

CIRCULAR DATED 18 DECEMBER 2020

THIS CIRCULAR (AS DEFINED HEREIN) IS IMPORTANT AS IT CONTAINS THE RECOMMENDATION OF THE INDEPENDENT DIRECTORS (AS DEFINED HEREIN) AND THE ADVICE OF PROVENANCE CAPITAL PTE. LTD. TO THE INDEPENDENT DIRECTORS. THIS CIRCULAR REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.

This Circular is issued by Lum Chang Holdings Limited (the “**Company**”). If you are in any doubt in relation to this Circular or as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

If you have sold or transferred all your Shares (as defined herein) held through CDP (as defined herein), you need not forward this Circular to the purchaser or transferee, as arrangements will be made by CDP for a separate Circular to be sent to the purchaser or transferee. If you have sold or transferred all your Shares which are not deposited with CDP, you should immediately forward this Circular to the purchaser, the transferee or the bank, stockbroker or agent through whom you effected the sale or transfer for onward transmission to the purchaser or the transferee.

The Singapore Exchange Securities Trading Limited assumes no responsibility for the correctness of any of the statements made, reports contained, opinions expressed or advice given in this Circular.



LUM CHANG

LUM CHANG HOLDINGS LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No. 198203949N)

CIRCULAR TO SHAREHOLDERS

in relation to the

MANDATORY UNCONDITIONAL CASH OFFER

by

UNITED OVERSEAS BANK LIMITED

(Incorporated in Singapore)
(Company Registration No.: 193500026Z)

for and on behalf of

RMDV INVESTMENTS PTE. LTD.

(Incorporated in the Republic of Singapore)
(Company Registration No. 202034272H)

to acquire the Offer Shares (as defined herein)

Independent Financial Adviser to the Independent Directors of the Company



PROVENANCECAPITAL

PROVENANCE CAPITAL PTE. LTD.

(Incorporated in the Republic of Singapore)
(Company Registration No. 200309056E)

SHAREHOLDERS SHOULD NOTE THAT THE OFFER DOCUMENT STATES THAT ACCEPTANCES SHOULD BE RECEIVED BY 5.30 P.M. (SINGAPORE TIME) ON 18 JANUARY 2021 OR SUCH LATER DATE(S) AS MAY BE ANNOUNCED FROM TIME TO TIME BY OR ON BEHALF OF THE OFFEROR.

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DEFINITIONS

Except where the context otherwise requires, the following definitions apply throughout this Circular:

GENERAL

“Act”	: The Companies Act (Chapter 50 of Singapore)
“Board”	: The board of Directors of the Company as at the Latest Practicable Date
“Business Day”	: A day (other than a Saturday, a Sunday or a gazetted public holiday) on which commercial banks are open for business in Singapore
“Circular”	: This circular to Shareholders in relation to the Offer enclosing, <i>inter alia</i> , the recommendation of the Independent Directors and the IFA Letter
“Closing Date”	: 5.30 p.m. (Singapore time) on 18 January 2021 or such later date(s) as may be announced from time to time by or on behalf of the Offeror, being the last day for the lodgement of acceptances for the Offer
“Code”	: The Singapore Code on Take-overs and Mergers
“Company Securities”	: Shares or convertible securities, warrants, options, awards or derivatives in respect of the Shares or other securities which carry voting rights in the Company
“Constitution”	: The constitution of the Company
“Convertible Securities”	: Securities convertible or exchangeable into new shares or existing shares
“CPF Agent Banks”	: Agent banks included under the CPFIS
“CPFIS”	: Central Provident Fund Investment Scheme
“CPFIS Investors”	: Investors who have purchased Shares using their CPF contributions pursuant to the CPFIS
“Derivatives”	: Includes any financial product whose value in whole or in part is determined directly or indirectly by reference to the price of an underlying security or securities
“Despatch Date”	: 4 December 2020, being the date of despatch of the Offer Document
“Directors”	: The directors of the Company as at the Latest Practicable Date
“FAA”	: The Form of Acceptance and Authorisation for Offer Shares in respect of the Offer, which is applicable to Shareholders whose Offer Shares are deposited with CDP and which forms part of the Offer Document
“FAT”	: The Form of Acceptance and Transfer for Offer Shares in respect of the Offer, which is applicable to Shareholders whose Offer Shares are registered in their own names in the Register and are not deposited with CDP and which forms part of the Offer Document

“FY”	:	Financial year ended 30 June
“IFA Letter”	:	The letter dated 18 December 2020 from Provenance Capital to the Independent Directors in relation to the Offer as set out in Appendix I to this Circular
“Independent Directors”	:	The Directors who are considered independent for the purposes of making recommendations to the Shareholders in respect of the Offer, namely Mr Tony Fong, Mr Peter Sim Swee Yam, Dr Willie Lee Leng Ghee, Mr Daniel Soh Chung Hian and Mr Andrew Chua Thiam Chwee
“Interested Person”	:	<p>As defined in the Note on Rule 24.6 of the Code and read with the Note on Rule 23.12 of the Code, an Interested Person, in relation to a company, is:</p> <ul style="list-style-type: none"> (a) a director, chief executive officer, or substantial shareholder of the company; (b) the immediate family of a director, the chief executive officer, or a substantial shareholder (being an individual) of the company; (c) the trustees, acting in their capacity as such trustees, of any trust of which a director, the chief executive officer or a substantial shareholder (being an individual) and his immediate family is a beneficiary; (d) any company in which a director, the chief executive officer or a substantial shareholder (being an individual) together and his immediate family together (directly or indirectly) have an interest of 30% or more; (e) any company that is the subsidiary, holding company or fellow subsidiary of the substantial shareholder (being a company); or (f) any company in which a substantial shareholder (being a company) and any of the companies listed in (e) above together (directly or indirectly) have an interest of 30% or more
“Latest Practicable Date”	:	8 December 2020, being the latest practicable date prior to the printing of this Circular
“Listing Manual”	:	The Listing Manual of the SGX-ST, as amended up to the Latest Practicable Date
“Market Day”	:	A day on which the SGX-ST is open for trading of securities
“Offer”	:	The mandatory unconditional cash offer made by UOB, for and on behalf of the Offeror, for all of the Offer Shares on the terms and subject to the conditions set out in the Offer Document, the FAA and the FAT, as such offer may be amended, extended and revised from time to time by or on behalf of the Offeror
“Offer Announcement”	:	The announcement of the Offer released by UOB, for and on behalf of the Offeror, on the Offer Announcement Date

“Offer Announcement Date”	: 17 November 2020
“Offer Document”	: The offer document dated 4 December 2020 issued by UOB, for and on behalf of the Offeror, including the FAA and the FAT, and any other document(s) which may be issued by or on behalf of the Offeror to amend, revise, supplement or update such document(s) from time to time
“Offer Price”	: S\$0.38 in cash for each Offer Share, as more particularly defined in Section 3.3 of the Letter to Shareholders in the Offer Document
“Offer Shares”	: All the Shares to which the Offer relates, as more particularly defined in Section 3.2 of the Letter to Shareholders in the Offer Document and described in Section 2.1 of this Circular
“Offeror Securities”	: (a) shares of the Offeror; (b) securities which carry substantially the same rights as any shares of the Offeror; and (c) Convertible Securities, Warrants, Options and Derivatives in respect of (a) or (b)
“Options”	: Options to subscribe for or purchase new shares or existing shares
“Overseas Shareholders”	: Shareholders whose addresses as shown in the Register or in the records of CDP (as the case may be) are outside Singapore
“Register”	: The register of holders of Shares, as maintained by the Registrar
“SFA”	: The Securities and Futures Act (Chapter 289 of Singapore)
“SGXNET”	: A system network used by listed companies to send information and announcements to the SGX-ST or any other system networks prescribed by the SGX-ST
“Shareholders”	: Holders of Shares as indicated on the Register and Depositors who have Shares entered against their names in the Depository Register
“Shares”	: Issued and paid-up ordinary shares in the capital of the Company
“SRS Agent Banks”	: Agent banks included under SRS
“SRS Investors”	: Investors who have purchased Shares pursuant to SRS
“Subject Properties”	: The properties of the Group at the following locations: <ul style="list-style-type: none"> (a) 12/A/B/C One Tree Hill; (b) 60 to 74 (Even Nos.) Jalan Arnap; (c) 30 & 32 Jalan Kelawar; (d) 161 subdivided parcels of residential plot comprising 124 subdivided parcels of residential detached plot and 37 subdivided parcels of residential semi-detached plot; together with a completed detached house and 7 semi-detached houses, all forming part of the housing enclave of Twin Palms Sungai Long, located within Mukim Cheras, District of Hulu Langat, Selangor Darul Ehsan; and

- (e) 9 parcels of commercial terraced plot, a parcel of residential land designated for affordable housing and 4 completed affordable apartment units categorised as Rumah Selangorku located within Mukim Cheras, District of Hulu Langat, Selangor Darul Ehsan

“S\$” and “cents”	:	Singapore dollars and cents, respectively, being the lawful currency of Singapore
“Valuation Certificates”	:	The valuation certificates in respect of the Subject Properties from the Valuers as set out in Appendix IV to this Circular
“Warrants”	:	Rights to subscribe for or purchase new shares or existing shares
“%”	:	Per centum or percentage

COMPANIES / ORGANISATIONS

“Beverian”	:	Beverian Holdings Pte. Ltd.
“Bevrian”	:	Bevrian Pte. Ltd.
“CDP”	:	The Central Depository (Pte) Limited
“Company”	:	Lum Chang Holdings Limited
“Consortium Members”	:	Mr Raymond Lum Kwan Sung, Mr David Lum Kok Seng and Ellipsiz
“CPF”	:	Central Provident Fund
“Ellipsiz”	:	Ellipsiz Ltd
“Group”	:	The Company and its subsidiaries
“Independent Auditor”	:	PricewaterhouseCoopers LLP
“LCI”	:	Lum Chang Investments Pte Ltd
“Offeror”	:	RMDV Investments Pte. Ltd.
“Provenance Capital” or “IFA”	:	Provenance Capital Pte. Ltd., the independent financial adviser to the Independent Directors in relation to the Offer
“Registrar”	:	Tricor Barbinder Share Registration Services
“SGX-ST”	:	Singapore Exchange Securities Trading Limited
“SIC”	:	Securities Industry Council of Singapore
“SRS”	:	The Supplementary Retirement Scheme
“UOB”	:	United Overseas Bank Limited
“Valuers”	:	Knight Frank Malaysia Sdn Bhd and Savills Valuation And Professional Services (S) Pte Ltd

Unless otherwise defined, the term “**acting in concert**” shall have the meaning ascribed to it in the Code.

The terms “**Depositor**” and “**Depository Register**” shall have the meanings ascribed to them respectively in Section 81SF of the SFA.

The terms “**subsidiary**” and “**related corporation**” shall have the meanings ascribed to them respectively in Section 5 and Section 6 of the Act.

Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing one (1) gender shall include the other gender. References to persons shall, where applicable, include corporations.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined in the Act, the SFA, the Listing Manual or the Code or any statutory modification thereof and used in this Circular shall, where applicable, have the meaning assigned to it under the Act, the SFA, the Listing Manual or the Code or any statutory modification thereof, as the case may be, unless the context otherwise requires.

Any reference to a time of day and date in this Circular is made by reference to Singapore time and date respectively, unless otherwise stated.

Any discrepancies in this Circular between the listed amounts and the totals thereof are due to rounding. Accordingly, figures shown as totals in this Circular may not be an arithmetic aggregation of the figures that precede them.

Statements which are reproduced in their entirety from the Offer Document, the IFA Letter and the Constitution are set out in this Circular within quotes and in italics. Capitalised terms used within these reproduced statements bear the meanings ascribed to them in the Offer Document, the IFA Letter and the Constitution respectively.

In this Circular, any reference to the total number of issued Shares is a reference to 376,688,104 issued Shares (excluding treasury shares) as at the Latest Practicable Date, unless the context otherwise requires. Unless otherwise specified, all references to a percentage shareholding in the capital of the Company in this Circular are based on 376,688,104 Shares in issue as at the Latest Practicable Date (excluding treasury shares) based on a search conducted at the Accounting and Corporate Regulatory Authority of Singapore. As at the Latest Practicable Date, there are 8,341,500 treasury shares held in the issued share capital of the Company.

Forward-looking Statements

All statements other than statements of historical facts included in this Circular are or may be forward-looking statements. Forward-looking statements include but are not limited to those using words such as “aim”, “seek”, “expect”, “anticipate”, “believe”, “estimate”, “intend”, “project”, “plan”, “strategy”, “forecast” and similar expressions or future or conditional verbs such as “if”, “will”, “would”, “should”, “could”, “may” and “might”. These statements reflect the Company’s current expectations, beliefs, hopes, intentions or strategies regarding the future and assumptions in light of currently available information. Such forward-looking statements are not guarantees of future performance or events and involve known and unknown risks and uncertainties. Accordingly, actual results may differ materially from those described in such forward-looking statements. Shareholders should not place undue reliance on such forward-looking statements, and neither the Company nor the IFA guarantees any future performance or event, or undertakes any obligation to update publicly or revise any forward-looking statements, subject to compliance with all applicable laws and regulations and/or the rules of the SGX-ST and/or any other regulatory or supervisory body or agency.

SUMMARY TIMETABLE

Date of despatch of Offer Document	:	4 December 2020
Closing Date	:	5.30 p.m. (Singapore time) on 18 January 2021, or such later date(s) as may be announced from time to time by or on behalf of the Offeror, being the last day for the lodgement of acceptances for the Offer
Date of settlement of consideration for valid acceptances of the Offer	:	Within seven (7) Business Days of the receipt of acceptances of the Offer which are complete and valid in all respects

LUM CHANG HOLDINGS LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No. 198203949N)

LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS

Board of Directors:

Mr Raymond Lum Kwan Sung
Mr David Lum Kok Seng
Mr Tony Fong
Mr Kelvin Lum Wen Sum
Mr Peter Sim Swee Yam
Dr Willie Lee Leng Ghee
Mr Daniel Soh Chung Hian
Mr Andrew Chua Thiam Chwee
Mr Clement Leow Wee Kia

Registered Office:

14 Kung Chong Road
#08-01 Lum Chang Building
Singapore 159150

18 December 2020

To : The Shareholders of the Company

Dear Sir/Madam

MANDATORY UNCONDITIONAL CASH OFFER BY UOB, FOR AND ON BEHALF OF THE OFFEROR, FOR THE OFFER SHARES

1. BACKGROUND

1.1 Offer Announcement and Unconditional Announcement

On the Offer Announcement Date, UOB announced, for and on behalf of the Offeror, that the Offeror intends to make a mandatory conditional cash offer for the Offer Shares. On 25 November 2020, UOB announced for and on behalf of the Offeror, that the Offeror has acquired such number of Shares on 25 November 2020 via open market purchases and married deals on the SGX-ST which, when taken together with Shares owned by the Offeror and parties acting in concert with it, has resulted in the Offeror and parties acting in concert with it holding such number of Shares amounting to more than 50% of the voting rights attributable to the total number of issued Shares of the Company ("**Unconditional Announcement**"). As stated in the Unconditional Announcement, the Offer has become unconditional as to acceptances and in all respects as at the time of the Unconditional Announcement on 25 November 2020.

Copies of the Offer Announcement and Unconditional Announcement are available on the website of the SGX-ST at www.sgx.com.

1.2 Offer Document

Shareholders should have by now received a copy of the Offer Document setting out, *inter alia*, the terms and conditions of the Offer. The principal terms and conditions of the Offer are set out in Section 3 of the Letter to Shareholders in the Offer Document. **Shareholders are urged to read the terms and conditions of the Offer set out in the Offer Document carefully.**

A copy of the Offer Document is available on the website of the SGX-ST at www.sgx.com.

1.3 Independent Financial Adviser

Provenance Capital has been appointed as the independent financial adviser to the Independent Directors in relation to the Offer.

1.4 Purpose of the Circular

The purpose of this Circular is to provide Shareholders with relevant information pertaining to the Offer and to set out the recommendation of the Independent Directors and the advice of Provenance Capital to the Independent Directors in relation to the Offer.

Shareholders should read the Offer Document, this Circular and the IFA Letter set out in Appendix I to this Circular carefully and consider the recommendation of the Independent Directors and the advice of Provenance Capital to the Independent Directors in relation to the Offer before deciding whether to accept or reject the Offer.

If you are in any doubt about the Offer, you should consult your stockbroker, bank manager, accountant, solicitor, tax adviser or other professional adviser immediately.

2. THE OFFER

2.1 Terms of the Offer

The Offer is made by the Offeror on the principal terms set out in Section 3 of the Letter to Shareholders in the Offer Document, details of which have been extracted from the Offer Document and are set out in italics below. All terms and expressions used in the extracts below shall have the same meanings as those defined in the Offer Document.

“3. THE OFFER

3.1 Offer Terms. *On the terms and subject to the conditions set out in this Offer Document and the Acceptance Forms, for and on behalf of the Offeror, UOB hereby makes the Offer for all the Offer Shares, in accordance with Section 139 of the SFA and the Code.*

3.2 Offer Shares. *The Offeror is making the Offer for all of the Shares in issue (excluding treasury shares) other than those Shares already owned, controlled or agreed to be acquired by the Offeror and parties acting in concert with it.*

3.3 Offer Price. *The price for each Offer Share (the “Offer Price”) is as follows:*

For each Offer Share: S\$0.38 in cash.

3.4 No Encumbrances. *The Offer Shares are to be acquired:*

(i) fully paid;

(ii) free from all Encumbrances; and

(iii) together with all rights, benefits and entitlements attached thereto as at the Announcement Date and thereafter attaching thereto, including the right to receive and retain (if any) all Distributions announced, declared, paid or made by the Company on or after the Announcement Date.

3.5 Adjustment for Distribution. *If any Distribution is announced, declared, paid or made by the Company on or after the Announcement Date to a Shareholder who accepts or has accepted the Offer and the settlement date in respect of the Shares accepted pursuant to the Offer falls after the books closure date for the determination of entitlements to such Distribution, the Offeror reserves the right to reduce the Offer Price payable to such Accepting Shareholder by the amount of such Distribution.*

3.6 Acceptance Condition. *As at the Announcement Date, the Offer was conditional on the Offeror having received, by the close of the Offer, valid acceptances (which have not been withdrawn) in respect of such number of Offer Shares which, when taken together with the Shares owned, controlled or agreed to be acquired by the Offeror and parties acting or deemed to be acting in concert with it (whether before or during the Offer and pursuant to*

*the Offer or otherwise), will result in the Offeror and parties acting or deemed to be acting in concert with it holding more than 50% of the total number of Shares in issue (excluding treasury shares) as at the close of the Offer (the “**Acceptance Condition**”). Save for the Acceptance Condition, the Offer is unconditional in all respects.*

On 25 November 2020, UOB announced for and on behalf of the Offeror, that the Offeror has acquired such number of Shares on 25 November 2020 via open market purchases and married deals on the SGX-ST which, when taken together with Shares owned by the Offeror and parties acting in concert with it, has resulted in the Offeror and parties acting in concert with it holding such number of Shares amounting to more than 50% of the voting rights attributable to the total number of issued Shares of the Company.

Accordingly, the Offer is now unconditional as to acceptances and in all respects.

3.7 Choices. Shareholders can, in relation to all or part of their Offer Shares, either:

*3.7.1 accept the Offer in respect of such Offer Shares in accordance with the procedures set out in **Appendix 2** to this Offer Document; or*

3.7.2 take no action and let the Offer lapse in respect of their Offer Shares.”

2.2 Details of the Offer

Further details on (a) the duration of the Offer, (b) the settlement of the consideration for the Offer, and (c) requirements relating to announcement of the level of acceptances of the Offer, are set out in Appendix 1 to the Offer Document.

2.3 Closing Date

The Offer Document states that the Offer will remain open for acceptances by Shareholders for at least twenty-eight (28) days from the Despatch Date, unless the Offer is withdrawn with the consent of the SIC and every person is released from any obligation incurred thereunder. Pursuant to Rule 22.6 of the Code, after an Offer has become or is declared to be unconditional as to acceptances, the Offer must remain open for acceptance for not less than 14 days after the date on which the Offer would otherwise have closed. The requirement under Rule 22.6 also applies to an offer that has become or is declared to be unconditional as to acceptances before the posting of the Offer Document. As the Offer has become unconditional as to acceptances, the closing date of the Offer will take into account an additional period of not less than fourteen (14) days.

Accordingly, the Offer will close at 5.30 p.m. (Singapore time) on 18 January 2021 or such later date(s) as may be announced from time to time by or on behalf of the Offeror.

2.4 Procedures for Acceptance

The procedures for acceptance of the Offer are set out in Appendix 2 to the Offer Document.

3. NO IRREVOCABLE UNDERTAKINGS

As set out in Section 13.3 of the Letter to Shareholders in the Offer Document, as at 30 November 2020 (being the latest practicable date prior to the printing of the Offer Document) and based on the latest information available to the Offeror, none of the Offeror and parties acting in concert with the Offeror has received any irrevocable commitment from any party to accept or reject the Offer.

4. INFORMATION ON THE OFFEROR AND THE CONSORTIUM MEMBERS

Details on the Offeror and the Consortium Members have been extracted from the Offer Document and are set out in italics below. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document.

“6. INFORMATION ON THE OFFEROR AND THE CONSORTIUM MEMBERS

6.1 The Offeror. *The Offeror, a single purpose company incorporated in Singapore on 27 October 2020, is the bid vehicle for the Consortium Members for the purpose of making the Offer pursuant to the Investors’ Agreement. The Investors’ Agreement sets out the respective rights and obligations of the Consortium Members in the Offeror.*

As at the Latest Practicable Date, the Offeror has an issued and paid-up share capital of S\$100 comprising 100 issued ordinary shares (the “Offeror Shares”), and are held as follows:

- (i) 45 of the Offeror Shares are held by Mr Raymond Lum representing 45% of the Offeror Shares in issue;*
- (ii) 45 of the Offeror Shares are held by Mr David Lum, representing 45% of the Offeror Shares in issue; and*
- (iii) 10 of the Offeror Shares are held by Ellipsiz, representing 10% of the Offeror Shares in issue.*

*As at the Latest Practicable Date, save as set out in **Appendix 6** to this Offer Document, the Offeror does not have any existing interest in the Shares.*

As at the Latest Practicable Date, the directors of the Offeror are Mr Raymond Lum, Mr David Lum and Mr Kelvin Lum.

Appendix 3 to this Offer Document sets out additional information on the Offeror.

6.2 The Consortium Members. *Mr Raymond Lum is the Executive Chairman of the Company and Mr David Lum is the Managing Director of the Company. Mr Raymond Lum and Mr David Lum are brothers. They are also the controlling shareholders of the Company. As at the Announcement Date (prior to the release of the Offer Announcement), Mr Raymond Lum and Mr David Lum collectively (directly and indirectly) own, control or have agreed to acquire an aggregate of 160,651,175 Shares (which include the Shares acquired pursuant to the Acquisition) representing approximately 42.65% of the issued share capital of the Company (excluding treasury shares).*

Ellipsiz is a company incorporated in Singapore and is listed on the Main Board of the SGX-ST. The controlling shareholder of Ellipsiz is Bevrian, which holds approximately 60.28% of the issued shares of Ellipsiz (excluding treasury shares). Mr David Lum is the sole legal and beneficial owner of Bevrian. Accordingly, 60.28% of Ellipsiz’s shares are beneficially-owned by Mr David Lum.

Mr Kelvin Lum is the Executive Director and Chief Executive Officer of Ellipsiz, and is also a Non-Independent Non-Executive Director of the Company. Mr Raymond Lum is Mr Kelvin Lum’s uncle and Mr David Lum is Mr Kelvin Lum’s father.

Appendix 4 to this Offer Document sets out additional information on Ellipsiz.

6.3 The Investors’ Agreement. *The terms of the Investors’ Agreement include the following:*

- (i) following the Offer, the subsequent sole objective of the Offeror shall be to hold the Offer Shares, and the Offeror shall not carry on any other further business;*
- (ii) the Consortium Members agreed that the aggregate price to be paid for the Offer Shares shall be funded by financing from external sources, including by way of loans and/or other credit facilities from banks and other credit-providing institutions or entities, followed by shareholders’ loans (only if required);*

- (iii) the Consortium Members shall each be entitled to appoint a representative to the board of the Offeror. As at the Latest Practicable Date, the board of directors of the Offeror comprises Mr Raymond Lum, Mr David Lum and Mr Kelvin Lum;
- (iv) subject to certain conditions, the proposed transfer(s) of the Offeror Shares by any of the Consortium Members is subject to pre-emptive and tag-along rights;
- (v) the Consortium Members have agreed upon a list of reserved matters ("**Reserved Matters**") which shall not be undertaken except with the unanimous approval or affirmative vote of all the Consortium Members; and
- (vi) each of the Consortium Members has an option, exercisable after (i) the release and discharge of all its and the Offeror's obligations under any bank financing including any and all encumbrances created in connection with such bank financing over the Shares held by the Offeror; and the earliest of (ii) the expiry of the period of one (1) year from the date of the close of the Offer, (iii) the occurrence of a deadlock event under the Investors' Agreement (which is deemed to occur where the Consortium Members, acting reasonably and in good faith, are not able to agree on any Reserved Matters within the requisite timeframe), and (iv) such other date as may be mutually agreed among the Consortium Members, to request the Offeror to distribute, in accordance with applicable law, the Shares owned by the Offeror to Consortium Members or as they may direct in accordance with their respective shareholding percentages in the Offeror by way of a dividend-in-specie and/or capital distribution and/or a repayment of the shareholders' loans given by the Consortium Members to the Offeror in kind and/or such other manner as the Consortium Members may agree."

5. RATIONALE FOR THE OFFER AND THE OFFEROR'S INTENTIONS FOR THE COMPANY

The full text of the rationale for the Offer and the Offeror's intentions for the Company has been extracted from Sections 8 and 9 of the Letter to Shareholders in the Offer Document respectively, and is reproduced below. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document.

"8. RATIONALE FOR THE OFFER

- 8.1 **Compliance with the Code.** As a result of the Acquisition, the Offeror is making the Offer in compliance with the requirements of the Code.
- 8.2 **Low Trading Liquidity.** The trading volume of the Shares has been generally low. The average daily trading volume of the Shares during the one (1)-month period, three (3)-month period, six (6)-month period and twelve (12)-month period up to and including 16 November 2020, being the last full trading day prior to the Announcement Date (the "**Last Trading Day**") are detailed in the table below.

Period up to and including the Last Trading Day	One-month	Three-month	Six-month	Twelve-month
Average daily trading volume (" ADTV ") ⁽¹⁾	76,114	215,392	134,955	114,316
ADTV as a percentage of total number of issued Shares ⁽²⁾	0.02%	0.06%	0.04%	0.03%

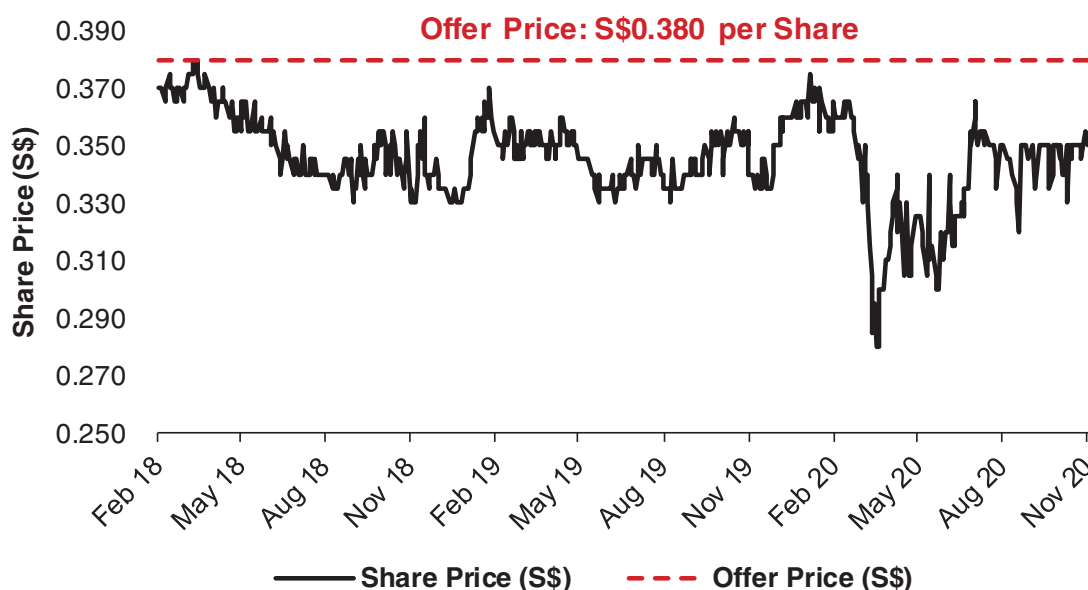
Notes:

- (1) The average daily trading volume is based on data extracted from Bloomberg L.P. and calculated using the total volume of Shares traded divided by the number of market days with respect to the relevant period prior to and including the Last Trading Day. Market day means a day on which the SGX-ST is open for trading of securities.
- (2) As a percentage of the total number of issued Shares as at the Announcement Date, comprising 376,688,104 Shares (excluding 8,341,500 treasury shares).

- 8.3 **Opportunity for Shareholders to realise their investment in the shares at a premium.**
As set out in **Section 11** of this Offer Document, the Offer Price represents a premium of approximately 8.6% over the last traded price per Share as at the Last Trading Day and a premium of approximately 8.6%, 8.6%, 8.9% and 10.1% over the volume weighted average price (“VWAP”) per Share for the one (1)-month, three (3)-month, six (6)-month and twelve (12)-month periods up to and including the Last Trading Day, respectively.



The Offer Price also exceeds the highest closing price of the Shares in over 2.5 years preceding the Last Trading Day.



The Offer presents Shareholders with a cash exit opportunity to realise their entire investment in the Shares at a premium over the prevailing trading prices of the Shares without incurring brokerage and other trading costs.

9. THE OFFEROR'S INTENTIONS FOR THE COMPANY

The Offeror may, following the close of the Offer, conduct a review of the business of the Group.

The Offeror intends for the Company to continue with its existing activities and has no intention to (i) introduce any major changes to the business of the Group; (ii) re-deploy the fixed assets of the Group; or (iii) discontinue the employment of any of the existing employees of Group, other than in the ordinary course of business. However, the Offeror retains the flexibility at any time to consider any options in relation to the Group which may present themselves and which the Offeror may regard to be in its interest.”

6. THE OFFEROR'S INTENTIONS REGARDING LISTING STATUS AND COMPULSORY ACQUISITION

The full text of the Offeror's intentions relating to the listing status and compulsory acquisition of the Company has been extracted from Section 10 of the Letter to Shareholders in the Offer Document, and is reproduced below. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document.

"10. LISTING STATUS AND COMPULSORY ACQUISITION

- 10.1 Listing Status.** *Under Rule 1105 of the Listing Manual, upon the announcement by the Offeror that valid acceptances have been received pursuant to the Offer that bring the holdings owned by the Offeror and the parties acting in concert with it to above 90% of the total number of issued Shares (excluding treasury shares), the SGX-ST may suspend the trading of the Shares on the SGX-ST until such time as it is satisfied that at least 10% of the total number of issued Shares (excluding treasury shares) are held by at least 500 Shareholders who are members of the public.*

Under Rule 1303(1) of the Listing Manual, where the Offeror succeeds in garnering acceptances exceeding 90% of the total number of issued Shares (excluding treasury shares), thus causing the percentage of the total number of issued Shares (excluding treasury shares) held in public hands to fall below 10%, the SGX-ST will suspend trading of the Shares only at the close of the Offer.

Rule 723 of the Listing Manual requires the Company to ensure that at least 10% of the total number of issued Shares (excluding treasury shares) is at all times held by the public. In addition, under Rule 724(1) of the Listing Manual, if the percentage of the total number of issued Shares (excluding treasury shares) held in public hands falls below 10%, the Company must, as soon as practicable, announce that fact and the SGX-ST may suspend the trading of all the Shares. Rule 724(2) of the Listing Manual further states that the SGX-ST may allow the Company a period of three (3) months, or such longer period as the SGX-ST may agree, to raise the percentage of Shares in public hands to at least 10%, failing which the Company may be delisted from the SGX-ST.

It is the current intention of the Offeror to maintain the listing status of the Company on the SGX-ST following completion of the Offer. In the event that the percentage of Shares (excluding treasury shares) held in public hands falls below 10% and the SGX-ST suspends trading of the Shares, the Offeror intends to undertake and/or support any action as may be necessary for any such trading suspension by the SGX-ST to be lifted.

However, the Offeror reserves the right to re-evaluate its position, taking into account, among other things, the level of acceptances received by the Offeror and the prevailing market conditions at the relevant time. Accordingly, there is no assurance that the Offeror will take steps to preserve the listing status of the Company on the SGX-ST if the percentage of Shares (excluding treasury shares) held in public hands falls below 10%.

- 10.2 Compulsory Acquisition Rights.** *Pursuant to Section 215(1) of the Companies Act, if the Offeror receives valid acceptances of the Offer and/or acquires such number of Offer Shares from the date of the despatch of the Offer Document otherwise than through valid acceptances of the Offer in respect of not less than 90% of the total number of issued Shares (excluding treasury shares and other than those already held by the Offeror, its related corporations or their respective nominees as at the date of the Offer) ("**Section 215(1) Threshold**") , the Offeror will be entitled to exercise the right to compulsorily acquire all the Shares of Shareholders who have not accepted the Offer ("**Dissenting Shareholders**") on the same terms as those offered under the Offer.*

Further, pursuant to Section 215(3) of the Companies Act, Dissenting Shareholders have the right to require the Offeror to acquire their Shares at the Offer Price in the event that the Offeror, its related corporations or their respective nominees acquire, pursuant to the Offer, such number of Shares which, together with the Shares held by the Offeror, its related corporations or their respective nominees, comprise 90% or more of the total number of issued Shares ("**Section 215(3) Threshold**").

10.3 No Entitlement to Compulsory Acquisition. As at the Announcement Date (prior to the release of the Offer Announcement), concert parties of the Offeror own, control or have agreed to acquire an aggregate of 160,846,175 Shares (which include the Shares acquired pursuant to the Acquisition) representing approximately 42.70% of the issued share capital of the Company (excluding treasury shares). On the basis that the Offer is not extended to parties acting in concert with the Offeror:

- (i) the Section 215(1) Threshold will not be met pursuant to the Offer and the Offeror will therefore not be entitled to exercise its right of compulsory acquisition under Section 215(1) of the Companies Act to compulsorily acquire all the Offer Shares not acquired under the Offer; and
- (ii) the Section 215(3) Threshold will not be met pursuant to the Offer and Dissenting Shareholders will therefore not be entitled to require the Offeror to acquire their Offer Shares under Section 215(3) of the Companies Act."

7. DIRECTORS' INTERESTS

Details of the Directors including, *inter alia*, the Directors' direct and deemed interests in Shares and shares in the Offeror as at the Latest Practicable Date are set out in Appendix II to this Circular.

8. ADVICE AND RECOMMENDATION IN RELATION TO THE OFFER

Provenance Capital has been appointed as the IFA to the Independent Directors in relation to the Offer.

Shareholders should read and consider carefully the recommendation of the Independent Directors and the advice of the IFA to the Independent Directors in relation to the Offer in their entirety before deciding whether to accept or reject the Offer.

8.1 Independence of Directors

- (a) Mr Raymond Lum Kwan Sung ("**Mr Raymond Lum**") owns 45% of the issued and paid-up share capital of the Offeror (the "**Offeror Shares**") in issue, and is also a director of the Offeror;
- (b) Mr David Lum Kok Seng ("**Mr David Lum**") owns 45% of the issued and paid-up share capital of the Offeror (the "**Offeror Shares**") in issue, and is also a director of the Offeror. Mr David Lum is also the sole and legal beneficial owner of Bevrian, which holds approximately 60.28% of the issued shares of Ellipsiz;
- (c) Mr Kelvin Lum Wen Sum ("**Mr Kelvin Lum**") is the Executive Director and Chief Executive Officer of Ellipsiz. Mr Raymond Lum is Mr Kelvin Lum's uncle and Mr David Lum is Mr Kelvin Lum's father; and
- (d) Mr Clement Leow Wee Kia ("**Mr Clement Leow**") is an independent director of Ellipsiz, which is a member of the consortium that is undertaking the Offer through the Offeror,

(Mr Raymond Lum, Mr David Lum, Mr Kelvin Lum and Mr Clement Leow collectively, the "**Non-Independent Directors**").

The SIC had on 3 December 2020, confirmed, *inter alia*, that the Non-Independent Directors are exempted from the requirement under Rule 8.3 of the Code to make a recommendation on the Offer to Shareholders as they would face, or may reasonably be perceived to face, a conflict of interest, that would render it inappropriate for each of them to join the remainder of the Directors in making a recommendation on the Offer to Shareholders. Each of the Non-Independent Directors must, however, still assume responsibility for the accuracy of the facts stated or opinions expressed in documents and advertisements issued by, or on behalf of, the Company in connection with the Offer.

All the Independent Directors consider themselves independent for the purposes of making a recommendation to Shareholders in respect of the Offer.

8.2 Evaluation of the Offer by the IFA and the IFA's Advice to the Independent Directors on the Offer

The IFA Letter setting out the advice of the IFA to the Independent Directors in relation to the Offer is set out in Appendix I to this Circular.

The advice and recommendation of the IFA to the Independent Directors in relation to the Offer has been extracted from the IFA Letter and is set out below. Shareholders should read the following extract in conjunction with, and in the context of, the full text of the IFA Letter. All terms and expressions used in the extract below shall have the same meanings as those defined in the IFA Letter.

"8. OUR RECOMMENDATION TO THE INDEPENDENT DIRECTORS ON THE OFFER

In arriving at our recommendation in respect of the Offer, we have taken into account, reviewed and deliberated on the following key considerations which we considered to be pertinent in our assessment of the Offer:

- (a) Market quotation and trading activity of the Shares;*
- (b) Financial analysis of the Group;*
- (c) Comparison of valuation ratios of selected listed companies which are broadly comparable to the Group;*
- (d) Comparison with precedent takeover offers of selected SGX-ST listed companies involved in property related businesses;*
- (e) Estimated valuation of the Shares;*
- (f) Dividend track record of the Company; and*
- (g) Other relevant considerations in relation to the Offer.*

Based on our analysis and after having considered carefully the information available to us as at the Latest Practicable Date, overall, we are of the view that the financial terms of the Offer are not fair and not reasonable. Accordingly, we advise the Independent Directors to recommend Shareholders to REJECT the Offer.

In rendering the above advice, we have not given regard to the specific investment objectives, financial situation, tax position, risk profiles or particular needs and constraints of any individual Shareholder. As each individual Shareholder may have different investment objectives and profiles, we would advise that any individual Shareholder who may require specific advice in relation to his investment objectives or portfolio should consult his legal, financial, tax or other professional adviser immediately. The Independent Directors should advise Shareholders that the opinion and advice of Provenance Capital should not be relied upon by any Shareholder as the sole basis for deciding whether or not to accept the Offer.

Our recommendation on the Offer is addressed to the Independent Directors for their benefit, in connection with and for the purposes of their consideration of the Offer, and may not be used or relied on for any other purposes (other than for the purpose of the Offer) without the prior written consent of Provenance Capital. The recommendation to be made by the Independent Directors to Shareholders in respect of the Offer respectively shall remain the responsibility of the Independent Directors.

This Letter is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters stated herein and does not apply by implication to any other matter.”

Shareholders should read and consider carefully the key considerations relied upon by the IFA in arriving at its advice to the Independent Directors in conjunction with, and in the context of, the full text of the IFA Letter.

8.3 Recommendation of the Independent Directors

The Independent Directors have reviewed and considered carefully the terms of the Offer and the advice given by the IFA in the IFA Letter. The Independent Directors **concur** with the IFA’s assessment of the Offer and their advice and recommendation thereon, as extracted from the IFA Letter and reproduced in paragraph 8.2 above. Accordingly, the Independent Directors recommend that Shareholders **reject** the Offer.

For reference only, an extract of the IFA’s advice and recommendation is set out in italics below, which should be considered in the context of the entirety of the IFA Letter and this Circular.

“Based on our analysis and after having considered carefully the information available to us as at the Latest Practicable Date, overall, we are of the view that the financial terms of the Offer are not fair and not reasonable. Accordingly, we advise the Independent Directors to recommend Shareholders to REJECT the Offer.”

Shareholders are advised to read the terms and conditions of the Offer Document carefully. Shareholders are advised to read the IFA Letter set out in Appendix I to this Circular carefully before deciding whether to accept or reject the Offer. Shareholders should note that the IFA’s advice to the Independent Directors in relation to the Offer should not be relied upon by any Shareholder as the sole basis for deciding whether to accept or reject the Offer.

In making their recommendations, the Independent Directors have not had regard to the specific investment objectives, financial situation, tax status, risk profiles or unique needs and constraints of any individual Shareholder. Accordingly, the Independent Directors recommend that any individual Shareholder who may require advice in the context of his specific investment portfolio should consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

9. OVERSEAS SHAREHOLDERS

Overseas Shareholders should refer to Section 14 of the Letter to Shareholders in the Offer Document, which is reproduced below. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document.

“14. OVERSEAS SHAREHOLDERS

14.1 Overseas Shareholders. *This Offer Document, the relevant Acceptance Forms and/or any related documents do not constitute an offer to sell or buy any security, nor is it a solicitation of any vote or approval in any jurisdiction, nor shall there be any sale, issuance or transfer of the securities referred to in this Offer Document, the relevant Acceptance Forms and/or any related documents in any jurisdiction in contravention of applicable law.*

For the avoidance of doubt, the Offer is open to all Shareholders, including those to whom this Offer Document, the relevant Acceptance Forms and/or any related documents may not be sent.

The availability of the Offer to Shareholders whose addresses as shown in the Register or in the records of CDP (as the case may be) are outside Singapore (collectively, “**Overseas Shareholders**”) may be affected by the laws of the relevant overseas jurisdictions. Accordingly, Overseas Shareholders should inform themselves about, and observe, any applicable legal requirements in their own jurisdictions.

14.2 Copies of Documents. Where there are potential restrictions on sending this Offer Document, the relevant Acceptance Forms and/or any related documents to any overseas jurisdictions, the Offeror and UOB each reserves the right not to send this Offer Document, the relevant Acceptance Forms and/or any related documents to such overseas jurisdictions. Any affected Overseas Shareholder may nonetheless obtain copies of this Offer Document, the relevant Acceptance Forms and/or any related documents during normal business hours and up to the Closing Date from (i) CDP (if he is a Depositor) by submitting a request to CDP via phone (+65 6535 7511) or email services (asksgx@sgx.com); or (ii) the office of the Receiving Agent (if he is holding Shares which are not deposited with CDP (“**in scrip form**”)) at **80 Robinson Road #11-02 Singapore 068898**. Alternatively, an affected Overseas Shareholder may, subject to compliance with applicable laws, write to CDP (if he is a Depositor) at **Robinson Road Post Office, P.O. Box 1984, Singapore 903934**, or the Receiving Agent (if he is holding Shares in scrip form) at **80 Robinson Road #11-02 Singapore 068898** to request for this Offer Document, the relevant Acceptance Forms and/or any related documents to be sent to an address in Singapore by ordinary post at his own risk, up to five (5) Market Days prior to the Closing Date.

14.3 Overseas Jurisdiction. It is the responsibility of any Overseas Shareholder who wishes to (i) request for this Offer Document, the relevant Acceptance Forms and/or any related documents and (ii) accept the Offer to satisfy himself as to the full observance of the laws of the relevant jurisdictions in that connection, including the obtaining of any governmental or other consent which may be required, or compliance with other necessary formalities or legal requirements. Such Overseas Shareholder shall be liable for any such taxes, imposts, duties or other requisite payments payable in such jurisdictions and the Offeror, UOB, CDP, the Receiving Agent and/or any other person acting on its behalf shall be fully indemnified and held harmless by such Overseas Shareholder for any such taxes, imposts, duties or other requisite payments as the Offeror, UOB, CDP, the Receiving Agent and/or any other person acting on its behalf may be required to pay. In (i) requesting for this Offer Document, the relevant Acceptance Forms and/or any related documents and (ii) accepting the Offer, the Overseas Shareholder represents and warrants to the Offeror and UOB that he is in full observance of the laws of the relevant jurisdiction in that connection, and that he is in full compliance with all necessary formalities or legal requirements. If any Shareholder is in any doubt about his position, he should consult his professional adviser in the relevant jurisdiction.

14.4 Notice. The Offeror and UOB each reserves the right to notify any matter, including the fact that the Offer has been made, to any or all of the Shareholders (including Overseas Shareholders) by announcement to the SGX-ST or paid advertisement in a daily newspaper published and circulated in Singapore, in which case, such notice shall be deemed to have been sufficiently given notwithstanding any failure by any Shareholder (including an Overseas Shareholder) to receive or see such announcement or advertisement.”

10. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who wish to accept the Offer, must do so not later than 5.30 p.m. (Singapore time) on 18 January 2021 or such later date(s) as may be announced from time to time by or on behalf of the Offeror and should follow the procedures as set out in Appendix 2 to the Offer Document and in the accompanying FAA and/or FAT (as applicable).

Shareholders who do not wish to accept the Offer need not take further action in respect of the Offer Document, the FAA and/or the FAT which have been sent to them.

11. INFORMATION PERTAINING TO CPFIS INVESTORS AND SRS INVESTORS

Section 15.2 of the Letter to Shareholders in the Offer Document sets out information pertaining to CPFIS Investors and SRS Investors, details of which have been extracted from the Offer Document and are set out in italics below. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document.

“15.2 Information Relating to CPFIS Investors and SRS Investors. CPFIS Investors and SRS Investors should receive further information on how to accept the Offer from their respective CPF Agent Banks and SRS Agent Banks. CPFIS Investors and SRS Investors are advised to consult their respective CPF Agent Banks and SRS Agent Banks should they require further information, and if they are in any doubt as to the action they should take, CPFIS Investors and SRS Investors should seek independent professional advice. CPFIS Investors and SRS Investors who wish to accept the Offer are to reply to their respective CPF Agent Banks and SRS Agent Banks by the deadline stated in the letter from their respective CPF Agent Banks and SRS Agent Banks, which may be earlier than the Closing Date.

CPFIS Investors and SRS Investors who validly accept the Offer through appropriate intermediaries will receive the Offer Price payable in respect of their Offer Shares in their respective CPF investment accounts and SRS investment accounts.”

12. DIRECTORS' RESPONSIBILITY STATEMENT

The directors of the Company (including those who may have delegated detailed supervision of this Circular) have taken all reasonable care to ensure that the facts stated and all opinions expressed herein (other than the IFA Letter for which the IFA has taken responsibility) are fair and accurate and that no material facts have been omitted from this Circular, the omission of which would make any statement in this Circular (other than the IFA Letter for which the IFA has taken responsibility) misleading.

Where any information in this Circular (other than the IFA Letter for which the IFA has taken responsibility) has been extracted or reproduced from published or otherwise publicly available sources or obtained from the Offeror (including, without limitation, the Offer Announcement and the Offer Document), the sole responsibility of the Directors has been to ensure, through reasonable enquiries, that such information is accurately extracted from such sources or, as the case may be, accurately reflected or reproduced herein.

The Directors jointly and severally accept responsibility accordingly.

Yours faithfully
For and on behalf of the Board

Mr Tony Fong
Executive Director

LETTER FROM PROVENANCE CAPITAL PTE. LTD. TO THE INDEPENDENT DIRECTORS IN RELATION TO THE OFFER

PROVENANCE CAPITAL PTE. LTD.

(Company Registration Number: 200309056E)
(Incorporated in the Republic of Singapore)
96 Robinson Road #13-01 SIF Building
Singapore 068899

18 December 2020

To: The Independent Directors of Lum Chang Holdings Limited
(who are deemed independent in respect of the Offer)

Mr Tony Fong	(Executive Director)
Mr Peter Sim Swee Yam	(Lead Independent Director)
Dr Willie Lee Leng Ghee	(Independent Director)
Mr Daniel Soh Chung Hian	(Independent Director)
Mr Andrew Chua Thiam Chwee	(Independent Director)

Dear Sirs,

MANDATORY UNCONDITIONAL CASH OFFER FOR LUM CHANG HOLDINGS LIMITED

Unless otherwise defined or the context otherwise requires, all terms used herein have the same meanings as defined in the circular to the shareholders of Lum Chang Holdings Limited (“Shareholders”) dated 18 December 2020 (“Circular”). The latest practicable date as referred to in the Circular and for the purpose of this letter (“Letter”) is 8 December 2020 (“Latest Practicable Date”).

1. INTRODUCTION

1.1 Announcement of mandatory conditional offer

On 17 November 2020 (“Offer Announcement Date”), United Overseas Bank Limited (“UOB”) announced (“Offer Announcement”), for and on behalf of RMDV Investments Pte. Ltd. (“Offeror”), that the Offeror intends to make a mandatory conditional cash offer (“Offer”) for all the issued ordinary shares (“Shares”) (excluding treasury shares) in the capital of Lum Chang Holdings Limited (“Company”), other than those Shares already owned, controlled or agreed to be acquired by the Offeror and parties acting in concert with it (“Offer Shares”).

The Offer is made at the offer price of **S\$0.38 in cash** for each Offer Share (“Offer Price”).

The Offeror is the bid vehicle for the Consortium Members (as defined below) who have agreed, pursuant to an investors’ agreement among the Consortium Members (“Investors’ Agreement”), to undertake the Offer through the Offeror. The Consortium Members are Mr Raymond Lum Kwan Sung (“Mr Raymond Lum”), Mr David Lum Kok Seng (“Mr David Lum”) and Ellipsiz Ltd (“Ellipsiz”) (collectively, the “Consortium Members”).

Mr Raymond Lum and Mr David Lum, who are the Executive Chairman and Managing Director of the Company respectively, are also the controlling shareholders of the Company holding an aggregate shareholding interest of 42.65% of the Company as at the Offer Announcement Date. Ellipsiz is a company listed on the Main Board of the Singapore Exchange Securities Trading Limited (“SGX-ST”). Mr David Lum has an indirect shareholding interest of 60.28% of Ellipsiz. Mr Kelvin Lum Wen-Sum (“Mr Kelvin Lum”) is the Executive Director and Chief Executive Officer of Ellipsiz, and is also a Non-Independent Non-Executive Director of the Company. He is a nephew of Mr Raymond Lum and a son of Mr David Lum.

On the Offer Announcement Date, Beverian Holdings Pte. Ltd. (“Beverian”), a company controlled by Mr David Lum, acquired an aggregate of 791,800 Shares in the open market on the SGX-ST, representing 0.21% of the issued Shares (excluding treasury shares), at the highest price of S\$0.37 per Share (“Acquisition”). As a consequence of the Acquisition, the

Offeror, a concert party of Beverian, is making the Offer for all the Offer Shares pursuant to Rule 14.1(b) of the Singapore Code on Take-overs and Mergers ("**Code**").

The Offer will be conditional upon the Offeror having received, by the close of the Offer, valid acceptances in respect of such number of Offer Shares which, when taken together with Shares owned, controlled or agreed to be acquired by the Offeror and parties acting in concert with it, will result in the Offeror and parties acting in concert with it holding more than 50% of the total number of Shares in issue (excluding any treasury shares) as at the close of the Offer ("**Acceptance Condition**").

1.2 Announcement of Offer becoming unconditional

On 25 November 2020, UOB announced, for and on behalf of the Offeror, that the Offeror has acquired a further 9,299,700 Shares up to the time of the announcement on 25 November 2020 via open market purchases and married deals on the SGX-ST at S\$0.38 per Share ("**Acquired Shares**"). As at 25 November 2020, the total number of Shares owned, controlled or agreed to be acquired by the Offeror and parties acting in concert with it amounted to an aggregate of 195,057,775 Shares, representing 51.78% of the total number of Shares.

The issued share capital of the Company consists of 376,688,104 Shares (excluding 8,341,500 treasury shares).

The Acquired Shares, when taken together with the Shares owned by the Offeror and parties acting in concert with it, has resulted in the Offeror and parties acting in concert with it holding more than 50% of the total number of Shares in issue (excluding treasury shares) of the Company. **Accordingly, the Offer has been declared to be unconditional as to acceptances and in all respects on 25 November 2020.**

On 4 December 2020, the Offeror announced that the formal offer document dated 4 December 2020 ("**Offer Document**") has been despatched to Shareholders. Electronic copies of the Offer Document are available on the SGXNET.

Based on publicly available information as at the Latest Practicable Date, the total number of (a) Shares owned, controlled or agreed to be acquired by the Offeror and parties acting in concert with it; (b) valid acceptances of the Offer, amounted to an aggregate of 200,538,020 Shares, representing 53.24% of the total number of issued Shares (excluding treasury shares).

1.3 Our role as Independent Financial Adviser in relation to the Offer

In connection with the Offer, the Company has appointed Provenance Capital Pte. Ltd. ("**Provenance Capital**") as the independent financial adviser ("**IFA**") to the directors of the Company who are considered independent in respect of the Offer, for the purpose of making their recommendation to Shareholders in relation to the Offer.

As at the Latest Practicable Date, the Board of Directors of the Company ("**Directors**") comprises:

- | | | |
|-----|--|--|
| (a) | Mr Raymond Lum | (Executive Chairman) |
| (b) | Mr David Lum | (Managing Director) |
| (c) | Mr Tony Fong | (Executive Director) |
| (d) | Mr Kelvin Lum | (Non-Independent Non-Executive Director) |
| (e) | Mr Peter Sim Swee Yam (" Mr Peter Sim ") | (Lead Independent Director) |
| (f) | Dr Willie Lee Leng Ghee (" Dr Willie Lee ") | (Independent Director) |
| (g) | Mr Daniel Soh Chung Hian (" Mr Daniel Soh ") | (Independent Director) |
| (h) | Mr Andrew Chua Thiam Chwee (" Mr Andrew Chua ") | (Independent Director) |
| (i) | Mr Clement Leow Wee Kia (" Mr Clement Leow ") | (Independent Director) |

Mr Raymond Lum, Mr David Lum and Mr Kelvin Lum are also directors of the Offeror. In view of their irreconcilable conflicts of interest in the Offer, the Securities Industry Council ("**SIC**")

has confirmed that Mr Raymond Lum, Mr David Lum and Mr Kelvin Lum are exempted from the requirements to make a recommendation to Shareholders on the Offer.

Mr Clement Leow is an independent director of both the Company and Ellipsiz. In order to avoid any potential conflicts of interest that he would face, or be reasonably perceived to face by reason of his directorship on both boards, the SIC has confirmed that Mr Clement Leow is exempted from the requirements to make a recommendation to Shareholders on the Offer.

Accordingly, the remaining Directors, namely, Mr Tony Fong, Mr Peter Sim, Dr Willie Lee, Mr Daniel Soh and Mr Andrew Chua are deemed independent in respect of the Offer ("**Independent Directors**").

This Letter is therefore addressed to the Independent Directors and sets out, *inter alia*, our evaluation of the financial terms of the Offer and our recommendations on the Offer. This Letter forms part of the Circular which provides, *inter alia*, details of the Offer and the recommendations of the Independent Directors to the Shareholders on the Offer.

2. TERMS OF REFERENCE

Provenance Capital has been appointed as the IFA to advise the Independent Directors in respect of their recommendations to Shareholders in relation to the Offer.

We have confined our evaluation and assessment to the financial terms of the Offer, and have not taken into account the commercial risks or commercial merits of the Offer. In addition, we have not been requested to, and we do not express any advice or give any opinion on the merits of the Offer relative to any other alternative transaction. We were not involved in the negotiations pertaining to the Offer nor were we involved in the deliberations leading up to the decision to put forth the Offer to the Shareholders.

The scope of our appointment does not require us to express, and we do not express, any view on the future growth prospects, financial position or earnings potential of the Company and its subsidiaries ("**Group**"). Such evaluation or comments remain the responsibility of the Directors although we may draw upon their views or make such comments in respect thereof (to the extent deemed necessary or appropriate by us) in arriving at our opinion. The opinion set forth herein is based solely on publicly available information as well as information provided by the Directors and the management of the Group ("**Management**"), and is predicated upon the economic and market conditions prevailing as at the Latest Practicable Date. This Letter therefore does not reflect any projections on the future financial performance of the Group and we do not express any views as to the prices at which the Shares may trade after the close of the Offer.

We have not been requested or authorised to solicit, and we have not solicited, any indications of interest from any third party with respect to the Shares. In this regard, we have not addressed the relative merits of the Offer in comparison with any alternative transaction the Company may consider in the future. Therefore, we do not express any views in these areas in arriving at our recommendation.

In formulating our opinion and recommendation, we have held discussions with the Directors and Management and have relied to a considerable extent on the information set out in the Circular, other public information collated by us and the information, representations, opinions, facts and statements provided to us, whether written or verbal, by the Company and its other professional advisers. Whilst care has been exercised in reviewing the information we have relied upon, we have not independently verified the information both written and verbal and accordingly cannot and do not make any representation or warranty, expressly or impliedly, in respect of, and do not accept any responsibility for, the accuracy, completeness or adequacy of such information. Nonetheless, we have made reasonable enquiries and exercised our judgement on the reasonable use of such information and have found no reason to doubt the accuracy or reliability of such information.

We have not made an independent evaluation or appraisal of the assets and liabilities of the Company and/or the Group (including without limitation, the Group's investment and development properties, properties held for sale, leasehold land and buildings which are classified under property, plant and equipment).

However, in connection with the Offer, the Company has commissioned the valuers ("**Valuers**") to carry out independent market valuations of the Group's main properties held for sale and development properties.

These Valuers are:

- (a) Knight Frank Malaysia Sdn Bhd ("**Knight Frank**"); and
- (b) Savills Valuation and Professional Services (S) Pte Ltd ("**Savills**").

Copies of their valuation certificates are attached as Appendix IV to the Circular.

Management has informed us that for the purpose of the Company's financial reporting for the financial year ended 30 June 2020 ("**FY2020**"), the Group's investment properties have been fair valued for reporting purposes for FY2020. In this regard, for the purpose of the Offer, the Company has obtained confirmations from the respective valuers for the main investment properties that the market valuation remains valid and unchanged for the purpose of the Offer and the valuation methodologies used for the valuation do not vary due to the different purposes of the valuation.

We are not experts in the evaluation or appraisal of the assets concerned and we have placed sole reliance on the independent valuations by the Valuers for such asset appraisal and have not made any independent verification of the contents thereof. In particular, we do not assume any responsibility to enquire about the basis of the valuation contained in their valuation certificates or if the contents thereof have been prepared and/or included in the Circular in accordance with all applicable regulatory requirements including the Code.

The information we have relied on in the assessment of the Offer was based on market, economic, industry, monetary and other conditions prevailing as at the Latest Practicable Date, which may change significantly over a relatively short period of time. We assume no responsibility to update, revise or reaffirm our opinion or assumptions in light of any subsequent development after the Latest Practicable Date that may affect our opinion or assumptions contained herein. Shareholders should take note of any announcements relevant to their consideration of the Offer which may be released or published after the Latest Practicable Date.

In rendering our advice and giving our recommendation, we have not considered the specific investment objectives, financial situation, tax position, risk profiles or particular needs and constraints of any Shareholder. As each Shareholder may have different investment profiles and objectives, we advise the Directors to recommend that any Shareholder who may require specific advice in relation to his investment portfolio should consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

The Company has been separately advised by its own professional advisers in the preparation of the Circular. We have no role or involvement and have not and will not provide any advice (financial or otherwise) in the preparation, review and verification of the Circular. Accordingly, we take no responsibility for and express no view, whether expressed or implied, on the contents of the Circular (other than this Letter).

Whilst a copy of this Letter may be reproduced in the Circular, neither the Company, the Directors nor any Shareholder may reproduce, disseminate or quote this Letter (or any part thereof) for any purpose, other than for the purpose of the Offer, at any time and in any manner, without the prior written consent of Provenance Capital in each specific case.

Our opinion is addressed to the Independent Directors for their benefit and deliberation of the Offer. Their recommendation made to the Shareholders in relation to the Offer shall remain the responsibility of the Independent Directors.

Our recommendation to the Independent Directors in relation to the Offer should be considered in the context of the entirety of this Letter and the Circular.

Responsibility Statement by the Directors

The Directors have confirmed that, to the best of their knowledge and belief, all material information relating to the Company and the Group provided to us in connection with the Offer, is true, complete and accurate in all material respects and there is no other information or fact, the omission of which would cause any information disclosed to us or the facts of or in relation to the Offer to be inaccurate, incomplete or misleading in any material respect. The Directors jointly and severally accept responsibility accordingly.

3. THE OFFER

The detailed terms and conditions of the Offer are set out in Section 3 and Appendices 1 and 2 to the Offer Document. The key terms of the Offer are set out below for your reference:

3.1 Offer Shares

The Offer is made for all the Shares in issue (excluding treasury shares) other than those Shares already owned, controlled or agreed to be acquired by the Offeror and parties acting in concert with it.

3.2 Offer Price

The Offer Price for each Offer Share is **S\$0.38 in cash**.

3.3 No Encumbrances

The Offer Shares will be acquired:

- (a) fully paid;
- (b) free from all Encumbrances (as defined in the Offer Document); and
- (c) together with all rights, benefits and entitlements attached thereto as at the Offer Announcement Date and thereafter attaching thereto, including the right to receive and retain (if any) all dividends, rights, other distributions and/or return of capital (collectively, “**Distribution**”) announced, declared, paid or made by the Company on or after the Offer Announcement Date.

3.4 Adjustments for Distribution

If any Distribution is announced, declared, paid or made by the Company on or after the Offer Announcement Date to a Shareholder who accepts or has accepted the Offer and the settlement date in respect of the Shares accepted pursuant to the Offer falls after the books closure date for the determination of entitlements to such Distribution, the Offeror reserves the right to reduce the Offer Price payable to such accepting Shareholder by the amount of such Distribution.

Since the Offer Announcement Date and up to the Latest Practicable Date, we note that the Company has not made or declared any Distribution.

3.5 Unconditional Offer

The Offer has been declared to be unconditional in all respects on 25 November 2020.

3.6 Duration of the Offer

The duration of the Offer is set out in Appendix 1 to the Offer Document and extracted below for your reference:

- “1.1 First Closing Date.** As stated in the Offer Announcement, the Offer will remain open for acceptances by Shareholders for at least twenty-eight (28) days from the Despatch Date, unless the Offer is withdrawn with the consent of the SIC and every person is released from any obligation incurred thereunder. Pursuant to Rule 22.6 of the Code, after an Offer has become or is declared to be unconditional as to acceptances, the Offer must remain open for acceptance for not less than fourteen (14) days after the date on which the Offer would otherwise have closed. The requirement under Rule 22.6 also applies to an offer that has become or is declared to be unconditional as to acceptances before the posting of the Offer Document. As the Offer has become unconditional as to acceptances, the closing date of the Offer will take into account an additional period of not less than fourteen (14) days. **Accordingly, the Offer will close at 5.30 p.m. (Singapore time) on 18 January 2021 or such later date(s) as may be announced from time to time by or on behalf of the Offeror.**
- 1.2 Subsequent Closing Date(s).** The Offeror is not obliged to extend the Offer beyond the first Closing Date. However, if the Offer is extended beyond the first Closing Date, the announcement of the extension need not state the next Closing Date but may state that the Offer will remain open until further notice. In such a case, the Offeror must give Shareholders, as the case may be, who have not accepted the Offer at least fourteen (14) days’ prior notice in writing before it may close the Offer.
- 1.3 Revision.** The Offeror reserves the right to revise the terms of the Offer at such time and in such manner as it may consider appropriate. Pursuant to Rule 20.1 of the Code, the terms of the Offer, if revised, will remain open for acceptance for a period of at least fourteen (14) days from the date of despatch of the written notification of the revision to Shareholders. In any case, where the terms are revised, the benefit of the Offer (as so revised) will be made available to each of the Shareholders including those who had previously accepted the Offer.”

3.7 Further details of the Offer

Further details of the Offer, including details on (a) the settlement of the consideration for the Offer; (b) the requirements relating to the announcement(s) of the level of acceptances of the Offer; and (c) procedures for acceptance of the Offer are set out in Appendices 1 and 2 to the Offer Document.

4. INFORMATION ON THE OFFEROR AND PARTIES ACTING IN CONCERT WITH IT

- 4.1** The Offeror, a single purpose company incorporated in Singapore on 27 October 2020, is the bid vehicle for the Consortium Members for the purpose of making the Offer pursuant to the Investors’ Agreement. The Investors’ Agreement sets out the respective rights and obligations of the Consortium members in the Offeror.

The issued share capital of the Offeror is S\$100 comprising 100 issued ordinary shares (“**Offeror Shares**”), and are held as follows:

- (a) 45 Offeror Shares by Mr Raymond Lum, representing 45% of the Offeror Shares in issue;
- (b) 45 Offeror Shares by Mr David Lum, representing 45% of the Offeror Shares in issue; and
- (c) 10 Offeror Shares by Ellipsiz, representing 10% of the Offeror Shares in issue.

The directors of the Offeror are Mr Raymond Lum, Mr David Lum and Mr Kelvin Lum.

Mr Raymond Lum and Mr David Lum are brothers. Mr Kelvin Lum is a nephew of Mr Raymond Lum and a son of Mr David Lum.

Based on publicly available information as at the Latest Practicable Date, the total number of Shares owned, controlled or agreed to be acquired by the Offeror and parties acting in concert with it (other than pursuant to valid acceptances of the Offer), amounted to an aggregate of 197,556,975 Shares, representing 52.45% of the total number of issued Shares (excluding treasury shares). As at this date, total valid acceptances of the Offer amounted to an aggregate of 2,981,045 Shares, representing 0.79% of the total number of issued Shares (excluding treasury shares). Hence, in total, Shares owned, controlled or agreed to be acquired by the Offeror and parties acting in concert with it (including valid acceptances of the Offer) amounted to an aggregate of 200,538,020 Shares, representing 53.24% of the total number of issued Shares (excluding treasury shares).

Based on publicly available information as at the Latest Practicable Date, the Offeror and parties acting in concert with it has not received any irrevocable commitment from any party to accept or reject the Offer.

4.2 Consortium Members

Mr Raymond Lum and Mr David Lum are the Executive Chairman and Managing Director of the Company respectively. They are also the controlling shareholders of the Company. As mentioned above, their aggregate interest in the Company would include (a) Shares owned, controlled or agreed to be acquired by the Offeror and parties acting in concert with it; and (b) valid acceptances of the Offer.

Ellipsiz is a company listed on the Main Board of the SGX-ST with an estimated market capitalisation of S\$54.2 million as at the Latest Practicable Date. The controlling shareholder of Ellipsiz is Bevrian Pte. Ltd. ("**Bevrian**") which hold approximately 60.28% of the issued shares of Ellipsiz. Mr David Lum is the sole legal and beneficial owner of Bevrian. Accordingly, 60.28% of the Ellipsiz's shares are beneficially owned by Mr David Lum. As at the Latest Practicable Date, we understand from Management that Ellipsiz does not have any direct interest in the Shares.

Mr Kelvin Lum, who is a Non-Independent Non-Executive Director of the Company, is also the Executive Director and Chief Executive Officer of Ellipsiz.

The Consortium Members have entered into the Investors' Agreement which regulates the Consortium Members and includes the following terms, as extracted from the Offer Document:

- "(i) following the Offer, the subsequent sole objective of the Offeror shall be to hold the Offer Shares, and the Offeror shall not carry on any other further business;*
- (ii) the Consortium Members agreed that the aggregate price to be paid for the Offer Shares shall be funded by financing from external sources, including by way of loans and/or other credit facilities from banks and other credit-providing institutions or entities, followed by shareholders' loans (only if required);*
- (iii) the Consortium Members shall each be entitled to appoint a representative to the board of the Offeror. As at the Latest Practicable Date, the board of directors of the Offeror comprises Mr Raymond Lum, Mr David Lum and Mr Kelvin Lum;*
- (iv) subject to certain conditions, the proposed transfer(s) of the Offeror Shares by any of the Consortium Members is subject to pre-emptive and tag-along rights;*
- (v) the Consortium Members have agreed upon a list of reserved matters ("**Reserved Matters**") which shall not be undertaken except with the unanimous approval or affirmative vote of all the Consortium Members; and*

(vi) *each of the Consortium Members has an option, exercisable after (i) the release and discharge of all its and the Offeror's obligations under any bank financing including any and all encumbrances created in connection with such bank financing over the Shares held by the Offeror; and the earliest of (ii) the expiry of the period of one (1) year from the date of the close of the Offer, (iii) the occurrence of a deadlock event under the Investors' Agreement (which is deemed to occur where the Consortium Members, acting reasonably and in good faith, are not able to agree on any Reserved Matters within the requisite timeframe), and (iv) such other date as may be mutually agreed among the Consortium Members, to request the Offeror to distribute, in accordance with applicable law, the Shares owned by the Offeror to Consortium Members or as they may direct in accordance with their respective shareholding percentages in the Offeror by way of a dividend-in-specie and/or capital distribution and/or a repayment of the shareholders' loans given by the Consortium Members to the Offeror in kind and/or such other manner as the Consortium Members may agree."*

Additional information on the Offeror is set out in Appendix 3 to the Offer Document.

5. INFORMATION ON THE COMPANY AND THE GROUP

- 5.1** The Company was incorporated in Singapore on 18 September 1982 and was listed on the Mainboard of SGX-ST on 28 December 1984.

With its origin in construction since the 1940s, the Group has evolved and grown to include businesses in property development and property investment. Its construction projects cut across all segments of real estate with commercial, residential, building, industrial and infrastructural projects. In property, its projects comprise properties in Singapore, West Malaysia and London, and include premium commercial properties, integrated developments in prime areas, and homes in choice residential districts.

- 5.2** As at the Latest Practicable Date, the Directors are as follows:

- | | | |
|-----|-----------------|--|
| (a) | Mr Raymond Lum | (Executive Chairman) |
| (b) | Mr David Lum | (Managing Director) |
| (c) | Mr Tony Fong | (Executive Director) |
| (d) | Mr Kelvin Lum | (Non-Independent Non-Executive Director) |
| (e) | Mr Peter Sim | (Lead Independent Director) |
| (f) | Dr Willie Lee | (Independent Director) |
| (g) | Mr Daniel Soh | (Independent Director) |
| (h) | Mr Andrew Chua | (Independent Director) |
| (i) | Mr Clement Leow | (Independent Director) |

Mr Raymond Lum, Mr David Lum and Mr Kelvin Lum are also directors of the Offeror. In view of their irreconcilable conflicts of interests in the Offer, the SIC has confirmed that Mr Raymond Lum, Mr David Lum and Mr Kelvin Lum are exempted from the requirements to make a recommendation to Shareholders on the Offer.

Mr Clement Leow is an independent director of both the Company and Ellipsiz. In order to avoid any potential conflicts of interest that he would face, or be reasonably perceived to face by reason of his directorship on both boards, the SIC has confirmed that Mr Clement Leow is exempted from the requirements to make a recommendation to Shareholders on the Offer.

Accordingly, the remaining Directors, namely, Mr Tony Fong, Mr Peter Sim, Dr Willie Lee, Mr Daniel Soh and Mr Andrew Chua are deemed Independent Directors in respect of the Offer.

As at the Latest Practicable Date, the Independent Directors' shareholding interests in the Company are as follows:

Directors	Direct and deemed interests in the Shares	% shareholding interest in the Company ⁽¹⁾
Mr Tony Fong	317,000	0.08
Mr Peter Sim	10,000	Negligible
Dr Willie Lee	-	-
Mr Daniel Soh	-	-
Mr Andrew Chua	-	-

Note:

(1) Based on 376,688,104 Shares (excluding 8,341,500 treasury shares).

The intentions of the above Independent Directors in relation to their holdings of the Offer Shares with respect to the Offer are set out in Section 4.11 of Appendix II to the Circular.

- 5.3** As at the Latest Practicable Date, the Company has an issued and paid-up share capital comprising 376,688,104 Shares (excluding 8,341,500 treasury shares). The Company does not have any outstanding instruments convertible into, rights to subscribe for, and options in respect of, Shares or securities which carry voting rights in the Company.

Based on the Offer Price of S\$0.38 and the number of issued Shares of 376,688,104 Shares (excluding 8,341,500 treasury shares) as at the Latest Practicable Date, the implied market capitalisation of the Company is S\$143.14 million.

6. RATIONALE FOR THE OFFER, OFFEROR'S INTENTIONS FOR THE COMPANY AND THE LISTING STATUS

6.1 Rationale for the Offer and intention for the Company

The full text of the rationale for the Offer, the Offeror's intentions for the Company and its intention on the listing status of the Company are set out in Sections 8 and 9 of the Offer Document.

In summary, the Offeror's rationale for the Offer is as follows:

- (a) The Offeror is making the Offer in compliance with the requirements of the Code as a result of the Acquisition;
- (b) The Offer presents an opportunity for Shareholders who may find it difficult to exit their investment in the Company due to the low trading liquidity of the Shares; and
- (c) The Offer presents Shareholders with a cash exit opportunity to realise their entire investment in the Shares at a premium over the prevailing trading prices of the Shares without incurring brokerage and other trading costs.

Following the close of the Offer, the Offeror has stated that it may conduct a review of the business of the Group.

The Offeror has also stated that it intends for the Company to continue with its existing activities and has no intention to (a) introduce any major changes to the business of the Group; (b) re-deploy the fixed assets of the Group; or (c) discontinue the employment of any of the existing employees of the Group, other than in the ordinary course of business. However, the Offeror retains the flexibility at any time to consider any options in relation to the Group which may present themselves and which the Offeror may regard to be in its interest.

6.2 Listing Status of the Company

Under Rule 1105 of the Listing Manual, upon the announcement by the Offeror that valid acceptances have been received pursuant to the Offer that bring the holdings of the Shares owned by the Offeror and parties acting in concert with it to above 90% of the total number of issued Shares (excluding any treasury shares), the SGX-ST may suspend the trading of the Shares on the SGX-ST until it is satisfied that at least 10% of the total number of issued Shares (excluding treasury shares) are held by at least 500 Shareholders who are members of the public.

Under such a scenario, pursuant to Rule 1303(1) of the Listing Manual, the SGX-ST will suspend trading of the Shares only at the close of the Offer.

Under Rule 723 of the Listing Manual, the Company is to ensure that at least 10% of the total number of issued Shares (excluding treasury shares) is at all times held by the public. Otherwise under Rule 724(1) of the Listing Manual, if the percentage of the total number of issued Shares (excluding treasury shares) held in public hands falls below 10%, the Company must, as soon as practicable, announce that fact and the SGX-ST may suspend the trading of all the Shares. Rule 724(2) of the Listing Manual further states that the SGX-ST may allow the Company a period of 3 months, or such longer period as the SGX-ST may agree, to raise the percentage of Shares in public hands to at least 10%, failing which the Company may be delisted from the SGX-ST.

The Offeror has stated its current intention to maintain the listing status of the Company on the SGX-ST following completion of the Offer.

In the event that the percentage of Shares (excluding treasury shares) held in public hands fall below 10% and the SGX-ST suspends trading of the Shares, the Offeror intends to undertake and/or support any action as may be necessary for any such trading suspension by the SGX-ST to be lifted.

However, the Offeror reserves the right to re-evaluate its position, taking into account, among other things, the level of acceptances received by the Offeror and the prevailing market conditions at the relevant time. Accordingly, there is no assurance that the Offeror will take steps to preserve the listing status of the Company on the SGX-ST if the percentage of Shares (excluding treasury shares) held in public hands falls below 10%.

6.3 Compulsory Acquisition

Pursuant to Section 215(1) of the Companies Act, Chapter 50 of Singapore ("**Companies Act**"), if the Offeror receives valid acceptances of the Offer and/or acquires such number of Offer Shares from the date of despatch of the Offer Document otherwise than through valid acceptances of the Offer in respect of not less than 90% of the total number of issued Shares (excluding treasury shares and other than those already held by the Offeror, its related corporations or their respective nominees as at the date of the Offer) ("**Section 215(1) Threshold**"), the Offeror will be entitled to exercise the right to compulsorily acquire all the Shares of Shareholders who have not accepted the Offer ("**Dissenting Shareholders**") on the same terms as those offered under the Offer.

Further, pursuant to Section 215(3) of the Companies Act, Dissenting Shareholders have the right to require the Offeror to acquire their Shares at the Offer Price in the event that the Offeror, its related corporations or their respective nominees acquire, pursuant to the Offer, such number of Shares which, together with Shares held by the Offeror, its related corporations or their respective nominees, comprise 90% or more of the total number of issued Shares ("**Section 215(3) Threshold**").

No entitlement to Compulsory Acquisition

As at the Offer Announcement Date, concert parties of the Offeror own, control or have agreed to acquire an aggregate of 160,846,175 Shares (including Shares acquired pursuant to the Acquisition) representing 42.70% of the issued Shares (excluding treasury Shares).

On the basis that the Offer is not extended to parties acting in concert with the Offeror:

- (a) Section 215(1) Threshold will not be met pursuant to the Offer and the Offeror will therefore not be entitled to exercise its right of compulsory acquisition under Section 215(1) of the Companies Act to compulsorily acquire all the Offer Shares not acquired under the Offer; and
- (b) Section 215(3) Threshold will not be met pursuant to the Offer and the Dissenting Shareholders will therefore not be entitled to require the Offeror to acquire their Offer Shares under Section 215(3) of the Companies Act.

We note that the above situation continues to be relevant as at the Latest Practicable Date.

7. ASSESSMENT OF THE FINANCIAL TERMS OF THE OFFER

In evaluating and assessing the financial terms of the Offer, we have taken into account the pertinent factors set out below which we consider to have a significant bearing on our assessment:

- (a) Market quotation and trading activity of the Shares;
- (b) Financial analysis of the Group;
- (c) Comparison of valuation ratios of selected listed companies which are broadly comparable to the Group;
- (d) Comparison with precedent takeover offers of selected SGX-ST listed companies involved in property related businesses;
- (e) Estimated valuation of the Shares;
- (f) Dividend track record of the Company; and
- (g) Other relevant considerations in relation to the Offer.

7.1 Market quotation and trading activity of the Shares

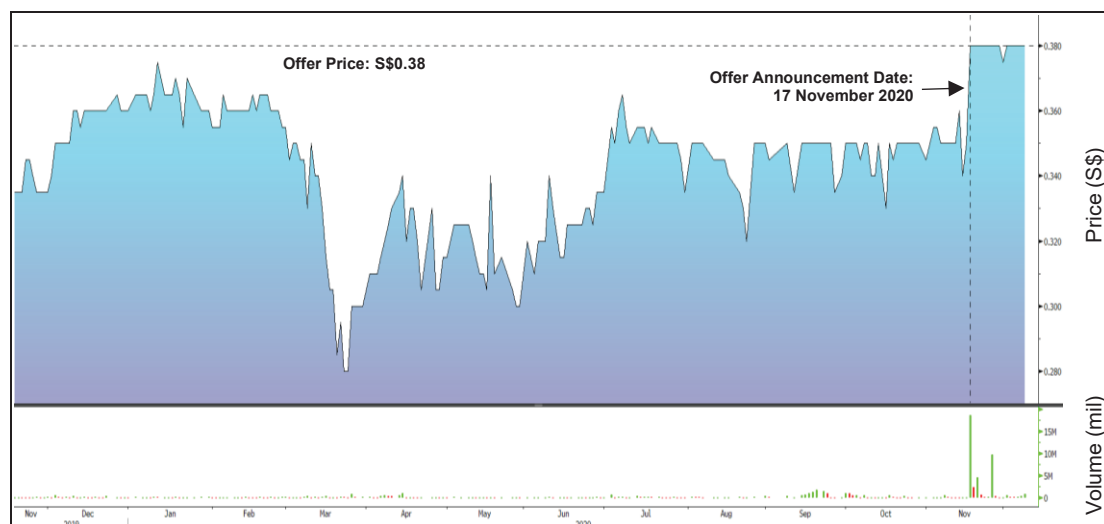
Trading on the Shares was halted from 10.47 a.m. until 4.45 p.m. on 17 November 2020 to facilitate the release of the Offer Announcement.

For the purpose of our analysis of the trading performance of the Shares in respect of the Offer, we have compared the Offer Price against the historical market price performance of the Shares and considered the historical trading volume of the Shares for the 1-year period prior to the Offer Announcement Date from 17 November 2019 to 16 November 2020 ("**Last Trading Day**"), being the last full trading day prior to the Offer announcement Date, and up to the Latest Practicable Date ("**Period Under Review**").

Share Price Chart

We set out below a chart showing the Offer Price relative to the daily last transacted prices and trading volume of the Shares for the Period Under Review:

Price movement and trading volume of the Shares for the Period Under Review



Source: Bloomberg L.P.

1-year period prior to the Offer Announcement Date

Based on the chart above, we observed that the Shares have been trading at below the Offer Price for the last 1-year period prior to the Offer Announcement Date, between a low of S\$0.280 (23 & 24 March 2020) and a high of S\$0.375 (10 January 2020) based on daily last transacted prices. The last transacted Share price on the Last Trading Day on 16 November 2020 was S\$0.35. The Offer Price represents a premium of 8.57% above the last transacted Share price on the Last Trading Day.

On the Offer Announcement Date

Trading on the Shares was halted from 10.47 a.m. until 4.45 p.m. on 17 November 2020. Shares were traded between S\$0.36 and S\$0.37 before the trading halt and up to S\$0.385 after the trading halt was lifted, as shown in the table below:

Transacted Price (S\$)	Trading volume of the Shares on 17 November 2020	
	Before trading halt	After lifting of the trading halt
0.360	46,000	
0.365	324,800	
0.370	481,000	
0.380		17,458,000
0.385		225,000

Source: Bloomberg L.P.

Based on dealing disclosures made by the Offeror, the Offeror had acquired 17,328,000 Shares via open market purchases on 17 November 2020 at S\$0.38 per Share. The volume of Shares acquired by the Offeror represented 98.0% of the total volume of 17,683,000 Shares traded on 17 November 2020 after the trading halt on the Shares was lifted.

Post the Offer Announcement Date

Since the Offer Announcement Date and up to the Latest Practicable Date, the Shares have generally traded at the Offer Price. As at the Latest Practicable Date, the last transacted Share price was S\$0.38. The Shares appeared to be supported by the Offer Price.

Based on the publicly available information, the Offeror had acquired, in aggregate, 19,382,800 Shares via open market purchases and married deals at the price of S\$0.38 per Share during the period after the Offer Announcement Date and until the Latest Practicable Date. The total number of Shares transacted via open market and married deals (as extracted from Bloomberg) was 19,892,000 during the above period. The purchases made by the Offeror therefore accounted for 97.4% of the total volume of 19,892,000 Shares traded (including married deals) during the above period.

Market Statistics

In addition to the share price chart above, we have tabulated below selected statistical information on the share price performance and trading liquidity of the Shares for the Period Under Review:

Reference period	Highest traded price (\$)	Lowest traded price (\$)	VWAP ⁽¹⁾ (\$)	Premium/ (Discount) of Offer Price over/ (to) VWAP (%)	Number of traded days ⁽²⁾	Average daily trading volume ⁽³⁾ ('000)	Average daily trading volume as a percentage of free float ⁽⁴⁾ (%)
<u>Prior to the Offer Announcement Date</u>							
Last 1 year	0.380	0.275	0.3446	10.3	213	116	0.06
Last 6 months	0.365	0.300	0.3493	8.8	100	139	0.07
Last 3 months	0.360	0.320	0.3496	8.7	50	215	0.11
Last 1 month	0.360	0.335	0.3498	8.6	18	76	0.04
16 November 2020 (being the Last Trading Day)	0.350	0.350	0.3500	8.6	1	19	0.01
Offer Announcement Date	0.385	0.360	0.3795	0.1	See note 5 below	18,535	9.28
<u>After the Offer Announcement Date and up to the Latest Practicable Date</u>							
From 18 November 2020 to the Latest Practicable Date	0.385	0.375	0.3800	-	15	1,057	0.53
Latest Practicable Date	0.380	0.380	0.3800	-	1	848	0.42

Source: Bloomberg L.P.

Notes:

- (1) The volume-weighted average price ("VWAP") for the respective periods are calculated based on the aggregate daily turnover value of the Shares divided by the aggregate daily trading volume of the Shares for the respective periods as extracted from Bloomberg L.P.. Off market transactions (i.e. married deals) are excluded from the calculation;
- (2) Traded days refer to the number of days on which the Shares were traded on the SGX-ST during the period;
- (3) The average daily trading volume of the Shares is computed based on the total volume of Shares traded on the SGX-ST (excluding off market transactions) during the relevant periods, divided by the number of days when the SGX-ST was open for trading (excluding days with full day trading halt on the Shares) during that period;
- (4) Free float refers to the Shares other than those directly and deemed held by the Directors and substantial Shareholders. For the purpose of computing the average daily trading volume as a percentage of free float, we have used the free float of approximately 199.6 million Shares based on the free float of 53.0% as disclosed in the annual report of the Company for FY2020; and
- (5) Not a full trading day as trading on the Shares was halted from 10.47 a.m. until 4.45 p.m. on 17 November 2020.

We observe the following with regard to the price performance of the Shares for the Period Under Review:

- (a) The Shares did not trade at or above the Offer Price of S\$0.380 during the 1 year period up to the Last Trading Day. During this period, the Shares had traded between a low of S\$0.275 (20 & 23 March 2020) and a high at the Offer Price of S\$0.380 (on 9 January 2020). The Offer Price represents a premium of S\$0.105 (or 38.2%) above the lowest transacted Share price;
- (b) The Offer Price represents a premium of 10.3%, 8.8%, 8.7% and 8.6% over the VWAP of the Shares for the 1-year, 6-month, 3-month and 1-month periods up to the Last Trading Day respectively;
- (c) The Offer Price represents a premium of 8.6% above the VWAP of the Shares of S\$0.350 on the Last Trading Day;
- (d) On the Offer Announcement Date, trades were done on the Shares at between S\$0.360 and S\$0.370 before the trading halt and immediately after the release of the Offer Announcement and the lifting of the trading halt, Shares were mostly traded at the Offer Price of S\$0.380; and
- (e) From 18 November 2020 and up to the Latest Practicable Date, the Shares have traded up to S\$0.385 but mostly at S\$0.380 per Share and appeared to be supported by the Offer Price. The Shares were last transacted at S\$0.380 on 8 December 2020, being the Latest Practicable Date.

We observe the following with regard to the trading liquidity of the Shares:

- (i) Over the 1-year period up to the Last Trading Day, the Shares were traded on most days, 213 out of 251 market days. However, the average daily trading volume of the Shares for the 1-year, 6-month, 3-month and 1-month periods up to the Last Trading Day was low, representing 0.06%, 0.07%, 0.11% and 0.04% of the free float of the Shares respectively;
- (ii) Following the release of the Offer Announcement and the lifting of the trading halt, the Offeror had acquired 17,328,000 Shares via open market purchases on 17 November 2020 at S\$0.380 per Share. The volume of Shares acquired by the Offeror represented 98.0% of the total volume of 17,683,000 Shares traded on 17 November 2020 after the trading halt on the Shares was lifted; and
- (iii) During the period from 18 November 2020 and up to the Latest Practicable Date, there was increased trading volume on the Shares with an average daily trading volume of 1.1 million Shares, of which bulk of these transactions done in the open market were purchases made by the Offeror.

7.2 Financial analysis of the Group

7.2.1 Financial performance of the Group

Set out below is the audited profit and loss statements of the Group for the last three financial years ended 30 June 2018 ("FY2018"), 30 June 2019 ("FY2019") and 30 June 2020 ("FY2020"):

S\$'000	Audited		
	FY2018 (restated)	FY2019	FY2020
Revenue	262,327	240,251	322,691
Cost of sales	(209,067)	(206,032)	(287,177)
Gross profit	53,260	34,219	35,514
Other income	2,841	3,619	6,570
Other gains/(losses) - net	5,586	13,205	(18,224)

S\$'000	Audited		
	FY2018 (restated)	FY2019	FY2020
Expenses			
- Distribution and marketing	(905)	(836)	(395)
- Administrative and general	(29,536)	(29,665)	(25,088)
- Finance	(6,401)	(8,249)	(7,485)
Share of profits of associated companies	176	167	2,942
Share of profits of joint ventures	7,387	16,217	3,236
Profit/(Loss) before income tax	32,408	28,677	(2,930)
Income tax expense	(5,490)	(1,151)	(3,177)
Net profit/(loss)	26,918	27,526	(6,107)
Net profit/(loss) attributable to:			
Equity holders of the Company	24,639	23,287	(2,111)
Non-controlling interests	2,279	4,239	(3,996)
	26,918	27,526	(6,107)

Source: Company's annual reports for FY2019 and FY2020

FY2019 vs FY2018

The Group recorded a decrease in revenue of S\$22.1 million (or 8.4%) from S\$262.3 million in FY2018 to S\$240.3 million in FY2019 due mainly to lower revenue from several construction projects substantially completed in the previous financial years and partially offset by commencement of revenue recognition for four construction projects. The construction segment contributed more than 92% of total revenue in both FY2018 and FY2019, while property development and investment segment contributed 7.1% to total revenue in both FY2018 and FY2019.

Cost of sales decreased by S\$3.0 million (or 1.5%) from S\$209.1 million in FY2018 to S\$206.0 million in FY2019. However, gross profit decreased by S\$19.0 million (or 35.8%) from S\$53.3 million in FY2018 to S\$34.2 million in FY2019. The higher gross profit achieved in FY2018 is due mainly to successful variation claims from clients and cost savings from finalising accounts with subcontractors for various substantially completed construction projects. Gross profit margin declined from 20.3% in FY2018 to 14.2% in FY2019.

Other income pertains mainly to interest income and government grants received from various government productivity schemes for FY2018 and FY2019.

Other gains increased by S\$7.6 million (or 136.4%) from S\$5.6 million in FY2018 to S\$13.2 million in FY2019. This was due mainly to a gain on disposal of investment property of S\$12.7 million whereas the other gains in FY2018 was mainly due to a fair value gain on investment property of S\$5.4 million.

Finance costs increased by S\$1.8 million (or 28.9%) from S\$6.4 million in FY2018 to S\$8.2 million in FY2019 due mainly to higher interest paid on bank borrowings pertaining to the Group's freehold residential development in Singapore and higher interest paid for the Company's new 5.8% fixed rate notes issued in September 2018.

Share of profits of joint ventures increased by S\$8.8 million (119.5%) from S\$7.4 million in FY2018 to S\$16.2 million in FY2019 due mainly to recognition of Group's proportionate share of fair value gain on an investment property owned by a joint venture company in Singapore.

Overall, the Group reported a slightly lower net profit attributable to equity holders of the Company of S\$23.3 million for FY2019 compared to S\$24.6 million for FY2018.

FY2020 vs FY2019

The Group recorded an increase in revenue of S\$82.4 million (or 34.3%) from S\$240.3 million in FY2019 to S\$322.7 million in FY2020 due mainly to revenue generated from an increase in construction activities prior to the imposition of Circuit Breaker measures in Singapore in

response to the coronavirus disease (“COVID-19”) during FY2020, and higher revenue generated from the Group’s residential property development in Singapore. The construction segment contributed 91.4% of total revenue in FY2020, while the property development and investment segment contributed 8.5% of total revenue in FY2020, a slight percentage increase compared to FY2019.

In line with the increase in revenue, cost of sales increased by S\$81.1 million (or 39.4%) from S\$206.0 million in FY2019 to S\$287.2 million in FY2020. However, gross profit margin continued to decline from 14.2% in FY2019 to 11.0% in FY2020.

Other income increased by S\$3.0 million (or 81.5%) from S\$3.6 million in FY2019 to S\$6.6 million in FY2020 due mainly to COVID-19 related financial support of S\$3.0 million received from the government.

Other losses of S\$18.2 million in FY2020 compared to a gain of S\$13.2 million in FY2019 were due mainly to fair value loss of S\$17.1 million in FY2020 on the Group’s freehold property in the United Kingdom as compared to a gain on disposal of investment property of S\$12.7 million in FY2019.

Administrative and general expenses decreased by S\$4.6 million (or 15.4%) from S\$29.7 million in FY2019 to S\$25.1 million in FY2020 due mainly to a decrease in directors’ compensation.

Share of profit of associated companies increased by S\$2.8 million from S\$0.2 million in FY2019 to S\$2.9 million in FY2020 due mainly to recognition of the Group’s proportionate share of fair value gain on an investment property owned by an associated company in Indonesia.

Share of profit of joint ventures of S\$3.2 million in FY2020 includes the Group’s share of S\$2.3 million gain from the disposal of a commercial building in Germany held by a joint venture company, compared to a higher share of profit of joint venture of S\$16.2 million in FY2019 as explained above.

As a result, the Group reported a net loss attributable to equity holders of the Company of S\$2.1 million in FY2020 compared to a profit of S\$23.3 million in FY2019.

Outstanding value of construction works

As disclosed in the Company’s annual report for FY2020, despite an atmosphere of uncertainty due to the ongoing COVID-19 pandemic, the Group’s construction division secured 2 new contracts, which brings its total outstanding value of construction works yet to be reported as revenue for the Group to S\$1.9 billion. Based on the Company’s public announcement since then and up to the Latest Practicable Date, the total outstanding value of construction works yet to be reported as revenue remains at approximately S\$1.9 billion.

Summary of main items that affected the Group’s results

Besides construction activities, as the Group is also engaged in property development and property investment activities, the Group’s results were affected by the financial results of this segment as disclosed in the year-to-year financial analysis above. The Group had also benefited from government grants during FY2020 in view of the COVID-19 pandemic. The table below summarises these items for the last 3 financial years:

S\$ million	FY2018	FY2019	FY2020
Other gains/(loss)			
- fair value gain on investment property	5.4		
- gain on disposal of investment property		12.7	
- fair value loss on the Group’ freehold property in the United Kingdom			(17.1)

S\$ million	FY2018	FY2019	FY2020
- COVID-19 related financial support from government			3.0
Share of profits of joint ventures			
- fair value gain on an investment property owned by a joint venture company in Singapore	7.7	17.0	
- gain from disposal of a commercial building in Germany held by a joint venture company			2.3
Share of profits of associated companies			
- Fair value gain on an investment property owned by an associated company in Indonesia			2.9
Total gain/(loss)	13.1	29.7	(8.9)

Segmental results

The Group reported segmental information for (a) construction, (b) property development and investment, and (c) investment holding and others. Construction activities are mainly carried out in Singapore, property development are mainly in Singapore and Malaysia, and property investment are mainly in Singapore and the United Kingdom.

The following is a profile of the key segmental information for FY2018, FY2019 and FY2020 before any reconciliation with the Group's reported results for the respective years:

S\$ million	FY2018 (restated)	FY2019	FY2020
<u>Construction</u>			
Segment revenue from external customers	243.3	222.8	294.8
Segment results	28.8	15.0	16.7
Segment net assets	31.1	30.1	38.2
<u>Property development and investment</u>			
Segment revenue from external customers	18.6	17.1	27.5
Segment results	15.5	31.1	(4.5)
Segment net assets	416.4	432.5	341.3
<u>Investment holding and others</u>			
Segment revenue from external customers	0.4	0.3	0.4
Segment results	17.6	17.1	(1.0)
Segment net assets	14.1	26.8	63.2

Source: Company's annual reports for FY2019 and FY2020

As can be observed from the table above, results from construction activities are more stable in the last 3 financial years whereas the property development and investment segment and investment holding and others segment can be subject to wide swings from year to year. Net assets for the property development and investment segment constitute the largest proportion of the Group's total net assets. The above segment results have not taken into consideration, *inter alia*, inter-segment elimination, attributable finance expenses and income tax expenses.

7.2.2 Financial Position of the Group

The latest audited statement of financial position of the Group as at 30 June 2020 is set out below:

S\$'000	Audited as at 30 June 2020
Current Assets	
Cash and cash equivalents	151,026
Trade and other receivables	23,312
Contract assets	16,721
Tax recoverable	292
Properties held for sale	4,417
Development properties	117,949
Other current assets	8,120
	321,837
Non-current assets	
Trade and other receivables	87,084
Club memberships	352
Financial assets, at FVPL	8,063
Financial assets, at FVOCI	25,146
Investment in joint ventures	33,400
Investment in associated companies	4,865
Investment properties	58,316
Property, plant and equipment	27,025
Deferred income tax assets	6,092
Other non-current assets	4,857
	255,200
Total assets	577,037
Current liabilities	
Trade and other payables	71,458
Contract liabilities	28,409
Provision for other liabilities	15,159
Current income tax liabilities	5,758
Borrowings	4,368
	125,152
Non-current liabilities	
Trade and other payables	17,180
Borrowings	164,187
Deferred income tax liabilities	96
	181,463
Total liabilities	306,615
Equity attributable to owners of the Company	256,813
Non-controlling interests	13,609
Total equity	270,422
Net asset value ("NAV") / Net tangible asset ("NTA") of the Group	S\$256,813,000
Number of issued Shares (excluding treasury shares) as at 30 June 2020	376,688,104
NAV/NTA per Share	S\$0.68

Source: Company's annual report for FY2020

Assets

Total assets of the Group of S\$577.0 million comprise current assets of S\$321.8 million (55.8% of total assets) and non-current assets of S\$255.2 million (44.2% of total assets).

Current assets comprise mainly cash and cash equivalents of S\$151.0 million (46.9% of current assets), development properties of S\$117.9 million (36.6% of current assets) and trade and other receivables of S\$23.3 million (7.2% of current assets).

Non-current assets comprise mainly trade and other receivables of S\$87.1 million (34.1% of non-current assets), investment properties of S\$58.3 million (22.9% of non-current assets), investment in joint ventures of S\$33.4 million (13.1% of non-current assets) and property, plant and equipment of S\$27.0 million (10.6% of non-current assets).

Of the S\$87.1 million non-current trade and other receivables, S\$73.0 million pertains to an advance to a joint venture. The advance to a joint venture is unsecured, interest-free and have no fixed terms of repayment and forms part of the Group's investment in the joint venture.

Properties held for sale

These are in relation to freehold residential units of the development properties at Twin Palms, Sungai Long, Selangor, Malaysia, which have been completed and classified as properties held for sale. These properties are stated at cost of S\$4.4 million as at 30 June 2020.

Development properties

Development properties are in relation to (a) residential property development at Twin Palms, Sungai Long, Selangor, Malaysia which includes numerous plots of vacant freehold land (which has not commenced development) as well as on-going site development; and (b) residential landed property development at One Tree Hill, Singapore.

These properties are stated at cost of S\$117.9 million as at 30 June 2020.

In connection with the Offer, the Company had commissioned the Valuers to carry independent valuation of the properties held for sale and the development properties, to ascertain the market value of these properties as at 31 October 2020. The details of the independent valuation and assessment of the net revaluation surplus/(deficit) arising from the valuation of these properties are set out in Section 7.2.3 below.

Property, Plant and Equipment ("PPE")

The Group owns the leasehold land and the light industrial building located at 14 Kung Chong Road, Singapore ("**Lum Chang Building**"). A portion (approximately 44.7% as at 30 June 2020) of Lum Chang Building is designated to house the Group's corporate offices and is classified as PPE and recorded at cost, while the rest of Lum Chang Building is leased out for rental income and is classified as investment property and recorded at fair value as at 30 June 2020. The net book value of Lum Chang Building which is classified under PPE amounted to S\$12.5 million as at 30 June 2020.

Investment properties

The Group's investment properties are in relation to (a) a ground floor shop unit located at 8 Kim Tian Road, Singapore; (b) Lum Chang Building units which are leased out to external parties for rental income; and (c) the serviced residence at Kelaty House, Wembley, United Kingdom which is a freehold property to be redeveloped into serviced apartments, to be managed by The Ascott under the Citadines branding.

The above investment properties are stated at fair value based on the independent valuations carried out by the valuers for the purpose of financial reporting by the Group for FY2020.

As a follow-up, the Company had sought confirmation from the valuers of the Group's main investment properties that their market valuation of these investment properties are still valid for the purpose of the Offer.

Investment in joint venture companies

As at 30 June 2020, the Group has interest in the following material joint venture:

- Dorado Holdings Pte Ltd and its subsidiaries (“**Dorado Group**”) which redeveloped the Tekka Place in Little India, Singapore, a joint integrated development project with LaSalle Investment Management. The Group has an effective interest of 50% in the Dorado Group.

Liabilities and Equity

As at 30 June 2020, the Group has total liabilities of S\$306.6 million, of which S\$168.6 million (or 55.0%) pertains to borrowings comprising mainly bank loans of S\$124.4 million and S\$39.9 million of the 5.8% medium term notes due in September 2021.

After taking into consideration cash and cash equivalent of S\$151.0 million, the Group has net debt of S\$17.6 million as at 30 June 2020, representing a low gearing ratio of 0.07 times of total equity of S\$270.4 million.

Total equity comprises equity attributable to equity holders of S\$256.8 million and non-controlling interest of S\$13.6 million as at 30 June 2020.

Accordingly, NAV of the Group as at 30 June 2020 was S\$256.8 million, representing NAV per Share of S\$0.68 based on 376,688,104 Shares (excluding 8,341,500 treasury shares). As the Group does not have any intangible assets, its NAV is the same as its NTA.

During FY2020, the Company had purchased 3,798,200 of its own Shares under its share buy-back scheme, resulting in its treasury shares amounting to 8,341,500 as at 30 June 2020.

There is no change in the number of issued Shares and number of treasury shares since 30 June 2020 and up to the Latest Practicable Date.

7.2.3 Valuation approach for the Group

Price-earnings ratio (“**PER**”) illustrates the valuation ratio of the current market value of a company’s shares relative to its consolidated basic earnings per share as stated in its financial statements. The PER is affected by, *inter alia*, the capital structure of a company, its tax position as well as its accounting policies relating to depreciation and intangible assets. The PER is commonly used for the purpose of illustrating the profitability and hence the valuation of a company as a going concern.

We have considered the earnings approach of the Group based on the PER multiple. However, we note that the Group had recorded a loss for FY2020 and the profit and loss of the Group over the last 3 financial years was subject to significant swings from year to year due to, *inter alia*, fair value gain/(loss) on its investment properties, and gain on disposal of its investment properties. As such, we are of the view that the earnings approach, as the sole valuation basis, may not be appropriate in valuing the Group.

As shown in our analysis above, the Group derived significant revenue from its construction activities. In view of the Group’s profile with significant construction activities (with total outstanding construction contracts of approximately S\$1.9 billion as at the Latest Practicable Date), and the significant property assets held by the Group, we have approached the evaluation of the valuation of the Group by considering the following:

- (a) Earnings approach based on PER for the construction segment and to assess if the net assets of the construction segment in respect of FY2020 substantially support the valuation derived from the earnings approach; and
- (b) Net assets approach based on revalued NAV (“**RNAV**”) for the property development and investment segment by taking into consideration any net revaluation surplus/(deficit)

arising from the valuation of the Group's material properties held for sale and development properties. The Group's investment properties are already stated at their respective fair values as the end of FY2020.

Construction Segment

The Group has outstanding value of construction works yet to be reported as revenue of approximately S\$1.9 billion as at the Latest Practicable Date. Management estimates that these outstanding value of construction works is expected to be completed over the following 7 financial years. Additional costs are expected to be incurred arising from the COVID-19 pandemic which may affect margins adversely.

S\$' million	FY2018 (restated)	FY2019	FY2020
<u>Construction</u>			
Segment revenue from external customers	243.3	222.8	294.8
Segment results	28.8	15.0	16.7
Segment net assets	31.1	30.1	38.2

We note from the table above that profit margin before tax (as represented by the segment results as a percentage of segment revenue) on the construction segment had been declining over the last 3 financial years from 11.8% in FY2018, to 6.7% in FY2019 and 5.7% in FY2020. FY2020 covers a 6-month period before the COVID-19 pandemic (being the 1st half year of FY2020) when the construction segment achieved a profit margin and a 6-month period during the COVID-19 pandemic (being the 2nd half year of FY2020) when the construction segment incurred a loss. The above segment results have not taken into consideration, *inter alia*, inter-segment elimination, attributable finance expenses and income tax expenses.

Purely for illustration purposes and based on discussions with Management, on the assumption that the outstanding S\$1.9 billion of contracts on hand are completed over an average period of 5.5 years, the construction segment would generate revenue of approximately S\$345 million per annum. Further on the assumption that the Group achieves a net profit margin after tax of 2.5% to 3.0% in view of the uncertain economic situation and increased costs caused by the COVID-19 pandemic and the challenging construction industry, the net profit from the construction segment would range between approximately S\$9 million and S\$10 million per annum.

We have analysed the historical PERs of comparable companies which are listed on the SGX-ST and engaged in broadly similar construction business activities ("**Comparable Construction Companies**") as set out in Section 7.3 below. The mean and median PERs of the selected Comparable Construction Companies are approximately 5.1 times and 4.6 times respectively.

Applying the above PERs of the Comparable Construction Companies, the estimated valuation of the Group's construction segment is approximately S\$41 million to S\$51 million. It is to be noted that the above estimated valuation of the construction segment is subject to material assumptions and valuation uncertainties, and which may vary or change significantly, and the purpose of the analysis is to ascertain if the net assets of the construction segment substantially support the estimated valuation of the construction segment based on the earnings approach.

The net assets of the construction segment amounted to S\$38.2 million as at 30 June 2020 and represent between 0.75 and 0.9 times of the estimated valuation of the construction segment as illustrated above. Overall, the estimated valuation of the construction segment is substantially backed by the net assets of this segment. Therefore, the net assets of the construction segment as at 30 June 2020 can be used as an approximation of the estimated valuation of the construction segment as it is a tangible asset and not subject to material valuation uncertainties and assumptions derived from the earnings approach.

Property development and investment Segment

In view of the significant property assets held by the Group which are not recorded at fair value in the Group's latest financial information i.e. financial statements for FY2020, as mentioned above, in connection with the Offer, the Company had commissioned the Valuers to carry out an independent valuation of the Group's main properties held for sale and development properties as at 31 October 2020.

Market value is defined as *"the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion"*.

Details of the valuation of these main properties are set out in the respective valuation certificates as prepared by these Valuers, copies of which are attached as Appendix IV to the Circular.

The purpose of the independent valuation exercises is to ascertain the RNAV of the Group after taking into consideration the net revaluation surplus/(deficit) arising from the valuation of these main properties.

The table below sets out the summary of the Group's main properties which were valued by the Valuers for the purpose of the Offer:

Property and location	Valuer	Valuation Methodologies	Market value as at 31 October 2020
1. Twin Palms, Sungai Long Selangor, Malaysia	Knight Frank		
Properties held for sale Completed residential units – these are units of the Twin Palms development project which have been completed and classified as properties held for sale.		Comparison approach	MYR14.6 million (S\$4.8 million) ⁽¹⁾
Development properties Remaining phases of the Twin Palms residential development project, which includes <i>inter alia</i> : (a) Numerous plots of vacant land (not commenced development yet); and (b) on-going development on remaining unsold units.		Income approach by residual method	Vacant Land: MYR78.0 million Unsold units under development: MYR50.0 million, totalling MYR128.0 million (S\$42.1 million) ⁽¹⁾
2. One Tree Hill Collection One Tree Hill, Singapore	Savills		
Development properties Residential development project which is 82% completed, of which 4 out of 14 units have been sold as at 31 October 2020.		As-is value of the entire development using direct comparison method/residual value method	S\$116.5 million

Source: Valuation certificates

Note:

- (1) For comparison purposes, these amounts are converted to S\$ based on the foreign exchange rate of S\$1.00:MYR3.0436 on 30 October 2020 (Friday).

Computation of net revaluation surplus

Following from the above independent valuation exercises, set out below is a summary of the computation of the net revaluation surplus of the Group's properties held for sale and development properties:

Property	Market value as at 31 October 2020 (S\$' million)	Net revaluation surplus (S\$' million)
1. Twin Palms, Sungai Long		
• Properties held for sale	4.8	0.7 ⁽¹⁾
• Development properties	42.1	2.5 ⁽²⁾
2. One Tree Hill Collection	116.5	8.2 ⁽³⁾
Total net revaluation surplus		11.4

Source: Management and valuation certificates

Notes:

- (1) The revaluation surplus is arrived at based on the difference between the market value as at 31 October 2020 and the net book value of the property as at 30 June 2020, after making the relevant adjustments, *inter alia*, for units sold after 30 June 2020, and after taking into consideration potential tax liability based on the corporate tax rate of 24% in Malaysia;
- (2) In respect of the development projects at Twin Palms, Sungai Long, the revaluation surplus is determined based on the market value of the project as at 31 October 2020 and the Group's cost in the project as at 30 June 2020, after making the relevant adjustments *inter alia* for work in progress on the development project and taking into consideration potential tax liability based on the corporate tax rate of 24% in Malaysia; and
- (3) The revaluation surplus at One Tree Hill Collection is arrived at based on the difference between the as-is market value of these properties as at 31 October 2020 and the net book value of these properties as at 30 June 2020, after taking into consideration the development cost paid to date. There is no potential tax liability on the revaluation surplus of One Tree Hill Collection as there is carry forward tax losses.

From the table above, the net revaluation surplus arising from the valuation of the Group's main properties held for sale and development properties is **S\$11.4 million**.

Portion of Lum Chang Building under PPE

As mentioned in Section 7.2.2 above, a portion of Lum Chang Building which is designated to house the Group's corporate offices is classified under PPE and recorded at cost less accumulated depreciation in accordance with the Company's accounting policies. As the portion of Lum Chang Building which is leased out for rental income is classified under investment property and recorded at fair value, we have derived the fair value of the portion of Lum Chang Building under PPE based on the fair value of Lum Chang Building as an investment property.

The revaluation surplus on the portion of Lum Chang Building under PPE is determined to be as follows:

Property and location	Net book value as at 30 June 2020 (S\$' million)	Market value as at 30 June 2020 (S\$' million)	Net revaluation surplus (S\$' million)
Portion of Lum Chang Building under PPE 14 Kung Chong Road, Singapore	12.5	19.2 ⁽¹⁾	6.7
9-storey light industrial building on leasehold land			

Source: Management

Note:

- (1) Based on market value of Lum Chang Building of S\$43.0 million, and approximately 44.7% of the property is for the Group's own use as corporate offices.

In assessing the above revaluation surplus, we have also considered whether there is any potential tax liability which would arise on the sale of the above premises in a hypothetical scenario. As the above premises are for the Group's own use and not intended for sale, Management does not expect any potential tax liability on the revaluation surplus on a hypothetical sale of the premises.

7.2.4 Estimated RNAV of the Group

After taking into account the net revaluation surplus arising from the valuation of the Group's main properties, the estimated RNAV per Share as at 30 June 2020 is computed as follows:

Estimated RNAV of the Group	S\$' million	Per Share ⁽¹⁾ (S\$)
Audited NAV of the Group as at 30 June 2020	256.8	0.68
Add: net valuation surplus arising from the valuation of the Group's main properties held for sale and development properties, net of potential tax liabilities	11.4	0.03
Add: net valuation surplus arising from the fair valuation of the portion of Lum Chang Building recorded under PPE	6.7	0.02
Estimated RNAV of the Group as at 30 June 2020	274.9	0.73

Note:

(1) Based on 376,688,104 Shares (excluding 8,341,500 treasury shares).

Price-to-NAV ratio ("P/NAV") implied by the Offer Price

The net asset backing of the Group is measured by its NAV, NTA or RNAV.

The net asset based valuation approach provides an estimate of the value of a company assuming the hypothetical sale of all its assets over a reasonable period of time and would be more relevant for asset-based companies or where the subject company intends to realise or convert the uses of all or most of its assets. Such a valuation approach would be particularly appropriate when applied in circumstances where the business is to cease operations or where the profitability of the business being valued is not sufficient to sustain an earnings-based valuation.

The net asset based valuation approach show the extent to which the value of each Share is backed by the Group's tangible and intangible assets. NTA is derived by deducting intangible assets from the NAV and the NTA based valuation approach shows the extent to which the value of each Share is backed by its net tangible assets.

The Group does not have any intangible assets. Accordingly, its NAV and NTA is the same.

The implied price-to-NAV ratio of the Group based on the Offer Price and:

- the audited NAV per Share of S\$0.68 as at 30 June 2020, is **0.56 times**; and
- the estimated RNAV per Share of S\$0.73 as at 30 June 2020, is **0.52 times ("P/RNAV")**.

We have used the P/RNAV ratio of 0.52 times in our further analysis set out in Sections 7.3 and 7.4 of this Letter.

7.2.5 Confirmation by the Company

Besides taking into consideration the independent valuation of the properties provided to us, in our evaluation of the financial terms of the Offer, we have also considered whether there is any other tangible asset which should be valued at an amount that is materially different from that which was recorded in the statement of financial position of the Group as at 30 June 2020, and whether there are any factors which have not been otherwise disclosed in the financial statements of the Group that are likely to impact the audited NAV of the Group as at 30 June 2020.

In respect of the above, the Directors and Management have confirmed to us that as at the Latest Practicable Date, to the best of their knowledge and belief:

- (a) there are no material differences between the realisable value of the Group's assets and their respective book values as at 30 June 2020 which would have a material impact on the NAV of the Group;
- (b) other than that already provided for or disclosed in the Group's financial statements as at 30 June 2020, there are no other contingent liabilities, bad or doubtful debts or material events which are likely to have a material impact on the NAV of the Group as at the Latest Practicable Date;
- (c) there are no litigation, claim or proceeding pending or threatened against the Company or any of its subsidiaries or of any fact likely to give rise to any proceeding which might materially and adversely affect the financial position of the Company and its subsidiaries taken as a whole;
- (d) there are no intangible assets which ought to be disclosed in the statement of financial position of the Group in accordance with Singapore Financial Reporting Standards (International) and which have not been so disclosed and where such intangible assets would have a material impact on the overall financial position of the Group; and
- (e) there are no material acquisitions and disposals of assets by the Group between 30 June 2020 and the Latest Practicable Date other than in the ordinary course of business of the Group as a property developer and owner of investment properties, and the Group does not have any plans for any such impending material acquisition or disposal of assets, conversion of the use of its material assets or material change in the nature of the Group's business.

7.3 Comparison of valuation ratios of selected listed companies which are broadly comparable to the Group

The Group is principally engaged in construction activities, and to some extent property development and property investment activities.

For the purpose of assessing the financial terms of the Offer against its trading peers, we have attempted to compare the PER and P/RNAV ratio of the Company implied by the Offer Price with the PER and P/NAV multiples of selected companies listed on the SGX-ST that are involved in businesses which can be considered as broad proxies to the principal businesses of the Group, that is, listed companies that are engaged in, *inter alia*, construction activities. ("**Comparable Construction Companies**").

There are 10 of such Comparable Construction Companies.

We had discussions with Management on the suitability and reasonableness of the selected Comparable Construction Companies acting as a basis for comparison with the Group. Relevant information has been extracted from Bloomberg L.P., publicly available annual reports and/or public announcements of the selected Comparable Construction Companies. We make no representations or warranties, expressed or implied, as to the accuracy or completeness of such information. The accounting policies of the selected Comparable Construction Companies

with respect to the values for which the assets, revenue or cost are recorded may differ from that of the Group.

We wish to highlight that the selected Comparable Construction Companies are not exhaustive and it should be noted that there may not be any listed company that is directly comparable to the Group in terms of location, business activities, customer base, size of operations, asset base, geographical spread of activities, geographical markets, track record, financial performance, operating and financial leverage, future prospects, liquidity, quality of earnings, accounting policies, risk profile and other relevant criteria. As such, any comparison made is necessarily limited and it may be difficult to place reliance on the comparison of valuation statistics for the selected Comparable Construction Companies. Therefore, any comparison made serves only as an illustrative guide.

A brief description of the selected Comparable Construction Companies, as extracted from Bloomberg L.P. is set out below:

Company name	Principal Business
Chip Eng Seng Corp Ltd ("Chip Eng Seng")	Chip Eng Seng specializes in building construction activities in the private and public sector. Chip Eng Seng also owns, develops and invests in properties.
Lian Beng Group Ltd ("Lian Beng")	Lian Beng provides building construction and civil engineering services for both the private and public sectors. Lian Beng also sells, leases, and maintains construction machinery and equipment, and develops and invests in properties.
KSH Holdings Ltd ("KSH Holdings")	KSH Holdings constructs, develops and manages various properties in Singapore, Malaysia and the People's Republic of China.
Wee Hur Holdings Ltd ("Wee Hur")	Wee Hur provides building construction services and acts as the management or main contractor in construction projects for both private and public sectors. Wee Hur's clients from the private sector include property owners and developers, and those from the public sector comprise government bodies and statutory boards.
Keong Hong Holdings Ltd ("Keong Hong")	Keong Hong offers construction services. Keong Hong builds residential, commercial, industrial and institutional construction services. Keong Hong offers construction services in Singapore and the Maldives and develops property in Singapore.
TA Corp Ltd ("TA Corp")	TA Corp develop and sells residential and other types of properties. TA Corp is also involved in the construction business, including complementary services such as steel fabrication and metal works, a worker training and test center in Chennai, India, as well as the design, installation and maintenance of air conditioning and mechanical ventilation systems.
Koh Brothers Group Ltd ("Koh Brothers")	Koh Brothers is an investment holding company whose subsidiaries are active in construction and real estate development. Koh Brothers also manufactures concrete products and building materials, manages hotels, and sells and rents construction equipment. Koh Brothers distributes, designs, and fabricates equipment products for the oil and gas industry.
Tiong Seng Holdings Ltd ("Tiong Seng")	Tiong Seng is a construction company. Tiong Seng's activities include building construction and civil engineering business in Singapore. Tiong Seng's main focus of its property development business is to develop residential and commercial properties in various second- and third-tier cities in the PRC, such as Tianjin and Yangzhou.
Soilbuild Construction Group Ltd ("Soilbuild Construction")	Soilbuild Construction is involved in general building and construction. Soilbuild Construction is principally engaged in building works in Singapore in which they act as the main contractor. In addition, they are also engaged in architectural works in Singapore in which they act as a direct contractor, and project management services.
Sysma Holdings Ltd ("Sysma")	Sysma is principally engaged in providing building construction services to the private sector in Singapore. Sysma's current focus is on building high-end landed housing (especially Bungalows) and conducting A&A works on landed and other properties in Singapore.

Source: Bloomberg L.P.

For the purpose of our evaluation and for illustration, we have made comparison between the Group and the selected Comparable Construction Companies on a historical basis using the following metrics:

- (a) PER which is commonly used for the purpose of illustrating the valuation of a profitable company as a going concern; and
- (b) P/NAV ratio which illustrates the extent that the valuation of the company is backed by its net assets.

Comparable Construction Companies	Last financial year end	Market capitalisation as at the Offer Announcement Date (\$ million)	PER ⁽¹⁾ (times)	P/NAV ⁽²⁾ (times)
Chip Eng Seng	31 Dec 2019	328.83	n.m. ⁽³⁾	0.37
Lian Beng	30 May 2020	199.88	6.98	0.28
KSH Holdings	31 Mar 2020	180.42	278.43 ⁽⁴⁾	0.56
Wee Hur	31 Dec 2019	179.25	4.59	0.44
Keong Hong	30 Sep 2020	76.38	3.78	0.33
TA Corp	31 Dec 2019	63.72	n.m. ⁽³⁾	0.47
Koh Brothers	31 Dec 2019	63.52	n.m. ⁽³⁾	0.22
Tiong Seng	31 Dec 2019	54.74	n.m. ⁽³⁾	0.21
Soilbuild Construction	31 Dec 2019	46.27	n.m. ⁽³⁾	0.72
Sysma	31 Jul 2020	34.82	29.43 ⁽⁴⁾	0.62
High			278.43	0.72
Low			3.78	0.21
Mean			5.12	0.42
Median			4.59	0.41
Company (implied by the Offer Price)	30 Jun 2020	143.14	n.m.⁽³⁾	0.52 (based on RNAV as at 30 Jun 2020)

Source: Bloomberg L.P., annual reports and latest publicly available financial information on the Comparable Construction Companies as at the Offer Announcement Date

Notes:

- (1) The PERs of the Comparable Construction Companies are computed based on their trailing 12 months basic consolidated earnings per share as set out in their latest available published interim results or latest full year results, whichever is applicable, as at the Offer Announcement Date;
- (2) The P/NAV ratios of the Comparable Construction Companies are computed based on their respective (a) market capitalisation as at the Offer Announcement Date; and (b) NAV as set out in their latest available published financial statements as at the Offer Announcement Date;
- (3) n.m. denotes not meaningful as these companies are loss-making; and
- (4) Excluded as statistical outlier for the computation of mean and median.

Based on the above, we note that:

- (a) the P/RNAV ratio of the Group of 0.52 times implied by the Offer Price and based on the estimated RNAV of the Group as at 30 June 2020 is within the range and higher than the mean and median of the P/NAV ratios of the Comparable Construction Companies; and
- (b) the PER multiple is not meaningful for comparison purposes as the Group had reported losses for FY2020.

7.4 Comparison with precedent takeover offers of selected SGX-ST listed companies involved in property related businesses

In assessing the Offer Price, we have also compared the financial terms implied by the Offer Price with those of recent takeover offers of target companies listed on the SGX-ST (excluding real estate investment trusts and business trusts) that are similarly engaged predominantly in construction activities. These are for takeover offers which also include offers that were made by way of scheme of arrangement or voluntary delisting that were announced since January 2018 and completed as at the Latest Practicable Date. However, there were no such precedent takeover offers.

As the Group is also engaged in property development and property investment activities and these assets form a significant proportion of the Group's assets, for the purpose of our analysis of the Offer, we have therefore extended the search to include takeover offers of target companies which were engaged in property related businesses, and where the IFAs had given a fair and reasonable opinion on the respective offers ("**Precedent Takeover Offers**"). These Precedent Takeover Offers include cases where the offeror had stated its intention to maintain the listing status on the SGX-ST as well as cases where the offeror had stated its intention to privatise and delist the target company from the SGX-ST.

In total, there are 9 of such Precedent Takeover Offers, of which 7 had since been delisted from the SGX-ST and 2 others remain listed on the SGX-ST including Thakral Corporation Limited, which was the subject of a partial takeover offer.

As these Precedent Takeover Offers involve companies which are heavy asset based being engaged in property development and property investment activities, the relevant statistics which we will be comparing with the financial terms of the Offer are the offer price premium to market prices and the P/RNAV implied by the offer price of these Precedent Takeover Offers.

The analysis serves as a general indication of the relevant premium/discount that the offerors had paid in order to acquire the target companies, and the comparison sets out:

- (i) the premium or discount represented by each of the respective offer prices to the last transacted prices and VWAPs over the 1-month and 3-month periods prior to the announcement of the Precedent Takeover Offers; and
- (ii) the premium or discount represented by each of the respective offer prices to the NAV or NTA of the respective target companies. We note that certain transactions had undertaken revaluations and/or adjustments to their assets which may have a material impact on their latest announced book values. In this respect, we have compared the offer price with the revalued NAV, revalued NTA or adjusted NAV or adjusted NTA of the Precedent Takeover Offers, where applicable.

We wish to highlight that the target companies listed in the Precedent Takeover Offers as set out in the analysis below may not be directly comparable to the Company or the Group in terms of market capitalisation, size of operations, composition of business activities, asset base, geographical spread, track record, operating and financial leverage, risk profile, liquidity, accounting policies, future prospects and other relevant criteria. Each transaction must be judged on its own commercial and financial merits. The premium or discount that an offeror pays in any particular Precedent Takeover Offers varies in different specific circumstances depending on, *inter alia*, factors such as the intention of the offeror, the potential synergy the

offeror can gain by acquiring the target, the prevailing market conditions and sentiments, attractiveness and profitability of the target's business and assets, the possibility of a significant revaluation of the assets to be acquired, the availability of substantial cash reserves, the liquidity in the trading of the target company's shares, the presence or absence of competing bids for the target company, and the existing and desired level of control in the target company. The list of the Precedent Takeover Offers is by no means exhaustive and as such any comparison made serves as an illustration only. Conclusions drawn from the comparisons made may not necessarily reflect the perceived or implied market valuation of the Company.

Name of company	Sector	Date of announcement	Premium/(Discount) of Offer Price over/(to)			P/NAV (times)
			Last transacted price prior to announcement (%)	1-month VWAP prior to announcement (%)	3-month VWAP prior to announcement (%)	
Wheelock Properties (Singapore) Limited	Property development	19 Jul 2018	20.7	29.0	22.7	0.84 ⁽¹⁾
LTC Corporation Limited	Steel trading, property development, property rental and retail operations	7 Sep 2018	(1.1)	1.3	2.2	0.50 ⁽²⁾
Thakral Corporation Limited	Real estate related investment and marketing and distribution of brands in beauty, wellness and lifestyle categories	4 Mar 2019	11.1	17.1	18.1	0.50 ⁽³⁾
San Teh Ltd	Property development and investment, hotel, and PVC pipes and fittings businesses	5 Sep 2019	81.8	90.5	83.0	0.40 ⁽⁴⁾
United Engineers Limited	Property rental and hospitality, property development, engineering and distribution, as well as manufacturing	25 Oct 2019	1.5	5.7	4.6	0.82 ⁽⁵⁾
TEE Land Limited ⁽⁶⁾	Real estate developer and investor	13 Jan 2020	8.0	12.1	19.6	0.60 ⁽⁶⁾
Perennial Real Estate Holdings Limited	Integrated real estate and healthcare company	12 Jun 2020	88.1 ⁽¹⁰⁾	105.2 ⁽¹⁰⁾	124.2 ⁽¹⁰⁾	0.57 ⁽⁷⁾
China Jishan Holdings Limited	Principally engaged in the business of printing and dyeing, sale of garments, leasing of property and equipment, property development and management for general commercial and residential buildings	20 Aug 2020	84.2	101.3	106.4	0.78 ⁽⁸⁾
LCT Holdings Limited	Property investment, value-added services, and professional and investment consultancy services	16 Sep 2020	39.5	60.8	61.7	0.91 ⁽⁹⁾
High			88.1	105.2	24.2	0.91
Low			(1.1)	1.3	2.2	0.40
Mean			37.1	47.0	49.2	0.66
Median			20.7	29.0	22.7	0.60

Name of company	Sector	Date of announcement	Premium/(Discount) of Offer Price over/(to)			P/NAV (times)
			Last transacted price prior to announcement (%)	1-month VWAP prior to announcement (%)	3-month VWAP prior to announcement (%)	
Company (implied by the Offer Price)		17 Nov 2020	8.6	8.6	8.7	0.52 (based on RNAV as at 30 Jun 2020)

Source: SGX-ST announcements and circulars to shareholders in relation to the Precedent Takeover Offers

Notes:

- (1) Based on the revalued NAV per Share of Wheelock Properties (Singapore) Limited as at 30 June 2018;
- (2) Based on the revalued NAV per Share of LTC Corporation Limited as at 30 June 2018;
- (3) Based on the NAV per share of Thakral Corporation Limited as at 31 December 2018;
- (4) Based on the revalued NAV per share of San Teh Ltd as at 30 June 2019;
- (5) Based on the revalued NTA per share of United Engineers Limited as at 30 September 2019;
- (6) Based on the pre-conditional offer announcement date and the revalued NAV per share of TEE Land Limited as at 30 November 2019;
- (7) Based on the adjusted revalued NAV per share of Perennial Real Estate Holdings Limited as at 31 December 2019;
- (8) Based on the revalued NAV per share of China Jishan Holdings Limited as at 30 June 2020;
- (9) Based on the adjusted NAV per Share of LCT Holdings Limited as at 30 June 2020; and
- (10) The market premia implied by the offer price were computed based on prices prior to the voluntary announcement dated 18 May 2020 by Perennial Real Estate Holdings Limited that certain of its substantial shareholders are reviewing the options in relation to their holdings in the company.

Based on the above, we note that:

- (a) The premia implied by the Offer Price over the last transacted price, the VWAP for the 1-month period and the VWAP for the 3-month period are within the range but significantly below the mean and median of the corresponding premia of the Precedent Takeover Offers; and
- (b) The P/RNAV ratio of 0.52 times implied by the Offer Price based on the RNAV of the Group as at 30 June 2020 is within the range but below the mean and median of the corresponding P/NAV ratios of the Precedent Takeover Offers.

Shareholders should note that the above comparison with the Precedent Takeover Offers is purely for illustrative purposes only.

7.5 Estimated valuation of the Shares

We have in Section 7.2.3 of this Letter set out our approach in valuing the Shares: (a) construction segment; and (b) property development and investment segment.

For the construction segment, we are of the view that the net assets of the construction segment of S\$38.2 million as at 30 June 2020 can be used as an approximation of the estimated valuation of the construction segment.

In Section 7.2.4 of this Letter, we have computed the estimated RNAV of the Group of S\$274.9 million as at 30 June 2020 after taking into consideration the net revaluation surplus arising from the valuation of the Group's main properties. On the basis that the net assets of the

construction segment approximate the estimated valuation of the construction segment, the remaining revalued net assets of S\$236.7 million would pertain mainly to the property development and investment segment.

Our further analysis in Section 7.4 of this Letter shows that the median and mean statistics of the P/NAV of Precedent Takeover Offers are 0.60 and 0.66 times respectively. We are of the view that the above statistics of the P/NAV ratio of the Precedent Takeover Offers are more relevant as the basis in determining the estimated valuation of the Group's property development and investment segment, *inter alia*, as the respective IFAs of these Precedent Takeover Offers have opined that the financial terms of the offers are fair and reasonable.

Applying the above mean and median P/NAV statistics to the Group's property development and investment segment, the estimated valuation of this segment would be between S\$142.0 million and S\$156.2 million.

Accordingly, the estimated valuation of the Shares would be as follows:

Group	Estimated valuation	Per Share ⁽¹⁾
Construction segment	S\$38.2 million	S\$0.10
Property development and investment segment	S\$142.0 million to S\$156.2 million	S\$0.38 to S\$0.41
Total	S\$180.2 million to S\$194.4 million	S\$0.48 to \$0.52

Note:

(1) Based on 376,688,104 Shares (excluding 8,341,500 treasury shares).

Accordingly, we are of the view that the Offer Price of S\$0.38 which is below our estimated range of fair value of the Share of between S\$0.48 and S\$0.52 is **not fair**.

7.6 Dividend track record of the Company

We set out below the information on the dividend per Share as declared by the Company for the last 5 financial years from FY2016 to FY2020:

Dividend declared (S\$)	FY2016	FY2017	FY2018	FY2019	FY2020
Interim dividend per Share	0.0075	0.003	0.003	0.003	0.003
Final dividend per Share	0.0125	0.012	0.015	0.015	0.010
Total	0.020	0.015	0.018	0.018	0.013
Average Share price ⁽¹⁾ (S\$)	0.3678	0.3554	0.3674	0.3447	0.3404
Dividend yield ⁽²⁾ (%)	5.44	4.22	4.90	5.22	3.82

Source: Bloomberg L.P., and Company's annual report for FY2020.

Notes:

(1) Based on the daily closing prices of the Shares for the respective financial year; and

(2) Computed based on dividend per Share divided by the average Share price.

Based on the above, we note that the Company has a record of paying dividend during FY2016 to FY2020 with the total annual dividend per Share of between S\$0.013 and S\$0.020. Dividend yield ranges from approximately 3.82% and 5.44% per annum for the above period. We note that the Company had declared lower final dividend for FY2020 to maintain balance sheet

strength and prudent capital management in view of the uncertain global economic times caused by the global COVID-19 pandemic.

The Directors have confirmed to us that the Company does not have a formal dividend policy. However, it has a good track record of paying annual dividend to Shareholders since its listing on the SGX-ST in 1984. When proposing any dividend payout and/or determining the form, frequency and/or the amount of such dividend payout, the Board will take into account, *inter alia*, the Group's financial position, retained earnings, results of operations and cash flows, expected working capital requirements, expected capital expenditure, future expansion and investment plans and other funding requirements, general economic conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Group.

We wish to highlight that the above dividend analysis of the Company serves only as an illustrative guide and is not an indication of the Company's future dividend policy.

7.7 Other relevant considerations in relation to the Offer

7.7.1 The Offer has become unconditional in all respects

On 25 November 2020, the Offeror has declared that the Offer has become unconditional in all respects.

Based on public disclosures as at the Latest Practicable Date, the total number of (a) Shares owned, controlled or agreed to be acquired by the Offeror and parties acting in concert with it; and (b) valid acceptances to the Offer, amounted to an aggregate of 200,538,020 Shares, representing 53.24% of the total number of issued Shares.

The Consortium Members already have majority control of the Company.

7.7.2 Likelihood of a competing offer is remote

The Directors have confirmed that, as at the Latest Practicable Date, apart from the Offer being made by the Offeror, no alternative offer or proposal has been received by the Company. We also note that there is no publicly available evidence of any alternative offer for the Shares.

As the Offer has become unconditional in all respects and the Offeror together parties acting in concert with it is already the major controlling Shareholder as at the Latest Practicable Date, the likelihood of a competing offer from any third party is remote.

7.7.3 Offeror's intention for the listing status of the Company

It is the Offeror's current intention to maintain the listing status of the Company on the SGX-ST following completion of the Offer.

In the event that the percentage of Shares (excluding treasury shares) held in public hands fall below 10% and the SGX-ST suspends trading of the Shares, the Offeror intends to undertake and/or support any action as may be necessary for any such trading suspension by the SGX-ST to be lifted.

However, the Offeror reserves the right to re-evaluate its position, taking into account, among other things, the level of acceptances received by the Offeror and the prevailing market conditions at the relevant time. Accordingly, there is no assurance that the Offeror will take steps to preserve the listing status of the Company on the SGX-ST if the percentage of Shares (excluding treasury shares) held in public hands falls below 10%.

7.7.4 Commentary on the business outlook in the annual report for FY2020

The following is an extract from the Company's annual report for FY2020 in relation to the business outlook for the construction industry:

"The Ministry of Trade and Industry in a statement issued on 11 August 2020, had downgraded its full-year GDP growth forecast and now expects the Singapore economy to contract by 5% to 7% for the year 2020.

And while construction activity has gradually resumed, the Group is cognizant that the coronavirus pandemic will continue to impact our business into FY2021. Besides pre-existing competitive and manpower shortage issues, the industry now also faces unprecedented operational challenges. In addition, the BCA revised its projected construction demand for 2020 down to between \$18 billion to \$23 billion from the earlier range of \$28 billion to \$33 billion. It attributed the revision to a drop in private sector construction demand and the delay in the award of some public sector construction projects."

8. OUR RECOMMENDATION TO THE INDEPENDENT DIRECTORS ON THE OFFER

In arriving at our recommendation in respect of the Offer, we have taken into account, reviewed and deliberated on the following key considerations which we considered to be pertinent in our assessment of the Offer:

- (a) Market quotation and trading activity of the Shares;
- (b) Financial analysis of the Group;
- (c) Comparison of valuation ratios of selected listed companies which are broadly comparable to the Group;
- (d) Comparison with precedent takeover offers of selected SGX-ST listed companies involved in property related businesses;
- (e) Estimated valuation of the Shares;
- (f) Dividend track record of the Company; and
- (g) Other relevant considerations in relation to the Offer.

Based on our analysis and after having considered carefully the information available to us as at the Latest Practicable Date, overall, we are of the view that the financial terms of the Offer are not fair and not reasonable. Accordingly, we advise the Independent Directors to recommend Shareholders to REJECT the Offer.

In rendering the above advice, we have not given regard to the specific investment objectives, financial situation, tax position, risk profiles or particular needs and constraints of any individual Shareholder. As each individual Shareholder may have different investment objectives and profiles, we would advise that any individual Shareholder who may require specific advice in relation to his investment objectives or portfolio should consult his legal, financial, tax or other professional adviser immediately. The Independent Directors should advise Shareholders that the opinion and advice of Provenance Capital should not be relied upon by any Shareholder as the sole basis for deciding whether or not to accept the Offer.

Our recommendation on the Offer is addressed to the Independent Directors for their benefit, in connection with and for the purposes of their consideration of the Offer, and may not be used or relied on for any other purposes (other than for the purpose of the Offer) without the prior written consent of Provenance Capital. The recommendation to be made by the Independent

Directors to Shareholders in respect of the Offer respectively shall remain the responsibility of the Independent Directors.

This Letter is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters stated herein and does not apply by implication to any other matter.

Yours faithfully
For and on behalf of
PROVENANCE CAPITAL PTE. LTD.

Wong Bee Eng
Chief Executive Officer

ADDITIONAL GENERAL INFORMATION

1. DIRECTORS

The names, addresses and appointments of the Directors as at the Latest Practicable Date are set out below:

Name	Address	Appointment
Mr Raymond Lum Kwan Sung	c/o 14 Kung Chong Road, #08-01 Lum Chang Building Singapore 159150	Executive Chairman
Mr David Lum Kok Seng	c/o 14 Kung Chong Road, #08-01 Lum Chang Building Singapore 159150	Group Managing Director
Mr Tony Fong	c/o 14 Kung Chong Road, #08-01 Lum Chang Building Singapore 159150	Executive Director
Mr Kelvin Lum Wen Sum	c/o 14 Kung Chong Road, #08-01 Lum Chang Building Singapore 159150	Non-Independent Non-executive Director
Mr Peter Sim Swee Yam	c/o 14 Kung Chong Road, #08-01 Lum Chang Building Singapore 159150	Lead Independent Director
Dr Willie Lee Leng Ghee	c/o 14 Kung Chong Road, #08-01 Lum Chang Building Singapore 159150	Independent Director
Mr Daniel Soh Chung Hian	c/o 14 Kung Chong Road, #08-01 Lum Chang Building Singapore 159150	Independent Director
Mr Andrew Chua Thiam Chwee	c/o 14 Kung Chong Road, #08-01 Lum Chang Building Singapore 159150	Independent Director
Mr Clement Leow Wee Kia	c/o 14 Kung Chong Road, #08-01 Lum Chang Building Singapore 159150	Independent Director

2. HISTORY AND BUSINESS

The Company was incorporated in Singapore on 18 September 1982 and was listed on the Main Board of the SGX-ST on 28 December 1984. The principal activities of the Company are the holding of investments and provision of management services to its subsidiaries and joint venture companies. The Company's subsidiaries are principally engaged in construction, project management, property development for sale and property investment.

3. SHARE CAPITAL

3.1 Issued Share Capital

As at the Latest Practicable Date, the Company has an issued and paid-up share capital of S\$86,572,309.49 comprising 376,688,104 issued Shares (excluding 8,341,500 treasury shares). The issued Shares are listed and quoted on the Main Board of the SGX-ST.

3.2 Rights in respect of Capital, Voting and Dividends

The rights of Shareholders in respect of capital, voting and dividends are contained in the Constitution. The provisions in the Constitution relating to the rights of Shareholders in respect of capital, voting and dividends are reproduced in Appendix III to this Circular. Capitalised terms and expressions not defined in the extracts have the meanings ascribed to them in the Constitution.

3.3 Number of Shares Issued Since the End of FY2020

As at the Latest Practicable Date, no new Shares have been issued by the Company since the end of FY2020.

3.4 Outstanding Instruments Convertible into Shares

As at the Latest Practicable Date, the Company has not issued any instruments convertible into, rights to subscribe for, or Options in respect of, securities being offered for or which carry voting rights affecting the Shares that are outstanding as at the Latest Practicable Date.

4. DISCLOSURE OF INTERESTS

4.1 Interests of the Company in Offeror Securities

The Company does not have any direct or deemed interest in any Offeror Securities as at the Latest Practicable Date.

4.2 Dealings in Offeror Securities by the Company

The Company has not dealt for value in any Offeror Securities during the period commencing six (6) months prior to the Offer Announcement Date and ending on the Latest Practicable Date.

4.3 Interests of the Directors in Offeror Securities

Save as disclosed below and in the Offer Document, none of the Directors has any direct or indirect interests in the Offeror Securities as at the Latest Practicable Date.

Mr Raymond Lum and Mr David Lum each own 45 ordinary shares in the issued and paid-up share capital of the Offeror, representing 45% of the shareholding interest in the Offeror.

4.4 Dealings in Offeror Securities by the Directors

Save as disclosed below and in the Offer Document, none of the Directors has dealt for value in any Offeror Securities during the period commencing six (6) months prior to the Offer Announcement Date and ending on the Latest Practicable Date.

On 27 October 2020, the date of incorporation of the Offeror:

- (a) Mr Raymond Lum subscribed for 45 shares in the capital of the Offeror, representing 45% of the total shares of the Offeror in issue, for a consideration of S\$45;
- (b) Mr David Lum subscribed for 45 shares in the capital of the Offeror, representing 45% of the total shares of the Offeror in issue, for a consideration of S\$45; and
- (c) Ellipsiz subscribed for 10 shares in the capital of the Offeror, representing 10% of the total shares of the Offeror in issue, for a consideration of S\$10.

As stated in the Offer Document:

- (a) the controlling shareholder of Ellipsiz is Bevrian, which holds approximately 60.28% of the issued shares of Ellipsiz (excluding treasury shares). Mr David Lum is the sole legal and beneficial owner of Bevrian. Accordingly, 60.28% of Ellipsiz's shares are beneficially-owned by Mr David Lum; and
- (b) Mr Kelvin Lum is the Executive Director and Chief Executive Officer of Ellipsiz,

4.5 Interests of the Directors in Company Securities

As at the Latest Practicable Date, save as disclosed below and in this Circular, none of the Directors has any direct or deemed interests in any Company Securities:

	Direct		Deemed		Total	
Name	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾
Raymond Lum Kwan Sung	–	–	117,193,184 ⁽²⁾⁽³⁾	31.11	117,193,184	31.11
David Lum Kok Seng	–	–	122,841,681 ⁽²⁾⁽⁴⁾	32.61	122,841,681	32.61
Tony Fong	300,000	0.08	17,000 ⁽²⁾	NM	317,000	0.08
Peter Sim Swee Yam	10,000	NM	–	–	10,000	NM

NM: Not material

Note:

- (1) The percentage of shareholdings was computed based on the issued share capital of the Company of 376,688,104 ordinary shares (excluding 8,341,500 treasury shares) as at the Latest Practicable Date.
- (2) The Shares are held through a nominee account.
- (3) Includes 15,528,397 Shares held through a depository agent, 61,972,942 Shares beneficially owned by LCI and 39,691,845 Shares acquired by the Offeror (including valid acceptances of the Offer) since Offer Announcement Date. LCI, a company in which Mr Raymond Lum has a direct interest of approximately 53.33%, and in which his spouse and children, Ms Edlyn Lum Wen-Ee and Ms Emlyn Lum Wen-Yan, have an aggregate direct interest of approximately 46.67%, holds approximately 16.45% of the issued Shares (excluding treasury shares) through a nominee account. Ms Emlyn Lum Wen-Yan holds the position of Vice President, Finance, in the Company.
- (4) Includes 10,938,436 Shares held through a depository agent, 72,211,400 Shares beneficially owned by Beverian and 39,691,845 Shares acquired by the Offeror (including valid acceptances of the Offer) since Offer Announcement Date. Beverian, a company in which Mr David Lum has a direct interest of approximately 99.00%, and in which his son, Mr Kelvin Lum, has a direct interest of 1.00%, holds approximately 19.17% of the issued Shares (excluding treasury shares), out of which 71,419,600 Shares are held through a nominee account.

4.6 Dealings in Company Securities by the Directors

Save as disclosed in any information on the Group which is publicly available (including without limitation the announcements, financial statements and annual reports released by the Company on SGXNET), none of the Directors has dealt for value in any Company Securities during the period commencing six (6) months prior to the Offer Announcement Date and ending on the Latest Practicable Date.

4.7 Company Securities owned or controlled by Provenance Capital

As at the Latest Practicable Date, none of Provenance Capital, its related corporations or any funds whose investments are managed by Provenance Capital on a discretionary basis owns or controls any Company Securities.

4.8 Dealings in Company Securities by Provenance Capital

As at the Latest Practicable Date, none of Provenance Capital, its related corporations or any funds whose investments are managed by Provenance Capital on a discretionary basis has dealt for value in any Company Securities during the period commencing six (6) months prior to the Offer Announcement Date and ending on the Latest Practicable Date.

4.9 Offeror Securities owned or controlled by Provenance Capital

As at the Latest Practicable Date, none of Provenance Capital, its related corporations or any funds whose investments are managed by Provenance Capital on a discretionary basis owns or controls any Offeror Securities.

4.10 Dealings in Offeror Securities by Provenance Capital

As at the Latest Practicable Date, none of Provenance Capital, its related corporations or any funds whose investments are managed by Provenance Capital on a discretionary basis has dealt for value in any Offeror Securities during the period commencing six (6) months prior to the Offer Announcement Date and ending on the Latest Practicable Date.

4.11 Directors' Intentions

The Directors who hold Shares have indicated their intentions in respect of accepting or rejecting the Offer in respect of their Shares as follows:

- (a) Mr Tony Fong, a Director who holds Shares, intends to reject the Offer in respect of all the Shares held by him; and
- (b) Mr Peter Sim Swee Yam, a Director who holds Shares, intends to reject the Offer in respect of all the Shares held by him.

4.12 Directors' service contracts

As at the Latest Practicable Date, there are no service contracts between any of the Directors or proposed directors with the Company or any of its subsidiaries which have more than twelve (12) months to run and which cannot be terminated by the employing company within the next twelve (12) months without paying any compensation, and there are no such service contracts entered into or amended by the Company or any of its subsidiaries during the period commencing six (6) months prior to the Offer Announcement Date and ending on the Latest Practicable Date.

4.13 Other Disclosures

As at the Latest Practicable Date:

- (a) it is not proposed that any payment or other benefit shall be made or given to any Director or director of any other corporation which is by virtue of Section 6 of the Act deemed to be related to the Company, as compensation for loss of office or otherwise in connection with the Offer;
- (b) Mr Raymond Lum has entered into an investors' agreement with the Offeror, brief details of which are disclosed in the Offer Document. Mr David Lum has entered into an investors' agreement with the Offeror, brief details of which are disclosed in the Offer Document. Save for the foregoing, as at the Latest Practicable Date, there are no agreements or arrangements made between any Director and any other person in connection with or conditional upon the outcome of the Offer; and

- (c) the Offeror has entered into an investors' agreement with Mr Raymond Lum and Mr David Lum, and a facility agreement with United Overseas Bank Limited as lender. Mr Raymond Lum has entered into certain security arrangements in respect of the facility agreement, brief details of which are disclosed in the Offer Document. Mr David Lum has entered into certain security arrangements in respect of the facility agreement, brief details of which are disclosed in the Offer Document. Save for the foregoing, as at the Latest Practicable Date, none of the Directors has a material personal interest, whether direct or indirect, in any material contract entered into by the Offeror.

5. MATERIAL CONTRACTS WITH INTERESTED PERSONS

As at the Latest Practicable Date, save as disclosed in any information on the Group which is publicly available (including without limitation the announcements, financial statements and annual reports released by the Company on SGXNET), neither the Company nor any of its subsidiaries has entered into material contracts with persons who are Interested Persons (other than those entered into in the ordinary course of business) during the period beginning three (3) years before the Offer Announcement Date and ending on the Latest Practicable Date.

6. MATERIAL LITIGATION

As at the Latest Practicable Date, none of the Company or its subsidiaries is engaged in any material litigation, either as plaintiff or defendant, which might materially and adversely affect the financial position of the Company or the Group, taken as a whole. The Directors are not aware of any material litigation, claims or proceedings pending or threatened against, or made by, the Company or any of its subsidiaries or any facts likely to give rise to any such material litigation, claims or proceedings, which might materially and adversely affect the financial position of the Company or the Group, taken as a whole.

7. SUMMARY OF FINANCIAL INFORMATION

7.1 Consolidated Income Statement

A summary of the audited consolidated income statement of the Group for FY2018, FY2019 and FY2020 is set out below.

	Audited FY2020 S\$'000	Audited FY2019 S\$'000	Audited FY2018 (Restated) S\$'000
Revenue	322,691	240,251	262,327
(Loss)/profit before income tax	(2,930)	28,677	32,408
(Loss)/profit after income tax	(6,107)	27,526	26,918
(Loss)/profit after tax attributable to:			
Equity holders of the Company	(2,111)	23,287	24,639
Non-controlling interests	(3,996)	4,239	2,279
(Loss)/earnings attributable to the equity holders of the Company per share	(0.56¢)	6.11¢	6.45¢
Dividends per share	1.30¢	1.80¢	1.80¢

Note - The above summary is extracted from, and should be read together with, the annual reports of the Company for FY2018, FY2019 and FY2020, and the related notes thereto, copies of which are available for inspection at the Company's registered office as mentioned in Section 12 of this Circular.

The audited consolidated financial statements of the Group for FY2020 are reproduced in Appendix V to this Circular.

7.2 Consolidated Statement of financial position

A summary of the audited consolidated statement of financial position of the Group for FY2018, FY2019 and FY2020 is set out below.

	Audited FY2020 S\$'000	Audited FY2019 S\$'000	Audited FY2018 (Restated) S\$'000
ASSETS			
Current assets			
Cash and cash equivalents	151,026	134,326	94,225
Financial assets, at FVPL	–	4,734	–
Trade and other receivables	23,312	56,378	63,027
Contract assets	16,721	46,276	16,512
Tax recoverable	292	1,191	1,214
Properties held for sale	4,417	338	1,289
Development properties	117,949	119,052	119,930
Other current assets	8,120	10,638	1,150
	321,837	372,933	297,347
Non-current assets			
Trade and other receivables	87,084	80,776	74,116
Club memberships	352	353	321
Available-for-sale financial assets	–	–	7,383
Financial assets, at FVPL	8,063	–	–
Financial assets, at FVOCI	25,146	16,436	–
Investments in joint ventures	33,400	33,205	8,478
Investments in associated companies	4,865	559	1,909
Investment properties	58,316	144,296	180,658
Property, plant and equipment	27,025	25,672	25,389
Deferred income tax assets	6,092	4,189	2,821
Other non-current assets	4,857	1,248	957
	255,200	306,734	302,032
Total assets	577,037	679,667	599,379
LIABILITIES			
Current liabilities			
Trade and other payables	71,458	104,636	113,647
Contract liabilities	28,409	39,981	–
Provision for other liabilities	15,159	16,502	–
Current income tax liabilities	5,758	2,914	5,422
Borrowings	4,368	9,472	50,992
	125,152	173,505	170,061
Non-current liabilities			
Trade and other payables	17,180	25,891	23,869
Borrowings	164,187	203,259	148,247
Deferred income tax liabilities	96	388	554
	181,463	229,538	172,670
Total liabilities	306,615	403,043	342,731
NET ASSETS	270,422	276,624	256,648

	Audited FY2020 S\$'000	Audited FY2019 S\$'000	Audited FY2018 (Restated) S\$'000
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	86,572	86,572	86,574
Treasury shares	(2,845)	(1,620)	(1,025)
Capital and other reserves	40,027	26,922	23,281
Retained profits	133,059	145,277	129,015
	256,813	257,151	237,845
Non-controlling interests	13,609	19,473	18,803
Total equity	270,422	276,624	256,648

Note – The above summary is extracted from, and should be read together with, the annual reports of the Company for FY2018, FY2019 and FY2020, and the related notes thereto, copies of which are available for inspection at the Company's registered office as mentioned in Section 12 of this Circular.

The audited consolidated financial statements of the Group for FY2020 are reproduced in Appendix V to this Circular.

7.3 Material changes in financial position

Save as disclosed in this Circular and publicly available information on the Company (including but not limited to announcements released by the Company on SGXNET, or which may be released by the Company subsequent to the despatch date of this Circular), there are no known material changes in the financial position of the Company as at the Latest Practicable Date since 30 June 2020, being the date to which the Company's last published audited financial statements were made up.

8. SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies of the Group is set out in Note 2 to the audited financial statements of the Group for FY2020, which are reproduced in Appendix V to this Circular.

Save as disclosed in this Circular and publicly available information on the Group (including but not limited to that contained in the audited financial statements of the Group for FY2020), there are no significant accounting policies or any points from the notes to the financial statements which are of major relevance for the interpretation of the accounts.

9. CHANGES IN ACCOUNTING POLICIES

As set out in the audited financial statements of the Group for FY2019, the Group has adopted Singapore Financial Reporting Standards (International) ("**SFRS(I)**") for the first time for financial year ended 30 June 2019. Details of the adoption are set out in Note 2.1 to the audited financial statements of the Group for FY2019. The FY2018 financial statements as disclosed in Point 7.1 and 7.2 relate to the restated numbers after the adoption of SFRS(I).

In FY2020, the Group has adopted SFRS(I) 16, the accounting standard for leases effective from 1 July 2019. Details of the adoption of SFRS(I) 16 Leases are set out in Note 2.1 to the audited financial statements of the Group for FY2020, which are reproduced in Appendix V to this Circular.

As at the Latest Practicable Date, there has been no change in the accounting policies of the Group since the date of its audited consolidated financial statements for FY2020.

10. VALUATION CERTIFICATES

The Company has commissioned independent valuations of the Subject Properties. As disclosed in the Valuation Certificates, the basis of valuation is market value. Copies of the Valuation Certificates are set out in Appendix IV to this Circular. The Valuation Certificates in respect of the Subject Properties are available for inspection at the registered office of the Company at 14 Kung Chong Road #08-01 Lum Chang Building Singapore 159150.

Under Rule 26.3 of the Code, the Company is required, *inter alia*, to make an assessment of any potential tax liabilities which would arise if the Subject Properties, which are the subject of a valuation given in connection with the Offer, were to be sold at the amount of the valuation. Based on information provided to the Company by the respective Valuers, in a hypothetical scenario where the Subject Properties are sold on an “as is” basis, the Group may incur potential tax liability of approximately S\$2.0 million. The Company expects the aforesaid potential tax liabilities to crystallise (if any) as and when the Company disposes of its interests in the Subject Properties.

11. GENERAL

- (a) All expenses and costs incurred by the Company in relation to the Offer will be borne by the Company.
- (b) Provenance Capital has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of (i) its name; (ii) the IFA Letter set out in Appendix I to this Circular; and (iii) all references thereto, in the form and context in which they appear in this Circular.
- (c) Each of the Valuers has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of (i) its name; (ii) the Valuation Certificates set out in Appendix IV to this Circular; and (iii) all references thereto, in the form and context in which they appear in this Circular.
- (d) The Independent Auditor has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of (i) its name; (ii) independent auditor’s report in relation to the audited financial statements of the Group for FY2020 set out in Appendix V to this Circular; and (iii) all references thereto, in the form and context in which they appear in this Circular.

12. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at 14 Kung Chong Road #08-01 Lum Chang Building Singapore 159150 during normal business hours for the period during which the Offer remains open for acceptance:

- (a) the Constitution;
- (b) the annual reports of the Company for FY2018, FY2019 and FY2020 (which contains the audited financial statements of the Company for FY2018, FY2019 and FY2020);
- (c) the IFA Letter set out in Appendix I to this Circular;
- (d) the Valuation Certificates set out in Appendix IV to this Circular; and
- (e) the letters of consent referred to in paragraph 11 of this Circular.

PROVISIONS IN THE CONSTITUTION RELATING TO THE RIGHTS OF SHAREHOLDERS IN RESPECT OF CAPITAL, VOTING AND DIVIDENDS

The provisions in the Constitution relating to the rights of Shareholders in respect of capital, voting and dividends have been reproduced below:

1. The Rights of Shareholders in respect of Capital

“SHARES

6. **CLASSES OF SHARES.** *The shares in the original or any increased capital may be divided into several classes and there may be attached thereto respectively any preferential deferred qualified or other special rights, privileges, conditions or restrictions as to dividend, capital, voting or otherwise.*
7. **ISSUE OF SHARES.** *The shares taken by the subscribers to the Constitution shall be issued by the Directors. Subject as aforesaid and to these Articles, the shares shall be under the control of the Directors, who may allot and issue the same to such persons on such terms and conditions and at such times as the Directors think fit.*
8. **PAYMENT OF EXPENSES IN ISSUE OF SHARES.** *Any expenses (including brokerage or commission) incurred directly by the Company in the issue of new shares may be paid out of the proceeds of the issue or the Company's share capital. Such payment shall not be taken as reducing the amount of share capital of the Company.*
9. **SPECIAL RIGHTS.**
 - (1) *Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, any share in the Company may be issued with such preferred, deferred or other special rights or such restrictions, whether with regard to dividend, voting, return of capital or otherwise as the Company may from time to time by ordinary resolution determine; PROVIDED ALWAYS THAT the total number of issued preference shares shall not at any time exceed the total number of issued ordinary shares of the Company.*
 - (2) *The Company may issue shares for which no consideration is payable to the Company.*
10. **REDEEMABLE PREFERENCE SHARES.** *Subject (but not limited) to the Act, any preference shares may be issued on the terms that they are, or at the option of the Company are liable, to be redeemed. The Company shall also have the power to issue further preference shares ranking equally with or in priority to any preference shares already issued.*
11. **RIGHTS OF PREFERENCE SHAREHOLDERS.** *Holders of preference shares shall have the same rights as ordinary shareholders as regards receiving notices, reports and financial statements, and attending general meetings of the Company. They shall have the right to vote at any meeting convened for the purpose of reducing the capital or winding up or sanctioning a sale of the undertaking of the Company, or where the proposition to be submitted to the meeting directly affects their rights and privileges, or when the dividends on the preference shares are in arrears for more than 6 months.*
12. **MODIFICATION OF RIGHTS OF PREFERENCE SHAREHOLDERS.** *The repayment of preference capital other than redeemable preference capital, or any other alteration of preference shareholders' rights, may only be made pursuant to a special resolution of the preference shareholders concerned; PROVIDED ALWAYS THAT where the necessary majority for such a special resolution is not obtained at the meeting, consent in writing, if obtained from the holders of three-fourths of the preference shares concerned within 2 months of the meeting, shall be as valid and effectual as a special resolution carried at the meeting.*

13. **RIGHTS NOT VARIED BY ISSUE OF ADDITIONAL SHARES.** *The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not unless otherwise expressly provided by the terms of issue of the shares of that class be deemed to be varied by the creation or issue of further shares ranking pari passu therewith.*
14. **NO TRUSTS RECOGNISED.** *No person, other than the Depository, shall be recognised by the Company as holding any share upon any trust, and the Company shall not be bound by or be required in any way to recognise (even when having notice thereof) any equitable, contingent future or partial interest in any share or any other rights in respect of any share other than an absolute right to the entirety thereof in the registered holder, except only as by these Articles otherwise provided for or as required by the Statutes or pursuant to any order of court.*
15. **OFFER OF NEW SHARES.** *Subject to any direction to the contrary that may be given by the Company in general meeting or except as permitted under the Securities Exchange's listing rules, all new shares of whatever kind shall, before issue, be offered to such persons who as at the date of the offer are entitled to receive notices from the Company of general meetings in proportion, as far as the circumstances admit, to the number of the existing shares to which they are entitled. The offer shall be made by notice specifying the number of shares offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares offered, the Directors may dispose of those shares in such manner as they think most beneficial to the Company. The Directors may likewise so dispose of any new shares which (by reason of the ratio which the new shares bear to shares held by persons entitled to an offer of new shares) cannot, in the opinion of the Directors, be conveniently offered under this Article.*
16. **SHARE CERTIFICATES.** *Unless otherwise resolved by the Directors, securities will be allotted and certificates issued in the name of and despatched to every person whose name is entered as a Member in the Register of Members or allotted and despatched to the Depository for the account of every Depositor who is a Member, within 10 Market Days (or such other periods as may be approved by any stock exchange upon which the shares of the Company may be listed) of the final applications closing date for an issue of securities or as the case may be after the lodgement of any registrable transfer. Every person whose name is entered as a Member in the Register of Members or in the name of the Depository, as the case may be, shall be entitled without payment to one certificate under the Seal in respect of each class of shares held by him for all his shares in that class or several certificates in reasonable denominations each for one or more of his shares in any one class upon payment of S\$2 (or such sum as the Directors shall from time to time determine) for every certificate after the first. Stamp duty payable on such certificate shall be borne by such Member unless otherwise directed by the Directors; PROVIDED ALWAYS THAT in the case of joint holders (including Depositors) the Company shall not be bound to issue more than one certificate and delivery of such certificate to any one of them, or in the case of shares registered in the name of the Depository, to the Depository, shall be sufficient delivery to all such holders (including Depositors). PROVIDED FURTHER THAT the Company shall not be bound to register more than 3 persons as the joint holders of any share except in the case of executors or administrators of the estate of a deceased Member.*
17. **RENEWAL OF CERTIFICATES.** *Subject to the provisions of the Act, if a share certificate be worn out, defaced, destroyed, lost or stolen, it may be renewed on payment of such fee not exceeding S\$2 or in the event of the Company being listed on the Securities Exchange such other sum as may from time to time be prescribed by the Securities Exchange and on such terms as the Directors think fit, if any, as to evidence and indemnity being given by the shareholder, transferee, person entitled, purchaser, or member of the Securities Exchange on behalf of its or their client(s) and, in the case of destruction, loss or theft, on payment by the shareholder or person entitled to whom such renewed certificate is given of out-of-pocket expenses of the Company of investigating evidence including the payment of stamp duty on such certificate or in the case of defacement or wearing out, on delivery up of the old certificate. Any duplicate certificate issued on or after 30 January 2006 in respect of a share certificate issued before that date shall state, in place of the historical nominal value of the shares, the amount paid on the shares and the amount (if any) unpaid on the shares.*

18. **POWER TO PAY COMMISSION AND BROKERAGE.** *The Company may pay commissions or brokerage on any issue of shares at such rate or amount and in such manner as the Directors may deem fit. Such commissions or brokerage may be satisfied by the payment in cash or the allotment of fully or partly paid shares or partly in one way and partly in the other. The Company may, in addition to, or in lieu of, such commission, in consideration of any person so subscribing or agreeing to subscribe, or of his procuring or agreeing to procure subscriptions, for any shares in the Company, confer on any such person an option call within a specified time for a specified number of shares in the Company at a specified price or on such other terms and conditions as the Directors may deem fit.*
19. **POWER TO CHARGE INTEREST ON CAPITAL.** *If any shares of the Company are issued for the purpose of raising money to defray the expenses of the construction of any works or buildings or the provision of any plant which cannot be made profitable for a lengthened period, the Company may, subject to the conditions and restrictions mentioned in the Act, pay interest on so much of the share capital as is for the time being paid up (except treasury shares) and may charge the same to capital as part of the cost of the construction or provision.*

LIEN

20. **COMPANY TO HAVE LIEN ON SHARES AND DIVIDENDS.** *The Company shall have a lien on every share not being a fully-paid share which shall be restricted to unpaid calls and instalments upon the specific shares in respect of which such monies are due and unpaid, and to such amounts as the Company may be called upon by law to pay in respect of the shares of the Member or deceased Member. The Company's lien, if any, on a share shall extend to all dividends payable thereon.*
21. **LIEN MAY BE ENFORCED BY SALE OF SHARES.** *The Directors may sell any shares subject to such lien at such time or times and in such manner as they think fit, but no sale shall be made until such time as the moneys in respect of which such lien exists or some part thereof are or is presently payable or a liability or engagement in respect of which such lien exists is liable to be presently fulfilled or discharged, and until a demand and notice in writing stating the amount due or specifying the liability or engagement and demanding payment or fulfilment or discharge thereof, and giving notice of intention to sell in default, shall have been served on such Member or the persons (if any) entitled by transmission to the shares, and default in payment, fulfilment or discharge shall have been made by him or them for 7 days after such notice.*
22. **DIRECTORS MAY AUTHORISE TRANSFER AND ENTER PURCHASER'S NAME IN REGISTER.** *To give effect to any such sale the Directors may authorise some person to transfer the shares sold to the purchaser and may enter the purchaser's name in the Register of Members as holder of the shares, and the purchaser shall not be bound to see to the application of the purchase money, nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings in reference to the sale.*
23. **APPLICATION OF PROCEEDS OF SALE.** *The net proceeds of sale whether of a share forfeited by the Company or of a share over which the Company has a lien, shall be applied in or towards satisfaction of the amount due to the Company, or of the liability, as the case may be, and any residue after the satisfaction of the unpaid calls and accrued interest and expenses, shall be paid to the person whose shares have been forfeited, or his executors, administrators or assignees or as he directs.*
24. **MEMBER NOT ENTITLED TO PRIVILEGES OF MEMBERSHIP UNTIL ALL CALLS PAID.** *Subject to Article 122, no Member shall be entitled to receive any dividend or to exercise any privilege as a Member until he shall have paid all calls for the time being due and payable on every share held by him, whether in his own name or in a Securities Account, and whether alone or jointly with any other person, together with interest and expenses (if any).*

CALLS ON SHARES

25. **DIRECTORS MAY MAKE CALLS.** *The Directors may, subject to the provisions of this Constitution, from time to time make such calls upon the Members in respect of all monies unpaid on their shares as they think fit; PROVIDED ALWAYS THAT 14 days' notice at least is given in respect of each call and each Member shall be liable to pay the amount of every call so made upon him to the Company, by the instalments (if any) and at the times and places appointed by the Directors. A call may be revoked or postponed as the Directors may determine.*
26. **WHEN CALL DEEMED TO HAVE BEEN MADE.** *A call shall be deemed to have been made at the time when the resolution of the Directors authorising such call was passed.*
27. **LIABILITY OF JOINT HOLDERS.** *The joint holders or joint Depositors of a share shall be jointly and severally liable to pay all calls and instalments in respect thereof.*
28. **INTEREST ON UNPAID CALL.** *If before or on the day appointed for payment thereof a call or instalment payable in respect of a share is not paid, the person from whom the same is due shall pay interest on the amount of the call or instalment at such rate as the Directors shall fix from the day appointed for payment thereof to the time of actual payment, but the Directors may waive payment of such interest wholly or in part.*
29. **PAYMENTS IN ADVANCE OF CALLS.** *Any Member may pay to the Company and the Directors may, if they think fit, receive from any Member willing to advance the same, all or any part of the monies for the time being remaining uncalled on his shares but the monies so paid in advance shall not, whilst carrying interest, confer a right to participate in the profits of the Company.*
30. **MONIES PAID IN ADVANCE OF CALLS.** *In respect of any monies paid in advance of any call, or so much thereof as exceeds the amount for the time being called up on the shares in respect of which such advance has been made, the Directors may pay or allow such interest as may be agreed between them and such Member, in addition to the dividend payable upon such part of the share in respect of which such advance has been made as is actually called up.*
31. **SUM PAYABLE ON ALLOTMENT DEEMED TO BE A CALL.** *Any sum which by the terms of allotment of a share is made payable upon allotment or at any fixed date, shall, for all purposes of these Articles, be deemed to be a call duly made and payable on the date fixed for payment, and in case of non-payment, the provisions of this Constitution as to payment of interest and expenses, forfeiture and the like, and all the relevant provisions of this Constitution, shall apply as if such sum were a call duly made and notified as hereby provided.*
32. **DIFFERENCE IN CALLS.** *The Directors may, from time to time, make arrangements on the issue of shares for a difference between the holders of such shares in the amount of calls to be paid and in the time of payment of such calls.*

TRANSFER OF SHARES

33. **TRANSFER OF SHARES.** *There shall be no restriction on the transfer of fully paid up shares (except where required by law or, where the Company is listed on the Securities Exchange, the rules, bye-laws or listing rules of the Securities Exchange) but the Directors may in their discretion refuse to register a transfer to a transferee of whom they do not approve, in the case of shares not fully paid up; PROVIDED ALWAYS THAT in the event of the Directors refusing to register a transfer of shares, they shall within 30 days, or in the event of the Company being listed on the Securities Exchange, within 10 Market Days beginning with the day on which the application for such transfer of shares was made, serve a notice in writing to the applicant stating the facts which are considered to justify the refusal as required by the Act.*

34. **FORM OF TRANSFER.** Every transfer shall be in writing in the form approved by the Directors and in the event of the Company being listed on the Securities Exchange, by the Securities Exchange. Every instrument of transfer must be in respect of only one class of shares and must be duly stamped in accordance with any applicable law for the time being in force relating to stamp duty and shall be left at the Office (or such other place as may be approved by the Directors from time to time) accompanied by the certificate of the shares to be transferred and such other evidence (if any) as the Directors may reasonably require to show the right of the transferor to make the transfer.
35. **TRANSFERS TO BE EXECUTED BY BOTH PARTIES.** The instrument of transfer of any share shall be executed by or on behalf of both the transferor and the transferee and be witnessed; PROVIDED ALWAYS THAT the Depository shall not be required to sign, as transferee, any transfer form relating to the transfer of shares to it and PROVIDED FURTHER THAT, at the discretion of the Directors, the signature of any other transferee may be dispensed with. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the Register of Members in respect thereof.
36. **TRANSFER FEE.** The Company shall be entitled to charge a fee not exceeding S\$2 for each instrument of transfer or in the event of the Company being listed on the Securities Exchange, such other sum as may from time to time be prescribed by the Securities Exchange on the registration of every transfer.
37. **REGISTRATION OF TRANSFERS.** The Directors may decline to register any transfer unless all the preceding requirements are fully complied with. All instruments of transfer which are registered may be retained by the Company.
38. **REGISTRATION OF TRANSFERS MAY BE SUSPENDED.** The registration of transfers may be suspended at such times and for such periods as the Directors may from time to time determine; PROVIDED ALWAYS THAT such registration shall not be suspended for more than 30 days in any year.

TRANSMISSION OF SHARES

39. **ON DEATH OF MEMBER, SURVIVOR OR EXECUTOR ONLY RECOGNISED.** In the case of the death of a Member, the survivor or survivors, where the deceased was a joint holder, and the executors or administrators of the deceased, where he was a sole or only surviving holder, shall be the only persons recognised by the Company as having any title to his shares but the Directors may require such evidence as they may deem fit in relation to such title to the shares. But nothing herein contained shall release the estate of a deceased joint holder from any liability in respect of any share jointly held by him.
40. **PERSON ENTITLED MAY RECEIVE DIVIDENDS WITHOUT BEING REGISTERED AS A MEMBER, BUT MAY NOT EXERCISE OTHER RIGHTS.** A person entitled to a share by transmission shall be entitled to receive, and may give a discharge for, any dividends or other monies payable in respect of the share, but he shall not be entitled in respect of it to receive notice of or to attend or vote at meetings of the Company or, save as aforesaid, to exercise any of the rights or privileges as a Member unless and until he shall become a Member in respect of the share.

FORFEITURE OF SHARES

41. **PAYMENT OF CALL WITH INTEREST AND EXPENSES.** If any Member fails to pay the whole or any part of any call or instalment of a call on or before the day appointed for the payment thereof, the Directors may at any time thereafter, during such time as the call or instalment or any part thereof remains unpaid, serve a notice on him or on the person entitled to the share by transmission requiring him to pay such call or instalment or such part thereof as remains unpaid, together with interest at such rate as the Directors shall determine, and any expenses that may have accrued by reason of such non-payment.

42. **NOTICE REQUIRING PAYMENT TO CONTAIN CERTAIN PARTICULARS.** *The notice shall name a further day (not earlier than the expiration of 7 days from the date of the notice) on or before which such call or instalment, or such part as aforesaid, and all interest and expenses that have accrued by reason of such non-payment, are to be paid. It shall also name the place where payment is to be made, and shall state that, in the event of non-payment at or before the time and at the place appointed, the shares in respect of which such call was made will be liable to be forfeited.*
43. **ON NON-COMPLIANCE WITH NOTICE SHARES FORFEITED ON RESOLUTION OF DIRECTORS.** *If the requirements of any such notice as aforesaid are not complied with, any share in respect of which such notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Directors to that effect. A forfeiture of shares shall include all dividends in respect of the shares not actually paid before the forfeiture notwithstanding that they shall have been declared.*
44. **NOTICE OF FORFEITURE TO BE GIVEN AND ENTERED IN REGISTER OF MEMBERS.** *When any share has been forfeited in accordance with these Articles, notice of the forfeiture shall forthwith be given to the holder of the share or to the person entitled to the share by transmission, as the case may be, and an entry of such notice having been given and of the forfeiture with the date thereof, shall forthwith be made in the Register of Members opposite to the shares; but the provisions of this Article are directory only, and no forfeiture shall be in any manner invalidated by any omission or neglect to give such notice or to make such entry as aforesaid.*
45. **DIRECTORS MAY ANNUL FORFEITURE UPON TERMS.** *Notwithstanding any such forfeiture as aforesaid, the Directors may, at any time before the forfeited share has been otherwise disposed of, annul the forfeiture upon the terms of payment of all calls and interest due thereon and all expenses incurred in respect of the share and upon such further terms (if any) as they shall see fit to impose.*
46. **DIRECTORS MAY DISPOSE OF FORFEITED SHARES.** *Every share which shall be forfeited may be sold, re-allotted or otherwise disposed of, either to the person who was before forfeiture the holder thereof or entitled thereto, or to any other person upon such terms and in such manner as the Directors shall think fit, and the Directors may, if necessary, authorise some person to transfer the same to such other person as aforesaid.*
47. **FORMER HOLDER OF FORFEITED SHARES LIABLE FOR CALL MADE BEFORE FORFEITURE.** *A shareholder whose shares have been forfeited shall, notwithstanding such forfeiture, be liable to pay to the Company all calls made and not paid on such shares at the time of forfeiture, and interest thereon to the date of payment, in the same manner in all respects as if the shares had not been forfeited, and to satisfy all (if any) the claims and demands which the Company might have enforced in respect of the shares at the time of forfeiture, without any deduction of allowance for the value of the shares at the time of forfeiture.*
48. **CONSEQUENCES OF FORFEITURE.** *The forfeiture of a share shall involve the extinction at the time of forfeiture of all interests in and all claims and demands against the Company in respect of the share and all other rights and liabilities incidental to the share as between the shareholder whose share is forfeited and the Company, except only such of those rights and liabilities as are by these Articles expressly saved or as are by the Statutes given or imposed in the case of past Members.*
49. **TITLE TO FORFEITED SHARE.** *A statutory declaration in writing that the declarant is a Director and that a share has been duly forfeited in pursuance of these Articles and stating the date upon which it was forfeited shall, as against all persons claiming to be entitled to the share adversely to the forfeiture thereof, be conclusive evidence of the facts therein stated, and such declaration, together with the receipt of the Company for the consideration (if any) given for the share on the sale or disposition thereof, and a certificate of proprietorship of the share under the Seal delivered to the person to whom the same is sold or disposed of, shall constitute a good title to the share, and (subject to the execution of any necessary transfer) such person shall be registered as the holder of the share, or where such person is a Depositor, the Company shall procure that his name*

be entered in the Depository Register in respect of the share so sold or disposed of. Such person shall be discharged from all calls made prior to such sale or disposition, and shall not be bound to see to application of the purchase money (if any) nor shall his title to the share be affected by any act, omission or irregularity relating to or connected with the proceedings in reference to the forfeiture, sale, re-allotment or disposal of the share.

CONVERSION OF SHARES INTO STOCK

50. **POWER TO CONVERT INTO STOCK.** The Company may from time to time by ordinary resolution passed at a general meeting convert any paid up shares into stock and reconvert any stock into paid up shares.
51. **TRANSFER OF STOCK.** The holders of stock may transfer the same or any part thereof in the same manner and subject to the same regulations as and subject to which the shares from which the stock arose might prior to conversion have been transferred or as near thereto as circumstances admit; but the Directors may from time to time fix the minimum amount of stock transferable and restrict or forbid the transfer of fractions of that minimum.
52. **RIGHTS OF STOCKHOLDERS.** The holders of stock shall according to the number of the stock held by them have the same rights, privileges and advantages as regards dividends, voting at meetings of the Company and other matters as if they held the shares from which the stock arose, but no such privilege or advantage (except participation in the dividends and profits of the Company and in the assets on winding up) shall be conferred by any such aliquot part of stock which would not if existing in shares have conferred that privilege or advantage.
53. **INTERPRETATION.** Such of the regulations of the Company as are applicable to paid up shares shall apply to stock, and the words "share" and "shareholder" therein shall include "stock" and "stockholder".

ALTERATION OF CAPITAL

54. **COMPANY MAY INCREASE ITS CAPITAL.** The Company in general meeting may from time to time increase its capital by the creation and issue of new shares, such aggregate increase to be of such amount as the Company by the resolution authorising such increase directs.
55. **POWER TO ISSUE INSTRUMENTS.** Notwithstanding the provisions herein, the Company may by ordinary resolution in general meeting give to the Directors general authority, either unconditionally or subject to such conditions as may be specified in the ordinary resolution, to:—
- (A) (i) issue shares in the capital of the Company whether by way of rights, bonus or otherwise; and/or
 - (ii) 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) warrants, debentures or other instruments convertible into shares; and
 - (B) (notwithstanding that the authority conferred by the ordinary resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while the ordinary resolution was in force;

Provided That:—

- (1) the aggregate number of shares to be issued pursuant to the ordinary resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to the ordinary resolution), does not exceed 50% (or such other limit as may be prescribed by any rules or by any supplemental measures of the Securities Exchange from time to time) of the total number of issued shares of the Company excluding treasury shares (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company (including shares to

be issued in pursuance of Instruments made or granted pursuant to the ordinary resolution), does not exceed 20% (or such other limit as may be prescribed by any rules or by any supplemental measures of the Securities Exchange from time to time) of the total number of issued shares of the Company excluding treasury shares (as calculated in accordance with sub-paragraph (2) below);

- (2) *(subject to such manner of calculation as may be prescribed by any rules or by any supplemental measures of the Securities Exchange from time to time) for the purpose of determining the aggregate number of shares excluding treasury shares that may be issued under sub-paragraph (1) above, the percentage of issued share capital shall be calculated based on the total number of issued shares of the Company excluding treasury shares at the time of the passing of the ordinary resolution, after adjusting for:–*
 - (a) *new shares arising from the conversion, exercise or vesting, as the case may be, of convertible securities, share options or share awards outstanding or subsisting at the time of the passing of the ordinary resolution; provided that such options or awards were granted pursuant to a share option scheme effected and administered in compliance with the rules of the Securities Exchange; and*
 - (b) *any subsequent bonus issue, consolidation or subdivision of shares;*
- (3) *in exercising the authority conferred by the ordinary resolution, the Company shall comply with the provisions of the listing rules or any supplemental measures of the Securities Exchange for the time being in force (unless such compliance is waived by the Securities Exchange) and these Articles; and*
- (4) *(unless revoked or varied by the Company in general meeting) the authority conferred by the ordinary resolution shall not continue in force beyond the conclusion of the annual general meeting of the Company next following the passing of the ordinary resolution, or the date by which such annual general meeting of the Company is required by law to be held, or the expiration of such other period as may be prescribed by the Statutes (whichever is the earliest).*

56. COMPANY MAY ALTER ITS CAPITAL. *The Company may by ordinary resolution:–*

- (1) *consolidate and divide all or any of its share capital; or*
- (2) *cancel any number of shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person or which have been forfeited and diminish the amount of its capital by the number of shares so cancelled;*
- (3) *subdivide shares, or any of them, (subject, nevertheless to the provisions of the Statutes), and so that the resolution whereby any share is subdivided may determine that, as between the holders of the shares resulting from such subdivision, one or more of such shares may have any such preferred or other special rights over, or may have such deferred rights, or be subject to any restrictions as compared with the others as the Company has power to attach to unissued or new shares; or*
- (4) *subject to the provisions of this Constitution and the Statutes, convert its share capital or any class of shares from one currency to another currency.*

57. COMPANY MAY REDUCE ITS CAPITAL. *The Company may by special resolution reduce its share capital in any manner authorised and subject to any conditions prescribed by the Statutes. Where the Company's share capital is reduced in accordance with the Act, a Member (past or present) shall not be liable in respect of the issue price of any share to any call or contribution greater in amount than the difference (if any) between (i) the issue price of the share; and (ii) the aggregate of the amount paid up on the share (if any) and the amount reduced on the share. This provision shall not apply to treasury shares held by the Company and the Company is entitled to cancel its treasury shares in the manner prescribed by the Act.*

58. **SHARE REPURCHASE.** Subject to and in accordance with the provisions of the Act, the listing rules of the Securities Exchange, and other written law, the Company may purchase or otherwise acquire ordinary shares, stocks, preference shares, options, debentures, debenture stocks, bonds, obligations, securities, and all other equity, derivative, debt and financial instruments issued by it on such terms as the Company may think fit and in the manner prescribed by the Act.

Where ordinary shares or stocks are purchased or acquired by the Company in accordance with the provisions of the Act, the Company may hold the shares or stocks (or any of them) or deal with any of them, at any time.

Any ordinary share which is so purchased or acquired by the Company shall be deemed to be cancelled immediately on purchase or acquisition by the Company unless held in treasury; preference shares that are purchased or acquired by the Company shall be deemed to be cancelled immediately on purchase or acquisition. On the cancellation of any share as aforesaid, the rights and privileges attached to that share shall expire. In any other instance, the Company may deal with any such share which is so purchased or acquired by it in such manner as may be permitted by, and in accordance with the Act.

59. **TREASURY SHARES.** If the Company has only one class of shares, the aggregate number of shares held as treasury shares shall not at any time exceed 10% of the total number of shares of the Company at that time.

Where the share capital of the Company is divided into shares of different classes, the aggregate number of shares of any class held as treasury shares shall not at any time exceed 10% of the total number of the shares in that class at that time.

In the event of contravention of the above, the Company shall dispose of or cancel the excess shares in the manner provided by the Act.

The Company shall not exercise any rights in respect of the treasury shares, including any right to attend or vote at meetings, the Company shall be treated as having no right to vote and the treasury shares shall be treated as having no voting rights. Any purported exercise of such a right is void.

No dividend may be paid, and no other distribution (whether in cash or otherwise) of the Company's assets (including any distribution of assets to Members on a winding up) may be made to the Company in respect of the treasury shares save as specifically provided for in the Act.

MODIFICATION OF CLASS RIGHTS

60. **RIGHTS OF SHAREHOLDERS MAY BE ALTERED.** Subject (but not limited) to the provisions of Section 74 of the Act, all or any of the rights, privileges or conditions for the time being attached or belonging to any class of shares for the time being forming part of the share capital of the Company may from time to time be modified, affected, varied, extended or surrendered in any manner with the consent in writing of the holders of not less than three-fourths of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the Members of that class. To any such separate meeting all the provisions of this Constitution as to general meetings of the Company shall mutatis mutandis apply, but so that the necessary quorum shall be Members of the class holding or representing by proxy one-third of the share capital paid or credited as paid on the issued shares of the class, and every holder of shares of the class in question shall be entitled on a poll to one vote for every such share held by him."

2. The Rights of Shareholders in respect of voting

“GENERAL MEETINGS

61. **ANNUAL GENERAL MEETINGS.** *An annual general meeting shall be held once in every calendar year and in accordance with the requirements of the Act, at such time and place in Singapore as may be determined by the Directors, but not more than 4 months or such other period as may be prescribed by the Act, shall be allowed to elapse between the close of each financial year and such annual general meeting.*
62. **ANNUAL GENERAL AND EXTRAORDINARY GENERAL MEETINGS.** *The general meetings referred to in Article 61 shall be called annual general meetings. All other general meetings shall be called extraordinary general meetings.*
63. **EXTRAORDINARY GENERAL MEETINGS.** *The Directors may call an extraordinary general meeting whenever they think fit, and extraordinary general meetings shall also be convened on such requisition, or in default may be convened by such requisitionists, as provided by the Act.*
64. **NOTICE OF MEETING.** *Any general meeting at which it is proposed to pass a special resolution or a resolution for which special notice is required and has been given to the Company in accordance with the Act, shall be called by 21 days' notice at least (excluding the date of notice and the date of meeting) and any other general meeting by 14 days' notice at least (excluding the date of notice and the date of meeting), provided that a general meeting notwithstanding that it has been called by a shorter notice than that specified above, shall be deemed to have been duly called if it is so agreed (a) in the case of an annual general meeting, by all the Members entitled to attend and to vote thereat; or (b) in the case of extraordinary general meetings, by a majority in number of the Members having a right to attend and vote thereat, being a majority which holds not less than 95% of the total voting rights of all the Members having a right to vote at that meeting. Every notice calling a general meeting shall specify the place (which shall be in Singapore) and the day and the hour of meeting and be given in a manner hereinafter mentioned to such persons as are under the provisions of this Constitution entitled to receive notices of general meetings from the Company. Any notice of a meeting called to consider special business shall be accompanied by a statement regarding the effect of any proposed resolution in respect of such special business. In the event of the Company being listed on the Securities Exchange, at least 14 days' notice of every such meeting shall be given by advertisement in the daily press and in writing to the Securities Exchange, or in such other manner and for such period as may be prescribed by the provisions of the Act and/or the listing rules of the Securities Exchange. The accidental omission to give such notice to, or the non-receipt of such notice by, any such person shall not invalidate the proceedings or any resolution passed at any such meeting.*
65. **RESOLUTION SIGNED BY ALL MEMBERS AS EFFECTIVE AS IF PASSED AT GENERAL MEETING.** *Subject to the Statutes, a resolution in writing signed by the Members (in accordance with the requirements of the Act) for the time being entitled to receive notice of and attend and vote at general meetings (or being corporations by their duly authorised representatives) shall be valid and effective as if the same had been passed at a general meeting of the Company duly convened and held, and may consist of several documents in the like form each signed by one or more Members. The expressions 'in writing' and 'signed' include approval by telefax, telex, cable or telegram or such other electronic communication by any such Member.*

PROCEEDINGS AT GENERAL MEETINGS

66. **SPECIAL BUSINESS.** *All business shall be deemed special that is transacted at an extraordinary general meeting, and also all that is transacted at an annual general meeting, with the exception of declaring a dividend, the consideration of the financial statements, the Directors' statement and the Auditors' report, and any other documents required by law to be annexed to the financial statements, the election of Directors in place of those retiring and the fixing of the remuneration of the Directors and the appointment and fixing of the remuneration of the Auditors.*

67. **NO BUSINESS TO BE TRANSACTED UNLESS QUORUM PRESENT.** No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business. For all purposes, the quorum shall be 2 Members personally present or represented by proxy.
68. **IF NO QUORUM MEETING ADJOURNED OR DISSOLVED.** If within half an hour (or such interval as the chairman of the meeting may think fit to allow) from the time appointed for the holding of a general meeting, a quorum is not present, the meeting, if convened on the requisition of Members, shall be dissolved. In any other case it shall stand adjourned to the same day in the next week at the same time and place, and if at such adjourned meeting a quorum is not present within half an hour (or such interval as the chairman of the meeting may think fit to allow) from the time appointed for holding the meeting, the Members present shall be a quorum.
69. **CHAIRMAN OF BOARD TO PRESIDE AT ALL MEETINGS.** The chairman of the Directors shall preside as chairman at every general meeting. If at any meeting the chairman shall not be present within 15 minutes after the time appointed for holding the meeting or be unwilling to act, the Members present shall choose one of the Directors to be chairman of the meeting, or if no Director be present or if all the Directors present decline to take the chair, one of their number present shall be chairman.
70. **NOTICE OF ADJOURNED MEETINGS.** The chairman may, with the consent of any meeting at which a quorum is present and shall, if so directed by the meeting, adjourn any meeting from time to time and from place to place as the meeting shall determine, provided always that the place of the adjourned meeting shall be in Singapore. Whenever a meeting is adjourned for 10 days or more, notice of the adjourned meeting shall be given in the same manner as in the case of an original meeting. Save as aforesaid, no Member shall be entitled to any notice of any adjournment or of the business to be transacted at an adjourned meeting. No business shall be transacted at any adjourned meeting other than the business which might have been transacted at the meeting from which the adjournment took place.
71. **HOW RESOLUTION DECIDED.**
- (1) If required by the listing rules of the Securities Exchange, all resolutions at general meetings shall be voted by poll.
 - (2) Subject to Article 71(1), at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands, unless before or on the declaration of the result of the show of hands a poll is demanded by either:—
 - (a) the chairman of the meeting; or
 - (b) not less than 2 Members present in person or by proxy and entitled to vote at the meeting; or
 - (c) a Member or Members present in person or by proxy and representing not less than 5% of the total voting rights of all the Members having the right to vote at the meeting; or
 - (d) a Member or Members present in person or by proxy and holding not less than 5% of the total number of paid up shares of the Company (excluding treasury shares).
72. **RESULT OF VOTING.** A demand for a poll made pursuant to Article 71(2) may be withdrawn. Unless a poll be so demanded (and the demand be not withdrawn) or is required pursuant to Article 71(1), a declaration by the chairman that a resolution has been carried, or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the book containing the minutes of the proceedings of the Company shall be conclusive evidence thereof without proof of the number or proportion of the votes recorded in favour of or against such resolution.

73. **VOTES COUNTED IN ERROR.** *If any votes shall be counted which ought not to have been counted, or might have been rejected, the error shall not vitiate the result of the voting unless it be pointed out at the same meeting or at any adjournment thereof, and unless it shall in the opinion of the chairman be of sufficient magnitude.*
74. **HOW POLL TO BE TAKEN.** *A poll on the election of a chairman of a meeting or on any question of adjournment of the meeting shall be taken immediately. A poll taken on any other question shall be taken at such time and place in Singapore, and in such manner as the chairman directs, and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was taken. The chairman may (and if required by the listing rules of the Securities Exchange or if so directed by the meeting shall) appoint scrutineer(s) and may adjourn the meeting to some place in Singapore and time fixed by him for the purpose of declaring the results of the poll. Any business other than that upon which a poll has been taken may be proceeded with at a meeting pending the taking of the poll.*
75. **CHAIRMAN TO HAVE CASTING VOTE.** *In the case of an equality of votes, whether on a show of hands or on a poll, the chairman shall be entitled to a second or casting vote.*

VOTES OF MEMBERS

76. **NUMBER OF VOTES.** *Subject to any rights or restrictions for the time being attached to any class or classes of shares, at any general meeting, every Member present in person or by proxy or by attorney shall have one vote on a show of hands and on a poll, every Member present in person or by proxy or by attorney shall have one vote for each share which he holds or represents.*
77. **VOTING IN ABSENTIA.** *Subject to these Articles and the provisions of the Act, the Directors may, at their sole discretion approve and implement, subject to such security measures as may be deemed necessary or expedient, such voting methods to allow Members who are unable to vote in person at any general meeting the option to vote in absentia, including but not limited to voting by mail, electronic mail or facsimile.*
78. **SPLIT VOTES.** *On a poll a Member entitled to more than one vote need not, if he votes, use all his votes or cast all the votes he uses in the same way.*
79. **VOTES OF JOINT HOLDERS OF SHARES.** *In the case of joint holders, any one of such persons may vote, but if more than one of such persons be present at a meeting, the vote of the senior who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holder; and for this purpose seniority shall be determined by the order in which the names stand in the Register of Members or the Depository Register (as the case may be).*
80. **VOTES OF MEMBER WHO IS MENTALLY DISORDERED.** *A person who is mentally disordered and incapable of managing himself or his affairs, or in respect of whom an order has been made by any court having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll, by his committee, receiver, curator bonis, or other legal curator and such last-mentioned persons may give their votes either personally or by proxy.*
81. **MEMBERS INDEBTED TO COMPANY IN RESPECT OF SHARES NOT ENTITLED TO VOTE.** *No Member shall be entitled to vote at any general meeting unless all calls or other sums presently payable by him in respect of shares held by him in the Company, whether in his own name or in a Securities Account, and whether alone or jointly with any other person, have been paid.*
82. **APPOINTMENT OF PROXIES.** *A Member shall be entitled to be present and to vote on any question either personally or by proxy, or as proxy for another Member at any general meeting, or upon a poll and to be reckoned in a quorum in respect of any fully paid-up shares and of any shares upon which calls due and payable to the Company shall have been paid. A proxy need not be a Member of the Company. A Member may appoint not more than 2 proxies to attend and vote at the same general meeting provided that no limit shall be imposed on the number of proxies for relevant intermediaries. Each proxy appointed by a relevant intermediary must be appointed to exercise the rights attached to a different share or shares held by such relevant intermediary (which number and class of shares shall be specified). Shareholders holding shares through*

relevant intermediaries may attend any general meeting as proxies. No Member shall be entitled so to vote or be recognised in a quorum in respect of any shares upon which any call or other sum so due and payable shall be unpaid. An instrument of proxy shall be deemed to confer authority to demand, join in demanding, and/or vote, a poll.

83. **INSTRUMENT APPOINTING A PROXY TO BE LEFT AT THE OFFICE.** The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of that power or authority, (i) if sent personally or by post, shall be deposited at the Office (or such other place, if any, as is specified for the purpose in the notice convening the meeting); or (ii) if submitted by electronic communication, shall be sent (and received) through such means as may be specified for that purpose in or by way of note to or in any document accompanying the notice convening the meeting, in each case not less than 72 hours (or such time as may be prescribed by the Directors from time to time) before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote, and in default the instrument of proxy shall not be treated as valid. The deposit of an instrument appointing a proxy does not preclude a member concerned from attending and voting in person at the meeting, as well as for any adjournment of the meeting to which it relates. In such an event, the appointment of the proxy or proxies is deemed to be revoked by the member concerned at the point when the member attends the meeting.

84. **FORM OF PROXY.** An instrument appointing a proxy or representative shall be in writing in the common form or any other form approved by the Directors and:—

- (1) if the instrument of proxy is delivered personally or sent by post, shall be signed by the appointor or by his attorney or where the appointer is a corporation, shall be either under the common seal of the corporation or signed by its attorney or by an authorised officer on behalf of the corporation or in such manner as appropriate under applicable laws; or
- (2) if the instrument of proxy is submitted by electronic communication, authorised by that corporation through such method and in such manner as may be approved by the Directors, if the instrument is submitted by electronic communication.

The Directors may, for the purposes of this Article, designate procedures for authenticating any such instrument, and any such instrument not so authenticated by use of such procedures shall be deemed not to have been received by the Company.

85. **DIRECTORS MAY APPROVE METHOD AND MANNER, AND DESIGNATE PROCEDURE FOR ELECTRONIC PROXIES.** The Directors may in their absolute discretion:

- (1) approve the method and manner for an instrument appointing a proxy to be authorised; and
- (2) designate the procedure for authenticating an instrument appointing a proxy, as contemplated in Article 84(2) for application to such Members or class of Members as they may determine. Where the Directors do not so approve and designate in relation to a Member (whether of a class or otherwise), Article 84(1) shall apply.

86. **OMISSION TO INCLUDE PROXY FORM.** In the event that forms of proxy are sent to Members together with any notice of meeting, the accidental omission to include the form of proxy to, or the non-receipt of such form of proxy by any person entitled to receive a notice of meeting shall not invalidate any resolution passed or any proceeding at any such meeting.

87. **CORPORATION ACTING BY REPRESENTATIVES AT MEETING.** Any corporation which is a Member may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at any meeting of the Company or of any class of Members, and the person so authorised shall be entitled to exercise the same powers on behalf of the corporation which he represents as that corporation could exercise if it were an individual Member, save that such person shall not be otherwise entitled to attend the meeting as a Member or proxy or corporate representative of another Member.”

3. The Rights of Shareholders in respect of dividends

“DIVIDENDS AND RESERVE

122. **DISTRIBUTION OF PROFITS.** Subject to any preferential or other special rights for the time being attached to any special class of shares, the profits of the Company which it shall from time to time determine to distribute by way of dividend shall be applied in payment of dividends upon the shares of the Company in proportion to the amounts paid up or credited as paid up thereon respectively otherwise than in advance of calls.
123. **DECLARATION OF DIVIDENDS.** The Directors may, with the sanction of a general meeting, from time to time declare dividends, but no such dividend shall (except as expressly authorised by the Statutes) be payable except out of the profits of the Company. Any dividend unclaimed after 6 years from the date of declaration shall be forfeited and revert to the Company. The Directors may, if they think fit, from time to time declare and pay to the Members such interim dividends as appear to them to be justified by the position of the Company, and may also from time to time if in their opinion such payment is so justified, pay any preferential dividends which by the terms of issue of any shares are made payable on fixed dates. No higher dividend shall be paid than is recommended by the Directors, and the declaration of the Directors as to the amount of the net profits shall be conclusive. Subject to the provisions of the Act where any asset, business or property is bought by the Company as from a past date upon the terms that the Company shall as from that date take the profits and bear the losses, thereof, such profits or losses, as the case may be, shall, at the discretion of the Directors, be credited or debited wholly or in part to revenue account, and in that case the amount so credited or debited shall, for the purpose of ascertaining the fund available for dividend be included accordingly. Subject as aforesaid, if any shares or securities are purchased cum dividend or interest by the Company, such dividend or interest when paid may at the discretion of the Directors be treated as revenue, and it shall not be obligatory to capitalise the same or any part thereof.
124. **DEDUCTION FROM DIVIDEND.** The Directors may deduct from any dividend payable to any Member all sums of money (if any) presently payable by him to the Company on account of calls or otherwise in relation to the shares of the Company.
125. **RETENTION OF DIVIDENDS ON SHARES SUBJECT TO LIEN.** The Directors may retain any dividends or other moneys payable on or in respect of a share on which the Company has a lien, and may apply the same in or towards the satisfaction of the debts, liabilities or engagements in respect of which the lien exists.
126. **RETENTION OF DIVIDENDS ON SHARES PENDING TRANSMISSION.** The Directors may retain the dividends payable on shares in respect of which any person is under the provisions as to the transmission of shares hereinbefore contained entitled to become a Member, or which any person under those provisions is entitled to transfer, until such person shall become a Member in respect of such shares or shall duly transfer the same.
127. **PAYMENT OTHERWISE THAN IN CASH.** Any general meeting declaring a dividend or bonus may direct payment of such dividend or bonus wholly or partly by the distribution of specific assets and in particular of paid up shares, debentures or debenture stock of any other company or in any one or more of such ways, and the Directors shall give effect to such resolution, and where any difficulty arises in regard to such distribution, the Directors may settle the same as they think expedient, and in particular may issue fractional certificates and fix the value for distribution of such specific assets or any part thereof and may determine that cash payments shall be made to any Member upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors. Any shares allotted as fully paid bonus shares in respect of the treasury shares shall be treated for the purposes of this Act as if they were purchased by the Company at the time they were allotted.

128. **SCRIP DIVIDENDS**

- (1) *Whenever the Directors or the Company in general meeting have resolved or proposed that a dividend (including an interim, final, special or other dividend) be paid or declared on shares of a particular class in the capital of the Company, the Directors may further resolve that Members entitled to such dividend be entitled to elect to receive an allotment of shares of such class credited as fully paid in lieu of cash in respect of the whole or such part of the dividend as the Directors may think fit. In such case, the following provisions shall apply:*
- (a) *the basis of any such allotment shall be determined by the Directors;*
 - (b) *the Directors shall determine the manner in which Members shall be entitled to elect to receive an allotment of shares of the relevant class credited as fully paid in lieu of cash in respect of the whole or such part of any dividend in respect of which the Directors shall have passed such a resolution as aforesaid, and the Directors may make such arrangements as to the giving of notice to Members, providing for forms of election for completion by Members (whether in respect of a particular dividend or dividends or generally), determining the procedure for making such elections or revoking the same and the place at which and the latest date and time by which any forms of election or other documents by which elections are made or revoked must be lodged, and otherwise make all such arrangements and do all such things, as the Directors consider necessary or expedient in connection with the provisions of this Article;*
 - (c) *the right of election may be exercised in respect of the whole of that portion of the dividend in respect of which the right of election has been accorded Provided That the Directors may determine, either generally or in specific case, that such right shall be exercisable in respect of the whole or any part of that portion; and*
 - (d) *the dividend (or that part of the dividend in respect of which a right of election has been accorded) shall not be payable in cash on shares of the relevant class in respect of which the share election has been duly exercised (the “**elected shares**”) and in lieu and in satisfaction thereof shares of the relevant class shall be allotted and credited as fully paid to the holders of the elected shares on the basis of allotment determined as aforesaid and for such purpose and notwithstanding any provision of the Articles to the contrary, the Directors shall be empowered to do all things necessary and convenient for the purpose of implementing the aforesaid, including, without limitation, the making of each necessary allotment of shares and of each necessary appropriation, capitalisation, application, payment and distribution of funds which may be lawfully appropriated, capitalised, applied, paid or distributed for the purpose of the allotment and without prejudice to the generality of the foregoing the Directors may (i) capitalise and apply the amount standing to the credit of any of the Company's reserve accounts or any sum standing to the credit of the profit and loss account or otherwise available for distribution as the Directors may determine, such sums as may be required to pay up in full the appropriate number of shares for allotment and distribution to and among the holders of the elected shares on such basis, or (ii) apply the sum which would otherwise have been payable in cash to the holders of the elected shares towards payment of the appropriate number of shares for allotment and distribution to and among the holders of the elected shares on such basis.*

Ranking of shares and other actions

- (2) (a) *The shares of the relevant class allotted pursuant to the provisions of paragraph (1) of this Article shall rank pari passu in all respects with the shares of such class then in issue save only as regards participation in the dividend which is the subject of the election referred to above (including the right to make the election referred to above) or any other distributions, bonuses or rights paid, made, declared or announced prior to or contemporaneous with the payment or declaration of the dividend which is the subject of the election referred to above, unless the Directors shall otherwise specify.*

- (b) *The Directors may do all acts and things considered necessary or expedient to give effect to any appropriation, capitalisation, application, payment and distribution of funds pursuant to the provisions of paragraph (1) of this Article, with full power to make such provisions as they may think fit in the case of fractional entitlements to shares (including, notwithstanding any provision to the contrary in these Articles, provisions whereby, in whole or in part, fractional entitlements are disregarded or rounded up or down, or whereby the benefit of fractional entitlements accrues to the Company rather than the Members) and to authorise any person to enter on behalf of the Members interested into agreement(s) with the Company providing for any such appropriation, capitalisation, application, payment and distribution of funds and matters incidental thereto and any agreement made under such authority shall be effective and binding on all concerned.*

Record date

- (3) *The Directors may, on any occasion when they resolve as provided in paragraph (1) of this Article, determine the rights of election under that paragraph shall not be made available to the persons who are registered as holders of shares of the relevant class in the Register of Members or (as the case may be) in the Depository Register, or in respect of shares of the relevant class the transfer of which is registered, after such date as the Directors may fix subject to such exceptions as the Directors think fit and, in such event, the provisions of this Article shall be read and construed subject to such determination.*

Cash in lieu of shares

- (4) *The Directors may, on any occasion when they resolve as provided in paragraph (1) of this Article, further determine that no allotment of shares or rights of election for shares under that paragraph shall be made available or made to Members whose registered addresses entered in the Register of Members (or as the case may be) the Depository Register is outside Singapore or to such other Members or class of Members as the Directors may in their sole discretion decide and in such event the only entitlements of the Members aforesaid shall be to receive in cash the relevant dividend resolved or proposed to be paid or declared.*

Cancellation

- (5) *Notwithstanding the foregoing provisions of this Article, if at any time after the Directors' resolution to apply the provisions of paragraph (1) of this Article in relation to any dividend but prior to the allotment of shares pursuant thereto, the Directors shall consider that by reason of any event or circumstance (whether arising before or after such resolution) or by reason of any matter whatsoever it is no longer expedient or appropriate to implement that proposal, the Directors may at their absolute discretion and without assigning any reason therefore, as they deem fit, cancel the proposed application of paragraph (1) of this Article.*

129. **DIRECTORS MAY FORM RESERVE FUND AND INVEST.** *The Directors may, before recommending any dividend, set aside out of the profits of the Company such sums as they think proper as a reserve or reserves, which shall at the discretion of the Directors be applicable for meeting contingencies, or for repairing or maintaining any works connected with the business of the Company, or for equalising dividends, or for distribution by way of special dividend or bonus, or may be applied for such other purposes for which the profits of the Company may lawfully be applied as the Directors may think expedient in the interests of the Company, and pending such application the Directors may employ the sums from time to time so set apart as aforesaid in the business of the Company or invest the same in such securities, other than the shares of the Company, as they may select. The Directors may also from time to time carry forward such sums as they may deem expedient in the interests of the Company.*

130. **DIVIDEND WARRANTS TO BE POSTED TO MEMBERS.** *Every dividend warrant may, unless otherwise directed, be sent by post to the last registered address of the Member entitled thereto, and the receipt of the person, whose name at the date of the declaration of the dividend appears on the Register of Members or (as the case may be) the Depository Register as the owner of any share or, in the case of joint holders or joint Depositors, of any one of such joint holders or joint Depositors, shall be a good discharge to the Company for all payments made in respect of such share. No unpaid dividend or interest shall bear interest as against the Company.*

BONUS ISSUES AND CAPITALISATION OF PROFITS AND RESERVES

131. (1) *The Directors may, with the sanction of an ordinary resolution of the Company (including any ordinary resolution passed pursuant to Article 55):*

(a) *issue bonus shares for which no consideration is payable to the Company to all the persons registered as holders of shares in the Register of Members or (as the case may be) in the Depository Register at the close of business on:*

- (i) *the date of the ordinary resolution (or such other date as may be specified therein or determined as therein provided); or*
- (ii) *(in the case of an ordinary resolution passed pursuant to Article 55) such other date as may be determined by the Directors,*

in proportion to their then holdings of shares; and/or

(b) *capitalise any sum standing to the credit of any of the Company's reserve accounts or other undistributable reserve or any sum standing to the credit of profit and loss account by appropriating such sum to all the persons registered as holders of shares in the Register of Members or (as the case may be) in the Depository Register at the close of business on:*

- (i) *the date of the ordinary resolution (or such other date as may be specified therein or determined as therein provided); or*
- (ii) *(in the case of an ordinary resolution passed pursuant to Article 55) such other date as may be determined by the Directors,*

in proportion to their then holdings of shares and applying such sum on their behalf in paying up in full unissued shares (or, subject to any special rights previously conferred on any shares or class of shares for the time being issued, unissued shares of any other class not being redeemable shares) for allotment and distribution credited as fully paid up to and amongst them as bonus shares in the proportion aforesaid.

The Directors may do all acts and things considered necessary or expedient to give effect to any such bonus issue and/or capitalisation, with full power to the Directors to make such provisions as they think fit for any fractional entitlements which would arise on the basis aforesaid (including provisions whereby fractional entitlements are disregarded or the benefit thereof accrues to the Company rather than to the Members concerned). The Directors may authorise any person to enter on behalf of all the Members interested into an agreement with the Company providing for any such bonus issue and/or capitalisation and matters incidental thereto and any agreement made under such authority shall be effective and binding on all concerned.

(2) *In addition and without prejudice to the powers provided for by Article 131(1), the Directors shall have power to issue shares for which no consideration is payable and/or to capitalise any undivided profits or other moneys of the Company not required for the payment or provision of any dividend on any shares entitled to cumulative or non-cumulative preferential dividends (including profits or other moneys carried and standing to any reserve or reserves) and to apply such profits or other moneys in paying up in full new shares, in each case on terms that such shares shall, upon issue, be held by or for the benefit of such person or persons as the Directors may in their absolute discretion deem fit, including (but not limited to) participants of any share incentive or option scheme or plan implemented by the Company and approved by shareholders in general meeting, all in such manner and on such terms as the Directors shall think fit. The Directors may do all acts and things considered necessary or expedient to give effect to any capitalisation authorised pursuant to this Article 131(2)."*

VALUATION CERTIFICATES

The Savills logo, consisting of the word "savills" in a lowercase, sans-serif font, positioned within a light gray rectangular background.

One Tree Hill Collection

12/A/B/C One Tree Hill, 60 to 74 (Even Nos.) Jalan Arnep and
30 & 32 Jalan Kelawar
Singapore

Prepared for
Lum Chang Auriga Pte Ltd
14 Kung Chong Road
#08-01 Lum Chang Building
Singapore 159150

2 December 2020

Savills Valuation Report

savills.com.sg/valuations

Savills Valuation And
Professional Services (S) Pte Ltd
Reg No : 200402411G
30 Cecil Street
#20-03, Prudential Tower
Singapore, 049712
P +65 6836 6888

Valuation Certificate

savills

Address of Property	One Tree Hill Collection				
	12/A/B/C One Tree Hill, 60 to 74 (Even Nos.) Jalan Arnep and				
	30 & 32 Jalan Kelawar				
	Singapore				
	Lum Chang Holdings Limited				
	To determine the As-Is Value for the purpose of mandatory cash offer circular				
	Lots 1397X and 1398L Town Subdivision 24				
	Estate In Fee Simple				
	Lum Chang Auriga Pte Ltd				
	A luxury intelligent residential development comprising 12 units of 2-storey semi-detached houses with attic and basement and 2 units of 2-storey detached houses with attic and basement. Each unit will come with home lift and swimming pool, currently at its final stage of construction.				
Valuation Prepared For					
Purpose of Valuation					
Legal Description					
Tenure					
Registered Proprietor(s)					
Proposed Development					
Site Area (for Whole Development)					
Proposed Land/ Gross Floor Area*					

One Tree Hill Collection
12/A/B/C One Tree Hill, 60 to 74 (Even Nos.) Jalan Arnep and
30 & 32 Jalan Kelawar
Singapore
Our Ref: 2020/3948/CORP

Valuation Certificate



Development Costs Expended	We were advised that the total development costs expended as at 31 October 2020 for the project amounts to about \$105,797,175.
Basis of Valuation	As-Is Value of the entire development, taken into consideration development cost paid to date
Valuation Approaches	Direct Comparison Method/ Residual Value Method
Material Date of Valuation	31 October 2020
Recommended As-Is Value	\$116,459,000** (Singapore Dollars One Hundred Sixteen Million Four Hundred And Fifty-Nine Thousand Only)
Assumptions, Disclaimers, Limitations & Qualifications	<i>**Taken into account development cost paid to date of about \$105,797,175 and before deducting the sales prices of 4 units.</i> This valuation is provided subject to the assumptions, disclaimers, limitations, qualifications detailed in the attached Limiting Conditions
Prepared by	 Cynthia Ng Licensed Appraiser No. AD041-2003388A Savills Valuation And Professional Services (S) Pte Ltd

This valuation amount is exclusive of GST

To any party relying on this report we advise that this valuation certificate should not be relied upon in isolation for finance or any other purposes.

CN/CS/ha

LIMITING CONDITIONS



Our valuations are subject to the following limiting conditions unless otherwise stated in our valuation report.

Valuation Standards:	The valuation is carried out in accordance with the Valuation Standards and Practice Guidelines published by the Singapore Institute of Surveyors and Valuers, and/or International Valuation Standards and/or RICS Valuation Standards, subject to variations to comply with local laws, customs and practices.
Valuation Basis:	<p>The valuation is carried out on a basis appropriate to the specific purpose of valuation, in accordance with the relevant definitions, assumptions and qualifications outlined in the valuation report.</p> <p>The opinion expressed in the valuation report applies strictly in accordance with the terms and for the purpose expressed therein. The assessed values need not be applicable in relation to some other assessment.</p>
Currency of Valuation:	Values are reported in Singapore currency unless otherwise stated.
Confidentiality:	Our valuation is confidential and strictly for the use of the addressee of the valuation report only and for the specific purpose(s) stated. Savills disclaim all responsibility and will accept no accountability, obligation or liability to any third parties.
Copyright:	Neither the whole nor any part of the valuation report or any reference to it may be included in any published document, statement, circular or be published in any way, nor in any communication with any third parties, without prior written approval from Savills, including the form and context in which it may appear.
Limitation of Liability:	<p>The liability of Savills and its employees is only limited to the party to whom the valuation report is addressed. No responsibility to any third parties for unauthorized use and reliance is accepted.</p> <p>Any liability arising from the valuers' negligence, breach of contract or otherwise in connection with this engagement shall be limited to the fees received by Savills under this engagement. Savills do not accept liability for any indirect or consequential losses (such as opportunity cost and loss of profits).</p>
Validity Period:	This valuation represents our opinion of value as at the date of valuation. The assessed value may change significantly and unexpectedly over a short period arising from general market movement, possible changes in market forces and circumstances in relation to the property. Savills disclaim all responsibility and accept no liability should the valuation report be relied upon after the expiration of 3 months from the date of valuation, or such earlier date if the addressee of the report becomes aware of any factors that may have an effect on the valuation and has not made known such information to Savills.
Titles:	A brief on-line title search on the property has been carried out for formal valuation with site inspection only, unless otherwise stated. We are not obliged to inspect and/or read the original title or lease documents, unless they are made available by the client. The valuation shall therefore assume, unless informed to the contrary, that there are no further restrictive covenants, easements or encumbrances not disclosed by this brief title search which may have an effect on the market value. We assume the title of the property is good and marketable and free from all encumbrances, restrictions and other legal impediments.
Planning Information:	Information relating to town planning is obtained from the current Singapore Master Plan which is assumed to be accurate. We do not normally carry out legal requisitions on road, MRT, LRT, drainage and other government proposals, unless specifically requested and Savills is properly reimbursed. In the event that legal requisitions are conducted by our clients which reveal that the information is materially different from the town planning information outlined in the valuation report and/or property is affected by public scheme (s), this report should then be referred back to Savills for review on possible amendment.
Other Statutory Regulations:	Our valuation assumes that the property and any improvements thereon comply with all relevant statutory regulations. We have assumed that the property has been or will be issued with a Temporary Occupation Permit, Certificate of Fitness, Certificate of Statutory Completion or Temporary Occupation License by the competent authority.
Site Condition:	We do not undertake site investigations to ascertain the suitability of the ground conditions and services for the existing or any new development, nor do we carry out any environmental or geotechnical surveys. We have assumed that these aspects are satisfactory and where new development is proposed, no extraordinary expenses or delays will be incurred during the construction period. We have assumed that the load bearing capacity of the site is sufficient to support the building constructed or to be constructed thereon.
Condition of Property:	While due care is exercised in the course of inspection to note any building defects, no structural survey or testing of the services or facilities are carried out nor have we inspected the unexposed or inaccessible portions of the building. As such, we are unable to comment if the building is free from defect, rot, infestation, asbestos or other hazardous material. Our valuation assumes that the building would not have any defects requiring significant capital expenditure and complies with all relevant statutory requirements.
Source of Information:	Where it is stated in the valuation report that the information has been provided to the valuer by the sources listed, this information is presumed to be reliable. Savills takes no responsibility for inaccurate data supplied and subsequent conclusions related to such data. Where information is given without reference to another party in the report, it shall be taken that this information has been obtained or gathered through our best efforts and to our best knowledge. Processed data inferences therefrom shall be taken as the valuer's opinion and shall not be freely quoted without acknowledgement.
Floor Areas:	We have assumed that information contained in the surveyed or architectural floor plans is accurate and has been prepared in accordance with the prevailing Professional Property Practice Guidelines. In the absence of such plans, the floor area is estimated based on available secondary information and such estimates do not provide the same degree of accuracy or certainty. In the event that there is a material variance in areas, we reserve the right to review our valuation.
Plans:	Plans included in the valuation report are for identification purposes only and should not be relied upon to define boundaries or treated as certified copies of areas or other particulars contained therein. All location plans are obtained from OneMap. While we have endeavoured to ensure the maps are updated, we do not vouch for the accuracy of the map and shall not be responsible if it is otherwise.
Tenant:	No enquiries on the financial standing of actual or prospective tenants have been made. Where property is valued with the benefit of lettings, it is assumed that the tenants are capable of meeting their obligations under the lease and there are no arrears of rent or undisclosed breaches of covenant.
Reinstatement Cost:	Our opinion of the reinstatement cost for fire insurance purpose is provided only for guidance and must not be relied upon as the basis for insurance cover. We advise that we are not quantity surveyors and our estimate of the construction cost is based upon published sources. We recommend that verification of the reinstatement cost be sought from a qualified quantity surveyor, if considered appropriate.
Attendance in Court:	Savills or its employees are not obliged to give testimony or to appear in court or any other tribunal or to any government agency with regards to this valuation report or with reference to the property in question unless prior arrangement has been made and Savills are properly reimbursed.

ONE TREE HILL COLLECTION
12/A/B/C ONE TREE HILL, 60 TO 74 (EVEN NOS.) JALAN ARNAP AND
30 & 32 JALAN KELAWAR
SINGAPORE



Source : OneMap

LOCATION PLAN
 (NOT TO SCALE)
 For Identification Purposes Only



Savills Valuation And Professional Services (S) Pte Ltd

PRIVATE & CONFIDENTIAL

Fabulous Range Sdn Bhd

Lot 10-03, Level 10, Menara HLX
No. 3, Jalan Kia Peng
50450, Kuala Lumpur

Date: 7th December 2020

Reference No.: V/COR/20/0118/WYT

Attention: Mr. Cham Kooi Joo / Mr. Chia Kong Boon

Dear Sir,

VALUATION OF (I) 161 SUBDIVIDED PARCELS OF RESIDENTIAL PLOT COMPRISING 124 SUBDIVIDED PARCELS OF RESIDENTIAL DETACHED PLOT AND 37 SUBDIVIDED PARCELS OF RESIDENTIAL SEMI-DETACHED PLOT; TOGETHER WITH A DETACHED HOUSE AND 7 UNITS OF SEMI-DETACHED HOUSES DESIGNATED AS COMPLETED INVENTORIES, ALL FORMING PART OF THE HOUSING ENCLAVE OF TWIN PALMS SUNGAI LONG, LOCATED WITHIN MUKIM CHERAS, DISTRICT OF HULU LANGAT, SELANGOR DARUL EHSAN; AND (II) 9 PARCELS OF COMMERCIAL TERRACED PLOT, A PARCEL OF RESIDENTIAL LAND DESIGNATED FOR AFFORDABLE HOUSING AND 4 COMPLETED AFFORDABLE APARTMENT UNITS CATEGORISED AS RUMAH SELANGORKU LOCATED WITHIN MUKIM CHERAS, DISTRICT OF HULU LANGAT, SELANGOR DARUL EHSAN (HEREINAFTER COLLECTIVELY REFERRED TO AS THE "SUBJECT PROPERTIES")

We refer to the instruction from Fabulous Range Sdn Bhd (hereinafter referred to as the 'Client') for our firm to ascertain the Market Value of the legal interest in the Subject Properties for the intended purpose in connection with the mandatory unconditional cash offer for all of the issued ordinary sales in the capital of Lum Chang Holdings Limited.

This Valuation Certificate has been undertaken in accordance with the Malaysian Valuation Standards published by the Board of Valuers, Appraisers, Estate Agents and Property Managers, Malaysia and other established valuation manuals and standards such as the International Valuation Standards (IVS) and the Royal Institution of Chartered Surveyors (RICS) Appraisal and Valuation Manual (where applicable).

For the purpose of this Valuation Certificate, we have summarised the relevant facts and information to be included in our report and outlined the key factors which have been considered in arriving at our opinion of the Market Value. This Valuation Certificate does not contain all the necessary data and information included in our Valuation Report. For all intents and purposes, this Valuation Certificate should be read in conjunction with our formal Valuation Report which will be submitted to you in due course.

This Valuation Certificate is prepared in accordance with our Standard Terms of Business for Valuations ("Standard Terms of Business") and General Principles Adopted and Limiting Conditions ("Limiting Conditions") as enclosed at the end of this Certificate.

Brief summary of the Subject Property is attached below.

Knight Frank Malaysia Sdn Bhd (Co. Reg. No. 200201017816 (585479-A)) (VE (1) 0141)
Suite 10.01, Level 10, Centrepont South, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Malaysia
T + 603 228 99 688 F + 603 228 99 788 www.knightfrank.com

IDENTIFICATION OF PROPERTY

Legal Description	<p>Legal interest in (i) 161 subdivided parcels of residential plot comprising 16 parcels of subdivided residential detached plot (PT 51631 - PT 51635, PT 57929 - PT 57930, PT 57932 - PT 57934, PT 57957 - PT 57958, PT 57963 - PT 57965 and PT 57967) (Westiara Phase 3A2); 58 parcels of subdivided residential detached plot (PT 51565 - PT 51566, PT 51576 and PT 57873 - PT 57927) (Indica Phase 4B); 47 parcels of subdivided residential detached plot (PT 51471, PT 51475 - PT 51479, PT 51492 - PT 51493, PT 52072 and PT 57835 - PT 57872) (Naria Phase 5); together with 37 parcels of subdivided residential semi-detached plot (PT 51852 - PT 51869, PT 51947 - PT 51954, PT 51973 - PT 51974, PT 51982 - PT 51987 and PT 58921 - PT 58922, PT 58924) and 3 parcels of subdivided residential detached plot (PT 51980 - PT 51981 and PT 58920) (Latania Phase 3B2 and Phase 4A2); together with a detached house (PT 51959) and 7 semi-detached houses (PT 51912, PT 51934, PT 51938 - PT 51942) designated as completed inventories; all forming part of a gated and guarded housing enclave of Twin Palms Sungai Long within Mukim Cheras, District of Hulu Langat, Selangor Darul Ehsan; and (ii) 9 parcels of subdivided commercial terraced plot (PT 52077 - PT 52085), a parcel of residential land designated for affordable housing (PT 52075) and 4 completed affordable apartment units categorised as Rumah Selangorku (collectively referred to Phase 6) located within Mukim Cheras, District of Hulu Langat, Selangor Darul Ehsan.</p>
Type of Property	<p>161 subdivided parcels of residential plot comprising 124 subdivided parcels of residential detached plot and 37 subdivided parcels of residential semi-detached plot; together with a completed detached house and 7 semi-detached houses, all forming part of the housing enclave of Twin Palms Sungai Long, located within Mukim Cheras, District of Hulu Langat, Selangor Darul Ehsan; along with 9 parcels of commercial terraced plot, a parcel of residential land designated for affordable housing and 4 completed affordable apartment units categorised as Rumah Selangorku located within Mukim Cheras, District of Hulu Langat, Selangor Darul Ehsan.</p>
Location	<p>Twin Palms Sungai Long (within which the properties are located and forms part thereof) is an affluent gated and guarded housing enclave located along Kajang Dispersal Link Expressway (SILK); broadly bounded and sandwiched between Bandar Mahkota Cheras to its north and Kajang to its south. Geographically, the Kuala Lumpur city centre and Kajang town are located approximately 18 kilometres due north-west and 4 kilometres due south-west of Twin Palms Sungai Long respectively. Twin Palm Sungai Long is easily accessible from Kuala Lumpur city centre via Jalan Cheras, Cheras – Kajang Expressway (CKE), exiting onto Kajang Dispersal Link Expressway (SILK) and thereafter onto several internal roads leading towards Twin Palms Sungai Long, all being well-maintained metalled road. Alternatively, it is also accessible via various major highways, amongst others, include Kuala Lumpur - Seremban Expressway, Salak Highway and Besraya Expressway (SBE); efficiently connecting the enclave with surrounding established neighbourhoods.</p>

PROPERTY DESCRIPTION

Overview of Twin Palms Sungai Long

Twin Palms Sungai Long is an up-market gated and guarded housing scheme in the locality of Cheras - Kajang. Sprawled over 126 acres of freehold land, Twin Palms Sungai Long offers diverse residential components such as bungalows, semi-detached homes and super link houses. It is being developed over 16 sub-phases: completed, on-going and future phases.

The Kajang - SILK Highway cuts through the Subject Properties. The two land parcels straddle both sides of the said highway. The parcels comprising detached houses (TSARA, WESTIARA, INDICA and NARIA) is sited off the west of the Kajang - SILK Highway, travelling from Kuala Lumpur towards Semenyih whereas the other parcel comprising super link houses (PALMYRA), semi-detached houses (ARIA, ARECA, MAYA and SIERRA) as well as mixed residential components of detached and semi-detached houses (LATANIA) is sited off the east of the Kajang - SILK Highway. The two (2) land parcels are linked by a tunnel that runs beneath the said highway. Phase 6, comprising a total of 130 units of low-cost housing, 139 units of medium and low-medium cost housing (collectively referred to as affordable housing) and shop lots, will be developed beyond the boundaries of the on-going Twin Palms Sungai Long housing development. The on-going development also features a clubhouse for the exclusive use of its residents. Twin Palms Sungai Long is easily accessible via two major highways, namely the Kajang - SILK Highway and the Cheras - Kajang Highway. These highways facilitate direct and easy accessibility that allow residents to travel anywhere around Klang Valley and its neighbourhood with utmost convenience.

From Bandar Sungai Long and Kajang Town Centre, Twin Palms Sungai Long can be easily accessible via Jalan Sungai Long and Jalan Cheras respectively, both of which are linked to the Kajang - SILK Highway and Cheras - Kajang Highway. Alternatively, the Subject Properties is conveniently accessible from Kuala Lumpur via Jalan Cheras, Lebuhraya Hubungan Timur - Barat KL (Lebuhraya Salak) and Lebuhraya Kuala Lumpur - Seremban which links to both the abovementioned highways. The subject development is located approximately 25 kilometres from the Kuala Lumpur City Centre. Established townships / developments located in the surrounding vicinity include Bandar Sungai Long, Bandar Mahkota Cheras, Kajang Town Centre, Saujana Impian and Bandar Tun Hussein Onn.

General Description

The Subject Properties referred herein include 161 subdivided parcels of residential plot comprising 124 subdivided parcels of residential detached plot and 37 subdivided parcels of residential semi-detached plot; together with a completed detached house and 7 semi-detached houses, all forming part of the housing enclave of Twin Palms Sungai Long, located within Mukim Cheras, District of Hulu Langat, Selangor Darul Ehsan; along with 9 parcels of commercial terraced plot, a parcel of residential land designated for affordable housing and 4 completed affordable apartment units categorised as Rumah Selangorku located within Mukim Cheras, District of Hulu Langat, Selangor Darul Ehsan.

PROPERTY DESCRIPTION (CONT'D)
**General Description
(Cont'd)**

Development	Combined Title Land Area (sq m)	Property Type	Land / Development Status
Westiara (Phase 3A2)	12,008.80	16 subdivided parcels of residential detached plot	Construction works in progress with certified completed to-date of about 96% completion
Latania (Phase 4A2)	7,077.60	13 subdivided parcels of residential semi-detached plot and 3 subdivided parcels of residential detached plot	Construction works in progress with certified completed to-date of about 94% completion
Indica (Phase 4B)	34,850.20	58 subdivided parcels of residential detached plot	Vacant (designated as future development)
Naria (Phase 5)	30,065.70	47 subdivided parcels of residential detached plot	Vacant (designated as future development)
Latania (Phase 3B2)	7,780.70	24 subdivided parcels of residential semi-detached plot	Vacant (designated as future development)
Phase 6	1,364.10	9 subdivided parcels of commercial terraced plot	Vacant (designated as future development)
Phase 6	8,222.10	A parcel of residential land designated for affordable housing	Vacant (designated as future development)
Latania (Phase 4A1B) and Maya (Phase 2B2)	3,425.40	7 semi-detached houses and a detached house	Completed
Phase 6	-	4 affordable apartment units categorised as Rumah Selangorku	Completed

**Description (Construction
in Progress Phases)**
Sixteen (16) subdivided residential detached plots (Westiara – Phase 3A2)

Lot No. / Title No.	: Lot PT 51631 to PT 51635, PT 57929 to PT 57930, PT 57932 to PT 57934, PT 57957 to PT 57958, PT 57963 to PT 57965 and PT 57967; held under Title No. HSD 137583 to HSD 137587, HSD 154944 to HSD 154945, HSD 154947 to HSD 154949, HSD 154972 to HSD 154973, HSD 154978 to HSD 154980 and HSD 154982 respectively.
Location	: Located within Palma East at the eastern portion of Twin Palms Sungai Long; which is generally bounded by Phase 2A (to its west) and Phase 4B and 5 (to its north-west).
Combined Land Area	: 12,008.80 square metres (2.97 acres).
Terrain	: Elevated with substantial part of it characterised by hilly terrain; save for part of the site(s) categorised as flat.
Land Status	: Construction works in progress with certified completed to-date of about 96% completion.
Planning	: Residential use.

PROPERTY DESCRIPTION (CONT'D)
Description (Construction in Progress Phases)
Thirty-seven (37) subdivided residential semi-detached plots and three (3) subdivided residential detached plots (Latania – Phase 3B2 and 4A2)

Lot No. / Title No.	: PT 51852 to PT 51869, PT 51947 to PT 51954, PT 51973 to PT 51974, PT 51980 to PT 51987, PT 58920 to PT 58922 and PT 58924; held under Title No. HSD 137188 to HSD 137205, HSD 137283 to HSD 137290, HSD 137309 to HSD 137310, HSD 137316 to HSD 137324, HSD 165991 to HSD 165993 and HSD 165995 respectively.
Location	: Located within Palma West at the western portion of Twin Palms Sungai Long; and is generally bounded by Phase 1A (to its east), Phase 1B1 (to its north), and Phase 3B1 (to its south-west).
Combined Land Area	: 14,858.30 square metres (3.67 acres).
Terrain	: Elevated with substantial part of it characterised by hilly terrain; save for part of the site(s) categorised as flat.
Land Status	: Construction works in progress with certified completed to-date of about 94% completion (Phase 4A2) and the balance area are overgrown with trees and light undergrowth (designated for future development – Phase 3B2).
Planning	: Residential use.

Description (Vacant Subdivided Lands)
Fifty-eight (58) subdivided residential detached plots (Indica – Phase 4B)

Lot No. / Title No.	: PT 51565, PT 51566, PT 51576 and PT 57873 to PT 57927; held under Title No. HSD 137517, HSD 137518, HSD 137528 and HSD 154888 to HSD 154942 respectively.
Location	: Located within Palma East at the eastern portion of Twin Palms Sungai Long; which is generally bounded by Phase 5 (to its north) and Phase 2A (to its south).
Combined Land Area	: 34,850.20 square metres (8.61 acres).
Terrain	: Elevated with substantial part of it characterised by hilly terrain; save for part of the site(s) categorised as flat.
Land Status	: Overgrown with trees and light undergrowth (designated for future development).
Planning	: Residential use.

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PROPERTY DESCRIPTION (CONT'D)
Description (Vacant Subdivided Lands) (Cont'd)
Forty-seven (47) subdivided residential detached plots (Naria – Phase 5)

Lot No. / Title No.	: PT 51471, PT 51475 to PT 51479, PT 51492, PT 51493, PT 52072 and PT 57835 to PT 57872; held under Title No. HSD 137423, HSD 137427 to HSD 137431, HSD 137444, HSD 137445, HSD 137409 and HSD 154850 to HSD 154887 respectively.
Location	: Located within Palma East at the eastern portion of Twin Palms Sungai Long; and is generally bounded by Phase 4B (to its south) and Lot 1211 (to its north).
Combined Land Area	: 30,065.70 square metres (7.43 acres).
Terrain	: Elevated with substantial part of it characterised by hilly terrain; save for part of the site(s) categorised as flat.
Land Status	: Overgrown with trees and light undergrowth (designated as future development).
Planning	: Residential use.

Nine (9) subdivided commercial terraced plots (Phase 6)

Lot No. / Title No.	: PT 52077 to PT 52085; held under Title No. HSD 137414 to HSD 137422, respectively.
Location	: Located due south of the Palma West of Twin Palm Sungai Long, fronting onto Sunville of Sungai Long, Selangor Darul Ehsan.
Combined Land Area	: 1,364.10 square metres (0.34 acres).
Terrain	: Gently slopes from the south-western boundary towards the north-eastern boundary.
Land Status	: Overgrown with trees and light undergrowth (designated as future development).
Planning	: Commercial use.

A parcel of residential land designated for affordable housing (Phase 6)

Legal Description	: Lot PT 52075 held under Title No. HSD 137412, Mukim Cheras, District of Hulu Langat, Selangor Darul Ehsan.
Location	: Located due south of the Palma West of Twin Palm Sungai Long, off Jalan Palma Utama of Sungai Long, Selangor Darul Ehsan.
Land Area	: 8,222.10 square metres (2.03 acres).
Terrain	: Generally flat.
Land Status	: Overgrown with trees and light undergrowth (designated as future development).
Planning	: Residential use.

PROPERTY DESCRIPTION (CONT'D)
Description (Completed Inventories)

Identification	No. of Units	Land Area (sqm)	* Built-Up (sq m)	* Accommodations
Latania (Phase 4A1B) Three (3)-Storey Semi-Detached Houses	6	323.20 – 428.30	298.60	<p><u>Ground Floor</u> Foyer, living area, dining area, powder room, utility rooms, common toilet, common bathroom / w.c., kitchen, car porch, forecourt, yard, garden and terrace.</p> <p><u>First Floor</u> Corridor, master bedroom with an attached bathroom / w.c. and a balcony, another bedroom with an attached bathroom / w.c., and roof terrace.</p> <p><u>Second Floor</u> Family area, two (2) bedrooms each with an attached bathroom / w.c. and roof terrace.</p>
Latania (Phase 4A1B) Three (3)-Storey Detached House	1	796.30	319.98	<p><u>Ground Floor</u> Family area, a bedroom with an attached bathroom / w.c., utility room, car porch, forecourt and garden.</p> <p><u>First Floor</u> Living area, dining area, bedroom, common bathroom / w.c., utility room, kitchen, common toilet, balcony and yard.</p> <p><u>Second Floor</u> Master bedroom with an attached bathroom / w.c. and a balcony, study area, another bedroom with an attached bathroom / w.c.</p>

Note: * The built-up area and accommodations are extracted from the Approved Building Plans / brochures made available to us.

Reference No. V/COR/20/0118/WYT

PROPERTY DESCRIPTION (CONT'D)

Description (Completed Inventories)

Identification	No. of Units	Land Area (sqm)	* Built-Up (sq m)	* Accommodations
Maya (Phase 2B2) Three (3)-Storey Semi-Detached Houses	1	444.90	358.61	<p>Ground Floor Entrance porch, foyer, pantry, living area, dining area, bedroom, common bathroom / w.c., storeroom, kitchen, laundry, patio, yard, garden and car porch.</p> <p>First Floor Family area, balcony, master bedroom with an attached bathroom / w.c., balcony and a storeroom, another bedroom with an attached bathroom / w.c.</p> <p>Second Floor Two (2) bedrooms each with an attached bathroom / w.c.</p>
Sutera Bayu Apartment (Type B & C, Rumah Selangorku)	4	-	69.98 / 74.32	Entrance, living cum dining area, master bedroom with an attached bathroom / w.c., two (2) other bedrooms, common bathroom / w.c. kitchen, yard and balcony.

Note: * The built-up area and accommodations are extracted from the Approved Building Plans / brochures made available to us.

Building Services

Sanitary facilities are modern and waterborne for completed properties.

State of Repair

The completed properties appear to be in good state of decorative repair.

Estimated Gross Floor Area

PT No. / Unit No.	Type	Land Area (sqm)	* Built-Up (sqm)
51912	B2B	444.90	358.61
51934	SD-F1	359.50	298.60
51938	SD-F1	323.20	298.60
51939	SD-F1	342.80	298.60
51940	SD-F1	395.60	298.60
51941	SD-F1	428.30	298.60
51942	SD-F1	334.80	298.60
51959	B-U1	796.30	319.98
B07-08	Type B	-	69.98
C01-03A	Type C	-	74.32
C01-15	Type C	-	74.32
C08-03	Type C	-	74.32

Note: * The built-up area is extracted from the Approved Building Plans / brochures made available to us.

PROPERTY DESCRIPTION (CONT'D)

Public Utilities and Services	<p>Public utilities and services such as mains water, electricity supply and telephone lines will be available for connection upon completion / are connected to the completed properties. Other essential public services for the area such as collection of refuse, repair and maintenance of roads and roadside drains and street lightings are provided by the Kajang Municipal Council.</p> <p>Recreational facilities and services provided within The Orinoco Clubhouse @ Twin Palms include infinity pool with children's wading pool, poolside café, gymnasium, playground, multipurpose hall, sauna, jacuzzi and steam room.</p>
Planning	<p>Located within an area designated for residential use; save for PT 52077 to PT 52085 which are designated as commercial use; and issued with Master Planning Approval vide Reference No. (19)MPKJ/PB/KM/2/12-2005 dated 9th January 2007. Subsequently, the revised planning approval bearing Reference Nos. (29)MPKJ/PB/KM/2/12-2005 and (44)d/m.MPKJ PB/KM 2/12-2005 dated 31st January 2011 and 22nd August 2013 respectively was issued by Majlis Perbandaran Kajang.</p>

MARKET VALUE

Date of Valuation	<p>We were specifically instructed by the Client to assess the Market Value of the Subject Properties as of 31st October 2020.</p>
Basis of Valuation	<p>The Market Value which is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing where the parties had each acted knowledgeably, prudently and without compulsion".</p>
Valuation Methodology	<p>In arriving at our opinion of values, we have adopted the Income Approach by Residual Method and / or Comparison Approach of Valuation.</p> <p>The COVID-19 pandemic has caused market uncertainty at the material date of valuation with no guiding evidence to reflect the current market circumstances. Key drivers to property / land values typically reflect a medium to long term outlook and in our opinion, the impact of the pandemic to the real estate market itself to be transitory. It will take time for the empirical data to be available to more accurately measure the overall impact at this point in time.</p> <p>With no evidence to the contrary, our valuation approach is to retain the core Market Value drivers indicated by the pre-March 2020 market evidences and make capital value adjustments to reflect anticipated circumstances, amongst others, such as adjustment made for prevailing market condition resulting from longer sales timing and marketing period for any development, extended lead-in time prior to commencement of construction on site and lower sales price point for any development component, applied as appropriate, on a case by case basis by referencing updated market data and knowledge, information and evidences made available to us as at the material date of valuation. As a result, any valuation reported during this period will need to be reassessed closely from time to time and given the current market uncertainty, we recommend that any user(s) of this report review this valuation periodically.</p>

MARKET VALUE (CONT'D)

Valuation Methodology (Cont'd)	In valuing on-going developments which are under construction and / or with certified work-done completed to-date along with vacant subdivided plots with the benefit of planning approvals, we have generally adopted the Income Approach by Residual Method as the primary method and for completed inventories, we have relied upon the Comparison Approach .
Income Approach by Residual Method	<p>This approach is based on the premise that the price which a purchaser can pay for a property is the present value of the surplus amount or residual value after deducting out the full cost of development (Gross Development Cost) and profit from the sales proceeds (Gross Development Value) of the completed development, which is then discounted at an appropriate rate to reflect the inherent risk and holding cost for the period of development to arrive at the current Market Value.</p> <p>In arriving at the Gross Development Value (GDV) of the respective development components, we have adopted the Comparison Approach. This approach considers the sales of similar or substitute properties and related market data and establishes a value estimate by adjustments made for differences in factors that affect value. In general, a property being valued (Subject Properties) is compared with sales of similar properties that have been transacted in the open market. Listings and offers may also be considered.</p>
Comparison Approach	This approach considers the sales of similar or substitute properties and related market data, and establishes a value estimate by adjustments made for differences in factors that affect value. In general, properties being valued (Subject Properties) are compared with sales of similar properties that have been transacted in the open market. Listings and offers may also be considered.

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Reference No. V/COR/20/0118/WYT

MARKET VALUE (CONT'D)

Having regards to the foregoing, our opinion of the **Market Value** of the legal interest in the Subject Properties identified as 161 subdivided parcels of residential plot comprising 124 subdivided parcels of residential detached plot and 37 subdivided parcels of residential semi-detached plot; together with a completed detached house and 7 semi-detached houses, all forming part of the housing enclave of Twin Palms Sungai Long, located within Mukim Cheras, District of Hulu Langat, Selangor Darul Ehsan; along with 9 parcels of commercial terraced plot, a parcel of residential land designated for affordable housing and 4 completed affordable apartment units categorised as Rumah Selangorku located within Mukim Cheras, District of Hulu Langat, Selangor Darul Ehsan; with vacant possession, subject to awarded construction contract entered to-date and certified work done completed to-date and the title(s) being free from all encumbrances, good, marketable and registrable, as at 31st October 2020 is **RM142,550,000 (Ringgit Malaysia One Hundred Forty Two Million Five Hundred and Fifty Thousand Only)**.

Apportionment of the abovementioned Market Value are stated here below: -

Lot No.	Development Phase(s)	Market Value
PT 51631 - PT 51635, PT 51947 - PT 51954, PT 51973 - PT 51974, PT 57929 - PT 57930, PT 57932 - PT 57934, PT 57957 - PT 57958, PT 57963 - PT 57965, PT 57967, PT 58920 - PT 58922, PT 58024, PT 51980 - PT 51981	Westiara (Phase 3A2) Latania (Phase 4A2)	RM50,000,000
PT 51852 - PT 51869, PT 51982 - PT 51987 PT 51565 - PT 51566, PT 51576 PT 57873 - PT 57927, PT 51471 PT 51475 - PT 51479, PT 51492 - PT 51493 PT 52072, PT 57835 - PT 57872 PT 52077 - PT 52085, PT 52075	Latania (Phase 3B2) Indica (Phase 4B) Naria (Phase 5) 9 subdivided parcels of commercial terraced plots and a parcel of residential land designated for affordable housing (Phase 6)	RM78,000,000
PT 51912 PT 51934 PT 51938 - PT 51942 PT 51959 B07-08, C01-03A, C01-15, C08-03	7 completed semi-detached houses and a detached house 4 completed affordable apartment units categorised as Rumah Selangorku	RM14,550,000
Total		RM142,550,000

For all intents and purposes, this Valuation Certificate should be read in conjunction with our formal Valuation Report which will be submitted to you in due course.

For and on behalf of
KNIGHT FRANK MALAYSIA SDN BHD
(signed and sealed by)

OOI HSIEN YU
Registered Valuer, **V-692**
MRICS, MRISM, MPEPS



Note: Please note that this certificate shall only be valid provided always that a signature of our authorised signatory and an official seal have been affixed hereto.

GENERAL PRINCIPLES ADOPTED AND LIMITING CONDITIONS IN THE PREPARATION OF VALUATION REPORTS

These are the general principles and limiting conditions upon which our Valuation Reports are normally prepared; they apply unless we have specifically mentioned otherwise in the body of the report.

1) MALAYSIAN VALUATION STANDARDS

This Valuation Report is carried out in accordance with the Malaysian Valuation Standards published by the Board of Valuers, Appraisers, Estate Agents and Property Managers.

Where applicable, we have also made reference to other established valuation manuals and standards such as the International Valuation Standards (IVS) and the Royal Institution of Chartered Surveyors (RICS) Appraisal and Valuation Manual.

2) CONFIDENTIALITY

This Valuation Report is confidential to the client or to whom it is addressed and for the specific purpose to which it refers. It may only be disclosed to other professional advisors assisting the client in respect of that purpose, but the client shall not disclose the report to any other party and / or person. Accordingly, our Valuation Report is to be relied on by the client and no other party. No responsibility is accepted to any other party and neither the whole, nor any part of the Valuation Report or Certificate or reference thereto may be included in any published document, circular or statement, nor published in any way, nor in any communication with third parties, without our prior written approval of the form and context in which it may appear. We shall bear no responsibility nor be held liable to any party in any manner whatsoever in the event of any unauthorised publications of the Valuation Report, whether in part or in whole.

3) USE OF VALUATION REPORT

The opinion of value expressed in this Valuation Report shall only be used by the addressee for the purpose stated or intended in this Valuation Report. We are not responsible for any consequences arising from the Valuation Report or any part thereof being relied upon by any other party whatsoever or for any information therein being quoted out of context. You may not otherwise reproduce, distribute, transmit, post or disclose the content of the Report without our prior written consent.

4) SOURCE OF INFORMATION

This Valuation Report has been prepared on the basis that full disclosure of all information and facts which may affect the valuation have been made known to us and we cannot accept any liability or responsibility for information or facts that have been suppressed or not disclosed to us.

Where it is stated in the Valuation Report that information has been supplied by the sources listed, this information is deemed to be reliable and no responsibility is accepted should it be proven otherwise, be it express or implied. All other information stated without being attributed directly to another party is deemed to be from our searches of records, examination of documents or relevant sources. This Valuation Report has been prepared on the basis that full disclosure of all information and facts which may affect the valuation have been made known to ourselves and we cannot accept any liability or responsibility in any event, unless such full disclosure has been made to us.

5) TITLE SEARCH

Whenever possible, a private title search is conducted at the relevant Land Registry / Office but this is done to establish title particulars relevant to valuation only. Whilst we may have inspected the title of the property as recorded in the Register Document of Title, we cannot accept any responsibility for its legal validity or as to the accuracy and timeliness of the information extracted or obtained from the relevant Land Registry / Office. Legal advice may be sought to verify the title details, if required.

6) TOWN PLANNING AND OTHER STATUTORY REGULATIONS

Information on Town Planning is obtained from the Structure Plan, Local Plan and Development Plans published by the relevant Authority. Whilst we may make verbal enquiries, we do not normally carry out requisitions with the various public authorities to confirm that the property is not adversely affected by any public schemes such as road and drainage improvements. If reassurance is required, we recommend that verification be obtained from your lawyers or other professional advisors.

Our valuation is prepared on the basis that the premises and any improvements thereon comply with all relevant statutory regulations (including fire safety and building regulations). It is assumed that they have been, or will be issued with a Certificate of Fitness for Occupation / Certificate of Completion and Compliance by the competent authority.

7) LEASES AND TENANCIES

Enquiries as to the financial standing of actual or prospective lessees or tenants are not normally made unless specifically requested. Where properties are valued with the benefit of lettings, it is therefore assumed that the lessees or tenants are capable of meeting their obligations under the lease or tenancy and that there are no arrears of rent or undisclosed breaches of covenants and / or warranties.

8) DEVELOPMENT AGREEMENTS

Unless otherwise stated, no considerations are made in our valuation for any joint venture agreement, development rights agreement or other similar contracts.

9) MEASUREMENTS AND AGE OF BUILDING

All measurements are carried out in accordance with the Uniform Method of Measurement of Buildings issued by The Royal Institution of Surveyors, Malaysia or such other building measurement standards as acceptable and agreed to by the client. Where the age of the building is estimated, this is for guidance only.

For properties situated outside Malaysia, the appropriate / applicable methods of measurement such as the International Property Measurement Standards (IPMS) are used in parallel with the Uniform Method of Measurement of Buildings (UMMB).

10) SITE SURVEYS

We have not conducted any land survey to ascertain the actual site boundaries. For the purpose of this valuation, we have assumed that the dimensions correspond with those shown in the title document, certified plan or any relevant agreement.

11) STRUCTURAL SURVEYS

While due care has been taken to note building defects in the course of inspection, no structural surveys nor any testing of services were made nor we inspected any woodwork or other parts of the structure which were covered or inaccessible. We are therefore unable to express an opinion or advice on the condition of uninspected parts and this Report should not be taken as making any implied representation or statement on such parts. Whilst any defects or items of disrepair may be noted during the course of inspection, we are not able to give any assurance in respect of any rot, termite or pest infestation or other hidden defects.

12) SITE CONDITIONS, SOIL INVESTIGATION AND CONTAMINATION

We do not carry out investigations on the property or neighbouring land in order to determine the suitability of the ground conditions and services for the existing or any new development, nor have we undertaken any archaeological, ecological or environmental surveys. Unless we are otherwise informed, our valuation is on the basis that these aspects are satisfactory and that, where development is proposed, no extraordinary expenses or delays will be incurred during the construction period.

No soil investigation has been carried out to determine the suitability of soil conditions and / or availability of services for the existing or any future development or planting as well as the continued use of the property in its current condition or for any redevelopment.

We have not carried out investigations into the past and present use of either the property or of any neighbouring land to establish whether there has been any contamination or if there is any potential for contamination to the property and are therefore, unable to account and report for such contamination in our Valuation Report.

13) DELETERIOUS OR HAZARDOUS MATERIALS

No investigations have been carried out to determine whether or not any deleterious or hazardous materials had been used in the construction of the property (building) or had since been incorporated and we are, therefore, unable to account or report on any such material in our Valuation Report.

14) DISEASE OR INFESTATION

Whilst due care is taken to note the presence of any disease or infestation, we have not carried out any tests to ascertain possible latent infestations or diseases affecting crops or stock. We are therefore unable to account for such in our Valuation Report.

15) OUTSTANDING DEBTS

In the case of buildings where works are in hand or have recently been completed, no allowances are made for any liability already incurred, but not yet discharged, in respect of completed works, or obligations in favour of contractors, sub-contractors or any members of the professional or design team.

16) TAXATION, ENCUMBRANCES, STATUTORY NOTICES AND OUTGOINGS

Unless otherwise stated, no allowances are made in our valuation for any expense of realisation or for taxation which might arise in the event of a disposal, deemed or otherwise. We have considered the property as if free and clear of all charges, lien and all other encumbrances which may be secured thereon. We also assumed the property is free of statutory notices and outgoing (including all outstanding maintenance fee and / or service charges + sinking funds applicable for stratified properties).

17) ATTENDANCE

The instruction and the valuation assignment do not automatically bind us to attendance in court or to appear in any enquiry before any government or statutory body in connection with the valuation unless agreed when the instruction were given or subsequently agreed upon.

18) VALIDITY PERIOD OF VALUATION REPORT

A Valuation Report is current as at the valuation date only. The value assessed herein may change significantly and unexpectedly over a relatively short period (including as a result of general market movements or factors specific to the particular property). We do not accept liability for losses arising from such subsequent changes in value. No warranty can be given as to the maintenance of this value into the future. A periodical valuation review is recommended.

19) LIMITATION OF LIABILITY

Although every care has been taken in preparing the Valuation Report, if it is proven that there is an apparent negligence on the part of the Valuer, the liability of this valuation (whether arising from this valuation, negligence or any other cause whatsoever) is limited in respect of any event or series of events to the actual loss or damage sustained subject to a liability cap to be mutually agreed between client and the Valuer and clearly set out in the terms of engagement.

STANDARD TERMS OF BUSINESS FOR VALUATION

These Standard Terms of Business comprise a part of our Letter of Engagement. The following Standard Terms of Business apply to all valuations and appraisals undertaken by Knight Frank Malaysia Sdn Bhd unless specifically agreed otherwise in confirming instructions and so stated within the main body of the valuation report.

1. DEFINITIONS

- 1.1 'Terms' means the terms of business set out in this agreement and include any other terms and conditions set out or referred to in our Letter of Engagement. These Terms apply to all services that you instruct us to provide and cannot be varied or amended except in writing and signed by you and Knight Frank.
- 1.2 'Client' (referred to throughout as 'you') means the person, company, firm or other legal entity named in our Letter of Engagement. Knight Frank will not accept instructions to act for any alternative person, company, firm or other legal entity nor will these Terms apply unless we have agreed in writing to act for that alternative entity.

We reserve the right to refuse to act for such an alternative entity until (if at all) we have undertaken due diligence to fulfill our internal credit, anti-money laundering and risk obligations. In the event that we are instructed to act for a single purpose corporate vehicle we reserve the right to require and be provided with a parent company guarantee for our fees before accepting instructions to act.
- 1.3 'Knight Frank' means Knight Frank Malaysia Sdn Bhd (Co. No. 585479-A).
- 1.4 'Letter of Engagement' means the instruction letter, proposal or tender which is sent to you with these Terms. In the event that there is any conflict between the terms set out in this agreement and the Letter of Engagement, the terms in the Letter of Engagement shall take precedence.
- 1.5 'Services' means the specific services set out in the Letter of Engagement and any other services which we agree to provide in writing.

2. OUR FEES

- 2.1 The client shall pay to Knight Frank fees as set out in our Letter of Engagement. In addition, the client will reimburse Knight Frank the cost of all reasonable out-of-pocket expenses that maybe incurred, unless stated otherwise.
- 2.2 We reserve the right to impose an interest of 10% per annum on the outstanding balance of the invoice which is not settled in full within 14 days from the date of the invoice. If we should find it necessary to use legal representatives or collection agents to recover monies due, you will be required to pay all costs and disbursements so incurred.
- 2.3 If before the valuation is concluded:-
 - (a) you end this instruction at any stage, we will charge abortive fees; or
 - (b) you delay the instruction by more than [6] months or materially alter the instruction
 And in each case such fees will be calculated on the basis of reasonable time and expenses incurred, or the amount specified in the Letter of Engagement.
- 2.4 Where the valuation is for loan security purposes, and we agree to accept payment of our fee from the borrower, the fee remains due from you until payment is received by us. Additionally, payment of our fee is not conditional upon the loan being drawn down or any conditions of the loan being met.

3. INVOICING AND PAYMENT

We will be entitled to issue an invoice and our fees will become due for payment free from any discount, deduction set-off or counter claim:

- i) within 14 days from the date of invoice; or
- ii) when you withdraw your instructions, in which case Clause 2.3 applies.

4. TAXES

The fees, disbursements and expenses referred to in these Terms unless otherwise stated in the Letter of Engagement are all subject to the addition of Service Tax / GST where applicable (and any other taxes worldwide which may arise).

5. LIMITATIONS ON LIABILITY

- 5.1 Our valuation is confidential to the party to whom it is addressed for the stated purpose as agreed between the client and Knight Frank and no liability is accepted to any third party for the whole or any part of its contents. Liability will not subsequently be extended to any other party save on the basis of written and agreed instructions; this may incur an additional fee.
- 5.2 Neither the whole or any part of Knight Frank's report / letter and valuation nor any reference thereto may be included in any document, circular or statement nor published in any way whatsoever whether in hard copy or electronically (including on any web-site) without our prior written approval of the form and context in which it may appear.
- 5.3 The client agrees not to bring any claims arising out of or in connection with this agreement against any member, employee, shareholder or consultant of Knight Frank.
- Those individuals will not have a personal duty of care to the client and any such claim for losses must be brought against Knight Frank.
- 5.4 Knight Frank will not be liable in respect of any of the following:
- i) for any services outside the scope of the services agreed to be performed by Knight Frank;
 - ii) to any third party; or
 - iii) in respect of any direct or indirect consequential losses or loss of profits.
- 5.5 Where any loss is suffered by you for which Knight Frank and any other person are jointly and severally liable to you, the loss recoverable by you from Knight Frank shall be limited so as to be in proportion to Knight Frank's relative contribution to the overall fault.
- 5.6 Our maximum total liability for any direct loss or damage whether caused by our negligence or breach of contract or otherwise is limited to RM20 million, unless otherwise stated.
- 5.7 Nothing in these Standard Terms (or in our Letter of Engagement) shall exclude or limit our liability in respect of fraud or for death or personal injury caused by our negligence or for any other liability to the extent that such liability may not be excluded or limited as a matter of law.

6. INDEMNITIES

You agree to indemnify Knight Frank against all costs, claims, charges and expenses which Knight Frank shall incur by reason of (but not limited to):

- i) Use of any of Knight Frank's work for purposes other than those agreed by Knight Frank.
- ii) Misrepresentation by you or with your authority to third parties of advice given by Knight Frank.
- iii) Misrepresentation to third parties of the extent of Knight Frank's involvement in any particular project.

7. ASSIGNMENT

Neither this agreement nor any of its terms may be assigned by either you or Knight Frank to any third party unless agreed in writing.

8. COMPLAINT PROCEDURE

If you have any concerns about our service, please raise them in the first instance with the valuer concerned. If this does not result in a satisfactory resolution, please contact the relevant Head of Department.

9. GOVERNING LAW

These Terms of Business shall be governed by and construed in accordance with the laws of Malaysia.

AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2020

The audited consolidated financial statements of the Group for FY2020 which are set out below have been reproduced from the Company's annual report for FY2020, and were not specifically prepared for inclusion in this Circular.

All capitalised terms used in Note 2 to the audited consolidated financial statements of the Group for FY2020 set out below shall have the same meanings given to them in the annual report of the Company for FY2020.

A copy of the annual report of the Company for FY2020 is available for inspection at the registered address of the Company at 14 Kung Chong Road #08-01 Lum Chang Building Singapore 159150, during normal business hours until the Closing Date.



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 93 to 210 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:

Mr Raymond Lum Kwan Sung

Mr David Lum Kok Seng

Mr Tony Fong

Mr Kelvin Lum Wen Sum

Mr Peter Sim Swee Yam

Dr Willie Lee Leng Ghee

Mr Daniel Soh Chung Hian

Mr Andrew Chua Thiam Chwee

Mr Clement Leow Wee Kia

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, other than as disclosed under "Share options" on page 84 in this statement.

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 a director is deemed to have an interest		
At 21.7.2020	At 30.6.2020	At 1.7.2019	At 21.7.2020	At 30.6.2020	At 1.7.2019

The Company:

Lum Chang Holdings Limited

(Ordinary shares)

Raymond Lum Kwan Sung	15,528,397	15,528,397	15,528,397	59,954,942	59,954,942	59,954,942
David Lum Kok Seng	10,938,436	10,938,436	10,938,436	70,368,300	70,368,300	70,368,300
Tony Fong	300,000	300,000	300,000	17,000	17,000	17,000
Peter Sim Swee Yam	10,000	10,000	10,000	-	-	-

Lum Chang Holdings Limited

(\$40 million 5.8% fixed rate notes due 2021)

Raymond Lum Kwan Sung	3,500,000	3,500,000	3,500,000	-	-	-
David Lum Kok Seng	3,000,000	3,000,000	-	-	-	3,000,000
Kelvin Lum Wen Sum	1,000,000	1,000,000	1,000,000	-	-	-
Dr Willie Lee Leng Ghee	500,000	500,000	500,000	-	-	-

Subsidiary of Lum Chang Holdings Limited:

UK Property Investment Pte Ltd

(Ordinary shares)

Raymond Lum Kwan Sung	-	-	-	15	15	15
David Lum Kok Seng	-	-	-	15	15	15

- (b) Mr David Lum Kok Seng and Mr Raymond Lum Kwan Sung, who by virtue of their interests of not less than 20% of the issued capital of the Company, are deemed to have interests in the whole of the share capital of the Company's wholly owned subsidiaries and in the shares in the following subsidiaries that are not wholly owned by the Group:

	At 30 June 2020	At 1 July 2019
UK Property Investment Pte Ltd and its subsidiaries		
- Number of ordinary shares	70	70
Wembley Properties Pte Ltd and its subsidiaries		
- Number of ordinary shares	18,900,007	18,900,007
Lum Chang Interior Pte Ltd and its subsidiary		
- Number of ordinary shares	1,200,000	1,200,000



SHARE OPTIONS

Lum Chang Employee Share Option Scheme 2007 (the "Option Scheme 2007")

The Option Scheme 2007 for key management personnel and employees of the Group had expired on 26 October 2018 and the exercise period for the last batch of options granted in 2013 had lapsed on 20 September 2018.

During the financial year ended 30 June 2019, 270,000 treasury shares of the Company were reissued upon the exercise of the options by:

Holders of	Number of	Exercise price
	ordinary shares	\$
2013 Options	270,000	0.32

There was no outstanding share option as at 30 June 2019 and 30 June 2020.

Audit and Risk Committee

The members of the Audit and Risk Committee at the end of the financial year were as follows:

Daniel Soh Chung Hian, Chairman

Peter Sim Swee Yam

Dr Willie Lee Leng Ghee

Andrew Chua Thiam Chwee

Clement Leow Wee Kia

The Audit and Risk Committee carries out its functions in accordance with Section 201B(5) of the Singapore Companies Act. In performing those functions, the Committee reviewed:

- the scope and the results of internal audit procedures with the internal auditor;
- the audit plan of the Company's independent auditor and any recommendations on internal accounting controls arising from the statutory audit;
- the assistance given by the Company's management to the independent auditor; and
- the balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 30 June 2020 before their submission to the Board of Directors, as well as the Independent Auditor's Report on the balance sheet of the Company and the consolidated financial statements of the Group.

The Audit and Risk Committee has recommended to the Board of Directors that the independent auditor, PricewaterhouseCoopers LLP, be nominated for re-appointment at the forthcoming Annual General Meeting of the Company.

INDEPENDENT AUDITOR

The independent auditor, PricewaterhouseCoopers LLP, has expressed its willingness to accept re-appointment.

On behalf of the directors

Raymond Lum Kwan Sung
Director

David Lum Kok Seng
Director

17 September 2020



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LUM CHANG HOLDINGS LIMITED

Report on the Audit of the Financial Statements

Our Opinion

In our opinion, the accompanying consolidated financial statements of Lum Chang Holdings Limited ("the Company") and its subsidiaries ("the Group") and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 ("the Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") 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.

What we have audited

The financial statements of the Company and the Group comprise:

- the consolidated income statement of the Group for the financial year ended 30 June 2020;
- the consolidated statement of comprehensive income of the Group for the financial year then ended;
- the balance sheet of the Group as at 30 June 2020;
- the balance sheet of the Company as at 30 June 2020;
- the consolidated statement of changes in equity of the Group for the financial year then ended;
- the consolidated statement of cash flows of the Group for the financial year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority 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.

Our Audit Approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the accompanying financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

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 for the financial year ended 30 June 2020. 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.

Key audit matter	How our audit addressed the key audit matter
Accounting for construction contracts <i>Refer to Note 2.2(a) (Significant accounting policies relating to revenue recognition), Note 3(a) (Critical accounting estimates, assumptions and judgements), Note 4(a) (Disaggregation of revenue) and Note 4(b) (Contract assets and liabilities) to the financial statements.</i> For the financial year ended 30 June 2020, revenue from construction contracts ("construction revenue") amounted to \$293.9 million. The Group recognised construction revenue over time by reference to the Group's progress towards completing the contract.	Our audit procedures included the following: (1) We obtained an understanding of the projects under construction through discussions with management and examination of project documentation (including contracts and correspondences with customers). (2) In relation to construction revenue, we: <ol style="list-style-type: none"> traced total contract sums to contracts and variation orders entered into by the Group with its customers; traced value of work recognised as construction revenue to the surveyor/architect certifications and assessed the competence of the surveyor/architect; assessed the adequacy of provision for liquidated damages to be net off against construction revenue recognised; and assessed the reasonableness of the revenue recognised via discussions with the project teams and obtaining corroborating evidence such as correspondences with the customers.



Our Audit Approach (continued)

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Accounting for construction contracts (continued)	<p data-bbox="639 748 1398 949">(3) In relation to construction cost, we:</p> <ul style="list-style-type: none"> <li data-bbox="719 804 1398 893">a. traced the actual costs incurred to supplier invoices sub-contractor progress billings and contracts, other supporting documents; and <li data-bbox="719 904 1398 1274">b. tested management's estimates of cost to complete via the following: <ul style="list-style-type: none"> <li data-bbox="751 994 1398 1050">i. Traced to quotations and contracts entered with suppliers and sub-contractors. <li data-bbox="751 1072 1398 1162">ii. Reviewed the appropriateness of the estimated costs to completion for materials, labour and other construction work with reference to the progress of each project. <li data-bbox="751 1184 1398 1274">iii. Discussed with the relevant project teams regarding the progress of each project to assess the appropriateness of the estimated costs to completion for each project. <p data-bbox="639 1308 1398 1352">We found no exceptions from the performing the above procedures.</p> <p data-bbox="639 1364 1398 1505">We have also assessed the appropriateness of the disclosures in the financial statements in relation to the sensitivity of changes in contract revenue and estimated costs to completion of uncompleted contracts to the Group's construction revenue, gross profit, and loss before income tax and found them to be appropriate.</p>

Our Audit Approach (continued)**Key Audit Matters** (continued)

Key audit matter	How our audit addressed the key audit matter
<p>Valuation of investment properties</p> <p><i>Refer to Notes 3(b) and 3(c) (Critical accounting estimates, assumptions and judgements), Note 21 (Investment Properties) and Note 18 (Investments in joint ventures) to the financial statements.</i></p> <p>The Group's investment properties carried at fair value amounted to \$58.3 million at 30 June 2020.</p> <p>In addition, the valuation of the investment property held by the Group's material joint venture, Dorado Holdings Pte Ltd and its subsidiaries, affects the carrying value of the Group's investment and the share of profits of the joint venture.</p> <p>Independent valuation by external valuers is used to support the annual determination of the fair value of the investment properties.</p> <p>The valuation of the investment properties is highly judgmental due to the use of estimates in the key inputs in the valuation techniques. The key inputs include adopted value per square meter, total gross development value, total estimated cost to completion, capitalisation rate and discount rate, and are dependent on the nature of each investment property and the prevailing market conditions.</p> <p>Furthermore, the valuation reports obtained from the external valuers for certain investment properties have highlighted the heightened uncertainty of the Coronavirus Disease 2019 ("COVID-19") outbreak.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> assessed the competency, capabilities and objectivity of the external valuers; obtained an understanding of the techniques used by the external valuers in determining the valuations of each of the investment properties; discussed the critical assumptions made by the external valuers for the key inputs used in the valuation techniques; checked, on a sample basis, the accuracy of underlying lease and financial information provided to the external valuers; assessed the reasonableness of the key inputs used by benchmarking against those of comparable properties and prior year's inputs. discussed the implications of the COVID-19 outbreak on the critical assumptions used by the external valuers. <p>We found the external valuers to be members of recognised bodies for professional valuers. We also found that the valuation techniques used were appropriate in the context of the investment properties and the key inputs used were within the range of market data.</p> <p>We have also assessed the adequacy of the disclosures relating to the significant judgment involved in the valuation of the investment properties and found them to be appropriate.</p>



Other Information

Management is responsible for the other information. The other information comprises the Chairman's Statement, Group Financial Highlights, Five-Year Financial Summary, Corporate Governance and the Directors' Statement (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the other sections of the annual report ("the Other Sections"), which are expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not and will 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 identified above 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 on the other information that we obtained prior to the date of this auditor's report, 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.

When we read the Other Sections, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with SSAs.

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)s, 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 have no realistic alternative but to do so.

The directors' responsibilities included 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 the SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud and 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 the 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.
- 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 with 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.

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

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 for the current period 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 partner on the audit resulting in this independent auditor's report is Ms. Tan Bee Nah.

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants

Singapore, 17 September 2020

CONSOLIDATED INCOME STATEMENT

for the Financial Year Ended 30 June 2020

		Group	
	Note	2020 \$'000	2019 \$'000
Revenue	4	322,691	240,251
Cost of sales		(287,177)	(206,032)
Gross profit		35,514	34,219
Other income	5(a)	6,570	3,619
Other (losses)/gains - net	5(b)	(18,224)	13,205
Expenses			
- Distribution and marketing		(395)	(836)
- Administrative and general		(25,088)	(29,665)
- Finance	8	(7,485)	(8,249)
Share of profits of associated companies		2,942	167
Share of profits of joint ventures		3,236	16,217
(Loss)/profit before income tax		(2,930)	28,677
Income tax expense	9(a)	(3,177)	(1,151)
Net (loss)/profit		(6,107)	27,526
Net (loss)/profit attributable to:			
Equity holders of the Company		(2,111)	23,287
Non-controlling interests		(3,996)	4,239
		(6,107)	27,526
(Loss)/earnings per ordinary share attributable to the equity holders of the Company (cents per share)	10		
- Basic		(0.56)	6.11
- Diluted		(0.56)	6.11

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



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the Financial Year Ended 30 June 2020

	Note	Group	
		2020 \$'000	2019 \$'000
Net (loss)/profit		(6,107)	27,526
Other comprehensive income/(loss):			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences arising from consolidation			
- Losses	29(e)	(357)	(5,345)
- Reclassification	29(e)	1,446	(152)
Share of other comprehensive income/(loss) of associated companies	19	47	(16)
		1,136	(5,513)
Items that will not be reclassified subsequently to profit or loss:			
Currency translation differences arising from consolidation			
- Gains/(losses)	29(e)	116	(791)
Financial assets, at fair value through other comprehensive income ("FVOCI")			
- Fair value gains	29(d)	8,710	9,053
Other comprehensive income for the year, net of tax		9,962	2,749
Total comprehensive income for the year		3,855	30,275
Total comprehensive income attributable to:			
Equity holders of the Company		7,735	26,827
Non-controlling interests		(3,880)	3,448
		3,855	30,275

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

BALANCE SHEET - GROUP

As at 30 June 2020

	Note	2020 \$'000	2019 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	11	151,026	134,326
Financial assets, at FVPL	15(b)	-	4,734
Trade and other receivables	12(a)	23,312	56,378
Contract assets	4(b)	16,721	46,276
Tax recoverable	9(b)	292	1,191
Properties held for sale	13	4,417	338
Development properties	14	117,949	119,052
Other current assets	16(a)	8,120	10,638
		321,837	372,933
Non-current assets			
Trade and other receivables	12(b)	87,084	80,776
Club memberships	17	352	353
Financial assets, at FVPL	15(b)	8,063	-
Financial assets, at FVOCI	15(a)	25,146	16,436
Investments in joint ventures	18	33,400	33,205
Investments in associated companies	19	4,865	559
Investment properties	21	58,316	144,296
Property, plant and equipment	22	27,025	25,672
Deferred income tax assets	9(c)	6,092	4,189
Other non-current assets	16(b)	4,857	1,248
		255,200	306,734
Total assets		577,037	679,667
LIABILITIES			
Current liabilities			
Trade and other payables	25(a)	71,458	104,636
Contract liabilities	4(b)	28,409	39,981
Provision for other liabilities	25(b)	15,159	16,502
Current income tax liabilities	9(b)	5,758	2,914
Borrowings	26	4,368	9,472
		125,152	173,505
Non-current liabilities			
Trade and other payables	25(a)	17,180	25,891
Borrowings	26	164,187	203,259
Deferred income tax liabilities	9(c)	96	388
		181,463	229,538
Total liabilities		306,615	403,043
NET ASSETS		270,422	276,624
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	28	86,572	86,572
Treasury shares	28	(2,845)	(1,620)
Capital and other reserves	29(a)	40,027	26,922
Retained profits	31(a)	133,059	145,277
		256,813	257,151
Non-controlling interests	30	13,609	19,473
Total equity		270,422	276,624

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



BALANCE SHEET - COMPANY

As at 30 June 2020

	Note	2020 \$'000	2019 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	11	25,905	6,707
Trade and other receivables	12(a)	52,629	52,085
Other current assets	16(a)	126	157
		78,660	58,949
Non-current assets			
Trade and other receivables	12(b)	129,955	160,186
Club memberships	17	350	370
Investments in subsidiaries	20	72,167	72,285
Property, plant and equipment	22	2,068	1,271
		204,540	234,112
Total assets		283,200	293,061
LIABILITIES			
Current liabilities			
Trade and other payables	25(a)	134,781	127,967
Current income tax liabilities	9(b)	266	154
Borrowings	26	486	8,030
		135,533	136,151
Non-current liabilities			
Borrowings	26	40,288	39,948
		40,288	39,948
Total liabilities		175,821	176,099
NET ASSETS		107,379	116,962
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	28	86,572	86,572
Treasury shares	28	(2,845)	(1,620)
Capital and other reserves	29(a)	3,182	3,182
Retained profits	31(b)	20,470	28,828
Total equity		107,379	116,962

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	Treasury shares	Capital and other reserves	Retained profits	Total	Non-controlling interests	Total equity
Note		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2020								
	Balance as at 1 July 2019	86,572	(1,620)	26,922	145,277	257,151	19,473	276,624
	Net loss	-	-	-	(2,111)	(2,111)	(3,996)	(6,107)
	Other comprehensive income	-	-	9,846	-	9,846	116	9,962
	Total comprehensive income/(loss)	-	-	9,846	(2,111)	7,735	(3,880)	3,855
	Purchase of treasury shares	28	-	(1,225)	-	(1,225)	-	(1,225)
	Interim dividend for FY2020	32	-	-	(1,141)	(1,141)	-	(1,141)
	Final dividend for FY2019	32	-	-	(5,707)	(5,707)	-	(5,707)
	Transfer of reserves		-	-	3,259	(3,259)	-	-
	Interim dividend paid to non-controlling shareholders of subsidiaries	30	-	-	-	-	(1,984)	(1,984)
	Total transactions with owners, recognised directly in equity		-	(1,225)	3,259	(10,107)	(8,073)	(1,984)
	Balance as at 30 June 2020	86,572	(2,845)	40,027	133,059	256,813	13,609	270,422

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



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(CONTINUED)

for the Financial Year Ended 30 June 2020

← Attributable to equity holders of the Company →								
		Share capital	Treasury shares	Capital and other reserves	Retained profits	Total	Non-controlling interests	Total equity
Note		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2019								
Balance as at 1 July 2018		86,574	(1,025)	23,281	129,015	237,845	18,803	256,648
Net profit		-	-	-	23,287	23,287	4,239	27,526
Other comprehensive income/(loss)		-	-	3,540	-	3,540	(791)	2,749
Total comprehensive income		-	-	3,540	23,287	26,827	3,448	30,275
Employee share option scheme								
- Treasury shares reissued	28, 29(c)	(2)	101	(12)	-	87	-	87
Purchase of treasury shares	28	-	(696)	-	-	(696)	-	(696)
Interim dividend for FY2019	32	-	-	-	(1,141)	(1,141)	-	(1,141)
Final dividend for FY2018	32	-	-	-	(5,737)	(5,737)	-	(5,737)
Transfer of reserves		-	-	113	(113)	-	-	-
Interim dividend paid to non-controlling shareholders of subsidiaries	30	-	-	-	-	-	(1,421)	(1,421)
Transactions with non-controlling interests		-	-	-	(34)	(34)	(1,357)	(1,391)
Total transactions with owners, recognised directly in equity		(2)	(595)	101	(7,025)	(7,521)	(2,778)	(10,299)
Balance as at 30 June 2019		86,572	(1,620)	26,922	145,277	257,151	19,473	276,624

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 \$'000	2019 \$'000
Cash flows from operating activities			
Net (loss)/profit		(6,107)	27,526
Adjustments for:			
Income tax expense	9(a)	3,177	1,151
Share of profits of associated companies and joint ventures		(6,178)	(16,384)
Allowance for impairment of receivables	6	2	141
Amortisation of club memberships	6	32	38
Depreciation of property, plant and equipment	6	3,959	3,064
Dividend income from financial assets, at FVOCI	4	(158)	(68)
Fair value losses/(gains) on investment properties	5(b)	17,327	(287)
Fair value loss on financial assets, at FVPL	5(b)	2,073	-
Loss on liquidation of a subsidiary	5(b)	-	14
Gain on disposal of a subsidiary	5(b)	(1,054)	-
Gain on disposal of investment property	5(b)	-	(12,723)
Gain on disposal of club memberships	5(b)	(1)	(57)
Gain on disposal of property, plant and equipment – net	5(b)	(20)	(70)
Gain on reversal of accrued cost for investment property	5(b)	(277)	-
Impairment loss on club memberships	6	19	75
Interest income	5(a)	(1,322)	(852)
Finance expense	8	7,485	8,249
Property, plant and equipment written off	6	45	35
Operating cash flow before working capital changes		19,002	9,852
Change in working capital, net of effects from disposal of a subsidiary:			
- Trade and other receivables		29,108	2,416
- Contract assets		29,555	(29,764)
- Contract liabilities		(11,572)	39,981
- Other current assets		(9,266)	(191)
- Development properties/properties held for sale		(3,113)	375
- Trade and other payables		(32,483)	11,687
Cash generated from operations		21,231	34,356
Income tax paid	9(b)	(1,640)	(5,207)
Net cash provided by operating activities		19,591	29,149

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



CONSOLIDATED STATEMENT OF CASH FLOWS

(CONTINUED)

for the Financial Year Ended 30 June 2020

	Note	2020 \$'000	2019 \$'000
Cash flows from investing activities			
Investment in a joint venture		(326)	(9,810)
Investment in an associated company		(1,268)	-
Investment in financial assets, at FVPL	15(b)	(5,402)	(4,734)
Acquisition of non-controlling interest in a subsidiary	20	-	(1,389)
Dividends received from an associated company		-	1,500
Dividends received from financial assets, at FVOCI		158	68
Expenditure on investment property	21	(14,183)	(4,546)
Increase in other current assets in relation to investment properties		-	(9,588)
Interest income received		1,244	818
Proceeds from disposal of a subsidiary, net of cash disposed	11	96,776	-
Proceeds from disposal of investment property, net of selling expenses	21	-	48,562
Proceeds from disposal of club memberships		-	65
Proceeds from disposal of property, plant and equipment		320	351
Purchase of club memberships		(50)	(154)
Purchase of property, plant and equipment		(1,381)	(3,552)
Advances to an investee company		-	(676)
Advances to joint ventures		(7,500)	(13,000)
Repayment from a joint venture		6,730	12,175
Net cash provided by investing activities		75,118	16,090
Cash flows from financing activities			
Cash and cash equivalents (pledged)/released from pledge		(13)	1
Dividends paid		(6,848)	(6,878)
Dividends paid to non-controlling shareholders of subsidiaries		(1,984)	(1,421)
Bank facility fees		(73)	(149)
Interest paid		(7,461)	(7,927)
Purchase of treasury shares	28	(1,225)	(696)
Proceeds from re-issuance of treasury shares	28	-	87
Proceeds from issuance of medium term notes		-	12,543
Repayment of medium term notes		-	(22,750)
Proceeds from bank loans		13,057	26,902
Repayment of bank loans		(61,285)	(1,221)
Repayment of lease liabilities		(769)	(78)
Repayment to a non-controlling shareholder of a subsidiary		(11,371)	(3,067)
Net cash used in financing activities		(77,972)	(4,654)
Net change in cash and cash equivalents		16,737	40,585
Cash and cash equivalents at beginning of financial year		133,746	93,644
Effect of changes in currency translation rates on cash and cash equivalents		(50)	(483)
Cash and cash equivalents at end of financial year	11	150,433	133,746

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

CONSOLIDATED STATEMENT OF CASH FLOWS

(CONTINUED)

for the Financial Year Ended 30 June 2020

Reconciliation of liabilities arising from financing activities

	1 July 2019 \$'000	Proceeds from bank loans \$'000	Principal and interest payments \$'000	Non-cash changes					30 June 2020 \$'000
				Adoption of FRS 116 \$'000	Addition during the year \$'000	Interest expense \$'000	Others \$'000	Foreign exchange movement \$'000	
Borrowings									
Bank loans	172,564	13,057	(61,285)	-	-	-	58	(26)	124,368
Lease liabilities	325	-	(840)	1,632	3,090	71	(2)	-	4,276
Medium term notes, net of transaction costs	39,842	-	-	-	-	-	69	-	39,911
Trade and other payables									
Loan interest payable	785	-	(7,390)	-	-	7,414	-	(131)	678
Advances from non-controlling shareholders of subsidiaries	11,104	-	(11,371)	-	-	-	-	267	-

	1 July 2018 \$'000	Proceeds from bank loans \$'000	Principal and interest payments \$'000	Non-cash changes				30 June 2019 \$'000
				Addition during the year \$'000	Interest expense \$'000	Others \$'000	Foreign exchange movement \$'000	
Borrowings								
Bank loans	149,080	26,902	(1,221)	-	-	113	(2,310)	172,564
Finance lease liabilities	243	-	(94)	160	16	-	-	325
Medium term notes, net of transaction costs	49,916	-	(10,207)	-	-	133	-	39,842
Trade and other payables								
Loan interest payable	915	-	(7,911)	-	7,781	-	-	785
Advances from non-controlling shareholders of subsidiaries	14,780	-	(3,067)	-	-	-	(609)	11,104

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.

1. GENERAL INFORMATION

Lum Chang Holdings Limited (the "Company") is listed on the Singapore Exchange and incorporated and domiciled in Singapore. The address of its registered office is 14 Kung Chong Road, #08-01 Lum Chang Building, Singapore 159150.

The principal activities of the Company are the holding of investments and provision of management services to the Group.

The principal activities of its subsidiaries during the financial year consist of construction, project management, property development for sale and property investment.

2. 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 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.

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 and the Company'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 and the Company'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:

2. 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

- (a) When the Group and the Company are 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 and the Company's accounting policy on leases after the adoption of SFRS(I) 16 is as disclosed in Note 2.18.

On initial application of SFRS(I) 16, the Group and the Company have 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 Lease and SFRS(I) INT 4 Determining whether an Arrangement contains a Leases, the Group and the Company have not reassessed if such contracts contain leases under SFRS(I) 16; and
- (ii) On a lease-by-lease basis, the Group and the Company have:
 - 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.



NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 30 June 2020

2. 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 and the Company are the lessee (continued)

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

- (i) On a lease-by-lease basis, the Group and the Company chose to measure its ROU assets (except for ROU assets which meet the definition of investment property) at an amount equal to lease liabilities recognised in the balance sheet immediately before the date of initial application. For ROU assets which meet the definition of an investment property, the Group and the Company had measured the ROU assets at their fair values 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 portfolio of leases with reasonably similar characteristic.
- (iii) For lease previously classified as finance leases, the carrying amount of the leased asset and finance lease liability as at 1 July 2019 are determined based on the carrying amount of the property, plant and equipment and finance lease liabilities.

(b) When the Group and the Company are a lessor

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

(c) When the Group is the intermediate lessor

The Group leases an underlying asset under a head lease arrangement and subleases the same asset to third parties as an intermediate lessor. Prior to the adoption of SFRS(I) 16, the sublease is classified as an operating lease when the head lease is an operating lease. The intermediate lessor recorded rental income in respect of the sublease on a straight-line basis over the term of the sublease and recorded rental expense in respect of the head lease on a straight-line basis over the term of the head lease.

Under SFRS(I) 16, accounting by the Group as an intermediate lessor depends on the classification of the sublease with reference to the ROU asset arising from the head lease rather than the underlying asset.

On 1 July 2019, the Group has reassessed the classification of the sublease based on the remaining contractual terms and condition of the head lease. Based on this assessment, all subleases pertain to the operating leases.

The accounting policy for subleases are disclosed in Note 2.18.

2. 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)

The effects of adoption of SFRS(I) 16 on the financial statements as at 1 July 2019 are as follows:

	Group Increase \$'000	Company Increase \$'000
Property, plant and equipment	1,632	1,295
Borrowings	1,632	1,295

An explanation of the differences between the operating lease commitments previously disclosed in the financial statements as at 30 June 2019 and the lease liabilities recognised in the statement of financial position as at 1 July 2019 are as follows:

	Group \$'000	Company \$'000
Operating lease commitments disclosed as at 30 June 2019	2,048	1,336
Less: Short-term leases	(346)	-
Less: Low-value leases	(6)	-
Less: Discounting effects using weighted average incremental borrowing rates at 2.80% and 2.45% for Group and Company respectively	(64)	(41)
Lease liabilities recognised as at 1 July 2019	1,632	1,295

2.2 Revenue recognition

(a) Construction contracts

The Group performs construction works for customers through fixed-price contracts. Contract revenue is recognised when the Group's performance creates or enhance an asset that the customer controls as the asset is created or enhanced.

For these contracts, revenue is recognised over time by reference to the Group's progress towards completing the contract. The measure of progress is determined by the value of work performed relative to the total contract value as determined by surveys of work performed. Costs incurred that are not related to the contract or that do not contribute towards satisfying a performance obligation are excluded from the measure of progress and instead are expensed as incurred.

The period between the transfer of the promised goods and payment by the customer may exceed one year. For such contracts, there is no significant financing component present as the payment terms is an industry practice to protect the customer from the Group's failure to adequately complete some or all of its obligations under the contract. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.



NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 30 June 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Revenue recognition (continued)

(a) Construction contracts (continued)

Estimates of revenue, costs or extent of progress towards completion are revised if circumstances change. Any resulting increases or decreases in estimated revenue or costs are reflected in the profit or loss in the period in which the circumstances that give rise to the revision become known by management.

Contract modifications that add distinct goods or services at their standalone selling prices are accounted for as separate contracts. Contract modifications that add distinct goods or services but not at their standalone selling prices are accounted for as a continuation of the existing contract. The Company combines the remaining consideration in the original contract with the consideration promised in the modification to create a new transaction price that is then allocated to all remaining performance obligations. Contract modification that do not add distinct goods or services are accounted for as a continuation of the original contract and the change is recognised as a cumulative adjustment to revenue at the date of modification.

The customer is invoiced on a milestone payment schedule. If the value of the goods transferred by the Company exceed the payments, a contract asset is recognised. If the payments exceed the value of the goods transferred, a contract liability is recognised.

For costs incurred in fulfilling the contract which are within the scope of another SFRS(I) (e.g. SFRS(I) 2 Inventories), these have been accounted in accordance with those other SFRS(I). If these are not within the scope of another SFRS(I), the Group will capitalise these as contract costs assets only if (a) these costs relate directly to a contract or an anticipated contract which the Group can specifically identify; (b) these costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and (c) these costs are expected to be recovered. Otherwise, such costs are recognised as an expense immediately.

Capitalised contract costs are subsequently amortised on a systematic basis as the Group recognises the related revenue over time. An impairment loss is recognised in the profit or loss to the extent that the carrying amount of capitalised contract costs exceeds the expected remaining consideration less any directly related costs not yet recognised as expenses.

(b) Development properties

Revenue and profits from development properties is recognised as disclosed in Note 2.6 "Development properties".

(c) Properties held for sale

Revenue from sale of completed properties is recognised at a point in time upon completion of the sales and purchase agreements, which essentially means that the completed properties have been delivered to the customers, the customers have accepted taking over the titles of the completed properties and collectability of the related receivables is reasonably assured.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Revenue recognition (continued)

(d) Rendering of services

Revenue from rendering of management and technical assistance fees are recognised over time when these services are rendered.

(e) Rental income

Rental income from operating leases (net of any incentives given to the lessees) on investment properties and property, plant and equipment is recognised on a straight-line basis over the lease term.

(f) Dividend income

Dividend income is recognised when the right to receive payment is established.

(g) Interest income

Interest income is recognised using the effective interest method.

2.3 Group accounting

(a) Subsidiaries

(i) Consolidation

Subsidiaries are entities (including special purpose 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. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on which that 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 but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests comprise the portion of a subsidiary'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, even if this results in the non-controlling interests having a deficit balance.



NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 30 June 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 **Group accounting** (continued)

(a) Subsidiaries (continued)

(ii) Acquisitions

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

The consideration transferred for the acquisition of a subsidiary 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 the fair value of any contingent consideration arrangement and any pre-existing equity interest in the subsidiary 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.

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 the (b) fair value of the identifiable net assets acquired is recorded as goodwill. Please refer to Note 2.7 for the accounting policy on goodwill on acquisition of subsidiaries.

(iii) Disposals of subsidiaries or businesses

When a change in the Group's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary 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 earnings 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 Note 2.10 for the accounting policy on investments in subsidiaries in the separate financial statements of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Group accounting (continued)

(b) Transactions with non-controlling interests

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control over the subsidiary 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 in revenue reserve within equity attributable to the equity holders of the Company.

(c) Associated companies and joint ventures

Associated companies are entities over which the Group has significant influence, but not control, generally accompanied by a shareholding giving rise to voting rights of 20% and above but not exceeding 50%.

Joint ventures are entities over which the Group has joint control as a result of contractual arrangements, and rights to the net assets of the entities.

Investments in associated companies and joint ventures are accounted for in the consolidated financial statements using the equity method of accounting less impairment losses, if any.

(i) Acquisitions

Investments in associated companies and joint ventures are initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Investments in associated companies and joint ventures in the consolidated balance sheet include goodwill (net of accumulated impairment loss) identified on acquisition, where applicable. Goodwill represents the excess of the cost of acquisition of the associated company or joint venture over the Group's share of the fair value of the identifiable net assets of the associated company or joint venture and is included in the carrying amount of the investments.

(ii) Equity method of accounting

In applying the equity method of accounting, the Group's share of its associated companies' and joint ventures' post-acquisition profits or losses are recognised in profit or loss and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. These post-acquisition movements and distributions received from the associated companies or joint ventures are adjusted against the carrying amount of the investments. When the Group's share of losses in an associated company or joint venture equals to or exceeds its interest in the associated company or joint venture, the Group does not recognise further losses, unless it has legal or constructive obligations to make or has made payments on behalf of the associated company or joint venture. If the associated company or joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised. Interest in an associates or joint venture includes any long-term loans for which settlement is never planned nor likely to occur in the foreseeable future.



NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 30 June 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 **Group accounting** (continued)

(c) Associated companies and joint ventures (continued)

(ii) Equity method of accounting (continued)

Unrealised gains on transactions between the Group and its associated companies or joint ventures are eliminated to the extent of the Group's interest in the associated companies or joint ventures. Unrealised losses are also eliminated unless the transactions provide evidence of impairment of the asset transferred. The accounting policies of associated companies or joint ventures are changed where necessary to ensure consistency with the accounting policies adopted by the Group.

(iii) Disposals

Investments in associated companies or joint ventures are derecognised when the Group loses significant influence or joint control. If the retained equity interest in the former associated company or joint venture is a financial asset, the retained equity interest is measured at fair value. The difference between the carrying amount of the retained interest at the date when significant influence or joint control is lost, and its fair value and any proceeds on partial disposal, is recognised in profit or loss.

Please refer to Note 2.10 for the accounting policy on investments in associated companies and joint ventures in the separate financial statements of the Company.

2.4 **Property, plant and equipment**

(a) Measurement

All property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses (Note 2.11).

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 asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also includes borrowing costs (refer to Note 2.8).

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 **Property, plant and equipment** (continued)

(b) Depreciation

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

	Useful lives
Leasehold land	2 to 6 years
Leasehold buildings	2 to 40 years
Plant and machinery	5 to 10 years
Furniture, office equipment and fittings	2 to 5 years
Motor vehicles	5 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.

(c) 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 Group and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

(d) 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).

2.5 **Properties held for sale**

Properties held for sale are those completed properties which are intended for sale in the ordinary course of business. They are stated at the lower of cost and net realisable value. Costs capitalised include cost of land and other directly related development expenditure incurred in developing the properties. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and applicable variable selling expenses.



NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 30 June 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Development properties

Development properties refer to properties developed for sale. Development properties that are unsold are carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less cost to complete the development and selling expenses.

Revenue from sale of development properties is recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer at a point in time or over time.

For development properties where the Group does not have an enforceable right to payment for performance completed to date, revenue is recognised when the customer obtains control of the asset, such as when the property is accepted by the customer, or deemed as accepted according to the contract, or when title has passed to the customer.

For development properties where the Group is restricted contractually from directing the properties for another use as they are being developed and has an enforceable right to payment for performance completed to date, revenue is recognised over time, based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the stage of completion of the properties.

The stage of completion is measured by reference to the professional quantity surveyor's certification of value of work done-to-date. Management has determined that the input method provides a faithful depiction of the Group's performance in transferring control of the development properties to the customers.

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

For costs incurred in fulfilling the contract which are within the scope of another SFRS(I) (e.g. SFRS(I) 2 Inventories), these have been accounted for in accordance with those other SFRS(I). If these are not within the scope of another SFRS(I), the Group will capitalise these as contract costs assets only if the costs relate directly to the contract, generate or enhance resources used in satisfying the contract and are expected to be recovered. Other contract costs are expensed as incurred.

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

The period between the transfer of the promised goods and payment by the customer may exceed one year. For such contracts, the Group adjusts the promised amount of consideration for the effect of a financing component, if significant.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in the profit or loss in the period in which the circumstances that give rise to the revision become known by management.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Intangible assets

Goodwill

Goodwill on acquisitions of subsidiaries 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.

Goodwill on subsidiaries is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

Goodwill on associated companies and joint ventures is included in the carrying amount of the investments.

Gains and losses on the disposal of subsidiaries, joint ventures and associated companies include the carrying amount of goodwill relating to the entity sold.

2.8 Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method except for those costs that are directly attributable to qualifying assets. This includes those costs on borrowings acquired specifically for the qualifying assets under construction, as well as those in relation to general borrowings used to finance the qualifying assets under construction.

The actual borrowing costs incurred during the period up to the completion of the qualifying assets are capitalised as part of the cost of qualifying assets. Borrowing costs on general borrowings are capitalised by applying a capitalisation rate to related expenditures that are financed by general borrowings, where applicable.

2.9 Investment properties

Investment properties of the Group include those land and buildings and portions of building that are held for long-term rental yields and/or for capital appreciation. Investment properties include properties that are being constructed or developed for future use as investment properties.

Investment properties are initially recognised at cost and subsequently carried at fair value, determined annually by independent professional valuers on the highest-and-best-use basis. Changes in fair values are recognised in profit or loss.

Investment properties are subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised and the carrying amounts of the replaced components are recognised in profit or loss. The cost of maintenance, repairs and minor improvements is recognised in profit or loss when incurred.

On disposal of an investment property, the difference between the disposal proceeds and the carrying amount is recognised in profit or loss.



NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 30 June 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Investments in subsidiaries, joint ventures and associated companies

Investments in subsidiaries, joint ventures and associated companies are carried at cost less accumulated impairment losses (Note 2.11) in the Company's balance sheet.

On disposal of such investments, the difference between the disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

2.11 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. Goodwill included in the carrying amount of an investment in associated company and joint venture is tested for impairment as part of the investment, rather than separately.

For the purpose of impairment testing of goodwill, goodwill is 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) *Club memberships*

Property, plant and equipment

Investments in subsidiaries, associated companies and joint ventures

Club memberships, property, plant and equipment and investments in subsidiaries, associated companies and joint ventures are tested for impairment whenever there is any objective evidence or indication that these 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 inflows 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Impairment of non-financial assets (continued)

- (b) *Club memberships*
Property, plant and equipment
Investments in subsidiaries, associated companies and joint ventures (continued)

An impairment loss for an asset other than goodwill is reversed only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. 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.

2.12 Financial guarantees

The Company has issued corporate guarantees to banks for borrowings of its subsidiaries. These guarantees are financial guarantees as they require the Company to reimburse the banks if the subsidiaries fail to make principal or interest payments when due in accordance with the terms of their borrowings.

Financial guarantees are initially recognised at their fair values (if material) plus transaction costs in the Company's balance sheet.

Financial guarantees are subsequently amortised to profit or loss over the period of the subsidiaries' and the joint venture's borrowings, unless it is probable that the Company will reimburse the banks for an amount higher than the unamortised amount. In this case, the financial guarantees shall be carried at the expected amount payable to the banks in the Company's balance sheet.

Intra-group transactions are eliminated on consolidation.

2.13 Club memberships

Club memberships are stated at cost less accumulated amortisation and accumulated impairment losses (Note 2.11). Amortisation is calculated on a straight-line basis to write off the cost of club memberships over their expected useful lives of between 10 to 86 years.



NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 30 June 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 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.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

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 fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

At subsequent measurement

(i) Debt instruments

Debt instruments mainly comprise of cash and cash equivalents, trade and other receivables and deposits.

There are two subsequent measurement categories, depending on the Group's business model for managing the asset and the cash flow characteristics of the asset.

- **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. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of a hedging instrument is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in interest income using the effective interest rate method.
- **FVPL:** Debt instruments that are held for trading as well as those that do not meet the criteria for classification as amortised cost or FVOCI are classified as FVPL. Movement in fair values and interest income are recognised in profit or loss in the period in which it arises and presented in "other gains and losses".

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Financial assets (continued)

(a) *Classification and measurement* (continued)

At subsequent measurement (continued)

(ii) Equity investments

The Group subsequently measures all its equity investments at fair values. The Group's equity securities are not held for trading. The Group has elected to recognise changes in its fair value of equity securities 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 instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, retention sum receivables and contract assets, the Group applied the simplified approach permitted by the SFRS(I) 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

For other receivables, dividend receivables, interest receivables, advances to joint venture, associated company, subsidiaries and related party and cash and cash equivalents and deposits, the general 3-stage approach is applied. Credit loss allowance is based on 12-month expected credit loss if there is no significant increase in credit risk since initial recognition of the assets. If there is a significant increase in credit risk since initial recognition, lifetime expected credit loss will be calculated and recognised.

(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 a debt instrument, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that assets is reclassified to profit or loss.

The Group has elected to recognise changes in its fair value of equity investments in other comprehensive income as these are strategic investments and the Group considers this to be more relevant. Accordingly, on disposal of its equity instruments, any differences 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.



NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 30 June 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Fair value estimation of financial assets and liabilities

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions that are existing at each balance sheet date. Where appropriate, quoted market prices or dealer quotes for similar instruments are used. Valuation techniques such as estimated discounted cash flows analysis, are also used to determine the fair values of the financial instruments.

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

2.16 Borrowings

Borrowings are presented as current liabilities unless the Group 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 as profit or loss over the period of the borrowings using the effective interest method.

2.17 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of the 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.

2.18 Leases

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

(i) When the Group and the Company are the lessees:

The Group leases certain property, plant and equipment, offices spaces and state lands from non-related parties. The Company leases offices spaces from a related party.

- *Lessee - Finance leases*

Leases of property, plant and equipment where the Group assumes substantially all risks and rewards incidental to ownership of the leased assets are classified as finance leases.

The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the balance sheet as property, plant and equipment and borrowings respectively, at the inception of the leases based on the lower of the fair value of the leased asset and the present values of the minimum lease payments.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Leases (continued)

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

(i) When the Group and the Company are the lessees: (continued)

- *Lessee - Finance leases* (continued)

Each lease payment is apportioned between the finance expense and the reduction of the outstanding lease liability. The finance expense is recognised in profit or loss on a basis that reflects a constant periodic rate of interest on the finance lease liability.

- *Lessee - Operating leases*

Leases of offices spaces and state lands 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.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

(ii) When the Group is the lessor:

The Group leases out certain property, plant and equipment and investment properties to non-related parties.

- *Lessor - Operating leases*

Leases of property, plant and equipment and investment properties where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to lessees) is recognised in profit or loss on a straight-line basis over the lease term.

Initial direct costs incurred by the Group in negotiating and arranging an operating lease are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

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

(i) When the Group and the Company are the lessees:

At the inception of the contract, the Group and the Company assessed if the contract contains a lease. A contract contains a lease if the contract conveys 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.



NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 30 June 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Leases (continued)

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

(i) When the Group and the Company are the lessees: (continued)

- *Right-of-use assets*

The Group and the Company recognised 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 asset is 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 (except for those which meets the definition of an investment property) are presented within "Property, plant and equipment".

Right-of-use asset which meets the definition of an investment property is presented within "Investment properties" and accounted for in accordance with Note 2.9.

- *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 and the Company 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 is reasonably certain to exercise the option; and
- Payment of penalties for terminating the lease, if the lease term reflects the Group and the Company exercising that option.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Leases (continued)

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

(i) When the Group and the Company are the lessees: (continued)

- *Lease liabilities* (continued)

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 and the Company'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 and the Company 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.

- *Variable lease payments*

Variable lease payments that are not based on an index or a rate are not included as part of the measurement and initial recognition of the lease liability. The Group and the Company shall recognise those lease payments in profit or loss in the periods that triggered those lease payments.

(ii) When the Group is the lessor:

The accounting policies applicable to the Group as a lessor in the comparative period were the same under SFRS(I) 16 except when the Group is an intermediate lessor.

In classifying a sublease, the Group as an intermediate lessor classifies the sublease as a finance or an operating lease with reference to the right-of-use asset arising from the head lease, rather than the underlying asset.



NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 30 June 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Leases (continued)

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

(ii) When the Group is the lessor: (continued)

When the sublease is assessed as a finance lease, the Group derecognises the right-of-use asset relating to the head lease that it transfers to the sublessee and recognised the net investment in the sublease within "Trade and other receivables". Any differences between the right-of-use asset derecognised and the net investment in sublease is recognised in profit or loss. Lease liability relating to the head lease is retained in the balance sheet, which represents the lease payments owed to the head lessor.

When the sublease is assessed as an operating lease, the Group recognise lease income from sublease in profit or loss within "Other income". The right-of-use asset relating to the head lease is not derecognised.

For contract which contains lease and non-lease components, the Group allocates the consideration based on a relative stand-alone selling price basis.

2.19 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.

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 on investments in subsidiaries, associated companies and joint ventures, 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 **Income taxes** (continued)

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 except for investment properties. Investment property measured at fair value is presumed to be recovered entirely through sale.

Current and deferred income taxes are recognised as income or expense in profit or loss for the period, 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 investment tax credits (for example, productivity and innovative credit) similar to accounting for other tax credits where deferred 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.

2.20 **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 the 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.



NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 30 June 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Employee compensation

Employee benefits are recognised as employee compensation 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) *Employee leave entitlement*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

(c) *Share-based compensation*

The Group operates an equity-settled, share-based compensation plan. The value of the employee services received in exchange for the grant of options is recognised as an expense with a corresponding increase in the share option reserve over the vesting period. The total amount to be recognised over the vesting period is determined by reference to the fair value of the options granted on the date of grant. Non-market vesting conditions are included in the estimation of the number of shares under options that are expected to become exercisable on the vesting date. At each balance sheet date, the Group revises its estimates of the number of shares under options that are expected to become exercisable on the vesting date and recognises the impact of the revision of the estimates in profit or loss, with a corresponding adjustment to the share option reserve over the remaining vesting period.

When the options are exercised, the proceeds received (net of transaction costs) and the related balance previously recognised in the share option reserve are credited to share capital account, when new ordinary shares are issued, or to the "treasury shares" account, when treasury shares are reissued to the employees.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 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 Dollars, which is the Company's functional and presentation currency.

(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 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 loan forming part of the net investment of the foreign operation is repaid, a proportionate share of the accumulated currency translation differences is reclassified to profit or loss, as part of the gain or loss on disposal.

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 foreign 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 on 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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 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.

2.24 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. For cash subjected to restriction, assessment is made on the economic substance of the restriction and whether they meet the definition of cash and cash equivalents.

2.25 Share capital and treasury shares

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

When an entity within the Group purchases the Company's ordinary shares ("treasury shares"), the carrying amount which includes the consideration paid and any directly attributable incremental cost is presented as a component within equity attributable to the Company's equity holders, until they are cancelled, sold or reissued.

When treasury shares are subsequently cancelled, the cost of treasury shares are deducted against the share capital account if the shares are purchased out of capital of the Company, or against the retained profits of the Company if the shares are purchased out of earnings of the Company.

When treasury shares are subsequently sold or reissued pursuant to an employee share option scheme, the cost of treasury shares is reversed from the treasury share account and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs and related income tax, is recognised in the share capital account of the Company.

2.26 Dividends to Company's shareholders

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

2.27 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 receivable are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are shown separately as other income.

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.

(a) *Construction contracts*

The Group has significant ongoing construction contracts for civil and building works. For these contracts, revenue is recognised over time by reference to the Company's progress towards completing the civil and building works.

Significant assumptions and judgements are required to estimate the total construction revenue, variation or claims recognised as contract revenue, total construction costs and provision for liquidated damages and the revenue and profit margins recognised from construction contracts. In making these estimates, management has relied on past experience and the work of specialists.

If the revenue for uncompleted contracts as at balance sheet date had increased/decreased by 1% (2019: 1%), the Group's revenue and gross profit would have been higher/lower by approximately \$5,009,000 (2019: \$2,906,000), and the Group's loss before tax would have been lower/higher by approximately \$5,009,000 (2019: \$2,906,000).

If the estimated costs to completion for uncompleted contracts as at balance sheet date had increased by 1% (2019: 1%), the Group's gross profit would have been lower by approximately \$819,000 (2019: \$374,000) and the Group's loss before tax would have been higher by approximately \$819,000 (2019: \$374,000).

(b) *Valuation of investment properties*

Investment properties (Note 21) are stated at fair value based on independent valuation by external valuers. The fair values are based on highest and best use basis. The external valuers have considered valuation techniques including the direct market comparison method, income method and residual valuation method where appropriate (Note 21). The fair value of investment properties as at 30 June 2020 amounts to approximately \$58,316,000 (2019: \$144,296,000).

The valuation report obtained from the external valuer relating to the Group's investment property in United Kingdom with fair value amounting to \$31,164,000 at 30 June 2020 has highlighted that less certainty, and consequently a higher degree of caution, should be attached to the valuation as a result of the Coronavirus Disease 2019 ("COVID-19") pandemic. This represents a significant estimation uncertainty in relation to the valuation of the investment property.

Please refer to Note 21(d) for further disclosure on the significant inputs used in the fair valuation of this property.



NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 30 June 2020

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONTINUED)

(c) *Valuation of investment in a joint venture*

As at 30 June 2020, the carrying value of the Group's investment in a material joint venture, Dorado Holdings Pte Ltd and its subsidiaries ("Dorado Group"), accounted for using the equity method amounted to \$21,485,000 (Note 18). The valuation of the investment property held by the Dorado Group affects the carrying value of the Group's investment and the share of profits of Dorado Group. The disclosures relating to the investment in joint venture are in Note 18.

The investment property held by the material joint venture at 30 June 2020 relates to a retail mall, The Tekka Place. The material joint venture has stated the investment property at fair value based on independent valuation by external valuer. The external valuer has derived the fair value using the average of the income capitalisation, discounted cash flow and direct comparison method. The key unobservable inputs used in the valuation are the capitalisation rate, the discount rate and the adopted value per square meter of net lettable area.

The valuation report obtained from the external valuer has highlighted that with the COVID-19 outbreak, it is difficult to predict the future impact that COVID-19 might have on the real estate market. In view of the foregoing, their opinion and assessment are based on the information provided and prevailing market data as at the date of the valuation report.

If the actual fair values of the investment property increase or decrease by 1%, the Group's share of the profits and net assets of the Dorado Group will increase or decrease by \$773,500.

(d) *Fair value of financial assets, at FVOCI*

As at 30 June 2020, the Group has financial assets, at FVOCI amounting to \$25,146,000 (2019: \$16,436,000). These financial assets, at FVOCI relate to investments in unlisted equity instruments, with details set out in Note 15(a). The fair values of these investments have been measured based on the valuation technique described in Note 35(e). If the adjustment for lack of control and marketability of the unlisted shares measured using the adjusted net assets value method were to increase or decrease by 5%, the net assets of the Group will decrease or increase by \$1,749,000.

(e) *Fair value of financial assets, at FVPL*

As at 30 June 2020, the Group has a financial asset, at FVPL amounting to \$8,063,000 (2019: \$4,734,000). The financial asset, at FVPL relates to the investment in an unlisted debt instrument, with details set out in Note 15(b). The fair value of this investment has been measured based on the valuation technique described in Note 35(e). If the discount rate applied in the discounted cash flow method were to increase or decrease by 1%, the Group's loss before tax will increase by \$561,000 or decrease by \$609,000 respectively.

4. REVENUE

(a) Disaggregation of revenue

	Group		
	At a point in time \$'000	Over time \$'000	Total \$'000
2020			
Revenue from construction contracts			
- Non-related parties	-	287,112	287,112
- Joint venture	-	6,827	6,827
Revenue from sale of properties	120	23,420	23,540
Management and technical assistance fees from			
- Related party*	-	48	48
- Non-related parties	-	478	478
- Joint ventures	-	198	198
Total revenue from contracts with customer	120	318,083	318,203
Rental income			4,330
Dividend income from financial assets, at FVOCI			158
Total revenue			322,691
2019			
Revenue from construction contracts			
- Non-related parties	-	193,320	193,320
- Joint venture	-	28,390	28,390
- Related party*	-	96	96
Revenue from sale of properties	939	11,697	12,636
Management and technical assistance fees from			
- Related parties*	-	112	112
- Non-related parties	-	411	411
- Joint ventures	-	198	198
Total revenue from contracts with customer	939	234,224	235,163
Rental income			5,020
Dividend income from financial assets, at FVOCI			68
Total revenue			240,251

* Related party/parties refer(s) to a director of the Company, a director of a subsidiary and a company with a common director.



NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 30 June 2020

4. REVENUE (CONTINUED)

(b) Contract assets and liabilities

	30 June 2020 \$'000	Group 30 June 2019 \$'000	1 July 2018 \$'000
Contract assets			
- Construction contracts for civil and building works	6,334	42,006	13,405
- Construction contracts for development properties	10,387	4,270	3,107
	16,721	46,276	16,512
Contract liabilities			
- Construction contracts for civil and building works	28,409	39,948	-
- Construction contracts for development properties	-	33	-
	28,409	39,981	-

Contract assets relate to fixed price construction contracts from civil and building works and development properties. The contract assets balances in relation to construction contracts for civil and building works decreased as the Group provided less services ahead of the agreed payment schedules. The contract assets balance in relation to construction contracts for development properties increased as the Group provided more services ahead of the agreed payment schedules.

Contract liabilities for construction contracts for civil and building works has decreased due to less contracts in which the Group billed and received consideration ahead of the provision of services.

(i) Revenue recognised in relation to contract liabilities

	Group 2020 \$'000	2019 \$'000
Revenue recognised in current period that was included in the contract liabilities balance at the beginning of the period		
- Construction contracts for civil and building works	15,535	-
- Construction contracts for development properties	33	-
	15,568	-
Revenue recognised in current period from performance obligations satisfied in previous periods		
- Construction contracts for civil and building works	4,674	4,690

4. REVENUE (CONTINUED)

(b) Contract assets and liabilities (continued)

(ii) Unsatisfied performance obligations

	Group	
	2020	2019
	\$'000	\$'000
Aggregate amount of the transaction price allocated to contracts that are partially or fully unsatisfied as at 30 June		
- Construction contracts for civil and building works	1,855,760	1,307,719
- Construction contracts for development properties	17,910	22,249
	1,873,670	1,329,968

Management expects that the transaction price allocated to unsatisfied performance obligations as at 30 June 2020 may be recognised as revenue during the next seven financial years. The amount disclosed above does not include variable consideration which is subject to significant risk of reversal.

As permitted under SFRS(I) 15, the aggregated transaction price allocated to unsatisfied contracts of period one year or less, or are billed based on time incurred, is not disclosed.

(c) Trade receivables from contracts with customers

	Group			Company		
	30 June 2020	30 June 2019	1 July 2018	30 June 2020	30 June 2019	1 July 2018
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Current assets						
Trade receivables	8,451	26,106	21,811	50	60	-
Less: Trade receivables from rental income from operating lease	(1,112)	(547)	(440)	(50)	(60)	-
Trade receivables from contracts with customers	7,339	25,559	21,371	-	-	-
Less: Loss allowances	(152)	(150)	(9)	-	-	-
	7,187	25,409	21,362	-	-	-



5(a). OTHER INCOME

	Group	
	2020	2019
	\$'000	\$'000
Interest income		
- Bank deposits	1,238	821
- Others	84	31
	1,322	852
Government grants – Construction Engineering Capability Development Programme	1,048	1,533
Government grants – Jobs Support Scheme	2,140	-
Government grants – Foreign Worker Levy Rebates	809	-
Government grants – others	256	60
Maintenance fees from development properties	594	568
Others - net	401	606
	6,570	3,619

The Construction Engineering Capability Development Programme (“CED Programme”) is an incentive from the Building and Construction Authority (“BCA”) for main contractors taking on complex construction projects. The scheme provides financial incentives for manpower development, engineering capability development and construction financing.

The Jobs Support Scheme is a temporary scheme introduced in Singapore Budget 2020 to help enterprises retain local employees. Under the Jobs Support Scheme, employers will receive cash grants in relation to the gross monthly wages of eligible employees for the months of October 2019 to August 2020, excluding January 2020. On 17 August 2020, the Government announced that the Jobs Support Scheme has been extended by up to seven months at lower support levels to cover wages paid up to March 2021.

Foreign Worker Levy Rebates is a temporary scheme introduced in Singapore Budget 2020 to help enterprises retain foreign workers who are unable to work due to the circuit breaker measures. Under the Foreign Worker Levy Rebate scheme, employers will receive cash grant of \$750 per headcount of foreign worker for the months of May 2020 to June 2020 and \$375 per headcount of foreign worker for months of July 2020 to September 2020.

NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 30 June 2020

5(b). OTHER (LOSSES)/GAINS - NET

	Group	
	2020	2019
	\$'000	\$'000
Currency translation (losses)/gains – net	(176)	82
Fair value (losses)/gains on investment properties – net (Note 21)	(17,327)	287
Fair value loss on financial assets, at FVPL [Note 15(b)]	(2,073)	-
Gain on disposal of a subsidiary (Note 11)	1,054	-
Gain on disposal of investment property (Note 21)	-	12,723
Gain on disposal of property, plant and equipment – net	20	70
Gain on disposal of club memberships	1	57
Gain on reversal of accrued cost for investment property	277	-
Loss on liquidation of a subsidiary	-	(14)
	(18,224)	13,205

6. EXPENSES BY NATURE

	Group	
	2020	2019
	\$'000	\$'000
Subcontractor and other construction costs	258,736	178,885
Depreciation of property, plant and equipment (Note 22)	3,959	3,064
Employee compensation (Note 7)	42,495	46,148
Directors' fees	377	364
Auditors fees:		
Fees on audit services paid/payable to:		
- Auditor of the Company	377	352
- Other auditors	118	124
Fees on non-audit services paid/payable to:		
- Auditor of the Company	34	38
- Other auditors	9	49
Legal and professional fees	1,011	956
Rental expenses	418	241
Amortisation of club memberships	32	38
Impairment loss on club memberships	19	75
Property, plant and equipment written off	45	35
Allowance for impairment of receivables	2	141
Other	5,028	6,023
Total cost of sales, distribution and marketing, and administrative and general expenses	312,660	236,533



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for the Financial Year Ended 30 June 2020

7. EMPLOYEE COMPENSATION

	Group	
	2020	2019
	\$'000	\$'000
Wages and salaries	39,183	42,890
Employer's contribution to defined contribution plans including Central Provident Fund	2,835	2,730
Other benefits	477	528
Staff costs recognised in profit or loss (Note 6)	42,495	46,148

Key management remuneration is disclosed in Note 36(b).

8. FINANCE EXPENSES

	Group	
	2020	2019
	\$'000	\$'000
Interest expense:		
- Bank borrowings	4,914	4,595
- Lease liabilities	71	16
- Other	126	407
- Medium term notes	2,301	3,177
	7,412	8,195
Bank facility fees	73	54
Finance expenses recognised in profit or loss	7,485	8,249

9. INCOME TAXES

(a) Income tax expense

	Group	
	2020	2019
	\$'000	\$'000
Tax expense attributable to profit is made up of:		
Current income tax		
- Singapore	2,608	2,658
- Foreign	-	37
	2,608	2,695
Deferred income tax	600	(1,487)
	3,208	1,208
Under/(over) provision in prior financial years		
- Current income tax	2,772	43
- Deferred income tax	(2,803)	(100)
	(31)	(57)
	3,177	1,151

The tax on the Group's profit before tax differs from the amount that would arise using the Singapore standard rate of income tax due to the following:

	Group	
	2020	2019
	\$'000	\$'000
(Loss)/profit before income tax	(2,930)	28,677
Share of profits of associated companies and joint ventures	(6,178)	(16,384)
	(9,108)	12,293
Tax calculated at tax rate of 17% (2019: 17%)	(1,548)	2,090
Effects of:		
- Statutory stepped income exemption	(56)	(56)
- Different tax rates in other countries	(275)	(92)
- Tax incentives	(94)	(231)
- Income not subject to tax	(536)	(2,806)
- Expenses not deductible for tax purposes	5,962	3,324
- Recognition of previously unrecognised deferred tax assets	(370)	(1,203)
- Deferred tax assets not recognised	125	182
- Over provision of tax	(31)	(57)
	3,177	1,151



NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 30 June 2020

9. INCOME TAXES (CONTINUED)

(b) Movement in current income tax liabilities, net of tax recoverable

	Group		Company	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Beginning of financial year	1,723	4,208	154	69
Currency translation differences	3	(16)	-	-
Income tax paid	(1,640)	(5,207)	(68)	(46)
Tax expense	2,608	2,695	232	83
Under/(over) provision in prior financial years	2,772	43	(52)	48
End of financial year	5,466	1,723	266	154
Representing:				
Current income tax liabilities	5,758	2,914	266	154
Tax recoverable	(292)	(1,191)	-	-
	5,466	1,723	266	154

(c) Deferred income taxes

The movement in deferred income tax (asset)/liability account is as follows:

	Group		Company	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Beginning of financial year	(3,801)	(2,267)	-	-
Currency translation differences	8	53	-	-
Charged/(credited) to profit or loss	600	(1,487)	-	-
Over provision in prior financial years	(2,803)	(100)	-	-
End of financial year	(5,996)	(3,801)	-	-

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.

9. INCOME TAXES (CONTINUED)

(c) **Deferred income taxes** (continued)

The amounts, determined after appropriate offsetting, are shown on the balance sheet as follows:

	Group		Company	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Deferred tax assets	(6,092)	(4,189)	-	-
Deferred tax liabilities	96	388	-	-
Net deferred tax assets	(5,996)	(3,801)	-	-

The movement in deferred income tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) is as follows:

Deferred income tax liabilities

	Accelerated tax depreciation	Others	Lease assets	Total
	\$'000	\$'000	\$'000	\$'000
Group				
30 June 2020				
Beginning of financial year	388	-	-	388
Adjustment on adoption of SFRS(I) 16	-	-	304	304
At 1 July 2019	388	-	304	692
Currency translation differences	1	(1)	-	-
(Credited)/charged to profit or loss	(380)	88	487	195
End of financial year	9	87	791	887
30 June 2019				
Beginning of financial year	552	-	-	552
Credited to profit or loss	(164)	-	-	(164)
End of financial year	388	-	-	388



NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 30 June 2020

9. INCOME TAXES (CONTINUED)

(c) Deferred income taxes (continued)

Deferred income tax assets

	Expenditure on sale of development properties \$'000	Tax losses \$'000	Others \$'000	Lease liabilities \$'000	Total \$'000
Group					
30 June 2020					
Beginning of financial year	(1,802)	(2,244)	(143)	-	(4,189)
Adjustment on adoption of SFRS(I) 16	-	-	-	(304)	(304)
At 1 July 2019	(1,802)	(2,244)	(143)	(304)	(4,493)
Currency translation differences	5	3	-	-	8
Charged/(credited) to profit or loss	72	(2,104)	121	(487)	(2,398)
End of financial year	(1,725)	(4,345)	(22)	(791)	(6,883)
30 June 2019					
Beginning of financial year	(2,290)	(293)	(236)	-	(2,819)
Currency translation differences	36	17	-	-	53
Charged/(credited) to profit or loss	452	(1,968)	93	-	(1,423)
End of financial year	(1,802)	(2,244)	(143)	-	(4,189)

Deferred income tax assets are recognised for temporary differences to the extent that realisation of the related income tax benefits through future taxable profits is probable.

Deferred income tax assets have not been recognised on the following temporary differences:

	Group	
	2020	2019
	\$'000	\$'000
Unutilised tax losses	33,597	35,136
Unabsorbed capital allowances	131	133
	33,728	35,269

The unrecognised unutilised tax losses and unabsorbed capital allowances of the companies within the Group can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies in their respective countries of incorporation. These unrecognised tax losses and unabsorbed capital allowances do not have any expiry dates.

10. EARNINGS PER SHARE

	Group	
	2020	2019
Net (loss)/profit attributable to equity holders of the Company (\$'000)	(2,111)	23,287
Weighted average number of ordinary shares in issue for basic earnings per share ('000) for diluted earnings per share ('000)	379,592	381,208
(Loss)/earnings per share (in cents per share)		
- Basic	(0.56)	6.11
- Diluted	(0.56)	6.11

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

For the purpose of calculating diluted earnings per share, profit attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding are adjusted for the effects of all dilutive potential ordinary shares. There are no potential dilutive ordinary shares as at 30 June 2020 and 30 June 2019.

11. CASH AND CASH EQUIVALENTS

	Group		Company	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Cash at bank and on hand	105,180	56,296	25,903	6,705
Short-term bank deposits	45,846	78,030	2	2
	151,026	134,326	25,905	6,707

Included in cash and cash equivalents of the Group is an amount of approximately \$6,462,000 (2019: \$3,499,000) held under the Malaysia's Housing Developers (Control and Licensing) Act 1966 and an amount of approximately \$5,153,000 (2019: \$1,699,000) held under the Singapore's Housing Developers (Project Account) Rules (1997 Ed.), withdrawals from which are restricted to payments for expenditure incurred on the project.



NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 30 June 2020

11. CASH AND CASH EQUIVALENTS (CONTINUED)

As at 30 June 2020, short-term bank deposits of \$593,000 (2019: \$580,000) were pledged as security for bank facilities.

For the purposes of presenting the consolidated statement of cash flows, the consolidated cash and cash equivalents comprise the following:

	Group	
	2020	2019
	\$'000	\$'000
Cash and bank balances (as above)	151,026	134,326
Less: Cash and cash equivalents pledged	(593)	(580)
Cash and cash equivalents per consolidated statement of cash flows	150,433	133,746

Disposal of subsidiaries

On 10 March 2020, the Group disposed of its 100%-owned subsidiary, 130 Wood Street Unit Trust to a third party. The effects of the disposal on the cash flows of the Group were:

	Group 2020 \$'000
Carrying amounts of assets and liabilities as at the date of disposal:	
Cash and cash equivalents	843
Investment property	95,760
Trade and other receivables	1,872
Total assets	98,475
Trade and other payables	1,744
Income received in advance	166
Total liabilities	1,910
Net assets disposed of	96,565
Cash inflows arising from disposal:	
Net assets disposed of (as above)	96,565
Gain on disposal [Note 5(b)]	1,054
Cash proceeds on disposal (Note 21)	97,619
Less: Cash and cash equivalents in subsidiary disposed of	(843)
Net cash inflow on disposal as reflected in the consolidated statement of cash flow	96,776

12. TRADE AND OTHER RECEIVABLES

(a) **Current**

	Group		Company	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Trade receivables				
- Non-related parties	8,392	26,041	-	-
- Related party*	13	26	13	26
- Joint venture and associated companies	46	39	37	34
	8,451	26,106	50	60
Less: Allowance for impairment of receivables				
- Non-related parties	(152)	(150)	-	-
Trade receivables - net	8,299	25,956	50	60
Construction contracts				
Retention sums receivable				
- Non-related parties	6,639	19,008	-	-
- Joint venture	2,358	2,143	-	-
Advances to subsidiaries (i)	-	-	79,674	79,291
Less: Allowance for impairment	-	-	(27,267)	(27,267)
	-	-	52,407	52,024
Interest receivable	65	16	-	-
Dividend receivable	1,958	-	-	-
Other receivables	3,295	1,544	172	1
Accrued income	-	305	-	-
Advances to joint ventures (ii)	698	7,406	-	-
	23,312	56,378	52,629	52,085

* Related party refers to a company with a common Director.

- (i) The advances to subsidiaries are unsecured, repayable on demand and interest-free.
- (ii) The advances to joint ventures are unsecured, interest-free and repayable on demand, except for an amount of \$698,000 (2019: \$676,000) which is unsecured, bears interest at 8% (2019: 8%) per annum and is repayable on demand.



NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 30 June 2020

12. TRADE AND OTHER RECEIVABLES (CONTINUED)

(b) Non-current

	Group		Company	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
<u>Construction contracts</u>				
Retention sums receivable				
- Non-related parties	13,665	12,859	-	-
- Joint venture	-	2,144	-	-
Advance to a joint venture (i)	73,000	65,500	-	-
Other receivables	313	167	-	-
Advances to subsidiaries (ii)	-	-	129,955	160,186
Advances to an associated company (iii)	106	106	-	-
	87,084	80,776	129,955	160,186

(i) The advance to a joint venture of \$73,000,000 (2019: \$65,500,000) is unsecured, interest-free and have no fixed terms of repayment and forms part of Group's investment in the joint venture. Settlement of the advance is neither planned nor likely to occur in the foreseeable future.

(ii) The advances to subsidiaries amounting to \$129,955,000 (2019: \$160,186,000) are unsecured, interest-free and have no fixed terms of repayment and form part of the Company's investments in subsidiaries. Settlement of these advances is neither planned nor likely to occur in the foreseeable future.

Included in the advances to subsidiaries is an amount of \$5,755,000 (2019: \$31,665,000) that has been subordinated to a bank loan of a subsidiary.

(iii) The advances to an associated company amounting to \$106,000 (2019: \$106,000) is unsecured, interest-free and have no fixed terms of repayment. Settlement of these advances is neither planned nor likely to occur in the foreseeable future.

(c) The fair values of the non-current trade and other receivables of the Group approximate their carrying amounts as at the balance sheet date.

13. PROPERTIES HELD FOR SALE

	Group	
	2020	2019
	\$'000	\$'000
Properties held for sale – at cost	4,417	338

Details of the properties completed and held for sale are as follow:

Location	Description of development	Tenure/ Group's interest in property	Site area sq.m.	Estimated gross floor area sq.m.
2 parcels of land at Lot No. 990 and 1308 Mukim Cheras, Daerah Hulu Langat, State of Selangor, Malaysia	Residential development	Freehold/ 100%	3,776	3,154

14. DEVELOPMENT PROPERTIES

	Group	
	2020	2019
	\$'000	\$'000
Properties under construction	117,949	119,052

Sale and purchase agreements on certain properties under construction have been signed.



NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 30 June 2020

14. DEVELOPMENT PROPERTIES (CONTINUED)

(a) Details of the development properties as of 30 June 2020 are as follows:

Location	Description of development	Tenure/ Group's interest in property	Site area sq.m.	Estimated gross floor area sq.m.	Stage of completion/ Expected year of completion
2 parcels of land at Lot No. 990 and 1308 Mukim Cheras, Daerah Hulu Langat, State of Selangor, Malaysia	Residential development	Freehold/ 100%	622,703	227,120	66% [^] / 2025
GM7799 Lot 62391 Mukim Cheras, Daerah Hulu Langat, State of Selangor, Malaysia	Residential development [#]	Freehold/ 100%	11,767	- [#]	- [#]
One Tree Hill, Singapore	Residential development	Freehold/ 100%	3,831	6,938	62% [^] / 2021

[#] Management has not yet commenced the development of the development property as at year end.

[^] The development properties are charged as securities for bank loans as disclosed in Note 26 to the financial statements.

15(a). FINANCIAL ASSETS, AT FVOCI

	Group	
	2020 \$'000	2019 \$'000
Beginning of financial year	16,436	-
Reclassification at 1 July 2018	-	7,383
Fair value gains [Note 29(d)]	8,710	9,053
End of financial year	25,146	16,436

15(a). FINANCIAL ASSETS, AT FVOCI (CONTINUED)

	Group	
	2020	2019
	\$'000	\$'000
Unlisted equity investments		
<i>At fair value</i>		
- Singapore*	22,484	13,762
- British Virgin Islands	2,662	2,674
	25,146	16,436

* Mainly relates to investment in a Singapore incorporated entity which holds an investment in a China entity listed on the Shanghai Stock Exchange.

15(b). FINANCIAL ASSETS, AT FVPL

	Group	
	2020	2019
	\$'000	\$'000
Beginning of financial year	4,734	-
Addition	5,402	4,734
Fair value loss [Note 5(b)]	(2,073)	-
End of financial year	8,063	4,734

	Group	
	2020	2019
	\$'000	\$'000
Current		
Unlisted debt instrument		
- Convertible loan	-	4,734
Non-current		
Unlisted debt instrument		
- Convertible loan	8,063	-
	8,063	4,734

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

The financial assets, at FVPL is not expected to be recovered within twelve months from the balance sheet date as at 30 June 2020. The financial assets, at FVPL was repayable on demand as of 30 June 2019.



NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 30 June 2020

16. OTHER ASSETS

(a) Current

	Group		Company	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Deposits	6,341	891	126	157
Deposits in Escrow account (i)	1,413	9,588	-	-
Prepayments	366	159	-	-
	8,120	10,638	126	157

(b) Non-current

	Group		Company	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Deposits	3,746	436	-	-
Prepayments	1,111	812	-	-
	4,857	1,248	-	-

- (i) The deposits in Escrow account was set aside for the payment of redevelopment costs for the Group's investment property located in the United Kingdom.

17. CLUB MEMBERSHIPS

	Group		Company	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Cost				
Beginning of financial year	1,191	1,071	972	815
Additions	50	154	-	157
Disposals	(2)	(34)	(2)	-
End of financial year	1,239	1,191	970	972
Accumulated amortisation				
Beginning of financial year	745	710	589	572
Amortisation charge	32	38	24	17
Disposals	(2)	(3)	(2)	-
End of financial year	775	745	611	589
Accumulated impairment				
Beginning of financial year	93	40	13	18
Reversal of impairment charge	19	75	(4)	(5)
Disposals	-	(22)	-	-
End of financial year	112	93	9	13
Net book value	352	353	350	370



NOTES TO THE FINANCIAL STATEMENTS

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18. INVESTMENTS IN JOINT VENTURES

Set out below are the joint ventures of the Group as at 30 June 2020, which, in the opinion of the directors, are material to the Group. The joint ventures as listed below have share capital consisting solely of ordinary shares, which are held directly by the Group; the country of incorporation is also their principal place of business.

Name	Principal activities	Place of incorporation and business	Effective equity interest held by Group	
			2020 %	2019 %
Held by subsidiaries				
Dorado Holdings Pte Ltd and its subsidiaries (“Dorado Group”)	Property investment	Singapore	50	50
CLI CP (Netherlands) Pte Ltd and its subsidiary (“CLI Group”)	Property investment	Singapore	50	50

Dorado Group's principal activity is property investment. Dorado Group's redevelopment project, which comprise a hotel and a retail mall, has received its TOP and commenced business operations during the financial year ended 30 June 2020.

CLI Group's principal activity is property investment. CLI Group previously invested in a minority stake in an office building in Germany and had disposed of its interest in the office building during the financial year ended 30 June 2020.

The Group has \$20,531,700 (2019: \$20,928,000) of commitments to provide funding if called, relating to its joint venture. There are no contingent liabilities relating to the Group's interest in the joint venture.

18. INVESTMENTS IN JOINT VENTURES (CONTINUED)

Summarised financial information for joint ventures

Set out below is the summarised financial information for Dorado Group and CLI Group.

Summarised balance sheet

	Dorado Holdings Pte Ltd and its subsidiaries \$'000	CLI CP (Netherlands) Pte Ltd and its subsidiary \$'000
As at 30 June 2020		
Current assets	14,701	5,047
Includes:		
- Cash and cash equivalents	10,738	5,047
- Other current assets	154	-
Current liabilities	(11,630)	(4,256)
Includes:		
- Financial liabilities (excluding trade and other payables and provisions)	(4,657)	(4,240)
- Other current liabilities (including trade payables)	(6,973)	(16)
Non-current assets	441,765	-
Non-current liabilities	(401,867)	-
Includes:		
- Financial liabilities (excluding trade and other payables and provisions)	(393,167)	-
Net assets	42,969	791



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18. INVESTMENTS IN JOINT VENTURES (CONTINUED)

Summarised balance sheet (continued)

	Dorado Holdings Pte Ltd and its subsidiaries \$'000	CLI CP (Netherlands) Pte Ltd and its subsidiary \$'000
As at 30 June 2019		
Current assets	8,631	18,519
Includes:		
- Cash and cash equivalents	7,856	323
- Other current assets	108	-
Current liabilities	(240,817)	(18,467)
Includes:		
- Financial liabilities (excluding trade and other payables and provisions)	(230,818)	(18,424)
- Other current liabilities (including trade payables)	(9,999)	(43)
Non-current assets	411,238	-
Non-current liabilities	(135,287)	-
Includes:		
- Financial liabilities (excluding trade and other payables and provisions)	(131,000)	-
- Other current liabilities (including trade payables)	(4,287)	-
Net assets	43,765	52

18. INVESTMENTS IN JOINT VENTURES (CONTINUED)

Summarised statement of comprehensive income

	Dorado Holdings Pte Ltd and its subsidiaries \$'000	CLI CP (Netherlands) Pte Ltd and its subsidiary \$'000
For the year ended 30 June 2020		
Revenue	5,169	-
Other gains	17,398	4,627
Other income	424	29
Interest income	11	52
Expenses	(12,244)	(159)
Includes:		
- Depreciation	(3,278)	-
- Interest expense	(3,735)	(8)
Profit from continuing operations	10,758	4,549
Income tax expense	(8,700)	-
Post-tax profit from continuing operations/ total comprehensive income	2,058	4,549
Dividends received from joint ventures	-	1,914
For the year ended 30 June 2019		
Revenue	-	-
Other gains	33,869	-
Other income	63	2
Interest income	22	215
Expenses	(927)	(256)
Includes:		
- Interest expense	-	(108)
Profit from continuing operations	33,027	(39)
Income tax expense	-	-
Post-tax profit/(loss) from continuing operations/ total comprehensive income/(loss)	33,027	(39)
Dividends received from joint ventures	-	-

The information above reflects the amounts presented in the financial statements of the joint ventures (and not the Group's share of those amounts), adjusted for differences in accounting policies between the Group and the joint ventures and other adjustment arising from application of equity accounting.



NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 30 June 2020

18. INVESTMENTS IN JOINT VENTURES (CONTINUED)

The following table summarises, in aggregate, the Group's share of loss and other comprehensive loss of the Group's individually immaterial joint ventures accounted for using the equity method:

	2020 \$'000	2019 \$'000
Net loss	68	277
Total comprehensive loss	68	277

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of the Group's interest in joint ventures, is as follows:

	Dorado Holdings Pte Ltd and its subsidiaries \$'000	CLI CP (Netherlands) Pte Ltd and its subsidiary \$'000	Total \$'000
As at 30 June 2020			
Net Assets	42,969	791	43,760
Interest in joint ventures (50%)	21,485	395	21,880
Carrying value of individually immaterial joint ventures			11,520
Carrying value of Group's interest in joint ventures			33,400

18. INVESTMENTS IN JOINT VENTURES (CONTINUED)

Reconciliation of summarised financial information (continued)

	Dorado Holdings Pte Ltd and its subsidiaries \$'000	CLI CP (Netherlands) Pte Ltd and its subsidiary \$'000	Total \$'000
As at 30 June 2019			
Net Assets	43,765	52	43,817
Interest in joint ventures (50%)	21,882	26	21,908
Carrying value of individually immaterial joint ventures			11,297
Carrying value of Group's interest in joint ventures			33,205



NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 30 June 2020

19. INVESTMENTS IN ASSOCIATED COMPANIES

Set out below is an associated company of the Group as at 30 June 2020, which, in the opinion of the directors, is material to the Group. The associated company as listed below has share capital consisting solely of ordinary shares, which is held directly by the Group.

Name	Principal activities	Place of incorporation and business	Effective equity interest held by Group	
			2020 %	2019 %
Held by subsidiaries				
Unquoted equity shares				
PT Super Makmur Sejahtera*	Property development	Indonesia	25	-

* Audited by other firm of auditors

During the financial year ended 30 June 2020, the Group invested \$1,268,000, which represents 25% of the shareholding interests, in PT Super Makmur Sejahtera ("PT Super") to fund the acquisition of a land for investment purposes. The other 75% shareholding interests is held by a related party [Note 36(c)].

PT Super owns a piece of vacant land of approximately 580,000 square meters located in Bintan, Indonesia.

There are no contingent liabilities and commitments relating to the Group's interest in the associated companies.

19. INVESTMENTS IN ASSOCIATED COMPANIES (CONTINUED)

Summarised financial information for associated companies

Set out below are the summarised financial information for PT Super Makmur Sejahtera.

Summarised balance sheet

	PT Super Makmur Sejahtera
	As at 30 June 2020
	\$'000
	<hr/>
Current assets	116
Current liabilities	(9)
Non-current assets	16,928
Net assets	17,035
	<hr/>



NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 30 June 2020

19. INVESTMENTS IN ASSOCIATED COMPANIES (CONTINUED)

Summarised statement of comprehensive income

	PT Super Makmur Sejahtera For the year ended 30 June 2020 \$'000
Interest income	1
Other gain	11,783
Expenses	(14)
Profit from continuing operations	11,770
Income tax expense	-
Post-tax profit from continuing operations/total comprehensive income	11,770
Dividends received from associated company	-

The information above reflects the amounts presented in the financial statements of the associated companies (and not the Group's share of those amounts), adjusted for differences in accounting policies between the Group and the associated companies.

The following table summarises, in aggregate, the Group's share of loss and other comprehensive income of the Group's individually immaterial associated companies accounted for using the equity method:

	2020 \$'000	2019 \$'000
Loss from continuing operations	(5)	(5)
Other comprehensive income/(loss)	47	(16)
Total comprehensive income/(loss)	42	(21)

19. INVESTMENTS IN ASSOCIATED COMPANIES (CONTINUED)

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of the Group's interest in associated companies.

	PT Super Makmur Sejahtera	
	As at 30 June	
	2020	2019
	\$'000	\$'000
Net Assets	17,035	-
Group's equity interest	25%	-
Group's share of net assets	4,259	-
Add:		
Carrying value of individually immaterial associated companies, in aggregate	606	559
Carrying value of Group's interest in associated companies	4,865	559



NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 30 June 2020

20. INVESTMENTS IN SUBSIDIARIES

	2020 \$'000	2019 \$'000
Equity investment at cost	98,518	98,562
Less: Allowance for impairment losses	(26,351)	(26,277)
	72,167	72,285

The movement in allowance for impairment losses is as follows:

	2020 \$'000	2019 \$'000
Beginning of financial year	26,277	25,377
Allowance for impairment losses	74	900
End of financial year	26,351	26,277

Details of subsidiaries are provided in Note 40.

During the previous financial year ended 30 June 2019, the Group acquired an additional 12,250 shares in Lum Chang (Suzhou) Investments Pte Ltd ("LCZ") for a purchase consideration of \$1,389,000. The Group holds 100% of the equity share capital of LCZ as at 30 June 2019. The Group derecognised non-controlling interest of \$1,357,000 (Note 30) and recorded a decrease in equity attributable to owners of the parent of \$34,000.

Summarised financial information of subsidiaries with non-controlling interests

The non-controlling interest of the Group amounted to \$13,609,000 (2019: \$19,473,000) as at 30 June 2020 and is disclosed in Note 30.

20. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Summarised financial information of subsidiaries with non-controlling interests (continued)

Set out below are the summarised financial information for each subsidiary that has non-controlling interests. These are presented before inter-company eliminations.

Summarised balance sheet

	Wembley Properties Pte Ltd and its subsidiaries \$'000	Lum Chang Interior Pte Ltd and its subsidiary \$'000
As at 30 June 2020		
Current		
Assets	12,682	9,023
Liabilities	(3,736)	(6,216)
Total current net assets	8,946	2,807
Non-current		
Assets	31,034	3,065
Liabilities	-	(54)
Total non-current net assets	31,034	3,011
Net assets	39,980	5,818
Non-controlling interests' share of net assets in subsidiaries (30%; 20%)	11,994	1,164
As at 30 June 2019		
Current		
Assets	33,369	7,482
Liabilities	(1,913)	(5,906)
Total current net assets/(liabilities)	31,456	1,576
Non-current		
Assets	25,704	776
Liabilities	(63)	-
Total non-current net assets	25,641	776
Net assets	57,097	2,352
Non-controlling interests' share of net assets in subsidiaries (30%; 20%)	17,129	470



NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 30 June 2020

20. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Summarised income statement

	Wembley Properties Pte Ltd and its subsidiaries \$'000	Lum Chang Interior Pte Ltd and its subsidiary \$'000
For the year ended 30 June 2020		
Revenue	-	27,340
(Loss)/profit before income tax	(17,521)	4,088
Income tax expense	-	(623)
(Loss)/profit after income tax	(17,521)	3,465
Other comprehensive income	406	-
Total comprehensive (loss)/income	(17,115)	3,465
Total comprehensive (loss)/income allocated to non-controlling interests	(5,134)	693
Dividends paid to non-controlling interests	-	-
For the year ended 30 June 2019		
Revenue	112	12,553
Profit before income tax	12,268	1,541
Income tax expense	36	(234)
Profit after income tax	12,304	1,307
Other comprehensive loss	(2,375)	-
Total comprehensive income	9,929	1,307
Total comprehensive income allocated to non-controlling interests	2,979	262
Dividends paid to non-controlling interests	1,322	100

20. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Summarised cash flows

	Wembley Properties Pte Ltd and its subsidiaries \$'000	Lum Chang Interior Pte Ltd and its subsidiary \$'000
For the year ended 30 June 2020		
<u>Cash flows from operating activities</u>		
Cash generated from operations	739	4,049
Income tax refunded/(paid)	5	(209)
Net cash generated from operating activities	744	3,840
Net cash used in investing activities	(14,182)	(209)
Net cash used in financing activities	-	(5)
Net (decrease)/increase in cash and cash equivalents	(13,438)	3,626
Cash and cash equivalents at beginning of year	23,484	3,300
Cash and cash equivalents at end of year	10,046	6,926



NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 30 June 2020

20. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Summarised cash flows (continued)

	Wembley Properties Pte Ltd and its subsidiaries \$'000	Lum Chang Interior Pte Ltd and its subsidiary \$'000
For the year ended 30 June 2019		
Cash flows from operating activities		
Cash (used in)/generated from operations	(13,290)	2,074
Income tax refunded/(paid)	8	(158)
Net cash (used in)/generated from operating activities	(13,282)	1,916
Net cash generated from/(used in) investing activities	47,577	(6)
Net cash used in financing activities	(14,096)	(500)
Net increase in cash and cash equivalents	20,199	1,410
Cash and cash equivalents at beginning of year	3,285	1,890
Cash and cash equivalents at end of year	23,484	3,300

21. INVESTMENT PROPERTIES

	Group	
	2020 \$'000	2019 \$'000
Beginning of financial year	144,296	180,658
Capitalisation of expenditure for re-development of investment property	22,358	4,546
Disposal of investment property	(95,760)	(34,711)
Fair value (losses)/gains recognised in profit or loss [Note 5(b)]	(17,327)	287
Currency translation differences	4,749	(6,484)
End of financial year	58,316	144,296

The expenditure capitalised for re-development of investment property amounting to \$22,358,000 during the financial year ended 30 June 2020 was settled by cash amounting to \$14,183,000 and via utilisation of deposit in escrow account (Note 16) amounting to \$8,175,000.

21. INVESTMENT PROPERTIES (CONTINUED)

During the financial year ended 30 June 2020, the Group fully disposed one of its investment properties in the United Kingdom via disposal of its investment in the subsidiary for a cash consideration of \$97,619,000 (net of expenses incurred). The carrying value of the investment property disposed is \$95,760,000. The Group's gain on disposal of the investment in subsidiary after accounting for related transaction costs amounting to \$1,054,000 [Note 5(b)].

During the financial year ended 30 June 2019, the Group disposed a portion of one of its investment properties in the United Kingdom for a cash consideration of \$48,562,000. The carrying value of the portion of the investment property disposed is \$34,711,000. The Group's gain on disposal of the investment property after accounting for related transaction costs of \$1,128,000 is \$12,723,000 [Note 5(b)].

- (a) At the balance sheet date, the investment properties of the Group are leased out for rental income as stated:

- (i) Located in Singapore:

	Description/Existing use	Tenure of land
8 Kim Tian Road	Ground floor shop unit	9,999-year lease from 1960
14 Kung Chong Road	Light industrial building*	99-year lease from 1954

* A portion of the building which is designated to house the Group's corporate offices is classified as property, plant and equipment.

- (ii) Located in the United Kingdom:

	Description/Existing use	Tenure of land
Kelaty House, Wembley	Under construction*	Freehold

* The Group has obtained planning consent to redevelop the investment property into serviced apartment.

- (b) At 30 June 2020, an investment property with total carrying value of \$23,792,000 (2019: \$115,232,000) is charged by way of mortgage in favour of a bank for bank loan as disclosed in Note 26 to the financial statements.



NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 30 June 2020

21. INVESTMENT PROPERTIES (CONTINUED)

- (c) The following amounts are derived from investment properties and recognised in profit or loss:

	Group	
	2020	2019
	\$'000	\$'000
Rental income	3,789	4,503
Fair value (losses)/gains recognised in profit or loss	(17,327)	287
Direct operating expenses arising from:		
- Investment properties that generated rental income	(873)	(859)
- Investment properties that did not generate rental income	(57)	(457)

- (d) Fair value hierarchy

Description	Fair value measurements using significant unobservable inputs (Level 3)
	\$'000
Recurring fair value measurements	
30 June 2020	
Singapore:	
- Commercial properties	27,152
United Kingdom:	
- Commercial properties	31,164
Recurring fair value measurements	
30 June 2019	
Singapore:	
- Commercial properties	27,429
United Kingdom:	
- Commercial properties	116,867

Valuation processes of the Group

The Group engages external, independent and qualified valuers to determine the fair value of the Group's investment properties annually based on the properties' highest and best use.

Changes in Level 3 fair values as assessed at each reporting date by the external valuers are reviewed by the directors.

21. INVESTMENT PROPERTIES (CONTINUED)

(d) Fair value hierarchy (continued)

Valuation techniques used to derive Level 3 fair values

Level 3 fair values of the Group's investment properties have been generally derived using one or more of the following valuation approaches:

- (i) the Direct Market Comparison Method where properties are valued using transacted prices for comparable properties in the vicinity and elsewhere with necessary adjustments made for differences in location, tenure, size, design, layout, age and condition of the buildings, availability of car parking facilities, dates of transactions and the prevailing market conditions. The most significant inputs to the valuation approach would be the adopted value per square meter of net lettable area, adopted value per square meter of gross floor area and adopted value per acre of site area.
- (ii) the Income Method where the approach is to capitalise the rental income for the property by an appropriate market based yield taken from the analysis of comparable transactions. The most significant inputs to the valuation approach would be the estimated rental value per square feet of net lettable area and the yield rate.
- (iii) the Residual Valuation Method where the property is valued in its existing partially completed state of construction taking into account the cost of work done by deducting estimated cost to complete and other relevant costs from gross development value of the proposed development, assuming satisfactory completion.



NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 30 June 2020

21. INVESTMENT PROPERTIES (CONTINUED)

(d) Fair value hierarchy (continued)

Valuation techniques and inputs used in Level 3 fair value measurements

The following table presents the valuation techniques and key inputs that were used to determine the fair value of investment properties categorised under Level 3 of the fair value hierarchy at 30 June 2020:

Fair value at 30 June 2020 ('000)	Valuation technique(s)	Unobservable inputs*	Range of unobservable inputs (probability weighted average)	Relationship of unobservable inputs to fair value
Commercial properties in Singapore				
\$27,152 (2019: \$27,429)	Direct Market Comparison Method	Adopted value per square meter of net lettable area	\$6,700 to \$26,880 per sq.m. (2019: \$6,780 to \$26,880 per sq.m.)	The higher the adopted value, the higher the fair value
Commercial properties in United Kingdom				
\$NIL (2019: \$91,163)	Income Method	Capitalisation rate	NIL% (2019: 4.85%)	The lower the yield rate, the higher the fair value
Commercial properties under development in United Kingdom				
\$31,164 (2019: \$25,704)	Residual Valuation Method	Total gross development value	\$84,358,000 (2019: \$100,245,000)	The higher the total gross development value, the higher the fair value
		Total estimated cost to completion	\$47,197,000 (2019: \$68,064,000)	The lower the total estimated cost to completion, the higher the fair value

* There were no significant inter-relationships between unobservable inputs.

The third party valuer engaged by management for one of the investment properties held by the group with fair value amounting to \$31,164,000 at 30 June 2020 included a material valuation uncertainty clause in its report. This clause highlights that less certainty, and consequently a higher degree of caution, should be attached to the valuation as a result of the COVID-19 pandemic. This represents a significant estimation uncertainty in relation to the valuation of the investment property.

22. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land \$'000	Leasehold buildings \$'000	Plant and machinery \$'000	Furniture, office equipment and fittings \$'000	Motor vehicles \$'000	Total \$'000
Group						
30 June 2020						
Cost						
Beginning of financial year	-	23,004	19,452	8,188	6,501	57,145
Adoption of SFRS(I) 16 (Note 2.1)	1,300	332	-	-	-	1,632
	1,300	23,336	19,452	8,188	6,501	58,777
Currency translation differences	-	(1)	-	(1)	(1)	(3)
Additions	2,836	117	112	559	623	4,247
Disposals	-	-	(668)	(30)	(1,035)	(1,733)
Others	-	(223)	-	-	-	(223)
End of financial year	4,136	23,229	18,896	8,716	6,088	61,065
Accumulated depreciation						
Beginning of financial year	-	6,438	15,236	7,373	2,426	31,473
Currency translation differences	(1)	(1)	-	(1)	(1)	(4)
Depreciation charge (Note 6)	728	1,016	879	531	805	3,959
Disposals	-	-	(662)	(30)	(696)	(1,388)
End of financial year	727	7,453	15,453	7,873	2,534	34,040
Net book value						
End of financial year	3,409	15,776	3,443	843	3,554	27,025



NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 30 June 2020

22. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Leasehold land \$'000	Leasehold buildings \$'000	Plant and machinery \$'000	Furniture, office equipment and fittings \$'000	Motor vehicles \$'000	Total \$'000
Group						
30 June 2019						
Cost						
Beginning of financial year	-	23,004	17,770	7,797	6,176	54,747
Currency translation differences	-	-	-	(11)	(10)	(21)
Additions	-	-	2,330	422	914	3,666
Disposals	-	-	(648)	(20)	(579)	(1,247)
End of financial year	-	23,004	19,452	8,188	6,501	57,145
Accumulated depreciation						
Beginning of financial year	-	5,500	14,904	6,927	2,027	29,358
Currency translation differences	-	-	-	(11)	(7)	(18)
Depreciation charge (Note 6)	-	938	837	477	812	3,064
Disposals	-	-	(505)	(20)	(406)	(931)
End of financial year	-	6,438	15,236	7,373	2,426	31,473
Net book value						
End of financial year	-	16,566	4,216	815	4,075	25,672

22. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Leasehold building \$'000	Furniture, office equipment and fittings \$'000	Motor vehicles \$'000	Total \$'000
Company				
30 June 2020				
Cost				
Beginning of financial year	-	416	2,017	2,433
Adoption of SFRS(I) 16 (Note 2.1)	1,295	-	-	1,295
	1,295	416	2,017	3,728
Additions	-	86	498	584
Disposals	(76)	(4)	(682)	(762)
End of financial year	1,219	498	1,833	3,550
Accumulated depreciation				
Beginning of financial year	-	398	764	1,162
Depreciation charge	481	21	266	768
Disposals	(11)	(4)	(433)	(448)
End of financial year	470	415	597	1,482
Net book value				
End of financial year	749	83	1,236	2,068
30 June 2019				
Cost				
Beginning of financial year	-	407	1,997	2,404
Additions	-	9	364	373
Disposals	-	-	(344)	(344)
End of financial year	-	416	2,017	2,433
Accumulated depreciation				
Beginning of financial year	-	383	758	1,141
Depreciation charge	-	15	260	275
Disposals	-	-	(254)	(254)
End of financial year	-	398	764	1,162
Net book value				
End of financial year	-	18	1,253	1,271



NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 30 June 2020

22. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

- (a) Right-of-use assets acquired under leasing arrangements are presented together with the owned assets of the same class. Details of such leased assets are disclosed in Note 23.
- (b) An amount of \$2,188,000 (2019: \$1,574,000) included in the Group's depreciation charge for leasehold land, leasehold buildings, plant and machinery, furniture, office equipment and fittings, and motor vehicles has been included in direct construction costs during the financial year.
- (c) One of the leasehold buildings of the Group with carrying amount of approximately \$12,522,000 (2019: \$13,094,000) as at 30 June 2020 is charged by way of a mortgage in favour of a bank for a bank loan as disclosed in Note 26 to the financial statements.
- (d) Included within the Group's additions to property, plant and equipment, is an amount of \$3,090,000 (2019: Nil) which relates to addition of right-of-use assets and a reversal of costs accrual amounting to \$224,000 during the financial year ended 30 June 2020.

23. LEASES – THE GROUP AND THE COMPANY AS A LESSEE

Nature of the Group and the Company's leasing activities

Property

The Group leases office spaces for the purpose of back office operations and state land from the government for the purposes of its construction projects. The Company leases office spaces for the purpose of back office operations.

Motor vehicles

The Group and the Company leased motor vehicles for employees. The leased motor vehicles are recognised within Property, plant and equipment (Note 22).

(a) Carrying amounts

ROU assets classified within Property, plant and equipment

	Group		Company	
	30 June 2020	1 July 2019	30 June 2020	1 July 2019
	\$'000	\$'000	\$'000	\$'000
Leasehold building	15,776	332	749	1,295
Leasehold land	3,409	1,300	-	-
Effects of adoption of SFRS(I) 16	19,185	1,632	749	1,295
Motor vehicles*	610	735	250	307
	19,795	2,367	999	1,602

* Motor vehicles were previously included within property, plant and equipment as they were acquired under finance leases arrangement.

23. LEASES – THE GROUP AND THE COMPANY AS A LESSEE (CONTINUED)

(a) Carrying amounts (continued)

ROU assets classified within investment properties

The right-of-use asset relating to leasehold land presented under investment properties (Note 21) is stated at fair value and has a carrying amount of \$27,152,000 (2019: \$27,429,000) as at 30 June 2020.

(b) Depreciation charge during the year

	Group 2020 \$'000	Company 2020 \$'000
Leasehold building	1,016	470
Leasehold lands	728	-
Motor vehicles	125	57
	1,869	527

(c) Interest expense

	Group 2020 \$'000	Company 2020 \$'000
Interest expense on lease liabilities (Note 8)	71	29

(d) Lease expense not capitalised in lease liabilities

	Group 2020 \$'000	Company 2020 \$'000
Short-term lease expense	380	-
Low value lease expenses	6	-
	386	-

(e) Total cash outflow for all leases in 2020 was \$1,226,000 for the Group and \$516,000 for the Company.

(f) Addition of ROU assets during the financial year 2020 was \$3,090,000 for the Group and \$Nil for the Company.

(g) Future cash outflow which are not capitalised in lease liabilities

Extension options

The leases for office spaces and leasehold land contain extension periods, for which the related lease payments had not been included in lease liabilities as the Group is not reasonably certain to exercise these extension options. The Group negotiates extension options to optimise operational flexibility in terms of managing the assets used in the Group's operations.



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24. LEASES – THE GROUP AS A LESSOR

Nature of the Group's leasing activities – Group as a lessor

The Group has leased out its owned retail space and office premises to non-related parties for monthly lease payments. The leases have varying terms and renewal rights. These leases are classified as operating leases because the risk and rewards incidental to ownership of the assets are not substantially transferred.

Rental income from investment properties are disclosed in Note 21.

Nature of the Group's leasing activities – Group as an intermediate lessor

Subleases – classified as operating leases

The Group acts as an intermediate lessor under arrangement in which it subleases out leasehold building spaces to non-related party for monthly lease payments. The sublease periods do not form a major part of the remaining lease terms under the head lease and accordingly, the sub-leases are classified as an operating leases.

Income from subleasing the leasehold building recognised during the financial year 2020 was \$516,000 (2019: \$517,000).

Maturity analysis of lease payments - Group as lessor

Undiscounted lease payments from the operating leases to be received after the reporting date are:

	Group	
	30 June 2020 \$'000	1 July 2019 \$'000
Less than one year	925	1,091
One to two years	1,408	431
Total undiscounted lease payment	2,333	1,522

5(a). TRADE AND OTHER PAYABLES

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Current				
Trade payables				
- Non-related parties	46,262	82,019	138	139
- Related parties*	40	-	37	-
- Joint venture	44	-	-	-
<u>Construction contracts</u>				
- Retention sums payable	11,910	6,990	-	-
<u>Development projects</u>				
- Retention sums payable	2,552	1,664	-	-
- Advances received on development projects	-	43	-	-
Loans and advances from:				
- Subsidiaries	-	-	132,922	124,107
Accruals for development costs	3,014	2,423	-	-
Accruals for operating expenses	3,530	7,487	416	2,707
Other payables	1,172	875	423	380
Deposits received	950	1,150	-	-
Deferred grant income	1,268	-	232	-
Rent received in advance	35	1,149	-	-
Loan interest payable	678	785	610	583
Unclaimed dividends	3	51	3	51
	71,458	104,636	134,781	127,967
Non-current				
Deposits received	446	295	-	-
<u>Construction contracts</u>				
- Retention sums payable	15,381	13,895	-	-
<u>Development projects</u>				
- Retention sums payable	1,353	597	-	-
Advances from non-controlling shareholders of subsidiaries	-	11,104	-	-
	17,180	25,891	-	-

* Related party refers to a company with a common director.



NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 30 June 2020

25(a). TRADE AND OTHER PAYABLES (CONTINUED)

Loans and advances from subsidiaries are unsecured, interest-free and repayable on demand.

As at 30 June 2019, the advances from the non-controlling shareholders of subsidiaries were unsecured and interest-free. The advances were fully repaid during the financial year.

The fair values of the financial liabilities included in non-current trade and other payables approximate their carrying amounts as at the balance sheet date.

25(b). PROVISION FOR OTHER LIABILITIES

Provision for other liabilities relates to provision for warranty, costs and foreseeable losses.

The movement in provision for other liabilities is as follows:

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Beginning of financial year	16,502	19,450	-	-
Provision made	1,709	2,095	-	-
Provision utilised	(781)	(136)	-	-
Provision written back	(2,271)	(4,907)	-	-
End of financial year	15,159	16,502	-	-

26. BORROWINGS

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Current				
Bank loans	3,165	9,385	-	8,000
Finance lease liabilities (Note 27)	-	87	-	30
Lease liabilities	1,203	-	486	-
	4,368	9,472	486	8,030
Non-current				
Bank loans	121,203	163,179	-	-
Finance lease liabilities (Note 27)	-	238	-	106
Lease liabilities	3,073	-	377	-
5.8% medium term notes due 2021, net of transaction costs	39,911	39,842	39,911	39,842
	164,187	203,259	40,288	39,948
Total borrowings	168,555	212,731	40,774	47,978

Refer to Note 35(a)(iii) for the exposure of borrowings to interest rate risk.

26. BORROWINGS (CONTINUED)

(a) **Security granted**

Total borrowings as at 30 June 2020 included the following:

Certain revolving and term loans amounting to \$124,368,000 (2019: \$164,564,000) are secured by two of the Group's development properties (Note 14), an investment property (Note 21), a leasehold building (Note 22), the assignment of sales and rental proceeds and insurance policies relating to property, plant and equipment [Note 22(c)], and corporate guarantees from the Company.

(b) **Medium term notes**

On 31 March 2014, the Company established a \$300,000,000 Multicurrency Medium Term Note Programme (the "Programme"). Under the Programme, the Company may, subject to compliance with all relevant laws and regulations and directives, from time to time issue notes in series or tranches. The notes may be in Singapore dollars or in other currencies, in various amounts and tenors, and may bear interest at a fixed, floating, variable or hybrid rate, or may not bear interest, as agreed between the Company and the relevant dealer.

On 27 September 2018, the Company issued Medium Term Notes amounting to \$40,000,000, with transaction costs amounting to \$207,000. The notes will mature on 27 September 2021 and bears a fixed interest of 5.80% per annum which is payable semi-annually.

(c) **Fair value of non-current borrowings**

The carrying amounts of the non-current bank loans approximate their fair values, as the bank loans bear interest at variable rates.

The fair value of Medium Term Notes which bears a fixed interest of 5.80% per annum is disclosed as following:

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Medium Term Notes	42,084	42,147	42,084	42,147

The fair value above are determined from the cash flow analyses, discounted at market borrowing rates of an equivalent instrument at the date of statement of financial position which the directors expect to be available to Group as follows:

	Group		Company	
	2020 %	2019 %	2020 %	2019 %
Medium Term Notes	1.5%	3.1%	1.5%	3.1%



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for the Financial Year Ended 30 June 2020

27. FINANCE LEASE LIABILITIES

Finance lease liabilities were reclassified to lease liabilities on 1 July 2019 arising from the adoption of SFRS(I) 16.

	Group 2019 \$'000	Company 2019 \$'000
Minimum lease payments due:		
- not later than 1 year	100	36
- between 1 and 5 years	255	114
	355	150
Less: Future finance charges	(30)	(14)
Present value of lease liabilities	325	136
The present value of finance lease liabilities are analysed as follows:		
- not later than 1 year (Note 26)	87	30
- between 1 and 5 years (Note 26)	238	106
	325	136

Finance leases are in respect of motor vehicles.

28. SHARE CAPITAL AND TREASURY SHARES

	← No. of ordinary shares →		← Amount →	
	Issued share capital	Treasury shares	Issued share capital	Treasury shares
	'000	'000	\$'000	\$'000
Group and Company				
30 June 2020				
Beginning of financial year	385,030	(4,543)	86,572	(1,620)
Purchase of treasury shares	-	(3,799)	-	(1,225)
End of financial year	385,030	(8,342)	86,572	(2,845)
30 June 2019				
Beginning of financial year	385,030	(2,819)	86,574	(1,025)
Purchase of treasury shares	-	(1,994)	-	(696)
Treasury shares reissued	-	270	(2)	101
End of financial year	385,030	(4,543)	86,572	(1,620)

All issued ordinary shares are fully paid. There is no par value for these ordinary shares. Fully paid ordinary shares (except treasury shares) carry one vote per share and carry a right to dividends as and when declared by the Company.

The Company did not issue any ordinary shares during the financial years ended 30 June 2020 and 30 June 2019.

(a) **Treasury shares**

During the financial year, the Company acquired 3,799,000 (2019: 1,994,000) shares in the Company in the open market. The total amount paid to acquire the shares was \$1,225,000 (2019: \$696,000) and this was presented as a component within shareholders' equity.

During the financial year ended 30 June 2019, 270,000 treasury shares of the Company were reissued pursuant to the Option Scheme 2007 for a total cash consideration of \$87,000 upon the exercise of options by:

Holders of	No. of ordinary shares		Exercise price \$
	2020	2019	
2013 Options	-	270,000	0.32
	-	270,000	

The cost of treasury shares reissued amounted to \$101,000. The gain/(loss) on reissue of the treasury shares is recognised directly in share capital account.



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for the Financial Year Ended 30 June 2020

28. SHARE CAPITAL AND TREASURY SHARES (CONTINUED)

(b) Share options

Share options were granted to key management personnel and employees with more than 12 months of service with the Group under the Option Scheme 2007 which became operative on 26 October 2007. The scheme had expired on 26 October 2018 after being in place for 10 years and the exercisable period for the last batch of options granted in 2013 had lapsed on 20 September 2018.

Movement in the number of unissued ordinary shares under option and their exercise prices are as follows:

	No. of ordinary shares under option					Exercise price	Exercise Period
	Beginning of financial year	Granted during financial year	Forfeited during financial year	Exercised during financial year	End of financial year		
Group and Company							
2019							
2013 Options	1,390,000	-	(1,120,000)	(270,000)	-	\$0.32	21.09.2015 to 20.09.2018
	1,390,000	-	(1,120,000)	(270,000)	-		

There was no outstanding share options as at 30 June 2020 and 30 June 2019.

Options exercised during the financial year ended 30 June 2019 resulted in 270,000 treasury shares being reissued at the exercise price of \$0.32 per share.

29. CAPITAL AND OTHER RESERVES

	Group		Company	
	30 June	30 June	30 June	30 June
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
(a) Composition				
Capital reserves	19,131	19,131	2,800	2,800
Share option reserve	382	382	382	382
Fair value reserve	17,836	9,079	-	-
Foreign currency translation reserve	(923)	(2,012)	-	-
Capital redemption reserve	3,601	342	-	-
	40,027	26,922	3,182	3,182

	Group		Company	
	30 June	30 June	30 June	30 June
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
(b) Movement in capital reserves				
Beginning and end of financial year	19,131	19,131	2,800	2,800

The capital reserves arise mainly from acquisition of subsidiaries under common control and capitalisation of retained profits of subsidiaries.

	Group		Company	
	30 June	30 June	30 June	30 June
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
(c) Movement in share option reserve				
Beginning of financial year	382	394	382	394
Employee share option scheme				
- Treasury shares reissued on exercise of share options	-	(12)	-	(12)
End of financial year	382	382	382	382



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for the Financial Year Ended 30 June 2020

29. CAPITAL AND OTHER RESERVES (CONTINUED)

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
(d) Movement in fair value reserve				
Beginning of financial year	9,079	42	-	-
Financial assets, at FVOCI				
- Fair value gains [Note 15(a)]	8,710	9,053	-	-
Other	47	(16)	-	-
End of financial year	17,836	9,079	-	-
(e) Movement in foreign currency translation reserve				
Beginning of financial year	(2,012)	3,485	-	-
Net currency translation differences of financial statements of foreign subsidiaries, joint ventures and associated companies	(241)	(6,136)	-	-
(Add)/less: Non-controlling interests	(116)	791	-	-
	(357)	(5,345)	-	-
Reclassification on repayment of loan receivables	1,620	(152)	-	-
Reclassification on disposal of a subsidiary	(174)	-	-	-
End of financial year	(923)	(2,012)	-	-
(f) Movement in capital redemption reserve				
Beginning of financial year	342	229	-	-
Transfer of reserves	3,259	113	-	-
End of financial year	3,601	342	-	-

During the financial year ended 30 June 2020, a wholly-owned Malaysia subsidiary of the Group redeemed its Class "B" redeemable non-cumulative preference shares out of profits. When the shares were redeemed, an amount which is not available for distribution as dividends to the shareholder was transferred from retained profits to capital redemption reserve as required by the Malaysia Companies Act.

(g) All capital and other reserves are non-distributable.

30. NON-CONTROLLING INTERESTS

	Group	
	2020	2019
	\$'000	\$'000
Beginning of financial year	19,473	18,803
(Loss)/profit for the financial year	(3,996)	4,239
Other comprehensive income/(loss)	116	(791)
Dividends paid to non-controlling interests	(1,984)	(1,421)
Derecognised non-controlling interest (Note 20)	-	(1,357)
End of financial year	13,609	19,473

The summarised financial information about the assets, liabilities, profit or loss and cashflows for the Group's subsidiaries with material non-controlling interests are as disclosed in Note 20.

31. RETAINED PROFITS

(a) **Group**

Retained profits of the Group are distributable except for the retained profits of associated companies and joint venture amounting to \$24,428,000 (2019: \$21,482,000). Retained profits of the Company are distributable.

(b) **Company**

Movements in retained profits of the Company are as follows:

	Company	
	2020	2019
	\$'000	\$'000
Beginning of financial year	28,828	26,456
(Loss)/profit for the financial year	(1,510)	9,250
Dividends paid (Note 32)	(6,848)	(6,878)
End of financial year	20,470	28,828



NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 30 June 2020

32. DIVIDENDS

	Group and Company	
	2020	2019
	\$'000	\$'000
Interim dividend of 0.3 cents (2019: 0.3 cents) per ordinary share	1,141	1,141
Final dividend of 1.5 cents (2019: 1.5 cents) per ordinary share	5,707	5,737
Total dividends paid	6,848	6,878

The directors have proposed a final dividend for 2020 of 1.0 cents per share, amounting to approximately \$3,767,000. These financial statements do not reflect these proposed dividends, which will be accounted for in the shareholders' equity as an appropriation of retained profits in the financial year ending 30 June 2021.

33. CONTINGENCIES

Guarantees (unsecured)

	Group		Company	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Financial guarantees given to banks and finance companies in connection with facilities given to subsidiaries	-	-	183,294	207,416
Financial guarantees given to banks and finance companies in connection with facilities given to joint ventures	125,955	115,487	125,955	115,487

At the date these financial statements are authorised for issue, the directors are of the view that no material liabilities will arise from the guarantees.

34. COMMITMENTS

	Group		Company	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
(a) Commitments not provided for in the financial statements excluding those held by joint ventures (Note 18) are as follows:				
Development expenditure contracted for development properties	5,154	13,277	-	-
Investment commitments	10,811	10,477	-	-
Purchase of property, plant and equipment	101	-	-	-
	16,066	23,754	-	-

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

The Group leases office spaces, state lands and dormitories from non-related parties and the Company leases office premises from a subsidiary under non-cancellable operating lease agreements. The leases have varying terms and renewal rights.

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

	Group	Company
	2019	2019
	\$'000	\$'000
Not later than 1 year	946	503
Between 1 and 5 years	1,102	833
	2,048	1,336

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



NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 30 June 2020

34. COMMITMENTS (CONTINUED)

(c) Operating lease commitments – where the Group is a lessor

The Group leases out retail space and office premises to non-related parties under non-cancellable operating leases. The leases have varying terms and renewal rights.

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

	Group 2019 \$'000
Not later than 1 year	3,917
Between 1 and 5 years	11,464
Later than 5 years	3,422
	<u>18,803</u>

On 1 July 2019, the Group has adopted SFRS(I) 16 and the undiscounted lease payments from the operating leases to be received after 30 June 2020 is disclosed in Note 24.

35. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group is exposed to financial risks arising from its operations and the key financial risks identified include credit risk, liquidity risk and market risk (including price risk, currency risk, interest rate 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. The Group does not hold or issue derivative financial instruments for speculative purposes.

The Group operates predominantly in Singapore, Malaysia and the United Kingdom and the functional currencies of the entities in each of the countries are the Singapore Dollar ("SGD"), the Malaysian Ringgit ("RM") and Pound Sterling ("GBP") respectively. Entities in the Group transact predominantly in their functional currencies and hold matching currency assets and liabilities to the extent possible to achieve a natural hedging effect.

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) **Market risk**(i) *Price risk*

Price risk is the risk arising from uncertainties on future prices of investments classified as financial assets, at FVPL or FVOCI. The fair value information on the Group's investments in unquoted debt and equity instruments (classified as financial assets, at FVPL or FVOCI) is presented in Note 35(e).

(ii) *Currency risk*

The currency exposure of the Group and the Company based on the information provided to key management is as follows:

	Group			Company	
	RM \$'000	GBP \$'000	USD \$'000	RM \$'000	GBP \$'000
At 30 June 2020					
Financial assets					
Cash and cash equivalents	12,454	22,566	-	35	10,925
Financial assets, at FVPL	-	-	8,063	-	-
Financial assets, at FVOCI	-	-	2,663	-	-
Trade and other receivables	4,998	1,086	761	-	-
Intercompany receivables	236	12,259	-	-	-
Other financial assets	373	1,413	-	-	-
	18,061	37,324	11,487	35	10,925
Financial liabilities					
Borrowings	(21,078)	-	-	-	-
Trade and other payables	(6,453)	(5,672)	-	-	-
Intercompany payables	(236)	(12,259)	-	-	-
	(27,767)	(17,931)	-	-	-
Net financial (liabilities)/assets	(9,706)	19,393	11,487	35	10,925
Less: Net financial (assets)/liabilities denominated in the respective entities' functional currencies	9,746	(8,468)	-	-	-
Currency exposure	40	10,925	11,487	35	10,925



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35. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(ii) Currency risk (continued)

	Group			Company	
	RM	GBP	USD	RM	GBP
	\$'000	\$'000	\$'000	\$'000	\$'000
At 30 June 2019					
Financial assets					
Cash and cash equivalents	20,027	29,473	-	34	844
Financial assets, at FVPL	-	-	4,734	-	-
Financial assets, at FVOCI	-	-	2,674	-	-
Trade and other receivables	8,553	1,006	683	-	-
Intercompany receivables	229	71,297	-	-	-
Other financial assets	436	9,588	-	-	-
	29,245	111,364	8,091	34	844
Financial liabilities					
Borrowings	(16,530)	(51,858)	-	-	-
Trade and other payables	(4,735)	(14,465)	-	-	-
Intercompany payables	(229)	(71,271)	-	-	-
	(21,494)	(137,594)	-	-	-
Net financial assets/(liabilities)	7,751	(26,230)	8,091	34	844
Less: Net financial (assets)/liabilities denominated in the respective entities' functional currencies	(7,711)	27,463	-	-	-
Currency exposure	40	1,233	8,091	34	844

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) **Market risk** (continued)(ii) *Currency risk* (continued)*Sensitivity analysis for currency risk*

If the RM changes against the SGD by 5% (2019: 4%) and the GBP and USD changes against the SGD by 5% (2019: 5%) with all other variables including tax rate being held constant, the effects arising from the net financial liability/asset position will be as follows:

	← Increase/ (Decrease) →			
	Loss after tax	Other comprehensive income	Profit after tax	Other comprehensive income
	30 June 2020	30 June 2020	30 June 2019	30 June 2019
	\$'000	\$'000	\$'000	\$'000
Group				
RM against SGD				
- strengthened	(2)	-	-	-
- weakened	2	-	-	-
GBP against SGD				
- strengthened	(453)	-	16	-
- weakened	453	-	(16)	-
USD against SGD				
- strengthened	(366)	110	225	111
- weakened	366	(110)	(225)	(111)
Company				
RM against SGD				
- strengthened	(2)	-	1	-
- weakened	2	-	(1)	-
GBP against SGD				
- strengthened	(453)	-	35	-
- weakened	453	-	(35)	-



NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 30 June 2020

35. 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.

The Group is exposed to interest rate risk primarily due to changes in interest rates arising from its interest-bearing assets and debt obligations. The Group manages its interest rate risks by maintaining a mix of fixed and variable rate debt instruments with varying maturities.

The material interest-bearing assets of the Group are short-term bank deposits. Short-term bank deposits bear interest at the market interest rate. An interest rate movement of 0.5% will not have a substantial impact on the net profit of the Group.

The Group and the Company's borrowings mainly comprises of bank loans and Medium Term Notes. The bank loans are entered into at variable interest rates while the Medium Term Notes are entered into at fixed interest rates.

The Group's and Company's borrowings at variable rates on which effective hedges have not been entered into, are denominated mainly in SGD and GBP. If the SGD interest rate increases/decreases by 0.5% (2019: 0.5%) and the GBP interest rates increases/decreases by 0.5% (2019: 0.5%) with all other variables including tax rate being held constant, the profit after tax of the Group and the Company will be lower/higher by \$618,000 (2019: \$351,000) and \$5,400 (2019: \$22,000) respectively as a result of higher/lower interest expense on these borrowings.

The exposure of the borrowings of the Group and of the Company to interest rate changes and the contractual repricing dates at the balance sheet dates are as follows:

	Variable rates				Fixed rates				Total
	Less than 6 months	6 to 12 months	1 to 5 years	Over 5 years	Less than 6 months	6 to 12 months	1 to 5 years	Over 5 years	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Group									
At 30 June 2020	121,434	2,933	-	-	107	2,009	42,072	-	168,555
At 30 June 2019	164,400	164	-	-	8,043	44	40,080	-	212,731
Company									
At 30 June 2020	-	-	757	-	15	15	39,987	-	40,774
At 30 June 2019	-	-	-	-	8,015	15	39,948	-	47,978

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

(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 Group adopts the policy of dealing only with customers of appropriate credit history, and obtaining sufficient security where appropriate to mitigate credit risk. Credit evaluations are performed on all customers who require credit over a certain amount.

Credit exposure to an individual counterparty is restricted by credit limits that are approved by the Management based on ongoing credit evaluation. The counterparty's payment pattern and credit exposure are continuously monitored by the Management.

As the Group and the Company does not hold any collateral, the maximum exposure to credit risk for each class of financial instrument is the carrying amount of that class of financial instrument presented on the balance sheet, except for corporate guarantees provided by the Company as disclosed in Note 33.

The Group's and Company's major classes of financial assets are cash and cash equivalents and trade and other receivables.

The trade receivables of the Group comprise four debtors (2019: three debtors) that individually represented 6% to 20% (2019: 7% to 36%) of trade receivables.

The contract assets due from customers of the Group comprise three debtors (2019: five debtors) that individually represented 7% to 68% (2019: 11% to 40%) of contract assets.

The retention sums receivable of the Group comprise three debtors (2019: three debtors) that individually represented 11% to 57% (2019: 12% to 57%) of retention sums receivable.

The movements in credit loss allowance are as follows:

	Trade receivables ^(a) \$'000	Contract assets ^(a) \$'000	Total \$'000
Group			
Balance at 1 July 2019	150	-	150
Loss allowance recognised in profit or loss during the year on:			
- Assets acquired/originated	2	-	2
Balance at 30 June 2020	152	-	152

^(a) Loss allowance measured at lifetime ECL



NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 30 June 2020

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

The movements in credit loss allowance are as follows: (continued)

	Trade receivables ^(a) \$'000	Contract assets ^(a) \$'000	Total \$'000
Group			
Balance at 1 July 2018	9	-	9
Loss allowance recognised in profit or loss during the year on:			
- Assets acquired/originated	141	-	141
Balance at 30 June 2019	150	-	150

^(a) Loss allowance measured at lifetime ECL

(i) Trade receivables, contract assets and retention sum receivables

The Group has applied the simplified approach by using the provision matrix to measure the lifetime expected credit losses for trade receivables and contract assets.

In measuring the expected credit losses, trade receivables, contract assets and retention sum receivables are grouped based on shared credit risk characteristics and days past due. The contract assets relate to unbilled work in progress, which have substantially the same risk characteristics as the trade receivables for the same type of contracts. The Group has therefore concluded that the expected loss rates for trade receivables and retention sum receivables are a reasonable approximation of the loss rates for the contract assets.

In calculating the expected credit loss, the Group considers historical loss rates for each category of receivables and adjusts to reflect current and forward-looking macroeconomic factors affecting the ability of the customers to settle the receivables. Management has considered, among other factors (including forward-looking information), the Group's historical loss pattern over the last three financial years. Based on the above, management concluded that the expected credit loss rate for trade receivables, retention sum receivables and unbilled revenue is close to zero. The loss allowance provision for trade receivables, retention sum receivables and unbilled revenue was assessed as not material.

Trade receivables, contract assets and retention sum receivables are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables and contract assets due. Where recoveries are made, these are recognised in profit or loss.

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) **Credit risk** (continued)(i) *Trade receivables, contract assets and retention sum receivables* (continued)

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

		<div> <div>←</div> <div>Past due</div> <div>→</div> </div>			
	Current	Less than 3	3 to 6	More than 6	Total
	\$'000	months	months	months	\$'000
		\$'000	\$'000	\$'000	
Group					
As at 30 June 2020					
Construction contracts for civil and building works					
Trade receivables	3,418	1,214	54	723	5,409
Less: Specific allowance	-	-	-	(139)	(139)
	3,418	1,214	54	584	5,270
Contract assets	6,334	-	-	-	6,334
	9,752	1,214	54	584	11,604
Property and development					
Trade receivables	1,150	19	1,873	-	3,042
Less: Specific allowance	(13)	-	-	-	(13)
	1,137	19	1,873	-	3,029
Contract assets	10,387	-	-	-	10,387
	11,524	19	1,873	-	13,416



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35. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(i) Trade receivables, contract assets and retention sum receivables (continued)

		<div> <div>←</div> <div>Past due</div> <div>→</div> </div>			
	Current	Less than 3	3 to 6	More than 6	Total
	\$'000	months	months	months	\$'000
	\$'000	\$'000	\$'000	\$'000	\$'000
Group					
As at 1 July 2019					
Construction contracts for civil and building works					
Trade receivables	12,468	10,068	20	11	22,567
Less: Specific allowance	(139)	-	-	-	(139)
	12,329	10,068	20	11	22,428
Contract assets	42,006	-	-	-	42,006
	54,335	10,068	20	11	64,434
Property and development					
Trade receivables	3,263	191	-	85	3,539
Less: Specific allowance	(11)	-	-	-	(11)
	3,252	191	-	85	3,528
Contract assets	4,270	-	-	-	4,270
	7,522	191	-	85	7,798

The trade receivables contract assets and retention sum receivables is subject to immaterial expected credit loss.

(ii) Cash and cash equivalents

The Group and the Company held cash and cash equivalents of \$151,026,000 and \$25,905,000 respectively (2019: \$134,326,000 and \$6,707,000) with banks which are rated AAA and AA+ based on Standard & Poor's rating and consider to have low credit risk. The cash balances are measured based on 12-month expected credit losses and subject to immaterial credit loss.

(iii) Advances to joint ventures

The Group has assessed that its joint ventures have strong financial capacity to meet the contractual obligations of \$73,698,000 (2019: \$72,906,000) and considered to have low credit risk. The loans are measured based on 12-month expected credit losses and subject to immaterial credit loss.

(iv) Advances to subsidiaries

The Company has advances to subsidiaries amounting to \$209,629,000 (2019: \$239,477,000) as at 30 June 2020. The advances to subsidiaries amounting to \$182,362,000 (2019: \$212,210,000) are considered to have low credit risk, are measured on a 12-month expected credit losses and subject to immaterial credit loss as these subsidiaries have strong financial capacity to meet the contractual obligations. For the remaining advances to subsidiaries amounting to \$27,267,000 (2019: \$27,267,000), management has fully impaired the amount as these subsidiaries do not have the financial capacity to repay the amounts.

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) **Credit risk** (continued)(v) *Financial guarantee contracts*

The Company has issued financial guarantees to banks for borrowings of its subsidiaries. These guarantees are subject to the impairment requirements of SFRS(I) 9. The Company has assessed that its subsidiaries have strong financial capacity to meet the contractual cash flow obligations in the near future and hence, does not expect significant credit losses arising from these guarantees.

(vi) *Dividend receivables and other receivables*

Dividend receivables and other receivables are measured based on 12-month expected credit losses and subject to immaterial credit loss.

(c) **Liquidity risk**

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities to meet obligations when due and the ability to close out market positions at short notice. At the balance sheet date, assets held by the Group and the Company for managing liquidity risk included cash and short-term deposits as disclosed in Note 11.

The table below analyses non-derivative financial liabilities of the Group and the Company 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.

	Less than 1 year \$'000	Between 1 and 5 years \$'000	Over 5 years \$'000	Total \$'000
Group				
At 30 June 2020				
Trade and other payables	70,155	17,180	-	87,335
Lease liabilities	1,203	3,073	-	4,276
Borrowings (excluding lease liabilities)	7,806	166,150	-	173,956
Financial guarantee contracts	125,955	-	-	125,955
At 30 June 2019				
Trade and other payables	104,636	14,787	11,104	130,527
Borrowings	17,345	220,312	-	237,657
Financial guarantee contracts	115,487	-	-	115,487



NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 30 June 2020

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

	Less than 1 year \$'000	Between 1 and 5 years \$'000	Over 5 years \$'000	Total \$'000
Company				
At 30 June 2020				
Trade and other payables	133,632	-	-	133,632
Lease liabilities	454	303	-	757
Borrowings (excluding lease liabilities)	2,344	40,642	-	42,986
Financial guarantee contracts	309,249	-	-	309,249
At 30 June 2019				
Trade and other payables	127,967	-	-	127,967
Borrowings	10,414	42,992	-	53,406
Financial guarantee contracts	322,903	-	-	322,903

(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 payments, 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 and the Company are also required by the banks and financial institutions to maintain a gearing ratio of not exceeding 150% (2019: 150%). The Group's and the Company's strategies, which were unchanged from 2019, are to maintain gearing ratios within the limits required.

The gearing ratio is calculated as net debt divided by total equity. Net debt is calculated as borrowings less cash and cash equivalents (excludes pledged cash).

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Net debt	18,122	78,985	14,869	41,271
Total equity (excluding non-controlling interest)	256,813	257,151	107,379	116,962
Gearing ratio	7%	31%	14%	35%

The Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 30 June 2019 and 2020.

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Fair value measurements

The following table presents financial assets, at FVOCI and financial assets, at FVPL 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).

The fair value hierarchy for investment properties is disclosed in Note 21.

The fair values of borrowings, trade and other receivables and trade and other payables as disclosed in Note 26, Note 12 and Note 25 respectively approximate to their carrying amounts.

The fair value of finance assets, at FVOCI and FVPL are as disclosed:

	Level 3
	\$'000
The Group:	
30 June 2020	
Financial assets, at FVOCI	25,146
Financial assets, at FVPL	8,063
30 June 2019	
Financial assets, at FVOCI	16,436
Financial assets, at FVPL	4,734

The following table presents the changes in Level 3 instruments:

	Unlisted equity investments \$'000	Unlisted debt investments \$'000
At 30 June 2020		
Beginning of financial year	16,436	4,734
Fair value gains recognised in other comprehensive income	8,710	-
Fair value losses recognised in profit or loss	-	(2,073)
Additions	-	5,402
End of financial year	25,146	8,063
At 30 June 2019		
Beginning of financial year	7,383	-
Fair value gains recognised in other comprehensive income [Note 15(b)]	9,053	-
Additions	-	4,734
End of financial year	16,436	4,734



NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 30 June 2020

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Fair value measurements (continued)

Valuation techniques and inputs used in Level 3 fair value measurements:

Description	Fair value at 30 June 2020 \$'000	Fair value at 30 June 2019 \$'000	Valuation technique	Significant unobservable input	Range of unobservable input	Relationship of unobservable input to fair value
Financial assets, at FVOCI						
Unlisted equity investment	20,984	12,261	Adjusted net asset value*	Adjustments for lack of control and marketability	Lack of control – 20% Lack of marketability – 20%	The higher the adjustments for lack of controls and marketability, the lower the fair value
Unlisted equity investments	4,162	4,175	Net asset value*	Net asset value	Not applicable	Not applicable
Financial assets, at FVPL						
Unlisted convertible debt	8,063	4,734	Discounted cash flow**	Risk adjusted discount rate	10.4%	The higher the discounted rate the lower the fair value

* Financial assets, at FVOCI comprise of investments in unlisted equity instruments and the fair values of these instruments based on the adjusted net assets value or net assets value of the investee companies. This method is appropriate as the assets and liabilities of investee companies are primarily held at their respective fair values at the balance sheet date.

To arrive at the fair value of an unlisted equity instrument accounted for as FVOCI financial asset, downward adjustments made to the net assets value of the investee company to account for the lack of control and marketability of the unlisted equity instrument. These adjustments incorporate assumptions based on market conditions existing at the balance sheet date and based on studies of discounts for lack of control and marketability for similar typed instruments. The extent of adjustment requires judgement and the effect of a change in management's estimate on this adjustment is disclosed in Note 3(d).

** Financial asset, at FVPL comprise of an investment in a convertible loan instrument, whose fair value is derived primarily from loan component by discounting the cash flows from repayment of principal and interest, over the expected loan period.

The discount rate applied in the discounted cash flow model is based on the cost of debt of comparable debt instruments and effect of a change in management's estimate of the discount rate is disclosed in Note 3(e).

35. 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 Note 15(a) and Note 15(b) to the financial statements, except for the following:

	Group \$'000	Company \$'000
30 June 2020		
Financial assets, at amortised cost	270,597	208,615
Financial liabilities, at amortised cost	255,710	175,275
30 June 2019		
Financial assets, at amortised cost	282,395	219,135
Financial liabilities, at amortised cost	340,873	175,881

36. RELATED PARTY TRANSACTIONS

In addition to the related party information shown elsewhere in the financial statements, the following transactions between the Group and related parties took place during the financial year:

(a) **Sales and purchases of goods and services**

	Group 2020 \$'000	2019 \$'000
Joint ventures and associated companies		
Revenue from construction contracts	22,767	51,462
Management services fees	246	310
Project management fees	-	396
Related party		
Consultancy fee paid to a director of the Company	180	180

Outstanding balances at 30 June 2020, arising from sale/purchase of goods and services, are set out in Notes 12 and 25.



NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 30 June 2020

36. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Key management remuneration

The key management remuneration includes fees, salary, bonus, commission and other emoluments (including benefits-in-kind) computed based on the cost incurred by the Group and the Company, and where the Group or the Company did not incur any costs, the value of the benefit. The key management remuneration is as follows:

	Group	
	2020 \$'000	2019 \$'000
Salaries and other short-term employee benefits	5,244	9,077
Post-employment benefits – contribution to CPF	114	119
	5,358	9,196

Included in above is total remuneration to directors of the Company amounting to \$2,079,000 (2019: \$5,379,000).

(c) Investment in an associated company

During the financial year ended 30 June 2020, the Group invested \$1,268,000 in cash for a 25% shareholding interest in PT Super. Further details on PT Super is disclosed in Note 19 to the financial statements.

The other 75% shareholding interest in PT Super is held by Cyan Bay Pte.Ltd., a wholly owned subsidiary of Ellipsiz Limited ("Ellipsiz").

Ellipsiz is considered a related party to the Company by virtue of common controlling shareholder and directors in the two companies.

37. SEGMENT INFORMATION

Management has determined the operating segment based on the reports reviewed by the Executive Committee ("Exco") that are used to make strategic decisions. The Exco comprises the Executive Chairman, the Managing Director, and the Executive Director of the Company.

The Exco considers the business primarily from a business segment perspective. Revenue from investment holding, provision of management services, construction and property investment are derived mainly from Singapore and the United Kingdom. Revenue from property development are derived mainly from Malaysia and Singapore.

The segment information provided to the Exco for the reportable segments for the financial years ended 30 June 2020 and 30 June 2019 are as follows:

	Construction \$'000	Property development and investment \$'000	Investment holding and others \$'000	Total \$'000
Financial year ended 30 June 2020				
Revenue from external customers	294,829	27,476	386	322,691
Inter-segment revenue	6,827	1,256	8,606	16,689
	301,656	28,732	8,992	339,380
Elimination				(16,689)
Revenue				322,691
Segment results	16,665	(4,478)	(1,023)	11,164
Elimination				(6,609)
				4,555
Finance expense				(7,485)
Profit before income tax				(2,930)
Income tax expense				(3,177)
Net loss				(6,107)
Segment results include:				
Interest income	1,091	159	72	1,322
Fair value loss on investment properties	-	(17,327)	-	(17,327)
Fair value loss on financial assets, at FVPL	-	-	(2,073)	(2,073)
Depreciation of property, plant and equipment	(2,891)	(622)	(446)	(3,959)
(Impairment loss)/write-back of impairment loss on club membership	(23)	-	4	(19)
Share of (losses)/profits of associated companies and joint ventures	(10)	6,188	-	6,178



NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 30 June 2020

37. SEGMENT INFORMATION (CONTINUED)

	Construction \$'000	Property development and investment \$'000	Investment holding and others \$'000	Total \$'000
Financial year ended 30 June 2019				
Revenue from external customers	222,829	17,078	344	240,251
Inter-segment revenue	28,690	1,275	28,512	58,477
	251,519	18,353	28,856	298,728
Elimination				(58,477)
Revenue				240,251
Segment results	14,991	31,125	17,107	63,223
Elimination				(26,297)
				36,926
Finance expense				(8,249)
Profit before income tax				28,677
Income tax expense				(1,151)
Net profit				27,526
Segment results include:				
Interest income	670	129	53	852
Fair value gain on investment properties	-	287	-	287
Depreciation of property, plant and equipment	(2,170)	(619)	(275)	(3,064)
Write-back of/(impairment loss) on club membership	4	(79)	-	(75)
Share of (losses)/profits of associated companies and joint ventures	(11)	16,400	(5)	16,384

37. SEGMENT INFORMATION (CONTINUED)

	Construction \$'000	Property development and investment \$'000	Investment holding and others \$'000	Elimination \$'000	Total \$'000
As at 30 June 2020					
Segment assets	156,409	353,694	65,122	(4,572)	570,653
Tax recoverable					292
Deferred income tax assets					6,092
Consolidated total assets					577,037
Segment assets include:					
Investment in associates and joint ventures	255	37,974	36	-	38,265
Capital expenditure on property, plant and equipment	1,716	141	2,390	-	4,247
Capitalisation of expenditure for re-development of investment property	-	22,358	-	-	22,358
Segment liabilities	(118,242)	(12,373)	(1,884)	293	(132,206)
Borrowings					(168,555)
Deferred income tax liabilities and current income tax liabilities					(5,854)
Consolidated total liabilities					(306,615)



NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 30 June 2020

37. SEGMENT INFORMATION (CONTINUED)

	Construction \$'000	Property development and investment \$'000	Investment holding and others \$'000	Elimination \$'000	Total \$'000
As at 30 June 2019					
Segment assets	192,152	453,910	30,708	(2,483)	674,287
Tax recoverable					1,191
Deferred income tax assets					4,189
Consolidated total assets					679,667
Segment assets include:					
Investment in associates and joint ventures	266	33,499	-	-	33,765
Capital expenditure on property, plant and equipment	3,286	7	373	-	3,666
Capitalisation of expenditure for re-development of investment property	-	4,546	-	-	4,546
Segment liabilities	(162,035)	(21,371)	(3,900)	296	(187,010)
Borrowings					(212,731)
Deferred income tax liabilities and current income tax liabilities					(3,302)
Consolidated total liabilities					(403,043)

37. SEGMENT INFORMATION (CONTINUED)

The Group is organised into three main business segments:

- | | | |
|--|---|---|
| (a) Construction | - | construction of buildings and building extensions, additions and alterations, refurbishment and restoration of buildings. |
| (b) Property development and investment- | | develops property for sale and/or holds properties for its own investment purposes and for hotel operations. |
| (c) Investment holding and others | - | holding of investments and provision of management services to the companies within the Group. |

The amounts reported to the Exco with respect to total assets are measured in a manner consistent with that of the financial statements. All assets are allocated to reportable segments other than tax recoverable and deferred tax assets.

The amounts are provided to the Exco with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segments. All liabilities are allocated to the reportable segments other than current and deferred income tax liabilities and borrowings.

Sales between segments are carried out based on market terms.

Information about major customer

Revenue of approximately 70% (2019: 72%) are derived from three (2019: four) major customers. These revenues are attributable to the Construction segment.

Geographical information

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

- | | | |
|----------------|---|--|
| Singapore | - | the country where the headquarters of the Group and the Company is located. The areas of operation are principally investment holding, provision of management services, construction, property development and investment and hotel operations. |
| Malaysia | - | the area of operation is mainly property development. |
| United Kingdom | - | the area of operation is mainly property investment and property development. |



NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 30 June 2020

37. SEGMENT INFORMATION (CONTINUED)

Geographical information (continued)

Revenue and non-current segment assets are shown by the geographical area where the assets are located.

	Total sales		Non-current assets*	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Singapore	316,608	229,836	56,956	54,188
Malaysia	3,528	7,156	2,559	514
United Kingdom	2,555	3,259	31,034	116,867
	322,691	240,251	90,549	171,569
Investment in associated companies and joint ventures			38,265	33,764
			128,814	205,333

* Non-current assets exclude financial instruments and deferred tax assets.

Changes in accounting policy

The adoption of the new leasing standard described in Note 2.1 had the following impact on the segment results in the current year:

	Segment results before adoption of SFRS(I) 16 \$'000	Group		Segment results after adoption of SFRS(I) 16 \$'000
		Rental expenses under SFRS(I) 1-17, when the Company is a lessee \$'000	Depreciation and interest expenses under SFRS(I) 16, when the Company is a lessee \$'000	
Construction	16,640	600	(575)	16,665
Property development and investment	(4,521)	169	(126)	(4,478)
Investment holding and others	(821)	15	(217)	(1,023)
	11,298	784	(918)	11,164

IMPACT OF CORONAVIRUS DISEASE 2019 (“COVID-19”)

The COVID-19 pandemic has affected almost all countries of the world, and resulted in borders closure, production shutdowns, workplace closures, movement controls and other measures imposed by the various governments.

The Group’s significant operations are in Singapore, Malaysia and the United Kingdom and at the financial year end, the respective governments have relaxed the COVID-19 measures and have implemented various approaches to resume economic activities safely in the respective countries.

The Group has been adopting precautionary and control measures to mitigate the impact of the global COVID-19 pandemic to the Group’s operations, including but not limited to flexible work-from home practices, as well as resuming construction works on its construction and development projects with the approval of the various government bodies.

In measuring its assets and liabilities as at the balance sheet date, management has considered the market conditions (including the impact of COVID-19) as at that date and assessed that the fair value of its investment property in the United Kingdom [Note 3(b)] is subject to significant estimation uncertainty. Further details on the fair value of this property are set out in Note 21(d). As the global COVID-19 situation remains very fluid as at the date these financial statements were authorised for issuance, the Group cannot reasonably ascertain the full extent of the probable impact of the COVID-19 disruptions on its operating and financial performance for the financial year ending 30 June 2021.



NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 30 June 2020

39. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

Below are the mandatory standards, 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 or later periods and which the Group has not early adopted:

Amendments to SFRS(I) 3 Business Combination (effective for annual periods beginning on or after 1 January 2020)

The amendments provide new guidance on the assessment of whether an acquisition meets the definition of a business under SFRS(I) 3. To be considered a business, an acquisition would have to include an output and a substantive process that together significantly contribute to the ability to create outputs. A framework is introduced to evaluate when an input and substantive process are present. To be a business without outputs, there will now need to be an organised workforce.

The definition of the term 'outputs' is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits.

It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets.

Entities can apply a 'concentration test' that, if met, eliminates the need for further assessment. Under this optional test, where substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets), the assets acquired would not represent a business.

These amendments are applied to business combinations and asset acquisitions with acquisition date on or after 1 July 2020. Early application is permitted. The Group does not expect any significant impact arising from applying these amendments.

40. COMPANIES IN THE GROUP

(a) The subsidiaries are as follows:

Name	Principal activities	Place of incorporation and business	Effective equity interest held by Group	
			2020 %	2019 %
Held by the Company				
Unquoted equity shares				
¹ Lum Chang Asia Pacific Pte Ltd	Investment holding	Singapore	100	100
¹ Lum Chang Corporation Pte Ltd	Investment holding	Singapore	100	100
¹ Lum Chang Properties Ltd	Investment holding	Singapore	100	100
¹ Lum Chang (Suzhou) Investments Pte Ltd	Investment holding	Singapore	100	100
² Nexus Sdn Bhd	Dormant	Malaysia	100	100
⁸ Urban Assignment Sdn Bhd	Liquidated	Malaysia	-	100
¹ Binjai Holdings Pte Ltd	Investment holding	Singapore	100	100
¹ Kemensah Holdings Pte Ltd	Investment holding	Singapore	100	100
³ Twin Palms Development Sdn Bhd	Property development	Malaysia	100	100
¹ UK Property Investment Pte Ltd	Investment holding	Singapore	70	70
¹ Wembley Properties Pte Ltd	Investment holding	Singapore	70	70
¹ Tucana Investments Pte Ltd	Investment holding	Singapore	100	100
¹ Sky Real Estate Investment Pte Ltd	Investment holding	Singapore	100	100
¹ Solluna Investments Pte Ltd	Investment holding	Singapore	100	100



NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 30 June 2020

40. COMPANIES IN THE GROUP (CONTINUED)

(a) The subsidiaries are as follows: (continued)

Name	Principal activities	Place of incorporation and business	Effective equity interest held by Group	
			2020 %	2019 %
Held by subsidiaries				
Unquoted equity shares				
¹ Lum Chang Auriga Pte Ltd	Property development	Singapore	100	100
¹ Lum Chang Property Investments Pte Ltd	Property investment	Singapore	100	100
¹ Lum Chang Building Contractors Pte Ltd	Building construction	Singapore	100	100
¹ Bluesky Real Estate Investment Pte Ltd	Property investment	Singapore	100	-
¹ Lum Chang Interior Pte Ltd	Building construction	Singapore	80	80
³ Lum Chang Interior (M) Sdn Bhd	Building construction	Malaysia	80	-
² Lum Chang Sdn Bhd	Dormant	Malaysia	100	100
⁸ Uptown Viewpoint Sdn Bhd	In member’s voluntary liquidation	Malaysia	100	100
³ Venus Capital Corporation Sdn Bhd	Property development	Malaysia	100	100
³ Fabulous Range Sdn Bhd	Property development	Malaysia	100	100
³ PJBOX Sdn Bhd	Property development	Malaysia	100	100
⁶ 130 WS Holdings Limited	Investment holding	Jersey, Channel Islands	70	70
⁶ 130 WS Investments Limited	Investment holding	Jersey, Channel Islands	70	70
⁶ 130 Wood Street Unit Trust	Property investment	Jersey, Channel Islands	-	70
⁶ Kelaty Holdings Limited	Investment holding	Jersey, Channel Islands	70	70
⁶ Kelaty Propco Limited	Property investment	Jersey, Channel Islands	70	70
⁶ Kelaty Leaseco Limited	Property investment	Jersey, Channel Islands	70	70
⁶ Lum Chang Development Services Limited	Property management and technical consultancy	England and Wales	100	100

40. COMPANIES IN THE GROUP (CONTINUED)

(b) The associated companies are as follows:

Name	Principal activities	Place of incorporation and business	Effective equity interest held by Group	
			2020 %	2019 %
Held by subsidiaries				
Unquoted equity shares				
FCL Compassvale Pte Ltd	Property development	Singapore	20	20
FCL Admiralty Pte Ltd	Property development	Singapore	30	30
Pavo Holdings Pte Ltd	Investment holding	Singapore	40	40
PT Super Makmur Sejahtera	Property development	Singapore	25	-

(c) The joint ventures are as follows:

Name	Principal activities	Place of incorporation and business	Effective equity interest held by Group	
			2020 %	2019 %
Held by subsidiaries				
¹ Dorado Holdings Pte Ltd	Investment holding	Singapore	50	50
¹⁰ Lum Chang Tien Wah Property Sdn Bhd	Property development	Malaysia	50	50
^{5,7} Nishimatsu – Lum Chang JV	Dormant	Singapore	50	50
⁹ CLI CP (Netherlands) Pte Ltd	Investment holding	Singapore	50	50
Subsidiaries held by joint venture Dorado Holdings Pte Ltd				
¹ Columba Holdings Pte Ltd	Investment holding	Singapore	50	50
¹ Corwin Holding Pte Ltd	Property investment	Singapore	50	50
¹ Dorado Retail Holdco Pte Ltd	Investment holding	Singapore	50	50
¹ Dorado Retail Pte Ltd	Dormant	Singapore	50	50
¹ Xin Tekka Pte Ltd	Dormant	Singapore	50	50
Subsidiaries held by joint venture CLI CP (Netherlands) Pte Ltd				
¹¹ CLI CP (Netherlands) B.V.	Investment holding	Netherlands	50	50



NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 30 June 2020

40. COMPANIES IN THE GROUP (CONTINUED)

- 1 Audited by PricewaterhouseCoopers LLP, Singapore.
- 2 Audited by LT Lim & Associates, Malaysia.
- 3 Audited by PricewaterhouseCoopers, Malaysia.
- 4 Incorporated during the financial year. Audit not required in the financial year.
- 5 Unincorporated jointly – controlled partnerships.
- 6 Audited by PricewaterhouseCoopers LLP, United Kingdom.
- 7 Not required to be audited in 2020 as entity is dormant.
- 8 Not required to be audited in 2020 as entity is in member's voluntary liquidation.
- 9 Audited by KPMG LLP, Singapore.
- 10 Audited by KPMG, Malaysia.
- 11 Not required to be audited in the country of incorporation.

In accordance to Rule 716 of the Singapore Exchange Securities Trading Limited – Listing Rules, the Audit and Risk Committee and Board of Directors of the Company confirmed that they are satisfied that the appointment of different auditors for its subsidiaries and significant associated companies would not compromise the standard and effectiveness of the audit of the Company.

41. AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Lum Chang Holdings Limited on 17 September 2020.