

Issuer: 3Cnergy Limited

Security: 3Cnergy Limited

Meeting details:

Date: 20 April 2017

Time: 10:00H

Venue: Nordic Conference Room, 1st Floor, No. 3 International Business Park, Nordic European Centre, Singapore 609927

Company Description

3Cnergy Limited, an investment holding company, provides property development and management services in Singapore and Malaysia. The company offers architectural design, project financial feasibility assessment, and engineering and construction management services. The company also provides research and management services for real estate properties. It serves property developers, land owners, and investors, as well as joint venture companies in the area of property development. The company was formerly known as HSR Global Limited and changed its name to 3Cnergy Limited in November 2013. 3Cnergy Limited was founded in 1980 and is based in Singapore. 3Cnergy Limited is a subsidiary of Phileo Capital Limited.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=502)

Q1. In the “Chairman Statement” (page 3 of the annual report), having mentioned that the company will be focusing on the development of the 43 acres of land in Puteri Harbour, Johor, the Chairman further added the following:

It is an understatement to say that this will be a challenging task. Some even think it is insurmountable. There are several reasons for this including the oversupply of properties in Malaysia, and Johor in particular, and the weak general economic outlook. Consumers in Malaysia are over-leveraged and banks have turned very cautious on new mortgage loans. Demand and property prices have fallen. The Malaysian Ringgit is weak and imported inflation threatens to weaken consumption further. Interest rates will also likely rise in the years ahead.

The Chairman then gave assurance that the move was “conceived out of a full awareness of the prevailing property condition” and the Marina Park development has the following selling points:

- caters to the ever-revolving lifestyle needs of the modern community
- diverse offerings of residential and commercial form an all-inclusive and holistic platform for multi-generational living
- economies of scale
- convenient and accessible to all the major amenities, and to Singapore and the rest of Malaysia

a) What are management’s projected returns from the development of Marina Park?

b) Pre-launch marketing efforts are said to be currently ongoing and the group targets to unveil the first phase by the third quarter of 2017. **Can management provide a more detailed timeline for the development?**

c) What is the estimated gross development value for phase 1 of the Marina Park development?

Q2. On 13 March 2017, the company has also announced a proposal to undertake a renounceable rights cum warrants issue of up to 383,381,747 new ordinary shares in the capital of the Company (page 7 – Financial and Operations review). The details are as follows:

It is on the basis of one Rights Share for every three existing ordinary shares at an issue price of \$0.067 for each Rights Share, with up to 766,763,494 free detachable warrants, with 2 warrants for every Rights Share. Each warrants carries the right to subscribe for one new ordinary share in the capital of the Company at an exercise price of \$0.10.

The Rights cum Warrants Issue is expected to raise net proceeds of up to approximately S\$25.39 million of which up to \$14 million has been allocated to carry out the first phase of the development.

a) Is \$14 million sufficient for the group to carry out the phase one development? If not, how is the group going to fund the development?

b) The warrant has an exercise price of \$0.10. **Can management help shareholders understand how the exercise price was determined?**

Q3. The company, on 3 April 2017, announced material differences to the unaudited consolidated financial statements for FY2016, following the finalisation of the audit. The main difference was the accounting treatment for the acquisition of 3C Marina Park Sdn. Bhd. (formerly known as Liberty Bridge Sdn. Bhd.) (“3C Marina”) on 11 August 2016, which led to a difference of \$28.6 million in the cost of land held for property development and property development.

The acquisition of 3C Marina was initially accounted as business combination, under FRS 103 but this was changed to an acquisition of assets and liabilities under FRS 102 Share Based Payment in the recent audit.

- a) **Can the audit committee explain if there have been any external changes that led to the change in the accounting treatment of the acquisition?**
- b) **What was the audit committee's role in the preparation of the financial statements and its oversight of the group's accounting policies?**
- c) **How can management better prepare the financial statements to give a true and fair view in accordance with the provisions of the Act and FRSs?**