



**China Real Estate Grp Ltd.**  
中国房地产集团有限公司



# Resolute, Ready

ANNUAL REPORT 2020



CHEERY

# CONTENTS

**02**

Corporate Profile

**03**

Corporate Structure

**04**

Chairman's Statement

**06**

Operations Review

**08**

Significant Events

**09**

Board of Directors

**11**

Key Management

**12**

Financial Highlights

**13**

Corporate Governance  
Report

**49**

Financial Statements

**130**

Statistics of  
Shareholdings

**134**

Notice of Annual  
General Meeting

Proxy Form

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## RESOLUTE, READY |

The world economy is still in the doldrums and global trade and travel have been decimated by the closure of international borders in a united effort to slow the spread of COVID-19.

Undeterred by these headwinds, China Real Estate Grp Ltd. (“CREG” or “the Group”) remains **resolute** in seeking fresh opportunities to grow its real estate portfolio. Having already established a foothold in Huzhou in China’s Zhejiang province, we have since expanded our strategic vision outside China to Southeast Asia for a start – the region is a market we are familiar with and here we will also focus on establishing the Group as a significant and distinctive property developer and investor.

In China, it remains our long-term vision to make our mark as a lifestyle property developer in Huzhou and other third- and fourth-tier cities. The Group’s 113-room luxury boutique Cheery Hotel Huzhou 湖州祈悦酒店 is up and running and we will make every effort to establish “Cheery Hotel” as a reputable brand of choice in Zhejiang province.

During the downtime when the hotel had to suspend operations in compliance with COVID-19 directives from the local authorities, we worked hard to maintain the facilities and rooms in good condition as well as keep the Cheery Hotel name up through innovative joint marketing promotions and hotel stay packages. As a result, Cheery Hotel was able to quickly fully reopen in April 2020 and benefit from the gradual resumption of ‘normal’ activities and trans-provincial travel, including cultural trips, in China.

It is with this same determination to succeed, as well as our willingness to work hard and be innovative that the Group is well prepared and **ready** to take hold of opportunities to realise its vision.

## | CORPORATE PROFILE

China Real Estate Grp Ltd. (“CREG” or the “Group”) has pushed ahead with its strategy to become a regional real estate lifestyle developer in China.

The Huzhou Project is the Group’s first foray into China, after it gained majority control of two property companies in Huzhou, Zhejiang province in 2017. Initial land preparation work has already begun on the leisure-cum-lifestyle integrated development which will focus on family recreational and modern living aspirations as well as their overall wellness. The mixed development of prime residential and commercial properties with a variety of innovative leisure and wellness-related choices will include waterside villas, island residences and townhouses, health apartments, as well as a yacht club. When completed, the Huzhou Project is slated to transform the area into a lifestyle hub featuring the unique culture of the ancient city of Huzhou.

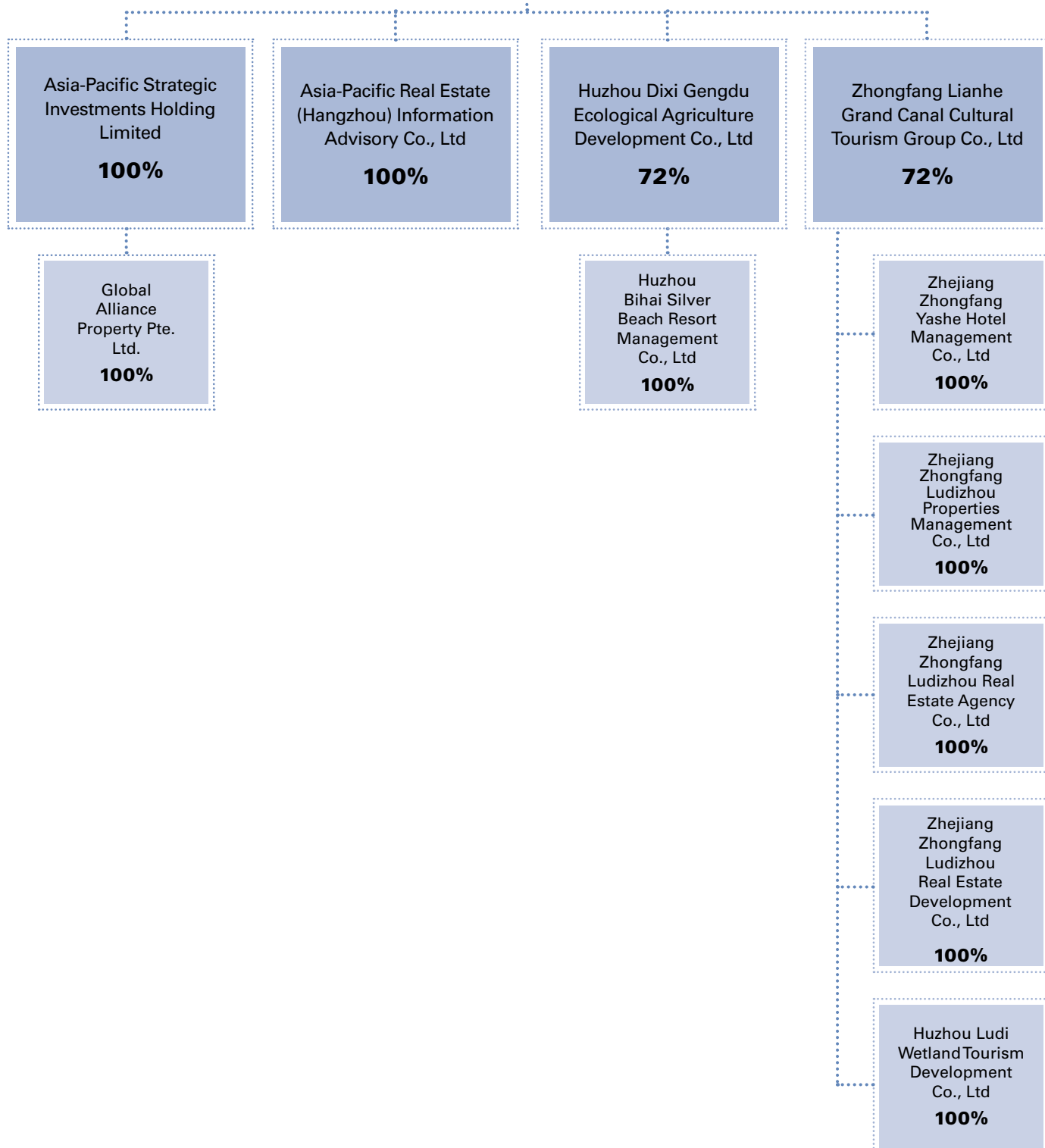
The Group owns and operates a 113-room luxury riverside boutique hotel, Cheery Hotel Huzhou 湖州祈悦酒店, which is strategically sited adjacent to the Huzhou Project.



# CORPORATE STRUCTURE



## China Real Estate Grp Ltd. 中国房地产集团有限公司



# CHAIRMAN'S STATEMENT

## Dear Shareholders,

The onset of the coronavirus disease (or "COVID-19") at the start of 2020 sent the world on an unprecedented course of its worse recession since the Second World War, with border closures and lockdowns causing major disruptions to world trade and international travel.

China, the world's second largest economy, was not spared, suffering a steep contraction of 6.8% in gross domestic product ("GDP") in the first quarter of 2020 as the government introduced strict measures, including the shutdown of factories and businesses, to curb the spread of the virus. With the spread of COVID-19 reportedly under control in China, the rollout of fiscal and monetary easing policies, as well as the gradual re-opening of the domestic economy and resumption of trans-provincial travel have lifted GDP growth to 3.2% in 2Q2020<sup>1</sup> and 4.9% in 3Q2020<sup>2</sup>.

There are signs that this pick up is sustainable. During the recent October Golden Week national holiday, often seen as an important barometer for consumer spending in China, a total of 637 million trips were made across the country, generating RMB466.56 billion in tourism revenue, according to the Ministry of Culture and Tourism ("MCT"). Although this is only about 79% of the level achieved in the same period last year, it nevertheless sends a strong signal of the revival of tourism which has been hard hit by the pandemic. In addition, the report from the National Health Commission that there were no locally transmitted COVID-19 cases despite increased tourist flows during this period has further enhanced national confidence that local tourism consumption has turned the corner in China<sup>3</sup>.

## BUILDING OUR PRESENCE

On 14 July 2020, the MCT announced that China would resume trans-provincial group tourism and also eased restrictions on tourist attractions by lifting the operating limit to 50% of capacity from 30% imposed in April<sup>4</sup>. This news cheered the entire hospitality industry<sup>5</sup> because consumption, including domestic tourism, is an important engine of growth in China due to steady urbanisation and rising affluence.

The China Tourism Academy under the MCT estimated that the Chinese made over 6 billion domestic trips and spent RMB5.73 trillion in 2019.

In addition, over 80% of travellers attended cultural activities and visited museums while red tourism sites, such as places with revolutionary history, welcomed 31.1% more visitors. Although the number of trips and spending for 2020 are unlikely to match last year's figures, the growing trend towards cultural and red tourism attractions by locals is here to stay<sup>6</sup>.

Having been cooped up at home since February has built up strong demand for thematic tours across all age groups as well. The hiking, outdoor trips and camping activities offered by these tours are a sign that people desire to be out in the open after being locked down and confined at home<sup>7</sup>.

The 113-room luxury boutique Cheery Hotel Huzhou 湖州祈悦酒店 ("Cheery Hotel") developed by China Real Estate Grp Ltd. ("CREG" or "the Group") is well placed to benefit from these new 'normal' travel trends. The modern and well-equipped riverside hotel not only meets the expectations of an increasingly affluent population, but also lies in the heart of the ancient city of Huzhou, renowned for its rich cultural legacy in calligraphy, painting and as the birthplace of silk cultivation. The hotel is also within driving distance to popular tourist spots such as Huzhou Yuanxiang Town Park, Nanxun Old Town, Moganshan (or Mount Mogan) National Park and Huzhou Mulberry-dyke and Fish Pond. Moganshan lists amongst China's top resort places while idyllic Yuanxiang Town Park is home to one of Asia's largest butterfly museums. In addition, Huzhou Mulberry-dyke and Fish Pond has been designated as one of the world's Globally Important Agriculture Heritage Systems by the United Nation's Food and Agriculture Organisation since 2017.

Innovative in our marketing approach, the hotel offers attractive packages for weddings and MICE functions, as well as holiday makers by tying hotel stays with entrance tickets to nearby tourist destinations. As a result, room occupancy and food & beverage ("F&B") operations have improved since the hotel's full re-opening in April 2020. During the 7-day Golden Week holidays, hotel room occupancy rose above 80% and forward F&B and room bookings suggest that the worst is behind us.

## LOOKING AHEAD

### *In China*

The epidemic has fast forwarded tourism's evolution, spurring the use of smart travel services via apps, reservation-based travel and self-drive tours which

# CHAIRMAN'S STATEMENT |

minimise unnecessary human contact out of health concerns. We are also well aware that revitalising tourism is not about returning to the past, but adapting to the future with technology, culture and service quality<sup>8</sup>.

Our team has been busy adapting and re-positioning Cheery Hotel to ride on this trend and being located near cultural, nature and educational hubs add to its competitive edge. We will make every effort to develop Cheery Hotel as a reputable brand of choice in Zhejiang province. The Chinese Government's active encouragement of domestic travel and internal consumption will definitely benefit our efforts directly.

As for the Group's residential and commercial development in Huzhou<sup>9</sup>, we are reviewing the development implementation and business plans in view of the economic fall-out from the COVID-19 pandemic.

## **Beyond China**

Although the business environment is expected to remain challenging in the next 12 months mainly due to uncertainties arising from the COVID-19 outbreak, the current global downturn has presented fresh opportunities for CREG to diversify its real estate portfolio outside China. After careful deliberation, the Group believes that Southeast Asia is a good market to begin our quest as the region is where the Group has its roots and we are familiar with the people as well as its varied laws and regulations.

Our vision to diversify and expand our real estate portfolio and geographic reach in China and Southeast Asia over the medium to long term only serves to strengthen our resolve to establish the Group as a significant and distinctive property developer and investor.

To better reflect this broader strategy, the Board of Directors of the Company (the "Board") has proposed to change the name of the Company back to Asia-Pacific Strategic Investments Limited at the Annual General Meeting scheduled for 30 December 2020.

## **ACKNOWLEDGMENTS AND APPRECIATION**

The Board and I would like to thank Mr Yap Sian Sin, who retired as an Independent Director during the financial year, for his wise counsel and invaluable contribution to CREG over the past 12 years. We also thank Mr Lien Kait Long,

our Independent Director, for taking on the responsibility and role of Chairman of the Audit Committee and a member of the Remuneration Committee in place of Mr Yap.

Mr Lee Keng Mun relinquished his role as Executive Director on 30 October 2019 to facilitate the Company's compliance with its obligations under the Code of Corporate Governance 2018. However, he remains as the Chief Operating Officer, overseeing CREG's business and operations such as business development, finance, administration and corporate governance. We would like to express our appreciation to Mr Lee for his prudent guidance and careful execution of responsibilities during his tenure as Executive Director.

On behalf of the Board, I would also like to thank our shareholders, clients and business associates for their unwavering trust and patience in us to resolutely steer the Group forward.

We would like to especially thank every member of our staff and management team for their steadfast support, understanding and perseverance during this challenging period and as we press on to build a sustainable future for all.

## **Dato' Dr Choo Yeow Ming** *Chairman*

<sup>1</sup> *bbc.com*, 16 July 2020: *China's economy grew 3.2% in the second quarter following a record slump*; *scmp.com*, 16 July 2020: *China GDP: First major economy to show a recovery from coronavirus damage with 3.2 per cent growth in second quarter*

<sup>2</sup> *scmp.com*, 19 Oct 2020: *China GDP: Economy grew by 4.9 per cent in third quarter of 2020*

<sup>3</sup> *cgtn.com*, 9 Oct 2020: *Golden Week revives China's domestic tourism sector*

<sup>4</sup> *South China Morning Post*, 15 July 2020: *China cautiously opens up domestic tourism to unleash pent up spending power and bolster sagging economy*

<sup>5</sup> *Hospitality industry comprises the food & beverage, travel & tourism, lodging and recreation sectors*

<sup>6</sup> *Xinhuanet*, 21 Feb 2020: *Economic Watch: China witnesses robust culture, tourism consumption*

<sup>7</sup> *WIT webintravel.com*, 7 May 2020: *Domestic tourism in China will pave the way to industry recovery*

<sup>8</sup> *Xinhuanet*, 19 May 2020: *China Focus - Online visit, hometown travel: Tourism seeking paths out of virus doldrums.*

<sup>9</sup> *The Group owns a 72% equity stake in Zhongfang Lianhe Grand Canal Cultural Tourism Group Co., Ltd (中房联合大运河文化旅游集团有限公司), a real estate developer with management rights to develop a 320-hectare site in Huzhou, Zhejiang province ("Huzhou Project"). Huzhou Project's residential and commercial developments will have a wellbeing and healthy living focus.*

# OPERATIONS REVIEW

## FY2020 in Review

China Real Estate Grp Ltd. ("CREG" or the "Group") reported a lower revenue of S\$625,000 in the financial year ended 30 June 2020 ("FY2020") due mainly to the discontinuation of the real estate agency business operations of Global Alliance Property Pte. Ltd. ("GAP") in the fourth quarter of the financial year ended 30 June 2019 ("FY2019"). About 77% of this revenue was contributed by the Group's 113-room luxury boutique Cheery Hotel Huzhou 湖州祈悦酒店 ("Cheery Hotel") in Zhejiang Province.

Despite the revenue decline, the Group was able to achieve a marginal \$48,000 drop in gross profit to S\$225,000 in FY2020 because of the higher profit margin from the operations of Cheery Hotel vis-à-vis GAP's real estate agency business.

The hotel was fully operational last October which resulted in higher distribution, marketing, operating and depreciation expenses during the financial year. Even with the temporary suspension of the operations of Cheery Hotel for about two months in compliance with a directive from the Huzhou Government as part of China's anti-coronavirus measures, the Group net loss rose by only 8.5% to S\$7.0 million in FY2020.

Although the difficult operating environment persisted throughout the year, the Group's continued prudent capital management practices enabled CREG to register a much improved net cash used in operating activities of S\$1.3 million compared with S\$6.3 million in FY2019.

## Resolute in Building Our Presence, Ready for the New 'Norm'

With the discontinuation of GAP's real estate agency business in FY2019, we were able to focus our efforts and resources to get the Cheery Hotel up and running in FY2020.

Since its full opening in October 2019, the hotel has made steady progress in building up its clientele base and forward reservations through various innovative promotions and marketing packages - the warm and growing reception to Cheery Hotel from both locals and visitors from other Chinese provinces has been encouraging.

The temporary disruption of hotel operations in February 2020 did not dampen our resolve to establish CREG as a reputable hospitality and lifestyle real estate developer in China. Our efforts to establish the name of Cheery Hotel never stopped. In fact, our team on the ground continued





# OPERATIONS REVIEW |



to keep up with new travel trends, especially amongst the local population, and worked with various parties to develop innovative hotel stay packages for business meetings, leisure travel and banquet functions such as weddings. For holiday travellers for instance, we have tied up hotel stays with entrance tickets to nearby attractions such as Nanxun OldTown and Huzhou Yuanxiang Town Park to capture a share of the fast growing cultural and outdoor thematic tourism market.

We were therefore well prepared when we were allowed to take room bookings from 1st March 2020 and subsequently, the re-opening of our food & beverages operations in April 2020. To date, our innovative marketing efforts have helped to improve the hotel's occupancy as well as forward bookings for its conference and banquet services. The modern and stylishly designed Cheery Hotel is also gaining popularity for weddings.

The Group expects the business environment to remain challenging in the next 12 months due mainly to uncertainties arising from the COVID-19 pandemic and resulting recessions which have directly impacted both the hospitality and real estate industries. Therefore, the Group is presently



reviewing the development implementation and business plans for the Huzhou Project whilst working hard to establish a strong reputation for Cheery Hotel.

Business cycles come and go, and every crisis presents its own set of challenges and opportunities. At CREG, we remain prepared to ride through every crisis, resolute and ready to forge new paths and adopt 'new norms' where necessary to achieve our long-term vision to build our presence, establishing the Group as a significant and distinctive property developer and investor in China and beyond.

# SIGNIFICANT EVENTS

DATE	FINANCIAL CALENDAR
30 Oct 2019	Annual General Meeting
13 Nov 2019	Announcement of 1QFY2020 Financial Results
11 Feb 2020	Announcement of 1HFY2020 Financial Results
26 Oct 2020	Announcement of FY2020 Financial Results

DATE	SIGNIFICANT ANNOUNCEMENTS
7 Oct 2019	<p>Sale and Purchase Agreement (the "28% SPA") with 中房联合置业集团有限公司 (the "Vendor") for the proposed acquisition of the remaining 28% issued equity interest in Zhongfang Lianhe Grand Canal Cultural Tourism Group Co., Ltd (中房联合大运河文化旅游集团有限公司) (the "Target Company") for a consideration of RMB9,800,000 (approximately S\$1,892,380) (the "Proposed Acquisition").</p> <p>Following the completion of the Proposed Acquisition, the Target Company will become a wholly-owned subsidiary of the Company.</p>
30 Oct 2019	Announced the retirement of Mr Yap Siean Sin as an Independent Director.
30 Oct 2019	Announced the cessation of Mr Lee Keng Mun as an Executive Director.
7 Jan 2020	The 28% SPA – extension of Long Stop Date to 7 April 2020, due to the longer than expected period for the fulfilment of the conditions precedent.
12 Feb 2020	Announced the cessation to announce its financial statements for each of the first three quarters of its financial year. Instead, the Company will announce its financial statements for the half year and the full financial year in accordance with Catalyst Rules.
8 Apr 2020	The 28% SPA – termination of the 28% SPA due to certain conditions precedent not being fulfilled or waived in accordance with the terms of the 28% SPA.
30 Aug 2020	<p>Announced the application to the SGX-ST for an extension of time to announce its unaudited financial statements for financial year ended 30 June 2020 ("FY2020") from the current deadline of 29 August 2020 to 28 October 2020, and for an extension of time to hold its annual general meeting ("AGM") for FY2020 from the current deadline of 31 October 2020 to 30 December 2020.</p> <p>An application had also been submitted to the Accounting and Corporate Regulatory Authority of Singapore ("ACRA") for an extension of time to hold its AGM for FY2020 by 30 December 2020 and to file its annual return for FY2020 by 29 January 2021 (the "ACRA Applications"). The Company has received approval from ACRA for the ACRA Applications on 27 August 2020.</p>
16 Sep 2020	Grant of extension of time from the SGX-ST to announce the unaudited financial results of the Company for FY2020 by 28 October 2020 and the Company's application for an extension of time to hold the AGM for FY2020 by 30 December 2020.
21 Sep 2020	<p>The 28% SPA - received a Writ of Summons from No. 4 Intermediate People's Court of Beijing, the People's Republic of China, whereby the Vendor has made an application to the court seeking the following:</p> <ul style="list-style-type: none"> <li>i) to compel the Company to complete the Proposed Acquisition and pay to the Vendor the consideration of RMB9,800,000 (approximately S\$1,970,000 at an exchange rate of RMB1 = S\$0.201) immediately;</li> <li>ii) to pay to the Vendor the late payment penalty of RMB1,930,600 (approximately S\$388,000 at an exchange rate of RMB1 = S\$0.201); and</li> <li>iii) to pay the Vendor's cost of action on an indemnity basis (the "Application").</li> </ul> <p>The Company is currently seeking legal advice from its legal counsel, Shanghai Hiways Law Firm (上海市海华永泰律师事务所) on the above matter with a view to proceed with a course of action that is in the best interest of the Company. Pursuant to legal advice received from its legal counsel, the Board is of the view that the Vendor's claim is without basis as, <i>inter alia</i>, the 28% SPA has terminated and has ceased to have any force and effect as of 7 April 2020 and the Vendor has in a letter dated 30 April 2020 acknowledged the termination of the Proposed Acquisition.</p>
16 Oct 2020	Announced the Notice of Expiry of W201119 Warrants. The W201119 Warrants expired on 5.00p.m. on 19 November 2020.
4 Dec 2020	The 28% SPA - the Court has dismissed the Application by the Vendor in its entirety.

# BOARD OF DIRECTORS |

## **Dato' Dr Choo Yeow Ming**

*Chairman and Chief Executive Officer ("CEO")*

Dato' Choo was appointed as Director of CREG since 6 July 2006. As CEO, he is responsible for the overall operations, management, strategic planning and business development of the Group. A lawyer by training, Dato' Choo obtained his law degrees from the University of Malaya, the Chicago-Kent College of Law and the Harvard University Law School. Thereafter, Dato' Choo practiced as an attorney in Chicago, Minneapolis, New York and Hong Kong, specialising in capital market transactions, mergers and acquisitions. Dato' Choo was a partner at Winthrop Stimson Putnam & Roberts (now known as Pillsbury Winthrop) from 1992 to 2001, before becoming the executive chairman of Capital Strategic Investment Limited, which is listed on the Hong Kong Exchanges and Clearing Limited. In that role, Dato' Choo took overall management responsibility for Capital Strategic Investment Limited before he stepped down in 2005.

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## **Lum Moy Foong**

*Non-Executive Director*

Ms Lum was appointed to the Board on 22 March 2018. She graduated with a Bachelor of Business (Accountancy) from the Royal Melbourne Institute of Technology, Australia. She has more than 25 years of experience in handling the finance, corporate affairs, legal and corporate secretary matters of public listed companies and private limited companies. She is currently the chief financial officer and executive director of a non-listed public company.

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## **Dr Lam Lee G**

*Lead Independent Director*

Dr Lam was appointed to the Board on 5 June 2007. He is the chairman of Hong Kong Cyberport Management Company Limited and non-executive chairman – Greater China and ASEAN Region of Macquarie Infrastructure and Real Assets. He started his career in Canada at Bell-Northern Research (the R&D arm of Nortel) and in Hong Kong at Hong Kong Telecom. He later joined Singapore Technologies Telemedia (then part of Temasek Holdings) and BOC International Holdings (the international investment banking arm of the Bank of China group) where he served as Vice-Chairman and Chief Operating Officer of its investment banking division. Until late 2006, Dr Lam was President and Chief Executive Officer of Chia Tai Enterprises International (now called C.P. Lotus Corporation, then part of CP Group).

Dr Lam is a solicitor of the High Court of Hong Kong and holds a Bachelor of Science in Sciences and Mathematics, a Master of Science in Systems Science, and a Master of Business Administration, all from the University of Ottawa in Canada, a post-graduate diploma in public administration from Carleton University in Canada, a post-graduate diploma in English and Hong Kong Law and a LLB (Hons) in law from Manchester Metropolitan University in the United Kingdom, a LLM in law from the University of Wolverhampton in the United Kingdom, A PCLL in law from the City University of Hong Kong, a Certificate in Professional Accountancy from the Chinese University of Hong Kong SCS, and an a Master of Public Administration and a Doctor of Philosophy from the University of Hong Kong. In 2019, Dr Lam was awarded a Bronze Bauhinia Star (BBS) by the Government of the Hong Kong Special Administrative Region.

# BOARD OF DIRECTORS

## **Chew Soo Lin**

*Independent Director*

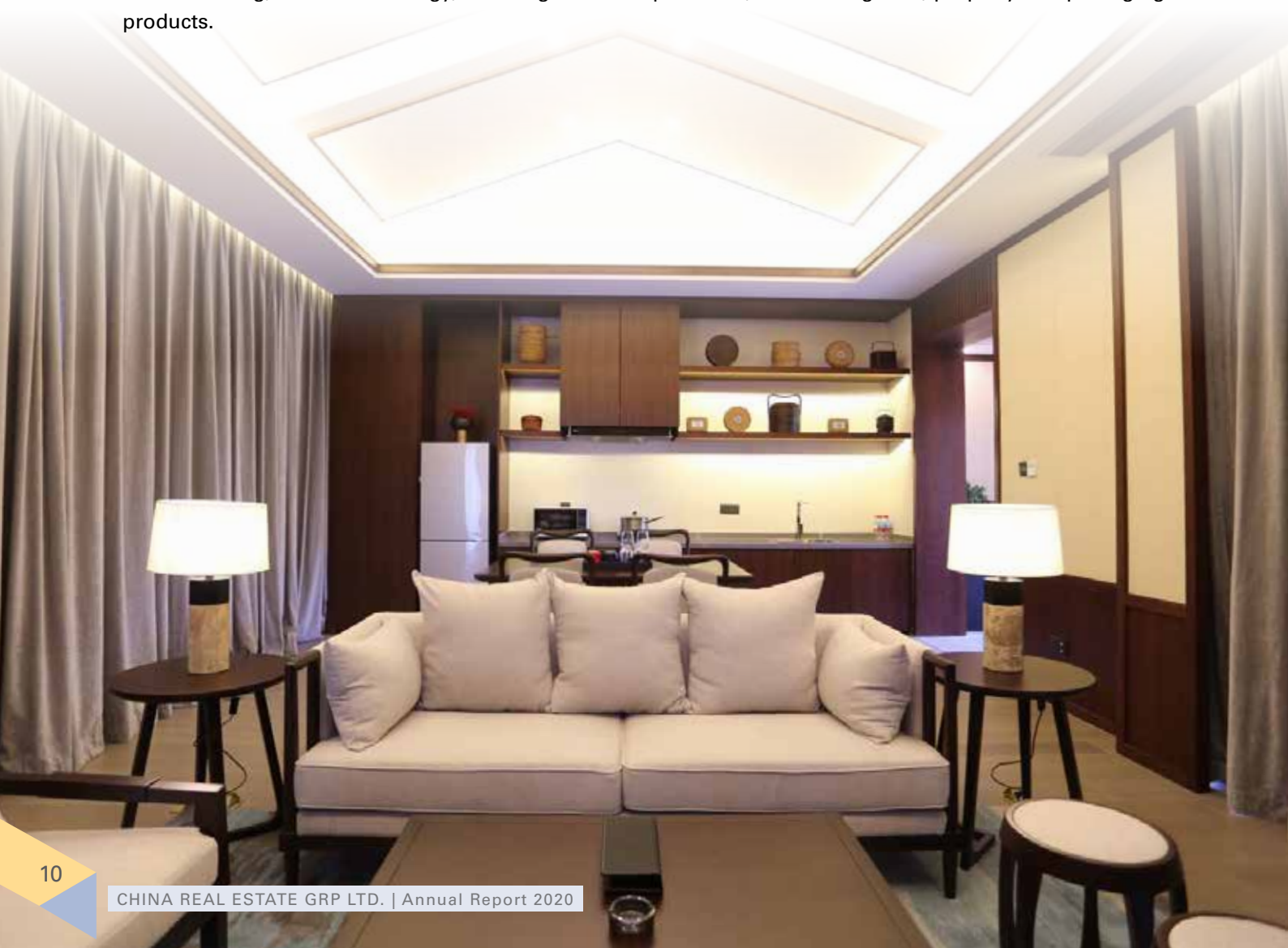
Mr Chew was appointed to the Board on 5 June 2007. He qualified as an U.K. Chartered Accountant in 1971 and worked with international audit firms in England and Singapore till 1978 when he joined the Khong Guan group of companies. Mr Chew is currently the executive chairman of Khong Guan Limited. Mr Chew was previously deputy managing director of Khong Guan Holdings (Malaysia) Bhd and executive director of United Malayan Flour Mills Bhd, which were public listed companies in Malaysia.

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## **Lien Kait Long**

*Independent Director*

Mr Lien was appointed to the Board on 16 May 2018. He holds a Bachelor of Commerce in Accountancy from Nanyang University (Singapore) and is a fellow of both the Institute of Singapore Chartered Accountants and CPA Australia. He has held a number of senior management positions as well as executive directorships in various public and private corporations in Singapore, Hong Kong and China. Currently, he serves as an independent director on the board of several Singapore and Chinese companies listed on the Singapore Exchange. The listed companies he has current and prior experience in are from diverse industries, including manufacturing, renewable energy, oil and gas service providers, consumer goods, property and packaging products.



# KEY MANAGEMENT |

## Lee Keng Mun

*Chief Operating Officer*

Mr Lee joined the Company in November 2007 as Group Financial Controller and was promoted to the post of Chief Financial Officer in November 2009 and Chief Operating Officer in December 2016. In his role, he is responsible for overseeing the Group's business and operations, which include but are not limited to business development, finance, administration, corporate secretarial functions, corporate governance and communication. Mr Lee was a member of the Board from November 2012 to October 2019.

Before joining the Group, Mr Lee was with the assurance and advisory business services division of Ernst & Young Singapore from January 2007 to October 2007. He was with Deloitte & Touche Malaysia from May 1997 to February 2005. From March 2005 to December 2006, he joined as senior manager of a listed company of Bursa Malaysia. Mr Lee holds a Bachelor of Accounting from the University of Malaya and is a member of the Institute of Singapore Chartered Accountants and the Malaysian Institute of Accountants.

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## Joey Wu

*Group Financial Controller*

Ms Wu joined the Company in July 2009 as Project Accountant and was promoted to Group Financial Controller in December 2016. She started her career in Ernst & Young and has more than 30 years of management and finance experience in various industries, including fast-moving consumer goods and leisure industries.

Ms Wu has held managerial positions in companies like Visa International (Asia-Pacific), LLC, Burberry (Singapore) Distribution Co Pte Ltd and Pernod Ricard Singapore Pte Ltd. She holds a Bachelor of Accountancy degree from the National University of Singapore and is a member of the Institute of Singapore Chartered Accountants.



# FINANCIAL HIGHLIGHTS

KEY FINANCIAL RATIOS	FY2018	FY2019	FY2020
Loss per share (S\$ cents)	(0.07)	(0.03)	(0.03)
Net Asset Value per share (S\$)	0.004	0.003	0.002
INCOME STATEMENT (S\$ million)	FY2018	FY2019	FY2020
Revenue	16.1	7.7	0.6
Net Loss attributable to equity holders of the Company	(4.8)	(6.0)	(5.9)
BALANCE SHEET (S\$ million)	FY2018	FY2019	FY2020
Total assets	62.8	62.6	64.1
Total liabilities	8.9	4.5	12.9
Shareholders' equity	45.3	50.3	44.4
Cash and cash equivalents	14.1	6.9	4.0

# CORPORATE | GOVERNANCE REPORT

China Real Estate Grp Ltd. (the “Company”) and its subsidiaries (the “Group”) are committed to maintaining a high standard of corporate governance and has put in place self-regulatory corporate practices to protect the interests of its shareholders and enhance long-term shareholder value.

This Corporate Governance Report describes the Company’s corporate governance processes and activities that are currently in place for the financial year ended 30 June 2020, with special reference to the relevant provisions of the Code of Corporate Governance 2018 (the “Code”).

In line with the Code, the Board of Directors (the “Board”) hereby confirms that the Company has generally adhered to the principles and guidelines of the Code and deviations from any guidelines of the Code are disclosed and explained in this report.

## BOARD MATTERS

### *The Board’s Conduct of Affairs*

***Principle 1: The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.***

The Board comprises:

Dato’ Dr Choo Yeow Ming (Chairman and Chief Executive Officer)  
Lum Moy Foong (Non-Executive Director)  
Dr Lam Lee G (Lead Independent Director)  
Chew Soo Lin (Independent Director)  
Lien Kait Long (Independent Director)

The Board oversees the affairs of the Group and focuses on strategies and policies, with particular attention paid to growth and financial performance. It delegates the formulation of business policies and day-to-day management to the executive directors. The Board is responsible for:

1. providing entrepreneurial leadership, setting strategic directions and long-term goals of the Group, and ensuring that the necessary financial and human resources are in place for the Group to meet its objectives;
2. establishing a framework of prudent and effective controls that enables risk to be assessed and managed, including safeguarding of shareholders’ interests and the Group’s interests;
3. reviewing and evaluating Management performance towards achieving set organisational goals;
4. identifying the key stakeholder groups and recognising that their perceptions affect the Group’s reputation;
5. setting the Group’s values and standards (including ethical standards), and ensuring that obligations to shareholders and other stakeholders are understood and met;
6. considering sustainability issues, e.g. environmental, social and governance aspects, as part of its strategic formulation;
7. ensuring the Group’s compliance with laws, regulations, policies, directives, guidelines and internal code of conduct; and
8. reviewing and approving half-year and full-year results announcements.

# CORPORATE GOVERNANCE REPORT

The directors of the Company are of the view that they have objectively discharged their duties and responsibilities at all times as fiduciaries in the interest of the Company.

The Board also delegates certain of its functions to the Audit, Nominating and Remuneration Committees and these functions are described separately under the various sections below that cover each committee. Each committee has its own defined terms of reference and operating procedures. Each of these committees reports its activities regularly to the Board.

The Board meets at least two times a year to review and deliberate on the key activities and business strategies of the Group, including reviewing and approving acquisition and financial performance, and to endorse the release of the interim and annual results. *Ad hoc* meetings are held as and when circumstances require, such as to address significant transactions or issues. Where physical meetings are not possible, timely communication with members of the Board and Board Committees are carried out through electronic means and circulation of written resolution for approval of the Board or the relevant Board Committees. The Company's Constitution allow a board meeting to be conducted by way of a telephone conference or by means of similar communication equipment whereby all persons participating in the meeting are able to hear one another.

The number of meetings held in respect of the financial year ended 30 June 2020 and the attendance of the directors are set out in the table below:

Directors' Attendance at Board and Board Committee Meetings								
Name of Director	Board Meeting		Audit Committee Meeting		Nominating Committee Meeting		Remuneration Committee Meeting	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Dato' Dr Choo Yeow Ming	3	3	3 <sup>(1)</sup>	3	1	1	1 <sup>(1)</sup>	1
Lum Moy Foong	3	3	3 <sup>(1)</sup>	3	1 <sup>(1)</sup>	1	1 <sup>(1)</sup>	1
Dr Lam Lee G	3	3	3	3	1	1	1	1
Chew Soo Lin	3	3	3	3	1	1	1	1
Lien Kait Long	3	3	3	3	1 <sup>(1)</sup>	1	1	1

<sup>(1)</sup> By invitation.

The Company has adopted internal guidelines setting forth matters that require Board approval, examples of which include corporate plans, material acquisitions and disposals of assets, share issuances, dividends and other returns to shareholders. All directors objectively take part in decisions affecting the interests of the Company. Clear directions have been imposed on the Management that such matters must be approved by the Board.

In order to ensure that the Board is able to fulfill its responsibilities, Management provides Board members with management accounts of the Group and regular updates on the financial position of the Company. In addition, all relevant information on material events and transactions is circulated to directors as and when they arise. The Board members have separate and independent access to Management. Whenever necessary, senior management staff will be invited to attend the Board meetings and Audit Committee meetings to answer queries and provide detailed insights into their areas of operations.



# CORPORATE | GOVERNANCE REPORT

The Board members have separate and independent access to the Company Secretary. Under the direction of the Chairman, the Company Secretary ensures good information flows within the Board and its committees and between Management and non-executive directors, advising the Board on all governance matters, while also facilitating orientation and assisting professional development as required. The Company Secretary attends all Board meetings and meetings of Board Committees. The Company Secretary assists the Board in ensuring that Board procedures and relevant rules and regulations are complied with. The Board decides on the appointment and removal of the Company Secretary.

The Board, either individually or as a group, in the discharge of its duties, has access to independent professional advice, if necessary, at the Company's expense.

When new directors are appointed, the Company provides a formal letter to the new directors setting out their duties and obligations. In addition, the new directors undergo an orientation programme where the Chief Executive Officer briefs them on the Group's business, policies and governance practices to ensure that they are familiar with these areas. Directors and key management personnel are encouraged to undergo, at the Company's expense, relevant training to enhance their skills and knowledge, particularly regarding new laws, regulations and changing risks that affect the Group's operations. Other areas where training is provided include governance practices as well as accounting, legal and industry-specific knowledge.

## ***Board Composition and Guidance***

***Principle 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.***

The Company has in place a Board Diversity Policy which advocates meritocracy and endorses the principle of having a board with the appropriate and right balance of skills, knowledge, experience and diversity of perspectives which can contribute effectively to the strategy and growth of the Company. In reviewing Board composition and succession planning, the Nominating Committee (the "NC") considers the benefits of all aspects of diversity, including diversity of skills, age, experience, gender and knowledge of the Company. A key requirement is that only individuals with broad-based experiences and right skills set will be appointed to the Board. The Board has a female representation on its Board. The Board is fully supportive of the policy and together with the NC will set the relevant objectives to promote gender diversity to support the long-term success of the Company.

The Board, taking into account the nature and scope of the Group's operations and the impact of the number of directors upon effectiveness in decision making, is of the view that the current board size of five directors of which the majority of the directors are independent, is appropriate. The Board exercises judgment on corporate affairs objectively and independently, in particular, from Management and no individual or small group of individuals dominates the Board's decision-making.

The independent directors consist of respected individuals from different backgrounds whose core competencies, qualifications, skills and experience are extensive and complementary. These competencies include accounting, finance, business or management experience, industry knowledge, strategic planning experience and customer-based experience or knowledge. None of the independent directors have any relationship with the Company, its related corporations, its 5% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of their independent business judgment in the best interests of the Company. None of the independent directors fall within the circumstances described in Rule 406(3)(d) of the Listing Manual Section B: Rules of Catalist (the "Catalist Rules") of the Singapore Exchange and Securities Trading Limited (The "SGX-ST"). The NC deliberates annually to determine the independence of a Director bearing in mind the salient factors as set out under the Code as well as all other relevant circumstances and facts. Each of the independent directors has confirmed that he considers himself as independent having regard to the factors set out under the Code. The NC has reviewed, determined and confirmed the independence of all the independent directors.

# I CORPORATE GOVERNANCE REPORT

The non-executive director constructively challenges and helps develop proposals for strategy, and also reviews the performance of Management in meeting agreed goals and objectives, and monitor the reporting of performance.

The Board continually reviews its size and composition with a view towards the refreshing of the Board and to strike the appropriate balance and diversify of skills, experience, and knowledge of the Company to support the Group's businesses and strategy.

Board membership is refreshed progressively and in an orderly manner, bearing in mind the contributions from longstanding directors who have over time developed an understanding and insight into the Group's businesses.

To meet the changing challenges in the industry and countries which the Group operates in, such reviews, which include considering factors such as the expertise, skills and perspectives which the Board needs against the existing competencies would be done on an annual basis to ensure that the Board dynamics remain optimal.

Even though Dr Lam Lee G and Mr Chew Soo Lin have served on the Board for more than nine years, the NC, with the concurrence of the Board, is of the view that in assessing the independence of the Independent Directors, one should consider the substance of their independent judgement, professionalism, integrity and the objectivity and not merely based on the number of years which they have served on the Board. In view of this, having considered the above and weighing the need for progressive refreshing of the Board, the NC and the Board have determined that Dr Lam Lee G and Mr Chew Soo Lin's tenure in office have not affected their independence or ability to bring about independent and considered judgement to bear in the discharge of their duties as members of the Board.

They provide a strong independent element on the Board, being free from any business or other relationship, which could materially interfere with the exercise of their judgement. These directors continue to provide stability to the Board and the Company has benefited greatly from the presence of individuals who are independent and with integrity and specialised knowledge and experience in their own field. Furthermore, their length of service on the Board has not only allowed them to gain valuable insight into the Group, its business, markets and industry, but has also given them the opportunity to bring the full breadth and depth of their business experience to the Company.

The Non-Executive Director and Independent Directors meet as and when necessary and at least once a year without the presence of the Management.

## ***Chairman and Chief Executive Officer***

***Principle 3: There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.***

Notwithstanding Principle 3.1 of the Code which requires that the Chairman and Chief Executive Officer be separate persons, the Chairman of the Company, Dato' Dr Choo Yeow Ming, is also the Group Chief Executive Officer ("CEO"). As Chairman, he is responsible for the effective workings of the Board. The responsibilities of the Chairman include:

1. leading the Board to ensuring its effectiveness in all aspects of its role;
2. setting the agenda and ensuring that information flow and timing are adequate for discussion of all agenda items, in particular strategic issues;
3. promoting a culture of openness and debate at the Board;

# CORPORATE | GOVERNANCE REPORT

4. ensuring that the directors receive complete, adequate and timely information;
5. ensuring effective communication with shareholders;
6. encouraging constructive relations within the Board and between the Board and Management;
7. facilitating the effective contribution of the non-executive director in particular; and
8. promoting high standards of corporate governance.

In his role as CEO, Dato' Choo is the most senior executive in the Group and holds executive responsibility for the Group's business. He is assisted by Management in the management of day-to-day operations. In addition, the Board has established various committees that are made up of mainly independent directors. The Board has demonstrated that it is able to exercise independent decision-making.

As the Chairman and the CEO are the same person, the Board has appointed Dr Lam Lee G as the Lead Independent Director as recommended under the Code. He is the principal liaison person on board issues between the Independent Directors and Executive Chairman. Dr Lam would be available to shareholders if they have concerns in situations where contact through the normal channels of Chairman and CEO or the Chief Operating Officer has failed to resolve the issue or for which such contact is inappropriate. Accordingly, the Board believes that there is an appropriate balance of power and accountability, and that the Board is capable of independent decision making.

The lead independent director meets the other independent directors periodically without the presence of executive director.

All the Board Committees are chaired by independent directors and more than half of the Board consists of independent directors. In view of the above, the NC, with the concurrence of the Board is of the opinion that Dato' Choo's dual roles as the Chairman and CEO of the Company do not affect the independence of the Board.

## **Board Membership**

***Principle 4: The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.***

The members of the NC are as follows:

Dr Lam Lee G (Chairman)  
Dato' Dr Choo Yeow Ming (Member)  
Chew Soo Lin (Member)

The majority of the NC members, including the Chairman of the NC are independent. The NC is scheduled to meet at least once a year. The NC is regulated by a set of terms of reference and its role is to establish a formal and transparent process for:

1. making recommendations to the Board on all Board appointments;
2. the re-nomination of the directors for re-election following their retirement pursuant to the Company's Constitution, having regard to each such director's past contribution and performance, skillset and his ability for his future contribution;
3. determining annually whether or not a director is independent in accordance with the guidelines set out in the Code;

# I CORPORATE GOVERNANCE REPORT

4. deciding whether or not a director is able to and has adequately carried out his duties as a director;
5. subject to the Board's approval, deciding on how the Board's performance is to be evaluated and proposing objective performance criteria that address how the Board has enhanced long-term shareholder value;
6. carrying out the process (to be implemented by the Board) to assess the effectiveness of the Board as a whole and the contribution by each individual director to the effectiveness of the Board;
7. reviewing and making recommendation to the Board on relevant matters relating to the succession plans of the Board in particular the Chairman, the CEO and key management personnel; and
8. reviewing and making recommendations to the Board on the training and professional development programme for the Board and its directors.

In the selection and nomination for new directors, the NC identifies the key attributes that an incoming director should have, based on attributes of the existing Board and the requirements of the Group. After endorsement by the Board of the key attributes, the NC taps the resources of the directors' personal contacts for recommendations of potential candidates. The potential candidates will go through a shortlisting process. Interviews are then set up with the shortlisted candidates for the NC to assess them before a decision is made.

New directors are appointed by way of a board resolution, after the NC has approved their nominations. Such new directors submit themselves for re-election at the next Annual General Meeting ("AGM") of the Company.

According to the provisions of the Constitution of the Company, all directors are required to submit themselves for re-nomination and re-election at regular intervals and at least once every three years. The NC has recommended and the Board has agreed the lead independent director, Dr Lam Lee G and non-executive director, Ms Lum Moy Foong are to retire pursuant to Article 91 of the Company's Constitution. Dr Lam and Ms Lum, being eligible and having consented, will be nominated for re-appointment at the forthcoming AGM. The information required under Rule 720(5) of the Catalist Rules on the directors nominated for re-election are set out in Appendix A to this corporate governance report.

In recommending the above directors for re-appointment, the NC has given regard to the results of the Board's assessment in respect of their competencies in fulfilling their responsibilities as directors to the Board.

The directors named above do not have any relationship (including immediate family relationship) with other directors, the Company or its 5% shareholders except for Ms Lum who is an executive officer and director of several corporations owned by the Company's controlling shareholder.

Effective from 1 January 2022, the Catalist Rules requires the re-appointment of directors who have served the Board beyond nine years from the date of their first appointment to be subjected to a two-tier shareholders voting in order to be considered independent. As Dr Lam has served on the Board for more than nine years, the Company will adopt the two-tier shareholders voting process ahead of the Catalist Rule 406(3)(d)(iii) coming into effect on 1 January 2022. Dr Lam will at the forthcoming AGM be subjected to the two-tier shareholders voting process in connection with his continued appointment as an Independent Director of the Company.

# CORPORATE | GOVERNANCE REPORT

All directors are required to declare their board representations as at the date of this annual report. The date of initial appointment and the last re-election of each director to the Board together with his directorship in other listed companies, both current and those held over in the preceding three years, are set out below:

Name of director	Date of first appointment to the Board	Date of last re-election as director	Current directorships in other listed companies	Past directorships in other listed companies (preceding three years)	Other principal commitments
Dato' Dr Choo Yeow Ming	6 July 2006	30 October 2019	N.A.	<u>Listed on the SGX-ST</u> - IPC Corporation Limited	N.A.
Lum Moy Foong	22 March 2018	29 October 2018	N.A.	N.A.	- Oei Hong Leong Art Museum Limited
Dr Lam Lee G	5 June 2007	29 October 2018	<u>Listed on the SGX-ST</u> - Beverly JCG Ltd - Alset International Limited (formerly known as Singapore eDevelopment Ltd) - Thomson Medical Group Limited - Top Global Limited <u>Listed on the Hong Kong Stock Exchange</u> - Aurum Pacific (China) Group Limited - China LNG Group Limited - CSI Properties Limited - Elife Holdings Limited - Greenland Hong Kong Holdings Limited - Haitong Securities Company Limited - Hang Pin Living Technology Company Limited - Huarong Investment Stock Corporation Limited - Kidsland International Holdings Limited	<u>Listed on the SGX-ST</u> - Rowsley Ltd <u>Listed on the Hong Kong Stock Exchange</u> - China Shandong High-Speed Financial Group Limited - Glorious Sun Enterprises Limited - Green Leader Holdings Group Limited - Hsin Chong Group Holdings Limited - Roma Group Limited - Xi'an Haitian Antena Technologies Co., Ltd. <u>Listed on the Stuttgart Stock Exchange</u> - Vietnam Equity Holding	- Hong Kong Cyberport Management Company* - Pacific Basin Economic Council* - United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) Sustainable Business Network (ESBN)*  * voluntary/pro-bono/community service role

# I CORPORATE GOVERNANCE REPORT

Name of director	Date of first appointment to the Board	Date of last re-election as director	Current directorships in other listed companies	Past directorships in other listed companies (preceding three years)	Other principal commitments
			<ul style="list-style-type: none"> <li>- Mei Ah Entertainment Group Limited</li> <li>- Mingfa Group (International) Company Limited</li> <li>- National Arts Entertainment and Culture Group Limited</li> <li>- Sunwah Kingsway Capital Holdings Limited</li> <li>- Tianda Pharmaceuticals Limited</li> <li>- Vongroup Limited</li> <li><i>Listed on Bursa Malaysia</i></li> <li>- TMC Life Sciences Berhad</li> <li><i>Listed on the London Stock Exchange</i></li> <li>- Adamas Finance Asia Limited</li> <li><i>Listed on the Australian Securities Exchange</i></li> <li>- AustChina Holdings Limited</li> <li><i>Listed on the Toronto Stock Exchange</i></li> <li>- Sunwah International Limited</li> </ul>		
Chew Soo Lin	5 June 2007	30 October 2019	<ul style="list-style-type: none"> <li><i>Listed on the SGX-ST</i></li> <li>- Khong Guan Limited</li> <li>- Duty Free International Limited</li> <li>- MTQ Corporation Limited</li> <li><i>Listed on Bursa Malaysia</i></li> <li>- Kim Hin Joo (Malaysia) Berhad</li> </ul>	<ul style="list-style-type: none"> <li><i>Listed on the SGX-ST</i></li> <li>- China Medical (International) Group Limited (now known as Beverly JCG Ltd)</li> </ul>	- Khong Guan Group Pte Ltd

# CORPORATE | GOVERNANCE REPORT

Name of director	Date of first appointment to the Board	Date of last re-election as director	Current directorships in other listed companies	Past directorships in other listed companies (preceding three years)	Other principal commitments
Lien Kait Long	16 May 2018	29 October 2018	<u>Listed on the SGX-ST</u> - Falcon Energy Group Limited - China Jishan Holdings Limited - Tat Seng Packaging Group Ltd <u>Listed on OTC USA</u> - China Enterprises Limited	<u>Listed on the SGX-ST</u> - 8Telecom International Holdings Co Ltd - Hanwell Holdings Limited - IPC Corporation Limited - Renewable Energy Asia Group Limited (delisted from the SGX-ST on 7 February 2020)	Nil

The Company has guidelines in place to address the issue of competing time commitments faced by directors serving on multiple boards and the Board has adopted a general guideline that the maximum number of listed company board representations which any director may hold is six. Any exception to this guideline should be specifically approved by the NC, giving regard to whether the particular director would still be able to devote sufficient time and attention to the affairs of the Company, taking into consideration the director's number of listed company board representations and his other principal commitments. Currently, the only director with more than six listed company board representations is Dr Lam. Dr Lam attended all of the Board and committee meetings and has provided constructive inputs in the meetings. As such, the Board and the NC is satisfied that sufficient time and attention was given and due responsibilities were discharged by Dr Lam for the affairs of the Company.

There are no alternate directors appointed by the Company.

Profiles of the directors are found on pages 9 and 10 of this Annual Report.

## **Board Performance**

**Principle 5: The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of its board committees and individual directors.**

The NC has established a formal appraisal process to assess the performance and effectiveness of the Board as a whole as well as to assess the contribution of individual directors. The appraisal process focuses on a set of performance criteria that includes evaluation of the Board composition and size, provision of information to the Board, the Board process, the Board accountability, performance benchmarks and the Board's standards of conduct. Such performance criteria are approved by the Board and they address how the Board has enhanced long-term shareholder value. The performance criteria do not change unless circumstances make it necessary and a decision to change them would be justified by the Board.

# I CORPORATE GOVERNANCE REPORT

A review of the Board's performance is conducted by the NC annually. Each NC member will be required to complete an appraisal form to be returned to the NC Chairman for evaluation. Based on the evaluation results, the NC Chairman will present his recommendations to the Board. The objective of the evaluation exercise is to obtain constructive feedback from each NC member to continually improve the Board's performance. Recommendations to further enhance effectiveness of the Board are implemented as appropriate.

The NC has reviewed the performance of the Board and is satisfied that the Board as a whole and Board Committees have met the performance evaluation criteria and objectives and each Director has contributed effectively and demonstrated commitment to their respective roles, including commitment of time for the Board and Board Committee meetings and any other duties in the financial year under review.

All NC members have abstained from the voting or review process of any matters in connection with the assessment of his/her performance or re-appointment as a Director of the Company.

No external facilitator was used in the evaluation process.

## REMUNERATION MATTERS

### *Procedures for Developing Remuneration Policies*

***Principle 6: The Board has a formal and transparent procedure for developing policy on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.***

The Remuneration Committee (the "RC") comprises the following directors:

Chew Soo Lin (Chairman)  
Dr Lam Lee G (Member)  
Lien Kait Long (Member)

The RC is made up entirely of independent non-executive directors so as to minimize the risk of any potential conflict of interest. The RC is scheduled to meet at least once a year. The RC is regulated by a set of terms of reference and has access to independent professional advice inside and outside the Company, if necessary, in respect of the remuneration of all directors and key management personnel.

The RC's main duties are:

1. recommending to the Board a remuneration framework for each director (executive and independent) and key management personnel;
2. determining the appropriateness of the remuneration packages for each director (executive and independent) and key management personnel;
3. reviewing the Company's obligations arising in the event of termination of the executive director and key management personnel's contracts of service, to ensure that such clauses are fair and reasonable and not overly generous; and
4. considering all aspects of remuneration, including but not limited to directors' fees, salaries, allowances, bonuses, options, share-based incentives and awards, and benefits-in-kind.

For the financial year under review, the Company did not engage any remuneration consultants.



# CORPORATE | GOVERNANCE REPORT

## ***Level and Mix of Remuneration***

***Principle 7: The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.***

The Company adopts a formal and transparent procedure for developing policy on key management personnel remuneration and for fixing remuneration packages of individual directors. No director is involved in deciding his own remuneration. In setting remuneration packages, the Company takes into account pay and employment conditions of comparable companies in the same or similar industries, as well as the Group's relative performance and the performance of individual director or key management personnel.

Executive director do not receive director's fee. The remuneration policy for executive director and key management personnel consists of fixed cash component and an annual variable component. The fixed component includes salary, pension fund contributions, annual wage supplement and other allowances. The variable component comprises bonus and profit sharing, payable on the achievement of corporate and individual performance targets. The Company has no long-term incentive schemes involving the offer of shares or granting of options as it considers that administering such scheme is not cost effective currently.

The Company has entered into a service agreement (the "Service Agreement") with the Executive Director, Dato' Dr Choo Yeow Ming. The Service Agreement can be terminated by either party giving not less than three months' notice and both parties have the option to pay salary in lieu of any required period of notice. Except for such payment in lieu of notice as provided for under the Service Agreement, no compensation or damages are payable by the Company to Dato' Dr Choo Yeow Ming in respect of their respective termination in accordance with the terms of the Service Agreement.

The non-executive and independent directors do not have any service contracts. They are paid a basic fee and additional fees for serving on any of the committees. In determining the quantum of such fees, factors such as frequency of meetings, time spent and the responsibilities of the directors are taken into account. The total fees payable to directors are subject to approval by shareholders at the AGM of the Company.

The current service agreement entered with the Executive Director are approved by the RC and they do not contain contractual provisions to allow the Company to reclaim incentive components of remuneration from executive director and key management personnel in exceptional circumstances such as misstatement of financial results, or misconduct resulting in financial loss to the Company. The executive director owes a fiduciary duty to the Company. The Company should be able to avail itself of remedies against the executive director in the event of such breaches of fiduciary duties. The RC may, if necessary in the future, consider the use of such contractual provisions as may be appropriate.

# CORPORATE GOVERNANCE REPORT

## Disclosure on Remuneration

**Principle 8: The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.**

Notwithstanding Provision 8.1 of the Code, in view of competitive pressure for talent in the industry and confidentiality issues, the Board, on review, decided not to disclose the remuneration of the Company's directors and key management personnel in dollar amounts. The breakdown, showing the level and mix of each individual director's remuneration paid or payable in bands of S\$250,000 for the financial year ended 30 June 2020 is as follows:

Name of Director	Remuneration Band S\$	Fixed Salary %	Annual Wage Supplement %	Director Fees %	Total %
Dato' Dr Choo Yeow Ming	250,000 – 499,999	92	8	-	100
Lum Moy Foong	< 250,000	-	-	100	100
Dr Lam Lee G	< 250,000	-	-	100	100
Chew Soo Lin	< 250,000	-	-	100	100
Lien Kait Long	< 250,000	-	-	100	100
Lee Keng Mun <sup>(2)</sup>	< 250,000	100	-	-	-

<sup>(2)</sup> Mr Lee Keng Mun ceased to be an executive director on 30 October 2019.

The Board believes that such disclosure is sufficient to enable shareholders to understand the Company's remuneration policies for directors, and the relationship between remuneration and performance.

The Company has only two key management personnel (who are not Directors or the CEO) and the disclosure of their remuneration in bands of S\$250,000 for the financial year ended 30 June 2020 is as follows:

Name of Key Management	Remuneration Band S\$	Fixed Salary %	Annual Wage Supplement %	Total %
Lee Keng Mun <sup>(3)</sup>	< 250,000	88	12	100
Wu Joey	< 250,000	92	8	100

<sup>(3)</sup> Excluding Mr Lee Keng Mun's remuneration as an executive director for period 1 July 2019 to 30 October 2019.

In financial year ended 30 June 2020, the aggregate amount of remuneration paid to the above key management personnel was approximately S\$288,000.

There is no employee of the Group who is a substantial shareholder of the Company, or an immediate family member of any Director, the CEO or substantial shareholder whose remuneration exceeds S\$100,000 for the financial year ended 30 June 2020.

No termination or retirement benefits or post-employment benefits were granted to the directors, the CEO or key management personnel in the course of financial year ended 30 June 2020.

# CORPORATE | GOVERNANCE REPORT

## ACCOUNTABILITY AND AUDIT

### *Risk Management and Internal Controls*

***Principle 9: The Board is responsible for the governance of risk and ensure that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.***

The Board is committed to maintaining a sound system of internal controls to safeguard shareholders' investments and the Group's assets. The Board oversees the Management in the design, implementation and monitoring of the risk management and internal control systems.

The Board reviews annually the adequacy and effectiveness of the Group's risk management and internal control systems, including financial, operational, compliance and information technology controls. The Audit Committee, on behalf of the Board, review the Group's system of internal controls, including financial, operational, compliance and information technology controls, and risk management policies and system established by management. This process ensures that such systems are sound and adequate in providing reasonable assurance of the adequacy and effectiveness of the Group's internal controls, in addressing financial, operational, compliance and information technology risks and of the Group's risk management systems. While no cost-effective internal control system can provide absolute assurance against loss and misstatement, the Group's internal controls and systems have been designed to provide reasonable assurance that assets are safeguarded, operational controls are in place, business risks are suitably protected against, proper accounting records are maintained and financial information used within the business and for publication is reasonable and accurate.

The Board has received assurance from the CEO and Chief Operating Officer (who also oversees the finance function of the Group):

1. that the financial records have been properly maintained and that the financial statements give a true and fair view of the Company's operations and finances; and
2. adequate and effective risk management and internal control systems have been put in place.

At present, the Board relies on the internal auditor, the external audit reports and management letter prepared by the external auditor to highlight any material non-compliance or weaknesses in internal controls. There were no major weaknesses in internal controls highlighted by the Group's external auditor or the internal auditor for the attention of the AC for financial year ended 30 June 2020.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, and reviews performed by Management, various Board Committees and the Board, the Audit Committee and the Board are of the opinion that the Group's internal controls are adequate and effective to address financial, operational, compliance and information technology risks, and that risk management systems are adequate and effective in the Group's current business environment.

# I CORPORATE GOVERNANCE REPORT

## **Audit Committee**

### **Principle 10: The Board has an Audit Committee which discharges its duties objectively.**

The Audit Committee (the "AC") is comprised entirely of independent non-executive directors, namely:

Lien Kait Long (Chairman)  
Dr Lam Lee G (Member)  
Chew Soo Lin (Member)

The Board considers that the members of the AC are appropriately qualified to discharge their responsibilities. All members of the AC have many years of experience in senior management positions and have accounting or related financial management expertise and experience. None of the AC members were previous directors of the Company's external auditing corporation within the last two years and none of the AC members hold any financial interest in the external auditing corporation.

The AC is scheduled to meet at least two times a year. The AC is regulated by a written set of terms of reference and has carried out its duties, according to the terms of reference as follows:

1. reviewing the audit plans and reports of the Company's internal and external auditors;
2. reviewing the financial statements before submission to the Board for approval, focusing in particular, on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, the going-concern statement and compliance with accounting standards as well as compliance with any stock exchange and statutory/regulatory requirements;
3. reviewing internal controls and procedures and ensuring co-ordination between the external auditors and Management, reviewing the assistance given by Management to the auditors, and discussing problems and concerns, if any, arising from the interim and final audits, and any matters that auditors might wish to discuss (in the absence of Management where necessary);
4. reviewing and discussing with the external auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, 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;
5. reviewing and evaluating the independence and performance of the external auditors;
6. considering the appointment or re-appointment of the external auditors and matters relating to resignation or dismissal of the auditors and approving the remuneration and terms of engagement;
7. reviewing and approving interested person transactions, if any, that fall within the scope of Chapter 9 of the Catalist Rules;
8. reviewing any potential conflicts of interest and ensuring that procedures for resolving such conflicts are sufficient and strictly adhered to by the Company;
9. reviewing the Company's foreign exchange exposure and procedures to manage its foreign currency risk;
10. reviewing the effectiveness and adequacy of internal controls, including financial, operational, compliance and information technology controls;
11. reviewing the effectiveness of the Group's internal audit function;

# CORPORATE | GOVERNANCE REPORT

12. reviewing significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance;
13. reviewing the adequacy of the Company's business risk management process;
14. reviewing arrangements by which staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and ensuring that arrangements are in place for the independent investigations of such matters and for appropriate follow-up actions;
15. undertaking other such reviews or projects as might be requested by the Board and reporting to the Board its findings from time to time on matters that arise and require the attention of the AC; and
16. generally undertaking other such functions or duties as might be required by statute or the Catalist Rules and by amendments made thereto from time to time.

In addition to the above, the AC has explicit authority to investigate any matter within its terms of reference, full access to Management and its cooperation, and full discretion to invite any director or key management personnel to attend its meetings, and reasonable resources to enable it to discharge its functions properly.

The external auditor Nexia TS Public Accounting Corporation provides regular updates and periodic briefings to the AC regarding changes or amendments to accounting standards to enable the members of the AC to keep abreast of such changes and their corresponding impact on the financial statements, if any.

The Company does not have any whistle-blowing policy. However, staff of the Company was informed about various avenues, including the chairman of the AC, to report on possible improprieties in matters of financial reporting or other matters. For the financial year ended 30 June 2020, there were no complaints, concerns of issues received by the AC.

During the financial year ended 30 June 2020, the AC reviewed and approved the internal and external audit plans and financial results. The AC met once with the external and internal auditors without the presence of Management.

Having regard to the adequacy of the resources and experience of the auditing firm and the audit engagement director assigned to the audit, the firm's other engagements, the size and complexity of the Group being audited, and the number and experience of supervisory and professional staff assigned to the particular audit, the Board and the AC are of the opinion that a suitable auditing firm has been appointed to meet the auditing obligations of the Company and its significant subsidiaries. The Company has complied with Rules 712 and 715 of the Catalist Rules.

The AC assesses the independence of the external auditor annually. The aggregate amount of fees paid to the external auditor for the financial year ended 30 June 2020 was:

	S\$'000
Audit fees	87
Non-audit fees	<u>7</u>
Total fees	<u><u>94</u></u>

# I CORPORATE GOVERNANCE REPORT

The AC has reviewed the non-audit services rendered by the external auditor for the financial year ended 30 June 2020, and is satisfied that the nature and extent of such services has not impaired the independence and objectivity of the external auditor.

Having reviewed, amongst others, the scope and quality of the audit and the independence of the external auditor, the AC recommended and the Board approved that Nexia TS Public Accounting Corporation be nominated for re-appointment as external auditor of the Company at the forthcoming AGM.

## ***Internal Audit***

The Company has established an internal audit function that is independent of the activities it audits. As recommended by the AC, the Company has outsourced the internal audit function to an independent corporation, Crowe Horwath First Trust Risk Advisory Pte Ltd ("Crowe Horwath"). The AC approves the appointment, termination, evaluation and compensation of the internal auditor. The internal auditor reports to the Chairman of the AC on audit matters and to the CEO for administrative matters. The internal audit plan was approved by the AC and the results of the audit findings were submitted to the AC for its review.

The AC reviews annually the scope and results of the internal audit. During the financial year ended 30 June 2020, Crowe Horwath reviewed key internal controls in selected areas as advised by the AC and reported its findings together with recommendations on areas for improvement to the AC for review and approval, so as to improve the development of better and more effective internal controls. The AC is satisfied that the Group's internal audit function is independent, effective and adequately resourced, and has appropriate standing within the Group. The AC is also satisfied that the internal auditor meets the standards set by internationally recognised professional bodies, including the International Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

## **SHAREHOLDER RIGHTS AND ENGAGEMENT**

### ***Shareholder Rights and Conduct of General Meetings***

***Principle 11: The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.***

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

The Company strongly encourages shareholder participation during the general meetings of shareholders. Shareholders are able to proactively engage the Board and Management regarding the Group's business activities. Shareholders are informed of the rules, including voting procedures that govern general meetings of shareholders.

The Constitution of the Company allows a member, including corporations, of the Company to appoint one or two proxies to attend and vote instead of the member. The Company also allows corporations which provide nominee or custodial services to appoint more than two proxies. These allow shareholders who hold shares through corporations to attend and participate in the AGM as proxies.

Shareholders are encouraged to attend the AGM as this is the principal forum for any dialogue they may have with the directors and Management of the Company

# CORPORATE | GOVERNANCE REPORT

At the Company's AGM, shareholders are given the opportunity to voice their views and ask directors or Management questions regarding the Company. The chairmen of the AC, RC and NC and the external auditor will normally be present at the AGM and other general meetings of shareholders to assist the Board in addressing shareholders' questions. While all Directors are to attend the Company's general meetings, Dr Lam Lee G was unable to attend the AGM held on 30 October 2019 due to his prior commitments which had been scheduled prior to the fixing of the AGM date.

The Company's Annual Report, together with the notice of the AGM, is dispatched to shareholders at least 14 days before the AGM. Every matters requiring shareholders' approval at general meetings is proposed as a separate resolution. Each item of special business included on the notice of the meeting is accompanied, where appropriate, by an explanation for the proposed resolution.

The Company has introduced the system of voting by poll and the results of each resolution put to vote at the AGM are announced with details of the percentage voting in favour and against. Notwithstanding Provision 11.4 of the Code which requires absentia voting at general meetings of shareholders to be made available, the Company is not implementing absentia voting methods such as voting via mail, e-mail or fax until security, integrity and other pertinent issues are satisfactorily resolved.

For the financial year ended 30 June 2020, in accordance with the COVID-19 (Temporary Measures) Act 2020 and the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 (the "Order"), the Company will apply and adopt the alternative arrangements for the convening, holding and conducting of the AGM, as set out in the second column of the First Schedule of the Order. Minutes of the AGM held on 30 December 2020 will be published on the SGXNET and also on the Company's corporate website within one (1) month after the AGM date.

The Company does not have a fixed dividend policy. The form, frequency and amount of dividends will depend on the Company's earnings, general financial condition, results of operations, capital requirements, cash flow, general business condition, development plans and other factors as the directors might deem appropriate. The Board is not recommending any dividends for financial year ended 30 June 2020 because of losses incurred and the financial position of the Company.

## ***Engagement with Shareholders***

***Principle 12: The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.***

In line with the Company's obligations for continuing disclosure, the Board's policy is for shareholders to be informed of all major developments and transactions that have an impact on the Group.

The Company does not practice selective disclosure. The Board will communicate pertinent information to its shareholders on a regular and timely basis through:

1. the Company's annual report, which is prepared and issued to all shareholders. The Board makes every effort to ensure that the annual report includes all relevant information about the Group, including future development and other disclosures required by the Singapore Companies Act and the Singapore Financial Reporting Standards (International);
2. interim and full-year financial statements containing a summary of the financial information and affairs of the Group. These are announced via the SGXNET;
3. notices of annual general meetings and extraordinary general meetings;
4. analysts' briefings;

# I CORPORATE GOVERNANCE REPORT

5. announcements via SGXNET regarding major developments that affect the Group; and
6. the Group website at [www.chinarealestategroup.com](http://www.chinarealestategroup.com) from which shareholders can access information on the Group. The website provides, *inter alia*, all publicly disclosed financial information, corporate announcements, annual reports, and profiles of the Group.

The Company will hold an AGM in December 2020. Such AGMs represent its principal forum of dialogue and interaction with shareholders. The Company will consider the use of other forums set out in the Code as and when such needs arise.

## ***Engagement with Stakeholders***

***Principle 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the Company are served.***

An important starting point in the Company's sustainability journey is to identify our stakeholders and material aspects relevant to the Company's business. The interests and requirements of key stakeholders are also taken into account when formulating corporate strategies. These key stakeholders include, but are not limited to, customers, suppliers, employees, investors, government and regulators. The Company adopts both formal and informal channels of communication to understand the needs of key stakeholders, and incorporate these into the Company's corporate strategies to achieve mutually beneficial relationships.

The information on the Company's arrangements to identify and engage with its material stakeholder groups and to manage its relationships with such groups, and the Company's strategy and key areas of focus in relation to the management of stakeholder relationships during the financial year ended 30 June 2020 will also be set out in the Company's sustainability report which was published on 27 November 2020.

The Company maintains a current corporate website ([www.chinarealestategroup.com](http://www.chinarealestategroup.com)) to communicate and engage with stakeholders.



## CORPORATE SOCIAL RESPONSIBILITY (“CSR”)

Currently, the Group does not have in place CSR policies or practices. However, the Group will consider *ad hoc* practices when it arises.

## DEALINGS IN SECURITIES

In compliance with the best practices introduced by the SGX-ST, the Company has devised its own internal compliance code to provide guidance to its officers. Directors and employees of the Company are advised not to deal in the Company’s shares on short term considerations or when they are in the possession of unpublished price-sensitive information. The Company prohibits dealings in its shares by its officers and employees during the period commencing two weeks before the announcement of the Company’s financial statements for each of the first three quarters of its financial year and one month before the announcement of the Company’s full-year financial statements (if the Company announces its quarterly financial statements, whether required by the SGX-ST or otherwise), or one month before the announcement of the Company’s half-year and full-year financial statements (if the Company does not announce its quarterly financial statements).

## MATERIAL CONTRACTS

There were no material contracts (including loans) of the Company or its subsidiaries involving the interests of the CEO, directors or controlling shareholders that subsisted at the end of the financial year or had been entered into since the end of the previous financial year.

## INTERESTED PERSON TRANSACTIONS

The Group has adopted an internal policy in respect of any transaction with interested parties within the definition of Chapter 9 of the Catalist Rules and it has set out procedures to review and approve all interested person transactions.

The AC will meet half yearly to review interested person transactions, if any.

Name of interested person	Nature of relationship	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders’ mandate pursuant to Rule 920 of the Catalist Rules)	Aggregate value of all interested person transactions conducted under shareholders’ mandate pursuant to Rule 920 of the Catalist Rules (excluding transactions less than S\$100,000)
-	-	-	-

## RISK MANAGEMENT AND PROCESSES

The Company does not have a Risk Management Committee. However, Management regularly reviews the Group’s business and operational activities to identify areas involving significant business risks as well as appropriate measures to control and mitigate such risks. Management reviews all significant control policies and procedures and highlights all significant matters to the Board and the AC.

## SPONSORSHIP

The Company is currently under the SGX-ST Catalyst sponsor-supervised regime. The continuing sponsor of the Company is Stamford Corporate Services Pte Ltd (“SCSPL”).

For the financial year ended 30 June 2020, the Sponsor did not provide any other non-sponsor services to the Company and no non-sponsor fees were paid during the financial year. However, Morgan Lewis Stamford LLC which is an affiliate of SCSPL, was paid an amount of S\$17,000 for legal services provided to the Company for the financial year ended 30 June 2020.

## SUSTAINABILITY REPORT

The Group’s third sustainability report which covers the period from 1 July 2019 to 30 June 2020 was published on 27 November 2020 on SGXNET. The report was prepared with reference to the Global Reporting Initiative Standards and is in line with the requirements of the Catalyst Rules. The report highlights the key economic, environmental, social and compliance factors such as anti-corruption, energy and non-discrimination.

## UTILISATION OF PROCEEDS

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

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

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

Note:

<sup>(1)</sup> The proposed utilisation ratio as a percentage of net proceeds, after deducting all share issue expenses

<sup>(2)</sup> As reported by the Company in the financial statements and related announcement for the third quarter ended 31 March 2019, the Group has ceased its business of real estate agency and real estate-related services; therefore, as disclosed by the Company in its annual report for the financial year ended 30 June 2019, the Company had re-allocated the balance net proceeds of S\$1,793,700 (“Balance Net Proceeds”) towards general working capital (for the purposes above) and to fund the proposed expansion of the new business of property development and property investments. As at 30 June 2020 the Balance Net Proceeds have been fully utilised to fund the proposed expansion of the new business of property development and property investments.

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

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

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

**B. Rights cum warrants issue completed on 31 January 2018 (the "2018 Rights cum Warrants Issue A")**

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

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

Note:

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

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

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

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

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

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

<b>Use of Proceeds</b>	<b>Actual utilisation S\$'000</b>	<b>As a percentage of net proceeds %</b>	<b>Proposed utilisation ratio %</b>
To fund the proposed expansion of the new business of property development and property investments	9,617	80.0	50-80*
Funding growth and expansion	-	-	10-30*
General working capital	1,992	16.6	10-30*
<b>Total</b>	<b>11,609</b>	<b>96.6</b>	

Note:

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

With respect to the S\$1,992,000 used for general working capital, the breakdown is as follows:

<b>General working capital – Purpose of utilisation</b>	<b>Percentage utilised (%)</b>
Payment of employee compensation and directors’ fees	56.3
Payment of office overheads	25.4
Payment of professional fees and other compliance costs	18.3
<b>Total</b>	<b>100.0</b>

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

## WHITEWASH WAIVER

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

In connection with the 2018 Rights cum Warrants Issue A, the Securities Industry Council of Singapore (the “SIC”) had on 6 November 2017 waived the obligation under Rule 14 of the Singapore Code on Takeovers and Mergers (the “Code”) for Mr Oei Hong Leong (“Mr Oei”) and his concert parties (the “Concert Party Group”) to make a Mandatory Offer for the Company in the event the Concert Party Group increases their aggregate shareholding in the Company to 30% or more based on the Company’s enlarged issued share capital as a result of:

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

(the “Whitewash Waiver”).

### Disclosure Note required under the Code

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

- (a) the Shareholders (other than Mr. Hano Maeloa and Ms Oei Siu Hoa @ Sukmawati Widjaja, the concert parties of the Concert Party Group and parties not independent of them) approved the Whitewash Resolution waiving their rights to receive a mandatory general offer from the Concert Party Group in accordance with Rule 14 of the Code, in the event that the Concert Party Group’s subscription of the Rights Shares and Warrant Shares (as defined in 2017 Circular) arising from the exercise of the 2018 Rights cum Warrants Issue A and/or the Adjustment Warrant Shares (as defined in 2017 Circular) arising from the exercise of the Adjustment Warrants (including (a) the subscription of up to 7,785,299,728 Rights Shares by Mr. Oei pursuant to the Sub-underwriting Commitment; and/or (b) the exercise of up to 7,785,299,728 2018 Warrants A subscribed by Mr. Oei under the Sub-underwriting Commitment) results in the Concert Party Group incurring an obligation to make a mandatory general offer pursuant to Rule 14 of the Code. To rely on the Whitewash Resolution, the acquisition of Rights Shares and 2018 Warrants A under the 2018 Rights cum Warrants Issue A by the Concert Party Group must be completed within three (3) months of the approval of the Whitewash Resolution, and (A) the acquisition of the Warrant Shares by the Concert Party Group upon the exercise of the 2018 Warrants A and (B) the acquisition of new Shares upon the exercise of the Adjustment Warrants by Mr. Hano Maeloa and Ms. Oei Siu Hoa @ Sukmawati Widjaja must be completed with five (5) years of the date of issue of the Warrants A (being 30 January 2023);

- (b) based on the latest available information, the Concert Party Group holds in aggregate:
  - (i) 6,669,033,775 Shares representing 37.41% of the voting rights in the capital of the Company; and
  - (ii) 5,228,472,227 2018 Warrants A and 2,197,820,126 warrants expiring on 26 July 2023 (“2018 Warrants B”) (collectively, the “Convertibles”);
- (c) the maximum potential voting rights of the Concert Party Group in the Company, assuming that only the Concert Party Group (but not other Shareholders) exercise their Convertibles in full is 55.82% (based on the enlarged share capital which includes the shares issued arising from the exercise of Convertibles held by the Concert Party Group);
- (d) having approved the Whitewash Resolution on 6 December 2017, Shareholders have waived their rights to a general offer from the Concert Party Group and their concert parties at the highest price paid by the Concert Party Group for Shares in the past 6 months preceding the commencement of the offer; and
- (e) having approved the Whitewash Resolution on 6 December 2017, Shareholders could be forgoing the opportunity to receive a general offer from another person who may be discouraged from making a general offer in view of the potential dilution effect of (A) the 2018 Warrants A subscribed by the Concert Party Group pursuant to the Sub-underwriting Commitment or 2018 Rights cum Warrants Issue A and (B) the Adjustment Warrants to be issued to Mr Hano Maeloa and Ms Oei Siu Hoa @ Sukmawati Widjaja.

# CORPORATE | GOVERNANCE – APPENDIX A

Pursuant to Rule 720(5) of the Catalyst Rules, the information relating to the directors nominated for re-election at the forthcoming AGM is set out below.

Name of person	Dr Lam Lee G	Lum Moy Foong
Date of Appointment	5 June 2007	22 March 2018
Date of last re-appointment (if applicable)	29 October 2018	29 October 2018
Age	61	55
Country of Principal Residence	Hong Kong	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board of the Company has accepted the Nominating Committee's recommendation, which has reviewed and considered Dr Lam Lee G's contribution as lead independent director, Chairman of the Nominating Committee and members of Audit Committee and Remuneration Committee of the Company, and has recommended that Dr Lam Lee G be re-elected as director of the Company	The Board of the Company has accepted the Nominating Committee's recommendation, which has reviewed and considered Ms Lum Moy Foong's contribution as non-executive director of the Company, and has recommended that Ms Lum Moy Foong be re-elected as director of the Company
Whether appointment is executive, and if so, the area of responsibility	Non-executive	Non-executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Non-executive lead independent director. Chairman of Nominating Committee and a member of Audit Committee and Remuneration Committee	Non-executive director
Professional Qualifications	<ol style="list-style-type: none"> <li>Bachelor of Sciences and Mathematics, The University of Ottawa</li> <li>Master of Systems Science, The University of Ottawa</li> <li>Master of Business Administration, The University of Ottawa</li> <li>Postgraduate Diploma in Public Administration, Carleton University</li> </ol>	Bachelor of Business (Accountancy), the Royal Melbourne Institute of Technology

# CORPORATE GOVERNANCE – APPENDIX A

Name of person	Dr Lam Lee G	Lum Moy Foong
	<ol style="list-style-type: none"> <li>5. Master of Public Administration, The University of Hong Kong</li> <li>6. Doctor of Philosophy, The University of Hong Kong</li> <li>7. Bachelor of Laws (Honours), Manchester Metropolitan University</li> <li>8. Postgraduate Diploma in English and Hong Kong Law, Manchester Metropolitan University</li> <li>9. Master of Laws, The University of Wolverhampton</li> <li>10. Certificate in Professional Accountancy, The Chinese University of Hong Kong</li> <li>11. Postgraduate Certificate in Laws, City University of Hong Kong</li> <li>12. Solicitor, High Court of Hong Kong</li> <li>13. Honorary Fellow, CPA Australia Hong Kong</li> <li>14. Fellow, Hong Kong Institute of Directors</li> <li>15. Fellow, Hong Kong Institute of Arbitrators</li> <li>16. Fellow, CMA Australia</li> <li>17. Fellow, Hong Kong Institution of Facility Management</li> <li>18. Accredited Mediator, The Centre of Effective Dispute Resolution (CEDR)</li> <li>19. Honorary Fellow, The University of Hong Kong School of Professional and Continuing Education (HKU SPACE)</li> </ol>	



# CORPORATE |

## GOVERNANCE – APPENDIX A

Name of person	Dr Lam Lee G	Lum Moy Foong
Working experience and occupation(s) during the past 10 years	<p><b>July 2020 to present:</b> Non-Executive Chairman – Great China and ASEAN Region of Macquarie Infrastructure and Real Assets</p> <p><b>2017 to June 2020:</b> Non-Executive Chairman – Hong Kong and ASEAN Region and Chief Adviser, Macquarie Infrastructure and Real Assets Asia</p> <p><b>2015 to 2017:</b> Chairman – ASEAN Region, Senior Adviser – Asia, Macquarie Infrastructure and Real Assets (Hong Kong) Limited</p> <p><b>2007 to 2015:</b> Chairman – Indochina, Myanmar and Thailand, Senior Adviser – Asia (and formerly Chairman – Hong Kong), Macquarie Capital (Hong Kong) Limited</p>	<b>2006 to present:</b> Chief Financial Officer of Oei Hong Leong Art Museum Limited
Shareholding interest in the listed issuer and its subsidiaries	Nil	Nil
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	Nil	Nil
Conflict of interest (including any competing business)	Nil	Nil
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes

# CORPORATE GOVERNANCE – APPENDIX A

Name of person	Dr Lam Lee G	Lum Moy Foong
<p><b>Other Principal Commitments* including Directorships#</b></p> <p>* “Principal Commitments” has the same meaning as defined in the Code.</p> <p># These fields are not applicable for announcements of appointments pursuant to Listing Rule 704(8)</p> <p>Past (for the last 5 years)</p> <p>Present</p>	<p><u>Past 5 years</u></p> <p><u>Director</u></p> <ol style="list-style-type: none"> <li>1. China Shandong Hi-Speed Financial Group Limited</li> <li>2. Hsin Chong Group Holdings Limited</li> <li>3. Glorious Sun Enterprises Limited</li> <li>4. Green Leader Holdings Group Limited</li> <li>5. Xi’an Haitian Antena Technologies Co., Ltd.</li> <li>6. Rowsley Limited (now known as Thomson Medical Group Ltd)</li> <li>7. Vietnam Equity Holding</li> <li>8. Roma Group Limited</li> <li>9. Imagi International Holdings Limited</li> <li>10. UDL Holdings Limited</li> <li>11. Heng Fai Enterprises Limited</li> <li>12. Mingyuan Medicare Development Company Limited</li> <li>13. Ruifeng Petroleum Chemical Holdings Ltd</li> </ol> <p><u>Present</u></p> <p><u>Director</u></p> <p><u>Listed on the SGX-ST</u></p> <ol style="list-style-type: none"> <li>1. Beverly JCG Ltd</li> <li>2. Alset International Limited (formerly known as Singapore eDevelopment Ltd)</li> <li>3. Thomson Medical Group Limited</li> <li>4. Top Global Limited</li> </ol>	<p><u>Past 5 years</u></p> <p>N.A.</p> <p><u>Present</u></p> <p><u>Director</u></p> <p><u>Non-listed Entities</u></p> <ol style="list-style-type: none"> <li>1. Oei Hong Leong Art Museum Limited</li> <li>2. Tandy Co Pte. Ltd.</li> <li>3. Canadian Metropolitan Properties Corp.</li> <li>4. Plaza of Nations Management Corp.</li> <li>5. Vancouver Expo Garden Limited</li> </ol>

# CORPORATE | GOVERNANCE – APPENDIX A

Name of person	Dr Lam Lee G	Lum Moy Foong
	<p><u>Listed on the Hong Kong Stock Exchange</u></p> <ol style="list-style-type: none"> <li>1. Aurum Pacific (China) Group Limited</li> <li>2. China LNG Group Limited</li> <li>3. CSI Properties Limited</li> <li>4. Elife Holdings Limited</li> <li>5. Greenland Hong Kong Holdings Limited</li> <li>6. Haitong Securities Company Limited</li> <li>7. Hang Pin Living Technology Company Limited</li> <li>8. Huarong Investment Stock Corporation Limited</li> <li>9. Kidsland International Holdings Limited</li> <li>10. Mei Ah Entertainment Group Limited</li> <li>11. Mingfa Group (International) Company Limited</li> <li>12. National Arts Entertainment and Culture Group Limited</li> <li>13. Sunwah Kingsway Capital Holdings Limited</li> <li>14. Tianda Pharmaceuticals Limited</li> <li>15. Vongroup Limited</li> </ol> <p><u>Listed on Bursa Malaysia</u></p> <ol style="list-style-type: none"> <li>1. TMC Life Sciences Berhad</li> </ol> <p><u>Listed on the London Stock Exchange</u></p> <ol style="list-style-type: none"> <li>1. Adamas Finance Asia Limited</li> </ol> <p><u>Listed on the Australian Securities Exchange</u></p> <ol style="list-style-type: none"> <li>1. AustChina Holdings Limited</li> </ol> <p><u>Listed on the Toronto Stock Exchange</u></p> <ol style="list-style-type: none"> <li>1. Sunwah International Limited</li> </ol>	

# CORPORATE GOVERNANCE – APPENDIX A

Name of person	Dr Lam Lee G	Lum Moy Foong
	<p><u>Principal Commitments</u> (voluntary/pro-base/community service role)</p> <ol style="list-style-type: none"> <li>1. Hong Kong Cyberport Management Company</li> <li>2. Pacific Basin Economic Council</li> <li>3. United Nations Economic and Social Commission for Asia and the Pacific Sustainable Business Network</li> </ol>	
<p><b>Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, general manager or other officer of equivalent rank.</b></p> <p><b>If the answer to any question is “yes”, full details must be given.</b></p>		
<p>(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?</p>	No	No

# CORPORATE |

## GOVERNANCE – APPENDIX A

Name of person	Dr Lam Lee G	Lum Moy Foong
<p>(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?</p>	<p>Yes</p> <p><b>Ruifeng Petroleum Chemical Holdings Limited (“Ruifeng Petroleum”)</b></p> <p>During the period between July 2014 and March 2015, Dr Lam served as an independent non-executive director of Ruifeng Petroleum, a company incorporated in the Cayman Islands, the shares of which were listed on the Stock Exchange of Hong Kong and delisted on 6 February 2017.</p> <p>Ruifeng Petroleum was previously engaged in the petrochemical business. A winding-up petition was served on Ruifeng Petroleum on 12 August 2015 due to failure to pay a judgement debt relating to an outstanding amount of promissory note issued by Ruifeng Petroleum in 2011 (3 years before Dr Lam’s appointment as an independent director). On 16 November 2015, Ruifeng Petroleum was wound up by the High Court of Hong Kong.</p> <p>Joining the board of directors as an independent non-executive director during the restructuring period of Ruifeng Petroleum, Dr Lam had no management role in Ruifeng Petroleum and was not involved in the creation of the above promissory note, and since the delisting of Ruifeng Petroleum’s shares from the Stock Exchange of Hong Kong, no claims have been made against him and he is not aware of any threatened or potential claims against him as a result of Ruifeng Petroleum’s dissolution.</p>	<p>No</p>

# CORPORATE GOVERNANCE – APPENDIX A

Name of person	Dr Lam Lee G	Lum Moy Foong
	<p><b>Hsin Chong Group Holdings Limited (“Hsin Chong”)</b></p> <p>During the period between 17 May 2018 and 27 September 2019, Dr Lam served as an independent non-executive director of Hsin Chong, a company incorporated in Bermuda, the shares of which were listed on the Stock Exchange of Hong Kong.</p> <p>Hsin Chong defaulted on its US\$150 million 8.5% USD bonds (launched on 14 January 2016) due on 22 January 2019. Hsin Chong filed for provisional liquidation on 17 January 2019, and on 20 January 2019, RSM Corporate Advisory (Hong Kong) Limited and KRY S &amp; Associates (Bermuda) were appointed by the Supreme Court of Bermuda Commercial Court as joint and several provisional liquidators of Hsin Chong. The filing was aimed at safeguarding Hsin Chong’s assets and preventing seizure by creditors as Hsin Chong was attempting to negotiate a deal with one of the potential “white knight” groups to restructure its debts caused by Hsin Chong’s earlier rapid expansion in mainland China. Such expansion projects dried up Hsin Chong’s liquidity and led Hsin Chong to incur significant debts.</p>	

# CORPORATE |

## GOVERNANCE – APPENDIX A

Name of person	Dr Lam Lee G	Lum Moy Foong
	<p>Joining the board of directors as an independent non-executive director during the restructuring period of Hsin Chong, Dr Lam had no management role in Hsin Chong and was not involved in the creation of the above-mentioned bonds and debts. Nine (9) months after the joint and several provisional liquidators of Hsin Chong were appointed, all independent non-executive directors including Dr Lam resigned from the board of directors of Hsin Chong on 27 September 2019.</p>	
(c) Whether there is any unsatisfied judgment against him?	No	No
(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?	No	No
(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?	No	No

# I CORPORATE GOVERNANCE – APPENDIX A

Name of person	Dr Lam Lee G	Lum Moy Foong
(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?	No	No
(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?	No	No
(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?	No	No
(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?	No	No



# CORPORATE |

## GOVERNANCE – APPENDIX A

Name of person	Dr Lam Lee G	Lum Moy Foong
(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	No	No
(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	No	No
(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	No	No
(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?	No	No

# CORPORATE GOVERNANCE – APPENDIX A

Name of person	Dr Lam Lee G	Lum Moy Foong
(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?	No	No
<b>Disclosure applicable to the appointment of Director only.</b>		
Any prior experience as a director of an issuer listed on the Exchange?	N.A. This relates to re-appointment of Director.	N.A. This relates to re-appointment of Director.
If Yes, please provide details of prior experience.	N.A.	N.A.
<p>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.</p> <p>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).</p>	N.A.	N.A.

Note:

N.A. – Not Applicable



 神州智悦酒店  
CHINA REAL ESTATE GROUP LIMITED

## FINANCIAL CONTENTS

- 50** Directors' Statement
- 54** Independent Auditor's Report
- 58** Consolidated Statement of Comprehensive Income
- 59** Balance Sheets
- 60** Consolidated Statement of Changes in Equity
- 61** Consolidated Statement of Cash Flows
- 63** Notes to the Financial Statements

# | DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

The directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 30 June 2020 and the balance sheet of the Company as at 30 June 2020.

In the opinion of the directors,

- (a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 58 to 128 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 30 June 2020 and the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statements; and
- (b) 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 of the Company in office at the date of this statement are as follows:

Dato' Dr Choo Yeow Ming  
Dr Lam Lee G  
Chew Soo Lin  
Lum Moy Foong  
Lien Kait Long

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

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

# DIRECTORS' | STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## Directors' interests in shares or debentures

- (a) According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	Holdings registered in name of director or nominee		Holdings in which the director is deemed to have an interest	
	At 1.7.19	At 30.6.20	At 1.7.19	At 30.6.20
<b>Company</b>				
<i>(No. of ordinary shares)</i>				
Dato' Dr Choo Yeow Ming	824,969,332	824,969,332	352,479,500	352,479,500
Chew Soo Lin	32,400,036	32,400,036	-	-
Lien Kait Long	34,501,500	34,501,500	-	-
<i>(No. of warrants expiring on 19 November 2020)</i>				
Dato' Dr Choo Yeow Ming	501,862,484	501,862,484	398,819,310	398,819,310
Chew Soo Lin	4,114,137	4,114,137	-	-
<i>(No. of warrants expiring on 30 January 2023)</i>				
Chew Soo Lin	9,257,040	9,257,040	-	-
Lien Kait Long	14,142,700	14,142,700	-	-
<i>(No. of warrants expiring on 26 July 2023)</i>				
Chew Soo Lin	21,600,000	21,600,000	-	-
Lien Kait Long	23,001,000	23,001,000	-	-

- (b) The directors' interests in the ordinary shares and warrants of the Company as at 21 July 2020 were the same as those as at 30 June 2020.

# DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## Share options

The Company has not implemented any share option or share schemes.

There were no options granted during the financial year to subscribe for unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiary corporations.

As at the end of the financial year, there were no unissued shares of the Company under option.

## Audit Committee

The members of the Audit Committee (the "AC") at the end of the financial year were as follows:

Lien Kait Long (Chairman)  
Dr Lam Lee G  
Chew Soo Lin

All members of the AC were independent non-executive directors.

The AC carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act. In performing those functions, the AC carried out the following:

- Reviews the audit plans of the internal auditor and independent auditor of the Company and the internal auditor's evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Company's management to the internal auditor and independent auditor;
- Reviews the interim and annual financial statements and the independent auditor's report on the annual financial statements of the Company before their submission to the Board of Directors;
- Reviews the effectiveness of the Company's material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditor;
- Meets with the independent auditor, internal auditor, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC;
- Reviews legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;
- Reviews the nature and extent of non-audit services provided by the independent auditor;
- Recommends to the Board of Directors the nomination of independent auditor and terms of engagement including remuneration;

# DIRECTORS' | STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## **Audit Committee** (continued)

- Reports actions and minutes of the AC to the Board of Directors with such recommendations as the AC considers appropriate; and
- Reviews interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited's Listing Manual (Section B: Rules of Catalyst).

The AC convened three meetings during the financial year. The AC has also met with the internal auditor and independent auditor, without the presence of the Company's management, at least once a year.

The AC has recommended to the Board that the independent auditor, Nexia TS Public Accounting Corporation, be nominated for re-appointment at the forthcoming Annual General Meeting of the Company.

## **Independent Auditor**

The independent auditor, Nexia TS Public Accounting Corporation, has expressed its willingness to accept re-appointment.

On behalf of the directors

.....  
**Dato' Dr Choo Yeow Ming**  
*Director*

**7 December 2020**

.....  
**Dr Lam Lee G**  
*Director*

# I INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CHINA REAL ESTATE GRP LTD.

## Report on the Audit of the Financial Statements

### *Opinion*

We have audited the accompanying financial statements of China Real Estate Grp Ltd. (the "Company") and its subsidiary corporations (the "Group"), which comprise the consolidated balance sheet of the Group and the balance sheet of the Company as at 30 June 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 58 to 128.

In our opinion, the accompanying consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 30 June 2020 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

### *Basis for Opinion*

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## Valuation of property, plant and equipment and development properties

[Refer to Notes 3.1, 3.2, 17 and 19]

### Area of focus

The Group has diversified into real estate development business in People's Republic of China ("PRC") to undertake the mixed development of prime residential and commercial properties (collectively, the "Huzhou Project") since the financial year ended 30 June 2018. During the financial year ended 30 June 2020, the Group had completed the development of the hotel building and is currently reviewing and finalising the remaining development plan for Huzhou Project. In addition, the Group has commenced the operation of the hotel during the financial year.



# INDEPENDENT | AUDITOR'S REPORT

TO THE MEMBERS OF CHINA REAL ESTATE GRP LTD.

*Key Audit Matters* (continued)

## **Valuation of property, plant and equipment and development properties** (continued)

### (1) Development properties

As at 30 June 2020, the carrying amount of development properties of the Huzhou Project amounted to S\$11,642,000. In view of the outbreak of COVID-19, there has been a slowdown in the progress of finalising the development implementation and business plans for the Huzhou Project. There is a risk that the carrying amount of the development properties may be higher than its net realisable value.

### (2) Hotel operations

As at 30 June 2020, the assets used for the hotel operations are included in property, plant and equipment, amounting to S\$29,326,000. During the financial year ended 30 June 2020, the hotel had temporarily suspended its operations for two months in compliance with safety measurements implemented by PRC government due to COVID-19. As the COVID-19 situation remains uncertain, there is objective evidence or indication that these assets may be impaired.

We focused on this area as a key audit matter because the carrying amounts of development properties and property, plant and equipment which are significant to the Group and significant judgement applied in determining the key assumptions used in value-in-use ("VIU") calculation, including expectations of future events that are believed to be reasonable under the circumstances.

### *How our audit addressed the area of focus*

In obtaining sufficient audit evidence, we:

- Obtained an understanding of the current status of the hotel operations and current status of the Huzhou Project through discussions with management and examination of documentation such as the preliminary development plan;
- Analysed management's VIU calculation using the cash flows projection and future business plan, including testing the underlying calculations and comparing them to the actual results;
- Evaluated the reasonableness of the management's key estimates used in the VIU calculation by checking the consistency of the data used and comparing them to the current market condition and industry trend;
- Involved our internal valuation specialists to assist us in assessing the reasonableness of the discount rate applied, by comparing against internal and external economic and market data; and
- Assessed the net realisable value of the development properties by ascertaining the principal situations in which net realisable value is likely to be less than the cost in accordance to SFRS(I) 1-2 *Inventories*.

### *Other Information*

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

# I INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CHINA REAL ESTATE GRP LTD.

## *Other Information (continued)*

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## *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 Act and 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.

## *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

# INDEPENDENT | AUDITOR'S REPORT

TO THE MEMBERS OF CHINA REAL ESTATE GRP LTD.

## *Auditor's Responsibilities for the Audit of the Financial Statements (continued)*

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## *Report on Other Legal and Regulatory Requirements*

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement director on the audit resulting in this independent auditor's report is Lee Look Ling.

**Nexia TS Public Accounting Corporation**  
**Public Accountants and Chartered Accountants**

**Singapore**

**7 December 2020**

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	Note	2020 S\$'000	2019 S\$'000
Revenue	4	625	7,660
Cost of sales		<u>(400)</u>	<u>(7,387)</u>
Gross profit		225	273
Other gains/(losses), net			
- Interest income from bank deposits		6	54
- Impairment loss on financial assets at amortised cost	29(b)	(16)	(247)
- Others	7	(279)	(470)
Expenses			
- Distribution and marketing		(431)	(247)
- Administrative		(6,402)	(5,727)
- Finance	8	<u>(78)</u>	<u>(53)</u>
Loss before income tax		(6,975)	(6,417)
Income tax credit	9(a)	<u>13</u>	-
<b>Net loss</b>		<u><b>(6,962)</b></u>	<u><b>(6,417)</b></u>
<b>Other comprehensive income/(loss):</b>			
Items that may be reclassified subsequently to profit or loss:			
Currency translation gain/(loss) arising from consolidation	26	12	(1,068)
Items that will not be reclassified subsequently to profit or loss:			
Currency translation gain/(loss) arising from consolidation		5	(386)
<b>Other comprehensive income/(loss), net of tax</b>		<u><b>17</b></u>	<u><b>(1,454)</b></u>
<b>Total comprehensive loss</b>		<u><b>(6,945)</b></u>	<u><b>(7,871)</b></u>
<b>Loss attributable to:</b>			
Equity holders of the Company		(5,888)	(6,032)
Non-controlling interests		<u>(1,074)</u>	<u>(385)</u>
		<u><b>(6,962)</b></u>	<u><b>(6,417)</b></u>
<b>Total comprehensive loss attributable to:</b>			
Equity holders of the Company		(5,876)	(7,100)
Non-controlling interests		<u>(1,069)</u>	<u>(771)</u>
		<u><b>(6,945)</b></u>	<u><b>(7,871)</b></u>
<b>Loss per share for loss attributable to equity holders of the Company (cents per share)</b>			
<b>Basic and diluted loss per share</b>	10	<u><b>(0.03)</b></u>	<u><b>(0.03)</b></u>

The accompanying notes form an integral part of these financial statements.

# BALANCE SHEETS

AS AT 30 JUNE 2020

	Note	Group		Company	
		2020 S\$'000	2019 S\$'000	2020 S\$'000	2019 S\$'000
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents	11	4,030	6,874	3,427	633
Financial assets, at FVPL	12	3,381	7,811	3,381	7,811
Trade and other receivables	13	11,435	11,406	6,704	6,255
Inventories	14	183	-	-	-
Other current assets	15	1,640	2,268	133	136
Financial assets, at FVOCI	16	2,000	2,000	2,000	2,000
		<u>22,669</u>	<u>30,359</u>	<u>15,645</u>	<u>16,835</u>
<b>Non-current assets</b>					
Trade and other receivables	13	-	-	17,362	12,504
Development properties	17	11,642	10,283	-	-
Investment in subsidiary corporations	18	-	-	23,495	24,400
Property, plant and equipment	19	29,780	21,992	311	12
Intangible assets	21	27	-	-	-
		<u>41,449</u>	<u>32,275</u>	<u>41,168</u>	<u>36,916</u>
<b>Total assets</b>		<u>64,118</u>	<u>62,634</u>	<u>56,813</u>	<u>53,751</u>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Trade and other payables	22	4,950	3,902	157	120
Borrowings	23	2,327	-	313	-
Current income tax liabilities	9(b)	15	16	15	16
		<u>7,292</u>	<u>3,918</u>	<u>485</u>	<u>136</u>
<b>Non-current liabilities</b>					
Borrowings	23	5,066	-	5,005	-
Deferred income tax liabilities	24	559	570	-	-
		<u>5,625</u>	<u>570</u>	<u>5,005</u>	<u>-</u>
<b>Total liabilities</b>		<u>12,917</u>	<u>4,488</u>	<u>5,490</u>	<u>136</u>
<b>Net assets</b>		<u>51,201</u>	<u>58,146</u>	<u>51,323</u>	<u>53,615</u>
<b>EQUITY</b>					
<b>Capital and reserves attributable to equity holders of the Company</b>					
Share capital	25	195,733	195,733	195,733	195,733
Foreign currency translation reserve	26	(17,055)	(17,067)	(15,939)	(15,939)
Fair value reserve	27	(4,000)	(4,000)	(4,000)	(4,000)
Accumulated losses		(130,285)	(124,397)	(124,471)	(122,179)
		<u>44,393</u>	<u>50,269</u>	<u>51,323</u>	<u>53,615</u>
<b>Non-controlling interests</b>	18	6,808	7,877	-	-
<b>Total equity</b>		<u>51,201</u>	<u>58,146</u>	<u>51,323</u>	<u>53,615</u>

The accompanying notes form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	← Attributable to equity holders of the Company →						
	Share capital S\$'000	Foreign currency translation reserve S\$'000	Fair value reserve S\$'000	Accumulated losses S\$'000	Total S\$'000	Non- controlling interests S\$'000	Total equity S\$'000
<b>2020</b>							
<b>Balance as at 1 July 2019</b>	195,733	(17,067)	(4,000)	(124,397)	50,269	7,877	58,146
Total comprehensive income/(loss) for the financial year	-	12	-	(5,888)	(5,876)	(1,069)	(6,945)
<b>Balance as at 30 June 2020</b>	<b>195,733</b>	<b>(17,055)</b>	<b>(4,000)</b>	<b>(130,285)</b>	<b>44,393</b>	<b>6,808</b>	<b>51,201</b>
<b>2019</b>							
<b>Balance as at 1 July 2018</b>	183,709	(15,999)	(4,000)	(118,365)	45,345	8,648	53,993
Total comprehensive loss for the financial year	-	(1,068)	-	(6,032)	(7,100)	(771)	(7,871)
Issue of new ordinary shares pursuant to exercise of warrants	25	-	-	-	3	-	3
Issue of new ordinary shares	25	-	-	-	12,290	-	12,290
Share issue expenses	25	-	-	-	(269)	-	(269)
<b>Balance as at 30 June 2019</b>	<b>195,733</b>	<b>(17,067)</b>	<b>(4,000)</b>	<b>(124,397)</b>	<b>50,269</b>	<b>7,877</b>	<b>58,146</b>

The accompanying notes form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	Note	2020 S\$'000	2019 S\$'000
<b>Cash flows from operating activities</b>			
Net loss		(6,962)	(6,417)
Adjustments for:			
- Income tax credit	9(a)	(13)	-
- Interest expense on bank borrowings	8	37	53
- Interest expenses on lease liabilities	8	41	-
- Interest income from bank deposits		(6)	(54)
- Dividend income	7	(244)	(378)
- Depreciation of property, plant and equipment	5	1,272	284
- Amortisation of intangible assets	5	10	-
- Gain on disposal of property, plant and equipment	7	-	(76)
- Allowance for impairment of goodwill	5	-	639
- Reversal of provision of reinstatement cost	7	-	(189)
- Unrealised currency translation differences		(32)	(170)
		<u>(5,897)</u>	<u>(6,308)</u>
Change in working capital:			
- Development properties		(1,345)	(2,689)
- Trade and other receivables		4	1,937
- Financial assets, at FVPL		4,430	3,713
- Inventories		(183)	-
- Other current assets		609	(286)
- Trade and other payables		1,040	(2,692)
- Provisions		-	(15)
Cash used in operations		<u>(1,342)</u>	<u>(6,340)</u>
- Income tax refunded/(paid), net		1	(1)
- Interest received		6	54
<b>Net cash used in operating activities</b>		<u>(1,335)</u>	<u>(6,287)</u>
<b>Cash flows from investing activities</b>			
- Additions to property, plant and equipment		(8,235)	(12,082)
- Addition to intangible assets		(37)	-
- Proceeds from disposal of property, plant and equipment		-	100
- Dividends received		244	378
<b>Net cash used in investing activities</b>		<u>(8,028)</u>	<u>(11,604)</u>

The accompanying notes form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	Note	2020 S\$'000	2019 S\$'000
<b>Cash flows from financing activities</b>			
- Proceeds from issuance of new ordinary shares	25	-	12,290
- Share issue expenses	25	-	(269)
- Proceeds from issuance of ordinary shares pursuant to exercise of warrants	25	-	3
- Principal repayment of lease liabilities		(383)	-
- Drawdown of bank borrowings		6,966	-
- Repayment of bank borrowings		-	(1,351)
- Interest paid for bank borrowings		(37)	-
- Interest paid for lease liabilities		(41)	-
<b>Net cash provided by financing activities</b>		<u>6,505</u>	<u>10,673</u>
<b>Net decrease in cash and cash equivalents</b>		(2,858)	(7,218)
<b>Cash and cash equivalents</b>			
Beginning of financial year		6,874	14,136
Effects of currency translation on cash and cash equivalents		14	(44)
<b>End of financial year</b>	11	<u>4,030</u>	<u>6,874</u>

*The accompanying notes form an integral part of these financial statements.*



# NOTES TO THE | FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

The financial statements of the Group and the Company for the financial year ended 30 June 2020 were authorised for issue in accordance with a resolution of directors on 7 December 2020.

## 1 General information

China Real Estate Grp Ltd. (the “Company”) was incorporated as a public company limited by shares, in Singapore on 6 July 2006 and is listed on the Catalist Board of Singapore Exchange Securities Trading Limited (“SGX-ST”) on 31 August 2007.

The principal place of operation is at 1 Scotts Road, #20-07 Shaw Centre, Singapore 228208 and the registered office is at 8 Robinson Road, #03-00 ASO Building, Singapore 048544.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiary corporations are disclosed in Note 18.

## 2 Summary of significant accounting policies

### 2.1 Basis of preparation

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards (International) (“SFRS(I)”) under the historical cost convention, except as disclosed in the accounting policies below. The financial statements are presented in Singapore Dollar and have been rounded to the nearest thousand, unless otherwise stated.

The preparation of financial statements in conformity with SFRS(I) requires management to exercise its judgement in the process of applying the Group’s accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

#### Coronavirus (“COVID-19”) impact

On 30 January 2020, the World Health Organisation announced the COVID-19 outbreak as a global health emergency.

A series of measures to curb the COVID-19 outbreak have been and continue to be implemented in countries where the Group operates, including requirements to limit or suspend business operations, travel restrictions and quarantine measures. As a result, the Group’s financial performance has been affected due to the suspension of hotel operation in compliance with the safety measurements implemented by the local government and the slowdown in the real estate market and economy growth in People’s Republic of China (“PRC”) during the period.

The ongoing and evolving COVID-19 pandemic has a significant impact on the global economy and the economies which the Group operates in. There is significant uncertainty as to the duration of the pandemic and its impact on those economies which the Group operates in, hence affects the Group’s financial performance in the following financial years.

# I NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 2 Summary of significant accounting policies (continued)

### 2.1 Basis of preparation (continued)

#### Coronavirus ("COVID-19") impact (continued)

An assessment was made for the reporting year whether there is any indication that the Group's assets and liabilities may be impacted adversely. If any such indication of uncertainties exists, an estimate is made of the fair value of the account balance.

During the financial year ended 30 June 2020, the Group incurred a net loss of S\$6,962,000 (2019: S\$6,417,000) and net cash used in operating activities of S\$1,335,000 (2019: S\$6,287,000). These conditions indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern. Nevertheless, the Board of Directors has assessed that the going concern basis of preparation for this set of financial statements remains appropriate due to the following:

- i. The Group has sufficient cash to fund the operations of the Group as the Group is in a net current assets position; and
- ii. The Group has obtained approval in principle for a new term loan for the hospitality segment's working capital purposes.

#### Interpretations and amendments to published standards effective in 2019

On 1 July 2019, the Group has adopted the new or amended SFRS(I) and Interpretations of SFRS(I) ("INT SFRS(I)") that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective SFRS(I) and INT SFRS(I).

The adoption of these new or amended SFRS(I) and INT SFRS(I) did not result in substantial changes to the Group's accounting policies and had no material effect on the amounts reported for the current or prior financial years except for the adoption of SFRS(I) 16 *Leases*:

#### Adoption of SFRS(I) 16 *Leases*

- (a) When the Group is the lessee

Prior to the adoption of SFRS(I) 16, non-cancellable operating lease payments were not recognised as liabilities in the balance sheet. These payments were recognised as rental expenses over the lease term on a straight-line basis.

The Group's accounting policy on leases after the adoption of SFRS(I) 16 is as disclosed in Note 2.16 to the financial statements.

# NOTES TO THE | FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 2 Summary of significant accounting policies (continued)

### 2.1 Basis of preparation (continued)

#### Interpretations and amendments to published standards effective in 2019 (continued)

##### *Adoption of SFRS(I) 16 Leases* (continued)

###### (a) When the Group is the lessee (continued)

On initial application of SFRS(I) 16, the Group has elected to apply the following practical expedients:

- (i) For all contracts entered into before 1 July 2019 and that were previously identified as leases under SFRS(I) 1-17 *Leases* and SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*, the Group has not reassessed if such contracts contain leases under SFRS(I) 16; and
- (ii) On a lease-by-lease basis, the Group has:
  - (a) applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
  - (b) relied on previous assessments on whether leases are onerous as an alternative to performing an impairment review;
  - (c) accounted for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases;
  - (d) excluded initial direct costs in the measurement of the right-of-use ("ROU") asset at the date of initial application; and
  - (e) used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

There were no onerous contracts as at 1 July 2019.

For leases previously classified as operating leases on 1 July 2019, the Group has applied the following transition provisions:

- (i) On a lease-by-lease basis, the Group chose to measure its ROU assets at a carrying amount as if SFRS(I) 16 had been applied since the commencement of the lease but discounted using the incremental borrowing rate at 1 July 2019.
- (ii) Recognised its lease liabilities by discounting the remaining lease payments as at 1 July 2019 using the incremental borrowing rate for each individual lease or, if applicable, the incremental borrowing rate for each portfolio of leases with reasonably similar characteristic.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 2 Summary of significant accounting policies (continued)

### 2.1 Basis of preparation (continued)

#### Interpretations and amendments to published standards effective in 2019 (continued)

#### Adoption of SFRS(I) 16 Leases (continued)

##### (b) When the Group is a lessor

There are no material changes to accounting by the Group as a lessor.

The effect of adoption of SFRS(I) 16 on the Group and the Company's financial statements as at 1 July 2019 are as follows:

	<u>Group</u> Increase S\$'000	<u>Company</u> Increase S\$'000
ROU assets	740	682
Lease liabilities	<u>740</u>	<u>682</u>

An explanation of the differences between the operating lease commitments previously disclosed in the Group's financial statements as at 30 June 2019 and the lease liabilities recognised in the balance sheet as at 1 July 2019 are as follows:

	<u>Group</u> S\$'000	<u>Company</u> S\$'000
Operating lease commitments disclosed as at 30 June 2019	789	731
Less: Short-term leases and low-value leases	<u>(49)</u>	<u>(49)</u>
Lease liabilities recognised as at 1 July 2019	<u>740</u>	<u>682</u>

### 2.2 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 the Group satisfies a performance obligation ("PO") by transferring promised goods or services to the customer, which is when the customer obtains control of the goods or services. A PO may be satisfied over time or at a point in time. The amount of revenue recognised is the amount allocated to the satisfied PO.

# NOTES TO THE | FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 2 Summary of significant accounting policies (continued)

### 2.2 Revenue recognition (continued)

#### Hospitality services:

##### (a) Hotel operation's revenue

Hotel revenue from room rental is recognised over time during the period of stay for the hotel guests. Revenue from food and beverage sales and other ancillary services is generally recognised at a point in time when the food and beverage are served to the customers.

#### Real estate agency services:

##### (b) Commission income

Revenue from real estate agency is recognised at a point in time in the period in which the services are rendered and the Group has transferred the control of the promised services to the customers.

##### (c) Management services fee income

Management services fee income is recognised at a point in time when the Group has satisfied its PO by rendering the services to the customer.

#### Other revenue:

##### (d) Interest income

Interest income including income arising from other financial instruments, is recognised using the effective interest method.

##### (e) Dividend income

Dividend income is recognised when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Group, and the amount of the dividend can be reliably measured.

##### (f) Rental income

Rental income from leasing of workstations and office premises is accounted for based on a straight-line basis over the lease terms stipulated in the contracts.

### 2.3 Government grants

Grants from the government are recognised as a receivable at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions. Government grants relating to expenses are shown separately as "other gains/(losses), net".

# I NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 2 Summary of significant accounting policies (continued)

### 2.4 Group accounting

#### (a) *Subsidiary corporations*

##### (i) *Consolidation*

Subsidiary corporations are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiary corporations are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on which control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment indicator of the transferred asset. Accounting policies of subsidiary corporations have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests comprise the portion of a subsidiary corporation's net results of operations and its net assets, which is attributable to the interests that are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and balance sheet. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary corporation, even if this results in the non-controlling interests having a deficit balance.

The acquisition method of accounting is used to account for business combinations entered into by the Group.

##### (ii) *Acquisitions*

The consideration transferred for the acquisition of a subsidiary corporation or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes any contingent consideration arrangement and any pre-existing equity interest in the subsidiary corporation measured at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

# NOTES TO THE | FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 2 Summary of significant accounting policies (continued)

### 2.4 Group accounting (continued)

#### (a) *Subsidiary corporations* (continued)

##### (ii) *Acquisitions* (continued)

The excess of (a) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over (b) the fair value of the identifiable net assets acquired is recorded as goodwill. Please refer to the paragraph “Intangible assets – Goodwill” for the subsequent accounting policy on goodwill.

##### (iii) *Disposals*

When a change in the Group’s ownership interest in a subsidiary corporation results in a loss of control over the subsidiary corporation, the assets and liabilities of the subsidiary corporation including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained profits if required by a specific Standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

Please refer to the paragraph “Investments in subsidiary corporations” for the accounting policy on investments in subsidiary corporations in the separate financial statements of the Company.

#### (b) *Transactions with non-controlling interests*

Changes in the Group’s ownership interest in a subsidiary corporation that do not result in a loss of control over the subsidiary corporation are accounted for as transactions with equity owners of the Company. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised within equity attributable to the equity holders of the Company.

### 2.5 Property, plant and equipment

#### (a) *Measurement*

All items of property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

#### (b) *Components of costs*

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by management.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 2 Summary of significant accounting policies (continued)

### 2.5 Property, plant and equipment (continued)

#### (c) Depreciation

Depreciation is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

	<u>Useful lives</u>
Leasehold land and buildings	over the remaining lease term of 37 years
Renovation	3 – 10 years
Office equipment, furniture and fittings	5 – 10 years
Vehicles and equipment	4 – 10 years

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use.

#### (d) Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

#### (e) Disposal

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss within "other gains/(losses), net". Any amount in revaluation reserve relating to that asset is transferred to retained earnings directly.

### 2.6 Development properties

Development properties are those properties which are held with the intention for development and sale in the ordinary course of business. They are stated at the lower of cost plus a portion of attributable profit (where appropriate) less progress billings and the estimated net realisable value. Net realisable value represents the estimated selling price less costs to be incurred in selling the land and properties.

The cost of properties under development comprise specifically identified costs, including acquisition costs, development expenditure, borrowing costs and other related expenditure. Borrowing costs payable on loans funding the development properties are also capitalised, on a specific identification basis as part of the cost of the development properties until the completion of development. The cumulative impact of a revision in estimates is recorded in the period such revisions become likely and estimable. When it is probable that the cost of development properties will exceed sale proceeds of the development properties, the expected loss is recognised as an expense immediately. The development properties in progress have operating cycles longer than one year.



# NOTES TO THE | FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 2 Summary of significant accounting policies (continued)

### 2.7 Intangible assets

#### (a) Goodwill on acquisitions

Goodwill on acquisitions of subsidiary corporations and businesses, represents the excess of (i) the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over (ii) the fair value of the identifiable net assets acquired. If those amounts are less than the fair value of the identifiable net assets of the subsidiary corporations acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a gain from bargain purchase. Goodwill on acquisition of subsidiary corporations is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

Gains and losses on the disposal of subsidiary corporations include the carrying amount of goodwill relating to the entity sold.

#### (b) Franchise rights

Franchise rights that have finite useful lives are initially stated at cost, which represents fair value at the date of acquisition and are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. The cost is amortised to profit or loss over their estimated useful lives of 2 years using the straight-line method.

The amortisation period and amortisation method of intangible assets are reviewed at least once at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

Franchise rights that have indefinite useful lives are initially stated at cost, which represents fair value at the date of acquisition and are not subjected to amortisation but tested at least annually for impairment and carried at cost less accumulated impairment losses. The useful life of the franchise rights is estimated to be indefinite because management believes there is no foreseeable limit to the period over which the franchise rights is expected to generate the cash inflows for the Group. The useful life of an intangible asset with indefinite useful life is reviewed at each balance sheet date to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

#### (c) Acquired trademarks

Trademarks acquired are initially recognised at cost and are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over 5 years, which is the shorter of their estimated useful lives and periods of contractual rights.

### 2.8 Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 2 Summary of significant accounting policies (continued)

### 2.9 Investments in subsidiary corporations

Investments in subsidiary corporations are carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of such investments, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

### 2.10 Impairment of non-financial assets

#### (a) Goodwill

Goodwill recognised separately as an intangible asset is tested for impairment annually and whenever there is indication that the goodwill may be impaired.

For the purpose of impairment testing of goodwill, goodwill are allocated to each of the Group's cash-generating units ("CGU") expected to benefit from synergies arising from the business combination.

An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. The recoverable amount of a CGU is the higher of the CGU's fair value less cost to sell and value-in-use.

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

An impairment loss on goodwill is recognised as an expense and is not reversed in a subsequent period.

#### (b) Intangible assets

*Property, plant and equipment*

*ROU assets*

*Investments in subsidiary corporations*

Intangible assets with finite useful lives, property, plant and equipment, ROU assets and investments in subsidiary corporations are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired. Intangible assets with indefinite useful lives are tested for impairment annually and whenever there is indication that the intangible assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss, unless the asset is carried at revalued amount, in which case, such impairment loss is treated as revaluation decrease.

# NOTES TO THE | FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 2 Summary of significant accounting policies (continued)

### 2.10 Impairment of non-financial assets (continued)

- (b) *Intangible assets*  
*Property, plant and equipment*  
*ROU assets*  
*Investments in subsidiary corporations (continued)*

An impairment loss for an asset other than goodwill is reversed if, and 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. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss.

### 2.11 Financial assets

- (a) *Classification and measurement*

The Group classifies its financial assets in the following measurement categories:

- Amortised cost;
- Fair value through other comprehensive income ("FVOCI"); and
- Fair value through profit or loss ("FVPL").

The classification depends on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset.

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

#### At initial recognition

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

#### At subsequent measurement

- (i) *Debt instruments*

Debt instruments mainly comprise of cash and cash equivalents and trade and other receivables, depending on the Group's business model for managing the asset and the cash flow characteristics of the asset, the subsequent measurement is as follows:

- **Amortised cost:** Debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 2 Summary of significant accounting policies (continued)

### 2.11 Financial assets (continued)

#### (a) Classification and measurement (continued)

##### (ii) Equity investments

The Group subsequently measures all its equity investments at their fair values. Equity investment are classified as FVPL with movements in their fair values recognised in profit or loss in the period in which the changes arise and presented in "other gains/(losses), net", except for those equity securities which are not held for trading. The Group has elected to recognise changes in fair value of equity securities not held for trading in other comprehensive income as these are strategic investments and the Group considers this to be more relevant. Movements in fair values of investments classified as FVOCI are presented as "fair value gains/losses" in other comprehensive income. Dividends from equity investments are recognised in profit or loss as "dividend income".

#### (b) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt financial assets carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The credit risk note details how the Group determines whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by the SFRS(I) 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. Note 29(b) to the financial statements provides further disclosure on the impairment policy.

#### (c) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

On disposal of an equity investment, the difference between the carrying amount and sales proceed is recognised in profit or loss if there was no election made to recognise fair value changes in other comprehensive income. If there was an election made, any difference between the carrying amount and sales proceed amount would be recognised in other comprehensive income and transferred to retained profits along with the amount previously recognised in other comprehensive income relating to that asset.

### 2.12 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a 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.

# NOTES TO THE | FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 2 Summary of significant accounting policies (continued)

### 2.13 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

### 2.14 Borrowings

Borrowings are presented as current liabilities unless the Company has an unconditional right to defer settlement for at least 12 months after the balance sheet date, in which case they are presented as non-current liabilities.

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

### 2.15 Fair value estimation of financial assets and liabilities

The fair value of financial instruments traded in active markets (such as exchange-traded and over-the-counter securities and derivatives) is based on quoted market prices at the balance sheet date. The quoted market prices used for financial assets are the current bid prices; the appropriate quoted market prices used for financial liabilities are the current asking prices.

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

### 2.16 Leases

(a) The accounting policy for leases before 1 July 2019 is as follows:

When the Group is the lessee:

The Group leases office premises, motor vehicle and office equipment under operating leases from non-related parties.

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

Contingent rents are recognised as an expense in profit or loss when incurred.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 2 Summary of significant accounting policies (continued)

### 2.16 Leases (continued)

(b) The accounting policy for leases from 1 July 2019 is as follows:

(i) When the Group is the lessee

At the inception of the contract, the Group assesses if the contract contains a lease. A contract contains a lease if the contract convey the right to control the use of an identified asset for a period of time in exchange for consideration. Reassessment is only required when the terms and conditions of the contract are changed.

- Right-of-use assets

The Group recognises a right-of-use asset and lease liability at the date which the underlying asset is available for use. Right-of-use assets are measured at cost which comprises the initial measurement of lease liabilities adjusted for any lease payments made at or before the commencement date and lease incentive received. Any initial direct costs that would not have been incurred if the lease had not been obtained are added to the carrying amount of the right-of-use assets.

These right-of-use assets are subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Right-of-use assets are presented within "Property, plant and equipment".

- Lease liabilities

The initial measurement of lease liability is measured at the present value of the lease payments discounted using the implicit rate in the lease, if the rate can be readily determined. If that rate cannot be readily determined, the Group shall use its incremental borrowing rate.

Lease payments include the following:

- Fixed payment (including in-substance fixed payments), less any lease incentives receivables;
- Variable lease payment that are based on an index or rate, initially measured using the index or rate as at the commencement date;
- Amount expected to be payable under residual value guarantees;
- The exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- Payment of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

# NOTES TO THE | FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 2 Summary of significant accounting policies (continued)

### 2.16 Leases (continued)

(b) The accounting policy for leases from 1 July 2019 is as follows: (continued)

(i) When the Group is the lessee (continued)

- Lease liabilities (continued)

For contracts that contain both lease and non-lease components, the Group allocates the consideration to each lease component on the basis of the relative stand-alone price of the lease and non-lease component. The Group has elected to not separate lease and non-lease component for property leases and account for these as one single lease component.

Lease liability is measured at amortised cost using the effective interest method. Lease liability shall be remeasured when:

- There is a change in future lease payments arising from changes in an index or rate;
- There is a change in the Group's assessment of whether it will exercise an extension option; or
- There are modifications in the scope or the consideration of the lease that was not part of the original term.

Lease liability is remeasured with a corresponding adjustment to the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

- Short term and low value leases

The Group has elected to not recognise right-of-use assets and lease liabilities for short-term leases that have lease terms of 12 months or less and leases of low value leases, except for sublease arrangements. Lease payments relating to these leases are expensed to profit or loss on a straight-line basis over the lease term.

(ii) When the Group is the lessor

The accounting policy applicable to the Group as a lessor in the comparative period were the same under SFRS(I) 16.

### 2.17 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined on a first-in, first-out basis. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

# I NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 2 Summary of significant accounting policies (continued)

### 2.18 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising from investments in subsidiary corporations, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

- (i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and
- (ii) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

The Group accounts for productivity and innovative credit similar to accounting for other tax credits where deferred income tax asset is recognised for unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax credit can be utilised.



# NOTES TO THE | FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 2 Summary of significant accounting policies (continued)

### 2.19 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised in profit or loss as "finance expense".

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss when the changes arise.

### 2.20 Employee compensation

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

#### (a) *Defined contribution plans*

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

#### (b) *Pension benefits*

The Group is required to provide certain staff pension benefits to their employees under existing PRC regulations. Pension contributions are provided at rates stipulated by PRC regulations and are contributed to a pension fund managed by government agencies, which are responsible for administering these amounts for the subsidiary corporations' employees. The Group has no further payment obligations once the contributions have been paid. Pension contributions are recognised as expenses in the period in which the related services are performed.

### 2.21 Currency translation

#### (a) *Functional and presentation currency*

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements are presented in Singapore Dollar, which is the functional currency of the Company.

# I NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 2 Summary of significant accounting policies (continued)

### 2.21 Currency translation (continued)

#### (b) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss. However, in the consolidated financial statements, currency translation differences arising from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations, are recognised in other comprehensive income and accumulated in the currency translation reserve.

When a foreign operation is disposed of or any borrowings forming part of the net investment of the foreign operation are repaid, a proportionate share of the accumulated translation differences is reclassified to profit or loss, as part of the gain or loss on disposal.

Foreign exchange gains and losses that relate to borrowings are presented in the income statement within "finance expense". All other foreign exchange translation gains and losses impacting profit or loss are presented in the income statement within "other gains/(losses), net".

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

#### (c) Translation of Group entities' financial statements

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities are translated at the closing exchange rates at the reporting date;
- (ii) income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and
- (iii) all resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal of the entity giving rise to such reserve.

Goodwill and fair value adjustments arising from the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and translated at the closing rates at the reporting date.

# NOTES TO THE | FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## **2 Summary of significant accounting policies** (continued)

### **2.22 Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the executive committee whose members are responsible for allocating resources and assessing performance of the operating segments.

### **2.23 Cash and cash equivalents**

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand and deposits with financial institutions which are subject to an insignificant risk of change in value.

### **2.24 Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

### **2.25 Dividends to Company's shareholders**

Dividends to the Company's shareholders are recognised when the dividends are approved for payment.

## **3 Critical accounting estimates, assumptions and judgements**

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### **3.1 Estimated impairment of non-financial assets**

Property, plant and equipment and investments in subsidiary corporations are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired. The recoverable amounts of these assets have been determined based on the higher of fair value less costs to sell or value-in-use calculations. If the carrying amounts exceed the recoverable amounts, an impairment loss is recognised to profit or loss for the differences.

#### *Impairment of property, plant and equipment*

Management has assessed the recoverable amounts of property, plant and equipment based on the value-in-use calculations. Cash flow projections used in value-in-use calculations were based on financial budgets approved by management covering a three-year period. The key assumptions used for value-in-use calculations include growth rate of 4%, inflation rate of 3% and pre-tax discount rate of 7%. No impairment is recognised during the financial year ended 30 June 2020, as the recoverable amount is S\$685,000 or 2% higher than the carrying amount.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 3 Critical accounting estimates, assumptions and judgements (continued)

### 3.1 Estimated impairment of non-financial assets (continued)

#### *Impairment of investments in subsidiary corporations*

Management has assessed that a subsidiary corporation in PRC has an indication that the cost of investment in the subsidiary corporation may be impaired. The recoverable amount of the investment in subsidiary corporation has been determined based on value-in-use calculations. Cash flow projections used in the value-in-use were based on the financial budgets approved by management. An impairment charge of S\$905,000 was recognised during the financial year which reduced the carrying amount of the investment in the subsidiary corporation in PRC from S\$2,070,000 to S\$1,165,000.

### 3.2 Net realisable value of development properties

In determining whether allowances should be made for the development properties, the Group takes into consideration the principal situations in which net realisable value is likely to be less than the cost in accordance to SFRS(I) 1-2 *Inventories*. An allowance is made if the net realisable value is less than the carrying amount. No allowance was required for the development properties as the Group has assessed that there was no triggering event that the principal situation in which the net realisable value is likely to be less than the carrying amount.

### 3.3 Impairment of trade and other receivables

#### *Trade receivables*

As at 30 June 2020, the carrying amount of the Group's trade receivables before impairment loss is S\$193,000.

The Group uses a provision matrix to measure the lifetime expected credit loss ("ECL") allowance for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust 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.

# NOTES TO THE | FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 3 Critical accounting estimates, assumptions and judgements (continued)

### 3.3 Impairment of trade and other receivables (continued)

#### *Other receivables*

As at 30 June 2020, the carrying amount of the Group's other receivables before impairment loss is S\$13,171,000.

The Group measures ECL for other receivables using general approach. Under the general approach, the loss allowance is measure at an amount equal to 12-month ECL at initial recognition.

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

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

The information about the ECL on the Group's trade and other receivables is disclosed in Note 29(b) to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 4 Revenue

	At a point in time	Over time	Total
	S\$'000	S\$'000	S\$'000
<b>2020</b>			
Hospitality services			
- Revenue from rooms rental - PRC	-	123	123
- Food and beverage sales - PRC	356	-	356
	<b>356</b>	<b>123</b>	<b>479</b>
Real estate agency services			
- Commission income - Singapore	146	-	146
	<b>502</b>	<b>123</b>	<b>625</b>
<b>2019</b>			
Real estate agency services			
- Commission income - Singapore	7,660	-	7,660

## 5 Expenses by nature

	Group	
	2020	2019
	S\$'000	S\$'000
Fees on audit services paid/payable to:		
- Auditor of the Company	87	76
Fees on non-audit services paid/payable to:		
- Auditor of the Company	7	14
- Other auditor	14	20
Allowance for impairment of goodwill [Note 21(b)]	-	639
Amortisation of intangible assets [Note 21(a)]	10	-
Advertising expenses	13	179
Commission expenses	138	7,387
Depreciation of property, plant and equipment (Note 19)	1,272	284
Donations	8	4
Electricity expenses	134	24
Employee compensation (Note 6)	3,008	2,508
Food, beverage and other hotel supplies	262	-
Marketing expenses	65	68
Rental expenses	49	939
Professional fees	1,086	339
Purchase of low value assets	343	12
Continuing sponsor fees	121	114
Travelling expenses	177	153
Other expenses	439	601
Total cost of sales, distribution and marketing costs and administrative expenses	<b>7,233</b>	<b>13,361</b>

# NOTES TO THE | FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 6 Employee compensation

	<u>Group</u>	
	2020	2019
	S\$'000	S\$'000
Wages and salaries	2,721	2,235
Employer's contribution to defined contributions plans	52	96
Other short-term benefits	235	177
	<u>3,008</u>	<u>2,508</u>

## 7 Other gains/(losses), net

	<u>Group</u>	
	2020	2019
	S\$'000	S\$'000
Bad debts written-off	(507)	(15)
Currency exchange gain/(loss) - net	37	(829)
Dividend income	244	378
Fair value losses on financial assets, at FVPL	(444)	(629)
Government grant*		
- Jobs Support Scheme	46	-
- Other	2	-
	48	-
Gain on disposal of property, plant and equipment	-	76
Loss on disposal of financial assets, at FVPL	(455)	(121)
Rental income	73	135
Recruitment and training fees from agents	-	72
Reversal of provision of reinstatement cost	-	189
Write-back of commission payables	686	226
Others	39	48
	<u>(279)</u>	<u>(470)</u>

\* There are no conditions attached to the government grant.

## 8 Finance expenses

	<u>Group</u>	
	2020	2019
	S\$'000	S\$'000
Interest expense on:		
- Bank borrowings	37	53
- Lease liabilities	41	-
	<u>78</u>	<u>53</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 9 Income taxes

### (a) Income tax credit

	<u>Group</u>	
	2020	2019
	S\$'000	S\$'000
Tax credit attributable to loss is made up of:		
Loss for the financial year:		
- Deferred income tax (Note 24)	(11)	-
Over provision in prior financial years:		
- Current income tax - Singapore	(2)	-
	<u>(13)</u>	<u>-</u>

The tax on the Group's loss before tax differs from the theoretical amount that would arise using the standard rate of income tax in the countries where the Group operates as follows:

	<u>Group</u>	
	2020	2019
	S\$'000	S\$'000
Loss before tax	<u>(6,975)</u>	<u>(6,417)</u>
Tax calculated at tax rate of 17% (2019: 17%)	(1,186)	(1,091)
Effects of:		
- Different tax rate in other country	(400)	(29)
- Expenses not deductible for tax purposes	1,610	966
- Income not subject to tax	(55)	(32)
- Partial tax exemption and tax incentives	-	(1)
- Deferred tax assets not recognised	20	187
- Over provision in prior financial years	(2)	-
Tax credit recognised in profit or loss	<u>(13)</u>	<u>-</u>

### (b) Movement in current income tax liabilities

	<u>Group</u>		<u>Company</u>	
	2020	2019	2020	2019
	S\$'000	S\$'000	S\$'000	S\$'000
Beginning of financial year	16	17	16	17
Income tax refunded/(paid)	1	(1)	1	(1)
Over provision in prior financial years	(2)	-	(2)	-
End of financial year	<u>15</u>	<u>16</u>	<u>15</u>	<u>16</u>



# NOTES TO THE | FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 9 Income taxes (continued)

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group has unrecognised tax losses of S\$4,039,000 (2019: S\$3,922,000) at the balance sheet date which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies with unrecognised tax losses in Singapore. The tax losses have no expiry date.

## 10 Loss per share

Basic loss per share is calculated by dividing the net loss attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted loss per share is calculated by dividing the net loss attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

	<u>2020</u>	<u>Total</u> 2019
Net loss attributable to equity holders of the Company (S\$'000)	<u>(5,888)</u>	<u>(6,032)</u>
Weighted average number of ordinary shares outstanding for basic loss per share ('000)	<b>17,824,184</b>	17,368,950
Effect of dilutive potential ordinary shares ('000)	<u>20,597,015</u>	<u>21,952,018</u>
Weighted average number of ordinary shares outstanding for diluted loss per share ('000)	<u><b>38,421,199</b></u>	<u>39,320,968</u>
Basic and diluted loss per share (cents per share)	<u><b>(0.03)</b></u>	<u>(0.03)</u>

As the Group is making losses for the financial years ended 30 June 2020 and 2019, the dilutive potential shares from the warrants are anti-dilutive and no changes are made to the diluted loss per share.

## 11 Cash and cash equivalents

	<u>Group</u>		<u>Company</u>	
	<b>2020</b> S\$'000	2019 S\$'000	<b>2020</b> S\$'000	2019 S\$'000
Cash at bank and on hand	<u><b>4,030</b></u>	<u>6,874</u>	<u><b>3,427</b></u>	<u>633</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 12 Financial assets, at FVPL

	<u>Group and Company</u>	
	<b>2020</b>	2019
	<b>S\$'000</b>	S\$'000
<i>Held for trading</i>		
Listed securities		
- Equity securities – Malaysia	<b>3,381</b>	7,811

The instruments are all mandatorily measured at fair value through profit or loss.

The above investment relates to investment in quoted equity securities that offer the Group the opportunity for return through dividend income and fair value gains. The fair value of the security is based on closing quoted market prices on the last market day of the financial year end. The fair values are within level 1 of the fair value hierarchy.

## 13 Trade and other receivables

	<u>Group</u>		<u>Company</u>	
	<b>2020</b>	2019	<b>2020</b>	2019
	<b>S\$'000</b>	S\$'000	<b>S\$'000</b>	S\$'000
<i>Current</i>				
Trade receivables				
- Non-related parties	<b>193</b>	1,164	-	-
Less: Loss allowance [Note 29(b)]				
- Non-related parties	<b>(55)</b>	(247)	-	-
Trade receivables – net	<b>138</b>	917	-	-
Other receivables				
- Non-related parties	<b>11,330</b>	11,349	<b>1,874</b>	1,874
- Value-added tax receivable	<b>1,841</b>	1,014	-	-
- Subsidiary corporations	-	-	<b>12,749</b>	12,296
	<b>13,171</b>	12,363	<b>14,623</b>	14,170
Less: Loss allowance [Note 29(b)]				
- Non-related parties	<b>(1,874)</b>	(1,874)	<b>(1,874)</b>	(1,874)
- Subsidiary corporations	-	-	<b>(6,045)</b>	(6,041)
Other receivables – net	<b>11,297</b>	10,489	<b>6,704</b>	6,255
	<b>11,435</b>	11,406	<b>6,704</b>	6,255
<i>Non-current</i>				
Other receivable				
- Subsidiary corporation	-	-	<b>17,362</b>	12,504
	<b>11,435</b>	11,406	<b>24,066</b>	18,759

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 13 Trade and other receivables (continued)

Included in other receivables that are classified as current assets are the following:

- (a) Amount due from non-related party - District Government of Nanxun District, Huzhou, City of Zhejiang Province, PRC of S\$9,452,000 (2019: S\$9,443,000) is reimbursement of infrastructure expenditure incurred by the Group. The amount is interest free and will be offset against the cost of acquisition of the development land in future.
- (b) Loan to a non-related party of S\$1,874,000 (2019: S\$1,874,000) which was to fund the costs to engage an independent qualified person to prepare the Australasian Joint Ore Reserves Committee ("JORC") report in relation to the proposed acquisition of 100% equity interest of Coeur Gold Armenia Ltd ("Coeur Gold"). Coeur Gold will use the JORC report to establish the existence of adequate resources with reasonable prospects for economic extraction in a defined area where it has exploration and exploitation on rights. The loan is unsecured, interest-free and repayable within 7 days upon termination or within 30 days upon completion of the proposed acquisition. This amount was fully impaired in the financial year ended 30 June 2016, in view of the aborted proposed acquisition and the collectability of the loan is doubtful.
- (c) The non-trade amounts due from subsidiary corporations are unsecured, interest-free and are repayable on demand, except for the non-trade amount due from a subsidiary corporation of S\$6,700,000 (2019: S\$6,232,000) which bears an interest of 8% (2019: 8%) per annum.

Included in other receivable that is classified as non-current assets is the non-trade amount due from a subsidiary corporation which is unsecured, bears an interest of 8% per annum and is repayable after 30 June 2021.

The fair value of non-current other receivable is computed based on cash flows discounted at market borrowing rate. The fair value and market borrowing rates used are as follows:

	Company		Borrowing rate	
	2020	2019	2020	2019
	S\$'000	S\$'000		
Other receivable – subsidiary corporation	<u>18,114</u>	<u>13,046</u>	<u>6%</u>	<u>6%</u>

## 14 Inventories

	Group 2020 S\$'000
<i>At cost</i>	
Food, beverage and other hotel supplies	<u>183</u>

The cost of inventories recognised as expense and included in "cost of sales" amounted to S\$262,000.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 15 Other current assets

	<u>Group</u>		<u>Company</u>	
	<b>2020</b> <b>S\$'000</b>	2019 S\$'000	<b>2020</b> <b>S\$'000</b>	2019 S\$'000
Deposits	<b>111</b>	112	<b>108</b>	111
Prepayments	<b>1,529</b>	2,156	<b>25</b>	25
	<b>1,640</b>	2,268	<b>133</b>	136

## 16 Financial assets, at FVOCI

	<u>Group and Company</u>	
	<b>2020</b> <b>S\$'000</b>	2019 S\$'000
Unquoted equity securities – British Virgin Island	<b>2,000</b>	2,000

The financial assets at FVOCI represent 22.3% equity interest of a company that is engaged in mineral mining industry. Fair value of the unquoted equity securities is determined based on the bid price from the potential buyer as the management has the intention to dispose of the unquoted equity securities. The fair values are within level 3 of the fair values hierarchy.

The investment does not meet the requirements as an associated company in accordance with SFRS(I) 1-28 *Investments in Associates and Joint Venture* as the Group and the Company do not have significant influence over the entity because the Group and the Company do not have representation on the board and do not participate in policy-making processes. As such, the Group and the Company have elected to measure the above financial asset at FVOCI due to management's intention to hold this financial asset for strategic investment purpose.

# NOTES TO THE | FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 17 Development properties

	<u>Group</u>	
	2020 S\$'000	2019 S\$'000
Properties under development		
- Development expenditure incurred to date	<u>11,642</u>	<u>10,283</u>

Development properties are expected to be recovered after 12 months from the financial year ended 30 June 2020.

The subsidiary corporations in Huzhou have obtained management rights over a land parcel located in Digang Town, Nanxun District, Huzhou City of Zhejiang Province, PRC with a total site area of 320 hectares (the "Project Land"). On the Project Land, the Group is undertaking the development of waterside villas, island residences and townhouses which will focus on wellness and healthy living facilities, as well as hotels, leisure farm resorts and canal sightseeing facilities featuring the unique culture of the west of the Yangtze River, in Huzhou, PRC (the "Huzhou Project"). The Group is currently in the midst of preparing the Huzhou Project development implementation plan and business plan.

## 18 Investments in subsidiary corporations

	<u>Company</u>	
	2020 S\$'000	2019 S\$'000
<i>Equity investments at cost</i>		
Beginning of financial year	24,400	24,400
Impairment recognised in profit and loss during the year	(905)	-
End of financial year	<u>23,495</u>	<u>24,400</u>

The impairment test assessment was carried out by management as at 30 June 2020 for a subsidiary corporation in PRC. The recoverable amount was determined based on value-in-use which has indicated that the recoverable amount for the investment is lower than its carrying amount. Accordingly, impairment for the cost of investment of S\$905,000 was provided.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 18 Investments in subsidiary corporations (continued)

Details of subsidiary corporations are as follows:

Name	Principal activities	Country of business/ incorporation	Proportion of ordinary shares directly held by parent		Proportion of ordinary shares directly held by Group		Proportion of ordinary shares held by non-controlling interests	
			2020 %	2019 %	2020 %	2019 %	2020 %	2019 %
<i>Held by the Company</i>								
Asia-Pacific Strategic Investments Holding Limited (formerly known as Asia-Pacific Real Estate Agency Pte. Ltd.) <sup>(2)</sup>	Investment holding	Singapore	100	100	100	100	-	-
Huzhou Dixi Gengdu Ecological Agriculture Development Co., Ltd (“Huzhou Agriculture Co.”) 湖州获溪耕读生态农业发展有限公司 <sup>(3),(5)</sup>	Real estate developer	PRC	72	72	72	72	28	28
Zhongfang Lianhe Grand Canal Culture Tourism Group Co., Ltd (“Grand Canal Group”) 中房联合大运河文化旅游集团有限公司 <sup>(3),(5)</sup>	Real estate developer	PRC	72	72	72	72	28	28
Asia-Pacific Real Estate (Hangzhou) Information Advisory Co., Ltd 亚太置地(杭州)信息咨询有限公司 [formerly known as Asia-Pacific Real Estate (Beijing) Information Advisory Co., Ltd 亚太置地(北京)信息咨询有限公司] <sup>(2)</sup>	Real estate related advisory services	PRC	100	100	100	100	-	-

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 18 Investments in subsidiary corporations (continued)

Details of subsidiary corporations are as follows: (continued)

Name	Principal activities	Country of business/ incorporation	Proportion of ordinary shares directly held by parent		Proportion of ordinary shares directly held by Group		Proportion of ordinary shares held by non-controlling interests	
			2020 %	2019 %	2020 %	2019 %	2020 %	2019 %
<i>Held by Asia-Pacific Strategic Investments Holding Limited</i>								
Global Alliance Property Pte. Ltd. <sup>(1)</sup>	Real estate agency	Singapore	-	-	100	100	-	-
APS Technology Pte. Ltd. <sup>(4)</sup>	Dormant	Singapore	-	-	100	100	-	-
Global Overseas Chinese Real Estate.Net Pte. Ltd. <sup>(4)</sup>	Dormant	Singapore	-	-	100	100	-	-
<i>Held by Huzhou Agriculture Co</i>								
Huzhou Bihai Silver Beach Resort Management Co., Ltd 湖州碧海银滩度假村管理有限公司 <sup>(2),(5)</sup>	Hotel management	PRC	-	-	72	72	28	28
<i>Held by Grand Canal Group</i>								
Huzhou Ludi Wetland Tourism Development Co., Ltd 湖州芦荡湿地旅游发展有限公司 <sup>(2),(5)</sup>	Provision of tourism services	PRC	-	-	72	72	28	28

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 18 Investments in subsidiary corporations (continued)

Details of subsidiary corporations are as follows: (continued)

Name	Principal activities	Country of business/ incorporation	Proportion of ordinary shares directly held by parent		Proportion of ordinary shares directly held by Group		Proportion of ordinary shares held by non-controlling interests	
			2020 %	2019 %	2020 %	2019 %	2020 %	2019 %
<i>Held by Grand Canal Group (continued)</i>								
Zhejiang Zhongfang Yashe Hotel Management Co., Ltd. 浙江中房雅舍酒店管理有限公司 <sup>(3),(5)</sup>	Provision of hotel management and hospitality services	PRC	-	-	72	72	28	28
Zhejiang Zhongfang Ludizhou Properties Management Co., Ltd 浙江中房芦荻洲物业管理有限公司 <sup>(2),(5)</sup>	Provision of property management services	PRC	-	-	72	72	28	28
Zhejiang Zhongfang Ludizhou Real Estate Agency Co., Ltd 浙江中房芦荻洲房地产经纪有限公司 <sup>(2),(5)</sup>	Real estate agency	PRC	-	-	72	72	28	28
Zhejiang Zhongfang Ludizhou Real Estate Development Co., Ltd 浙江中房芦荻洲房地产开发有限公司 <sup>(2),(5)</sup>	Real estate development	PRC	-	-	72	72	28	28

<sup>(1)</sup> Audited by Nexia TS Public Accounting Corporation, Singapore, an independent member firm of Nexia International.

<sup>(2)</sup> Not required to be audited under the laws of the country of incorporation.

<sup>(3)</sup> Audited by Shanghai Nexia TS Certified Public Accountants for consolidation purposes.

<sup>(4)</sup> This entity has completed the striking off application on 6 April 2020.

<sup>(5)</sup> Collectively, the Huzhou Subsidiary Corporations.



# NOTES TO THE | FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 18 Investments in subsidiary corporations (continued)

### Significant restriction

Cash and cash equivalents of S\$599,000 (2019: S\$3,015,000) are held in PRC and are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on remittance capital from the country, other than through normal dividends.

### Carrying value of non-controlling interests

	<u>Group</u>	
	<b>2020</b>	2019
	<b>S\$'000</b>	S\$'000
Huzhou Subsidiary Corporations	<b>6,808</b>	7,877

### *Summarised financial information of subsidiary corporations with material non-controlling interests*

Set out below are the summarised financial information for Huzhou Subsidiary Corporations that has non-controlling interests that are material to the Group. These are presented before inter-company eliminations.

There were no material transactions with non-controlling interests for the financial year ended 30 June 2020 and 2019.

### *Summarised balance sheet*

	<b>2020</b>	2019
	<b>S\$'000</b>	S\$'000
<b>Current</b>		
Assets	<b>33,934</b>	36,768
Liabilities	<b>(50,860)</b>	(17,539)
Total current net (liabilities)/assets	<b>(16,926)</b>	19,229
<b>Non-current</b>		
Assets	<b>41,303</b>	21,408
Liabilities	<b>(61)</b>	(12,504)
Total non-current net assets	<b>41,242</b>	8,904
<b>Net assets</b>	<b>24,316</b>	28,133

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 18 Investments in subsidiary corporations (continued)

### *Summarised statement of comprehensive income*

	2020 S\$'000	2019 S\$'000
Revenue	<u>479</u>	<u>-</u>
<b>Loss before tax</b>	<b>(3,836)</b>	<b>(1,374)</b>
Income tax expense	-	-
<b>Net loss</b>	<b>(3,836)</b>	<b>(1,374)</b>
Other comprehensive loss	-	-
<b>Total comprehensive loss</b>	<b>(3,836)</b>	<b>(1,374)</b>
Total comprehensive loss allocated to non-controlling interests	<u>(1,074)</u>	<u>(385)</u>

### *Summarised statement of cash flows*

	2020 S\$'000	2019 S\$'000
<b>Net cash used in operating activities</b>	<b>(631)</b>	<b>(4,060)</b>
<b>Net cash used in investing activities</b>	<b>(9,007)</b>	<b>(11,739)</b>
<b>Net cash provided by financing activities</b>	<b>7,114</b>	<b>7,986</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(2,524)</b>	<b>(7,813)</b>
Cash and cash equivalents at beginning of financial year	<b>3,015</b>	<b>11,044</b>
Effect of currency translation on cash and cash equivalents	<b>(17)</b>	<b>(216)</b>
<b>Cash and cash equivalents at end of financial year</b>	<b>474</b>	<b>3,015</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 19 Property, plant and equipment

<b>Group</b>	<b>Leasehold land and buildings</b>	<b>Renovation</b>	<b>Office equipment, furniture and fittings</b>	<b>Vehicles and equipment</b>	<b>Building under construction</b>	<b>Total</b>
<b>2020</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>
<i>Cost</i>						
Beginning of financial year	-	116	248	192	21,709	22,265
Adoption of SFRS(I) 16 (Note 2.1(b))	623	-	-	117	-	740
Additions	623	116	248	309	21,709	23,005
Transfer	4,760	1,344	296	1,900	-	8,300
Written-off	21,709	-	-	-	(21,709)	-
Currency translation differences	-	-	(5)	-	-	(5)
End of financial year	21	-.*	1	-.*	-	22
	27,113	1,460	540	2,209	-	31,322
<i>Accumulated depreciation</i>						
Beginning of financial year	-	46	207	20	-	273
Depreciation charge (Note 5)	814	120	65	273	-	1,272
Written-off	-	-	(5)	-	-	(5)
Currency translation differences	2	-.*	-.*	-.*	-	2
End of financial year	816	166	267	293	-	1,542
<b>Net book value</b>						
<b>End of financial year</b>	<b>26,297</b>	<b>1,294</b>	<b>273</b>	<b>1,916</b>	<b>-</b>	<b>29,780</b>

\* Less than S\$1,000

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 19 Property, plant and equipment (continued)

<b>Group</b>	<b>Leasehold land and buildings</b>	<b>Renovation</b>	<b>Office equipment, furniture and fittings</b>	<b>Vehicles and equipment</b>	<b>Building under construction</b>	<b>Total</b>
<b>2019</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>
<i>Cost</i>						
Beginning of financial year	-	718	347	63	10,314	11,442
Additions	-	69	20	132	11,861	12,082
Disposals	-	(669)	(118)	-	-	(787)
Currency translation differences	-	(2)	(1)	(3)	(466)	(472)
End of financial year	-	116	248	192	21,709	22,265
<i>Accumulated depreciation</i>						
Beginning of financial year	-	482	271	-	-	753
Depreciation charge (Note 5)	-	222	42	20	-	284
Disposals	-	(657)	(106)	-	-	(763)
Currency translation differences	-	(1)	-	-	-	(1)
End of financial year	-	46	207	20	-	273
<b>Net book value</b>						
End of financial year	-	70	41	172	21,709	21,992

# NOTES TO THE | FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 19 Property, plant and equipment (continued)

	<u>Buildings</u> S\$'000	<u>Office equipment, furniture and fittings</u> S\$'000	<u>Vehicle</u> S\$'000	<u>Total</u> S\$'000
<b>Company</b>				
<b>2020</b>				
<i>Cost</i>				
Beginning of financial year	-	144	-	144
Adoption of SFRS(I) 16 (Note 2.1(b))	565	-	117	682
	<u>565</u>	<u>144</u>	<u>117</u>	<u>826</u>
Additions	-	4	-	4
Written-off	-	(5)	-	(5)
End of financial year	<u>565</u>	<u>143</u>	<u>117</u>	<u>825</u>
<i>Accumulated depreciation</i>				
Beginning of financial year	-	132	-	132
Depreciation charge	283	4	100	387
Written-off	-	(5)	-	(5)
End of financial year	<u>283</u>	<u>131</u>	<u>100</u>	<u>514</u>
<b>Net book value</b>				
<b>End of financial year</b>	<u><u>282</u></u>	<u><u>12</u></u>	<u><u>17</u></u>	<u><u>311</u></u>
<b>2019</b>				
<i>Cost</i>				
Beginning and end of financial year	<u>-</u>	<u>144</u>	<u>-</u>	<u>144</u>
<i>Accumulated depreciation</i>				
Beginning of financial year	-	127	-	127
Depreciation charge	-	5	-	5
End of financial year	<u>-</u>	<u>132</u>	<u>-</u>	<u>132</u>
<b>Net book value</b>				
<b>End of financial year</b>	<u><u>-</u></u>	<u><u>12</u></u>	<u><u>-</u></u>	<u><u>12</u></u>

The Group owns and operates a 113-room hotel, Cheery Hotel Huzhou, at Hefu Town, Huzhou City, Zhejiang Province of PRC. The leasehold land and the hotel building with a total carrying value of S\$26,297,000 (2019: S\$Nil) have been pledged as collateral to secure the banking facilities of a subsidiary corporation (Note 23(a)(i)). The lease term of the land will be expired on 18 October 2056.

Right-of-use of assets under leasing arrangements are presented together with the owned assets of the same class. Details of such leased assets are disclosed in Note 20(a).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 20 Leases

### The Group and the Company as a lessee

#### Nature of the Group and the Company's leasing activities

##### Property

The Group and the Company lease office space for the purpose of back office operations.

##### Vehicle

The Group and the Company lease a vehicle for the purpose of back office operations.

#### (a) ROU assets classified within Property, plant and equipment

	Leasehold land and <u>buildings</u> S\$'000	Vehicles and <u>equipment</u> S\$'000	<u>Total</u> S\$'000
<b>Group</b>			
At 1 July 2019	623	117	740
Currency translation differences	-*	-	-*
Additions	65	-	65
Depreciation	(303)	(100)	(403)
At 30 June 2020	<u><b>385</b></u>	<u><b>17</b></u>	<u><b>402</b></u>
<b>Company</b>			
At 1 July 2019	565	117	682
Depreciation	(283)	(100)	(383)
At 30 June 2020	<u><b>282</b></u>	<u><b>17</b></u>	<u><b>299</b></u>

\* Less than S\$1,000

#### (b) Interest expense

	<u><b>Group</b></u> <u><b>2020</b></u> <u><b>S\$'000</b></u>
Interest expense on lease liabilities	<u><b>41</b></u>

#### (c) Lease expense not capitalised in lease liabilities

	<u><b>Group</b></u> <u><b>2020</b></u> <u><b>S\$'000</b></u>	<u><b>Company</b></u> <u><b>2020</b></u> <u><b>S\$'000</b></u>
Lease expense – short-term and low-value leases	<u><b>49</b></u>	<u><b>49</b></u>

# NOTES TO THE | FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 20 Leases (continued)

### The Group and the Company as a lessee (continued)

#### Nature of the Group and the Company's leasing activities (continued)

(d) Total cash outflow for all the leases of the Group and the Company in 2020 was S\$477,000 and S\$428,000 respectively.

#### The Group as a lessor

The Group has leased out their owned properties to non-related parties. This lease is classified as an operating lease because the risk and rewards incidental to ownership of the assets are not substantially transferred. Rental income is disclosed in Note 7.

## 21 Intangible assets

	<u>Group</u>	
	2020 S\$'000	2019 S\$'000
Trademark [Note (a)]	27	-
Goodwill [Note (b)]	-	-
Franchise rights [Note (c)]	-	-
	<b>27</b>	-

### (a) Trademark

	<u>Group</u>	
	2020 S\$'000	2019 S\$'000
<i>Cost</i>		
Beginning of financial year	-	-
Additions	37	-
End of financial year	<b>37</b>	-
<i>Accumulated amortisation</i>		
Beginning of financial year	-	-
Amortisation charge (Note 5)	10	-
End of financial year	<b>10</b>	-
<b>Net book value</b>		
<b>End of financial year</b>	<b>27</b>	-

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 21 Intangible assets (continued)

### (b) Goodwill

	<u>Group</u>	
	<b>2020</b>	2019
	<b>S\$'000</b>	S\$'000
<i>Cost</i>		
Beginning of financial year	<b>639</b>	1,024
Written-off	<b>(639)</b>	(385)
End of financial year	<u>-</u>	<u>639</u>
<i>Accumulated impairment</i>		
Beginning of financial year	<b>639</b>	385
Impairment charge (Note 5)	-	639
Written-off	<b>(639)</b>	(385)
End of financial year	<u>-</u>	<u>639</u>
<b>Net book value</b>		
<b>End of financial year</b>	<u>-</u>	<u>-</u>

### (c) Franchise rights

	<u>Group</u>	
	<b>2020</b>	2019
	<b>S\$'000</b>	S\$'000
<i>Cost</i>		
Beginning of financial year	-	245
Written-off	-	(245)
End of financial year	<u>-</u>	<u>-</u>
<i>Accumulated amortisation</i>		
Beginning of financial year	-	245
Written-off	-	(245)
End of financial year	<u>-</u>	<u>-</u>
<b>Net book value</b>		
<b>End of financial year</b>	<u>-</u>	<u>-</u>



# NOTES TO THE | FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 22 Trade and other payables

	Group		Company	
	2020 S\$'000	2019 S\$'000	2020 S\$'000	2019 S\$'000
Trade payables				
- Non-related parties	130	985	-	-
Other payables				
- Non-related parties	4,341	2,457	-	-
Accrued operating expenses	460	426	157	120
Advances received from real estate agents	19	34	-	-
	<b>4,950</b>	<b>3,902</b>	<b>157</b>	<b>120</b>

## 23 Borrowings

	Group		Company	
	2020 S\$'000	2019 S\$'000	2020 S\$'000	2019 S\$'000
<i>Current</i>				
Term loan	1,971	-	-	-
Lease liabilities	356	-	313	-
	<b>2,327</b>	<b>-</b>	<b>313</b>	<b>-</b>
<i>Non-current</i>				
Term loan	5,000	-	5,000	-
Lease liabilities	66	-	5	-
	<b>5,066</b>	<b>-</b>	<b>5,005</b>	<b>-</b>
Total borrowings	<b>7,393</b>	<b>-</b>	<b>5,318</b>	<b>-</b>

### (a) Security granted

- (i) The Group secured a term loan facility of S\$1,971,000 (equivalent to RMB10 million) for working capital purposes from a licensed bank in the PRC. The term loan bears an interest of 4.5% per annum and is secured over a leasehold land measuring 10,638m<sup>2</sup> and the hotel building erected on the leasehold land owned by the Group, in Huzhou, PRC (Note 19) and a corporate guarantee by Zhongfang Lianhe Grand Canal Cultural Tourism Group Co., Ltd, a subsidiary corporation of the Company. The term loan was fully drawn down and repayable in full on 16 January 2021.
- (ii) The Group was granted a term loan facility of S\$5,000,000 for working capital purposes from a licensed bank in Singapore. The term loan bears an interest of 2.5% per annum and is secured against a deed of undertaking from Dato' Dr Choo Yeow Ming, the Chairman and Chief Executive Officer of the Group, to top up any principle and interest shortfall. The term loan has a tenor of 5 years and was fully drawn down in June 2020.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 23 Borrowings (continued)

### (b) Fair value of non-current borrowings

	Group		Company	
	2020 S\$'000	2019 S\$'000	2020 S\$'000	2019 S\$'000
Bank borrowings	<u>5,816</u>	<u>-</u>	<u>5,816</u>	<u>-</u>

The fair value above is determined from the cash flow analysis, discounted at market borrowing rate of an equivalent instrument at the balance sheet date which the directors expect to be available to the Group as follows:

	Group		Company	
	2020	2019	2020	2019
Bank borrowings	<u>4.88%</u>	<u>-</u>	<u>4.88%</u>	<u>-</u>

The fair value is within Level 2 of the fair value hierarchy.

### (c) Reconciliation of movements of liabilities to cash flows arising from financing activities is as follows:

	1 July 2019 S\$'000	Proceeds from borrowings S\$'000	Principals and interest payments S\$'000	Non-cash changes			30 June 2020 S\$'000
				Additions S\$'000	Interest expenses S\$'000	Foreign exchange movement S\$'000	
Borrowings	-	6,966	(37)	-	37	5	6,971
Lease liabilities	740	-	(424)	65	41	-*	422

	1 July 2018 S\$'000	Proceeds from borrowings S\$'000	Principals and interest payments S\$'000	Non-cash changes			30 June 2019 S\$'000
				Additions S\$'000	Interest expenses S\$'000	Foreign exchange movement S\$'000	
Borrowings	1,340	-	(1,351)	-	53	(42)	-

\* Less than S\$1,000

# NOTES TO THE | FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 24 Deferred income taxes

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts, determined after appropriate offsetting, are shown on the balance sheet as follows:

	<u>Group</u>	
	<b>2020</b>	2019
	<b>S\$'000</b>	S\$'000
Deferred income tax liabilities		
- To be settled after one year	<b>559</b>	570
	<u>559</u>	<u>570</u>

Movement in deferred income tax account is as follows:

	<u>Group</u>	
	<b>2020</b>	2019
	<b>S\$'000</b>	S\$'000
Beginning of financial year	<b>570</b>	597
Credited to profit and loss [Note 9(a)]	<b>(11)</b>	-
Currency translation differences	-*	(27)
End of financial year	<b>559</b>	570
	<u>559</u>	<u>570</u>

\* Less than S\$1,000

The deferred tax liabilities are recognised for the fair value of building under construction arising from acquisition of subsidiary corporations during the financial year ended 30 June 2018.

## 25 Share capital

<u>Group and Company</u>	<u>Number of ordinary shares</u>	<u>Amount</u>
	'000	S\$'000
<b>2020</b>		
Beginning and end of financial year	<b>17,824,184</b>	<b>195,733</b>
<b>2019</b>		
Beginning of financial year	11,677,962	183,709
Shares issued	6,146,222	12,293
Share issue expenses	-	(269)
End of financial year	<b>17,824,184</b>	<b>195,733</b>
	<u>17,824,184</u>	<u>195,733</u>

All issued ordinary shares are fully paid. There is no par value for these ordinary shares.

Fully paid ordinary shares carry one vote per share and carry a right to dividends as and when declared by the Company.

# I NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 25 Share capital (continued)

### (a) Shares issued in previous financial year

#### (i) Exercise of warrants

The Company issued in aggregate 1,053,837 new shares pursuant to the exercise of warrants for a total consideration of S\$3,000:

- 28,945 new shares pursuant to the exercise of 28,945 2013 Warrants;
- 24,894 new shares pursuant to the exercise of 24,894 2014 Warrants;
- 999,998 new shares pursuant to the exercise of 999,998 2018 Warrants A.

#### (ii) 2018 Rights cum Warrants Issue B

On 4 May 2018, the Company announced that it would undertake a renoucement rights issue of up to 47,928,572,362 new ordinary shares in the capital of the Company ("2018 Rights Shares B") at an issue price of S\$0.002 for each 2018 Rights Shares B with up to 47,928,572,362 free detachable warrants ("2018 Warrants B"), each 2018 Warrants B carrying the right to subscribe for one new ordinary share in the capital of the Company at an exercise price of S\$0.002 for each new shares on the basis of two 2018 Rights Shares B for every one existing share held by the shareholders as at 3 July 2018, and one 2018 Warrant B given for every one 2018 Rights Shares B subscribed ("2018 Rights cum Warrants Issue B"). The 2018 Rights cum Warrants Issue B was completed during the financial year ended 30 June 2019 with the listing and quotation of 6,145,168,199 2018 Rights Shares B and 6,145,168,199 2018 Warrants B on the SGX-ST on 30 July 2018 and 31 July 2018 respectively for a total consideration of S\$12,290,000.

The newly issued shares rank *pari passu* in all respects with the previously issued shares.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 25 Share capital (continued)

### (b) Warrants

Movement in the number of unexercised warrants and their exercise price are as follows:

	Beginning of financial year	Issued during financial year	Adjustment during financial year	Lapsed during financial year	Exercised during financial year	End of financial year	Current exercise price S\$	Expiry date
<b>2020</b>								
2015 Warrants	4,443,277,094	-	-	-	-	4,443,277,094	0.003	19.11.20
2018 Warrants A	10,008,570,063	-	-	-	-	10,008,570,063	0.002	30.01.23
2018 Warrants B	6,145,168,199	-	-	-	-	6,145,168,199	0.002	26.07.23
	<u>20,597,015,356</u>					<u>20,597,015,356</u>		
<b>2019</b>								
2013 Warrants	14,078,669	-	-	(14,049,724)	(28,945)	-	-	16.07.18
2014 Warrants	1,031,017,308	-	294,561,403	(1,325,553,817)	(24,894)	-	-	06.05.19
2015 Warrants	3,455,920,834	-	987,356,260	-	-	4,443,277,094	0.003	19.11.20
2018 Warrants A	7,785,307,748	-	2,224,262,313	-	(999,998)	10,008,570,063	0.002	30.01.23
2018 Warrants B	-	6,145,168,199	-	-	-	6,145,168,199	0.002	26.07.23
	<u>12,286,324,559</u>	<u>6,145,168,199</u>	<u>3,506,179,976</u>	<u>(1,339,603,541)</u>	<u>(1,053,837)</u>	<u>20,597,015,356</u>		

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 25 Share capital (continued)

### (b) Warrants (continued)

#### (i) 2015 Warrants

The Company had on 20 November 2015 issued 2,593,863,776 warrants, each warrant carrying the right to subscribe for one new ordinary share in the capital of the Company, at an exercise price of S\$0.005 for each new share ("2015 Warrants"), pursuant to a rights cum warrants issue (the "2015 Rights cum Warrants Issue"). The 2015 Warrants will expire on 19 November 2020.

As a result of the 2018 Rights cum Warrants Issue A and pursuant to the deed poll, adjustments were made to the 2015 Warrants on 25 January 2018 such that:

- (a) an additional 863,915,268 warrants were issued to then existing holders of the 2015 Warrants such that the number of additional warrants issued was calculated on the basis of 0.3333 warrants for every one existing 2015 Warrants held by each warrant holder; and
- (b) the exercise price of each 2015 Warrants was adjusted from S\$0.005 to S\$0.004.

As a result of the 2018 Rights cum Warrants Issue B and pursuant to the deed poll, adjustments were made to the 2015 Warrants on 27 July 2018 such that:

- (a) an additional 987,356,260 warrants were issued to then existing holders of the 2015 Warrants such that the number of additional warrants issued were calculated on the basis of 0.2857 warrants for every one existing 2015 Warrants held by each warrant holder;
- (b) the exercise price of each 2015 Warrants was adjusted from S\$0.004 to S\$0.003.

#### (ii) 2018 Warrants A

The Company had on 31 January 2018 issued 7,785,307,748 2018 Warrants A, pursuant to the 2018 Rights cum Warrants Issue A. As a result of the 2018 Rights cum Warrant Issue B and pursuant to the deed poll, adjustments were made to the 2018 Warrants A on 27 July 2018 such that:

- (a) an additional 2,224,262,313 warrants were issued to then existing holders of the 2018 Warrants A such that the number of additional warrants issued was calculated on the basis of 0.2857 warrants for every one existing 2018 Warrants A held by each warrant holder; and
- (b) The exercise price of each 2018 Warrants A is adjusted from S\$0.003 to S\$0.002. The 2018 Warrants A will expire on 30 January 2023.

#### (iii) 2018 Warrants B

The Company had on 27 July 2018 issued 6,145,168,199 2018 Warrants B, pursuant to the 2018 Rights cum Warrants Issue B. The 2018 Warrants B will expire on 26 July 2023.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 26 Foreign currency translation reserve

	<u>Group</u>		<u>Company</u>	
	2020 S\$'000	2019 S\$'000	2020 S\$'000	2019 S\$'000
Beginning of financial year	(17,067)	(15,999)	(15,939)	(15,939)
Net currency translation differences of financial statements of foreign subsidiary corporations	12	(1,068)	-	-
End of financial year	<u>(17,055)</u>	<u>(17,067)</u>	<u>(15,939)</u>	<u>(15,939)</u>

The foreign currency translation reserve is non-distributable.

## 27 Fair value reserve

Fair value reserve relates to the movements in fair values of investments classified as FVOCI and is non-distributable.

## 28 Commitments

### (a) Capital commitments

Capital expenditures contracted for at the balance sheet date but not recognised in the financial statements are as follows:

	<u>Group</u>	
	2020 S\$'000	2019 S\$'000
Plant and equipment	-	517

### (b) Operating lease commitments – where the Group is a lessee

The Group leases offices, motor vehicles and office equipment from non-related parties under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

As at 30 June 2019, the future minimum lease payables under non-cancellable operating leases contracted for but not recognised as liabilities, are as follows:

	<u>Group</u>	<u>Company</u>
	S\$'000	S\$'000
Not later than one year	418	410
Between one and five years	371	321
	<u>789</u>	<u>731</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 28 Commitments (continued)

### (b) Operating lease commitments – where the Group is a lessee (continued)

As disclosed in Note 2.1, the Group has adopted SFRS(I) 16 on 1 July 2019. These lease payments have been recognised as ROU assets and lease liabilities on the balance sheet as at 30 June 2020, except for short-term and low value leases.

## 29 Financial risk management

### *Financial risk factors*

The Group's activities expose it to market risk (including currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise any adverse effects from the unpredictability of financial markets on the Group's financial performance. It is, and has been throughout the year under review, the Group's policy that no trading in derivative financial instruments shall be undertaken.

The Board of Directors and AC are responsible for setting the objectives and underlying principles of financial risk management for the Group and further provide oversight to the effectiveness of the risk management process. This includes establishing policies such as authority levels, oversight responsibilities, risk identification and measurement and exposure limits, in accordance with the objectives and underlying principles approved by the Board of Directors.

### (a) Market risk

#### (i) *Currency risk*

The Group has transactional currency exposures arising from transactions that are denominated in a currency other than the respective functional currencies of the Group's entities.

Currency risk arises within the entities in the Group when transactions are denominated in foreign currencies such as Renminbi ("RMB") and Malaysian Ringgit ("RM"). To manage the currency risk, the Group relies on natural hedging as a risk management tool and does not enter into derivative foreign exchange contracts to hedge its foreign currency risk.



# NOTES TO THE | FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 29 Financial risk management (continued)

### (a) Market risk (continued)

#### (i) Currency risk (continued)

The Group's currency exposure based on the information provided to key management is as follows:

	<u>SGD</u> S\$'000	<u>RMB</u> S\$'000	<u>RM</u> S\$'000	<u>Others</u> S\$'000	<u>Total</u> S\$'000
<b>2020</b>					
<b>Financial assets</b>					
Cash and cash equivalents	3,425	599	-	6	4,030
Financial assets, at FVPL	-	-	3,381	-	3,381
Financial assets, at FVOCI	2,000	-	-	-	2,000
Trade and other receivables	118	11,317	-	-	11,435
Other current assets	108	3	-	-	111
Intra-group receivables	4	24,062	-	-	24,066
	<u>5,655</u>	<u>35,981</u>	<u>3,381</u>	<u>6</u>	<u>45,023</u>
<b>Financial liabilities</b>					
Borrowings	(5,318)	(2,075)	-	-	(7,393)
Trade and other payables	(299)	(4,632)	-	-	(4,931)
Intra-group payables	(4)	(24,062)	-	-	(24,066)
	<u>(5,621)</u>	<u>(30,769)</u>	<u>-</u>	<u>-</u>	<u>(36,390)</u>
<b>Net financial assets</b>	<b>34</b>	<b>5,212</b>	<b>3,381</b>	<b>6</b>	<b>8,633</b>
Net financial assets denominated in the respective entities' functional currencies	<u>(34)</u>	<u>(5,212)</u>	<u>-</u>	<u>-</u>	<u>(5,246)</u>
<b>Currency exposure of financial assets net of those denominated in the respective entities' functional currencies</b>	<u><b>-</b></u>	<u><b>-</b></u>	<u><b>3,381</b></u>	<u><b>6</b></u>	<u><b>3,387</b></u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 29 Financial risk management (continued)

### (a) Market risk (continued)

#### (i) Currency risk (continued)

The Group's currency exposure based on the information provided to key management is as follows: (continued)

	<u>SGD</u> S\$'000	<u>RMB</u> S\$'000	<u>RM</u> S\$'000	<u>Others</u> S\$'000	<u>Total</u> S\$'000
<b>2019</b>					
<b>Financial assets</b>					
Cash and cash equivalents	1,958	4,893	-	23	6,874
Financial assets, at FVPL	-	-	7,811	-	7,811
Financial assets, at FVOCI	2,000	-	-	-	2,000
Trade and other receivables	917	10,489	-	-	11,406
Other current assets	112	-	-	-	112
Intra-group receivables	30	18,736	-	-	18,766
	<u>5,017</u>	<u>34,118</u>	<u>7,811</u>	<u>23</u>	<u>46,969</u>
<b>Financial liabilities</b>					
Trade and other payables	(1,223)	(2,645)	-	-	(3,868)
Intra-group payables	(30)	(18,736)	-	-	(18,766)
	<u>(1,253)</u>	<u>(21,381)</u>	<u>-</u>	<u>-</u>	<u>(22,634)</u>
<b>Net financial assets</b>	3,764	12,737	7,811	23	24,335
Net financial assets denominated in the respective entities' functional currencies	<u>(3,764)</u>	<u>(12,737)</u>	<u>-</u>	<u>-</u>	<u>(16,501)</u>
<b>Currency exposure of financial assets net of those denominated in the respective entities' functional currencies</b>	<u>-</u>	<u>-</u>	<u>7,811</u>	<u>23</u>	<u>7,834</u>

# NOTES TO THE | FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 29 Financial risk management (continued)

### (a) Market risk (continued)

#### (i) Currency risk (continued)

The Company's currency exposure based on the information provided to key management is as follows:

	<u>SGD</u> S\$'000	<u>RMB</u> S\$'000	<u>RM</u> S\$'000	<u>Others</u> \$'000	<u>Total</u> S\$'000
<b>2020</b>					
<b>Financial assets</b>					
Cash and cash equivalents	3,421	-	-	6	3,427
Financial assets, at FVPL	-	-	3,381	-	3,381
Financial assets, at FVOCI	2,000	-	-	-	2,000
Trade and other receivables	4	24,062	-	-	24,066
Other current assets	108	-	-	-	108
	<u>5,533</u>	<u>24,062</u>	<u>3,381</u>	<u>6</u>	<u>32,982</u>
<b>Financial liabilities</b>					
Trade and other payables	(157)	-	-	-	(157)
Borrowings	(5,318)	-	-	-	(5,318)
	<u>(5,475)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,475)</u>
<b>Net financial assets</b>	58	24,062	3,381	6	27,507
Net financial assets denominated in the Company's functional currency	<u>(58)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(58)</u>
<b>Currency exposure of financial assets net of those denominated in the Company's functional currency</b>	<u>-</u>	<u>24,062</u>	<u>3,381</u>	<u>6</u>	<u>27,449</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 29 Financial risk management (continued)

### (a) Market risk (continued)

#### (i) Currency risk (continued)

The Company's currency exposure based on the information provided to key management is as follows: (continued)

	<u>SGD</u> S\$'000	<u>RMB</u> S\$'000	<u>RM</u> S\$'000	<u>Others</u> \$'000	<u>Total</u> S\$'000
<b>2019</b>					
<b>Financial assets</b>					
Cash and cash equivalents	610	-	-	23	633
Financial assets, at FVPL	-	-	7,811	-	7,811
Financial assets, at FVOCI	2,000	-	-	-	2,000
Trade and other receivables	22	18,737	-	-	18,759
Other current assets	111	-	-	-	111
	<u>2,743</u>	<u>18,737</u>	<u>7,811</u>	<u>23</u>	<u>29,314</u>
<b>Financial liability</b>					
Trade and other payables	(120)	-	-	-	(120)
<b>Net financial assets</b>	2,623	18,737	7,811	23	29,194
Net financial assets denominated in the Company's functional currency	(2,623)	-	-	-	(2,623)
<b>Currency exposure of financial assets net of those denominated in the Company's functional currency</b>	<u>-</u>	<u>18,737</u>	<u>7,811</u>	<u>23</u>	<u>26,571</u>

# NOTES TO THE | FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 29 Financial risk management (continued)

### (a) Market risk (continued)

#### (i) Currency risk (continued)

If the RM and RMB change against SGD by 1% (2019: 3%) and 1% (2019: 5%) respectively with all other variables including tax rate being held constant, the effects arising from the net financial asset position will be as follows:

	2020 S\$'000	2019 S\$'000
<b>Group</b>		
RM against SGD		
- Strengthened	28	194
- Weakened	<u>(28)</u>	<u>(194)</u>
<b>Company</b>		
RM against SGD		
- Strengthened	28	194
- Weakened	<u>(28)</u>	<u>(194)</u>
RMB against SGD		
- Strengthened	200	936
- Weakened	<u>(200)</u>	<u>(936)</u>

#### (ii) Price risk

The Group and the Company are exposed to the underlying equity securities price risk arising from the investments held by the Group and the Company which are classified in the balance sheets as financial assets, at FVPL. These underlying securities are listed in Malaysia. To manage its price risk arising from investments in the securities, the Group and the Company diversified its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

If prices for the underlying equity securities listed in Malaysia had changed by 5% (2019: 5%) with all other variables including tax rate being held constant, the effects on loss after tax would have been:

	2020 S\$'000	2019 S\$'000
<b>Group and Company</b>		
Listed in Malaysia		
- increased by	169	390
- decreased by	<u>(169)</u>	<u>(390)</u>

# I NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 29 Financial risk management (continued)

### (a) Market risk (continued)

#### (iii) Cash flow and fair value interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. As the Group has no significant interest bearing assets and variable-rate borrowings, the Group's income and expense are substantially independent of changes in market interest rates.

### (b) 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 and of the Company are bank deposits, trade and other receivables and financial assets, at FVPL. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit history, and obtaining cash deposits where appropriate to mitigate credit risk. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

Credit exposure to an individual counterparty is restricted by credit limits that are approved by the management at operating entity level based on on-going credit evaluation. The counterparty's payment profile and credit exposure are continuously monitored at operating entity level by the respective management.

The credit risk for trade and other receivables based on the information provided to key management is as follows:

	Group		Company	
	2020 S\$'000	2019 S\$'000	2020 S\$'000	2019 S\$'000
PRC	11,317	10,489	24,062	18,737
Singapore	118	917	4	22
	<u>11,435</u>	<u>11,406</u>	<u>24,066</u>	<u>18,759</u>

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheets.

# NOTES TO THE |

## FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

### 29 Financial risk management (continued)

#### (b) Credit risk (continued)

The movements in credit loss allowance are as follows:

	Trade receivables S\$'000	Other receivables S\$'000	Total S\$'000
<b>Group</b>			
<b>2020</b>			
Beginning of financial year	247	1,874	2,121
Loss allowance recognised during the financial year	16	-	16
Written-off	(208)	-	(208)
End of financial year (Note 13)	55	1,874	1,929
<b>2019</b>			
Beginning of financial year	-	1,874	1,874
Loss allowance recognised during the financial year	247	-	247
End of financial year (Note 13)	247	1,874	2,121

#### (i) Trade receivables

The Group uses a provision matrix to measure the lifetime expected credit loss ("ECL") allowance for trade receivables. In measuring the ECL, trade receivables are grouped based on shared credit risk characteristics and days past due.

In calculating the ECL rates, the Group considers purely historical loss rates for each category of customers which management is of the view that the historical conditions are representative of the conditions prevailing at the reporting date.

Trade receivables are written-off when there is no reasonable expectation of recovery. Based on the historical credit loss experience, the Group considers a financial asset as in default if the counterparty fails to make contractual payments within 180 days when they fall due which is derived based on the Group's historical information, and write-off the financial asset when there is no reasonable ground to recover the receivables after all enforcement activity has been taken by the Group.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 29 Financial risk management (continued)

### (b) Credit risk (continued)

#### (i) Trade receivables (continued)

The Group's credit risk exposure in relation to trade receivables under SFRS(I) 9 as at 30 June 2020 and 2019 is set out in the provision matrix as follows:

	Gross amount S\$'000	Loss allowance S\$'000	Carrying amount S\$'000
<b>Group</b>			
<b>2020</b>			
Not past due	-	-	-
< 30 days past due	20	-	20
30 days to 60 days past due	-	-	-
60 days to 90 days past due	-	-	-
90 days to 180 days past due	-	-	-
180 days to 365 days past due	38	-	38
> 365 days past due	135	(55)	80
	<u>193</u>	<u>(55)</u>	<u>138</u>
<b>2019</b>			
Not past due	54	-	54
< 30 days past due	86	-	86
30 days to 60 days past due	95	-	95
60 days to 90 days past due	320	-	320
90 days to 180 days past due	220	(95)	125
180 days to 365 days past due	132	(13)	119
> 365 days past due	257	(139)	118
	<u>1,164</u>	<u>(247)</u>	<u>917</u>

#### (ii) Other receivables

The Group and the Company use the general approach for assessment of ECLs for these financial assets. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECL at initial recognition.

At each reporting date, the Group and the Company assess whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, the loss allowance is measured at an amount equal to lifetime ECL.



# NOTES TO THE | FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 29 Financial risk management (continued)

### (b) Credit risk (continued)

#### (ii) Other receivables (continued)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's and the Company's historical experience and informed credit assessment.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, the loss allowance is measured at an amount equal to 12-month ECLs.

As at 30 June 2020 and 2019, the Group and the Company performed an assessment of qualitative and quantitative factors which are indicative of the risk of default (including but not limited to external ratings, audited financial statements, management accounts and cash flow projections, available press information and applying experienced credit judgement) and an assessment of impairment using the 12-month ECL basis on these financial assets. The Group and the Company concluded that the loss allowance provided for other receivables is adequate and the loss allowance on other financial assets is insignificant.

#### (iii) Non-trade receivables from subsidiary corporations

Non-trade receivables from subsidiary corporations are provided mainly for short term funding requirements. The Company uses a similar approach as described in Note 29(b)(ii) for assessment of ECL for these receivables. Impairment on these balances has been measured on the 12-month expected loss basis which reflects the low credit risk of the exposures. The Company concluded that the loss allowance provided for non-trade receivables from subsidiary corporations is adequate. As at 30 June 2020, the Company has provided a loss allowance of S\$6,045,000 (2019: S\$6,041,000) as there is no reasonable ground to recover the receivables from these subsidiary corporations.

#### (iv) Credit risk exposure

Cash and cash equivalents are placed only with reputable licensed financial institutions with high credit-ratings.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 29 Financial risk management (continued)

### (c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At the balance sheet date, assets held by the Group and the Company for managing liquidity risk included cash and cash equivalents as disclosed in Note 11 to the financial statements.

Management monitors rolling forecasts of the Group's and Company's liquidity reserve and cash and cash equivalents (Note 11) on the basis of expected cash flow. This is generally carried out in the operating entities of the Group in accordance with the practice and limits set by the Group.

The table below analyses non-derivative financial liabilities of the Group into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

	Less than 1 year S\$'000	Between 1 and 2 years S\$'000	Between 2 and 5 years S\$'000
<b>Group</b>			
<b>2020</b>			
Borrowings	2,472	2,693	2,637
Trade and other payables	4,931	-	-
	<u>7,403</u>	<u>2,693</u>	<u>2,637</u>
<b>2019</b>			
Trade and other payables	<u>3,868</u>	-	-
<b>Company</b>			
<b>2020</b>			
Borrowings	452	2,635	2,630
Trade and other payables	157	-	-
	<u>609</u>	<u>2,635</u>	<u>2,630</u>
<b>2019</b>			
Trade and other payables	<u>120</u>	-	-

# NOTES TO THE | FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 29 Financial risk management (continued)

### (d) Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings.

Management monitors capital based on a gearing ratio. The Group's and the Company's strategies, which were unchanged since the financial year ended 30 June 2014, are to maintain gearing ratios within 30% to 40%.

The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings plus trade and other payables less cash and cash equivalents. Total capital is calculated as equity plus net debt.

	Group		Company	
	2020 S\$'000	2019 S\$'000	2020 S\$'000	2019 S\$'000
Net debt	8,313	(2,972)	2,048	(513)
Total equity	51,201	58,146	51,323	53,615
Total capital	<u>59,514</u>	<u>55,174</u>	<u>53,371</u>	<u>53,102</u>
Gearing ratio	<u>13.97%</u>	-*	<u>3.84%</u>	-*

\* *Not meaningful*

The Group and the Company have no externally imposed capital requirements for the financial years ended 30 June 2020 and 2019.

### (e) Fair value measurements

The following table presents assets and liabilities measured at fair value and classified by level of the following fair value measurement hierarchy:

- (i) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- (ii) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
- (iii) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 29 Financial risk management (continued)

### (e) Fair value measurements (continued)

<b>Group and Company</b>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>2020</b>	S\$'000	S\$'000	S\$'000	S\$'000
<i>Assets</i>				
Financial assets, at FVPL	3,381	-	-	3,381
Financial assets, at FVOCI	-	-	2,000	2,000
	<u>3,381</u>	<u>-</u>	<u>2,000</u>	<u>5,381</u>
<b>2019</b>				
<i>Assets</i>				
Financial assets, at FVPL	7,811	-	-	7,811
Financial assets, at FVOCI	-	-	2,000	2,000
	<u>7,811</u>	<u>-</u>	<u>2,000</u>	<u>9,811</u>

There were no transfers between Levels 1 and 2 during the year.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is current bid price. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Valuation techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. Where a valuation technique for these instruments is based on significant unobservable inputs, such instruments are classified as Level 3.

#### *Level 3 fair value measurement*

As at 30 June 2017, in view that management had the intention to dispose of the financial assets, the fair value of the financial assets was determined based on the bid price from a potential buyer (the "Potential Buyer").

As at 30 June 2020 and 2019, the negotiation with the Potential Buyer on the terms and conditions of the disposal is still ongoing. As such, the fair value of the financial assets is determined based on the bid price from the Potential Buyer.

If the bid price had been 5% lower than the Potential Buyer's bid price, the Group and the Company would have recognised a fair value loss through other comprehensive income of S\$100,000 (2019:S\$100,000).

The following table presents the changes in level 3 instruments:

<b>Group and Company</b>	Financial asset, at FVOCI S\$'000
<b>2020 and 2019</b>	
Beginning and end of financial year	<u>2,000</u>

# NOTES TO THE | FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 29 Financial risk management (continued)

### (f) Financial instruments by category

The carrying amount of the different categories of financial instruments is as disclosed on the face of the balance sheet and in Notes 12 and 16 to the financial statements, except for the following:

	<u>Group</u>		<u>Company</u>	
	<b>2020</b> <b>S\$'000</b>	2019 S\$'000	<b>2020</b> <b>S\$'000</b>	2019 S\$'000
Financial assets at amortised cost	<b>15,576</b>	18,392	<b>27,601</b>	19,503
Financial liabilities at amortised cost	<b>12,324</b>	3,868	<b>5,475</b>	120

## 30 Related party transactions

In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Group and related parties at terms agreed between the parties:

### (a) Key management personnel compensation

	<u>Group</u>	
	<b>2020</b> <b>S\$'000</b>	2019 S\$'000
Wages and salaries	<b>824</b>	881
Employer's contribution to defined contribution plans	<b>34</b>	33
	<b>858</b>	914
Comprises amounts paid to:		
Directors of the Company		
- Wages and salaries	<b>466</b>	633
- Employer's contribution to defined contribution plans	<b>12</b>	22
	<b>478</b>	655
Other key management personnel	<b>380</b>	259
	<b>858</b>	914

# I NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 31 Segment information

The management has determined the operating segments based on the reports reviewed by the management team that are used to make strategic decisions. The management team comprises the Chief Executive Officer, Chief Operating Officer and the heads of each business segment.

The management team considers the business from both a geographic and business segment perspective. The Group has 4 reportable operating segments: investment, real estate agency, real estate development and hospitality. The segments offer different services, and are managed separately as they require different marketing strategies. The following summary describes the operations in each of the Group's reportable segments:

- |    |                          |  |
|----|--------------------------|--|
| a) | Investment:              | Investment holding   |
| b) | Real estate agency:      | Provision of real estate agency services such as corporate and residential leasing, commercial and industrial sales, and residential sales and resale services |
| c) | Real estate development: | Property development activities and holding of property related assets   |
| d) | Hospitality:             | Hotel management and hospitality services  |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 31 Segment information (continued)

The segment information provided to the management team for the reportable segments is as follows:

<b>Group</b>	<b>Singapore</b>		<b>PRC</b>		<b>Total</b>
	<b>Investment</b>	<b>Real estate</b>	<b>Real estate</b>	<b>Hospitality</b>	
	<b>S\$'000</b>	<b>agency</b>	<b>development</b>	<b>S\$'000</b>	<b>S\$'000</b>
		<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	
<b>2020</b>					
Revenue from external parties	-	146	-	479	625
Gross profit	-	8	-	217	225
Other gains/(losses), net					
- Interest income from bank deposits	1	-	4	1	6
- Impairment loss on financial assets at amortised cost	-	(16)	-	-	(16)
- Others	(574)	185	78	32	(279)
Distribution and marketing expenses	-	(2)	-	(429)	(431)
Administrative expenses	(2,332)	(59)	(1,736)	(2,275)	(6,402)
Finance expenses	(37)	-	-	(41)	(78)
(Loss)/profit before income tax	(2,942)	116	(1,654)	(2,495)	(6,975)
Income tax credit	2	-	-	11	13
Net (loss)/profit	(2,940)	116	(1,654)	(2,484)	(6,962)
Depreciation	387	2	25	858	1,272
Amortisation	-	-	-	10	10
Segment assets	9,252	122	22,653	32,091	64,118
Segment assets includes:					
Additions to:					
- Property, plant and equipment	4	1	2	8,293	8,300
- Intangible assets	-	-	-	37	37
Segment liabilities	5,491	160	1,202	6,064	12,917

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 31 Segment information (continued)

The segment information provided to the management team for the reportable segments is as follows: (continued)

<b>Group</b>	<b>Singapore</b>		<b>PRC</b>	<b>Total</b>
	<b>Investment</b>	<b>Real estate</b>	<b>Real estate</b>	
	<b>S\$'000</b>	<b>agency</b>	<b>development</b>	<b>S\$'000</b>
		<b>S\$'000</b>	<b>S\$'000</b>	
<b>2019</b>				
Revenue from external parties	-	7,660	-	7,660
Gross profit	-	273	-	273
Other gains/(losses), net				
- Interest income from bank deposits	28	-	26	54
- Impairment loss on financial assets at amortised cost	-	(247)	-	(247)
- Others	(1,264)	714	80	(470)
Distribution and marketing expenses	-	(247)	-	(247)
Administrative expenses	(2,459)	(2,104)	(1,164)	(5,727)
Finance expenses	-	-	(53)	(53)
Loss before income tax	(3,695)	(1,611)	(1,111)	(6,417)
Income tax expense	-	-	-	-
Net loss	(3,695)	(1,611)	(1,111)	(6,417)
Depreciation	(5)	(222)	(57)	(284)
Amortisation	-	-	-	-
Segment assets	10,592	997	51,045	62,634
Segment assets includes:				
Additions to:				
- Property, plant and equipment	-	-	12,082	12,082
Segment liabilities	136	1,137	3,215	4,488



# NOTES TO THE | FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 31 Segment information (continued)

### Geographical information

The Group's two business segments operate in two main geographical areas:

- Singapore - the Company is headquartered and has operations in Singapore. The operations in this area are principally the provision of real estate agency services and investment holding;
- PRC - the operations in this area are principally in property development activities and hospitality.

	<u>Group</u>	
	2020	2019
	S\$'000	S\$'000
<u>Non-current assets</u>		
Singapore	311	14
PRC	<u>41,138</u>	<u>32,261</u>
	<u><b>41,449</b></u>	<u><b>32,275</b></u>

### Changes in accounting policy

The recognition of ROU assets and lease liabilities on the balance sheet resulted in an increase in depreciation and finance expenses in the consolidated statement of comprehensive income in the current year as follows:

	<u>Depreciation</u>	<u>Finance expenses</u>
	S\$'000	S\$'000
Investment	383	37
Real estate development	2	-
Hospitality	<u>18</u>	<u>4</u>
	<u><b>403</b></u>	<u><b>41</b></u>

Comparative segment information has not been restated. As a consequence, the segment information disclosed for the items above is not entirely comparable to the information disclosed for the prior financial year.

### Revenue from major services

There is no single external customer that contributed 10% or more of the revenue for the financial years ended 30 June 2020 and 2019.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 32 Event occurring after balance sheet date

In November 2020, the issued share capital of the Company was increased from 17,824,183,658 ordinary shares to 17,825,747,028 ordinary shares by way of the allotment and issuance of 1,563,370 new ordinary shares pursuant to the exercise of 1,563,370 2015 Warrants. The New Shares rank *pari passu* in all respects with the existing shares of the Company.

## 33 New or revised accounting standards and interpretations

Below are the mandatory standards and amendments and interpretations to existing standards that have been published and are relevant for the Group's accounting periods beginning on or after 1 July 2020 and which the Group has not early adopted.

### Effective for annual periods beginning on or after 1 January 2020

- Amendments to SFRS(I) 3: *Business Combinations* – definition of a business
- Amendments to SFRS(I) 1-1 and SFRS(I) 1-8: Definition of material
- Amendments to Reference to the Conceptual Framework in SFRS(I) standards
- Amendments to illustrative examples, implementation guidance and SFRS(I) practice statements
- Amendments to SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7: Interest Rate Benchmark Reform

### Effective for annual periods beginning on or after 1 June 2020

- Amendments to SFRS(I) 16: *Covid-19-Related Rent Concessions*

### Effective for annual periods beginning on or after 1 January 2021

- SFRS(I) 17: *Insurance Contracts*

### Effective for annual periods beginning on or after 1 January 2022

- Amendments to SFRS(I) 3: Reference to the Conceptual Framework
- Amendments to SFRS(I) 1-16: Property, plant and equipment – Proceeds before intended use
- Amendments to SFRS(I) 1-37: *Onerous contracts – Cost of fulfilling a contract*
- Annual Improvements to SFRS(I)s 2018-2020

### Effective for annual periods beginning on or after 1 January 2023

- Amendments to SFRS(I) 1-1: *Classification of Liabilities as Current or Non-current*

### Effective date: to be determined\*

- Amendments to SFRS(I) 10 and SFRS(I) 28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

\* The mandatory effective date of this Amendment had been revised from 1 January 2016 to a date to be determined by the Accounting Standards Council Singapore ("ASC") in December 2015 via Amendments to Effective Date of Amendments to FRS 110 and FRS 28.

# STATISTICS OF SHAREHOLDINGS

AS AT 20 NOVEMBER 2020

## SHAREHOLDERS' INFORMATION

### Share Capital

Issued and fully paid-up capital	:	S\$199,349,073
Number of shares issued	:	17,825,747,028
Number of treasury shares and subsidiary holdings	:	Nil
Class of shares	:	Ordinary shares
Voting rights	:	1 vote per share

### Distribution of Shareholders by Size of Shareholdings

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 99	2,650	62.56	33,994	0.00
100 - 1,000	381	8.99	139,138	0.00
1,001 - 10,000	145	3.42	763,119	0.00
10,001 - 1,000,000	684	16.15	226,063,282	1.27
1,000,001 and above	376	8.88	17,598,747,495	98.73
<b>TOTAL</b>	<b>4,236</b>	<b>100.00</b>	<b>17,825,747,028</b>	<b>100.00</b>

Twenty Largest Shareholders		No. of Shares	%
1	Oei Hong Leong	6,374,454,821	35.76
2	Toh Soon Huat	1,421,805,700	7.98
3	DBS Nominees Pte Ltd	1,026,742,710	5.76
4	Hung Ying-Zhen @ Amy Ying-Fen Hung	954,300,000	5.35
5	Citibank Nominees Singapore Pte Ltd	669,925,013	3.76
6	Phillip Securities Pte Ltd	534,019,868	3.00
7	UOB Kay Hian Pte Ltd	528,769,863	2.97
8	Li Yujiao	393,683,333	2.21
9	Maybank Kim Eng Securities Pte. Ltd	351,037,385	1.97
10	Hano Maeloa	277,000,154	1.55
11	DBS Vickers Securities (S) Pte Ltd	272,386,291	1.53
12	OCBC Securities Private Ltd	198,778,854	1.11
13	Teo Choon Leng Jeffrey	166,000,000	0.93
14	Ng Seng Hong	155,932,300	0.87
15	Tan Eng Chua Edwin	134,383,800	0.75
16	Goh Yew Lay	119,811,000	0.67
17	Tang Chong Sim	115,916,100	0.65
18	Wong Say Yin	107,000,000	0.60
19	Ge Jianming	99,370,300	0.56
20	Teoh Hai Thow	94,100,100	0.53
<b>TOTAL</b>		<b>13,995,417,592</b>	<b>78.51</b>

# STATISTICS OF SHAREHOLDINGS

AS AT 20 NOVEMBER 2020

## **Substantial Shareholders**

*(As recorded in the Register of Substantial Shareholders)*

		Direct Interest		Deemed Interest	
		No. of Shares	%	No. of Shares	%
1	Oei Hong Leong	6,374,454,821	35.76	-	-
2	Toh Soon Huat	1,421,805,700	7.98	-	-
3	Choo Yeow Ming <sup>(1)(2)</sup>	824,969,332	4.63	352,479,500	1.98
4	Hung Ying-Zhen @ Amy Ying-Fen Hung	954,300,000	5.35	-	-

(1) Choo Yeow Ming's direct interest of 762,059,332 shares are held through nominees.

(2) Choo Yeow Ling is deemed interested in the shares held by his spouse. By virtue of section 7 of the Companies Act, he is also deemed to have an interest in shares held by Summers Overseas Limited and Orient Achieve Limited. These deemed interests are held through nominees.

## **Percentage of Shareholdings in Hand of Public**

Based on information available to the Company, as at 20 November 2020, the percentage of shareholdings of the Company held in the hands of the public is approximately 44% and therefore Rule 723 of the Catalist Rules is complied with.

# STATISTICS OF | SHAREHOLDINGS

AS AT 20 NOVEMBER 2020

## WARRANT HOLDERS' INFORMATION (W230130)

### *Distribution of Warrant Holders by Size of Warrant Holdings*

Size of Warrant Holdings	No. of Warrant Holders	%	No. of Warrants	%
1 - 99	5	1.10	295	0.00
100 - 1,000	1	0.22	257	0.00
1,001 - 10,000	14	3.10	44,182	0.00
10,001 - 1,000,000	166	36.64	61,047,921	0.61
1,000,001 and above	267	58.94	9,947,477,408	99.39
<b>TOTAL</b>	<b>453</b>	<b>100.00</b>	<b>10,008,570,063</b>	<b>100.00</b>

Twenty Largest Warrant Holders		No. of Warrants	%
1	Oei Hong Leong	5,228,472,227	52.24
2	UOB Kay Hian Pte Ltd	467,832,801	4.67
3	Phillip Securities Pte Ltd	462,181,678	4.62
4	Li Yujiao	428,566,666	4.28
5	Maybank Kim Eng Securities Pte.Ltd	341,251,681	3.41
6	Teo Choon Leng Jeffrey	164,569,600	1.64
7	Lim Sing Tat	154,141,871	1.54
8	OCBC Securities Private Ltd	149,811,821	1.50
9	DBS Vickers Securities (S) Pte Ltd	142,800,127	1.43
10	Sng Thiam Hock	90,256,140	0.90
11	Ken Tan Khim Sing	80,484,820	0.80
12	Lee Theng Kiat	72,770,620	0.73
13	Goh Yew Lay	72,642,050	0.73
14	Wong Han Yew	70,970,640	0.71
15	Lee Ai Ni	64,285,000	0.64
16	Teo Siew Ngor	64,285,000	0.64
17	DBS Nominees Pte Ltd	62,202,806	0.62
18	Tan Ng Kuang	61,376,746	0.61
19	Tang Chong Sim	53,999,400	0.54
20	Goh Yeu Toh	44,999,500	0.45
<b>TOTAL</b>		<b>8,277,901,194</b>	<b>82.70</b>

# STATISTICS OF SHAREHOLDINGS

AS AT 20 NOVEMBER 2020

## WARRANT HOLDERS' INFORMATION (W230726)

### *Distribution of Warrant Holders by Size of Warrant Holdings*

Size of Warrant Holdings	No. of Warrant Holders	%	No. of Warrants	%
1 - 99	1	0.53	24	0.00
100 - 1,000	2	1.05	1,100	0.00
1,001 - 10,000	12	6.32	59,580	0.00
10,001 - 1,000,000	78	41.05	27,996,202	0.46
1,000,001 and above	97	51.05	6,117,111,293	99.54
<b>TOTAL</b>	<b>190</b>	<b>100.00</b>	<b>6,145,168,199</b>	<b>100.00</b>

Twenty Largest Warrant Holders		No. of Warrants	%
1	Oei Hong Leong	2,197,820,126	35.77
2	Phillip Securities Pte Ltd	1,109,143,200	18.05
3	Hung Ying-Zhen @ Amy Ying-Fen Hung	900,000,000	14.65
4	Maybank Kim Eng Securities Pte.Ltd	252,002,200	4.10
5	DBS Nominees Pte Ltd	218,887,902	3.56
6	OCBC Securities Private Ltd	146,430,000	2.38
7	DBS Vickers Securities (S) Pte Ltd	80,000,000	1.30
8	Wong Say Yin	74,000,002	1.20
9	Kua Sei Peng Or Kee Puay Kiang	60,400,000	0.98
10	Gordon Tan Wee Teck	60,000,000	0.98
11	Chan Kheng Ann	56,560,000	0.92
12	Wong Han Yew	45,000,000	0.73
13	Toh Soon Huat	42,720,600	0.70
14	Boon Kia Heng Justin (Wen Jiaqing)	42,000,000	0.68
15	Boon Suan Aik	42,000,000	0.68
16	Lim Chin Choo @Elizabeth Lim	42,000,000	0.68
17	Tang Soi Lik Or Tang Ei Fun (Chen Yifen)	40,000,000	0.65
18	Citibank Nominees Singapore Pte Ltd	35,000,000	0.57
19	Tang Chong Sim	35,000,000	0.57
20	Ang Kim Chuan	30,000,000	0.49
<b>TOTAL</b>		<b>5,508,964,030</b>	<b>89.64</b>

# NOTICE OF THE | ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the Annual General Meeting (the “AGM” or the “Meeting”) of the Company will be held by way of electronic means on **Wednesday, 30 December 2020 at 3.00 p.m.** for the purpose of transacting the following businesses:

## ORDINARY BUSINESS

1. To receive and adopt the Directors’ Statement and the Audited Financial Statements for the financial year ended 30 June 2020 together with the Auditor’s Report thereon. **Resolution 1**
2. To re-elect Ms Lum Moy Foong who is retiring pursuant to Article 91 of the Company’s Constitution.  
[See Explanatory Note 1] **Resolution 2**
3. To re-elect Dr Lam Lee G (“**Dr Lam**”) who is retiring pursuant to Article 91 of the Company’s Constitution.  
[See Explanatory Note 2] **Resolution 3**
4. That contingent upon the passing of Ordinary Resolution 3 above, pursuant to Rule 406(3)(d)(iii) of the Listing Manual Section B: Rules of Catalist (the “**Catalist Rules**”) of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”), shareholders to approve Dr Lam’s continued appointment as an Independent Director, this Resolution to remain in force until the earlier of his retirement or resignation as a Director or the conclusion of the third AGM following the passing of this Resolution.  
[See explanatory Note 3] **Resolution 4**
5. That contingent upon the passing of Ordinary Resolution 4 above, pursuant to Rule 406(3)(d)(iii) of the Catalist Rules, shareholders (excluding the Directors and Chief Executive Officer of the Company, and associates of such Directors and Chief Executive Officer) to approve Dr Lam’s continued appointment as an Independent Director, this Resolution to remain in force until the earlier of his retirement or resignation as a Director or the conclusion of the third AGM following the passing of this Resolution.  
[See explanatory Note 3] **Resolution 5**
6. To re-appoint Nexia TS Public Accounting Corporation as the Auditor 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 an AGM.

# NOTICE OF THE ANNUAL GENERAL MEETING

## SPECIAL BUSINESS

To consider and, if thought fit, to approve the following Ordinary Resolution, with or without modifications:

### 8. SHARE ISSUE MANDATE

That pursuant to Section 161 of the Companies Act, Cap. 50, and Rule 806 of Catalist Rules, authority be and is hereby given to the Directors of the Company to allot and issue shares whether by way of rights, bonus or otherwise and make or grant offers, agreements or options (collectively, “**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) options, warrants, debentures or other Instruments convertible into shares, from time to 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 (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares pursuant to any Instruments made or granted by the Directors of the Company while this Resolution was in force, provided that:

### Resolution 7

- (a) 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) shall not exceed one hundred per centum (100%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (b) below), of which the aggregate number of shares to be issued other than on a pro-rata basis to the existing shareholders of the Company shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (b) below);
- (b) (subject to such manner of calculation 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 (a) above, the percentage of issued share capital shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of passing of this Resolution, after adjusting for (i) new shares arising from the conversion or exercise of the Instruments; (ii) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of passing of this Resolution provided the share options or share awards (as the case may be) were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules; and (iii) any subsequent bonus issue, consolidation or subdivision of shares.

Adjustments in accordance to subparagraphs (b)(i) and (b)(ii) above are only to be made in respect of new shares arising from convertible securities, share options or share awards which were issued and outstanding or subsisting at the time of the passing of this Resolution;

- (c) 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) and the Constitution of the Company; and



# NOTICE OF THE | ANNUAL GENERAL MEETING

- (d) unless previously revoked or varied by the Company in general meeting, such authority shall continue in force until the conclusion of the next AGM of the Company or on the date by which the next AGM is required by law to be held, whichever is earlier.

[See Explanatory Note 4]

To consider and, if thought fit, to approve the following Special Resolution, with or without modifications:

## 9. Proposed change of name of the Company to Asia-Pacific Strategic Investments Limited

That:

**Resolution 8**

- (a) the name of the Company be changed from “China Real Estate Grp Ltd.” to “Asia-Pacific Strategic Investments Limited” and that the name “Asia-Pacific Strategic Investments Limited” be substituted for “China Real Estate Grp Ltd.”; and
- (b) any Director of the Company be and is hereby authorised to complete and to do all acts and things as he may consider necessary or expedient for the purposes of or in connection with, and to give effect to the matter referred to in paragraph (a) of this resolution as he shall deem fit and in the interest of the Company.

[See Explanatory Note 5]

By Order of the Board

Yap Wai Ming  
Company Secretary

Singapore, 8 December 2020

Explanatory Notes:

1. Ordinary Resolution 2 - Ms Lum Moy Foong will, upon re-election as a Director of the Company, remain as the Non-Executive Director of the Company. Detailed information on Ms Lum Moy Foong can be found in the Annual Report 2020. Save as disclosed therein, there are no other relationships (including immediate family relationships) between Ms Lum Moy Foong and any of the Directors, the Company or its 5% shareholders.
2. Ordinary Resolution 3 – Dr Lam Lee G will, upon re-election as a Director of the Company, remain as the Lead Independent Director as well as the Chairman of the Nominating Committee and a member of the Audit Committee and Remuneration Committee. Dr Lam Lee G is considered by the Board to be independent for the purpose of Rule 704(7) of the Catalist Rules. Detailed information on Dr Lam Lee G can be found in the Annual Report 2020. There are no relationships (including immediate family relationships) between Dr Lam Lee G and any of the Directors, the Company or its 5% shareholders.

Further information on all the abovementioned directors can be found under the section title “Board of Directors” on page 9, “Corporate Governance Report” on pages 19 and 20 and “Corporate Governance – Appendix A” on pages 37 to 48 of the Annual Report 2020.

# NOTICE OF THE ANNUAL GENERAL MEETING

3. Ordinary Resolution 4 and 5 – On 6 August 2018, the SGX-ST amended the Listing Manual following the publication of the Code of Corporate Governance 2018 by the Monetary Authority of Singapore. As part of the amendments to the Code of Corporate Governance 2018, certain guidelines from the Code of Corporate Governance 2012 were shifted into the Listing Manual for mandatory compliance. On 28 November 2018, the SGX-ST issued the Transitional Practice Note 3 to establish transitional arrangements for certain guidelines shifted into the Listing Manual. Pursuant thereto and in respect of Rule 406(3)(d)(iii) of the Catalist Rules, to ensure that the independence designation of a director who has served for more than 9 years as at and from 1 January 2022 is not affected, the Company is seeking to obtain shareholders' approvals for Dr Lam Lee G's continued appointment as an independent director prior to 1 January 2022, as he has served for more than 9 years on the Board of the Company. Rule 406(3)(d)(iii) of the Catalist Rules provides that continued appointment as independent director, after an aggregate period of more than 9 years on the board, must be sought and approved in separate resolutions by (A) all shareholders and (B) shareholders excluding directors, chief executive officer, and their associates.
4. Ordinary Resolution 6 - if passed, will empower the Directors to issue shares and/or Instruments (as defined above) in the capital of the Company. The aggregate number of shares to be issued pursuant to Resolution 6 (including shares to be issued in pursuance of Instruments made or granted) shall not exceed 100% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company with a sub-limit of 50% for shares issued other than on a pro-rata basis to shareholders (including shares to be issued in pursuance of Instruments made or granted pursuant to the said Resolution). For the purpose of determining the aggregate number of shares that may be issued, the percentage of issued share capital will be calculated based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this Resolution, after adjusting for (i) new shares arising from the conversion or exercise of the Instruments; (ii) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of passing of this Resolution provided the share options or share awards (as the case may be) were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules; and (iii) any subsequent bonus issue, consolidation or subdivision of shares.
5. Special Resolution 8 – if passed, will approve the change of name of the Company from “China Real Estate Grp Ltd.” to “Asia-Pacific Strategic Investments Limited”. The rationale for the change of name is set out in the Appendix accompanying this Notice of AGM.

## Notes:

1. The AGM will be convened and held, by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Printed copies of this Notice of AGM, the Appendix accompanying the Notice of AGM and the Company's Annual Report 2020 will not be despatched to members. Instead, this Notice of AGM, the Appendix accompanying the Notice of AGM and the Company's Annual Report 2020 will be made available via publication on the Company's website at the URL <http://www.chinarealestategroup.com> and on the SGXNet at the URL <https://www.sgx.com/securities/company-announcements>.
2. Alternative arrangements relating to, among others, attendance, submission of questions in advance and/or voting by proxy at the AGM of the Company to be held on Wednesday, 30 December 2020 at 3.00 p.m. are set out in the Company's announcement dated 8 December 2020 (the “**Announcement**”), which has been uploaded together with this Notice of AGM on SGXNet at the URL <https://www.sgx.com/securities/company-announcements> on the same day. The Announcement may also be accessed at the URL <http://www.chinarealestategroup.com>. For the avoidance of doubt, the Announcement is circulated together with and forms part of this Notice of AGM.

# NOTICE OF THE | ANNUAL GENERAL MEETING

In particular, the AGM will be held by way of electronic means and a member of the Company will be able to observe the proceedings of the AGM through a “live” webcast (“**LIVE WEBCAST**”) via his/her/its mobile phones, tablets or computers or listen to these proceedings through a “live” audio feed (“**AUDIO ONLY MEANS**”) via telephone. In order to do so, a member of the Company who wishes to watch the LIVE WEBCAST or listen via the AUDIO ONLY MEANS must register by 3.00 p.m. on 24 December 2020, at the URL <https://globalmeeting.bigbangdesign.co/chinarealestategroup/>. Following authentication of his/her/its status as members of the Company, authenticated members of the Company will receive email instructions on how to access the LIVE WEBCAST and AUDIO ONLY MEANS to observe the proceedings of the AGM by 3.00 p.m. on 29 December 2020.

A member of the Company who registers to watch the LIVE WEBCAST or listen via the AUDIO ONLY MEANS may also submit questions related to the resolutions to be tabled for approval at the AGM. To do so, all questions must be submitted by 3.00 p.m. on 24 December 2020 via the following:

- (a) pre-registration link at URL <https://globalmeeting.bigbangdesign.co/chinarealestategroup/>; or
- (b) email to: [contact@chinarealestategroup.com](mailto:contact@chinarealestategroup.com); or
- (c) post to the registered office at 8 Robinson Road #03-00 ASO Building, Singapore 048544

The Company will endeavor to address all substantial and relevant questions received from Shareholders prior to the AGM and publish its response on the SGXNet at the URL <https://www.sgx.com/securities/company-announcements> and at the Company’s website at the URL <http://www.chinarealestategroup.com>. Where substantial and relevant questions are unable to be answered prior to the AGM, the Company will address them at the AGM.

3. Due to the current COVID-19 restriction orders in Singapore, a member of the Company will not be able to attend the AGM in person. If a member of the Company (whether individual or corporate) wishes to exercise his/her/its voting rights at the AGM, he/she/it must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM. In appointing the Chairman of the Meeting as proxy, a member of the Company (whether individual or corporate) must give specific instructions as to voting, or abstentions from voting, in the form of proxy, failing which the appointment will be treated as invalid.
4. The Chairman of the Meeting, as proxy, need not be a member of the Company.
5. The instrument appointing the Chairman of the Meeting as proxy, together with the power of attorney or other authority under which it is signed (if applicable) or a notarial certified copy thereof, must:
  - (a) if sent personally or by post, be lodged 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; or
  - (b) if submitted by email, be received by the Company’s Share Registrar, B.A.C.S. Private Limited at [main@zicoholdings.com](mailto:main@zicoholdings.com),

in either case, by 3.00 p.m. on 28 December 2020 being not less than forty-eight (48) hours before the time appointed for holding the AGM (or at any adjournment thereof) and in default the instrument of proxy shall not be treated as valid.

# I NOTICE OF THE ANNUAL GENERAL MEETING

**In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for members of the Company to submit completed proxy forms by post, members of the Company are strongly encouraged to submit completed proxy forms electronically via email.**

6. The instrument appointing the Chairman of the Meeting as proxy must be under the hand of the appointor or on his/her attorney duly authorized in writing. Where the instrument appointing the Chairman of the Meeting as proxy is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or duly authorised officer, failing which the instrument of proxy may be treated as invalid.
7. For investors who hold shares through relevant intermediaries, including CPF and SRS investors, who wish to appoint the Chairman of the Meeting as proxy should contact their relevant intermediaries (which would include, in the case of CPF and SRS investors, their respective CPF Agent Banks and SRS Operators) through which they hold such shares, to submit their votes at least seven (7) working days before the time appointed for the holding of the AGM (ie. by 3.00 p.m. on 18 December 2020).

## **Personal data privacy:**

By submitting (a) a proxy form appointing the Chairman of the Meeting as proxy to vote at the AGM and/or any adjournment thereof, or (b) Shareholder particulars for pre-registration to participate in the AGM via LIVE WEBCAST or AUDIO ONLY MEANS, or (c) submitting any question prior to the AGM in accordance with this Notice of AGM or the Announcement, a Shareholder consents to the collection, use and disclosure of the Shareholder's personal data by the Company (or its agents, advisers or service providers, as the case may be) for the following purposes:

- (i) processing and administration by the Company (or its agents, advisers or service providers) of proxy forms appointing the Chairman of the Meeting as proxy for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the AGM (including any adjournment thereof);
- (ii) processing of pre-registration for participation at the AGM for purpose of granting access to Shareholders to the LIVE WEBCAST or AUDIO ONLY MEANS and providing them with any technical assistance where necessary;
- (iii) addressing relevant and substantial questions related to the resolutions to be tabled for approval at the AGM from members received before the AGM and if necessary, following up with the relevant members in relation to such questions;
- (iv) preparation and compilation of the attendance list, proxy lists, minutes and other documents relating to the Meeting (including any adjournment thereof); and
- (v) enabling the Company (or its agents, advisers or service providers, as the case may be) to comply with any applicable laws, listing rules, regulations and/or guidelines by the relevant authorities.

Sound and/or video recordings of the AGM may be made by the Company for record keeping and to ensure the accuracy of the minutes of the AGM. Accordingly, the personal data of a member (such as name, presence at the AGM and any questions raised or motions proposed/seconded) may be recorded by the Company for such purposes.

# CHINA REAL ESTATE GRP LTD.

(Company Registration No.: 200609901H)  
(Incorporated in the Republic of Singapore)

## PROXY FORM ANNUAL GENERAL MEETING

This proxy form has been made available on SGXNET and the Company's website and may be accessed at the URL <http://www.chinarealestategroup.com>. A printed copy of this proxy form will NOT be despatched to members of the Company.

### IMPORTANT:

1. Alternative arrangements relating to, among others, attendance, submission of questions in advance and/or voting by proxy at the AGM are set out in the Company's announcement dated 8 December 2020 (the "Announcement") which has been uploaded together with the Notice of AGM dated 8 December 2020 on SGXNET on the same day. The Announcement may also be accessed at the Company's corporate website at the URL <http://www.chinarealestategroup.com>. For the avoidance of doubt, the Announcement is circulated together with and forms part of the Notice of AGM dated 8 December 2020 in respect of the AGM.
2. A member of the Company will not be able to attend the AGM in person. If a member of the Company (whether individual or corporate) wishes to exercise his/her/its voting rights at the AGM, he/she/it must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM. In appointing the Chairman of the Meeting as proxy, a member of the Company (whether individual or corporate) must give specific instructions as to voting, or abstentions from voting, in the form of proxy, failing which the appointment will be treated as invalid.
3. Please read the notes to this proxy form.

\*I/We \_\_\_\_\_ (Name) \_\_\_\_\_ (NRIC/Passport No./Company Registration No.)

of \_\_\_\_\_ (Address)

being a \*member/members of **CHINA REAL ESTATE GRP LTD.** (the "**Company**"), hereby appoints the Chairman of the annual general meeting of the Company (the "**AGM**" or the "**Meeting**"), as \*my/our proxy to vote for \*me/us on \*my/our behalf at the AGM to be held by way of electronic means (via LIVE WEBCAST and/or AUDIO ONLY MEANS) on Wednesday, 30 December 2020 at 3.00 p.m. and at any adjournment thereof. \*I/We direct the Chairman of the Meeting to vote for or against, or abstain from voting on 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 appointment of the Chairman of the Meeting as \*my/our proxy will be treated as invalid.

All Resolutions put to the vote at the AGM shall be decided by way of poll.

***If you wish to exercise all your votes "For" or "Against", or "Abstain" the relevant Resolutions, please mark an "X" in the appropriate box provided. Alternatively, please indicate the number of votes "For" or "Against", or "Abstain" each Resolution in the boxes provided as appropriate. If you mark an "X" in the abstain box for a particular Resolution, you are directing your proxy, who is the Chairman of the Meeting, not to vote on that Resolution***

No.	Resolutions relating to:	For	Against	Abstain
1.	Adoption of Directors' Statement and the Audited Financial Statements for the financial year ended 30 June 2020 together with the Auditor's Report thereon.			
2.	Re-election Ms Lum Moy Foong as a Director of the Company.			
3.	Re-election of Dr Lam Lee G as a Director of the Company.			
4.	Approval of Dr Lam Lee G's continued appointment as an Independent Director by shareholders.			
5.	Approval of Dr Lam Lee G's continued appointment as an Independent Director by shareholders (excluding directors, chief executive officer, and their associates).			
6.	Re-appointment of Nexia TS Public Accounting Corporation as Auditor.			
7.	Approval of the share issue mandate.			
8.	Approval of the proposed change of Company name.			

Date this \_\_\_\_\_ day of \_\_\_\_\_ 2020.

Total no. of Shares in	No. of Shares
(a) Depository Register	
(b) Register of Members	

\_\_\_\_\_  
Signature(s) of Member(s)/Common Seal of Corporate Member(s)

\* Delete where inapplicable

**IMPORTANT: PLEASE READ NOTES FOR PROXY FORM OVERLEAF**



## NOTES FOR PROXY FORM

1. Please insert the total number of shares in the capital of the Company (“Shares”) held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act (Cap. 289) of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members of the Company, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing the Chairman of the AGM as proxy shall be deemed to relate to all the Shares held by you.
2. Due to the current COVID-19 restriction orders in Singapore, a member of the Company will not be able to attend the AGM in person. If a member of the Company (whether individual or corporate) wishes to exercise his/her/its voting rights at the AGM, he/she/it must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM. In appointing the Chairman of the Meeting as proxy, a member of the Company (whether individual or corporate) must give specific instructions as to voting, or abstentions from voting, in the form of proxy, failing which the appointment will be treated as invalid.
3. This instrument appointing the Chairman of the Meeting as proxy must:
  - (a) if sent personally or by post, be lodged 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; or
  - (b) if submitted by email, be received by the Company’s Share Registrar, B.A.C.S. Private Limited at [main@zicoholdings.com](mailto:main@zicoholdings.com),in either case, by 3.00 p.m. on 28 December 2020 (being not less than forty-eight (48) hours before the time appointed for holding the AGM) (or at any adjournment thereof) and in default the instrument of proxy shall not be treated as valid.

**In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for members of the Company to submit completed proxy forms by post, members of the Company are strongly encouraged to submit completed proxy forms electronically via email.**
4. This proxy form must be under the hand of the appointor or of his/her/its attorney duly authorised in writing.
  - (i) Where this proxy form is executed by a corporation, it must be executed either under its common seal (or otherwise in accordance with its constitution) or under the hand of an officer or attorney duly authorised.
  - (ii) Where this proxy form is executed by an attorney on behalf of the appointor, the letter or the power of attorney or a duly certified true copy thereof must be lodged with this proxy form, failing which the instrument of proxy may be treated as invalid.
5. For investors who hold Shares through relevant intermediaries, including CPF and SRS investors, this proxy form is not valid for their use and shall be ineffective for all intents and purposes if used or purported to be used by them. Investors who wish to appoint the Chairman of the Meeting as proxy should contact their relevant intermediaries (which would include, in the case of CPF and SRS investors, their respective CPF Agent Banks and SRS Operators) to submit their votes at least seven (7) working days before the AGM, that is by 18 December 2020.

The Company shall be entitled to reject this proxy form if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in this proxy form. In addition, in the case of Shares entered in the Depository Register, the Company may reject any proxy form lodged if the member, being the appointor, is not shown to have Shares entered against his/her/its name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the AGM (or at any adjournment thereof), as certified by The Central Depository (Pte) Limited to the Company.

### Personal data privacy:

By submitting this proxy form, the member of the Company accepts and agrees to the personal data privacy terms as set out in the Notice of AGM dated 8 December 2020.

# CORPORATE INFORMATION |

## BOARD OF DIRECTORS

**Dato' Dr Choo Yeow Ming**  
*Chairman & CEO*

**Lum Moy Foong**  
*Non-Executive Director*

**Dr Lam Lee G**  
*Lead Independent Director*

**Chew Soo Lin**  
*Independent Director*

**Lien Kait Long**  
*Independent Director*

## AUDIT COMMITTEE

**Lien Kait Long**  
*Chairman*

**Chew Soo Lin**  
**Dr Lam Lee G**

## NOMINATING COMMITTEE

**Dr Lam Lee G**  
*Chairman*

**Chew Soo Lin**  
**Dato' Dr Choo Yeow Ming**

## REMUNERATION COMMITTEE

**Chew Soo Lin**  
*Chairman*

**Dr Lam Lee G**  
**Lien Kait Long**

## COMPANY SECRETARY

**Yap Wai Ming** LLB. (Hons)

## REGISTERED OFFICE

8 Robinson Road  
#03-00 ASO Building  
Singapore 048544  
Tel: (65) 6538 0779  
Fax: (65) 6438 7926

## SHARE REGISTRAR

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

## AUDITOR

**Nexia TS Public Accounting Corporation**  
80 Robinson Road  
#25-00  
Singapore 068898  
Director-in-charge: Lee Look Ling  
Appointed since financial year ended 30 June 2016

## SPONSOR

**Stamford Corporate Services Pte. Ltd.**  
10 Collyer Quay  
#27-00 Ocean Financial Centre  
Singapore 049315  
Contact person: Ng Joo Khin

## INFORMATION ON SUBSIDIARIES

Huzhou Dixi Gengdu Ecological Agriculture  
Development Co., Ltd  
Zhongfang Lianhe Grand Canal Cultural Tourism  
Group Co., Ltd  
Industry Area, Hefu Town  
Huzhou City, Zhejiang Province  
(Yang Dong Mining Area)  
313017 People's Republic of China  
Tel: (86) 57 2396 6901  
Fax: (86) 57 2396 6903

Cheery Hotel Huzhou (湖州祈悦酒店)  
No. 3 Huanhe Road, Hefu Town  
Huzhou City, Zhejiang Province  
313017 People's Republic of China  
Tel: (86) 57 2331 6666



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