

THE PROPOSED SHARE CAPITAL REDUCTION

1. INTRODUCTION

The Board of Directors has noted that there are disparities between the Company's share capital set out in the Company's unaudited financial statements for the financial year ending 31 December 2018, and the figures maintained by the Accounting and Regulatory Authority ("**ACRA**"). As at the date of this announcement, the Company has an issued share capital of S\$94,601,971.248. The records maintained with ACRA reflect that the Company has an issued share capital of S\$121,592,171.248.

The Board of Directors wishes to announce that, subject to the approval of the Company's shareholders (the "**Shareholders**") at an Extraordinary General Meeting ("**EGM**") to be convened, the Company intends to undertake a capital reduction exercise (the "**Proposed Share Capital Reduction**") pursuant to Section 78C of the Companies Act (Cap. 50) (the "**Companies Act**"), by which the issued and paid-up capital of the Company will be restructured by way of a reduction of the sum of S\$26,990,200.

2. THE PROPOSED SHARE CAPITAL REDUCTION

2.1 Details of the Proposed Share Capital Reduction

As noted at paragraph 1 above, there are disparities between the Company's issued and paid-up share capital and the records maintained by ACRA.

On further investigation, the Board has identified the causes of these disparities as follows:

- (a) In 2007, 2008, 2009 and 2012, the Company had used its share capital to pay its expenses incurred directly in the issue of new shares (the "**Share Capital Expenses**"). The total sum of the Share Capital Expenses is S\$1,983,287. These Share Capital Expenses were not communicated to ACRA at the material time(s).
- (b) In 2007, the Company issued 552,896,000 shares to Pacific Capital Investment Management Limited ("**PCIM**") from the conversion of convertible notes ("**Notes**") at a nominal value of S\$29,350,000 pursuant to the mandate granted to it by the Company's shareholders at the material time. In the financial year ended 31 December 2007, PCIM had subscribed for a nominal value of S\$30,000,000 of the Notes whereby a nominal value of S\$29,350,000 was converted into ordinary shares of the Company. As a result of the derecognition of the derivative financial instrument and changes in fair value of the derivative financial instrument relating to the Notes converted between 2007 and 2008, the Company's issued and paid-up capital increased by a sum of S\$3,521,849 (the "**Increase in Paid Up Capital**"). The Increase in Paid Up Capital was similarly not communicated to ACRA at the material time.
- (c) By way of a circular to the Shareholders dated 2 April 2015 (the "**2 April 2015 Circular**"), the Company proposed a restructuring of its share capital (the "**2015 Share Capital Restructuring**") under which the Company's issued and paid up share capital would be restructured by way of a reduction of the sum of S\$28,528,762, being accumulated losses on the Company's books (the "**Accumulated Losses**"). The Shareholders will recall that, at an EGM held on 20 April 2015, the 2015 Proposed Share Capital Restructuring was unanimously passed by the Company's shareholders (at the material time).

- (d) However, the 2015 Proposed Share Capital Restructuring was passed by way of ordinary resolution, and not special resolution as required under the Singapore Companies Act. As such, the 2015 Share Capital Restructuring was not effective, and the Company continues to maintain the Accumulated Losses on its books.

In order to regularise these disparities, and to achieve the aims of the 2015 Share Capital Restructuring as set out in the Circular to the Company's shareholders dated 2 April 2015, the Company now proposes that the Company's issued and paid-up share capital be reduced by the sum of S\$26,990,200, calculable in the following manner:

	S\$
Share Capital Expenses	(1,983,287)
Accumulated Losses (that were proposed to be reduced by way of the 2015 Proposed Share Capital Restructuring)	(28,528,762)
Increase in Paid Up Capital	3,521,849
	<u>(26,990,200)</u>

2.2 Illustration and Financial Effects

Assuming that the Proposed Share Capital Reduction had been completed on 31 December 2018:

(i) **Share Capital**

Issued and paid-up Share Capital	As at 31 December 2018	
	No. of Consolidated Shares	S\$
Before the Proposed Share Capital Reduction	221,933,192	121,592,171.248
After the Proposed Share Capital Reduction	221,933,192	94,601,971.248

- (ii) **Gearing.** The Proposed Share Capital Reduction will have no impact on the Company's Gearing as at 31 December 2018.
- (iii) **NAV per Consolidated Share.** The Proposed Share Capital Reduction will have no impact on the Company's NAV per Consolidated Share as at 31 December 2018.
- (iv) **EPS.** The Proposed Share Capital Reduction will have no impact on the Company's EPS for FY 2018.

The financial effects of the Proposed Share Capital Reduction presented above (i) are purely for illustrative purposes only and do not reflect the actual financial position of the Group after the Proposed Share Capital Reduction; and (ii) are based on the records maintained by ACRA read with the unaudited consolidated financial results of the Company for the full year ending 31 December 2018 and the number of Consolidated Shares (as defined in the Circular) as at 31 December 2018.

3. RATIONALE FOR THE PROPOSED SHARE CAPITAL REDUCTION

Having reviewed the capital structure of the Company, and taking into account that the above-defined historical corporate actions (i.e. the Share Capital Expenses, the Increase in Paid Up Capital, and the 2015 Share Capital Restructuring) have not been reflected in ACRA's records, the Board is of the following views:

- (a) the proposed Share Capital Reduction would realise the aims of the Board (at the time of the 2015 Share Capital Restructuring,) as stated at paragraphs 4.1 and 4.2 of the 2 April 2015 Circular to the Company's Shareholders (at the material time), namely that:
 - (i) the capital of the Company is unrepresented by available assets and the proposed Share Capital Reduction will allow the Group to achieve a more efficient capital structure;
 - (ii) given the Group's expansion of its Existing Real Estate Development Business (as defined in the 2 April 2015 Circular), the proposed Share Capital Reduction will allow the Group to maintain sufficient flexibility to position itself to take advantage of business opportunities which may arise in the near or medium term and to adequately cater for its expansion strategies. With a more efficient capital structure, the Company will be better placed to attract investors and financial institutions in order to fulfil its financing requirements.
 - (iii) after the completion of the proposed Share Capital Reduction, the Board believes that the Group is able to maintain a sufficient capital base to support its existing operations and to pay its debts as and when they fall due.
 - (iv) the proposed Share Capital Reduction enables each Shareholder to maintain the same proportionate shareholding in the Company.
- (b) Given that the Share Capital Expenses and the Increase in Paid Up Capital have not been recorded by ACRA, the Company is taking steps to ensure that the requisite lodgments are made to update ACRA's records.
- (c) Pursuant to Section 78C(2) of the Companies Act, the Company is not required to meet the solvency requirements under Section 78C(1)(b) of the Companies Act as the Proposed Share Capital Reduction does not involve a reduction, payment or distribution of cash or other assets by the Company, or a release of any liability owed to the Company.

4. APPROVALS AND CONDITIONS

The Proposed Capital Reduction is subject to, among other things, the following:

- (a) approval by the Shareholders of the special resolution for the Proposed Share Capital Reduction at the EGM;
- (b) compliance with the relevant publicity requirements as prescribed in the Companies Act;
- (c) no application having been made for the cancellation of the Shareholders' resolution approving the Proposed Share Capital Reduction by any creditor of the Company within the timeframe prescribed in the Companies Act, or if such application was made, the withdrawal or dismissal thereof by the judicial authorities; and
- (d) the Company after the end of six (6) weeks (but before the end of eight (8) weeks) beginning with the date on which the Proposed Share Capital Reduction was approved by the Shareholders, lodging with the Registrar —
 - (i) a statement made by the Directors confirming that the requirements under Section 78C(1)(c) and Section 78C(3) (if applicable) have been complied with, and that no application for cancellation of the resolution has been made; and

- (ii) a notice containing the Proposed Capital Reduction information.

The Company will make an immediate announcement on SGXNET to update Shareholders if any of the conditions for the Proposed Capital Reduction as set out in this section is not met.

Note:

Section 78C(3) of the Companies Act is not applicable in relation to the Proposed Capital Reduction as the Company need not meet solvency requirements pursuant to Section 78C(2) of the Companies Act.

5. EFFECTIVE DATE

If no application is received from any creditor of the Company for the cancellation of the resolution approving the Proposed Share Capital Reduction within six (6) weeks commencing from the date of the resolution approving the Proposed Share Capital Reduction, the Company will after the end of the aforesaid six (6) weeks and before the end of the eight (8) weeks, beginning with the date of the resolution approving the Proposed Share Capital Reduction, lodge the relevant documents required under Sections 78E(2)(i) and (ii) of the Companies Act with the Registrar, upon which the Proposed Share Capital Reduction will take effect.

The Company will thereafter announce and notify Shareholders of the effective date of the Proposed Share Capital Reduction through a SGXNET announcement to be posted on the SGX-ST website at https://www2.sgx.com/securities/company_announcement

6. NOTICE OF EGM AND LETTER TO SHAREHOLDERS

A Notice of EGM shall be despatched to the Shareholders on 8 April 2019. The circular in respect of the Proposed Share Capital Reduction (the “**Circular**”) and the Board’s Letter to Shareholders shall be published on the SGX-ST’s website.

As required by Rule 1212 of the Listing Rules of the SGX-ST, the despatched Notice of EGM shall contain instructions on how, where and when Shareholders may access the Circular and the Letter to Shareholders.

7. DIRECTORS’ RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement, and confirm, after making all reasonable enquiries and to the best of their knowledge and belief, that the facts stated and opinions expressed herein are fair and accurate in all material respects as at the date hereof, and that there are no material facts the omission of which would make any statement in this announcement misleading.

By Order of the Board

Dato’ Dr. Ong Bee Huat
Executive Deputy Chairman
8 April 2018