,283 | – | 2,283 |
| Total undiscounted financial liabilities | 13,033 | – | 13,033 | 12,955 | – | 12,955 | 2,283 | – | 2,283 |
| Total net undiscounted financial (liabilities)/assets | (12,756) | – | (12,756) | (10,116) | – | (10,116) | 9,440 | – | 9,440 |

The Group and the Company do not have financial assets and liabilities with maturity profile of over five years.

The table below shows the contractual expiry by maturity of the Group's and Company's contingent liabilities and commitments. The maximum amount of the financial guarantee contracts are allocated to the earliest period in which the guarantee could be called.

| | 30 June 2019 One year or less $'000 | 30 June 2019 One to five years $'000 | 30 June 2018 One year or less $'000 | 30 June 2018 One to five years $'000 | 1 January 2017 One year or less $'000 | 1 January 2017 One to five years $'000 |
|---|---|---|---|---|---|---|
| **Group** | | | | | | |
| Financial guarantees | 103 | – | – | 403 | – | – |
| **Company** | | | | | | |
| Financial guarantees | 103 | – | – | 403 | – | 253 |

**36. Financial risk management objectives and policies (cont'd)**

**(c) Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from their loans and borrowings and interest-bearing advances from related parties. The Group's and the Company's financial assets and liabilities at floating rates or being re-priced regularly with the financial institutions and/or lenders.

The Group's policy in the management of interest rate risk is to select the best available terms and where opportunity arises, seek to refinance at lower cost.

The Company is not exposed to significant interest rate risk.

**Sensitivity analysis for interest rate risk**

The effects of a 25 basis point change in the interest rate at maturity or re-pricing on the Group's results are shown below. This analysis assumes that all other rates, in particular foreign exchange rate.

| Group | 30 June 2019<br>(Increase)/Decrease loss before tax<br>$'000 | 30 June 2018<br>Increase/(Decrease) profit before tax<br>$'000 |
|---|---|---|
| 25 basis points increase | (301) | (131) |
| 25 basis points decrease | 301 | 131 |

**(d) Currency risk**

Currency risk arises on the financial instruments that are denominated in a currency other than the entity's functional currency in which they are measured. As at 30 June 2019, 30 June 2018 and 1 January 2017, the Group and the Company do not have significant currency risk as the respective entities in the Group have minimum foreign currency denominated balances and transaction.

The Group and the Company do not use derivative financial instruments to protect against the volatility associated with foreign currency transactions since the exposure is insignificant. Exposure to currency risk is monitored on an on-going basis and the Group and the Company endeavor to keep the net exposure at an acceptable level.

**(e) Capital management**

The Group's and Company's objectives when managing capital are to safeguard the Group's and Company's liability to continue as a going concern and to maintain an optimal capital structure so as to maximize shareholder value. In order to maintain or achieve an optimal capital structure, the Group and Company may adjust the amount of dividend payment to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings.

## 36. Financial risk management objectives and policies (cont'd)

### (e) Capital management (cont'd)

In the management of capital risk, management takes into consideration the net debt to equity ratio as well as the Group's and Company's working capital requirement. The net debt to equity ratio is calculated as net debt divided by total equity (excluding non-controlling interest). Net debt is calculated as total liabilities less provision for warranty, current tax liabilities, deferred tax liabilities and fixed deposits pledged, restricted cash and cash at bank.

| | 30 June 2019 $'000 | 30 June 2018 $'000 | 1 January 2017 $'000 |
|---|---|---|---|
| **Group** | | | |
| Net debt | 150,249 | 130,153 | 86,386 |
| Total equity | 9,334 | 19,278 | 15,157 |
| Net debt to equity ratio | 16.10 | 6.75 | 5.70 |
| **Company** | | | |
| Net debt/(assets) | 12,925 | 12,335 | (8,191) |
| Total equity | 36,514 | 159,568 | 12,456 |
| Net debt to equity ratio | 0.35 | 0.08 | N.M |

N.M: Not meaningful.

The Group and the Company do not have any externally imposed capital requirements for the financial year ended 30 June 2019 and financial period ended 30 June 2018. There were no changes in the Group's and Company's approach to capital management during the financial year/period.

The going concern assumption is disclosed in Note 3.1.

## 37. Segment Information

### (a) Business segment

As at 30 June 2019, the Group currently operates in a single segment, i.e. property development. Hence no segmental financial results is presented.

As at 30 June 2018, the Group has two main reportable segments, namely property development and Aluminium Division. Since the Aluminium Division has been placed under liquidation in May 2019, comparative business segment information as at 30 June 2018 is not meaningful.

### (b) Geographical segment

Geographically, the Group manages and monitors the business in two primary geographic areas, being Singapore and Malaysia.

Revenue is based on the country in which the subsidiary operates. Non-current assets is shown by the geographical area in which the assets is located.

**37. Segment information (cont'd)**

**(b) Geographical segment**

| | Revenue | | Non-current assets | | |
|---|---|---|---|---|---|
| | Financial year ended 30 June 2019 $'000 | Financial period from 1 January 2017 to 30 June 2018 $'000 | 30 June 2019 $'000 | 30 June 2018 $'000 | 1 January 2017 $'000 |
| **Group** | | | | | |
| Malaysia | 4,519 | 117,417 | 10 | 20 | 414 |
| Singapore | – | 4,009 | 42 | 168 | 186 |
| | 4,519 | 121,426 | 52 | 188 | 600 |

Revenue is mainly derived from sales of development properties at PCR in Malaysia.

Non-current assets information presented above consists of property, plant and equipment, trade receivables and deferred cost as presented in the balance sheet.

**38. Comparative figures**

The current year's financial statements covers the twelve-month financial year from 1 July 2018 to 30 June 2019 whilst the comparative financials presented covers the eighteen-month financial period from 1 January 2017 to 30 June 2018 as the Company changed its financial period end date from 31 December to 30 June. As such, the consolidated statement of comprehensive income may not be comparable.

**39. Subsequent events**

In July 2019, the Group had obtained a waiver from the Lenders in respect of the Sales Covenants under the Facility (as described in Note 23(b)). This waiver pertained to Sales Covenants for the financial quarters ended/ending 30 June 2019, 30 September 2019, 31 December 2019 and 31 March 2020. Amongst others, this waiver received in July 2019 also allowed the Group more flexibility in terms of negotiating for bulk sales of units in PCR.

In August 2019, the Group drew down a further $4,579,000 from the Facility (Note 23(b)).

**40. Authorisation of financial statements for issue**

The financial statements for the financial year ended 30 June 2019 were authorised for issue in accordance with a resolution of the Board of Directors of the Company on 11 October 2019.

# STATISTICS OF SHAREHOLDINGS

As at 30 September 2019

| | | |
|---|---|---|
| NO. OF ISSUED SHARES (EXCLUDING TREASURY SHARES AND SUBSIDIARY HOLDINGS) | : | 499,660,878 |
| NUMBER/PERCENTAGE OF TREASURY SHARES AGAINST TOTAL NUMBER OF ISSUED SHARES (EXCLUDING TREASURY SHARES) | : | 2,675,400 (0.54%) |
| CLASS OF SHARES | : | ORDINARY SHARES |
| VOTING RIGHTS (EXCLUDING TREASURY SHARES AND SUBSIDIARY HOLDINGS) | : | ONE VOTE PER SHARE |
| NUMBER OF SUBSIDIARY HOLDINGS | : | NIL |

**DISTRIBUTION OF SHAREHOLDINGS**

| SIZE OF SHAREHOLDINGS | NO. OF SHAREHOLDERS | % | NO. OF SHARES | % |
|---|---|---|---|---|
| 1 - 99 | 10,033 | 72.02 | 217,405 | 0.04 |
| 100 - 1,000 | 2,281 | 16.38 | 724,695 | 0.15 |
| 1,001 - 10,000 | 1,268 | 9.10 | 4,015,163 | 0.80 |
| 10,001 - 1,000,000 | 334 | 2.40 | 18,970,108 | 3.80 |
| 1,000,001 & ABOVE | 14 | 0.10 | 475,733,507 | 95.21 |
| TOTAL | 13,930 | 100.00 | 499,660,878 | 100.00 |

**TOP TWENTY SHAREHOLDERS**

| | NAME | NO. OF SHARES | % |
|---|---|---|---|
| 1 | CH BIOVEST PTE LIMITED | 177,454,800 | 35.52 |
| 2 | GLAXIER CITY LIMITED | 105,035,550 | 21.02 |
| 3 | DOUBLE BLESSING HOLDINGS LIMITED | 64,535,550 | 12.92 |
| 4 | UOB KAY HIAN PTE LTD | 36,368,952 | 7.28 |
| 5 | UNITED OVERSEAS BANK NOMINEES PTE LTD | 26,326,066 | 5.27 |
| 6 | HO LEE GROUP PTE LTD | 24,000,000 | 4.80 |
| 7 | KOH BROTHERS DEVELOPMENT PTE LTD | 11,250,000 | 2.25 |
| 8 | OCBC SECURITIES PRIVATE LTD | 11,033,755 | 2.21 |
| 9 | MARQUE EQUITIES PTE. LTD. | 8,164,500 | 1.64 |
| 10 | DBS NOMINEES PTE LTD | 4,369,484 | 0.87 |
| 11 | CHIU DENNIS | 3,750,000 | 0.75 |
| 12 | XU YONGSHENG | 1,215,210 | 0.24 |
| 13 | RAFFLES NOMINEES (PTE) LIMITED | 1,159,840 | 0.23 |
| 14 | TAN GUEK MING | 1,069,800 | 0.21 |
| 15 | LEE SOK WANG | 907,448 | 0.18 |
| 16 | MAYBANK KIM ENG SECURITIES PTE LTD | 899,179 | 0.18 |
| 17 | LOW CHEONG YEW | 710,000 | 0.14 |
| 18 | KONG CHEE HOH | 705,000 | 0.14 |
| 19 | TAN TAT WEE (CHEN DAWEI) | 656,300 | 0.13 |
| 20 | TAN WANG CHEOW | 600,000 | 0.12 |
| | | 480,211,434 | 96.10 |

# STATISTICS OF SHAREHOLDINGS

As at 30 September 2019

**SUBSTANTIAL SHAREHOLDERS**
(As recorded in the Register of Substantial Shareholders)

| | | DIRECT INTEREST NO. OF SHARES | % | DEEMED INTEREST NO. OF SHARES | % |
|---|---|---|---|---|---|
| 1 | CH Biovest Pte. Limited | 177,454,800 | 35.52 | – | – |
| 2 | Chuan Hup Holdings Limited | – | – | 177,454,800[(a)] | 35.52 |
| 3 | Kai Xin Guo Pte Ltd (formerly known as 3P Pte Ltd) | – | – | 177,454,800[(b)] | 35.52 |
| 4 | Qing Shan Pte Ltd | – | – | 177,454,800[(b)] | 35.52 |
| 5 | TMF Trustees Singapore Limited | – | – | 177,454,800[(b)] | 35.52 |
| 6 | Peh Kwee Chim | – | – | 177,454,800[(c)] | 35.52 |
| 7 | Peh Siong Woon Terence | – | – | 177,454,800[(d)] | 35.52 |
| 8 | Beamsbury Limited | – | – | 177,454,800[(e)] | 35.52 |
| 9 | Glen Chan | – | – | 169,571,100[(f)] | 33.94 |
| 10 | Glaxier City Limited | 105,035,550 | 21.02 | – | – |
| 11 | Global Century Ltd | – | – | 105,035,550[(g)] | 21.02 |
| 12 | Fidelitycorp Limited | – | – | 105,035,550[(g)] | 21.02 |
| 13 | Double Blessing Holdings Limited | 64,535,550 | 12.92 | – | – |

(a) Chuan Hup Holdings Limited ("**Chuan Hup**") is the sole shareholder of CH Biovest Pte. Limited ("**CH Biovest**"). Accordingly, Chuan Hup is deemed to be interested in the shares of the Company held by CH Biovest.

(b) Kai Xin Guo Pte Ltd is the owner of 51.52% of the issued and paid up share capital of Chuan Hup. Kai Xin Guo Pte Ltd is a wholly-owned subsidiary of Qing Shan Pte Ltd, which is in turn entirely held by TMF Trustees Singapore Limited as trustee of a trust constituted by Peh Kwee Chim (the "**Trust**"). Therefore, Kai Xin Guo Pte Ltd, Qing Shan Pte Ltd and TMF Trustees Singapore Limited are each deemed to be interested in the shareholding interest of Chuan Hup in the Company, held by Chuan Hup through its wholly-owned subsidiary, CH Biovest.

(c) Peh Kwee Chim is a director of Kai Xin Guo Pte Ltd and is also the settlor of the Trust, and is therefore deemed to be interested in the shareholding interest of Chuan Hup in the Company, held through its wholly-owned subsidiary, CH Biovest.

(d) Peh Siong Woon Terence is a director of Kai Xin Guo Pte Ltd and is also the beneficiary of the Trust, and is therefore deemed to be interested in the shareholding interest of Chuan Hup in the Company, held through its wholly-owned subsidiary, CH Biovest.

(e) Beamsbury Limited, the nominee corporate director of TMF Trustees Singapore Limited and sole director of Qing Shan Pte Ltd, manages, controls the operations of and determines the policy with respect to Qing Shan Pte Ltd.

(f) Glen Chan owns 20.0% of the issued and paid-up share capital of Glaxier City Limited. Glen Chan is also the sole shareholder of Double Blessing Holdings Limited. Accordingly, Glen Chan is deemed to be interested in the Shares of the Company held by Glaxier City Limited and Double Blessing Holdings Limited.

(g) Global Century Ltd holds 80.0% of the issued and paid-up share capital of Glaxier City Limited. The entire issued and paid-up capital of Global Century Ltd is held by Fidelitycorp Limited as trustee of a discretionary trust. Therefore, Global Century Ltd and Fidelitycorp Limited are deemed to be interested in the Shares of the Company held by Glaxier City Limited.

**PERCENTAGE OF SHAREHOLDING IN PUBLIC HANDS**

As at 30 September 2019, approximately 30.54% of the Company's total number of issued shares are held in the hands of the public. Accordingly, the Company has compiled with Rule 723 of the Catalist Rules.

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting (the "**AGM**") of **Pacific Star Development Limited** (the "**Company**") will be held at Tan Chin Tuan Function Room 1, Level 4, YMCA of Singapore, 1 Orchard Road, Singapore 238824 on the 30th day of October 2019 at 10.00 a.m. for the following purposes:-

**AS ORDINARY BUSINESS**

1. To receive and adopt the Audited Financial Statements of the Company for the financial year ended 30 June 2019 together with the Directors' Report and Auditors' Report thereon. **(Resolution 1)**

2. To approve the payment of Directors' Fees of $134,711 for the financial year ended 30 June 2019.
*[See Explanatory Note (i)]* **(Resolution 2)**

3. To re-elect Mr Ying Wei Hsein as Director of the Company retiring pursuant to Regulation 88 of the Company's Constitution.
*[See Explanatory Note (ii)]* **(Resolution 3)**

4. To re-elect Mr Leow Chin Boon as Director of the Company retiring pursuant to Regulation 88 of the Company's Constitution.
*[See Explanatory Note (iii)]* **(Resolution 4)**

5. To re-elect Mr Yeong Wai Cheong as Director of the Company retiring pursuant to Regulation 88 of the Company's Constitution.
*[See Explanatory Note (iv)]* **(Resolution 5)**

6. To re-appoint Messrs Ernst & Young LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 6)**

7. To transact any other ordinary business which may be properly transacted at the AGM.

**AS SPECIAL BUSINESS**

To consider and, if thought fit, to pass the following resolution (with or without amendments) as an Ordinary Resolution:–

8. **Authority to allot and issue new shares**

"That pursuant to Section 161 of the Companies Act, Cap. 50 of Singapore (the "**Act**") and Rule 806 of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") (the "**Catalist Rules**"), the Directors of the Company be and are hereby authorised to:

(a) (i) allot and issue shares in the capital of the Company (the "**Shares**") (whether by way of rights, bonus or otherwise); and/or

(ii) make or grant offers, agreements or options (collectively, the "**Instruments**") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments exchangeable into Shares, at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force, provided that:

(i) the aggregate number of Shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed one hundred per cent (100%) of the total issued Shares excluding treasury shares and subsidiary holdings (as calculated in accordance with sub-paragraph (ii) below), of which the aggregate number of Shares to be issued other than on a *pro-rata* basis to existing shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty per cent (50%) of the total issued Shares excluding treasury shares and subsidiary holdings (as calculated in accordance with sub-paragraph (ii) below); and

(ii) (subject to such manner of calculation and adjustments as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (i) above, the percentage of the total number of issued Shares excluding treasury shares and subsidiary holdings shall be calculated based on the total number of issued Shares excluding treasury shares and subsidiary holdings at the time this Resolution is passed, after adjusting for:

(1) new Shares arising from the conversion or exercise of convertible securities;

(2) new Shares arising from exercising of share options or vesting of share awards outstanding or subsisting at the time this Resolution is passed, provided that the share options or share awards were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules; and

(3) any subsequent bonus issue, consolidation or subdivision of Shares;

(iii) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST), all applicable legal requirements under the Act and the Company's Constitution for the time being of the Company; and

(iv) (unless revoked or varied by the Company in a general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is the earlier.

*[See Explanatory Note (v)]* **(Resolution 7)**

Dated this 15 October 2019

BY ORDER OF THE BOARD

Kennedy Chen
Company Secretary
Singapore

**EXPLANATORY NOTES ON RESOLUTIONS TO BE PASSED:**

(i) The amount of Directors' fees to be paid to former and present Directors prorated according to their tenure as Directors during the financial year ended 30 June 2019 are as follow:

| | | |
|---|---|---|
| a. | Mr Yee Kee Shian, Leon: | $45,879 |
| b. | Ms Heng Su-Ling Mae: | $37,473 |
| c. | Mr Micheal Tan Hai Peng: | $32,788 |
| d. | Mr Teo Khee Hwee: | $12,500 |
| e. | Mr Leow Chin Boon: | $3,214 |
| f. | Mr Low Siew Sie Bob: | $2,857 |
| | **Total** | **$134,711** |

(ii) Mr Ying Wei Hsein will, upon re-election as a Director of the Company, remain as the Executive Chairman of the Company and a member of the Nominating Committee.

(iii) Mr Leow Chin Boon will, upon re-election as a Director of the Company, remain as the Lead Independent Director, the Chairman of the Audit Committee and a member of the Remuneration Committee and Nominating Committee of the Company. Mr Leow will be considered independent for the purpose of Rule 704(7) of the Catalist Rules. There are no relationships (including immediate family relationships) between Mr Leow and the other Directors, the Company and its 10% shareholders.

(iv) Mr Yeong Wai Cheong will, upon re-election as a Director of the Company, remain as an Independent Director, the Chairman of the Nominating Committee and Remuneration Committee and a member of the Audit Committee of the Company. Mr Yeong will be considered independent for the purpose of Rule 704(7) of the Catalist Rules. There are no relationships (including immediate family relationships) between Mr Yeong and the other Directors, the Company and its 10% shareholders.

(v) The proposed Resolution 7, if passed, will empower the Directors from the date of the above AGM until the date of the next AGM, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to allot and issue shares and convertible securities in the Company. The number of shares and convertible securities, which the Directors may allow and issue under this resolution, shall not exceed 100% of the total number of the issued shares excluding treasury shares and subsidiary holdings of the Company at the time of passing this resolution. For allotment and issue of shares and convertible securities other than on a *pro-rata* basis to all shareholders of the Company, the aggregate number of shares and convertible securities to be allotted and issued shall not exceed 50% of the total number of issued shares excluding treasury shares and subsidiary holdings of the Company. This authority will, unless previously revoked or varied at a general meeting, expire at the next AGM.

**NOTES:**

(1) A member of the Company entitled to attend and vote at the AGM is entitled to appoint not more than two proxies to attend and vote in his/her stead.

(2) A proxy need not be a member of the Company.

(3) Where a member of the Company appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each such proxy.

(4) A member who is a relevant intermediary entitled to attend the AGM and vote is entitled to appoint more than two proxies to attend and vote instead of the member, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where such member appoints more than two proxies, the appointments shall be invalid unless the member specifies the number of Shares in relation to which each proxy has been appointed.

"relevant intermediary" means:

(a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;

(b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or

(c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund (the "**CPF**"), if the CPF Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

(5) If the appointer is a corporation, the proxy must be executed under seal or the hand of its duly authorised officer or attorney.

(6) The instrument or form appointing a proxy, duly executed, must be deposited at the office of the Company's Share Registrar, B. A. C. S. Private Limited at 8 Robinson Road, #03-00 ASO Building, Singapore 048544 not less than 72 hours before the time set for holding the AGM in order for the proxy to be entitled to attend and vote at the AGM.

**Personal Data Privacy:**

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

**Sponsor Statement:**

This notice has been reviewed by the Company's Sponsor, SAC Capital Private Limited (the "**Sponsor**").

This notice has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") and the SGX-ST assumes no responsibility for the contents of this notice including the correctness of any of the statements or opinions made or reports contained in this notice.

The contact person for the Sponsor is Mr David Yeong, SAC Capital Private Limited at 1 Robinson Road, #21-00 AIA Tower, Singapore 048542. Telephone number: +65 6232 3210.

**PACIFIC STAR DEVELOPMENT LIMITED**
(Incorporated in the Republic of Singapore)
(Company Registration No. 198203779D)

**PROXY FORM**
**ANNUAL GENERAL MEETING**

**IMPORTANT NOTES**
1. Relevant intermediaries as defined in Section 181 of the Companies Act, Cap. 50 may appoint more than two proxies to attend, speak and vote at the Annual General Meeting.
2. For CPF/SRS investors who have used their CPF/SRS monies to buy Pacific Star Development Limited's shares, this form of proxy is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS investors should contact their respective Agent Banks/SRS Operators if they have any queries regarding their appointment as proxies.
3. By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting date 15 October 2019.

*I/We, ______________________ (Name) ______________________ (*NRIC/Passport/Registration No.)

of ____________________________________________________________ (Address)

being a *member/members of PACIFIC STAR DEVELOPMENT LIMITED (the "**Company**"), hereby appoint:

| Name | Address | NRIC/ Passport No. | Proportion of Shareholdings | |
|---|---|---|---|---|
| | | | No. of Shares | % |
| | | | | |

*and/or

| Name | Address | NRIC/ Passport No. | Proportion of Shareholdings | |
|---|---|---|---|---|
| | | | No. of Shares | % |
| | | | | |

or failing him/her/them, the Chairman of the Annual General Meeting (the "**AGM**") of the Company as *my/our *proxy/proxies to attend and to vote for *me/us on *my/our behalf at the AGM of the Company to be held at Tan Chin Tuan Function Room 1, Level 4, YMCA of Singapore, 1 Orchard Road, Singapore 238824 on 30 October 2019 at 10.00 a.m. and at any adjournment thereof.

*I/We direct *my/our *proxy/proxies to vote for or against the Resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the AGM and at any adjournment thereof, the *proxy/proxies will vote or abstain from voting at *his/her discretion. All resolutions put to the vote at the AGM shall be decided by way of poll.

* Please delete accordingly

**(Please indicate your vote 'For' or 'Against' with a "X" within the box provided. Alternatively, please indicate the number of votes as appropriate)**

| No. | Resolutions relating to: | No. of Votes For | No. of Votes Against |
|---|---|---|---|
| | **Ordinary Business** | | |
| 1. | To receive and adopt the Audited Financial Statements of the Company for the financial year ended 30 June 2019 together with the Directors' Report and Auditors' Report thereon. | | |
| 2. | To approve the payment of Directors' Fees of $134,711 for the financial year ended 30 June 2019. | | |
| 3. | To re-elect Mr Ying Wei Hsein as Director of the Company in accordance with Regulation 88 of the Company's Constitution. | | |
| 4. | To re-elect Mr Leow Chin Boon as Director of the Company in accordance with Regulation 88 of the Company's Constitution. | | |
| 5. | To re-elect Mr Yeong Wai Cheong as Director of the Company in accordance with Regulation 88 of the Company's Constitution. | | |
| 6. | To appoint Messrs Ernst & Young LLP as the Auditors of the Company and to authorise the Directors to fix their remuneration. | | |
| | **Special Business** | | |
| 7. | To authorise Directors to allot and issue new shares pursuant to Section 161 of the Companies Act, Cap. 50 | | |

Dated this ________ day of ______________ 2019

| Total number of Shares in | No. of Shares |
|---|---|
| (a) CDP Register | |
| (b) Register of Members | |

______________________________
Signature(s) of Shareholder(s)
or Common Seal of Corporate Shareholder

**IMPORTANT: PLEASE READ NOTES OVERLEAF BEFORE COMPLETING THIS PROXY FORM**

**Notes:**

1. A member of the Company entitled to attend and vote at the AGM is entitled to appoint not more than two proxies to attend and vote in his/her stead. Such proxy need not be a member of the Company.
2. Where a member of the Company appoints two proxies, he/she shall specify the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each such proxy.
3. The instrument appointing a proxy or proxies must be executed under the hand of the appointor or his/her attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or duly authorised officer.
4. A corporation which is a member of the Company may authorise by a resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM, in accordance with its Constitution and Section 179 of the Companies Act, Chapter 50 of Singapore.
5. A member who is a relevant intermediary entitled to attend the AGM and vote is entitled to appoint more than two proxies to attend and vote instead of the member, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where such member appoints more than two proxies, the appointments shall be invalid unless the member specifies the number of Shares in relation to which each proxy has been appointed.

   "relevant intermediary" means:

   (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;

   (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or

   (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund (the "**CPF**"), if the CPF Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

*1st fold*

6. The instrument appointing a proxy or proxies, together with the power of attorney or other authority (if any) under which it is signed, or notarially certified copy thereof, must be deposited at the office of the Company's Share Registrar, B. A. C. S. Private Limited at 8 Robinson Road, #03-00 ASO Building, Singapore 048544 not less than 72 hours before the time set for the AGM.
7. A member should insert the total number of shares held. If the member has shares entered against his/her name in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50 of Singapore), he/she should insert that number of shares. If the member has shares registered in his/her name in the Register of members of the Company, he/she should insert the number of shares. If the member has shares entered against his/her name in the Depository Register and shares registered in his/her name in the Register of Members of the Company, he/she should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member of the Company.
8. The Company shall be entitled to reject an instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument appointing a proxy or proxies. In addition, in the case of members of the Company whose shares are entered against their names in the Depository Register, the Company may reject an instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register 72 hours before the time appointed for holding the AGM as certified by The Central Depository (Pte) Limited to the Company.
9. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the AGM. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the AGM in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the AGM.
10. A Depositor shall not be regarded as a member of the Company entitled to attend the AGM and to speak and vote thereat unless his name appears on the Depository Register 72 hours before the time set for the AGM.
11. **PERSONAL DATA PRIVACY**

    By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 15 October 2019.

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**AFFIX STAMP**

**PACIFIC STAR DEVELOPMENT LIMITED**
Company's Share Registrar
B.A.C.S. Private Limited
8 Robinson Road
#03-00 ASO Building
Singapore 048544

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