



CHINA REAL ESTATE GRP LTD.

(Company Reg. No. 200609901H)

Full Year Financial Statements And Related Announcements for the Year Ended 30 June 2020

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

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

	Note	Financial Year Ended 30/06/2020 S\$'000	30/06/2019 S\$'000	Increase/ (decrease) %
Revenue		625	7,660	(91.8)
Cost of sales		(400)	(7,387)	(94.6)
Gross profit		225	273	(17.6)
Other gains and losses, net				
- Interest income from:				
• bank deposits		6	54	(88.9)
- Impairment loss on financial assets at amortised cost		(16)	(247)	(93.5)
- Others		(279)	(470)	(40.6)
Expenses				
- Distribution and marketing		(431)	(247)	74.5
- Administrative		(6,402)	(5,727)	11.8
- Finance		(78)	(53)	47.2
Loss before income tax		(6,975)	(6,417)	8.7
Income tax credit	A	13	-	n.m.
Net loss	B	(6,962)	(6,417)	8.5
Other comprehensive income:				
Items that may be reclassified subsequently to profit or loss:				
Currency translation gain/(loss) arising from consolidation		12	(1,068)	n.m.
Items that will not be reclassified subsequently to profit or loss:				
Currency translation gain/(loss) arising from consolidation		5	(386)	n.m.
Other comprehensive income/(loss), net of tax		17	(1,454)	n.m.
Total comprehensive loss		(6,945)	(7,871)	(11.8)

n.m. = Not meaningful.

This document has been reviewed by the Company's sponsor, Stamford Corporate Services Pte. Ltd. (the "Sponsor"). It has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "SGX-ST") and the SGX-ST assumes no responsibility for the contents of this document, including the correctness of any of the statements or opinions made or reports contained in this document

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	Note	Financial Year Ended 30/06/2020 S\$'000	Financial Year Ended 30/06/2019 S\$'000	Increase/ (decrease) %
Loss attributable to:				
Equity holders of the Company		(5,888)	(6,032)	(2.4)
Non-controlling interests		<u>(1,074)</u>	<u>(385)</u>	179.0
		<u><u>(6,962)</u></u>	<u><u>(6,417)</u></u>	8.5
Total comprehensive loss attributable to:				
Equity holders of the Company		(5,876)	(7,100)	(17.2)
Non-controlling interests		<u>(1,069)</u>	<u>(771)</u>	38.7
		<u><u>(6,945)</u></u>	<u><u>(7,871)</u></u>	(11.8)

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

A. Income tax credit

	Note	Financial Year Ended 30/06/2020 S\$'000	Financial Year Ended 30/06/2019 S\$'000	Increase/ (decrease) %
Deferred income tax		12	-	n.m.
Current income tax				
- Over provision in respect of prior year		<u>1</u>	<u>-</u>	n.m.
		<u><u>13</u></u>	<u><u>-</u></u>	n.m.

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

	Note	Financial Year Ended 30/06/2020 S\$'000	Financial Year Ended 30/06/2019 S\$'000	Increase/ (decrease) %
Interest income:				
- Bank deposits	(i)	6	54	(88.9)
Interest expense:				
- Lease liabilities		(41)	-	n.m.
- Bank borrowings	(ii)	(37)	(53)	(30.2)
Rental expenses on operating leases	(iii)	(48)	(939)	(94.9)
Currency exchange gain/(loss)	(iv)	37	(829)	n.m.
Investment income:				
- Fair value loss on financial assets, at FVPL	(v)	(444)	(629)	(29.4)
- Dividend income	(vi)	244	378	(35.4)
Allowance for impairment of goodwill	(vii)	-	(639)	n.m.
Depreciation and amortisation	(viii)	(1,282)	(284)	351.4
Gain on disposal of property, plant and equipment		-	76	n.m.
Loss on disposal of financial assets, at FVPL	(ix)	(455)	(121)	276.0
Allowance for impairment of trade and other receivables	(x)	(16)	(232)	(93.1)
Bad debts written-off	(x)	(507)	(15)	3,280.0
Write back of commission payables	(x)	686	226	203.5

n.m. = Not meaningful.

Note (i)

Lower interest income from bank deposits in the financial year ended 30 June 2020 ("FY20") was in line with the lower amount of funds placed in bank deposits.

Note (ii)

The interest expense from bank borrowings in FY20 was in respect of a one-year term loan of RMB10.0 million which was fully drawdown on 17 January 2020.

The interest expense from bank borrowings in the financial year ended 30 June 2019 (“FY19”) was in respect of a one-year term loan of RMB6.5 million which was fully repaid on 21 February 2019.

Note (iii)

The lower rental expenses in operating lease in FY20 were mainly due to the following:

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

Note (iv)

The Group reported a foreign exchange gain of S\$37,000 as compared to foreign exchange loss of S\$829,000 in FY19. This was due mainly to a more stable foreign exchange fluctuation of the underlying currencies of the Group’s financial assets in Malaysia Ringgit, and amounts due from subsidiary corporations in the People’s Republic of China (“PRC”) in Renminbi, against the reporting currency in Singapore Dollars.

Note (v)

Fair value loss arose from the fluctuation in the quoted price of financial assets at FVPL. The lower fair value loss was due mainly to the decrease in the quoted price of the financial assets and the lower quantity of financial assets held as at the end of FY20.

Note (vi)

Dividend income was derived from quoted investments. The lower dividend income in FY20 was due to lower quantity of investments held as well as lower dividend declared and paid by the investee company.

Note (vii)

The allowance for impairment of goodwill in FY19 was in respect of goodwill arising from the acquisition of indirect wholly-owned subsidiary corporation, Global Alliance Property Pte Ltd (“GAP”). The allowance for impairment of goodwill was made after the Group decided to discontinue the real estate agency business operations of GAP as announced on 20 February 2019.

Note (viii)

The higher depreciation and amortisation expenses were mainly due to depreciation of the hotel building for the Group’s Cheery Hotel Huzhou and its related fittings and equipment during the financial year.

Note (ix)

The loss on disposal of financial assets, at FVPL was in respect of the disposal of quoted shares.

Note (x)

The allowance for impairment of trade and other receivables and bad debts written-off was in respect of commission receivables from the real estate agency transactions for which the collectability was doubtful. Correspondingly, the related commission payables of these doubtful commission receivables were written back.

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

	Group		Company	
	30/06/2020	30/06/2019	30/06/2020	30/06/2019
	S\$'000	S\$'000	S\$'000	S\$'000
ASSETS				
Current assets				
Cash and cash equivalents	4,030	6,874	3,427	633
Financial assets, at FVPL	3,381	7,811	3,381	7,811
Trade and other receivables	11,415	11,406	6,704	6,255
Inventories	183	-	-	-
Other current assets	1,660	2,268	133	136
Financial assets, at FVOCI	2,000	2,000	2,000	2,000
	<u>22,669</u>	<u>30,359</u>	<u>15,645</u>	<u>16,835</u>
Non-current assets				
Trade and other receivables	-	-	17,362	12,504
Development properties	11,642	10,283	-	-
Investment in subsidiary corporations	-	-	23,495	24,400
Property, plant and equipment	29,780	21,992	311	12
Intangible assets	27	-	-	-
	<u>41,449</u>	<u>32,275</u>	<u>41,168</u>	<u>36,916</u>
Total assets	<u>64,118</u>	<u>62,634</u>	<u>56,813</u>	<u>53,751</u>
LIABILITIES				
Current liabilities				
Trade and other payables	4,950	3,902	157	120
Borrowings	2,332	-	318	-
Current income tax liabilities	15	16	15	16
	<u>7,297</u>	<u>3,918</u>	<u>490</u>	<u>136</u>
Non-current liabilities				
Borrowings	5,061	-	5,000	-
Deferred income tax liabilities	559	570	-	-
	<u>5,620</u>	<u>570</u>	<u>5,000</u>	<u>-</u>
Total liabilities	<u>12,917</u>	<u>4,488</u>	<u>5,490</u>	<u>136</u>
Net assets	<u>51,201</u>	<u>58,146</u>	<u>51,323</u>	<u>53,615</u>
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	195,733	195,733	195,733	195,733
Foreign currency translation reserve	(17,055)	(17,067)	(15,939)	(15,939)
Fair value reserve	(4,000)	(4,000)	(4,000)	(4,000)
Accumulated losses	(130,285)	(124,397)	(124,471)	(122,179)
	<u>44,393</u>	<u>50,269</u>	<u>51,323</u>	<u>53,615</u>
Non-controlling interests	<u>6,808</u>	<u>7,877</u>	<u>-</u>	<u>-</u>
Total equity	<u>51,201</u>	<u>58,146</u>	<u>51,323</u>	<u>53,615</u>

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

Amount repayable in one year or less, or on demand

	As at 30/06/2020		As at 30/06/2019	
	Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
Term loan	1,971	-	-	-

Amount repayable after one year

	As at 30/06/2020		As at 30/06/2019	
	Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
Term loan	5,000	-	-	-

Details of any collateral

- (a) The Group was granted a term loan facility of RMB10.0 million for working capital purposes from a licensed bank in the PRC. The term loan bears an interest of 4.5% per annum and is secured against:
- (i) a leasehold land measuring 10,638m² and the hotel building erected on the leasehold land owned by the Group, in Huzhou, PRC; and
 - (ii) a corporate guarantee by Zhongfang Lianhe Grand Canal Cultural Tourism Group Co., Ltd, a subsidiary of the Company.

The term loan was fully drawn down and repayable in full on 16 January 2021.

- (b) The Group was granted a term loan facility of S\$5.0 million for working capital purposes from a licensed bank in Singapore. The term loan bears an interest of 2.5% per annum and is secured against a deed of undertaking from Dato Dr Choo Yeow Ming, the Chairman and Chief Executive Officer of the Group, to top up any principle and interest shortfall. The term loan has a tenor of 5 years and was fully drawn down in June 2020.

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

	Financial Year Ended	
	30/06/2020	30/06/2019
	S\$'000	S\$'000
Cash flows from operating activities		
Total loss	(6,962)	(6,417)
Adjustments for:		
- Income tax credit	(13)	-
- Interest expense	78	53
- Interest income	(6)	(54)
- Dividend income	(244)	(378)
- Depreciation and amortisation	1,282	284
- Gain on disposal of property, plant and equipment	-	(76)
- Allowance for impairment of goodwill	-	639
- Reversal of provision of reinstatement cost	-	(189)
- Unrealised currency transaction differences	(32)	(170)
	<u>(5,897)</u>	<u>(6,308)</u>
Changes in working capital:		
- Development properties	(1,345)	(2,689)
- Trade and other receivables	3	1,937
- Financial assets, at FVPL	4,430	3,713
- Inventories	(182)	-
- Other current assets	609	(286)
- Trade and other payables	1,040	(2,692)
- Provisions	-	(15)
	<u>(1,342)</u>	<u>(6,340)</u>
Cash used in operations	(1,342)	(6,340)
Income tax refunded /(paid), net	1	(1)
Interest received	6	54
	<u>(1,335)</u>	<u>(6,287)</u>
Net cash used in operating activities		
Cash flows from investing activities		
- Additions to property, plant and equipment	(8,235)	(12,082)
- Additions to intangible assets	(37)	-
- Proceeds from disposal of property, plant and equipment	-	100
- Dividend received	244	378
	<u>(8,028)</u>	<u>(11,604)</u>
Net cash used in investing activities		

	Financial Year Ended	
	30/06/2020	30/06/2019
	S\$'000	S\$'000
Cash flows from financing activities		
- Proceeds from issuance of new ordinary shares	-	12,290
- Share issue expenses	-	(269)
- Proceeds from issuance of new shares pursuant to exercise of warrants	-	3
- Drawdown of borrowings	6,966	-
- Repayment of borrowings	-	(1,351)
- Interest paid	(37)	-
- Principal payment of lease liabilities	(424)	-
	<hr/>	<hr/>
Net cash provided by financing activities	6,505	10,673
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(2,858)	(7,218)
	<hr/>	<hr/>
Cash and cash equivalents		
Beginning of financial year	6,874	14,136
Effects of currency translation on cash and cash equivalents	14	(44)
	<hr/>	<hr/>
End of financial year	4,030	6,874
	<hr/>	<hr/>

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

	← Attributable to equity holders of the Company →						
	Share capital S\$'000	Foreign currency translation reserve S\$'000	Fair value reserve S\$'000	Accumulated losses S\$'000	Total S\$'000	Non- controlling interest S\$'000	
Group							
2020							
Balance as at 1 July 2019	195,733	(17,067)	(4,000)	(124,397)	50,269	7,877	58,146
Total comprehensive loss for the financial year	-	12	-	(5,888)	(5,876)	(1,069)	(6,945)
Balance as at 30 June 2020	<u>195,733</u>	<u>(17,055)</u>	<u>(4,000)</u>	<u>(130,285)</u>	<u>44,393</u>	<u>6,808</u>	<u>51,201</u>
2019							
Balance as at 30 June 2018	183,709	(15,999)	-	(122,365)	45,345	8,648	53,993
Adoption of SFRS(I)9	-	-	(4,000)	4,000	-	-	-
Balance as at 1 July 2018	<u>183,709</u>	<u>(15,999)</u>	<u>(4,000)</u>	<u>(118,365)</u>	<u>45,345</u>	<u>8,648</u>	<u>53,993</u>
Total comprehensive loss for the financial year	-	(1,068)	-	(6,032)	(7,100)	(771)	(7,871)
Issuance of new ordinary shares	12,290	-	-	-	12,290	-	12,290
Share issue expenses	(269)	-	-	-	(269)	-	(269)
Issuance of new ordinary shares pursuant to exercise of warrants	3	-	-	-	3	-	3
Balance as at 30 June 2019	<u>195,733</u>	<u>(17,067)</u>	<u>(4,000)</u>	<u>(124,397)</u>	<u>50,269</u>	<u>7,877</u>	<u>58,146</u>

Company	Share capital	Foreign currency reserve	Fair value reserve	Accumulated losses	Total equity
	SS'000	SS'000	SS'000	SS'000	SS'000
2020					
Balance as at 1 July 2019	195,733	(15,939)	(4,000)	(122,179)	53,615
Total comprehensive loss for the financial year	-	-	-	(2,292)	(2,292)
Balance as at 30 June 2020	<u>195,733</u>	<u>(15,939)</u>	<u>(4,000)</u>	<u>(124,471)</u>	<u>51,323</u>
2019					
Balance as at 30 June 2018	183,709	(15,939)	-	(117,623)	50,147
Adoption of SFRS(I)9	-	-	(4,000)	4,000	-
Balance as at 1 July 2018	<u>183,709</u>	<u>(15,939)</u>	<u>(4,000)</u>	<u>(113,623)</u>	<u>50,147</u>
Total comprehensive loss for the financial year	-	-	-	(8,556)	(8,556)
Issue of new ordinary shares	12,290	-	-	-	12,290
Share issue expenses	(269)	-	-	-	(269)
Issuance of new ordinary shares pursuant to exercise of warrants	<u>3</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3</u>
Balance as at 30 June 2019	<u>195,733</u>	<u>(15,939)</u>	<u>(4,000)</u>	<u>(122,179)</u>	<u>53,615</u>

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

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

The Company did not have any treasury shares or subsidiary holdings as at 30 June 2020 and 30 June 2019.

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

	30/06/2020	30/06/2019
- Warrants expiring on 19 November 2020 ("2015 Warrants")	4,443,277,094	4,443,277,094
- Warrants expiring on 30 January 2023 ("2018 Warrants A")	10,008,570,063	10,008,570,063
- Warrants expiring on 26 July 2023 ("2018 Warrants B")	<u>6,145,168,199</u>	<u>6,145,168,199</u>
	<u>20,597,015,356</u>	<u>20,597,015,356</u>

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

	30/06/2020	30/06/2019
Total number of issued shares excluding treasury shares	<u>17,824,183,658</u>	<u>17,824,183,658</u>

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

Not applicable.

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

Not applicable.

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

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

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter).

Not applicable.

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

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

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

The Group has adopted all the new and revised SFRS(I) and Interpretation of SFRS(I) ("SFRS(I) INT") that are relevant to its operations and effective from annual periods beginning on or after 1 July 2019. The adoption of the new/revised SFRS(I) and SFRS(I) INT did not result in material changes to the Group's or the Company's accounting policies and had no material impact on the results under review. Where applicable, the presentation of the financial information has been amended to comply with these standards.

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

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

	Financial Year Ended	
	30/06/2020	30/06/2019
Net loss attributable to equity holders of the Company (S\$'000)	<u>(5,888)</u>	<u>(6,032)</u>

Weighted average number of ordinary shares outstanding for basic loss per share ('000)	17,824,184	17,368,950
Basic loss per share (cents per share)	(0.03)	(0.03)

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

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

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

	Group		Company	
	30/06/2020	30/06/2019	30/06/2020	30/06/2019
Net asset value per ordinary share	<u>S\$0.002</u>	<u>S\$0.003</u>	<u>S\$0.003</u>	<u>S\$0.003</u>

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

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

A. Review of Financial Performance

FY20 vs. FY19

Revenue and gross profit

The Group reported lower revenue of S\$625,000 in FY20 as compared with the S\$7.7 million recorded in FY19. The decrease was due to the discontinuation of the real estate agency business operations of Global Alliance Property Pte Ltd ("GAP") in the fourth quarter of FY19.

The Group's Cheery Hotel Huzhou, which is located in Huzhou, the PRC, became fully operational in October 2019. Due to the outbreak of the coronavirus disease (the "COVID-19") at the beginning of 2020, Cheery Hotel Huzhou suspended its operations in February 2020 and resumed full operations in April 2020. Cheery Hotel Huzhou contributed approximately 77% of the Group's revenue in FY20.

Despite reported lower revenue in FY20, the Group's gross profit decreased marginally by S\$48,000 to S\$225,000 in FY20. This was due to the higher profit margin generated by revenue from hotel business as compared to real estate agency business.

Other gains and losses, net

The lower other losses reported in FY20 was attributable mainly to the lower fair value loss on financial assets at FVPL of S\$444,000, higher write back of commission payables of S\$686,000 and a foreign exchange gain of S\$37,000 (as compared to foreign exchange loss of S\$829,000 in FY19). These were partially offset by higher loss on disposal of financial assets at FVPL of S\$455,000, higher bad debts written-off of S\$507,000 and lower dividends of S\$244,000.

Distribution and marketing expenses

The increase in distribution and marketing expenses was attributable mainly to the increase in marketing activities of Cheery Hotel Huzhou.

Administrative expenses

The increase in administrative expenses was due mainly to the depreciation of hotel building and its related fittings and equipment and the operating expenses in relation to the hotel which became fully operational in October 2019.

Net loss

The Group reported a net loss of S\$7.0 million in FY20 as compared with the net loss of S\$6.4 million posted in FY19. The higher net loss was due mainly to the higher distribution, marketing and administrative expenses as mentioned above.

B. Review of Financial Position

Cash and cash equivalents

The decrease in cash and cash equivalents was due mainly to cash outflows of S\$1.3 million in operating activities as the Group incurred a loss in FY20 and S\$8.2 million in additions to property, plant and equipment mainly for the payment of the construction cost of Cheery Hotel Huzhou. This was partly offset by the drawn down of bank borrowings of S\$7.0 million.

Financial assets, at FVPL

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

Inventories

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

Other current assets

The lower other current assets was mainly attributable to the capitalisation of prepaid development expenditure into the construction costs of Cheery Hotel Huzhou during the financial year.

Property, plant and equipment

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

Intangible assets

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

Trade and other payables

The increase in trade and other payables was due mainly to the accrual of hotel development expenditure. This is partly offset by lower commission payable as at FY20, which was in line with the discontinuation of real estate agency business operations in the fourth quarter of FY19.

Borrowings

The Group's borrowings consisted mainly of term loans of RMB10.0 million and S\$5.0 million granted by licensed banks during the financial year.

C. Review of Cash Flow

In FY20, the Group recorded a decrease of S\$2.9 million in cash and cash equivalents. The decrease was due mainly to:

- i. net cash used in operating activities of S\$1.3 million. The cash outflow resulted from the operating loss during the financial year; and
- ii. net cash used in investing activities of S\$8.0 million. This was mainly due to additional construction cost incurred for the Cheery Hotel Huzhou.

The decrease was partly offset by the net cash provided by financing activities of S\$6.5 million. This was mainly due to the drawdown of term loans during the financial year.

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

Not applicable.

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

The spread of COVID-19 in the PRC is under control since the second quarter of 2020. The government of PRC strongly encourages internal tourism and travel. In July 2020, trans-provincial group tourism was allowed and the restrictions on tourist attractions was eased. The news cheered the entire hospitality industry in China. In the recent October 1 Golden Week holidays, it is reported that a few hundred million local residents made domestic travels in China.

The business of Cheery Hotel Huzhou is improving since it resumed full operations in April 2020. The room occupancy rate is above 80% during the 7-day period in the October 1 Golden Week holidays. However, the Group expects the business environment to remain challenging in the next 12 months due mainly to the uncertainties arising from the COVID-19 pandemic which directly impacted the hospitality industry.

As for the residential and commercial development in Huzhou, the Group is reviewing the development implementation and business plans in view of the COVID-19 pandemic and resulting recessions which has affected the PRC and globally.

11. If a decision regarding dividend has been made:

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

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

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

Not applicable.

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

Not applicable.

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

Not applicable.

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

Not applicable.

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

No dividend has been declared for the year ended 30 June 2020 because of losses incurred in the financial year ended 30 June 2020 and the financial position of the Company.

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

No IPT mandate has been obtained for the financial year ended 30 June 2020.

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

Not applicable.

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

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

PART II ADDITIONAL INFORMATION REQUIRED FOR FULL-YEAR ANNOUNCEMENT

- 16. Segmented revenue and results for operating segments (or the group) in the form presented in the issuer’s most recently audited annual financial statements, with comparative information for the immediately preceding year.**

The Group is organised into business units based on both geography and business segment. For FY20, the Group had four reportable operating segments: investment, real estate agency, real estate development and hospitality.

	← Singapore →		← PRC →		Total S\$'000
	Investment S\$'000	Real estate agency S\$'000	Real estate development S\$'000	Hospitality S\$'000	
Group 2020					
Revenue from external parties	-	146	-	479	625
Gross profit	-	8	-	217	225
Other gains and losses, net					
- Interest income from bank deposits	1	-	4	1	6
- Impairment loss on financial assets at amortised cost	-	(16)	-	-	(16)
- Others	(574)	185	78	32	(279)
Distribution and marketing expenses	-	(2)	-	(429)	(431)
Administrative expenses	(2,332)	(59)	(1,736)	(2,275)	(6,402)
Finance expense	(37)	-	-	(41)	(78)
Loss before income tax	(2,942)	116	(1,654)	(2,495)	(6,975)
Income tax credit	1	-	-	12	13
Net (loss)/profit	(2,941)	116	(1,654)	(2,483)	(6,962)
Depreciation	387	2	25	858	1,272
Amortisation	-	-	-	10	10
Segment assets	9,252	122	22,653	32,091	64,118
Segment assets include					
Additions to:					
- Property, plant and equipment	4	1	2	8,228	8,235
- Intangible assets	-	-	-	37	37
Segment liabilities	5,491	160	1,202	6,064	12,917

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

17. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by operating segments.

Please refer to Section 8 for a review of the Group's performance.

18. A breakdown of sales

	Latest financial year S\$'000	Previous financial year S\$'000	Increase/ (decrease) %
(a) Sales reported for first half-year	274	5,313	(94.8)
(b) Operating loss after tax before deducting non-controlling interests reported for first half-year	(3,643)	(2,779)	31.1
(c) Sales reported for second half-year	351	2,347	85.0
(d) Operating loss after tax before deducting non-controlling interests reported for second half-year	(3,319)	(3,638)	(8.8)

19. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year as follows:-

- (a) Ordinary**
- (b) Preference**
- (c) Total**

Not applicable.

20. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(10) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.

Name	Age	Family relationship with any director and/or substantial shareholder	Current position and duties, and the year the position was held	Details of changes in duties and position held, if any, during the year
<i>Nil</i>	<i>Nil</i>	<i>Nil</i>	<i>Nil</i>	<i>Nil</i>

There are no persons occupying managerial positions in the Company or any of its principal subsidiary corporations who are relatives of a director or chief executive officer or substantial shareholder of the Company.

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

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

There were no interested person transactions, as defined in Chapter 9 of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited, entered into by the Group or by the Company for the financial year ended 30 June 2020.

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

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

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

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

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

Note:

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

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

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

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

23. **Whitewash waiver**

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

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

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

(the “Whitewash Waiver”).

Disclosure Note required under the Code

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

- (a) the Shareholders (other than Mr. Hano Maeloa and Ms Oei Siu Hoa @ Sukmawati Widjaja, the concert parties of the Concert Party Group and parties not independent of them) approved the Whitewash Resolution waiving their rights to receive a mandatory general offer from the Concert Party Group in accordance with Rule 14 of the Code, in the event that the Concert Party Group’s subscription of the Rights Shares and Warrant Shares (as defined in the 2017 Circular) arising from the exercise of the Rights cum Warrants Issue and/or the Adjustment Warrant Shares (as defined in the 2017 Circular) arising from the exercise of the Adjustment Warrants (including (a) the subscription of up to 7,785,299,728 Rights Shares by Mr. Oei pursuant to the Sub-underwriting Commitment; and/or (b) the exercise of up to 7,785,299,728 2018 Warrants A subscribed by Mr. Oei under the Sub-underwriting Commitment) results in the Concert Party Group incurring an obligation to make a mandatory general offer pursuant to Rule 14 of the Code. To rely on the Whitewash Resolution, the acquisition of Rights Shares and 2018 Warrants A under the Rights cum Warrants Issue by the Concert Party Group must be completed within three (3) months of the approval of the Whitewash Resolution, and (A) the acquisition of the Warrant Shares by the Concert Party Group upon the exercise of the 2018 Warrants A and (B) the acquisition of new Shares upon the exercise of the Adjustment Warrants by Mr. Hano Maeloa and Ms. Oei Siu Hoa @ Sukmawati Widjaja must be completed with five (5) years of the date of issue of the Warrants A (being 30 January 2023);
- (b) based on the latest available information, the Concert Party Group holds in aggregate:
 - (i) 6,669,033,775 Shares representing 37.42% of the voting rights in the capital of the Company; and
 - (ii) 371,068,831 2015 Warrants, 5,228,472,227 2018 Warrants A and 2,197,820,126 2018 Warrants B (collectively, the “Convertibles”);
- (c) the maximum potential voting rights of the Concert Party Group in the Company, assuming that only the Concert Party Group (but not other Shareholders) exercise their Convertibles in full is 55.72% (based on the enlarged share capital which includes the shares issued arising from the exercise of Convertibles held by the Concert Party Group);
- (d) having approved the Whitewash Resolution on 6 December 2017, Shareholders have waived their rights to a general offer from the Concert Party Group and their concert parties at the highest price paid by the Concert Party Group for Shares in the past 6 months preceding the commencement of the offer; and
- (e) having approved the Whitewash Resolution on 6 December 2017, Shareholders could be forgoing the opportunity to receive a general offer from another person who may be discouraged from making a general offer in view of the potential dilution effect of (A) the 2018 Warrants A subscribed by the Concert Party Group pursuant to the Sub-underwriting Commitment or Rights cum Warrants Issue and (B) the Adjustment Warrants to be issued to Mr Hano Maeloa and Ms Oei Siu Hoa @ Sukmawati Widjaja.

BY ORDER OF THE BOARD

**Lee Keng Mun
Chief Operating Officer
26 October 2020**