ASPIAL

Corporation Ltd

Company Registration No: 197001030G

(Incorporated in Singapore)

UNAUDITED FIRST QUARTER FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019

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1. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

1(i) Consolidated Statement of Comprehensive Income For The Financial Period Ended 31 March 2019 ("1Q 2019")

	Group		
	1Q 2019 S$'000	1Q 2018 S$'000	Change %
Revenue	**173,763**	**213,432**	**-19%**
Materials and subcontract costs	(110,233)	(156,302)	**-29%**
Employee benefits	(15,523)	(12,832)	**21%**
Depreciation and amortisation	(6,262)	(1,466)	**327%**
Finance costs	(11,344)	(7,142)	**59%**
Other operating expenses	(21,152)	(29,558)	**-28%**
Interest income	2,157	2,883	**-25%**
Rental income	538	660	**-18%**
Other income	2,789	2,594	**8%**
Share of results of associates and a joint venture	(1,073)	579	**n.m**
Profit before tax	**13,660**	**12,848**	**6%**
Taxation	(6,596)	(3,757)	**76%**
Profit for the period	**7,064**	**9,091**	**-22%**
Other comprehensive income			
Net fair value changes on debt and equity instruments at fair value through other comprehensive income	2,661	(2,719)	**n.m**
Foreign currency translation	(732)	(6,872)	**-89%**
Share of other comprehensive income of an associate and a joint venture	1,613	2,552	**-37%**
Other comprehensive income for the period, net of tax	**3,542**	**(7,039)**	**n.m**
Total comprehensive income for the period	**10,606**	**2,052**	**417%**
<u>Profit attributable to:</u>			
Owners of the Company	4,601	7,641	**-40%**
Non-controlling interests	2,463	1,450	**70%**
	7,064	**9,091**	**-22%**
<u>Total comprehensive income attributable to:</u>			
Owners of the Company	8,052	2,480	**225%**
Non-controlling interests	2,554	(428)	**n.m**
	10,606	**2,052**	**417%**
Earnings per ordinary share (cents)			
-Basic	**0.24**	**0.39**	**-39%**
-Diluted	**0.24**	**0.39**	**-39%**

1. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

Other information :-

	Group		Change
	1Q 2019 S$'000	1Q 2018 S$'000	%
Other Income			
Foreign exchange gain	1,675	182	819%
Reversal of impairment in investment securities	-	1,786	n.m
Government grants and other miscellaneous income	1,114	626	78%
	2,789	**2,594**	
Other operating expenses	**(21,152)**	**(29,558)**	
Included in Other Operating Expenses			
Net foreign exchange loss	(340)	(6,053)	-94%
Manufacturing and melting loss	(135)	(172)	-21%
Property, plant and equipment written off	(16)	(256)	-94%
Impairment loss on property, plant and equipment	(439)	-	n.m
Net fair value loss on derivatives	(616)	-	n.m
Interest receivables written-off	(11)	-	n.m

n.m - means "not meaningful"

NOTES:

1a. The Group recognises all inventory, including trade-in stock and sales return stock at their cost values. For finished stocks aged 2 years and above, partial provisions for stock obsolescence were made to take into consideration labour costs for designing and rework.

1b. The decrease in materials and subcontract costs in 1Q 2019 was mainly due to lower revenue for the real estate and pawnbroking businesses.

1c. The increase in employee benefits for 1Q 2019 was mainly due to increase in number of employees for financial service business and higher staff costs for overseas jewellery business.

1d. The significant increase in depreciation and amortisation was mainly attributable to depreciation of right-of-use (ROU) assets arising from adoption of SFRS(I) 16 *Leases*.

1e. The increase in finance costs for 1Q 2019 was mainly due to the adoption of SFRS(I) 15 *Revenue from Contracts with Customers*. Borrowing cost relating to contracts with customers for which an entity transfers control of units over time, should not be capitalised.

1f. Lower other operating expenses in 1Q 2019 were mainly due to decrease of net foreign currency exchange loss for financial service and overseas real estate businesses, partially offset by higher holding costs incurred for properties held for sale and recognition of sales commission upon the settlement of units sold for overseas real estate business.

1g. The increase in other income was mainly attributable to net foreign currency exchange gain for overseas real estate business.

1h. The decrease in share of results of associates and a joint venture in 1Q 2019 was largely due to share of losses from an associate.

1i. Higher effective tax rate in 1Q 2019 was mainly due to higher tax rate for its overseas real estate business.

2. STATEMENTS OF FINANCIAL POSITION

	Group		Company	
	31-Mar-19 S$'000	31-Dec-18 S$'000	31-Mar-19 S$'000	31-Dec-18 S$'000
Non-current assets				
Property, plant and equipment	93,801	91,155	210	191
Intangible assets	9,868	10,244	947	1,054
Investment properties	74,339	72,523	-	-
Investment in subsidiaries	-	-	227,204	227,204
Investment in associates	18,406	19,324	-	-
Investment in joint ventures	14,804	13,346	5,000	5,000
Investment securities	99,566	99,303	500	500
Trade and other receivables	26,622	16,686	-	-
Right-of-use assets	78,292	-	-	-
Prepayments	-	1	-	-
Deferred tax assets	3,429	3,530	286	87
	419,127	**326,112**	**234,147**	**234,036**
Current assets				
Inventories	150,348	147,413	-	-
Contract assets	45,259	44,918	-	-
Development properties	551,588	590,335	-	-
Properties held for sale	71,844	76,135	-	-
Trade and other receivables	318,658	326,229	204	2,202
Prepayments	6,029	6,798	227	231
Due from subsidiaries (non-trade)	-	-	207,348	211,712
Due from joint ventures (non-trade)	86,543	86,099	86,536	86,093
Due from associates (non-trade)	669	276	-	-
Investment securities	2,955	3,679	-	-
Derivatives	1,922	2,537	-	-
Cash and bank balances	75,925	59,020	381	164
	1,311,740	**1,343,439**	**294,696**	**300,402**
Total assets	**1,730,867**	**1,669,551**	**528,843**	**534,438**
Current liabilities				
Trade and other payables	53,904	73,887	5,560	8,158
Due to subsidiaries (non-trade)	-	-	204,429	185,665
Due to a joint venture (non-trade)	25	25	-	-
Due to an associate (non-trade)	1,908	2,028	-	-
Provision for taxation	15,022	14,250	-	-
Lease liabilities	18,709	-	-	-
Term notes and bonds	62,750	82,750	64,250	83,000
Interest-bearing loans and borrowings	468,121	461,655	-	-
	620,439	**634,595**	**274,239**	**276,823**
Net current assets	**691,301**	**708,844**	**20,457**	**23,579**
Non-current liabilities				
Interest-bearing loans and borrowings	105,549	104,346	-	-
Term notes and bonds	499,958	505,122	-	-
Other payables	6,098	3,121	-	-
Lease liabilities	60,011	-	-	-
Deferred tax liabilities	21,643	15,804	-	-
	693,259	**628,393**	**-**	**-**
Total liabilities	**1,313,698**	**1,262,988**	**274,239**	**276,823**
Net assets	**417,169**	**406,563**	**254,604**	**257,615**
Equity attributable to shareholders of the Company				
Share capital	226,930	226,930	226,930	226,930
Treasury shares	(2,589)	(2,589)	(2,589)	(2,589)
Other reserves	(24,325)	(27,776)	1,413	1,413
Revenue reserves	113,936	109,335	28,850	31,861
	313,952	**305,900**	**254,604**	**257,615**
Non-controlling interests	103,217	100,663	-	-
Total equity	**417,169**	**406,563**	**254,604**	**257,615**
Net asset value per ordinary share (in cents)	**16.21**	**15.80**	**13.15**	**13.30**

2. STATEMENTS OF FINANCIAL POSITION (CONTINUED)

2a. - Review of Financial Position

Group shareholders' funds increased from S$406.6 million as at 31 December 2018 to S$417.2 million as at 31 March 2019. This was mainly contributed by the increase in revenue reserves, other reserves and non-controlling interests. The increase in other reserves was largely due to changes in fair value of debt and equity instruments and share of results from a joint venture.

The Group's total assets of S$1,730.9 million as at 31 March 2019 was S$61.3 million higher than that as at 31 December 2018. This was mainly attributable to the increase in right-of-use assets, cash and bank balances, inventories, trade and other receivables and property, plant and equipment, partially offset by the decrease in development properties and properties held for sale. The increase in right-of-use assets was mainly due to the adoption of SFRS(I) 16 *Leases*. The decrease in development properties and properties held for sale was mainly attributable to partial recognition of costs relating to the settlement of units sold for Avant and Australia 108 projects, partially offset by on-going construction costs, interest costs and development expenditures for Australia 108 and other overseas projects.

The Group's total liabilities of S$1,313.7 million as at 31 March 2019 was S$50.7 million higher than that as at 31 December 2018. This was largely due to the lease liabilities arising from the adoption of SFRS(I) 16 *Leases*, increase in interest-bearing loans and borrowings and deferred tax liabilities, partially offset by decrease in term notes and bonds and trade and other payables. The decrease in trade and other payables was mainly due to the payment of construction costs and accrued interest expenses for the real estate business. The decrease in term notes and bonds was mainly due to buy- back and cancellation of term notes in first quarter of 2019.

3. CONSOLIDATED STATEMENT OF CASH FLOWS

	1Q 2019 S$'000	1Q 2018 S$'000
Operating activities		
Profit before tax	13,660	12,848
Adjustments for:		
Property, plant and equipment written off	16	256
Impairment loss on investment in an associate	-	5
Impairment loss on property, plant and equipment	439	-
Net fair value loss on derivatives	616	-
Reversal of impairment on investment securities	-	(1,786)
Depreciation of property, plant and equipment	1,411	1,276
Depreciation of right-of-use assets	4,550	-
Write back of inventories	(99)	-
Interest receivables written-off	11	-
Interest expense	10,708	6,511
Interest income	(2,157)	(2,883)
Amortisation of prepaid rent	1	-
Amortisation of intangible assets	301	190
Amortisation of prepaid commitment fees	650	631
Amortisation of premium on term notes	(14)	(13)
(Gain)/loss on disposal of investment securities	(20)	656
Share of results of associates and a joint venture	1,073	(417)
Unrealised foreign exchange differences	(4,044)	6,016
Operating profit before changes in working capital	**27,102**	**23,290**
Decrease/(increase) in:		
Inventories	(3,256)	815
Development properties	41,309	4,431
Properties held for sale	4,534	(9,757)
Trade and other receivables	(1,544)	12,996
Prepayments	115	402
(Decrease)/increase in:		
Trade and other payables	(15,877)	6,374
Net cash flows generated from operations	**52,383**	**38,551**
Interest paid	(10,215)	(11,881)
Income taxes paid	(239)	(198)
Net cash flows generated from operating activities	**41,929**	**26,472**
Investing activities		
Purchase of property, plant and equipment	(4,505)	(7,881)
Proceeds from sale of property, plant and equipment	-	313
Purchase of intangible assets	(36)	(45)
Interest received	539	1,079
Purchase of investment securities	(2,990)	(53,980)
Proceeds from disposal of investment securities	6,514	42,759
Due from associates (non-trade), net	(513)	(174)
Due (from)/to a joint venture (non-trade), net	(443)	155
Net cash flows used in investing activities	**(1,434)**	**(17,774)**
Financing activities		
Dividends paid to non-controlling interests of subsidiaries	(1,096)	-
Proceeds from issuance of ordinary shares by subsidiaries to non-controlling interests	-	6,302
Repayment of term notes	(25,157)	-
Proceeds from term loans	31,915	93,938
Repayment of term loans	(19,907)	(9,734)
(Repayment of)/proceeds from short-term bank borrowings, net	(4,664)	15,228
Repayment of lease liabilities	(4,642)	-
Repayment of finance lease obligations	(42)	(18)
Net cash flows (used in)/generated from financing activities	**(23,593)**	**105,716**

3. CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

	1Q 2019 S$'000	1Q 2018 S$'000
Net increase in cash and cash equivalents	16,902	114,414
Cash and cash equivalents at beginning of period	59,020	54,888
Effects of exchange rate changes on cash and cash equivalents	3	(200)
Cash and cash equivalents at end of period	**75,925**	**169,102**

Cash and cash equivalents

Cash and cash equivalents included in the consolidated statement of cash flows comprise the following amounts:-

	1Q 2019 S$'000	1Q 2018 S$'000
Amounts held under the "Project Account (Amendment) Rules - 1997" withdrawals of which are restricted to payments for expenditure incurred on projects	1,796	12,062
Cash at bank	74,129	157,040
Cash and cash equivalents	**75,925**	**169,102**

3a. - Cashflow Analysis

Net cash generated from operating activities for 1Q 2019 was S$41.9 million as compared to S$26.5 million in 1Q 2018. This was mainly attributable to decrease in development properties and properties held for sale, partially offset by increase in inventories, trade and other receivables and decrease in trade and other payables. The decrease in development properties and properties held for sale was mainly due to partial recognition of costs relating to the settlement of units sold for Avant and Australia 108 projects to cost of sales, partially offset by on-going construction costs, interest costs and development expenditures for Australia 108 and other overseas projects.

Net cash used in investing activities of S$1.4 million in 1Q 2019 was largely attributable to refurbishment of a property, partially offset by net proceeds from disposal of investment securities.

Net cash used in financing activities was S$23.6 million in 1Q 2019 as compared to net cash generated from financing activities of S$105.7 million for 1Q 2018. The net cash used in financing activities was mainly due to buy-back and cancellation of term notes in first quarter of 2019.

As a result, cash and cash equivalent balances increased to S$75.9 million as at 31 March 2019 from S$59.0 million as at 31 December 2018.

4. STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company				Non-controlling interests S$'000	Total S$'000
	Share capital S$'000	Treasury shares S$'000	Revenue reserves S$'000	Other reserves S$'000		
<u>Group</u>						
Balance as at 1 January 2019	**226,930**	**(2,589)**	**109,335**	**(27,776)**	**100,663**	**406,563**
Profit for the period	-	-	4,601	-	2,463	**7,064**
Other comprehensive income for the period						
Net fair value changes on debt and equity instruments at FVOCI	-	-	-	2,411	250	**2,661**
Foreign currency translation	-	-	-	(573)	(159)	**(732)**
Share of other comprehensive income of an associate and a joint venture	-	-	-	1,613	-	**1,613**
Other comprehensive income, net of tax	-	-	-	3,451	91	**3,542**
Balance as at 31 March 2019	**226,930**	**(2,589)**	**113,936**	**(24,325)**	**103,217**	**417,169**
Balance as at 1 January 2018						
- As previously reported	226,930	(2,589)	96,231	16,438	89,738	426,748
- Effects of adopting SFRS(I) 1	-	-	13,104	(28,314)	-	(15,210)
- Effects of adopting SFRS(I) 15	-	-	(2,591)	-	(288)	(2,879)
- As restated	**226,930**	**(2,589)**	**106,744**	**(11,876)**	**89,450**	**408,659**
- Effects of adopting SFRS(I) 9	-	-	(9,367)	7,835	-	(1,532)
- As restated	**226,930**	**(2,589)**	**97,377**	**(4,041)**	**89,450**	**407,127**
Profit for the period	-	-	7,641	-	1,450	**9,091**
Other comprehensive income for the period						
Net fair value changes on debt and equity instruments at FVOCI	-	-	-	(2,412)	(307)	**(2,719)**
Foreign currency translation	-	-	-	(5,301)	(1,571)	**(6,872)**
Share of other comprehensive income of a joint venture	-	-	-	2,552	-	**2,552**
Other comprehensive income, net of tax	-	-	-	(5,161)	(1,878)	**(7,039)**
Contributions by and distributions to owners						
Premium on dilution of interests in subsidiary	-	-	-	253	-	**253**
Capital contribution from non-controlling interests				(74)	6,376	**6,302**
Total contributions by and distributions to owners	-	-	-	179	6,376	**6,555**
Changes in ownership interests in subsidiaries						
Acquisition of non-controlling interests in subsidiaries	-	-	-	(3,727)	2,720	**(1,007)**
Changes in ownership interests in subsidiaries without a change in control	-	-	(106)	5	(152)	**(253)**
Total changes in ownership interests in subsidiaries	-	-	(106)	(3,722)	2,568	**(1,260)**
Balance as at 31 March 2018	**226,930**	**(2,589)**	**104,912**	**(12,745)**	**97,966**	**414,474**

4. STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

	Attributable to shareholders of the Company				Non-controlling interests	Total
	Share capital S$'000	Treasury shares S$'000	Revenue reserves S$'000	Other reserves S$'000	S$'000	S$'000
Company						
Balance as at 1 January 2019	**226,930**	**(2,589)**	**31,861**	**1,413**	**-**	**257,615**
Profit for the period, representing total comprehensive income for the period	-	-	(3,011)	-	-	**(3,011)**
Balance as at 31 March 2019	**226,930**	**(2,589)**	**28,850**	**1,413**	**-**	**254,604**
Balance as at 1 January 2018	**226,930**	**(2,589)**	**28,715**	**1,413**	**-**	**254,469**
Loss for the period, representing total comprehensive income for the period	-	-	(1,358)	-	-	**(1,358)**
Balance as at 31 March 2018	**226,930**	**(2,589)**	**27,357**	**1,413**	**-**	**253,111**

5. CHANGES IN SHARE CAPITAL

	Company	
	No. of shares '000	S$ '000
Issued and fully paid share capital (excluding treasury shares)		
Balance at 1 January and 31 March 2019	1,936,491	224,341

6. CHANGES IN TREASURY SHARES

There were no (31 March 2018: nil) treasury shares transferred to employees under the Aspial Share Award Scheme during the financial period.

	Company	
	No. of shares '000	S$ '000
Balance at 1 January and 31 March 2019	9,405	2,589

7. CHANGES IN SUBSIDIARY HOLDINGS

Not applicable. The company does not have any subsidiary holdings.

8. GROUP BORROWINGS AND DEBT SECURITIES

Amount repayable in one year or less, or on demand

As at 31-Mar-19		As at 31-Dec-18	
Secured S$'000	Unsecured S$'000	Secured S$'000	Unsecured S$'000
468,121	62,750	461,655	82,750

Amount repayable after one year

As at 31-Mar-19		As at 31-Dec-18	
Secured S$'000	Unsecured S$'000	Secured S$'000	Unsecured S$'000
105,549	499,958	104,346	505,122

Details of collateral

The Group's borrowings and debt securities are secured as follows:-

i) legal mortgages over subsidiaries' development properties;
ii) legal assignment of subsidiaries' interest under the Sale and Purchase agreements and tenancy agreements in respect of development properties or units;
iii) legal assignment of subsidiaries' interest in the Project Account and Rental Account;
iv) corporate guarantee by the Company; and
v) fixed and floating charge on all current assets of certain subsidiaries.

9. AUDITOR'S REPORT

The figures have not been audited nor reviewed by the auditors.

10. ACCOUNTING POLICIES

Except as disclosed in paragraph 11 below, the Group has applied the same accounting policies and methods of computation in the first quarter results announcement for the current financial period ended 31 March 2019 as those of the audited financial statements for the financial year ended 31 December 2018, as well as all applicable new and revised Singapore Financial Reporting Standards (International) ("SFRS(I)") which became effective for financial years beginning on or after 1 January 2019.

The adoption of other SFRS(I) and Interpretations of SFRS(I) relevant to the Group's operations which are effective for annual periods beginning on or after 1 January 2019 does not have a material impact on the financial statements, except as disclosed in paragraph 11 below.

11. CHANGES IN THE ACCOUNTING POLICIES

The Group has adopted the SFRS(I) 16 *Leases* with effect from 1 January 2019. The Group has applied the simplified transition approach and will not restate comparative amounts for the year prior to first adoption and has not restated comparatives for the 2018 reporting period as permitted under the specific transition provisions in the standard.

12. EARNINGS PER SHARE

	Group	
	1Q 2019	1Q 2018
i) Basic earnings per share (cents)	0.24	0.39
ii) Diluted earnings per share (cents)	0.24	0.39
-Weighted average number of shares (excluding treasury shares) ('000)	1,936,491	1,936,491

13. NET ASSET VALUE PER SHARE

	Group		Company	
	31-Mar-19	31-Dec-18	31-Mar-19	31-Dec-18
Net asset value per ordinary share (in cents)	16.21	15.80	13.15	13.30
Number of ordinary shares in issue (excluding treasury shares) ('000)	1,936,491	1,936,491	1,936,491	1,936,491

14. VARIANCE FROM FORECAST STATEMENT

No forecast for the period ended 31 March 2019 was previously provided.

15. REVIEW OF CORPORATE PERFORMANCE

Group pre-tax profit was higher for all 3 core businesses in 1Q 2019 despite registering lower Group revenue.

Group revenue for 1Q 2019 was S$173.8 million compared with S$213.4 for the corresponding period in 2018.

Revenue from Real Estate Business declined by 26.3% from S$133.7 million in 1Q 2018 to S$98.5 million in 1Q 2019. The decrease was primarily due the lower sales from Avant and CityGate projects which were completed in 2018. Although the Australia 108 project contributed the bulk of the revenue for 1Q 2019, the higher contribution was not able to offset the lower sales from Avant and CityGate projects.

Revenue from the Financial Service Business decreased by S$7.3 million or 13.5% to S$46.6 million in 1Q 2019. The decrease was due to lower sales from the retailing and trading of jewellery and branded merchandise.

The Jewellery Business recorded a marginal drop in revenue of S$0.8 million or 2.6% in 1Q 2019. The lower revenue was mainly due to the absence of sales from the Citigems brand. The Jewellery Business disposed Citigems Pte Ltd in April 2018.

Group pre-tax profit for 1Q 2019 was S$13.7 million which is 6.3% higher than 1Q 2018.

Pre-tax profit for the Real Estate Business increased by S$3.6 million or 31.0% to S$15.2 million in 1Q 2019 due mainly to higher profit contribution from Australia 108 project.

The Financial Service Business registered a pre-tax profit of S$3.4 million, 30.8% higher than 1Q 2018. The increase in pre-tax profit was mainly due to higher profit contribution from the pawnbroking operation and lower foreign exchange loss partially offset by lower profit contribution from the retail and trading of jewellery and branded merchandise.

The Jewellery Business posted a pre-tax loss of S$1.4 million in 1Q 2019 as compared to a loss of S$1.8 million in 1Q 2018. The lower pre-tax loss was mainly due to the reduction in operating costs for the retail business in Singapore, partially offset by higher operating costs for its overseas retail operations and adjustments which include the effect from the adoption of SFRS(I) 16 *Leases* and amortisation of goodwill.

The share of loss from associate and a joint venture was mainly due to reversal of capitalised borrowing costs of an associate and lower profit from its share of profit from AF Global Limited.

16. BUSINESS OUTLOOK

Real Estate Business

In Singapore, the Group will continue to sell the remaining commercial units in its CityGate project.

The Group continues to make good progress with the construction of the Australia 108 project in 1Q 2019. As at the date of this announcement, the construction of Australia 108 has progressed to level 75 out of 101 levels and is ahead of contracted schedule.

The table below provides an overview of the ongoing projects of the Group in Australia:

Project	Type	Total Units	Launch Date	Units Launched	% Sold based on unit launched [1]
In Australia					
Australia 108 (Melbourne)	Residential	1,103	4Q 2014	1,103	88%
Nova City Tower 1 (Cairns)	Mixed use development	187	4Q 2016	101	61%

In the next twelve months, the Group will continue with the sale of the Nova City project in Cairns and plans to award the construction contract for Tower 1 of the project.

The Group has started its hotel operations at some of the completed properties in Georgetown, Penang, since 2018 and is currently planning to increase another 300 keys (total 320 rooms) by the end of 2021. Overall, the business and occupancy of its hotels has been encouraging.

Going forward, the Group expects to make substantial profits from its Australia 108 project in Australia. The Real Estate Business is expected to contribute significantly to the Group's revenue and profitability in FY 2019 and FY 2020 due to the following reasons:

First, the Group has locked in about S$520 million of unbilled contracts from Australia 108.

Second, the Group expects the profit margin of the subsequent phases of Australia 108 project to be higher than the earlier ones as the average sales per square metre rate for higher floors are better than those for the lower ones.

[1] Computed based on the number of sale and purchase agreements that have been entered into and still subsisting (less any sale and purchase agreements for those completed units that have been rescinded) or fully settled as at the date of this announcement

16. BUSINESS OUTLOOK (CONTINUED)

Real Estate Business (continued)

Third, the Group is expected to book revenue and profit from Australia 108 as it completes progressively from 2019 to 2020.

Financial Service Business

The Group has continued to grow its core business of pawnbroking and retailing of new and pre-owned merchandise despite keen competition and increasing operating costs. To keep the growth momentum, the Group will continue to invest in brand building, improve its merchandise range, review and expand the retail network.

Jewellery Business

The Group expects consumer sentiments to remain fairly stable and it will continue to improve operational effectiveness and efficiency of its Jewellery Business.

AF Global Limited

The existing core business of AF Global Limited ("AFG"), namely the hotel and serviced residence business, is expected to remain stable and contribute positively to the Group.

The Group announced in April 2019 that AFG had completed the disposal of its entire paid-up ordinary shares of L.C. (London) Ltd which owns Crowne Plaza London Kensington hotel in London. AFG estimated a net gain of approximately S$18 million from the sale of shares.

The Group will continue to focus on improving its business operations and enhancing the return from its asset portfolio through asset enhancement initiatives, acquisitions and divestments.

Debt Analysis

Group total debt has declined in 1Q 2019. Total debt of S$1,136.4 million as at 31 March 2019 was S$17.5 million lower than 31 December 2018 mainly due to the repayment of loans for Australia 108 project and buyback of term notes and bonds.

Of the total loans and borrowings of S$573.7 million, about S$234.0 million was property development-related loans for the Real Estate Business and the balance of S$339.7 million was mainly working capital/mortgage loan for its Financial Service Business, Jewellery Business, investment in properties and securities.

As at 31 March 2019, the Group has outstanding term notes and bonds of S$562.7 million; comprising S$496.7 million of Aspial bonds and S$66.0 million of Maxi-Cash bonds. This is S$25.2 million lower than the previous year due to market purchase of bonds and term notes by the Group.

The Group expects to improve its debt and cash profile in coming quarters due to the following reasons:

First, the Group expects to receive up to S$520 million from the settlement and handovers of units for Australia 108 (subject to actual settlements).

Second, the Group expects to receive up to S$35.4 million from the Certificate of Statutory Completion and Subsidiary Strata Certificate of Title from CityGate project.

Third, the Group intends to repay the outstanding term notes of about S$62.75 million due in June 2019.

As part of the Group's strategy to improve its debt position, the Group intends to use part of the cash proceeds to purchase some of its remaining term notes and bonds, which may include, but not limited to those due in 2019 and 2020, prior to the maturity dates of these notes and bonds.

The purchase of its term notes and bonds may be done via various channels such as open market purchase and tender offer and will enable the Group to improve its debt position and reduce negative carry.

Barring unforeseen unfavorable changes in Australian and Malaysian currencies, the Group expects to be profitable in 2019.

17. INTERESTED PERSON TRANSACTIONS

The Group does not have a general mandate from shareholders for interested person transactions pursuant to Rule 920(1)(a)(ii) of the Listing Manual.

18. DIVIDEND

(i) Any dividend declared for the current financial period reported on?
No

(ii) Any dividend declared for the preceding financial period?
No

(iii) If no dividend has been declared (recommended), a statement to that effect and the reason(s) for the decision.
No dividend has been declared or recommended as the Group intends to retain its cash for its working capital, reduce its borrowings and to fund future growth. As such, no dividend has been declared or recommended for the period.

19. CONFIRMATION THAT THE ISSUER HAS PROCURED UNDERTAKINGS FROM ALL ITS DIRECTORS AND EXECUTIVE OFFICERS PURSUANT TO RULE 720 (1) OF THE LISTING MANUAL

The Company confirms that all the required undertakings under Rule 720 (1) of the Listing Manual have been obtained from all its directors and executive officers in the format set out in Appendix 7.7.

20. NEGATIVE CONFIRMATION BY THE BOARD

On behalf of the Board of Directors of the Company, we hereby confirm to the best of our knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the unaudited financial statements for the three months ended 31 March 2019 to be false or misleading in any material respect.

On behalf of the Board of Directors,

Koh Wee Seng CEO	Koh Lee Hwee Director

9 May 2019