



ASPIAL

CORPORATION LIMITED

PROGRESSIVE.
REPUTABLE.
BRILLIANCE.
ANNUAL REPORT 2017

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Nova City by
World Class Global
Artist's Impression



Rebecca Lim,
MediaCorp Artiste/Goldheart
Brand Ambassador, and
Mode Gold 916 collection
by Goldheart

CHIEF EXECUTIVE OFFICER'S MESSAGE

Significant milestones are expected to be achieved for the Group's iconic skyscraper projects in downtown Melbourne. Upon completion of AVANT and three of the six stages for Australia 108, the Group will emerge stronger as its equity, cash and debt position are expected to be substantially strengthened.

DEAR SHAREHOLDERS

Most of you would remember that the Group had taken on financial leverage in recent years to support our property development projects both in Singapore and overseas. This included the issuance of two rounds of retail bond offerings which received overwhelming investor interest, despite a macroeconomic environment undermined by uncertainty and volatility.

We worked hard in laying the foundation. We sowed the seeds for the future.

You will be heartened to know that as of today, we are standing on the cusp of reaping the fruits of our labour. In the course of 2018, we expect to witness milestone developments for our real estate business on several fronts.

In Singapore, we are on track to obtain the Temporary Occupation Permit ("TOP") for CityGate before year's end. Over in Melbourne, Australia, all the residential units of AVANT are slated to be handed over to purchasers by the end of 2018. Our other iconic skyscraper project, Australia 108, will see the completion of construction for three out of its six phases in 2018.

These developments will have the overall effect of enabling the Group to realise cash proceeds of about S\$1.0 billion. As a result, Aspiat's debt, equity and cash positions will be substantially strengthened in the year ahead.

REVIEW OF FY2017

In the year under review, Group revenue decreased by 21.9% to S\$485.1 million, compared with S\$621.0 million in the preceding year. The Group's Real Estate, Financial Service and Jewellery businesses contributed S\$185.7 million, S\$188.4 million and S\$118.4 million to overall Group revenue, respectively. Group revenue was largely boosted by the Financial Service Business, as a result of a growing pledge book and topline growth in the retail and trading of jewellery and branded merchandise business.

Group profit before tax for FY2017 more than doubled to S\$14.8 million, compared with S\$6.9 million previously. Overall, the Group's pre-tax profit was weighed down by the Jewellery Business which turned in a pre-tax loss of S\$8.3 million in FY2017, compared with S\$5.3 million in FY2016. This was mainly due to the lower revenue recorded for this business segment.



Nova City by World Class Global Artist's Impression



Holiday Inn Resort Phuket by AF Global

CHIEF EXECUTIVE OFFICER'S MESSAGE

In the course of the financial year, the Group had also taken into account the following net costs amounting to S\$4.6 million. These included:

- Sales and marketing expenditure of S\$1.6 million mainly for the marketing of the remaining units of Australia 108 and AVANT projects in Melbourne, and Phase 1 of Nova City in Cairns;
- One-off Initial Public Offering (“IPO”) expenses of S\$1.7 million for World Class Global;
- One-off impairment charge of S\$1.7 million for investment securities;
- Allowance for write-down of S\$1.3 million for development properties in Penang and properties held for sale in Australia; and
- Net foreign exchange gain of S\$1.7 million for its overseas real estate business.

Excluding these costs, the Group would have reported a pre-tax profit of S\$19.4 million in FY2017.

REAL ESTATE BUSINESS

Revenue contribution from the Real Estate Business slipped 45.1% to S\$185.7 million, compared with S\$338.0 million in the preceding comparative period. This was mainly due to lower revenue from its Singapore projects and the completed contract accounting method applied to its overseas projects. Specifically, the Group witnessed solid progress in the sales and construction of its Australia 108 and AVANT development projects, but was unable to progressively recognise revenue until project completion.

The business segment recorded a pre-tax profit of S\$9.5 million, compared to S\$7.4 million in the preceding year; largely due to higher profit from CityGate and foreign exchange gain. These were offset by listing expenses in connection with the IPO of the Group's overseas real estate business – World Class Global.

In the course of FY2017, the Group continued to register sales for its local and overseas development projects. These included the CityGate project along Beach Road in Singapore, as well as Australia 108 and AVANT which are nestled within the Central Business District (“CBD”) of Melbourne, Australia.

While the residential units at CityGate are already 100% sold, the Group expects to continue recording sales for its remaining commercial units in 2018. Construction progress for the development is on schedule and TOP is expected by end-2018.

Further afield, the Group made significant progress for its Australia 108 and Avant projects. As at February 2018, both projects are ahead of their construction schedules – the construction of Australia 108 has reached 43 out of 101 levels, while a topping out ceremony was held at Level 56 of AVANT in early February 2018.

In late February 2018, the Group notified purchasers of the 203 completed residential units occupying the first 30 storeys of AVANT that their units are ready to be handed over. With this handover, the Group expects to recognise revenue of up to A\$104.8 million, subject to actual settlements. The second phase handover of the remaining 241 apartment units at AVANT is expected to be completed in the next six months, enabling the Group to recognise revenue of up to A\$151.6 million, subject to actual settlements. More than 97% of the residential units of AVANT have been sold, chalking up sales totalling A\$256.4 million (approximately S\$266.4m).

In Penang, the Group has completed the refurbishment, upgrading and building works for 13 properties, some of which comprise rows of conservation shophouses.

FINANCIAL SERVICE BUSINESS

In FY2017, the Financial Service Business registered a 15.4% growth in revenue to S\$188.4 million, up from S\$163.2 million previously. This arose from higher interest income from the growing pledge book of the pawnbroking business, higher sales from the retailing and trading of jewellery and branded merchandise business, and a maiden contribution from the secured lending business.

Pre-tax profit for the business segment rose S\$1.8 million or 13.6% to S\$15.0 million in FY2017. This was primarily due to higher interest income from the secured lending business. The increase in interest income from the pawnbroking business and gross profit from the retail and trading of jewellery and branded merchandise was partially offset by the increase in marketing and other operating costs.

CHIEF EXECUTIVE OFFICER'S MESSAGE (CONTINUED)



Maxi-Cash Financial Services



Future Gold Le Royale Collection by Citigems

JEWELLERY BUSINESS

The Group's Jewellery Business was impacted by an environment of weak consumer sentiment, and the ongoing consolidation of its retail network. This resulted in a year-on-year dip of 8.5% in revenue to S\$118.4 million, compared to S\$129.4 million in the earlier year.

Consequently, the business segment registered a pre-tax loss of S\$8.3 million in FY2017 compared to S\$5.3 million in FY2016. The higher loss was primarily due to lower revenue.

While operating expenses such as rental and other store-related expenses have been reduced due to ongoing rationalisation of its retail network, these were not sufficient to offset the segment's lower gross profit and revenue.

OTHER INVESTMENTS

Revenue for AF Global Limited was S\$55.7 million in FY2017, S\$1.5 million higher than FY2016. Pre-tax profit of S\$13.9 million was S\$4.6 million higher than the previous year, contributed mainly by better performance of its hotel and serviced residences, and higher profit recognised by the joint venture company in Xuzhou, PRC, as larger units and villas that were sold were handed over to the buyers.

PROSPECTS FOR 2018

REAL ESTATE BUSINESS

In 2018, significant milestones are expected to be achieved for the Group's iconic skyscraper projects in downtown Melbourne. Three of the six stages for Australia 108 will be

completed, while both phases of AVANT will be completed and handed over to purchasers. The Group expects to receive more than S\$700 million of sales proceeds when these completed development units are handed over to purchasers.

Going forward, the Group will continue with the sale of residential and commercial units at the Nova City project in Cairns. Additionally, the intention is to launch a 92-storey development project along Albert Street in Brisbane; this will be contingent on market and macroeconomic conditions at that point in time.

At the prevailing market prices, the Group is expected to make a substantial profit from its ongoing development projects in Singapore and Australia. Between FY2018 and FY2020, the Real Estate Business is poised to contribute significantly to the Group's topline and bottomline, underpinned by the following factors:

- Based on the units sold for CityGate as at February 2018, a total of S\$120.0 million of unbilled contracts has been locked in, and will be recognised progressively in accordance with the stage of construction;
- Unbilled contracts totalling S\$1.1 billion has been locked in for the Australia 108 and AVANT projects;
- The Group is expected to progressively book profit from these projects from 2018 to 2020.

CHIEF EXECUTIVE OFFICER'S MESSAGE

Overall, the Group has locked in more than S\$1.2 billion of unbilled contracts in both Singapore and Australia. Based on the expected completion of these projects, the Group anticipates approximately S\$1.0 billion of cash proceeds from the sales in FY2018. Part of these proceeds will be utilised to pare down outstanding loans and to cover the remaining development costs for the projects.

The Group will emerge stronger upon completion of these projects, and expects its equity, cash and debt position to be substantially strengthened in 2018.

FINANCIAL SERVICE BUSINESS

Despite keen competition in a sector that is impacted by escalating operating costs, the Financial Service Business turned in a highly commendable performance in FY2017 with growth at both the revenue and pre-tax profit levels.

The Group intends to further build on this growth momentum in the next twelve months. The strategic imperatives are multi-fold; and these include solidifying Maxi-Cash's brand positioning and value, expanding the breadth and depth of its merchandise, and reviewing the retail network on a regular basis.

We will strive to maintain our leadership position in the industry, guided by a strong focus on professionalism among staff and in upholding excellent customer service.

JEWELLERY BUSINESS

According to the Ministry of Trade & Industry, the pace of growth in the Singapore economy is expected to moderate in 2018 as compared to 2017, but will remain firm. Growth is expected to broaden to domestically-oriented services sectors such as retail on the back of an improvement in consumer sentiment, amid the ongoing recovery in the labour market.

While the Group also anticipates an improvement in consumer sentiment in 2018, it will spare no effort in improving operational effectiveness and efficiency in its Jewellery Business, and to capitalise on opportunities as they present themselves.

OTHER INVESTMENTS

AF Global Limited's core business of hotel and serviced residences is expected to contribute positively to the Group.

Its Xuzhou Gulou Square commercial plot in China, which comprises two towers and a podium have structurally topped-out, while office tower units are primed for a soft launch.

Over in Rawai, Phuket, a renowned architect and consultants have already been engaged to draw up development plans for a proposed 5-star premium resort. The soaring tourism numbers, underpinned by a 11.3% surge in airport passenger

The following table provides a snapshot of the Group's ongoing projects in Singapore and Australia:

Project	Type	Total Units	Launch Date	Units Launched	% Sold based on unit launched
In Singapore					
CityGate*	Residential	311	3Q 2014	311	100%
CityGate*	Commercial	188	3Q 2014	188	73%
In Australia					
Australia 108 (Melbourne)	Residential & Commercial	1,103	4Q 2014	1,103	98%
AVANT (Melbourne)	Residential & Commercial	456	2Q 2015	456	97%
Nova City Tower 1 (Cairns)	Residential & Commercial	187	4Q 2016	101	37%

*CityGate is 50% owned by a subsidiary of the Group and jointly developed with Fragrance Group Limited.





Australia 108 by
World Class Global
Artist's Impression

CHIEF EXECUTIVE OFFICER'S MESSAGE



Celestial Collection by Goldheart

arrivals at Phuket in 2017, together with the planned light rail network, are anticipated to have a positive impact on the proposed resort.

ACKNOWLEDGEMENT

Aspial has faced several tests over the last few years – these range from macroeconomic uncertainties, volatility in capital and financial markets, to markets impacted by lacklustre consumer sentiment.

But the foundation that we have built over the years across the entire organisation has put us in good stead today. A foundation which has empowered us to weather challenges, and positioned the Group to end the year in a stronger position than it started.

Over the past three years, the Group has grown from strength to strength across its business portfolio. Our globalisation drive enables us to make headway in new markets as we expanded our geographical footprint. We have become a more international company, and have business in new countries such the United Kingdom, Germany, China, Laos, Thailand and Vietnam.

With expanded geographical coverage, we can effectively build larger cross-border platforms across our brands in the four business segments. With exposure across industries and countries, we are able to source for opportunities in a larger playing field and diversify risks across geographical borders.

With our competitive advantages, diverse businesses and opportunities available in our expanded marketplace, Aspial is well positioned to deliver on its commitments. We will manage our businesses with a long term view, even as we adapt and invest for the future.

On behalf of the Board, I would like to thank Aspial's leadership team and employees across the business segments, for their unrelenting commitment and dedication.

I would also like to take the opportunity to thank all our valued customers, shareholders and business partners for their continued support.

KOH WEE SENG

Chief Executive Officer



Purple Gold ring by Lee Hwa Jewellery



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BUSINESS REVIEW

OVERVIEW

Although the Group recorded a drop in revenue from S\$621.0 million to S\$485.1 million in FY2017, our pre-tax profit increased by 114.5% from S\$6.9 million in FY2016 to S\$14.8 million in FY2017. The Real Estate Business and the Financial Service Business continued to drive our growth.

REAL ESTATE BUSINESS

In 2017, we had three development projects in progress, CityGate in Singapore and Australia 108 and Avant in Melbourne, Australia. Although we had made good progress for all the three development projects, we could only recognise the revenue and profit for our CityGate project in line with the construction. For Australia 108 and Avant projects, we apply the completed contract method and hence we cannot progressively recognise their revenues and profits. As a result, our revenue decreased by S\$152.3 million from S\$338.0 million in FY2016 to S\$185.7 million in FY2017.

Despite the decrease in revenue, we registered an increase in pre-tax profit from S\$7.4 million in FY2016 to S\$9.5 million in FY2017. The higher pre-tax profit was achieved despite the one-off listing expenses of S\$1.7 million incurred in connection with the IPO of our overseas real estate business, sales and marketing expenditure of S\$1.6 million mainly for the marketing of our Australia projects and write down of S\$1.3 million mainly for our Penang Office and The Woods project in Cairns. We had also recorded a net foreign exchange gain of S\$1.7 million. Excluding the above costs and gain, our Real Estate Business's pre-tax profit would have been S\$12.4 million.



Destinée Promise ring by Lee Hwa Jewellery

BUSINESS REVIEW (CONTINUED)



CityGate by World Class Land Artist's Impression

FINANCIAL SERVICE BUSINESS

In the midst of a challenging operating environment for our financial service business, we delivered another year of double digit revenue growth in 2017. Our revenue increased by 15.4% from S\$163.2 million in FY2016 to S\$188.4 million in FY2017.

We recorded a pre-tax profit of S\$15.0 million, up 13.6% from S\$13.2 million in the preceding year. The higher pre-tax profit was driven by higher interest income from the secured lending business and the pawnbroking business.

JEWELLERY BUSINESS

The retail environment continued to be very challenging in 2017 due to weak consumer sentiment. We maintained our efforts to streamline our retail network with the closure of 11 retail stores in 2017. As we continued to consolidate our retail network, our revenue declined 8.5% to S\$118.4 million.

Although operating costs such as rental and store-related expenses had reduced in tandem with the reduction in the number of retail stores, the cost reduction was unable to offset the lower revenue and gross profit. As a result, our pre-tax loss increased by S\$3.0 million from S\$5.3 million in FY2016 to S\$8.3 million in FY2017.



Maxi-Cash iKiosk



Maxi-Cash LuxeStyle



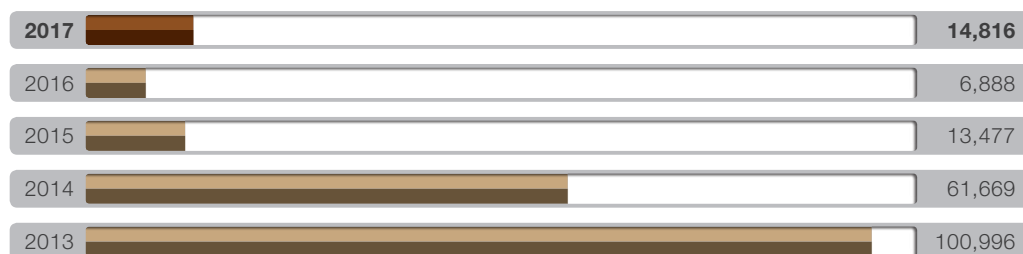
Highend Highlight tension ring by Niessing

FINANCIAL HIGHLIGHTS

TOTAL TURNOVER (S\$'000)



PROFIT BEFORE TAX (S\$'000)



NET ASSET VALUE (S\$'000)



GROUP'S 5-YEAR FINANCIAL HIGHLIGHTS

(S\$)	2017 (^{'000})	2016 (^{'000})	2015 (^{'000})	2014 (^{'000})	2013 (^{'000})
Total Turnover	485,051	621,036	464,064	510,061	515,262
Profit Before Tax	14,816	6,888	13,477	61,669	100,996
Profit After Tax	5,842	4,810	9,158	53,631	85,466
Paid-up Capital	226,930	226,152	215,872	202,179	152,611
Total Equity	426,748	376,870	376,295	369,745	330,281
Net Asset Value	337,010	311,989	327,200	325,358	292,509
Earnings Per Share (cents)	0.12	0.06	0.46	2.41	4.08

CORPORATE INFORMATION

DIRECTORS

Koh Wee Seng

Chief Executive Officer

Koh Lee Hwee

Executive Director

Ko Lee Meng

Non-Executive and

Non-Independent Director

Wong Soon Yum

Lead Independent Director

Kau Jee Chu

Independent Non-Executive Director

Ng Bie Tjin @ Djuniarti Intan

Independent Non-Executive Director

COMPANY SECRETARY

Lim Swee Ann Felix

CPA, ACIS

REGISTERED OFFICE

50 Raffles Place #32-01

Singapore Land Tower

Singapore 048623

SHARE REGISTRAR

B.A.C.S. Private Limited

8, Robinson Road #03-00

ASO Building

Singapore 048544

PRINCIPAL BANKERS

United Overseas Bank Limited

Oversea-Chinese Banking Corporation
Limited

DBS Bank Ltd.

The Hongkong and Shanghai Banking
Corporation Limited

Malayan Banking Berhad

CIMB Bank Berhad

RHB Bank Singapore

National Australia Bank

Hong Leong Finance Limited

AUDITOR

Ernst & Young LLP

One Raffles Quay

North Tower, Level 18

Singapore 048583

Partner-in-charge:

Max Loh Khum Whai

(Chartered Accountant,

a member of the Institute of

Singapore Chartered Accountants)

(Since financial year ended

31 December 2016)

BOARD OF DIRECTORS

Koh Wee Seng is our CEO and is responsible for the strategic planning, overall management and business development of the Group. Since late 1994, when the new management team, led by Mr Koh, took over the reins, the Group has overcome the challenges posed by changing consumer demand by implementing wide ranging and fundamental changes in its jewellery business. Mr Koh has also successfully led the Group's diversification into the real estate business and financial service business. Mr Koh holds a Bachelor's degree in Business Administration from the National University of Singapore.

Koh Lee Hwee is our Executive Director. Ms Koh is currently heading World Class Land Pte. Ltd., a subsidiary of Aspial Corporation Limited. Prior to her appointment, Ms Koh was also the CEO for our subsidiary Maxi-Cash Financial Services Corporation Ltd. ("Maxi-Cash") which is listed on Catalist of SGX. She was responsible for the strategic planning, overall management and business development of Maxi-Cash group of companies. She has held the position of Vice President (Manufacturing) of the Group, where she oversaw and spearheaded the growth of our manufacturing division and was responsible for the overall production plans, technology, management and development. Ms Koh has more than 20 years of experience in the jewellery industry. Ms Koh holds a Bachelor's degree in Arts from the National University of Singapore.

Ko Lee Meng is our Non-Executive Director and Non-Independent Director. On 1 October 2015, she relinquished her role as Executive Director and remains as the Non-Executive Director of the Group. Ms Ko has more than 25 years of experience in the jewellery industry and was previously the head of the Group's retail merchandising and manufacturing departments where she oversaw the management, manufacturing, replenishment and distribution of merchandise to our jewellery retail stores. Ms Ko holds a Bachelor's degree in Arts from the National University of Singapore.

Wong Soon Yum is our Lead Independent Director. Mr Wong is the Chairman of our Audit Committee. Mr Wong started his career in the banking industry in 1971 with The Chase Manhattan Bank, N.A. and retired from his position as a Senior Vice President of Oversea-Chinese Banking Corporation Limited in late 1998. Mr Wong holds a Professional Diploma in Accountancy from Singapore Polytechnic and completed the Management Programme of Stanford-National University of Singapore.

Kau Jee Chu is our Independent Non-Executive Director and Chairman of Nominating Committee. He has more than 35 years of working experience in areas of accounting, manufacturing, finance and securities. His past careers included serving as the Regional Accountant of Commonwealth Development Corporation, General Manager of Federal Chemical Industries (Singapore) Pte. Ltd., General Manager of Singapura Building Society Ltd., CEO/Executive Director of Overseas Union Trust Ltd. and Chairman of OUB Securities Pte. Ltd.. Mr Kau is an accountant by profession and is a fellow of the Association of the Chartered Certified Accountants, United Kingdom.

Ng Bie Tjin @ Djuniarti Intan is our Independent Non-Executive Director. Ms Ng is the Chairman of our Remuneration Committee and member of Audit Committee and Nominating Committee. Ms Ng was a director of Datapulse Technology Limited from 7 January 1994 to 30 November 2014, and during that time, was a member of the Nominating Committee. During the 22 years period, Ms Ng was the Finance Director. Apart from overseeing the daily operations of the finance functions including accounting, finance, treasury and capital management, she was responsible for administration and implementation of corporate finance strategies and policies, corporate governance and internal control policies and procedures, investor relations, and identification and evaluation of new business opportunities. She is also an independent director of SunMoon Food Company Limited from 31 August 2017 and is the Chairman of the Audit and Risk Committee and member of Remuneration and Nominating Committee. She is also a director of Uniseraya Holdings Pte. Ltd. from January 2015. Ms Ng holds a Masters in Business Administration from the University of Southern California.

KEY MANAGEMENT

Lim Swee Ann, Felix currently serves as the Chief Financial Officer of our Group. Before joining the Group, he worked for two listed companies, one each in Singapore and Malaysia. He has more than 20 years of experience working in the finance organisation of various industries including ship building, manufacturing, retail and property development. He holds a Bachelor's degree in Commerce and Administration from Victoria University of Wellington in New Zealand and a Master of Business from Victoria University of Technology (Australia). He is a member of CPA Australia and a member of The Singapore Association of the Institute of Chartered Secretaries and Administrators.

Ng Kean Seen is our Group's Senior Director for Corporate Marketing and Business Development. He oversees the corporate marketing team, which manages the messages and outward appearances of the Group. He also overlooks the Group's local jewellery retail business and manages the Group's investments in Niessing jewellery, bullion and safe keeping businesses. He is currently spearheading Niessing's expansion into key Asia Pacific cities. Mr. Ng has more than 17 years' experience in the jewellery trade. Prior to joining the Group, he was working in engineering and construction, automobile and financial services sectors. He graduated with a Bachelor of Engineering with Management (Hons) from University of Leeds (UK) and obtained a Master of Science in Marketing from City University of New York (US). He has also attended Chicago Business School and ESSEC Business School.

Tan Chiew Hoon, Theresa is currently our Group's Corporate Human Resource Director and manages all aspects of the human resource functions. She is responsible for developing, managing and administering human resource strategies and initiatives in support of business imperatives and operations of the Group. She joined us in 1999 as an Assistant Human Resource Manager and has since grown and progressed with our Group to her current employment status. She has more than 18 years' experience in the jewellery industry. She holds a Bachelor's degree in Arts from the National University of Singapore and Master of Human Resource Management from Rutgers, the State University of New Jersey. Since her graduation, she has anchored her career in the human resource profession and assumed numerous human resource roles and functions in the construction, retail as well as information technology industry.

Lim Julie is currently our Group's Corporate Information Technology Director and manages all aspects of the IT functions ranging from infrastructure, hardware to applications. She has spent majority of her career in the IT industry and has more than 25 years of experience, and out of which 15 years in the IT project management and planning. Julie is a certified Project Manager from both the Project Management Institution (PMI) and Infocomm Development Authority of Singapore (IDA) as well as a certified Enterprise Architecture (TOGAF). Before joining the Group, she was in IT consulting and banking arena. She holds a Honors Degree in Computing and Information System from University of London and Degree in Psychology from University of Singapore Institute of Management.

CORPORATE GOVERNANCE REPORT



CORPORATE GOVERNANCE REPORT

The board of directors (the “**Board**” or the “**Directors**”) of Aspiat Corporation Limited (the “**Company**”) is committed to setting and maintaining a high standard of corporate governance to promote greater transparency, accountability, performance and integrity. The Company has substantially complied with the revised Code of Corporate Governance 2012 (the “**Code**”) through effective self-regulatory corporate practices to protect and enhance the interests and value of its shareholders.

This report describes the Company’s corporate governance practices with specific reference to the Code in its annual report. Unless otherwise stated, the Company has complied with all the principles and guidelines of the Code.

BOARD MATTERS

THE BOARD’S CONDUCT OF AFFAIRS

Principle 1: Effective Board to lead and control the Company

The Board directs and leads the business affairs of the Company and its subsidiaries (collectively, the “**Group**”) and is responsible for setting the strategic direction and establishing goals for protection and enhancement of long-term value and returns for the shareholders. The Board works with the senior management team of the Company (“**Management**”) to achieve these goals set for the Group. To ensure smooth operations, facilitate decision-making and ensure proper controls, the Board has delegated some of its powers to its committees and Management. The committees and Management remain accountable to the Board.

In addition to its statutory duties, the principal functions of the Board are to:

- provide entrepreneurial leadership, set strategic directions, and ensure the necessary financial and human resources are in place for the Group to meet its objectives;
- establish a framework of prudent and effective controls which enable risks to be assessed and managed;
- review management performance; and
- set the Group’s corporate values and standards which include ethical standards and ensure that obligations to shareholders and others are understood and met.

The Company has internal guidelines setting forth matters that require Board’s approval. The material transactions that require Board’s approval under such guidelines are as follows:

- approval of quarterly results announcements;
- approval of full year results and financial statements;
- declaration of interim dividends and proposal for final dividends;
- convening of shareholders’ meetings;
- authorisation of merger and acquisition transactions; and
- authorisation of major transactions.

The Board has, without abdicating its responsibilities, delegated certain matters to specialised committees of the Board. The committees include the Audit Committee (“**AC**”), the Nominating Committee (“**NC**”) and the Remuneration Committee (“**RC**”) (collectively, the “**Board Committees**”). The Board Committees assist the Board in carrying out and discharging its duties and responsibilities efficiently and objectively. The Board Committees function within clearly defined terms of reference and operating procedures. The effectiveness of the Board Committees is also reviewed by the Board on an annual basis.

CORPORATE GOVERNANCE REPORT

BOARD MATTERS (CONTINUED)

THE BOARD'S CONDUCT OF AFFAIRS (CONTINUED)

Principle 1: Effective Board to lead and control the Company (Continued)

The Board has met on a quarterly basis as warranted. Ad-hoc meetings are held to address significant issues or transactions. The Board members also meet regularly with Management to discuss the business operations of the Group either formally or informally.

The Company's Constitution provides for the Board to convene meetings by way of telephone conference and/or by means of similar communication equipment where all Directors participating in the meetings are able to hear each other. Decision of the Board and the Board Committees may also be obtained through circular resolutions.

The Board met four (4) times in the financial year ended 31 December 2017 ("FY2017"). The details of the number of the Board and the Board Committees meetings held in the calendar year and the attendance of each Director at those meetings are set out below:

Name of Directors	Board		Audit Committee		Nominating Committee		Remuneration Committee	
	No. of meeting held	No. of meeting attended	No. of meeting held	No. of meeting attended	No. of meeting held	No. of meeting attended	No. of meeting held	No. of meeting attended
Koh Wee Seng	4	4	4*	4*	1	1	1*	1*
Koh Lee Hwee	4	4	4*	4*	1*	1*	1*	1*
Ko Lee Meng	4	4	4	4	1*	1*	1	1
Wong Soon Yum	4	4	4	4	1	1	1	1
Kau Jee Chu	4	4	4	4	1	1	1	1
Ng Bie Tjin @ Djuniarti Intan	4	4	4	4	1	1	1	1

* By invitation

A formal letter of appointment would be provided to the existing Non-Executive Directors which sets out the Directors' duties and responsibilities and the Board governance policies and practices. In line with the corporate governance best practices, formal letter of appointment would be provided to every new Director, setting out their duties and responsibilities and obligations as a Director in respect of potential conflicts of interest, their interested person transactions and disclosure of Director's interests.

Newly appointed Directors are also given an orientation on the Group's businesses and strategic directions, so as to familiarise them with the Group's operations and encourage effective participation in Board discussion. All Directors are updated on major developments of the Group. Familiarisation visits would be organised, if necessary, to facilitate a better understanding of the Group's business operations.

CORPORATE GOVERNANCE REPORT

BOARD MATTERS (CONTINUED)

THE BOARD'S CONDUCT OF AFFAIRS (CONTINUED)

Principle 1: Effective Board to lead and control the Company (Continued)

To enhance Director's performance as Board member or Board Committee member, all Directors are encouraged to undergo continual professional development during the term of their appointment. Professional development may relate to directors' duties and responsibilities, corporate governance, key changes in the relevant regulatory requirements, changes in financial reporting standards and industry related matters. Directors will also receive regular updates on changes in the relevant laws and regulations, changing commercial risks and business conditions to enable them to make well-informed decisions. During the past three (3) years, some of the Directors attended seminars and talks on topics relating to update in financial reporting and risk management. The Group's external auditors would also provide regular updates and periodic briefing to the AC on changes or amendments to the accounting standards and their impact on the financial statements, if any.

BOARD COMPOSITION AND GUIDANCE

Principle 2: Strong and independence element on the Board

The Board exercises objective judgment on the corporate affairs of the Group independently from Management and its 10% shareholders. No individuals or a small group of individuals dominate the decisions of the Board.

As at the date of this report, the Board comprises two (2) Executive Directors, one (1) Non-Executive and Non-Independent Director and three (3) Independent Non-Executive Directors. No Alternate Director is appointed. The Independent Non-Executive Directors make up half of the Board and this composition is in compliance with the Code's requirement whereby the Chairman is part of Management team.

Executive Directors

Koh Wee Seng	Chief Executive Officer
Koh Lee Hwee	Executive Director

Non-Executive Directors

Wong Soon Yum	Lead Independent Director
Kau Jee Chu	Independent Non-Executive Director
Ng Bie Tjin @ Djuniarti Intan	Independent Non-Executive Director
Ko Lee Meng	Non-Executive and Non-Independent Director

The Board considers a Director as "independent" Director if the Director has no relationship with the Company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement with a view to the best interests of the Group.

The independence of each Director is reviewed annually by the NC. The NC adopts the Code's definition of what constitutes an Independent Director in its review. The NC has reviewed and determined that Mr Wong Soon Yum, Mr Kau Jee Chu, and Ms Ng Bie Tjin @ Djuniarti Intan are independent. After taking into account the views of the NC, the Board is of the view that the Directors concerned remain independent of character and judgement and there were no relationships or circumstances which were likely to affect, or could appear to affect, the Directors' judgement.

CORPORATE GOVERNANCE REPORT

BOARD COMPOSITION AND GUIDANCE (CONTINUED)

Principle 2: Strong and independence element on the Board (Continued)

In respect of the two Independent Non-Executive Directors, namely, Mr Wong Soon Yum and Mr Kau Jee Chu who have served as Board members for more than nine (9) years, the NC has considered their length of service and their continued independence. The independence of character and judgement of both Directors were not in any way affected or impaired by the length of their service. The NC has also conducted a review on the performance of each of the two Independent Directors and considers that each of these Directors brings invaluable expertise, experience and knowledge to the Board and that they continue to contribute to the Board. The Board concurs with the views of the NC and is satisfied with the performance and continued independence of judgement of the two Independent Non-Executive Directors.

The Board does not consider it to be in the interests of the Company and shareholders to require all Directors who have served for more than nine (9) years to retire. Greater emphasis is placed on whether they have demonstrated independent judgement and professionalism in discharging their duties and how they have contributed to the progress of the Group. The Board is of the view that the continuity and stability of the Board provide for a more effective decision-making process with the directors thoroughly familiar with the Group's various business activities.

The Directors consider the Board's present size of six (6) members and composition appropriate to facilitate effective decision-making, taking into account the nature and scope of the Group's operations and the wide spectrum of skills and knowledge of the Directors.

The Independent Non-Executive Directors participate actively in the Board meetings. Their professional expertise and competency in their respective fields in the banking, finance and accounting provide constructive advice and guidance for effective discharge by the Board of the Group's strategies and business affairs.

The Independent Non-Executive Directors would also constructively challenge and help develop proposals on the Group's business strategy and review the performance of Management in meeting agreed goals and objectives as well as monitoring the reporting of performance.

Where necessary, the Independent Non-Executive Directors meet and discuss on the Group's affairs without the presence of Management. The Company would make available its premises for use by the Non-Executive Directors to meet without the presence of Management.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Principle 3: Clear division of responsibilities and balance of power and authority

The Company currently does not have a Chairman to preside over the Board. All Board meetings are usually chaired by the Company's Chief Executive Officer ("CEO"), Mr Koh Wee Seng. The Board is of the opinion that the process of decision-making by the Board has been independent and had been based on collective decisions without any individual exercising any considerable concentration of power or influence. All Directors would ensure that they have collectively taken decisions in the interests of the Company.

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND CHIEF EXECUTIVE OFFICER (CONTINUED)

Principle 3: Clear division of responsibilities and balance of power and authority (Continued)

As Chairman of the meeting, Mr Koh is responsible for:

- leading the Board to ensure its effectiveness;
- setting agenda for Board meetings and to ensure adequate time for discussion;
- promoting openness and discussion during the Board meetings;
- ensuring that Directors receive complete, adequate and timely information;
- ensuring effective communication with the shareholders;
- encouraging constructive relations within the Board and between the Board and Management;
- facilitating effective contributions of Non-Executive Directors; and
- promoting high standards of corporate governance.

In line with the Code's recommendation, the Board has appointed Mr Wong Soon Yum, an Independent Non-Executive Director, as the Lead Independent Director since the Chairman of the meeting and the CEO is the same person. The Lead Independent Director would be available to shareholders where they have concerns for which contact through the normal channels of the CEO or the Chief Financial Officer ("CFO") has failed to resolve.

Where necessary, the Lead Independent Director shall lead the meetings among the Independent Non-Executive Directors without the presence of other Directors. The Lead Independent Director shall provide feedback to the Chairman of the meeting after such meetings, if it is necessary.

BOARD MEMBERSHIP

Principle 4: Formal and transparent process for the appointment and re-appointment of Directors to the Board

The Chairman of the NC, Mr Kau Jee Chu, is an Independent Non-Executive Director who is neither a substantial shareholder nor directly associated with a substantial shareholder.

The NC comprises the following four (4) members, three (3) of whom, including the Chairman, are Independent Non-Executive Directors:

Kau Jee Chu	Chairman
Wong Soon Yum	Member
Ng Bie Tjin @ Djuniarti Intan	Member
Koh Wee Seng	Member

CORPORATE GOVERNANCE REPORT

BOARD MEMBERSHIP (CONTINUED)

Principle 4: Formal and transparent process for the appointment and re-appointment of Directors to the Board (Continued)

The NC carries out its duties in accordance with a set of written terms of reference which includes, mainly, the following:

- reviewing, assessing, making recommendations to the Board on the appointment of all Directors, including making recommendations on the composition of the Board (taking into account Guidelines 2.1, 2.2, 2.3 and 3.3 of the Code, progressive renewal of the Board, each Director's qualifications, competency, the number of other listed company board representations and whether he/she is independent);
- reviewing the Board structure, size and composition having regard to the scope and nature of the operations, the requirements of the business, the diversity of skills, experience, gender and knowledge of the Company and the core competencies of the Directors individually and as a group. The NC shall make recommendations to the Board with regard to any adjustments that may be deemed necessary;
- reviewing, assessing and recommending nominee(s) or candidate(s) for re-appointment or re-election to the Board and to consider his/her competencies, commitment, contribution, performance and whether or not he/she is independent;
- making plans for succession, in particular for the Chairman of the Board and the CEO;
- determining, on an annual basis, if a Director is independent bearing in mind the circumstances set forth in Guidelines 2.3 and/or 2.4 of the Code and other salient factors. If the NC determines that a Director, who has one or more relationships mentioned therein or who has served on the Board beyond nine (9) years, can be considered independent, the Company should disclose in full, the nature of the Director's relationship and bear responsibility for explaining why he/she should be considered independent. Conversely, the NC has the discretion to determine that a Director is non-independent even if the said Director does not fall under the circumstances set forth in Guidelines 2.3 and/or 2.4 of the Code;
- recommending Directors who are retiring by rotation to be put forward for re-election;
- deciding whether or not a Director is able to and has been adequately carrying out his/her duties as a Director of the Company, particularly when he/she has multiple board representations, and/or other principal commitments;
- recommending to the Board internal guidelines to address the competing time commitments faced by Directors who serve on multiple boards and the maximum number of listed company board representations which any Director may hold;
- assessing the effectiveness of the Board as a whole, and Board Committees and the contribution of each individual Director to the effectiveness of the Board;
- recommending to the Board the development of a process for evaluation and deciding how the performance of the Board may be evaluated and proposing objective performance criteria. The Chairman of the NC should act on the results of the performance evaluation and, where appropriate, propose new members be appointed to the Board or seek the resignation of Directors, in consultation with the NC; and
- recommending to the Board comprehensive induction training programmes for new Directors and to review training and professional development programmes for the Board to keep the Board apprised of relevant new laws, regulations and changing commercial risks.

In its selection of new Directors, the NC reviews the composition of the Board and identifies the skill sets which will enhance the Board's overall effectiveness. Potential candidates are identified from various sources. The Board conducts an initial assessment to review the candidate's qualifications, attributes and past experiences followed by interviewing short-listed candidates. The proposed candidate's independence, expertise, background and right skills will be considered before the Board makes its final decision on the appointment. For re-appointment of Directors to the Board, the Board will take into consideration, amongst others, the Director's integrity, competencies, independence, commitment, contribution and performance (such as attendance, participation, preparedness and candour).

CORPORATE GOVERNANCE REPORT

BOARD MEMBERSHIP (CONTINUED)

Principle 4: Formal and transparent process for the appointment and re-appointment of Directors to the Board (Continued)

The Directors on the Board have professional expertise and competency in their respective fields in banking, finance, accounting and real estate business. The Board is of the view that diversity is important to enhance the Board's effectiveness as it provides unique insights and more effective decision-making. Gender is an important aspect of diversity. The Board comprises 50%, or three out of six members who are female.

As the ability to commit time and attention to the Group's affairs is essential for the individual Director's contribution and performance, the Board has considered the number of listed directorship each of its Directors can hold. As a guide, Directors should not have more than six (6) listed company board representations. The NC determines annually whether a director with other listed company board representations is able to and has been adequately carrying out his or her duties as a director of the Company. In FY2017, the NC has reviewed and is satisfied that where Directors have other listed company board representations, the Directors have been able to devote sufficient time and attention to the affairs of the Company to adequately carry out their duties as Directors of the Company.

BOARD PERFORMANCE

Principle 5: Formal assessment of the effectiveness of the Board as a whole and the contribution by each Director to the effectiveness of the Board

The NC determines the criteria on which Board performance is to be evaluated and, subject to the approval of the Board, proposes objective performance criteria which address how the Board has enhanced long-term shareholders' value. The NC will continue to review formal assessment processes for evaluating Board performance, as well as the contribution of individual Directors to the effectiveness of the Board. Each member of the NC shall abstain from voting on any resolutions in respect of the assessment of his/her performance or re-nomination as Director.

For FY2017, the Directors participated in the evaluation by providing feedback to the NC in the form of completing a Board performance evaluation questionnaire which covers several parameters such as Board composition, conduct of meetings, Board process, Board accountability, risk management, measuring and monitoring performance as well as communication with shareholders. The assessment results are presented to the Board by the NC and follow-up actions are taken to address any areas for improvement.

The Company's Constitution requires at least one-third of the Directors (apart from CEO) to retire by rotation and subject to re-election at every Annual General Meeting ("**AGM**") of the Company. The Board, with the recommendation of the NC, has nominated Mr Kau Jee Chu and Ms Koh Lee Hwee, who are retiring pursuant to Regulation 104 of the Company's Constitution, for re-election as a Director at the forthcoming AGM of the Company. Mr Kau and Ms Koh, being eligible for re-election, have offered themselves for re-election.

CORPORATE GOVERNANCE REPORT

ACCESS TO INFORMATION

Principle 6: Board members should be provided with complete, adequate and timely information

To enable the Board to fulfil its responsibilities, Management provides the Board with management reports on a regular and timely basis, with relevant and adequate information prior to the Board meetings so that the Directors may better understand the matters and discussion may be focused on questions that the Directors may have.

The Board also receives regular updates pertaining to the operational and financial performance of the Group from Management. Such updates enable the Directors to keep abreast of key issues and developments in the Group's core businesses as well as challenges and opportunities for the Group.

The Board also has separate and independent access to the Company Secretary and the Company's Senior Management. In the Board meetings, the Chairperson will provide an update on the Group's business review and outlook. Furthermore, the Group CFO presents the financial highlights and performance. The Chairperson of each Board Committee will update the Board on any significant matters discussed at the Board Committees' meetings.

The Company Secretary attends all Board meetings and ensures that Board procedures are followed. The Company Secretary also ensures that the requirements under the Companies Act, Cap. 50 and all other regulations of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") are complied with.

The appointment and removal of the Company Secretary are subject to the approval of the Board.

Subject to the approval of the CEO, the Directors may seek and obtain independent professional advice to assist them in their duties, at the expense of the Company.

REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

Principle 7: Formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors

The RC comprises the following four (4) members, three (3) of whom, including the Chairman, are Independent Non-Executive Directors:

Ng Bie Tjin @ Djuniarti Intan	Chairman
Wong Soon Yum	Member
Kau Jee Chu	Member
Ko Lee Meng	Member

CORPORATE GOVERNANCE REPORT

REMUNERATION MATTERS (CONTINUED)

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES (CONTINUED)

Principle 7: Formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors (Continued)

The RC carries out its duties in accordance with a set of written terms of reference which include, mainly, the following:

- reviewing and submitting a general framework of remuneration for endorsement by the entire Board, which is used to determine the specific remuneration packages and terms of employment for each of the Directors (including the CEO), key management personnel and any other employees related to the Executive Directors and controlling shareholders of the Group;
- reviewing and submitting its recommendations for endorsement by the entire Board, share-based incentives or awards or any long term incentive schemes which may be set up from time to time, in particular, to review whether Directors and key management personnel should be eligible for such schemes and also to evaluate the costs and benefits of such schemes and to do all acts necessary in connection therewith;
- carrying out its duties in the manner that it deems expedient, subject always to any regulations or restrictions that may be imposed upon the RC by the Board from time to time; and
- ensuring all aspects of remuneration including, but not limited to Directors' fees, salaries, allowances, bonuses, options, share-based incentives and awards and benefits-in-kind are covered.

As part of its review, the RC shall take into consideration:

- that the remuneration packages should be comparable within the industry and in comparable companies and shall include a performance-related element coupled with appropriate and meaningful measures of assessing individual Director's and key management personnel's performance. A significant and appropriate proportion of Executive Directors' and key management personnel's remuneration should be structured so as to link rewards to corporate and individual performance;
- that the remuneration packages of employees related to Executive Directors and substantial or controlling shareholders of the Group are in line with the Group's staff remuneration guidelines and commensurate with their respective job scopes and levels of responsibility;
- that the level and structure of remuneration should be aligned with the long-term interests and risk policies of the Company and Guidelines 8.1 to 8.4 of the Code; and
- the Company's obligations arising in the event of termination of the Executive Directors' and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses.

The RC ensures that a formal and transparent procedure is in place for determining the remuneration packages of individual Directors and key management personnel. All aspects of remuneration including, but not limited to, Directors' fees, salaries, allowances, bonuses and other benefits-in-kind are reviewed by the RC. The recommendations of the RC are submitted for endorsement by the Board. None of the members of the RC or any Directors is involved in deciding his/her own remuneration package.

While none of the RC members specialises in the field of executive remuneration, they do possess general knowledge in this area. The RC will engage professional advice in relation to remuneration matters as and when the need arises. The RC will ensure that existing relationships between the Company and its appointed remuneration consultants, if any, will not affect the independence and objectivity of the remuneration consultants.

CORPORATE GOVERNANCE REPORT

REMUNERATION MATTERS (CONTINUED)

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES (CONTINUED)

Principle 7: Formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors (Continued)

The Company's remuneration policy is to ensure that the remuneration offered is competitive and sufficient to attract, retain and motivate Directors and key management personnel of the required experience and expertise.

Service agreements for Executive Directors are for a fixed appointment period and do not contain onerous removal clauses. The RC reviews the fairness and reasonableness of termination clauses of the service agreements of the Executive Directors and key management personnel to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous, with an aim to be fair and avoid rewarding poor performance. There are no termination, retirement and post-employment benefits granted over and above what has been disclosed.

The Non-Executive Directors do not have service agreements with the Company.

The Company does not have any long-term incentive plans.

LEVEL AND MIX OF REMUNERATION

Principle 8: Level of remuneration of Directors should be appropriate but not excessive

The remuneration of employees related to Executive Directors and controlling shareholders of the Group will be reviewed annually by the RC to ensure that their remuneration packages are in line with the staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities. Any bonuses, pay increments and/or promotions for these related employees will also be subject to the review and approval of the RC. In the event that a member of the RC is related to the employee under review, he/she will abstain from participating in the review.

The remuneration package of the Executive Directors and the key management personnel comprises a basic salary component and a variable component which is the annual bonus, based on the performance of the Group as a whole and their individual performance. The performance-related component of the remuneration package is designed to align the interests of the Executive Directors with those of the shareholders and link rewards to the Group's financial performance.

Directors' fees are set in accordance with a remuneration framework based on the level of responsibility and scope of work. The Non-Executive Directors are paid fixed Directors' fees appropriate to their level of contribution, taking into account factors such as effort and time spent, and their responsibilities on the Board and the Board Committees. The Independent Non-Executive Directors have not been over-compensated to the extent that their independence is compromised. The fees to Independent Non-Executive Directors are subject to shareholders' approval at the AGMs of the Company. The Board has endorsed the remuneration framework.

The Company does not have contractual provisions to allow the Group to reclaim incentive components of remuneration from the Executive Directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company. The Company should be able to avail itself to remedies against the Executive Directors and key management personnel in the event of such breach of fiduciary duties.

CORPORATE GOVERNANCE REPORT

DISCLOSURE ON REMUNERATION

Principle 9: Clear disclosure of remuneration policy, level and mix of remuneration, and procedure for setting remuneration

The Board has not included a separate annual remuneration report to shareholders in the annual report on the remuneration of Directors and the top seven (7) key management personnel (who are not Directors or the CEO of the Company) as the Board is of the view that the matters which are required to be disclosed in such annual remuneration report have already been sufficiently disclosed in this report and in the financial statements of the Company.

The Board has reviewed the disclosure of the remuneration of the Directors and key management personnel (who are not Directors or the CEO of the Company) and has decided not to disclose the name and remuneration details of the key management personnel and remuneration of the Directors as the Board believes that the disclosure may be prejudicial to its businesses given the competitive business environment and the disadvantages such as staff retention issues that it may bring.

In FY2017, there were no termination, retirement and post-employment benefits granted to the Directors, the CEO and the top seven (7) key management personnel.

Disclosure on Directors' Fees and Remuneration

A breakdown of the level and mix of the remuneration payable to each individual Director for FY2017 are as follows:

Remuneration Band	Director	FY2017			
		Salary	Bonus,	Fee	Other
		(including CPF)	profit sharing		Benefits
		%	%	%	%
S\$1,500,000 to below S\$1,750,000	Koh Wee Seng	14.54	82.66	2.80	–
	Koh Lee Hwee	14.38	82.86	2.76	–
Below S\$250,000	Wong Soon Yum	–	–	100.00	–
	Kau Jee Chu	–	–	100.00	–
	Ng Bie Tjin @ Djuniarti Intan	–	–	100.00	–
	Ko Lee Meng	–	–	100.00	–

Remuneration of Key Management Personnel (who are not Directors or the CEO)

The remuneration of the top seven (7) key management personnel comprises both fixed and variable components. Fixed component is in the form of fixed monthly salary whereas variable component is linked to the performance of the Group's businesses and individual performance.

The remuneration for FY2017 of the top seven (7) key management personnel are as follows:

S\$1,750,000 to below S\$2,000,000: 1
 S\$1,000,000 to below S\$1,250,000: 1
 S\$500,000 to below S\$750,000: 1
 S\$250,000 to below S\$500,000: 1
 Below S\$250,000: 3

The total remuneration paid to the above seven (7) key management personnel was S\$4,517,000 for FY2017.

CORPORATE GOVERNANCE REPORT

DISCLOSURE ON REMUNERATION (CONTINUED)

Principle 9: Clear disclosure of remuneration policy, level and mix of remuneration, and procedure for setting remuneration (Continued)

Remuneration of Employees who are Immediate Family Members of a Director or the CEO

For FY2017, the remuneration of the employee who is an immediate family member of a Director or the CEO whose remuneration exceed S\$50,000 during the year is as follows:

S\$1,750,000 to S\$2,000,000: Mr Ng Sheng Tiong (spouse of Ms Koh Lee Hwee and CEO of World Class Global Limited)

Share-Based Incentive Plan

The Aspial Performance Share Plan (the “**Performance Share Plan**”) was approved by the shareholders of the Company at the extraordinary general meeting held on 26 April 2017. The RC is designated as the Scheme Committee and its members are as follows:

Ng Bie Tjin @ Djuniarti Intan	Chairman
Wong Soon Yum	Member
Kau Jee Chu	Member
Ko Lee Meng	Member

The objectives of the Performance Share Plan are to give recognition to employees for their past contributions and services and to motivate them to contribute towards the Group’s long-term growth and prosperity. Participation in the Performance Share Plan is open to all employees of the Group, including the Executive Directors and the Non-Executive Directors of the Company. Any awards that may be granted to any Non-Executive Directors would be intended as a token of the Company’s appreciation.

During FY2017, no awards were granted to the Directors of the Group.

ACCOUNTABILITY AND AUDIT

ACCOUNTABILITY

Principle 10: Presentation of a balanced and understandable assessment of the Company’s performance, position and prospects

The Company prepares its financial statements in accordance with the Singapore Financial Reporting Standards prescribed by the Accounting Standards Council. In presenting the annual financial statements and announcements of financial results, the Board ensures it has taken adequate steps to ensure compliance with the legislative and regulatory requirements including SGX-ST Listing Manual. The Board also aims to provide shareholders with a balanced and understandable assessment of the Group’s performance, financial position and prospect.

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT (CONTINUED)

ACCOUNTABILITY (CONTINUED)

Principle 10: Presentation of a balanced and understandable assessment of the Company's performance, position and prospects (Continued)

Management provides the Board with appropriate detailed management accounts of the Group's performance, position and prospect on a regular basis. The Board will update the shareholders on the financial positions and operations of the Company and the Group through quarterly and full year announcements as well as timely announcement of other matters required by the relevant rules and regulations.

RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 11: Sound system of risk management and internal controls

The Board has overall responsibility for the governance of risk and exercises oversight of the material risks of the Group. The Board determines the nature and extent of the material risks which the Board is willing to take in achieving its strategic objectives. The Company's Management recommends risk tolerance and strategy to the Board and where appropriate, report and recommend to the Board for its determination on the nature and extent of significant risks which the Group may take in achieving its strategic objectives.

Management identifies and manages the risks of the Group. Management is responsible for the effective implementation of risk management strategy, policy and processes to ensure the achievement of business plans and goals within the risk tolerance established by the Board. The Board regularly reviews the Group's business and operational activities to identify areas of significant business risks. Appropriate measures are taken to assess, control and mitigate these risks. The process of risk management has been integrated into the Group's business planning and monitoring process.

The internal audit function performs risk assessment and conducts the review of the effectiveness of the Group's material internal controls, including financial, operational and compliance controls, information technology controls and risk management systems. Any material non-compliance or failures in internal controls and recommendations for improvements are reported to the AC.

The Company's internal control systems serve as the key in identifying and managing risks that are significant to the achievement of its business objectives. The internal controls in place maintained by the Company's Management throughout the year and up to the date of this report provide reasonable, but not absolute, assurance against material financial misstatements or loss, and include the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulation and best practice, and the identification and containment of business risk. The Board notes that no system of internal control could provide absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error, losses, fraud or other irregularities.

The AC reviews the Group's financial controls and risk management policies and processes, and based on its assessment and reports of the internal and external auditors, the AC and the Board are assured that adequate internal controls are in place.

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROLS (CONTINUED)

Principle 11: Sound system of risk management and internal controls (Continued)

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors and reviews performed by Management, the various Board Committees and the Board, the Board, with the concurrence of the AC is of the opinion that the Group's internal controls addressing the financial, operational, compliance risks, information technology controls and risk management systems are adequate and effective to meet the needs of the Group for the type and volume of businesses conducted in the current business environment. The Company has complied with Rule 1207(10) of the SGX-ST Listing Manual.

The Board has received the assurance of the CEO and the CFO that:

- (a) The financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and
- (b) They have evaluated the effectiveness of the Group's risk management and internal controls and assessed the internal auditors' reports on the Group's operations and external auditors' reports on the financial statements and management letter and noted that there have been no significant deficiencies in the design or operation of internal controls which could adversely affect the Group's ability to record, process, summarise or report financial information. The Group's risk management and internal controls systems (including financial, operational, compliance and information technology controls) are in place and effective.

The CEO and the CFO have obtained similar assurance from the business and function heads in the Group.

AUDIT COMMITTEE

Principle 12: Establishment of Audit Committee with written terms of reference

The AC comprises the following four (4) members, three (3) of whom, including the Chairman, are Independent Non-Executive Directors, who have accounting related or financial management experience:

Wong Soon Yum	Chairman
Kau Jee Chu	Member
Ng Bie Tjin @ Djuniarti Intan	Member
Ko Lee Meng	Member

No former partner or director of the Company's existing audit firm is a member of the AC.

The AC met on a quarterly basis during the year. The AC carries out its duties in accordance with a set of written terms of reference which includes, mainly, the following:

- reviewing with the external auditors the audit plan and their evaluation of the system of internal accounting controls, their audit report, their management letter and Management's response;
- ensuring co-ordination where more than one audit firm is involved where necessary;

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE (CONTINUED)

Principle 12: Establishment of Audit Committee with written terms of reference (Continued)

- reviewing the quarterly and full year financial statements before submission to the Board for approval, particularly in relation to changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, the going concern statement, compliance with accounting standards, compliance with the SGX-ST Listing Manual and statutory/regulatory requirements;
- discussing problems and concerns, if any, arising from the quarterly (if applicable), interim and final audits, in consultation with the external auditors and the internal auditors where necessary;
- meeting with external auditors and with the internal auditors without the presence of Management, at least annually, to discuss any problems and concerns they may have;
- reviewing the assistance given by Management to the external auditors;
- reviewing the scope and results of the audit and its cost effectiveness and the independence and objectivity of the external auditors annually. Where the auditors also supply non-audit services to the Company, the nature and extent of such services should be reviewed in order to balance the maintenance of objectivity and value for money, and to ensure that the independence of the auditors would not be affected;
- reviewing the internal audit programme and ensuring co-ordination between the internal and external auditors and Management;
- reviewing the scope and results of the internal audit procedures;
- evaluating the effectiveness of both the internal and external audit efforts through regular meetings;
- determining that no unwarranted management restrictions are being placed upon either the internal or external auditors;
- ensuring that the internal audit function is adequately staffed and well qualified;
- reviewing and discussing with the external auditors any suspected fraud and irregularity, or suspected infringement of any Singapore law, rules or regulations, which has or is likely to have a material impact on the Company's operating results or financial position, and Management response;
- investigating any matter within its terms of reference, having full access to and co-operation by Management and full discretion to invite any Director or executive officer to attend its meetings, and reasonable resources to enable it to discharge its functions properly;
- reporting to the Board its findings from time to time on matters arising and requiring the attention of the AC;
- reviewing the interested person transactions falling within the scope of the SGX-ST Listing Manual including transactions that fall within the scope of Rule 912 (i.e. review and approval of proposed sale(s) of any units of property projects to the Company's interested persons and/or relatives of a Director, CEO or controlling shareholder);
- undertaking such other reviews and projects as may be requested by the Board;
- undertaking such other functions and duties as may be required by statute or the SGX-ST Listing Manual, and such amendments made thereto from time to time;
- considering the appointment/re-appointment of the external auditors, the audit fee and matters relating to the resignation or dismissal of the auditors; and
- reviewing and approving the property development which are not meant for personal use for Mr Koh Wee Seng, Ms Ko Lee Meng and Ms Koh Lee Hwee.⁽¹⁾

Note:

- (1) This is following a review done by the Board in 2014 regarding the Group's procedures in relation to the conflict of interest. The Board resolved that Mr Koh Wee Seng, Ms Koh Lee Hwee and Ms Ko Lee Meng (collectively the "**Relevant Directors**") are allowed to purchase any property for investment and invest in any property companies so long as they are not the Directors of the property companies. However, for any property development which are not meant for personal use, the Relevant Directors must seek the AC's approval.

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE (CONTINUED)

Principle 12: Establishment of Audit Committee with written terms of reference (Continued)

The AC has been given full access to Management and has reasonable resources to enable it to discharge its function properly. The AC has full discretion to invite any Director or key management personnel to attend its meetings. The AC has full access to the external auditors and has met with them at least once during the calendar year without the presence of Management.

The AC has reviewed all the non-audit services provided by the external auditors, namely, tax services and services related to the initial public offering of a subsidiary and is satisfied that the provision of such services did not affect their independence.

The AC will undertake a review of the scope of services provided by the external auditors, the independence and the objectivity of the external auditors on an annual basis. Messrs Ernst & Young LLP, the external auditors of the Company, has confirmed that they are a Public Accounting Firm registered with the Accounting and Corporate Regulatory Authority and provided a confirmation of their independence to the AC. The AC had assessed the external auditors based on factors such as performance, adequacy of resources and experience of their audit engagement partner and audit team assigned to the Group's audit, given the size and complexity of the Group.

The Company has complied with Rules 712 and 715 of the SGX-ST Listing Manual.

The AC has recommended that Messrs Ernst & Young LLP be nominated for re-appointment as the Company's auditors at the forthcoming AGM of the Company. A breakdown of the audit and non-audit fees paid to the external auditors can be found on page 82 of this annual report.

The Company has put in place a whistle blowing policy, endorsed by the AC where employees of the Company may in confidence, raise concerns about the wrongdoing or malpractice within the Group and ensure arrangements are in place for the independent investigations of such matters and for appropriate follow up actions. All concerns would be kept confidential. There have been no incidents pertaining to whistle blowing for FY2017.

Any changes to accounting standards and issues which have a direct impact on the financial statements would be raised by the external auditors, keeping the AC members abreast of such changes.

INTERNAL AUDIT

Principle 13: Effective and independent internal audit function

The Company has established an in-house Internal Audit Department which performs financial audits, implements operational and compliance controls, oversees risk management and audits of other management processes. The internal auditors report findings and recommendations to the Chairman of the AC and administratively to the CEO.

The internal audit function is independent of the activities it audits and carries out its activities in compliance with the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

The Board and the AC are of the opinion that the internal audit function is sufficiently resourced and has appropriate standing within the Company. Internal audits are performed by competent professional staff with relevant qualifications and experience. In order that their technical knowledge remains current and relevant, the Company identifies and provides training and development opportunities to the staff.

CORPORATE GOVERNANCE REPORT

INTERNAL AUDIT (CONTINUED)

Principle 13: Effective and independent internal audit function (Continued)

The AC reviews the activities of the internal audit on a regular basis, including overseeing and monitoring the implementation of the improvements required on internal control weaknesses identified. The AC reviews the adequacy and effectiveness of the internal audit function on an annual basis and is satisfied with its adequacy and effectiveness.

SHAREHOLDERS RIGHTS AND RESPONSIBILITIES

Principle 14: Shareholders rights

Principle 15: Communication with shareholders

Principle 16: Conduct of shareholder meetings

The Board is mindful of the obligation to provide timely and fair disclosure of material information. The Board is accountable to the shareholders while Management is accountable to the Board. The Board provides shareholders with an assessment of the Company's performance, position and prospects on a quarterly basis via quarterly announcements of results and other ad-hoc announcements as required by the SGX-ST.

Results and other material information are released through SGXNet on a timely basis for the dissemination to shareholders and public in accordance with the requirements of the SGX-ST. To ensure the fairness and effectiveness of the market, there is no selective disclosure of unpublished price-sensitive information. When there is inadvertent disclosure made to a selected group in a rare occasion, the information will be released to the public via SGXNet as promptly as possible.

The Board welcomes the views of shareholders on matters affecting the Company, whether at shareholders' meetings or on an ad-hoc basis. Shareholders of the Company are informed of shareholders' meetings through notices published in the newspaper and reports or circulars sent to all shareholders. At the shareholders' meetings, shareholders are given the opportunity to express their views and ask Directors or Management questions regarding the Company. The external auditors are also present to address the shareholders' queries about the conduct of the audit and the preparation and content of auditors' report.

The Company does not have a formal dividend policy. Dividends are declared based on the Group's financial performance, the consideration of the Group's future business plans, the position of the Group's retained earnings, and other factors as the Board may deem appropriate.

All shareholders receive reports or circulars of the Company which include notice of general meeting by post within the mandatory period. Notice of general meeting is released through SGXNet and published in the Business Times within the same period.

All shareholders can provide feedback to the Company Secretary via the electronic mail address or registered address.

All registered shareholders are encouraged to participate during the general meetings. The Company's Constitution allows a member of the Company to appoint not more than two (2) proxies to attend and vote in his/her stead at all general meetings. The Company also allows corporations which provide nominee or custodial services to appoint more than two (2) proxies, so that shareholders who hold shares through such corporations can attend and participate in general meetings as proxies. During the general meetings, shareholders are informed of the rules including voting procedures governing such meetings.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS RIGHTS AND RESPONSIBILITIES (CONTINUED)

Principle 14: Shareholders rights (Continued)

Principle 15: Communication with shareholders (Continued)

Principle 16: Conduct of shareholder meetings (Continued)

Matters which require shareholders' approval are presented and proposed as a separate resolution. The Company practises having separate resolutions at general meetings on each substantial issue. Each item of special business in the notice of general meeting is accompanied by an explanatory note, where appropriate. Proxy form is also sent with the notice of general meeting to all shareholders.

All Directors, Management, Company Secretary, external auditors and legal advisors (if necessary) attend the general meetings. The procedures of the general meetings provide shareholders the opportunity to ask questions relating to each resolution tabled for approval. Shareholders are encouraged to provide their views on matters relating to the Company.

The Company Secretary prepares minutes of the general meetings which include substantial and relevant comments or queries from shareholders relating to the agendas of the meetings, and responses from the Board and Management, and to record these minutes. These minutes are subsequently approved by the Board and made available to shareholders during office hours at the registered office upon their written request.

As the authentication of shareholder identity and other related security issues still remain a concern, the Company has decided, for the time being, not to implement voting in absentia by mail, email or fax.

In support of greater transparency of the voting process and to enhance shareholders' participation, the Company puts all resolutions proposed at the general meetings to vote by poll. A scrutineer is appointed to count and validate the votes cast at the general meetings. The total number of votes cast for and against each resolution and the respective percentage to the audiences at the general meetings is also announced via SGXNet. Shareholders who are present in person or represented by proxies will be entitled to one vote for each share held.

Annual report will be uploaded to the Company's website at www.aspial.com. The Company's website is also continually updated with the quarterly financial statements.

DEALING IN SECURITIES

The Company has adopted an internal Code of Best Practice to provide to the Directors and all employees of the Group with regard to dealing in the Company's securities pursuant to Rule 1207(19) of the SGX-ST Listing Manual. During the financial year, the Company issues quarterly memo to its Directors, officers and employees prohibiting dealing in its shares commencing two (2) weeks before the announcement of the Company's quarterly results and one (1) month before the announcement of full year financial results and ending on the date of the announcement of the relevant results. Directors and employees are also advised against dealing in the securities when they are in possession of any unpublished material price-sensitive information of the Group at all times.

In addition, the Company discourages the Directors, key management personnel and employees of the Group from dealing in the Company's securities on short term considerations. The Group confirmed that it adhered to its Code of Best Practice for FY2017.

CORPORATE GOVERNANCE REPORT

DEALING IN SECURITIES (CONTINUED)

The guidelines on share purchase in accordance with the Share Purchases Mandate which will be renewed at the forthcoming AGM of the Company also provides that the Company will not repurchase any shares during the period commencing two (2) weeks before the announcement of the Company's quarterly results for each of the first three (3) quarters of its financial year and one (1) month before the announcement of the Company's full year financial results and ending on the date of the announcement of the relevant results.

INTERESTED PERSON TRANSACTIONS

The Company has adopted an internal policy in respect of any transactions with interested persons and has set out the procedures for review and approval of the Company's interested person transactions. All interested person transactions are subject to review by the AC when a potential conflict of interest arises and the Director concerned does not participate in discussions and refrained from exercising any influence over other members of the Board.

The aggregate value of interested person transactions above S\$100,000 entered into during the financial year under review is as follows:

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) (S\$'000)
Corporate charges	
<i>Dynamic Project Management Services Pte. Ltd.</i>	931
<i>Maxi-Cash Financial Services Corporation Limited</i>	990
<i>AF Global Limited</i>	360
Provision of an interest free loan	
<i>Bayfront Ventures Pte. Ltd.⁽¹⁾</i>	500
<i>Kensington Village Pte. Ltd.⁽¹⁾</i>	400
<i>WCL (QLD) Margaret St Pty. Ltd.⁽²⁾</i>	1,433
<i>Fragrance Group Limited⁽³⁾ and AF Corporation Pte. Ltd.⁽¹⁾</i>	1,850

Notes:

(1) *Bayfront Ventures Pte. Ltd., Kensington Village Pte. Ltd. and AF Corporation Pte. Ltd., these are the companies in which Mr Koh Wee Seng and Mr Koh Wee Meng have an interest of 30% or more.*

(2) *WCL (QLD) Margaret St Pty. Ltd., a company in which Mr Koh Wee Seng, Ms Koh Lee Hwee, Ms Ko Lee Meng and Mdm Tan Su Lan have an interest of 30% or more.*

(3) *Fragrance Group Limited, a company listed on the SGX-ST in which Mr Koh Wee Seng and Mr Koh Wee Meng have an interest of 30% or more.*

For the purposes of Rules 905(2) and 906(1)(b) of the SGX-ST Listing Manual, the interested persons are treated as the same interested person and the transactions entered into between the Group and such interested persons are aggregated in determining whether the designated financial thresholds under Rules 905(2) and 906(1)(b) of the SGX-ST Listing Manual are triggered.

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

MATERIAL CONTRACTS

Saved as disclosed above in the section entitled "Interested Person Transactions" and in the financial statements of the Company, there were no material contracts of the Group involving the interest of the CEO, Directors or controlling shareholders subsisting at the end of FY2017 or have been entered into since the end of the previous financial year.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

Mr Koh Wee Seng

Group Chief Executive Officer

Date of first appointment as a director : 9 October 1989
 Date of last re-election as a director : N.A.
 Length of service as a director (as at 31 December 2017) : 28 years 3 months

Board Committee(s) served on:

- Nominating Committee (member)

Academic & professional Qualification(s):

- Bachelor of Business Administration, National University of Singapore

Present Directorship in listed companies

- Maxi-Cash Financial Services Corporation Limited
- World Class Global Limited
- AF Global Limited

Major Appointments (other than Directorship)

- Nil

Past Directorships in listed companies held over the preceding three years (from 1 January 2015 to 31 December 2017)

- Nil

Ms Koh Lee Hwee

Executive Director

Date of first appointment as a director : 15 August 1988
 Date of last re-election as a director : 27 April 2016
 Length of service as a director (as at 31 December 2017) : 29 years 5 months

Board Committee(s) served on:

- Nil

Academic & professional Qualification(s):

- Bachelor of Arts, National University of Singapore

Present Directorship in listed companies

- Maxi-Cash Financial Services Corporation Limited
- World Class Global Limited

Major Appointments (other than Directorship)

- Nil

Past Directorships in listed companies held over the preceding three years (from 1 January 2015 to 31 December 2017)

- Nil

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS (CONTINUED)

Ms Ko Lee Meng

Non-Executive Director and Non-Independent Director

Date of first appointment as a director : 1 May 1987
 Date of last re-election as a director : 26 April 2017
 Length of service as a director (as at 31 December 2017) : 30 years 8 months

Board Committee(s) served on:

- Audit Committee (member)
- Remuneration Committee (member)

Academic & professional Qualification(s):

- Bachelor of Arts, National University of Singapore

Present Directorship in listed companies

- Maxi-Cash Financial Services Corporation Limited

Major Appointments (other than Directorship)

- Nil

Past Directorships in listed companies held over the preceding three years (from 1 January 2015 to 31 December 2017)

- Nil

Mr Wong Soon Yum

Lead Independent and Non-Executive Director

Date of first appointment as a director : 27 May 1999
 Date of last re-appointment as a director : 26 April 2017
 Length of service as a director (as at 31 December 2017) : 18 years 8 months

Board Committee(s) served on:

- Audit Committee (Chairman)
- Nominating Committee (member)
- Remuneration Committee (member)

Academic & professional Qualification(s):

- Professional Diploma in Accountancy, Singapore Polytechnic; Executive Programme, Stanford-National University of Singapore

Present Directorship in listed companies

- Nil

Major Appointments (other than Directorship)

- Nil

Past Directorships in listed companies held over the preceding three years (from 1 January 2015 to 31 December 2017)

- Nil

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS (CONTINUED)

Mr Kau Jee Chu

Independent Non-Executive Director

Date of first appointment as a director : 1 November 2002
 Date of last re-appointment as a director : 28 April 2015
 Length of service as a director (as at 31 December 2017) : 15 years 2 months

Board Committee(s) served on:

- Nominating Committee (Chairman)
- Audit Committee(member)
- Remuneration Committee (member)

Academic & professional Qualification(s):

- Bachelor in Accountancy, National University of Singapore

Present Directorship in listed companies

- Nil

Major Appointments (other than Directorship)

- Nil

Past Directorships in listed companies held over the preceding three years (from 1 January 2015 to 31 December 2017)

- Nil

Ms Ng Bie Tjin @ Djuniarti Intan

Independent Non-Executive Director

Date of first appointment as a director : 20 January 2014
 Date of last re-election as a director : 27 April 2016
 Length of service as a director (as at 31 December 2017) : 3 years 11 months

Board Committee(s) served on:

- Remuneration Committee (Chairman)
- Audit Committee (member)
- Nominating Committee (member)

Academic & professional Qualification(s):

- Masters in Business Administration, University of Southern California

Present Directorship in listed companies

- SunMoon Food Company Limited

Major Appointments (other than Directorship)

- Nil

Past Directorships in listed companies held over the preceding three years (from 1 January 2015 to 31 December 2017)

- Nil

FINANCIAL REPORT

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DIRECTORS' STATEMENT

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of Aspial Corporation Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2017.

OPINION OF THE DIRECTORS

In the opinion of the directors,

- (a) the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date, 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:

Koh Wee Seng
Koh Lee Hwee
Ko Lee Meng
Wong Soon Yum
Kau Jee Chu
Ng Bie Tjin @ Djuniarti Intan

In accordance with Regulation 104 of the Company’s Constitution, Koh Lee Hwee and Kau Jee Chu retire and, being eligible, offer themselves for re-election.

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

DIRECTORS' STATEMENT

(CONTINUED)

DIRECTORS' INTEREST IN SHARES OR DEBENTURES

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Chapter 50, an interest in the shares of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

	Held by directors			Other shareholdings in which directors are deemed to have an interest		
	1 January 2017	31 December 2017	21 January 2018	1 January 2017	31 December 2017	21 January 2018
Aspial Corporation Limited						
Ordinary shares						
Koh Wee Seng	372,164,929	373,463,357	373,463,357	1,142,907,178	1,142,907,178	1,142,907,178
Koh Lee Hwee	30,888,888	30,890,888	30,890,888	1,156,816,957	1,156,999,571	1,156,999,571
Ko Lee Meng	33,639,865	33,639,865	33,639,865	1,138,979,974	1,138,979,974	1,138,979,974
Holding company MLHS Holdings Pte. Ltd.						
Ordinary shares						
Koh Wee Seng	1,410,000	1,410,000	1,410,000	–	–	–
Koh Lee Hwee	607,500	607,500	607,500	–	–	–
Ko Lee Meng	772,500	772,500	772,500	–	–	–

By virtue of Section 7 of the Singapore Companies Act, Chapter 50, Koh Wee Seng, Koh Lee Hwee and Ko Lee Meng are deemed to have an interest in the shares of all the subsidiaries to the extent held by the Company.

As at the beginning of the financial year, Koh Wee Seng, Koh Lee Hwee, Ko Lee Meng and Ng Bie Tjin @ Djuniarti Intan held term notes and bonds aggregating to \$5,618,000, \$500,000, \$3,576,000 and \$1,250,000 respectively. As at the end of the financial year, Koh Wee Seng, Koh Lee Hwee, Ko Lee Meng and Ng Bie Tjin @ Djuniarti Intan held term notes and bonds aggregating to \$2,291,000, \$1,650,000, \$5,591,000 and \$1,000,000 respectively. The bonds bear fixed interest rates of 5.25% and 5.30% per annum and are due in 2020 while the term notes bear fixed interest rates of 5.05% and 5.50% per annum and are due in 2019, 2018 and 2020 respectively. Except for Koh Wee Seng, who held term notes and bonds aggregating to \$2,791,000 as at 21 January 2018, there is no change in the term notes and bonds held by the other directors as at 21 January 2018.

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or at the end of the financial year.

OPTIONS

No options were issued by the Company during the financial year. As at 31 December 2017, there are no options on the unissued shares of the Company or any other body corporate which were outstanding.

DIRECTORS' STATEMENT

(CONTINUED)

AUDIT COMMITTEE

The Audit Committee performed the functions in accordance with Section 201B (5) of the Singapore Companies Act, Chapter 50. The functions performed are detailed in the Corporate Governance Report.

AUDITOR

Ernst & Young LLP have expressed their willingness to accept reappointment as auditor.

On behalf of the Board of Directors:

Koh Wee Seng
Director

Koh Lee Hwee
Director

Singapore
19 March 2018

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ASPIAL CORPORATION LIMITED
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of Aspial Corporation Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”), which comprise the statements of financial position of the Group and the Company as at 31 December 2017, the statements of changes in equity of the Group and the Company and the consolidated statement of comprehensive income and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the statement of financial position and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the “**Act**”) and Financial Reporting Standards in Singapore (“**FRSs**”) 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 31 December 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

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 are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (“**ACRA**”) *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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 of the current period. 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ASPIAL CORPORATION LIMITED
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
(CONTINUED)

KEY AUDIT MATTERS (CONTINUED)

Estimation of budgeted cost and assessment of carrying values of development properties and properties held for sale

As at 31 December 2017, the Group's development properties and properties held for sale amounted to \$941,195,000 and \$22,313,000 respectively, which in aggregate represented 48.2% of the Group's total assets. These development properties and properties held for sale are located in and outside of Singapore.

For the development properties located in Singapore, the Group applies the percentage of completion method when accounting for these development properties, and the stage of completion is measured by reference to the survey of work determined by external architects. On application of the percentage of completion method, the amount of project costs and resultant profit recognised in a year is dependent, amongst others, on the total budgeted costs to be incurred for each project. The estimation of budgeted costs for each project is subject to uncertainty as a result of the extent of estimation involved in assessing the construction costs to complete and amounts of variation claims from contractors.

For development properties located outside of Singapore, a significant proportion of these development properties relate to projects that are in planning phases and have not been launched or completed as at 31 December 2017. In ascertaining net realisable value ("NRV"), significant judgment is involved as management either needs to estimate the expected selling price (taking into account estimated costs to complete construction) based on the future property market and economic conditions in the respective markets, or use external appraisers to support its determination of market prices.

For properties held for sale, in ascertaining NRV, significant judgment is involved as management either needs to estimate the expected selling price based on the current property market and economic conditions in the respective markets, or use external appraisers to support its determination of market prices.

Given the magnitude of these assets and significant judgment involved in estimating the total budgeted cost of construction and development for development properties located in Singapore, and significant estimation uncertainty involved in determining the NRV of development properties and properties held for sale, we have identified the estimation of budgeted costs and the assessment of carrying values of development properties and properties held for sale as a key audit matter.

To address the risk of material misstatement relating to the estimation of budgeted costs of development properties, our audit procedures included, amongst others, obtaining an understanding of the internal controls with respect to project budgeting and monitoring process, inquiring management on the status and development of on-going and significant projects, and assessing the adequacy of provision for any foreseeable losses. We also evaluated the appropriateness of the budgeted costs and performed sensitivity testing on the estimated selling price of the remaining unsold units, and considered the implications of identified errors and changes in budget estimates.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ASPIAL CORPORATION LIMITED
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
(CONTINUED)

KEY AUDIT MATTERS (CONTINUED)

Estimation of budgeted cost and assessment of carrying values of development properties and properties held for sale (Continued)

To address the risk of material misstatement relating to carrying values of development properties and properties held for sale, our audit procedures included, amongst others, inquiry of management on the existence of any indicators that the NRV is lower than their respective costs. We assessed the reasonableness of the estimated selling prices, taking into account market prices for similar properties in the respective markets, where applicable. Where management used external appraisers to support its determination of estimated selling prices, we evaluated the objectivity, competence and capabilities of the appraisers. We also involved our internal real estate specialists in assessing the appropriateness of the valuation method and certain key assumptions used in the valuations.

In addition to the above procedures, in assessing the appropriateness of management's NRV assessment of the development properties, we performed procedures to evaluate the reasonableness of the estimated costs of completing the development properties. We obtained an understanding of the Group's internal controls with respect to project budgeting and monitoring process and inquired with management on the development status of on-going and significant projects. We also examined documentation of the progress of material projects such as costs incurred to-date, estimated costs to complete and timing of completion.

Further, we assessed the adequacy of disclosures related to development properties in Note 2.18 Development properties, Note 2.19 Properties held for sale, Note 3.2(e) Estimation of net realisable value for development properties, Note 3.2(f) Estimation of net realisable value for properties held for sale and Note 19 Development properties/properties held for sale to the financial statements.

Allowance for doubtful trade receivables of the Group's financial service business

Trade receivables mainly relate to the Group's financial service business which comprise mainly loans extended to customers ("pawnshop loans"), and are significant to the Group as they represent 12.8% of the Group's total assets as at 31 December 2017.

The collectability of the trade receivables of the Group's financial service business is a key element of the Group's working capital management. This is managed on an ongoing basis by management through the monitoring of historical non-renewal and non-redemption data of individual pawnshop outlet as well as price fluctuations of gold, jewellery and watches. Significant judgment and estimation is involved in using the historical non-renewal and non-redemption data to derive the probability of non-redemption as the pawnshop loans age. Accordingly, we have identified the allowance for doubtful trade receivables from the Group's financial service business as a key audit matter.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ASPIAL CORPORATION LIMITED
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
(CONTINUED)

KEY AUDIT MATTERS (CONTINUED)

Allowance for doubtful trade receivables of the Group's financial service business (Continued)

To address the risk of material misstatement relating to the allowance for doubtful trade receivables from the Group's financial service business, our audit procedures included, amongst others, evaluating management's procedures in monitoring and managing the risk of impairment. This includes reviewing management's process in monitoring the volatility of the market prices of gold, jewellery and watches. We also reviewed management's assessment of the probability of non-redemption based on historical non-renewal and non-redemption data, and assessed the adequacy of the allowance for doubtful trade receivables.

In addition, we considered the adequacy of the disclosures related to trade receivables in Note 20 Trade and other receivables to the financial statements.

Existence of pledges, cash and inventories

We focused on pledges, cash and inventories as their total carrying amounts are material to the financial statements and there is a higher inherent risk of theft and pilferage.

As part of our audit of the financial service business, we obtained an understanding of the internal controls with respect to the physical safeguards over pledges, cash and inventories. On a sample basis, we attended and observed surprise outlet audits (which include the verification of pledges, cash and inventories counts), daily cash counts and inventory cycle counts at selected outlets. We also attended the year-end inventory count and cash count conducted at the head office. To check the existence of bank balances, we obtained bank confirmations and reviewed management's monitoring of the cash balances.

As part of our audit of the jewellery business, we obtained an understanding of the internal controls with respect to the physical safeguards over inventories. On a sample basis, we attended and observed surprise outlet audits (which include inventories count) and inventory cycle counts at selected outlets.

Furthermore, we assessed the adequacy of the disclosures related to total cash on hand, pledges held (trade receivables of the Group's financial service business) and inventories in Note 22 Cash and bank balances, Note 20 Trade and other receivables and Note 18 Inventories respectively to the financial statements.

OTHER INFORMATION

Management is responsible for other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do 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 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, 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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ASPIAL CORPORATION LIMITED
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
(CONTINUED)

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 FRSS, 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 has no realistic alternative but to do so.

The directors' responsibilities include 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 SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or 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 these 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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ASPIAL CORPORATION LIMITED
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
(CONTINUED)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

- 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 within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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 of 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 Max Loh Khum Whai.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

19 March 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	2017 \$'000	2016 \$'000
Revenue	4	485,051	621,036
Materials and subcontract costs		(333,615)	(473,549)
Employee benefits	5	(50,033)	(43,713)
Depreciation and amortisation		(5,613)	(4,673)
Finance costs	6	(26,930)	(35,837)
Other operating expenses		(75,889)	(76,856)
Interest income		10,257	12,956
Rental income		2,785	2,276
Other income	7	6,400	4,190
Share of results of associates		(498)	(637)
Share of results of a joint venture		2,901	1,695
Profit before tax	8	14,816	6,888
Income tax expense	26(a)	(8,974)	(2,078)
Profit for the year		5,842	4,810
Other comprehensive income:			
<i>Item that will not be reclassified to profit or loss</i>			
Share of other comprehensive income of a joint venture		15,210	830
<i>Items that may be reclassified subsequently to profit or loss</i>			
Net fair value changes of available-for-sale financial assets		1,055	(5,823)
Foreign currency translation		428	1,387
Share of other comprehensive income of a joint venture		138	(3,936)
Other comprehensive income for the year, net of tax		16,831	(7,542)
Total comprehensive income for the year		22,673	(2,732)
Profit for the year attributable to:			
Owners of the Company		2,305	1,092
Non-controlling interests		3,537	3,718
		5,842	4,810
Total comprehensive income attributable to:			
Owners of the Company		19,151	(6,650)
Non-controlling interests		3,522	3,918
		22,673	(2,732)
Earnings per share (cent)			
Basic	9	0.12	0.06
Diluted	9	0.12	0.06

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Note	Group		Company	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Non-current assets					
Property, plant and equipment	10	75,511	42,304	398	880
Investment properties	11	60,566	45,700	–	–
Intangible assets	12	7,456	6,964	299	35
Investment in subsidiaries	13	–	–	210,738	180,013
Investment in associates	14	22,086	18,033	–	–
Investment in joint ventures	15	30,316	12,092	5,000	5,025
Investment securities	17	4,508	1,365	–	–
Trade and other receivables	20	49,018	5,328	–	6
Prepayments	14	8,538	–	–	–
Deferred tax assets	26(c)	8,430	9,587	–	–
		<u>266,429</u>	<u>141,373</u>	<u>216,435</u>	<u>185,959</u>
Current assets					
Inventories	18	133,781	141,517	–	–
Development properties	19(a)	941,195	798,011	–	–
Properties held for sale	19(b)	22,313	16,944	–	–
Trade and other receivables	20	309,310	298,877	62	322
Prepaid rent		–	42	–	–
Prepayments		8,959	9,496	600	1,211
Due from subsidiaries (non-trade)	21	–	–	287,389	370,488
Due from associates (non-trade)	21	1,305	6,350	–	–
Due from a joint venture (non-trade)	21	84,517	82,897	84,570	82,897
Investment securities	17	177,817	155,985	–	–
Cash and bank balances	22	54,888	70,284	448	751
		<u>1,734,085</u>	<u>1,580,403</u>	<u>373,069</u>	<u>455,669</u>
Total assets		<u>2,000,514</u>	<u>1,721,776</u>	<u>589,504</u>	<u>641,628</u>
Current liabilities					
Trade and other payables	23	66,644	59,213	2,282	3,934
Due to subsidiaries (non-trade)	21	–	–	109,019	97,338
Due to an associate (non-trade)	21	2,360	5,260	–	–
Provision for taxation		3,790	17,539	154	77
Interest-bearing loans and borrowings	24	679,159	447,748	–	–
Term notes and bonds	25	98,000	55,750	100,000	55,750
		<u>849,953</u>	<u>585,510</u>	<u>211,455</u>	<u>157,099</u>
Net current assets		<u>884,132</u>	<u>994,893</u>	<u>161,614</u>	<u>298,570</u>

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017
(CONTINUED)

	Note	Group		Company	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Non-current liabilities					
Other payables	23	2,708	1,696	–	–
Interest-bearing loans and borrowings	24	165,899	175,612	–	–
Term notes and bonds	25	541,500	574,000	123,500	230,000
Deferred tax liabilities	26(c)	13,706	8,088	80	109
		<u>723,813</u>	<u>759,396</u>	<u>123,580</u>	<u>230,109</u>
Total liabilities		<u>1,573,766</u>	<u>1,344,906</u>	<u>335,035</u>	<u>387,208</u>
Net assets		<u>426,748</u>	<u>376,870</u>	<u>254,469</u>	<u>254,420</u>
Equity attributable to owners of the Company					
Share capital	27(a)	226,930	226,152	226,930	226,152
Treasury shares	27(b)	(2,589)	(2,589)	(2,589)	(2,589)
Other reserves	27(c)	16,438	(5,329)	1,413	1,413
Revenue reserves		<u>96,231</u>	<u>93,755</u>	<u>28,715</u>	<u>29,444</u>
		337,010	311,989	254,469	254,420
Non-controlling interests		<u>89,738</u>	<u>64,881</u>	<u>–</u>	<u>–</u>
Total equity		<u>426,748</u>	<u>376,870</u>	<u>254,469</u>	<u>254,420</u>
Total equity and liabilities		<u>2,000,514</u>	<u>1,721,776</u>	<u>589,504</u>	<u>641,628</u>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	Attributable to owners of the Company					Non-controlling interests	Total equity
		Share capital \$'000	Treasury shares \$'000	Other reserves \$'000	Revenue reserves \$'000	Equity attributable to owners of the Company \$'000	\$'000	\$'000
Group								
At 1 January 2016		215,872	(2,796)	2,560	111,564	327,200	49,095	376,295
Profit for the year		–	–	–	1,092	1,092	3,718	4,810
Other comprehensive income								
Net loss on fair value changes of available-for-sale financial assets		–	–	(5,823)	–	(5,823)	–	(5,823)
Foreign currency translation		–	–	1,187	–	1,187	200	1,387
Share of other comprehensive income of a joint venture		–	–	(3,106)	–	(3,106)	–	(3,106)
Other comprehensive income for the year, net of tax		–	–	(7,742)	–	(7,742)	200	(7,542)
Total comprehensive income for the year		–	–	(7,742)	1,092	(6,650)	3,918	(2,732)
<u>Contributions by and distributions to owners</u>								
Dividend on ordinary shares	28	–	–	–	(18,916)	(18,916)	–	(18,916)
– Cash and scrip dividends		–	–	–	–	–	(1,272)	(1,272)
Dividend paid to non-controlling interests of subsidiaries		–	–	–	–	–	–	–
– Cash and scrip dividends		–	–	–	–	–	–	–
Ordinary shares issued under scrip dividends	27(a)	10,280	–	–	–	10,280	–	10,280
Premium on dilution of interests in subsidiary		–	–	(120)	–	(120)	–	(120)
Capital contribution from non-controlling interests		–	–	–	–	–	13,146	13,146
Treasury shares re-issued pursuant to employee share award	27(b)	–	207	(16)	–	191	–	191
Total contributions by and distributions to owners		10,280	207	(136)	(18,916)	(8,565)	11,874	3,309
<u>Changes in ownership interests in subsidiaries</u>								
Acquisition of non-controlling interests in a subsidiary	13	–	–	(11)	–	(11)	(6)	(17)
Ordinary shares issued under scrip dividend scheme by a subsidiary		–	–	–	15	15	–	15
Total changes in ownership interests in subsidiaries		–	–	(11)	15	4	(6)	(2)
Total transactions with owners in their capacity as owners		10,280	207	(147)	(18,901)	(8,561)	11,868	3,307
At 31 December 2016		226,152	(2,589)	(5,329)	93,755	311,989	64,881	376,870

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
(CONTINUED)

	Note	Attributable to owners of the Company					Non-controlling interests	Total equity
		Share capital \$'000	Treasury shares \$'000	Other reserves \$'000	Revenue reserves \$'000	Equity attributable to owners of the Company \$'000	\$'000	\$'000
Group								
At 1 January 2017		226,152	(2,589)	(5,329)	93,755	311,989	64,881	376,870
Profit for the year		–	–	–	2,305	2,305	3,537	5,842
Other comprehensive income								
Net gain on fair value changes of available-for-sale financial assets		–	–	948	–	948	107	1,055
Foreign currency translation		–	–	550	–	550	(122)	428
Share of other comprehensive income of a joint venture		–	–	15,348	–	15,348	–	15,348
Other comprehensive income for the year, net of tax		–	–	16,846	–	16,846	(15)	16,831
Total comprehensive income for the year		–	–	16,846	2,305	19,151	3,522	22,673
Contributions by and distributions to owners								
Dividend on ordinary shares – Cash and scrip dividends	28	–	–	–	(4,834)	(4,834)	–	(4,834)
Dividend paid to non-controlling interests of subsidiaries – Cash and scrip dividends		–	–	–	–	–	(1,244)	(1,244)
Ordinary shares issued under scrip dividends	27(a)	778	–	–	–	778	–	778
Premium on dilution of interests in subsidiary		–	–	9,262	–	9,262	18,294	27,556
Capital contribution from non-controlling interests		–	–	(60)	–	(60)	12,770	12,710
Capital return to non-controlling shareholders upon liquidation of subsidiaries		–	–	–	–	–	(1,889)	(1,889)
Total contributions by and distributions to owners		778	–	9,202	(4,834)	5,146	27,931	33,077
Changes in ownership interests in subsidiaries								
Acquisition of non-controlling interests in subsidiaries	13	–	–	(5,163)	–	(5,163)	(542)	(5,705)
Change in ownership interests in subsidiaries without a change in control		–	–	882	5,005	5,887	(6,054)	(167)
Total changes in ownership interests in subsidiaries		–	–	(4,281)	5,005	724	(6,596)	(5,872)
Total transactions with owners in their capacity as owners		778	–	4,921	171	5,870	21,335	27,205
At 31 December 2017		226,930	(2,589)	16,438	96,231	337,010	89,738	426,748

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
(CONTINUED)

	Note	Share capital \$'000	Treasury shares \$'000	Other reserves \$'000	Revenue reserves \$'000	Total equity \$'000
Company						
At 1 January 2016		215,872	(2,796)	1,429	54,467	268,972
Loss for the year, representing total comprehensive income for the year		–	–	–	(6,107)	(6,107)
<u>Contributions by and distributions to owners</u>						
Dividends on ordinary shares						
– Cash and scrip dividends	28	–	–	–	(18,916)	(18,916)
Ordinary shares issued under scrip dividends	27(a)	10,280	–	–	–	10,280
Treasury shares reissued pursuant to employee share award		–	207	(16)	–	191
Total contributions by and distributions to owners, representing total transactions with owners in their capacity as owners		10,280	207	(16)	(18,916)	(8,445)
At 31 December 2016 and 1 January 2017		226,152	(2,589)	1,413	29,444	254,420
Profit for the year, representing total comprehensive income for the year		–	–	–	4,105	4,105
<u>Contributions by and distributions to owners</u>						
Dividends on ordinary shares						
– Cash and scrip dividends	28	–	–	–	(4,834)	(4,834)
Ordinary shares issued under scrip dividends	27(a)	778	–	–	–	778
Total contributions by and distributions to owners, representing total transactions with owners in their capacity as owners		778	–	–	(4,834)	(4,056)
At 31 December 2017		226,930	(2,589)	1,413	28,715	254,469

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	2017 \$'000	2016 \$'000
Operating activities			
Profit before tax		14,816	6,888
Adjustments for:			
Property, plant and equipment written-off		877	916
Impairment loss on investment in a joint venture		25	–
Allowance for write-down of development properties and properties held for sale	19	1,326	–
Loss on disposal of property, plant and equipment		7	–
Net fair value loss on investment properties	11	486	–
Interest receivable written-off		75	42
Loss on disposal of a joint venture		–	211
Impairment loss on investment securities	17	1,733	1,500
Depreciation of property, plant and equipment	10	4,656	4,110
Employee Share Award Scheme expenses	5	–	191
Write down of inventories	18	149	407
Allowance for/(write back of) doubtful receivables	20	7	(241)
Allowance for amounts due from associates and a joint venture		604	–
Interest expense	6	24,388	33,427
Interest income		(10,257)	(12,956)
Amortisation of prepaid rent		42	53
Amortisation of intangible assets	12	915	510
Amortisation of prepaid commitment fees	6	2,554	2,410
Amortisation of premium on term notes	6	(12)	–
Net gain on disposal of investment securities		(1,534)	(191)
Loss on purchase and cancellation of term notes and bonds		34	–
Dividend income from investment securities		(79)	(2)
Share of results of associates		498	637
Share of results of a joint venture		(2,901)	(1,695)
Unrealised foreign exchange differences		(1,837)	(1,710)
Listing expenses of a subsidiary		1,707	980
Operating cash flows before changes in working capital		38,279	35,487
<u>Changes in working capital</u>			
Decrease/(increase) in inventories		7,991	(13,088)
(Increase)/decrease in development properties		(112,495)	99,526
Increase in investment properties		(15,353)	–
Increase in properties held for sale		(5,375)	(8,271)
Increase in trade and other receivables		(50,026)	(66,658)
Decrease in prepayments		11	2,081
Increase in trade and other payables		8,249	9,396
Total changes in working capital		(166,998)	22,986
Cash flows (used in)/generated from operations		(128,719)	58,473
Interest paid		(51,192)	(53,052)
Income taxes paid		(18,619)	(845)
Net cash flows (used in)/generated from operating activities		(198,530)	4,576

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
(CONTINUED)

	Note	2017 \$'000	2016 \$'000
Investing activities			
Net cash outflow on acquisition of a subsidiary	13	(773)	–
Purchase of property, plant and equipment	10	(39,980)	(24,192)
Proceeds from sale of property, plant and equipment		7	113
Investment in associate		(7,750)	–
Prepayments		(8,538)	–
Disposal of investment		–	27,101
Interest received		7,507	10,716
Purchase of investment securities		(268,695)	(290,250)
Dividend income from investment securities		79	2
Dividend income from an associate		3,200	–
Proceeds from disposal of investment securities		244,493	248,187
Acquisition of non-controlling interests in subsidiaries		(5,705)	(17)
Due to associates (non-trade), net		1,565	11,880
Due from a joint venture (non-trade), net		(1,643)	(27,292)
Net cash flows used in investing activities		(76,233)	(43,752)
Financing activities			
Dividends paid to shareholders of the Company		(4,056)	(8,621)
Dividends paid to non-controlling interests of subsidiaries		(1,244)	(1,272)
Capital return to non-controlling shareholder upon liquidation of subsidiaries		(1,889)	–
Proceeds from issuance of ordinary shares by subsidiaries to non-controlling interests		12,303	13,026
Proceeds from issuance of term notes and bonds		70,140	200,000
Repayment of term notes		(60,284)	(100,000)
Purchase of treasury shares of a subsidiary		(165)	–
Proceeds from term loans		302,694	85,393
Repayment of term loans		(114,455)	(251,070)
Proceeds from short-term bank borrowings, net		32,421	44,648
Proceeds from initial public offering of a subsidiary	13	27,556	–
Term notes and bonds commitment fee paid		(869)	(4,571)
Listing expenses paid by a subsidiary		(2,851)	(1,153)
Proceeds from finance lease obligations		69	146
Repayment of finance lease obligations		(66)	(21)
Net cash flows generated from/(used in) financing activities		259,304	(23,495)
Net decrease in cash and cash equivalents		(15,459)	(62,671)
Effect of exchange rate changes on cash and cash equivalents		63	(40)
Cash and cash equivalents at beginning of year		70,284	132,995
Cash and cash equivalents at end of year	22	54,888	70,284

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

1. CORPORATE INFORMATION

Aspial Corporation Limited (the “**Company**”) is a limited liability company incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited (“**SGX-ST**”). The immediate and ultimate holding company is MLHS Holdings Pte. Ltd., which is also incorporated in Singapore.

The address of the Company’s registered office is 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623. The address of its principal place of business is located at 55 Ubi Avenue 1, #07-11, Ubi 55, Singapore 408935.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are disclosed in Note 13 to the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (“**FRS**”).

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Singapore Dollars (“**SGD**” or “**\$**”) and all values in the tables are rounded to the nearest thousand (“**\$’000**”), except when otherwise indicated.

Convergence with International Financial Reporting Standards

For annual financial periods beginning on or after 1 January 2018, Singapore-incorporated companies listed on the Singapore Exchange will apply Singapore Financial Reporting Framework (International) (“**SFRS(I)**”), a new financial reporting framework identical to International Financial Reporting Standards. The Group will adopt SFRS(I) on 1 January 2018.

The Group has performed an assessment of the impact of adopting SFRS(I). Other than the impact on adoption of SFRS(I) 15 and SFRS(I) 9, the Group expects that adoption of SFRS(I) will have no material impact on the financial statements in the year of initial application. The Group expects the impact of adopting SFRS(I) 15 and SFRS(I) 9 will be similar to the impact on adoption of FRS 115 and FRS 109 as disclosed in Note 2.3.

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2017. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
(CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards issued but not yet effective

The Group has not adopted the following FRSs that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
Amendments to FRS 102 <i>Classification and Measurement of Share-based Payment Transactions</i>	1 January 2018
Amendments to FRS 40 <i>Transfers of Investment Property</i>	1 January 2018
FRS 109 <i>Financial Instruments</i>	1 January 2018
FRS 115 <i>Revenue from Contracts with Customers</i>	1 January 2018
Improvements to FRSs (December 2016)	
– Amendments to FRS 28 <i>Investments in Associates and Joint Ventures</i>	1 January 2018
INT FRS 122 <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
FRS 116 <i>Leases</i>	1 January 2019
INT FRS 123 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendments to FRS 28 <i>Long-term Interests in Associates and Joint Ventures</i>	1 January 2019
Improvements to FRSs (March 2018)	
– Amendments to FRS 103 <i>Business Combinations</i>	
– Amendments to FRS 111 <i>Joint Arrangements</i>	
– Amendments to FRS 12 <i>Income Taxes</i>	
– Amendments to FRS 23 <i>Borrowing Costs</i>	1 January 2019

As disclosed in Note 2.1, the Group will adopt SFRS(I) on 1 January 2018. Upon adoption of SFRS(I) on 1 January 2018, the SFRS(I) equivalent of the above standards that are effective on 1 January 2018 will be adopted at the same time.

Except for SFRS(I) 9, SFRS(I) 15 and SFRS(I) 16, the directors expect that the adoption of the SFRS(I) equivalent of the above standards will have no material impact on the financial statements in the year of initial application. The nature of the impending changes in accounting policy on adoption of SFRS(I) 9, SFRS(I) 15 and SFRS(I) 16 are described below.

FRS 115 *Revenue from Contracts with Customers*

FRS 115 establishes a five-step model to account for revenue arising from contracts with customers, and introduces new contract cost guidance. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard is effective for annual periods beginning on or after 1 January 2018.

The Group has performed a preliminary impact assessment of adopting FRS 115 based on currently available information. This assessment may be subject to changes arising from ongoing analysis until the Group adopts FRS 115 in 2018.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
(CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards issued but not yet effective (Continued)

FRS 115 Revenue from Contracts with Customers (Continued)

The Group plans to apply the changes in accounting policies retrospectively to each reporting year presented, using the full retrospective approach. The Group also plans to apply the practical expedient provided for completed contracts in FRS 115, whereby the Group plans not to restate completed contracts that begin and end within the same year or are completed contracts at 1 January 2017.

The Group's property segment is in the business of developing residential and commercial properties. The Group currently recognises revenue from the sale of development properties under construction located in Singapore using the percentage of completion method for contracts where the legal terms were such that the construction represented the continuous transfer of work in progress to the purchaser, and recognises revenue from the sale of residential and commercial development properties under construction located outside of Singapore (in Australia and Malaysia) using the completed contract method.

Under FRS 115, for the Group's residential developments in Malaysia, performance obligations for the sale of development properties are satisfied over time 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. As the Group has not sold any residential properties under construction in Malaysia, the directors expect that the adoption of FRS 115 will have no material impact on the Group's financial statements upon adoption.

FRS 109 Financial Instruments

FRS 109 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting, and is effective for annual periods beginning on or after 1 January 2018. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model. Adopting the expected credit loss requirements will require the Group to make changes to its current systems and processes.

The Group plans to adopt the new standard on the required effective date without restating prior periods' information and recognises any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period at the date of initial application in the opening revenue reserves.

The Group has performed a preliminary impact assessment of adopting FRS 109 based on currently available information. This assessment may be subject to changes arising from ongoing analysis, until the Group adopts FRS 109 in 2018.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
(CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards issued but not yet effective (Continued)

FRS 109 Financial Instruments (Continued)

(a) Classification and measurement

The Group's trade receivables include receivables from its pawnbroking and secured lending businesses. The Group intends to hold these receivables to collect contractual cash flows, and accordingly these are measured at amortised cost when it applies FRS 109.

For its quoted debt securities and other available-for-sale financial assets, the Group intends to hold these instruments to collect contractual cash flows and sell, and accordingly these are measured at fair value through other comprehensive income when it applies FRS 109.

The Group currently measures its investments in unquoted equity shares at cost. Under FRS 109, the Group will be required to measure these investments at fair value. As the Group does not intend to dispose of these investments in the foreseeable future, these investments will be measured at fair value through other comprehensive income when it applies FRS 109.

(b) Impairment

FRS 109 requires the Group to record expected credit losses on all of its debt securities, loans, trade receivables and financial guarantees, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on trade receivables from its pawnbroking and secured lending businesses. Upon application of the expected credit loss model, the Group expects that due to the collateralised nature of these receivables and the low loan-to-valuation nature of the secured lending receivables, there is no significant impact upon adoption of FRS 109. Although the collateral does not influence whether the financial instrument has a low credit risk, the expected cash flows in the assessment of net expected credit losses will include cash flows from the sale of collateral held. For its quoted debt securities, the Group intends to apply the general approach. As the quoted debt securities are generally assessed to be of low credit risk and are externally rated, the Group intends to apply the low credit operational simplification to determine that no significant increase in credit risk has occurred. An estimation of loss allowance based on 12-month probability of default and loss given default would result in impairment losses being recognised in profit or loss upon the application of FRS 109.

FRS 116 Leases

FRS 116 requires lessees to recognise most leases on balance sheets to reflect the rights to use the leased assets and the associated obligations for lease payments as well as the corresponding interest expense and depreciation charges. The standard includes two recognition exemptions for lessees – leases of 'low value' assets and short-term leases. The new leases standard is effective for annual periods beginning on or after 1 January 2019.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
(CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards issued but not yet effective (Continued)

FRS 116 Leases (Continued)

The Group has performed a preliminary impact assessment of the adoption of FRS 116 and expects that the adoption of FRS 116 will result in increases in total assets and total liabilities, EBITDA and gearing ratio.

The Group plans to adopt the new standard on the required effective date by applying FRS 116 retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of retained earnings as at 1 January 2019.

The Group is currently in the process of analysing the transitional approaches and practical expedients to be elected on transition to FRS 116 and assessing the possible impact of adoption.

2.4 Basis of consolidation and business combinations

(a) *Basis of consolidation*

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- derecognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- derecognises the carrying amount of any non-controlling interest;
- derecognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss;
- reclassifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
(CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Basis of consolidation and business combinations (Continued)

(b) *Business combinations and goodwill*

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another FRS.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The cash-generating units to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates.

2.5 Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
(CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Subsidiaries

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

2.7 Joint arrangements

A joint arrangement is a contractual arrangement whereby two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint arrangement is classified either as joint operation or joint venture, based on the rights and obligations of the parties to the arrangement.

To the extent the joint arrangement provides the Group with rights to the assets and obligations for the liabilities relating to the arrangement, the arrangement is a joint operation. To the extent the joint arrangement provides the Group with rights to the net assets of the arrangement, the arrangement is a joint venture.

(a) *Joint operations*

The Group recognises in relation to its interest in a joint operation,

- (a) its assets, including its share of any assets held jointly;
- (b) its liabilities, including its share of any liabilities incurred jointly;
- (c) its revenue from the sale of its share of the output arising from the joint operation;
- (d) its share of the revenue from the sale of the output by the joint operation; and
- (e) its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the accounting policies applicable to the particular assets, liabilities, revenues and expenses.

(b) *Joint ventures*

The Group recognises its interest in a joint venture as an investment and accounts for the investment using the equity method. The accounting policy for investment in joint ventures is set out in Note 2.8.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
(CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Associates and joint ventures

An associate is an entity over which the Group has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control of those policies.

The Group accounts for its investments in associates and joint ventures using the equity method from the date on which it becomes an associate or joint venture.

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities is accounted for as goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate and joint venture's profit or loss in the period in which the investment is acquired.

Under the equity method, investment in associates or joint ventures is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates or joint ventures. The profit or loss reflects the share of results of the operations of the associates or joint ventures. Distributions received from associates or joint ventures reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the associates or joint ventures, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and associates or joint ventures are eliminated to the extent of the interest in the associates or joint ventures.

When the Group's share of losses in an associate or joint venture equals or exceeds its interest in the associate or joint venture, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in associate or joint ventures. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognises the amount in profit or loss.

The financial statements of the associates and joint ventures are prepared as at the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

2.9 Foreign currency

The financial statements are presented in Singapore Dollars, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
(CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Foreign currency (Continued)

(a) *Transactions and balances*

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

(b) *Consolidated financial statements*

For consolidation purpose, the assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

2.10 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Freehold land has an unlimited useful life and therefore is not depreciated. Work-in-progress is not depreciated until it is ready for its intended use.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Freehold properties	–	50 years
Leasehold properties	–	63 to 69 years
Renovations, electrical fittings, furniture and fittings	–	3 to 5 years
Air-conditioners, security equipment and office equipment	–	3 to 5 years
Machinery, tools and equipment	–	5 years
Computers	–	3 years
Motor vehicles	–	3 to 7 years

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
(CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Property, plant and equipment (Continued)

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The useful lives and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is included in profit or loss in the year the asset is derecognised.

2.11 Investment properties

Investment properties are properties that are either owned by the Group or leased under a finance lease that are held to earn rental or for capital appreciation, or both, rather than for use in the production or supply of goods or services, or for administrative purposes, or in the ordinary course of business. Investment properties comprise completed investment properties and properties that are being constructed or developed for future use as investment properties. Properties held under operating leases are classified as investment properties when the definition of an investment property is met.

Investment properties are initially measured at cost, including transaction costs.

Subsequent to initial recognition, investment properties are measured at fair value. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of retirement or disposal.

2.12 Intangible assets

Intangible assets acquired separately are measured initially at cost. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives are amortised on a straight-line basis over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
(CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Intangible assets (Continued)

Intangible assets with indefinite useful lives are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

(i) **Brands**

The brands were acquired in business combinations. The useful lives of the brands are estimated to be 15 years and are amortised on a straight-line basis.

(ii) **Trademark**

Trademark acquired separately is measured on initial recognition at cost. Following initial recognition, it is carried at cost less accumulated amortisation and any accumulated impairment losses. It is amortised on a straight line basis over its finite useful life of 15 years.

2.13 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses are recognised in profit or loss.

A previously recognised impairment loss 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. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
(CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Financial instruments

(a) *Financial assets*

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value plus directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

(i) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

(ii) Available-for-sale financial assets

Available-for-sale financial assets include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as financial assets designated at fair value through profit or loss nor loans and receivables. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
(CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Financial instruments (Continued)

(a) **Financial assets** (Continued)

De-recognition

A financial asset is de-recognised where the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchase or sale of a financial asset

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

(b) **Financial liabilities**

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus directly attributable transaction costs.

Subsequent measurement

After initial recognition, financial liabilities are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

De-recognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
(CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Cash and cash equivalents

Cash and cash equivalents comprise cash at banks, cash on hand and cash amounts held under the “Project Account (Amendment) Rules – 1997” withdrawals of which are restricted to payments for expenditure incurred on projects. These also include bank overdrafts that form an integral part of the Group’s cash management.

2.16 Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

(a) *Financial assets carried at amortised cost*

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows discounted at the financial asset’s original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial asset is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
(CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Impairment of financial assets (Continued)

(b) *Financial assets carried at cost*

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(c) *Available-for-sale financial assets*

In the case of equity investments classified as available-for-sale, objective evidence of impairment include (i) significant financial difficulty of the issuer or obligor, (ii) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered; and (iii) a significant or prolonged decline in the fair value of the investment below its costs.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from other comprehensive income and recognised in profit or loss. Reversals of impairment losses in respect of equity instruments are not recognised in profit or loss; increase in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increases can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed in profit or loss.

2.17 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

Raw materials	– purchase costs on a weighted average basis; and
Finished goods	– cost of raw materials, labour and an attributable portion of overheads, determined on a specific identification basis.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
(CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Inventories (Continued)

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.18 Development properties

Development properties are properties acquired or being constructed for sale in the ordinary course of business, rather than to be held for the Group's own use, rental or capital appreciation.

Development properties are held as inventories and are measured at the lower of cost and net realisable value.

The cost of development properties include:

- Freehold and leasehold rights for land;
- Amounts paid to contractors for construction;
- Borrowing costs, planning and design costs, costs of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs; and
- Non-refundable sales agent commission.

Non-refundable commissions paid to sales or marketing agents on the sale of real estate units are capitalised and amortised to profit or loss as the Group expects to recognise the related revenue.

Provision is made for foreseeable losses in arriving at estimated net realisable value. Net realisable value of development properties is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date and discounted for the time value of money if material, less the estimated costs of completion and the estimated costs necessary to make the sale.

The costs of development properties recognised in profit or loss on disposal are determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs based on the relative size of the property sold.

2.19 Properties held for sale

Properties held for sale are properties constructed or purchased which are intended for sale in the ordinary course of business. Properties held for sale are stated at the lower of cost and net realisable value. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
(CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.21 Employee benefits

(a) *Defined contribution plans*

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(b) *Employee leave entitlement*

Employees' entitlement to annual leave is recognised as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the reporting period is recognised for services rendered by employees up to the end of the reporting period.

(c) *Employees share award plan*

The Company's treasury shares can be awarded to certain employees and directors of the Group. Share award expense is recognised as an expense in the same period in which the related service is performed. The fair value of the share award expense is determined based on the market value of the shares at the distribution dates. Any difference between the weighted average cost of the treasury shares and the fair value of the share award expense is recorded in "Gain on reissuance of treasury shares" within equity.

2.22 Leases

(a) *As lessee*

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
(CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Leases (Continued)

(b) *As lessor*

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.23(c). Contingent rents are recognised as revenue in the period in which they are earned.

2.23 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding discounts, rebates, taxes or duty.

(a) *Sales of goods*

Revenue from sale of jewellery

Revenue from sale of jewellery is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer, usually on delivery and acceptance of the goods sold. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Revenue from sale of completed development property

A development property is regarded as sold when the significant risks and returns have been transferred to the buyer, which is normally on unconditional exchange of contracts. For conditional exchanges, sales are recognised only when all the significant conditions are satisfied.

Revenue from sale of development property under construction

Where development property is under construction and agreement has been reached to sell such property when construction is complete, revenue is recognised when the significant risks and rewards of ownership of the real estate have been transferred to the buyer (i.e. revenue is recognised using the completed contract method).

If, however, the legal terms of the contract are such that the construction represents the continuous transfer of work in progress to the purchaser, the percentage of completion method of revenue recognition is applied and revenue is recognised as work progresses.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
(CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Revenue (Continued)

(a) Sales of goods (Continued)

Revenue from sale of development property under construction (Continued)

In the Singapore context, INT FRS 115 includes an accompanying note on application of INT FRS 115 in Singapore which requires the percentage of completion method of revenue recognition to be applied to sale of private residential properties in Singapore prior to completion of properties that are regulated under the Singapore Housing Developers (Control and Licensing) Act (Chapter 130) and uses the standard form of sale and purchase agreements ("SPAs") prescribed in the Housing Developers Rules.

In the abovementioned situations, the percentage of work completed is measured by reference to the survey of work performed by external architects.

(b) Interest income

Interest income from loans to customers and quoted debt securities is recognised using the effective interest method.

(c) Rental income from operating leases

Rental income arising from operating leases on leasehold properties and standing property at a development site is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

(d) Dividend income

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

2.24 Taxes

(a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
(CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Taxes (Continued)

(b) *Deferred tax*

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
(CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Taxes (Continued)

(c) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

2.25 Share capital and share issuance expenses

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2.26 Treasury shares

The Group's own equity instruments, which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount of treasury shares and the consideration received, if reissued, is recognised directly in equity. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively.

2.27 Contingencies

A contingent liability is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- (b) a present obligation that arises from past events but is not recognised because:
 - (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - (ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
(CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.28 Financial guarantees

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are recognised as income in profit or loss over the period of the guarantee. If it is probable that the liability will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to profit or loss.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

3.1 Judgments in applying accounting policies

Management is of the opinion that there is no significant judgment made in applying accounting policies that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period.

3.2 Key sources of estimation uncertainty

The Group, on its own or in reliance on third parties, also applied estimates, assumptions and judgments in the following areas. These estimates, assumptions and judgments are however not expected to have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities as disclosed in the notes to the financial statements within the next financial year.

(a) *Impairment of loans and receivables*

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment for trade receivables of the Group's financial service business, the Group considers factors such as the historical non-redemption data and significant decline in values of collaterals. To determine whether there is objective evidence of impairment for trade receivables of the Group's other businesses, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the end of the reporting period is disclosed in Note 20 to the financial statements. If the present value of estimated future cash flows decrease by 10% from management's estimates, the Group's allowance for impairment will increase by \$79,000 (2016: \$78,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
(CONTINUED)

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (CONTINUED)

3.2 Key sources of estimation uncertainty (Continued)

(b) *Income taxes*

The Group has exposure to income taxes in the countries where the Group operates. Significant judgment is involved in determining the Group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's provision for taxation, deferred tax liabilities and deferred tax assets at the end of the reporting period was \$3,790,000 (2016: \$17,539,000), \$13,706,000 (2016: \$8,088,000) and \$8,430,000 (2016: \$9,587,000) respectively.

(c) *Allowance for inventory obsolescence*

The Group periodically assesses the allowance for inventory obsolescence. When inventories are deemed obsolete or when the net realisable value falls below cost, the amount of obsolete inventories or fall in value is recognised as an impairment against the inventory balance. To determine whether there is objective evidence of impairment, the Group estimates future demand for the product. Any possible changes in these estimates could result in revision to the valuation of inventory. The carrying amount of the Group's inventories at the end of the reporting period is disclosed in Note 18 to the financial statements.

(d) *Revenue recognition on development properties*

The Group recognises revenues and costs of certain types of development properties which meet the criteria under INT FRS 115 and the accompanying note on application of INT FRS 115 by reference to the stage of completion using the percentage of completion method. The stage of completion is measured by reference to the survey of work performed by external architects.

Significant assumptions are required to estimate the total development costs which are recognised by reference to the stage of completion of a project at the end of the reporting period. In making these estimates, management has relied on costs actually paid or contracted for, and in respect of costs not paid or contracted for, management's estimates of the costs to be incurred taking into consideration historical trends of its project costs.

Management has reviewed the status of all its projects and is satisfied that the estimates are realistic, and the estimates of total project costs and sales proceeds indicate full project recovery. The carrying amounts of the development properties and accrued expenses relating to development properties are disclosed in Note 19(a) and Note 23 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
(CONTINUED)

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (CONTINUED)

3.2 Key sources of estimation uncertainty (Continued)

(e) *Estimation of net realisable value for development properties*

Development properties are stated at the lower of cost and net realisable value ("NRV").

NRV in respect of the Group's development properties located in Singapore is assessed with reference to market prices at the reporting date for similar properties less estimated costs to complete construction. As at 31 December 2017 and 2016, the carrying amounts of development properties located in Singapore disclosed in Note 19(a) to the financial statements are stated at cost. A 10% increase in the estimated costs to complete construction would not have a material impact to the carrying amounts of the development property as at 31 December 2017 and 2016.

As at 31 December 2017 and 2016, a substantial portion of the Group's development properties located outside of Singapore are in their planning phases, some of which the Group is in the process of obtaining the necessary development permits from the relevant authorities in the respective jurisdictions. NRV in respect of these development properties is assessed based on management's best estimates of expected selling prices and estimated construction costs based on prevailing conditions in the respective markets where the properties are located, with the assumption that the required development permits will be obtained. Management has also made estimates of NRV with references to gross development values as assessed by independent valuers for certain development projects. The gross development value of a development property is derived from estimated sales proceeds less estimated construction costs.

In terms of expected selling prices, management has made the estimates with reference to market prices at the reporting date for similar properties in the respective markets where applicable. Where market prices are not available, management has taken into account input from property agents and the property type as well as targeted segment. Estimated construction costs or costs to complete construction take into account construction contracts entered into or input from project managers.

As at 31 December 2017 and 2016, the carrying amounts of development properties located outside of Singapore disclosed in Note 19(a) to the financial statements are stated at cost. A 5% decrease in gross development values as assessed in independent valuation reports for the Group's significant development properties is not expected to have a significant impact on the Group's financial statements as at 31 December 2017 and 2016.

(f) *Estimation of net realisable value for properties held for sale*

Properties held for sale are stated at the lower of cost and NRV.

NRV in respect of properties held for sale is assessed with reference to market prices at the reporting date for similar completed properties less estimated costs necessary to make the sale. As at 31 December 2017 and 2016, the carrying amount of properties held for sale disclosed in Note 19(b) to the financial statements is stated at cost.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
(CONTINUED)

4. REVENUE

	Group	
	2017	2016
	\$'000	\$'000
Sale of jewellery, pre-owned jewellery and watches	262,541	250,613
Revenue from sale of development properties	185,749	337,951
Interest income from pawnbroking services	34,745	32,472
Interest income and distribution income from secured lending	1,878	–
Marketing income	138	–
	<u>485,051</u>	<u>621,036</u>

5. EMPLOYEE BENEFITS

	Group	
	2017	2016
	\$'000	\$'000
Employee benefits expense (including executive directors):		
Salaries and bonuses	44,673	38,391
Central Provident Fund contributions	5,360	5,131
Share Award Scheme expenses	–	191
	<u>50,033</u>	<u>43,713</u>

Share Awards

During the financial year, the Company distributed Nil (2016: 753,000) shares out of treasury shares to its employees under the Aspiat Share Award Scheme at a reissue price of \$Nil (2016: \$0.255) per share.

6. FINANCE COSTS

	Group	
	2017	2016
	\$'000	\$'000
Interest expense on:		
– Term loans/short-term borrowings	19,574	20,928
– Term notes and bonds	32,460	33,963
– Amortisation of prepaid commitment fees	2,554	2,410
– Amortisation of premium on term notes	(12)	–
– Others	33	3
	<u>54,609</u>	<u>57,304</u>
Less: Interest expense capitalised in development properties	<u>(27,679)</u>	<u>(21,467)</u>
Total finance costs	<u>26,930</u>	<u>35,837</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
(CONTINUED)

7. OTHER INCOME

	Group	
	2017 \$'000	2016 \$'000
Cash purchase discount	21	46
Corporate charges to a subsidiary of a joint venture	360	328
Dividend income from investment securities	79	2
Forfeiture of option fees on sale of development properties	205	8
Foreign exchange gain	2,640	1,990
Net gain on disposal of investment securities	1,880	197
Gain from sale of properties held for sale	–	37
Government grants and other miscellaneous income	1,215	1,582
	<u>6,400</u>	<u>4,190</u>

8. PROFIT BEFORE TAX

The following items have been included in arriving at profit before tax:

	Note	Group	
		2017 \$'000	2016 \$'000
Audit fees to:			
– Auditors of the Company		622	481
– Other auditors		87	45
Non-audit fees to:			
– Auditors of the Company		86	239
Amortisation of prepaid rent		42	53
Amortisation of intangible assets	12	915	510
Directors' fees		226	226
Depreciation of property, plant and equipment	10	4,656	4,110
Fixed rental expense on operating leases		30,983	31,063
Contingent rental expense on operating leases		1,509	1,752
Allowance for write-down of development properties and properties held for sale		1,326	–
Property, plant and equipment written-off		877	916
Allowance for/(write back of) doubtful trade receivables, net		7	(241)
Write down of inventories	18	149	407
Net gain on disposal of investment securities		(1,534)	(197)
Loss on purchase and cancellation of term notes and bonds		34	–
Net foreign exchange gain		(2,468)	(1,819)
Financial losses on pledged items not fully covered by insurance		25	34
Impairment loss on investment securities	17	<u>1,733</u>	<u>1,500</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
(CONTINUED)

9. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing the profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding (excluding treasury shares) during the financial year.

Diluted earnings per share amounts are calculated by dividing the profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding (excluding treasury shares) during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The weighted average number of shares takes into account the weighted average effect of issue of bonus shares, bonus element in rights issue and changes in treasury shares transactions during the year. Comparatives have been adjusted accordingly, as applicable.

The following table reflects the profit and share data used in the computation of basic and diluted earnings per share for the years ended 31 December:

	Group	
	2017	2016
	\$'000	\$'000
Profit for the year attributable to owners of the Company used in the computation of basic and diluted earnings per share	2,305	1,092
Weighted average number of ordinary shares ('000) (excluding treasury shares) for basic and diluted earnings per share computation	1,935,040	1,913,227
Earnings per share (cent)		
– basic	0.12	0.06
– diluted	0.12	0.06

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
(CONTINUED)

10. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold properties \$'000	Leasehold properties \$'000	Renovations, electrical fittings, furniture and fittings \$'000
Cost:			
At 1 January 2016	11,165	4,629	22,379
Additions	4,748	11,549	1,647
Disposals	–	–	(285)
Written-off	–	–	(5,174)
Transfer in/(out)	–	–	4,234
Exchange differences	–	–	–
At 31 December 2016 and 1 January 2017	15,913	16,178	22,801
Additions	–	10,440	1,616
Acquisition of a subsidiary	–	–	68
Disposals	–	–	(19)
Written-off	–	–	(4,624)
Transfer in/(out)	–	–	3,206
Transferred to intangible assets	–	–	–
Exchange differences	–	–	–
At 31 December 2017	15,913	26,618	23,048
Accumulated depreciation and impairment:			
At 1 January 2016	401	405	18,547
Depreciation charge for the year	3	139	2,631
Disposals	–	–	(217)
Written-off	–	–	(4,430)
At 31 December 2016 and 1 January 2017	404	544	16,531
Depreciation charge for the year	10	300	2,956
Disposals	–	–	(10)
Written-off	–	–	(3,982)
At 31 December 2017	414	844	15,495
Net carrying amount:			
At 31 December 2016	15,509	15,634	6,270
At 31 December 2017	15,499	25,774	7,553

* Less than \$1,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
(CONTINUED)

Air-conditioners, security equipment and office equipment \$'000	Machinery, tools and equipment \$'000	Computers \$'000	Motor vehicles \$'000	Work-in-progress \$'000	Total \$'000
5,347	1,601	5,927	479	1,698	53,225
535	93	598	239	4,783	24,192
(65)	(94)	(71)	(95)	–	(610)
(749)	(38)	(152)	–	(107)	(6,220)
(3)	–	83	–	(4,314)	–
–	–	(1)	–	–	(1)
5,065	1,562	6,384	623	2,060	70,586
674	200	522	84	26,444	39,980
6	–	8	–	–	82
(12)	–	–	–	–	(31)
(511)	(82)	(43)	–	(155)	(5,415)
19	3	248	–	(3,476)	–
–	–	–	–	(1,308)	(1,308)
–	–	–*	–	–	–*
5,241	1,683	7,119	707	23,565	103,894
4,088	1,336	4,838	358	–	29,973
511	108	659	59	–	4,110
(43)	(94)	(48)	(95)	–	(497)
(707)	(24)	(143)	–	–	(5,304)
3,849	1,326	5,306	322	–	28,282
463	128	726	73	–	4,656
(7)	–	–	–	–	(17)
(436)	(78)	(42)	–	–	(4,538)
3,869	1,376	5,990	395	–	28,383
1,216	236	1,078	301	2,060	42,304
1,372	307	1,129	312	23,565	75,511

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
(CONTINUED)

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Renovations, electrical fittings, furniture and fittings \$'000	Air-conditioners, security equipment and office equipment \$'000	Machinery, tools and equipment \$'000	Computers \$'000	Work-in- progress \$'000	Total \$'000
Cost:						
At 1 January 2016	784	411	78	3,550	66	4,889
Additions	5	9	–	318	105	437
Disposals	–	(1)	–	(1)	–	(2)
At 31 December 2016 and 1 January 2017	789	419	78	3,867	171	5,324
Additions	–	5	–	106	180	291
Written-off	–	(1)	–	(3)	–	(4)
Transferred to intangible assets	–	–	–	–	(330)	(330)
At 31 December 2017	789	423	78	3,970	21	5,281
Accumulated depreciation and impairment:						
At 1 January 2016	689	382	78	2,876	–	4,025
Depreciation charge for the year	30	13	–	378	–	421
Disposals	–	(1)	–	(1)	–	(2)
At 31 December 2016 and 1 January 2017	719	394	78	3,253	–	4,444
Depreciation charge for the year	28	12	–	403	–	443
Written-off	–	(1)	–	(3)	–	(4)
At 31 December 2017	747	405	78	3,653	–	4,883
Net carrying amount:						
At 31 December 2016	70	25	–	614	171	880
At 31 December 2017	42	18	–	317	21	398

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
(CONTINUED)

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Assets pledged as security

A floating charge has been placed on property, plant and equipment of certain subsidiaries with a carrying amount aggregating to \$68,510,000 (2016: \$34,111,000) as security for bank borrowings (Note 24).

11. INVESTMENT PROPERTIES

	Group	
	2017 \$'000	2016 \$'000
Statement of financial position:		
At 1 January	45,700	45,700
Transferred from properties held for sale	15,352	–
Net loss from fair value adjustments recognised in profit or loss	(486)	–
At 31 December	<u>60,566</u>	<u>45,700</u>
Statement of comprehensive income:		
Rental income from investment properties:		
– Minimum lease payments	1,067	1,125
– Contingent rent based on tenant's turnover	29	36
	<u>1,096</u>	<u>1,161</u>
Direct operating expenses (including repairs and maintenance) arising from:		
– Rental generating properties	925	430
– Non-rental generating properties	55	–
	<u>980</u>	<u>430</u>

The Group has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

Valuation of investment properties

Investment properties are stated at fair value, which has been determined based on valuations performed as at 31 December 2017 and 31 December 2016. The valuations were performed by Jones Lang LaSalle Property Consultants Pte. Ltd. and Henry Butcher Sdn. Bhd., independent valuers with recognised and relevant professional qualifications and with recent experience in the location and category of the properties being valued. Details of the valuation technique and inputs used are disclosed in Note 34.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
(CONTINUED)

11. INVESTMENT PROPERTIES (CONTINUED)

Properties pledged as security

As at 31 December 2017, investment properties with a carrying value of \$53,440,000 (2016: \$45,700,000) are pledged as security for bank borrowings (Note 24).

The investment properties held by the Group are as follows:

Description and location	Existing use	Tenure	Unexpired lease term
World Class Development (Bedok) Pte. Ltd.			
#01-08, #01-47, #01-48, #01-49, #01-64, #01-65, #01-67, #01-68 East Village, Bedok Road, Singapore	Retail	Freehold	–
World Class Development (North) Pte. Ltd.			
#01-52 and #01-67 The Hillford, Jalan Jurong Kechil, Singapore	Retail	Leasehold	55 years
World Class Land (Georgetown) Sdn. Bhd.			
41, 43 & 51 Gat Jalan Prangin, Penang, Malaysia	Commercial	Freehold	–
WCL (Macallum) Sdn. Bhd.			
206 Jalan C.Y. Choy, Penang, Malaysia	Commercial	Freehold	–
55 Lebuhr Cecil, Penang, Malaysia	Commercial	Freehold	–
81 Lebuhr Macallum, Penang, Malaysia	Commercial	Freehold	–
WCL (Noordin St) Sdn. Bhd.			
68 Lebuhr Presgrave, Penang, Malaysia	Commercial	Freehold	–
69 & 71 Lebuhr Presgrave, Penang, Malaysia	Commercial	Freehold	–
95, 97 & 99 Lebuhr Noordin, Penang, Malaysia	Commercial	Freehold	–
15 Lebuhr Tye Sin, Penang, Malaysia	Commercial	Freehold	–
80 & 82 Lebuhr Tye Sin, Penang, Malaysia	Commercial	Freehold	–

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
(CONTINUED)

12. INTANGIBLE ASSETS

Group	Brands \$'000	Trademark \$'000	Goodwill \$'000	Computer software \$'000	Club membership \$'000	Total \$'000
Cost:						
At 1 January 2016, 31 December 2016 and 1 January 2017	8,421	723	4,994	–	49	14,187
Addition	–	–	99	–	–	99
Transferred from property, plant and equipment	–	–	–	1,308	–	1,308
At 31 December 2017	8,421	723	5,093	1,308	49	15,594
Accumulated amortisation and impairment:						
At 1 January 2016	6,110	589	–	–	14	6,713
Amortisation	462	48	–	–	–	510
At 31 December 2016 and 1 January 2017	6,572	637	–	–	14	7,223
Amortisation	462	48	–	405	–	915
At 31 December 2017	7,034	685	–	405	14	8,138
Net carrying amount:						
At 31 December 2016	1,849	86	4,994	–	35	6,964
At 31 December 2017	1,387	38	5,093	903	35	7,456

Company	Computer software \$'000	Club membership \$'000	Total \$'000
Cost:			
At 1 January 2016, 31 December 2016 and 1 January 2017	–	49	49
Transferred from property, plant and equipment	330	–	330
At 31 December 2017	330	49	379
Accumulated amortisation and impairment:			
At 1 January 2016, 31 December 2016 and 1 January 2017	–	14	14
Amortisation	66	–	66
At 31 December 2017	66	14	80
Net carrying amount:			
At 31 December 2016	–	35	35
At 31 December 2017	264	35	299

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
(CONTINUED)

12. INTANGIBLE ASSETS (CONTINUED)

Amortisation expense

The brand and trademark acquired are amortised on a straight-line basis over their estimated economic useful lives of 15 years. The remaining amortisation period for the brand and trademark are 4 years and 2 years (2016: 5 years and 3 years) respectively.

Impairment testing of goodwill

Goodwill was tested for impairment by comparing the carrying amount of goodwill with its recoverable amount.

The recoverable amount of goodwill was determined based on value in use calculations using cash flow projections from financial budgets of the business unit approved by management covering a five year period. Management has considered and determined the factors applied in these financial budgets which include average growth rates derived based on management's judgment. The growth rate applied is 1.2% (2016: 3.0%) and the pre-tax discount rate applied in the cash flow projections is 9.5% (2016: 11.1%), which reflects management's estimation of the risks specific to the segment.

13. INVESTMENT IN SUBSIDIARIES

	Company	
	2017 \$'000	2016 \$'000
Shares, at cost	180,013	161,712
Acquisition/subscription of shares issued by subsidiaries during the year	30,725	18,301
	<u>210,738</u>	<u>180,013</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
(CONTINUED)

13. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Composition of the Group

The Group has the following investment in subsidiaries:

Name of Company		Principal place of business	Principal activities	Proportion of ownership interest	
				2017	2016
				%	%
<i>Held by the Company</i>					
(c)	Aspial International Pte. Ltd.	Singapore	Jewellery wholesaling and exporting	100	100
(a)	World Class Land Pte. Ltd.	Singapore	Property development	90	90
(a)	World Class Global Limited (formerly known as World Class Global Pte. Ltd.) (“ WCG ”)	Singapore	Investment holding	81.11	90
(h)	Gold Purple Pte. Ltd.	Singapore	Jewellery manufacturing (dormant)	100	100
(k)	Belgium – Singapore Diamond Corporation Pte. Ltd.	Singapore	Diamond trading (dormant)	–	100
(a)	Aspial-Lee Hwa Jewellery Singapore Pte. Ltd.	Singapore	Jewellery retailing and manufacturing	100	100
(a)	Maxi-Cash Financial Services Corporation Ltd. (“ Maxi-Cash ”)	Singapore	Investment holding	64.92	68.21
(a)	Aspial Property Investment Pte. Ltd. (formerly known as World Financial Property Pte. Ltd.)	Singapore	Real estate activities	100	100
(a)	Aspial Investment Holding Pte. Ltd.	Singapore	Investment holding	100	100
(a)	Aspial Treasury Pte. Ltd.	Singapore	Investment holding	100	100
(e)	ACL International Services Sdn. Bhd.	Malaysia	Investment holding and corporate management services	100	100
(c)	Aspial Capital Investment Pte. Ltd. (formerly known as Aspial Capital (Brimingham) Pte. Ltd.)	Singapore	Investment holding	100	100

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
(CONTINUED)

13. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of Company		Principal place of business	Principal activities	Proportion of ownership interest	
				2017 %	2016 %
<i>Held through subsidiaries</i>					
<i>Aspial-Lee Hwa Jewellery Singapore Pte. Ltd.</i>					
(a)	Citigems Pte. Ltd.	Singapore	Jewellery retailing	85.51	73.01
(a)	Aspial-Lee Hwa Jewellery Pte. Ltd.	Singapore	Jewellery retailing	100	100
(a)	Goldheart Jewelry Pte. Ltd.	Singapore	Jewellery retailing	100	100
(a), (i)	Aspial Capital (Ubi) Pte. Ltd.	Singapore	Investment holding	82.46	84.11
<i>Aspial International Pte. Ltd.</i>					
(c)	BU2 Services Pte. Ltd.	Singapore	Investment holding	100	100
(a), (j)	Goldheart Bullion Pte. Ltd.	Singapore	Gold bullion brokers and dealers	70	–
(c), (j)	Niessing Group Pte. Ltd.	Singapore	Investment holding	100	–
<i>Niessing Group Pte. Ltd.</i>					
(c), (j)	Niessing Asia Pacific Pte. Ltd.	Singapore	Regional sales office and jewellery retailing	100	–
<i>Niessing Asia Pacific Pte. Ltd.</i>					
(j)	Niessing (Hong Kong) Limited	Hong Kong	Jewellery retailing	100	–
(h), (j)	Niessing (Australia) Pty. Ltd.	Australia	Jewellery retailing	100	–
<i>World Class Land Pte. Ltd.</i>					
(d)	World Class Developments Pte. Ltd.	Singapore	Property development	100	100
(c)	Advance Property Pte. Ltd.	Singapore	Investment holding	100	100
(d)	World Class Property Pte. Ltd.	Singapore	Property development	100	100
(k)	World Class Capital Pte. Ltd.	Singapore	Property development	–	80

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
(CONTINUED)

13. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of Company		Principal place of business	Principal activities	Proportion of ownership interest	
				2017 %	2016 %
Held through subsidiaries <i>(Continued)</i>					
Advance Property Pte. Ltd.					
(c)	Headway Construction Pte. Ltd.	Singapore	Building construction and contractors	100	100
(c)	Dynamic Project Management Services Pte. Ltd.	Singapore	Property management	100	100
World Class Property Pte. Ltd.					
(k)	World Class Property (Eastcoast) Pte. Ltd.	Singapore	Property development	–	100
(d)	World Class Investments Pte. Ltd.	Singapore	Property investment	100	100
(k)	World Class Property (Dunearn) Pte. Ltd.	Singapore	Property development	–	100
(k)	World Class Property (Central) Pte. Ltd.	Singapore	Property development	–	100
(d)	World Class Property (Telok Kurau) Pte. Ltd.	Singapore	Property development	100	100
World Class Developments Pte. Ltd.					
(a)	World Class Developments (Bedok) Pte. Ltd.	Singapore	Property development	80	80
(d)	World Class Developments (Central) Pte. Ltd.	Singapore	Property development	100	100
(d)	World Class Developments (City Central) Pte. Ltd.	Singapore	Property development	90	90
(a)	World Class Developments (North) Pte. Ltd.	Singapore	Property development	100	100
World Class Global Limited (formerly known as World Class Global Pte. Ltd.)					
(e)	World Class Land (Malaysia) Sdn. Bhd.	Malaysia	Investment holding	100	100
(h)	World Class Land (Australia) Pty. Ltd.	Australia	Investment holding	100	100

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
(CONTINUED)

13. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of Company	Principal place of business	Principal activities	Proportion of ownership interest		
			2017	2016	
			%	%	
Held through subsidiaries <i>(Continued)</i>					
World Class Land (Malaysia) Sdn. Bhd.					
(e)	World Class Land (Penang) Sdn. Bhd.	Malaysia	Property development	100	100
World Class Land (Penang) Sdn. Bhd.					
(e)	World Class Land (Georgetown) Holdings Sdn. Bhd.	Malaysia	Property development	95	95
World Class Land (Georgetown) Holdings Sdn. Bhd.					
(b)	World Class Land (Georgetown) Sdn. Bhd.	Malaysia	Property development	100	100
(b)	WCL (Magazine) Sdn. Bhd.	Malaysia	Property development	100	100
(b)	WCL (Macallum) Sdn. Bhd.	Malaysia	Property development	100	100
(b)	WCL (Noordin St) Sdn. Bhd.	Malaysia	Property development	100	100
(b)	WCL (Bertam R) Sdn. Bhd.	Malaysia	Property development	100	100
(b)	WCL (Bertam L) Sdn. Bhd.	Malaysia	Property development	100	100
(e)	PHC Hotels Sdn. Bhd. (formerly known as Dynamic PMS (M) Sdn. Bhd.)	Malaysia	Investment holding	100	100
World Class Land (Australia) Pty. Ltd.					
(f), (h)	WCL-Cairns (QLD) Pty. Ltd.	Australia	Property development	100	100
(f), (h)	WCL-Central Park (QLD) Pty. Ltd.	Australia	Property development	100	100
(k)	WCL-King (VIC) Pty. Ltd.	Australia	Property development	–	100
(f), (h)	WCL-Southbank (VIC) Pty. Ltd.	Australia	Property development	100	100
(f), (h)	WCL-A Beckett (VIC) Pty. Ltd.	Australia	Property development	100	100
(h)	WCL (QLD) Holdings Pty. Ltd.	Australia	Property development	100	100
(g), (j)	Avant Trust	Australia	Trust	100	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
(CONTINUED)

13. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of Company	Principal place of business	Principal activities	Proportion of ownership interest	
			2017 %	2016 %
Held through subsidiaries (Continued)				
WCL-Cairns (QLD) Pty. Ltd.				
(h) Dynamic Ideas Pty. Ltd.	Australia	Property development	100	100
(f), (h) WCL (CNS) CBD Pty. Ltd.	Australia	Property development	100	100
WCL (QLD) Holdings Pty. Ltd.				
(f), (h) WCL (QLD) Albert St Pty. Ltd.	Australia	Property development	100	100
(f), (h) WCL (QLD) Margaret St Pty. Ltd.	Australia	Property development	65	65
Maxi-Cash Financial Services Corporation Ltd.				
(a) Maxi-Cash Group Pte. Ltd.	Singapore	Pawn brokerage and investment holding	100	100
(a) Maxi-Cash Jewellery Group Pte. Ltd.	Singapore	Jewellery retailing	100	100
(a) Gold N Gems Pte. Ltd.	Singapore	Jewellery retailing	100	100
(a), (j) Maxi-Cash Property Pte. Ltd.	Singapore	Real estate activities	100	–
(a), (j) Maxi-Cash Investment Holding Pte. Ltd.	Singapore	Investment holding	100	–
(a), (j) Maxi-Cash Capital Management Pte. Ltd.	Singapore	Secured lending and investment holding	100	–
(a), (j) Maxi-Cash International Pte. Ltd.	Singapore	Investment holding	100	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
(CONTINUED)

13. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of Company		Principal place of business	Principal activities	Proportion of ownership interest	
				2017 %	2016 %
Held through subsidiaries (Continued)					
Maxi-Cash Group Pte. Ltd.					
(a)	Maxi-Cash (North) Pte. Ltd.	Singapore	Pawn brokerage	100	100
(a)	Maxi-Cash (East) Pte. Ltd.	Singapore	Pawn brokerage	100	100
(a)	Maxi-Cash (Central) Pte. Ltd.	Singapore	Pawn brokerage	100	100
(a)	Maxi-Cash (West) Pte. Ltd.	Singapore	Pawn brokerage	100	100
(a)	Maxi-Cash (Clementi) Pte. Ltd.	Singapore	Pawn brokerage	70	70
(a)	Maxi-Cash Capital Pte. Ltd.	Singapore	Pawn brokerage	100	100
(a)	Maxi-Cash Assets Pte. Ltd.	Singapore	Pawn brokerage	100	100
(a)	Maxi-Cash Ventures Pte. Ltd.	Singapore	Pawn brokerage	100	100
(a)	Maxi-Cash (Central 2) Pte. Ltd.	Singapore	Pawn brokerage	100	100
(a)	Maxi-Cash (East 2) Pte. Ltd.	Singapore	Pawn brokerage	100	100
(a)	Maxi-Cash (North East) Pte. Ltd.	Singapore	Pawn brokerage	100	100
(a)	Maxi-Cash (North East 2) Pte. Ltd.	Singapore	Dormant	100	100

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
(CONTINUED)

13. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of Company	Principal place of business	Principal activities	Proportion of ownership interest	
			2017 %	2016 %
Held through subsidiaries <i>(Continued)</i>				
Maxi-Cash Capital Management Pte. Ltd.				
(a), (j) Maxi Financial Pte. Ltd.	Singapore	Dormant	100	—
Maxi-Cash International Pte. Ltd.				
(j) Maxi Cash (Malaysia) Sdn. Bhd.	Malaysia	Dormant	100	—
Maxi Cash (Malaysia) Sdn. Bhd.				
(j) Maxi Cash (Penang) Sdn. Bhd.	Malaysia	Dormant	90	—
(j) Maxi Cash (Southern) Sdn. Bhd.	Malaysia	Dormant	90	—
Maxi Cash (Penang) Sdn. Bhd.				
(j) Max Cash (George Town) Sdn. Bhd.	Malaysia	Dormant	100	—
Maxi Cash (Southern) Sdn. Bhd.				
(j) Max Cash (S1) Sdn. Bhd.	Malaysia	Dormant	100	—

(a) Audited by Ernst & Young LLP, Singapore

(b) Audited by a member firm of EY Global

(c) Audited by David Yeung & Co PAC, Singapore

(d) Audited by CG Alliance, Singapore

(e) Audited by Baker Tilly Monteiro Heng, Malaysia

(f) Audited by Ernst & Young LLP, Singapore for consolidation purposes

(g) Audited by Crowe Horwath NQ

(h) Exempted from statutory audit

(i) During the financial year ended 31 December 2016, Aspiat Capital (Ubi) Pte. Ltd. was incorporated as a joint venture between Maxi-Cash Financial Service Corporation Ltd. and Aspiat-Lee Hwa Jewellery Singapore Pte. Ltd., each holding 50% interest in the ownership and voting rights. The proportion of ownership interest of 82.46% represents the effective interest held by the Company.

(j) Newly incorporated/established/acquired during the financial year ended 31 December 2017

(k) Voluntarily liquidated during the financial year ended 31 December 2017

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
(CONTINUED)

13. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Interest in subsidiaries with material non-controlling interest ("NCI")

The Group has the following subsidiaries that have NCI that are material to the Group.

Name of subsidiary	Principal place of business	Proportion of ownership interest held by NCI	Profit/(loss) allocated to NCI during the reporting period \$'000	Accumulated NCI at the end of reporting period \$'000	Dividends paid to NCI \$'000
31 December 2017					
Financial service segment	Singapore	35.08%	4,601	45,968	1,244
Real estate segment	Singapore	10.00% – 18.89%	(319)	46,247	–
Citigems Pte. Ltd. ("CTG")	Singapore	14.49%	(562)	(2,698)	–
31 December 2016					
Financial service segment	Singapore	31.79%	3,725	30,813	1,272
Real estate segment	Singapore	10.00%	850	38,516	–
CTG	Singapore	26.99%	(857)	(4,448)	–

Summarised financial information about subsidiaries with material NCI

Summarised financial information including goodwill on acquisition and consolidation adjustments but before intercompany eliminations of subsidiaries with material non-controlling interests are as follows:

Summarised statement of financial position

	Financial service segment		Real estate segment		CTG	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Current						
Assets	383,882	301,022	1,032,659	927,964	1,396	1,527
Liabilities	(239,029)	(210,489)	(778,070)	(654,547)	(25,093)	(23,900)
Net current assets/(liabilities)	144,853	90,533	254,589	273,417	(23,697)	(22,373)
Non-current						
Assets	62,659	6,239	75,905	66,419	743	1,563
Liabilities	(78,170)	(150)	(135,742)	(175,395)	–	–
Net non-current (liabilities)/assets	(15,511)	6,089	(59,837)	(108,976)	743	1,563
Net assets/(liabilities)	129,342	96,622	194,752	164,441	(22,954)	(20,810)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
(CONTINUED)

13. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Summarised financial information about subsidiary with material NCI (Continued)

Summarised statement of comprehensive income

	Financial service segment		Real estate segment		CTG	
	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	188,392	163,188	185,749	337,951	21,474	28,843
Profit/(loss) before income tax	14,957	13,149	9,502	7,407	(2,144)	(3,175)
Income tax expense	(1,595)	(1,699)	(5,287)	(343)	–	–
Profit/(loss) after tax	13,362	11,450	4,215	7,064	(2,144)	(3,175)
Other comprehensive income	305	–	428	1,258	–	–
Total comprehensive income	13,667	11,450	4,643	8,322	(2,144)	(3,175)

Other summarised information

	Financial service segment		Real estate segment		CTG	
	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Net cash flows (used in)/from operations	(65,432)	(28,050)	(53,406)	(71,395)	188	536

Acquisition of ownership interest in subsidiary

Acquisition of Goldheart Bullion Pte. Ltd.

On 12 June 2017, the Group's subsidiary Company, Aspiat International Pte. Ltd. ("AIPL") acquired a 70% equity interest in Goldheart Bullion Pte. Ltd. ("GB") for a cash consideration of \$1,313,000. Consequent to the acquisition, GB became a subsidiary of the Group.

The Group acquired GB in order to increase its product offerings in the market.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
(CONTINUED)

13. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Acquisition of ownership interest in subsidiary (Continued)

Acquisition of Goldheart Bullion Pte. Ltd. (Continued)

The fair value of the identifiable assets and liabilities of GB as at the acquisition date were:

	Fair value recognised on acquisition \$'000
Property, plant and equipment	82
Trade and other receivables	20
Inventories	404
Prepayments	15
Due from the then-existing shareholders of the subsidiary	813
Cash and bank balances	540
	<u>1,874</u>
Trade and other payables	<u>(253)</u>
Total identifiable net assets at fair value	1,621
Non-controlling interest measured at the non-controlling interest's proportionate share of GB's net identifiable assets	(486)
Goodwill arising from acquisition	99
Other adjustments	<u>79</u>
Cash paid, representing total consideration transferred	<u>1,313</u>
<u>Effect of the acquisition of GB on cash flows</u>	
Cash paid	1,313
Less: Cash and cash equivalents of subsidiary acquired	<u>(540)</u>
Net cash outflow on acquisition	<u>773</u>

Impact of the acquisition on profit or loss

From the acquisition date, GB contributed \$4,905,000 of revenue and a loss of \$611,000 to the Group's profit for the financial year ended 31 December 2017. There were no material differences to the Group's revenue and profit for the financial year ended 31 December 2017 if the business combination had taken place at the beginning of the year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
(CONTINUED)

13. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Acquisition of ownership interest in subsidiary, without loss of control

(a) *Citigems*

On 15 November 2017, the Group's subsidiary company, Aspial-Lee Hwa Jewellery Singapore Pte. Ltd., acquired an additional 12.5% equity interest in Citigems Pte. Ltd. from its non-controlling interests for a cash consideration of \$869,000. As a result of this acquisition, Citigems Pte. Ltd. became 85.51% owned by Aspial-Lee Hwa Jewellery Singapore Pte. Ltd.. The carrying value of the additional interest acquired was \$2,311,000. The difference of \$3,180,000 between the consideration and the carrying value of the additional interest acquired has been recognised as "Premium paid on acquisition of non-controlling interests" within equity.

The following summarises the effect of the change in the Group's ownership interest in Citigems Pte. Ltd. on the equity attributable to owners of the Company:

	2017 \$'000
Consideration for acquisition of non-controlling interests	869
Increase in equity attributable to non-controlling interests	2,311
Decrease in equity attributable to owners of the Company	<u>3,180</u>

(b) *World Class Land (Georgetown) Holdings Sdn. Bhd.*

On 12 February 2016, the Group acquired an additional 5% equity interest in World Class Land (Georgetown) Holdings Sdn. Bhd. from its non-controlling interests for a cash consideration of MYR 50,000 (equivalent to approximately \$17,000). As a result of this acquisition, World Class Land (Georgetown) Holdings Sdn. Bhd. became 95% owned by the Group. The carrying value of the net assets of World Class Land (Georgetown) Holdings Sdn. Bhd. at 12 February 2016 was MYR 644,000 (equivalent to approximately \$215,000) and the carrying value of the additional interest acquired was MYR 32,000 (equivalent to approximately \$11,000). The difference of MYR 18,000 (equivalent to approximately \$6,000) between the consideration and the carrying value of the additional interest acquired has been recognised as "Premium paid on acquisition of non-controlling interests" within equity.

The following summarises the effect of the changes in the Group's ownership interest in World Class Land (Georgetown) Holdings Sdn. Bhd. on the equity attributable to owners of the Company:

	2016 \$'000
Consideration for acquisition of non-controlling interests	17
Decrease in equity attributable to non-controlling interests	(6)
Decrease in equity attributable to owners of the Company	<u>11</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
(CONTINUED)

13. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Disposal of ownership interest in subsidiary, without loss of control

(a) *Ordinary shares issued under scrip dividend scheme, rights issue and share buyback by a subsidiary*

On 27 June 2017 and 11 October 2017, Maxi-Cash issued 38,066,653 and 24,723,960 new shares at an issue price of \$0.171 and \$0.16 per share respectively to eligible shareholders who have elected to participate in Maxi-Cash's scrip dividend scheme.

On 10 July 2017, Maxi-Cash issued 121,255,062 new shares at an issue price of \$0.17 for each rights share, on the basis of one (1) rights share for every six (6) existing ordinary shares in the capital of Maxi-Cash.

On 7 December 2017, Maxi-Cash purchased 1,000,000 shares through open market purchases. The total amount paid to acquire the shares was \$165,000.

Following the issuance and share buyback, the Company's ownership interest in Maxi-Cash decreased from 68.21% to 64.92%.

(b) *Ordinary shares issued under initial public offering of a subsidiary*

WCG issued 110,875,000 shares at \$0.26 per share as part of its initial public offering on the Catalist Board of the Singapore Exchange on 15 June 2017, with total consideration amounting to \$28,827,000. Listing expenses incurred pursuant to WCG's initial public offering on the Catalist Board of the Singapore Exchange amounted to \$4,758,000, of which \$1,271,000 has been capitalised against WCG's share capital, while the remaining amount of \$3,487,000 has been recorded in profit or loss in the respective financial years that the expenses were incurred. Net cash proceeds from WCG's initial public offering amounted to \$27,556,000.

From 16 June 2017 to 19 July 2017, subsequent to WCG's initial public offering, the Company purchased 18,328,700 shares through open market purchases. The total amount paid to acquire the shares was \$4,837,000.

Following WCG's initial public offering and the Company's subsequent purchases of WCG's shares, the Company's ownership interest in WCG decreased from 90% to 81.11%.

14. INVESTMENT IN ASSOCIATES

The Group's investments in associates are summarised below:

	2017 \$'000	2016 \$'000
Kensington Land Pte. Ltd.	2,019	5,209
Kensington Village Pte. Ltd.	7,899	8,837
WCS Engineering Construction Pte. Ltd.	31	–
Niessing Manufaktur GmbH & Co. KG.	4,387	3,987
Silver Bullion Pte. Ltd.	7,750	–
	<u>22,086</u>	<u>18,033</u>

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
(CONTINUED)

14. INVESTMENT IN ASSOCIATES (CONTINUED)

Name of Company		Principal place of business	Principal activities	Proportion of ownership interest	
				2017 %	2016 %
<i>Held through subsidiaries</i>					
i	WCS Engineering Construction Pte. Ltd.	Singapore	Civil engineering construction and general building engineering services	49	49
ii	Kensington Land Pte. Ltd.	Singapore	Property development	40	40
ii	Kensington Village Pte. Ltd.	Singapore	Property development	40	40
iii	Niessing Manufaktur GmbH & Co. KG.	Germany	Jewellery trading and manufacturing	30	30
iv, v	Silver Bullion Pte. Ltd.	Singapore	Sale and storage of investment precious metals	25.77	–
i	Audited by CG Alliance				
ii	Audited by Deloitte & Touche LLP				
iii	Audited by Reuter Thoben				
iv	Audited by PricewaterhouseCoopers LLP				
v	Acquired during the financial year ended 31 December 2017				

The activities of the associates are strategic to the Group's activities.

Aggregate information about the Group's investments in associates that are not individually material are as follows:

	2017 \$'000	2016 \$'000
Profit/(loss) after tax, representing total comprehensive income	63	(2,351)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
(CONTINUED)

14. INVESTMENT IN ASSOCIATES (CONTINUED)

The summarised financial information in respect of Kensington Land Pte. Ltd. ("KEL"), Kensington Village Pte. Ltd. ("KEV"), Niessing Manufaktur GmbH & Co. KG. ("NMG") and Silver Bullion Pte. Ltd. ("SB") based on their FRS financial statements and a reconciliation with the carrying amount of investments in the consolidated financial statements are as follows:

Summarised statement of financial position

	KEL		KEV		NMG		SB
	2017	2016	2017	2016	2017	2016	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Current assets	5,449	13,434	53,862	69,403	17,419	15,403	14,887
Non-current assets	–	1	10,350	11,500	1,659	1,778	1,629
Total assets	<u>5,449</u>	<u>13,435</u>	<u>64,212</u>	<u>80,903</u>	<u>19,078</u>	<u>17,181</u>	<u>16,516</u>
Current liabilities	401	412	40,941	58,810	9,259	9,069	7,755
Non-current liabilities	–	–	3,525	–	–	–	–
Total liabilities	<u>401</u>	<u>412</u>	<u>44,466</u>	<u>58,810</u>	<u>9,259</u>	<u>9,069</u>	<u>7,755</u>
Net assets	<u>5,048</u>	<u>13,023</u>	<u>19,746</u>	<u>22,093</u>	<u>9,819</u>	<u>8,112</u>	<u>8,761</u>
Proportion of Group's ownership	40%	40%	40%	40%	30%	30%	25.77%
Group's share of net assets	2,019	5,209	7,899	8,837	2,946	2,434	2,258
Goodwill on acquisition	–	–	–	–	1,491	1,491	5,492
Other adjustments	–	–	–	–	(50)	62	–
Carrying amount of the investment	<u>2,019</u>	<u>5,209</u>	<u>7,899</u>	<u>8,837</u>	<u>4,387</u>	<u>3,987</u>	<u>7,750</u>

Summarised statement of comprehensive income

	KEL		KEV		NMG		SB
	2017	2016	2017	2016	2017	2016	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	1	–	1,256	16,480	29,101	24,946	89,828
Profit/(loss) after tax, representing total comprehensive income	<u>25</u>	<u>(65)</u>	<u>(2,346)</u>	<u>745</u>	<u>1,334</u>	<u>807</u>	<u>2,468</u>

(a) Silver Bullion Pte. Ltd.

On 21 December 2017, the Group's subsidiary, AIPL, acquired 588,236 shares or a 25.77% equity interest in SB for a cash consideration of \$7,750,000. SB is principally engaged in the sale and storage of investment precious metals in Singapore.

The results of SB from the date of acquisition have not been accounted for using the equity method as they are not material to the Group.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
(CONTINUED)

14. INVESTMENT IN ASSOCIATES (CONTINUED)

(b) *Niessing Manufaktur GmbH & Co. KG.*

On 18 October 2017, the Group's subsidiary, Niessing Group Pte. Ltd. ("**NGPL**"), entered into an agreement with the remaining limited partners of NMG to acquire an additional aggregate 45% equity interest in NMG for an aggregate cash consideration of EUR 3,793,000 (equivalent to approximately \$6,000,000).

As at 31 December 2017, the cash consideration paid has been recognised as "Prepayments" in the consolidated statement of financial position as the share transfer has not been completed.

15. INVESTMENT IN JOINT VENTURES

The Group's investments in joint ventures are summarised below:

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Jewelfest Pte. Ltd.	–	25	–	25
AF Corporation Pte. Ltd. (" AFC ")	30,316	12,067	5,000	5,000
	30,316	12,092	5,000	5,025

Name of Company		Principal place of business	Principal activities	Proportion of ownership interest	
				2017 %	2016 %
<i>Held by the Company</i>					
(a)	Jewelfest Pte. Ltd.	Singapore	Management of trade shows and exhibitions	40*	40*
(b)	AFC	Singapore	Investment holding	50	50

(a) Audited by K Y Chik & Associates, Singapore

(b) Audited by Ernst & Young LLP, Singapore

* 40% equity interest is held as to 20% by the Company and 20% by Goldheart Jewelry Pte. Ltd.

All joint ventures are incorporated in Singapore and are strategic ventures of the business. The Group jointly controls the ventures with other partners under the respective contractual agreements which provide the Group with rights to the net assets of the joint ventures and requires unanimous consent for all major decisions over the relevant activities.

The results of Jewelfest Pte. Ltd. have not been accounted for using the equity method as they are not material to the Group.

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(CONTINUED)

15. INVESTMENT IN JOINT VENTURES (CONTINUED)

The summarised financial information in respect of AFC is based on its separate FRS financial statements prepared in accordance with FRS 27: Separate Financial Statements where AFC equity accounts for its investment in AF Global Limited ("AFG"). The reconciliation with the carrying amount of the investment in the Group's consolidated financial statements is as follows:

Summarised statement of financial position

	AFC 2017 \$'000	AFC 2016 \$'000
Cash and cash equivalents	62	429
Other current assets	8,814	–
Current assets	8,876	429
Investment in subsidiary	246,667	217,827
Total assets	255,543	218,256
Other payables and provisions	168,356	164,704
Other current liabilities	10,000	3,000
Current liabilities	178,356	167,704
Other non-current liability	40,000	50,000
Total liabilities	218,356	217,704
Net assets	37,187	552
Adjustments		
Purchase price adjustments not taken up in consolidated financial statements	(370)	(234)
Impairment of investment in subsidiary, reversed on consolidation	22,190	22,190
Adjusted net assets	59,007	22,508
Proportion of Group's ownership	50%	50%
Group's share of net assets	29,503	11,254
Share of AFG reserves arising from previous interest directly held by the Company	813 [#]	813 [#]
Carrying amount of the investment	30,316	12,067

On 31 May 2016, the Company disposed of its 9.52% direct equity interests held in AFG to AFC. This adjustment represents the shares of reserves in AFC transferred.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
(CONTINUED)

15. INVESTMENT IN JOINT VENTURES (CONTINUED)

Summarised statement of comprehensive income

	AFC 2017 \$'000	AFC 2016 \$'000
Administrative expenses	(15)	(15)
Other operating expenses	(11)	(22,332)
Finance costs	(992)	(1,158)
Share of results of subsidiary	6,957	2,863
Profit/(loss) before tax	5,939	(20,642)
Income tax expense	–	–
Profit/(loss) after tax	5,939	(20,642)
Other comprehensive income	30,696	(2,149)
Total comprehensive income	36,635	(22,791)

16. INVESTMENT IN JOINT OPERATIONS

The Group has a 50% (2016: 50%) equity interest in the ownership and voting rights in two joint operations, Bayfront Ventures Pte. Ltd. and Bayfront Realty Pte. Ltd. that are held through a subsidiary, World Class Land Pte. Ltd..

All joint operations are incorporated in Singapore and are strategic ventures of the business. The Company jointly controls the joint operations with the other partner under the contractual agreements which provide the Company with rights to assets and obligations for the liabilities relating to the joint operations and requires unanimous consent for all major decisions over the relevant activities.

Details of the joint operations as at 31 December are as follows:

Name of Company		Principal place of business	Principal activities	Proportion of ownership interest	
				2017 %	2016 %
<i>Held through a subsidiary</i>					
(a)	Bayfront Ventures Pte. Ltd.	Singapore	Property development	50	50
(a)	Bayfront Realty Pte. Ltd.	Singapore	Property development	50	50

(a) Audited by Ernst & Young LLP, Singapore

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
(CONTINUED)

17. INVESTMENT SECURITIES

	Note	Group 2017 \$'000	Group 2016 \$'000
Investment securities (current)			
Quoted debt securities, at fair value		177,817	155,985
Investment securities (non-current)			
Unquoted equity shares, at cost		4,508	1,365
Total investment securities (current and non-current)		182,325	157,350
Add:			
Available-for-sale financial asset included in non-current trade and other receivables	20	10,364	–
Total available-for-sale financial assets		192,689	157,350

The investment in unquoted equity shares is carried at cost as management is of the opinion that it is not practicable to determine with sufficient reliability the fair value of the unquoted investment.

Investments pledged as security

A floating charge has been placed on investment securities with a carrying value of \$177,817,000 (2016: \$155,985,000) as security for bank borrowings (Note 24).

Impairment loss

During the financial year ended 31 December 2017, the Group recognised an impairment loss of \$1,733,000 (2016: \$1,500,000) for its quoted debt securities after taking into consideration an extended period of decline in the fair value of these investments below their costs, and the probability of default by the debtors.

18. INVENTORIES

	Group 2017 \$'000	Group 2016 \$'000
Consolidated statement of financial position:		
Finished goods, at cost	97,270	106,320
Finished goods, at net realisable value	29,477	29,285
Raw materials, at cost	6,790	5,630
Packaging materials, at cost	244	282
Total inventories at lower of cost and net realisable value	133,781	141,517
Consolidated statement of comprehensive income:		
Inventories recognised as an expense in profit or loss	188,444	178,865
Inclusive of the following charge:		
– Write down of inventories	149	407

A floating charge has been placed on inventories with a carrying value of \$46,250,000 (2016: \$41,147,000) as security for bank borrowings (Note 24).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
(CONTINUED)

19. DEVELOPMENT PROPERTIES/PROPERTIES HELD FOR SALE

(a) Development properties

	Group	
	2017	2016
	\$'000	\$'000
Land costs	432,957	605,390
Development charges	15,745	25,087
Construction costs	372,309	173,036
Property tax	7,874	6,202
Interest costs	71,369	51,140
Other development expenditure	122,141	115,315
Exchange differences	(26)	–
	1,022,369	976,170
Attributable profits	48,415	24,892
	1,070,784	1,001,062
Progress billings	(128,490)	(203,051)
Allowance for write-down of development properties	(1,099)	–
	941,195	798,011
Relating to development properties:		
– Located in Singapore	201,763	321,548
– Located outside of Singapore	739,432	476,463
	941,195	798,011

During the financial year ended 31 December 2017, borrowing costs amounting to \$28,919,000 (2016: \$21,467,000) arising from borrowings obtained specifically for the development properties were capitalised.

A weighted average interest capitalisation rate of 4.10% (2016: 4.10%) per annum was used, representing the actual borrowing cost of the loans used to finance the projects.

Development properties amounting to \$912,516,000 (2016: \$665,894,000) are pledged as security for bank borrowings (Note 24).

Development properties amounting to \$21,600,000 (2016: \$8,700,000) were transferred to properties held for sale during the financial year ended 31 December 2017.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
(CONTINUED)

19. DEVELOPMENT PROPERTIES/PROPERTIES HELD FOR SALE (CONTINUED)

(a) Development properties (Continued)

Details of development properties held by the Group are as follows:

Location	Description and use	Land area (in square metres)	Estimated gross floor area (in square metres)	Tenure	Stage of completion/ development
Bayfront Ventures Pte. Ltd.					
CityGate 371 Beach Road Singapore^	Residential/ commercial units	7,269	38,525	99 years from 25 April 2014	65% completed. Expected completion: 2019
WCL-Southbank (VIC) Pty. Ltd.					
Australia 108 68-82 Southbank Boulevard, Southbank, Melbourne, Victoria, Australia	Residential	2,642	138,282	Freehold	Construction works commenced in November 2015. Expected completion for the last phase: 2020
WCL-A Beckett (VIC) Pty. Ltd.					
AVANT 54-64 A'Beckett Street, Melbourne, Victoria, Australia	Residential	1,298	46,560	Freehold	Construction works commenced in February 2016. Expected completion: 2018

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
(CONTINUED)

19. DEVELOPMENT PROPERTIES/PROPERTIES HELD FOR SALE (CONTINUED)

(a) Development properties (Continued)

Location	Description and use	Land area (in square metres)	Estimated gross floor area (in square metres)	Tenure	Stage of completion
WCL-Central Park (QLD) Pty. Ltd.					
Nova City 81-83 Spence Street and 112-114 Bunda Street, Cairns, Queensland, Australia	Mixed use development	25,874	115,510	Freehold	Planning and designing
WCL (CNS) CBD Pty. Ltd.					
17 Hartley Street and 6 Kenny Street, Cairns, Queensland, Australia	Mixed use development	16,351	88,295	Freehold	Planning and designing
WCL (QLD) Margaret St Pty. Ltd.					
240 Margaret Street, Brisbane, Queensland, Australia	Residential	1,715	61,252	Freehold	Planning and designing
WCL (QLD) Albert St Pty. Ltd.					
30 Albert Street and 131A Margaret Street, Brisbane, Queensland, Australia	Residential	2,007	76,301	Freehold	Planning and designing
World Class Land (Georgetown) Sdn. Bhd.					
240, 242, 244, 246, 248, 250, 252 & 254 Jalan Dato Kramat and 1, 3, 5, 7, 9, 9A & 9B Lebuh Melaka, Penang, Malaysia	Mixed use development	2,067	12,037	Freehold	Planning and designing

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
(CONTINUED)

19. DEVELOPMENT PROPERTIES/PROPERTIES HELD FOR SALE (CONTINUED)

(a) Development properties (Continued)

Location	Description and use	Land area (in square metres)	Estimated gross floor area (in square metres)	Tenure	Stage of completion
World Class Land (Georgetown) Sdn. Bhd.					
57, 59, 61, 63 & 65 Jalan Tan Sri Teh Ewe Lim and 1, 3, 5, 7, 9 & 11 Lorong Juru, Penang, Malaysia	Commercial	859	1,478	Freehold	Planning and designing
83, 85, 87 & 89 Jalan Macalister and 1, 3, 5, 7 & 9 Lebuhr Naning, Penang, Malaysia	Commercial	1,077	1,739	Freehold	Refurbishment, upgrading and building works commenced in August 2017
2, 4, 6, 8 & 10 Jalan Hutton, Penang, Malaysia	Commercial	568	897	Freehold	Refurbishment, upgrading and building works commenced in August 2016
WCL (Magazine) Sdn. Bhd.					
237, 239, 241 & 243 Jalan Magazine and 2-G, 2-H & 2-I Jalan Gurdwara, Penang, Malaysia	Commercial	646	979	Freehold	Refurbishment, upgrading and building works commenced in January 2018
Lots 18, 479, 480 & 10026 Seksyen 11W, Bandar Georgetown, Daerah Timur Laut, Pulau Pinang and 119 Lebuhr Noordin, Penang, Malaysia	Mixed use development	2,966	17,496	Freehold	Planning and designing

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
(CONTINUED)

19. DEVELOPMENT PROPERTIES/PROPERTIES HELD FOR SALE (CONTINUED)

(a) Development properties (Continued)

Location	Description and use	Land area (in square metres)	Estimated gross floor area (in square metres)	Tenure	Stage of completion
WCL (Macallum) Sdn. Bhd.					
1, 3, 5 & 7 Lebuhr Macallum and 170, 172, 174, 176, 178, 180, 182, 184, 186, 188, 190, 192, 194 & 196 Jalan C.Y. Choy, Penang, Malaysia	Mixed use development	2,703	15,651	Freehold	Planning and designing
4, 6, 8, 10, 12, 14, 16 & 18 Lebuhr Katz, Penang, Malaysia	Mixed use development	1,470	7,415	Freehold	Planning and designing
50, 52, 54, 56, 58, 60, 62, 64, 66 & 68 Lebuhr Cecil, Penang, Malaysia	Mixed use development	1,722	10,490	Freehold	Planning and designing
WCL (Noordin St) Sdn. Bhd.					
32, 34, 36, 38, 40, 42, 44, 46, 48, 50, 52, 54, 56 & 56A-I Jalan Gurdwara and 190, 192, 194, 196, 198, 200, 202, 204, 206 & 208 Lebuhr Noordin and 2, 4, 6, 8 & 10 Lebuhr Ceti, Penang, Malaysia and Lot 1076 Seksyen 11W, Bandar Georgetown, Daerah Timur Laut, Pulau Pinang, Penang, Malaysia	Mixed use development	3,873	4,432	Freehold	Planning and designing

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
(CONTINUED)

19. DEVELOPMENT PROPERTIES/PROPERTIES HELD FOR SALE (CONTINUED)

(a) Development properties (Continued)

Location	Description and use	Land area (in square metres)	Estimated gross floor area (in square metres)	Tenure	Stage of completion
WCL (Noordin St) Sdn. Bhd.					
171 Lebuhr Noordin, Penang, Malaysia	Commercial	344	614	Freehold	Refurbishment, upgrading and building works commenced in September 2016
36, 38, 38-A, 38-B & 38-C Lebuhr Tye Sin, Penang, Malaysia and Lot 711 Seksyen 11W, Bandar Georgetown, Daerah Timur Laut, Pulau Pinang, Penang, Malaysia	Mixed use development	1,174	7,410	Freehold	Planning and designing
140, 142, 144, 146, 148, 150, 150-A, 150-B, 150-C, 150-D & 150-E Lebuhr Noordin, Penang, Malaysia	Commercial	1,270	1,339	Freehold	Planning and designing
WCL (Bertam R) Sdn. Bhd.					
424, 426 & 428 Jalan Penang and 2, 4, 6, 8, 10, 12, 14, 16 & 18 Lorong Bertam, Penang, Malaysia	Commercial	911	1,467	Freehold	Planning and designing
WCL (Bertam L) Sdn. Bhd.					
430, 432 & 434 Jalan Penang and 1, 3, 5, 7, 9, 11, 13, 15, 17, 19 & 21 Lorong Bertam, Penang, Malaysia	Commercial	951	1,707	Freehold	Planning and designing

^ The Group's share of development properties using the proportionate consolidation method

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
(CONTINUED)

19. DEVELOPMENT PROPERTIES/PROPERTIES HELD FOR SALE (CONTINUED)

(a) Development properties (Continued)

The following table provides information about agreements that are in progress at the end of the reporting period whose revenue is recognised on a percentage of completion basis:

	Group	
	2017	2016
	\$'000	\$'000
Aggregate costs incurred and recognised to-date	588,386	660,799
Attributable profits recognised to date	105,830	114,841
Development properties recognised as an expense in the consolidated statement of comprehensive income	153,141	312,245

(b) Properties held for sale

	Group	
	2017	2016
	\$'000	\$'000
At cost		
At 1 January	16,944	8,929
Transferred from development properties	21,600	8,700
Enhancement works incurred	–	97
Exchange differences	72	–
	38,616	17,726
Less:		
Transferred to investment properties	(15,352)	–
Properties sold during the year	(724)	(782)
Allowance for write-down of properties held for sale	(227)	–
At 31 December	22,313	16,944

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
(CONTINUED)

19. DEVELOPMENT PROPERTIES/PROPERTIES HELD FOR SALE (CONTINUED)

(b) Properties held for sale (Continued)

Details of the properties held for sale by the Group are as follows:

Location	Description and use	Land area (in square metres)	Tenure	Unexpired lease term
Bayfront Realty Pte. Ltd.				
Urban Vista Lot 10765A MK27 at Tanah Merah Kechil Link	Commercial	113	Leasehold	93 years
WCL-Cairns (QLD) Pty. Ltd.				
The Woods Lots 10, 11, 15, 17 & 19, Moore Road, Kewarra Beach, Cairns, Queensland, Australia	Residential	2,094	Freehold	—
World Class Land (Georgetown) Sdn. Bhd.				
Ropewalk Piazza 134, 136, 138, 140, 142, 144, 146, 148, 150, 152, 154 & 156 Jalan Pintal Tali, Penang, Malaysia	Commercial	1,085	Freehold	—
Bahari Parade 69, 71, 73, 75, 77, 79 & 81 Jalan Sri Bahari, Penang Malaysia	Commercial	846	Freehold	—
128, 128A, 128B, 128C, 128D, 128E, 128F and 128G Jalan Transfer, Penang, Malaysia	Commercial	487	Freehold	—
WCL (Macallum) Sdn. Bhd.				
Macallum Central 51, 53, 55, 57, 59, 61, 63, 65, 67 & 69 Lebuh Macallum, Penang, Malaysia	Commercial	694	Freehold	—

As at 31 December 2017, properties held for sale with a carrying value of \$16,872,000 (2016: \$14,045,000) are pledged as security for bank borrowings (Note 24).

NOTES TO THE FINANCIAL STATEMENTS

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(CONTINUED)

20. TRADE AND OTHER RECEIVABLES

		Group		Company	
	Note	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Trade and other receivables (current)					
Trade receivables		296,237	273,402	–	–
Other debtors		9,696	21,438	2	–
Deposits		3,377	4,037	60	322
		309,310	298,877	62	322
Trade and other receivables (non-current)					
Trade receivables		33,096	–	–	–
Available-for-sale financial asset		10,364	–	–	–
Deposits		5,558	5,328	–	6
		49,018	5,328	–	6
Total trade and other receivables (current and non-current)					
		358,328	304,205	62	328
Add:					
Due from subsidiaries (non-trade)		–	–	287,389	370,488
Due from associates (non-trade)		1,305	6,350	–	–
Due from a joint venture (non-trade)		84,517	82,897	84,570	82,897
Cash and bank balances	22	54,888	70,284	448	751
Less:					
Available-for-sale financial asset		(10,364)	–	–	–
Total loans and receivables		488,674	463,736	372,469	454,464

Trade receivables of the Group's financial service business comprise pawnshop loans, interest receivables on pawnshop loans, secured lending receivables, interest and distribution receivables on secured lending receivables and trade receivables from retail and trading of jewellery and brand merchandise. Other trade receivables relate to trade receivables of the Group's jewellery, real estate and other businesses.

Pawnshop loans are loans to customers extended under the pawnbroking business, which are interest-bearing, ranging between 1.0% to 1.5% for the first month and 1.5% for the subsequent 6 months (2016: 1.0% to 1.5% for the first month and 1.5% for the subsequent 6 months). The quantum of loans granted to customers is based on a fraction of the value of the collaterals pledged to the Group.

Secured lending receivables are measured at amortised cost using the effective interest rate method which are interest-bearing ranging between 12.0% to 18.0% (2016: Nil) per annum. These receivables are secured by way of collateralised commercial real estate held by investment trustees, and have maturities ranging between 12 to 29 months.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
(CONTINUED)

20. TRADE AND OTHER RECEIVABLES (CONTINUED)

Included in non-current trade and other receivables is an available-for-sale financial asset amounting to \$10,364,000 extended through a fund which is measured at fair value through other comprehensive income. The fund extends interest-bearing loans to borrowers and has provided a return of approximately 10% per annum for the financial year ended 31 December 2017. This available-for-sale financial asset is secured by way of collateralised real estate held by the fund, and has a maturity of 48 months, with an option by the fund to extend the maturity to 60 months.

All other trade receivables are non-interest bearing and are generally on 30 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

A floating charge has been placed on trade and other receivables with a carrying value of \$262,168,000 (2016: \$230,868,000) as security for bank borrowings (Note 24).

Receivables that are impaired

The Group's trade receivables that are impaired at the end of the reporting period and the movement of the allowance accounts used to record the impairment are as follows:

	Group	
	2017 \$'000	2016 \$'000
Trade receivables – nominal amounts	1,908	1,107
Less: Allowance for impairment	(790)	(783)
	<u>1,118</u>	<u>324</u>
Movement in allowance accounts:		
At 1 January	783	1,024
Charge for the year	408	–
Written-back	(401)	(241)
At 31 December	<u>790</u>	<u>783</u>

Receivables that are past due

The Group has no receivables that are past due as at 31 December 2017 and 2016.

21. DUE FROM/(TO) SUBSIDIARIES, ASSOCIATES AND A JOINT VENTURE

The amounts due from/(to) subsidiaries, associates and a joint venture are unsecured, receivable/repayable on demand and are to be settled in cash. These amounts are non-interest bearing except for an amount due from subsidiaries of \$250,975,000 (2016: \$337,751,000) which bear interest ranging from 4.38% to 6.00% (2016: 3.88% to 6.00%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
(CONTINUED)

22. CASH AND BANK BALANCES

	Group		Company	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Cash at banks and on hand	54,888	70,284	448	751

Cash at banks earns interest at floating rates based on daily bank deposit rates.

Cash and bank balances denominated in foreign currency which differ from the functional currency of the companies within the Group at 31 December is as follows:

	Group	
	2017	2016
	\$'000	\$'000
United States Dollars	672	64
Australian Dollars	413	328
British Pounds	101	–

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise the following at the end of the reporting period:

	Group	
	2017	2016
	\$'000	\$'000
Cash held under “Project Account (Amendment) Rules – 1997”	12,485	16,762
Cash at banks and on hand	42,403	53,522
Cash and cash equivalents	54,888	70,284

A floating charge has been placed on cash and bank balances with a carrying value of \$34,172,000 (2016: \$32,306,000) as security for bank borrowings (Note 24).

Purchasers’ deposit monies of AUD 117,658,000 (equivalent to approximately \$122,729,000) (2016: AUD 114,809,000 (equivalent to approximately \$119,471,000) pertaining to the development projects for which sale has commenced are placed in escrow held by a third party. In addition, purchasers’ deposits in the form of bankers’ guarantees of AUD 9,603,000 (equivalent to approximately \$10,017,000) (2016: AUD 9,755,000 (equivalent to approximately \$10,151,000) pertaining to the development projects for which sale has commenced are placed in escrow held by a third party. These balances are not included as assets of the Group as at 31 December 2017 and 2016. The Group will only have access to these funds upon completion and handover of the development projects to the purchasers.

NOTES TO THE FINANCIAL STATEMENTS

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(CONTINUED)

23. TRADE AND OTHER PAYABLES

	Note	Group		Company	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Current:					
Trade payables		6,247	8,538	–	–
Other payables		4,513	6,412	298	795
Accrued operating expenses					
– payroll related		10,322	7,401	650	559
– property development		30,363	22,327	–	–
– others		13,660	13,339	1,331	2,577
Deferred revenue		235	275	–	–
Deposits received		1,074	663	3	3
Withholding tax payable		230	258	–	–
		<u>66,644</u>	<u>59,213</u>	<u>2,282</u>	<u>3,934</u>
Non-current:					
Other payables					
– amount due to non-controlling shareholders of a subsidiary		2,468	1,640	–	–
– others		207	–	–	–
Deposits received		33	56	–	–
		<u>2,708</u>	<u>1,696</u>	<u>–</u>	<u>–</u>
Total trade and other payables (current and non-current)		69,352	60,909	2,282	3,934
Add:					
Due to subsidiaries (non-trade)		–	–	109,019	97,338
Due to an associate (non-trade)		2,360	5,260	–	–
Interest-bearing loans and borrowings	24	845,058	623,360	–	–
Term notes and bonds	25	639,500	629,750	223,500	285,750
Less:					
Accrued operating expenses					
– payroll related		(1,259)	(982)	(147)	(151)
Deferred revenue		(235)	(275)	–	–
Withholding tax payable		(230)	(258)	–	–
Total financial liabilities carried at amortised cost		<u>1,554,546</u>	<u>1,317,764</u>	<u>334,654</u>	<u>386,871</u>

Trade and other payables are unsecured, non-interest bearing and repayment is based on payment terms and conditions agreed.

Amount due to non-controlling shareholders of a subsidiary is unsecured, interest-free and not expected to be repaid in the next 12 months.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
(CONTINUED)

23. TRADE AND OTHER PAYABLES (CONTINUED)

The following foreign currency denominated amounts which differ from the functional currency of the companies within the Group included in trade and other payables are as follows:

	Group	
	2017	2016
	\$'000	\$'000
United States Dollars	2,498	2,141
Hong Kong Dollars	812	492
Others	227	99

24. INTEREST-BEARING LOANS AND BORROWINGS

	Note	Group		Company	
		2017	2016	2017	2016
		\$'000	\$'000	\$'000	\$'000
Secured borrowings					
Current					
Obligation under finance lease		71	49	–	–
Bank borrowings		337,178	304,798	–	–
Term loans		341,910	142,901	–	–
		679,159	447,748	–	–
Non-current					
Obligation under finance lease		57	77	–	–
Term loans		165,842	175,535	–	–
		845,058	623,360	–	–
Add:					
Term notes and bonds	25	639,500	629,750	223,500	285,750
Total loans and borrowings		1,484,558	1,253,110	223,500	285,750

(a) Details of securities granted for the secured borrowings are as follows:

Subsidiaries/Joint operations

Interest-bearing loans and borrowings comprise bank borrowings of \$421,357,000 (2016: \$371,848,000), term loans of \$339,348,000 (2016: \$85,662,000) and land loans of \$84,225,000 (2016: \$165,725,000).

- (i) Bank borrowings of \$208,938,000 (2016: \$173,550,000) are secured by way of a fixed and floating charge on all assets of certain subsidiaries and corporate guarantees by the Company and/or subsidiaries.
- (ii) Revolving loans of \$128,239,000 (2016: \$131,248,000) bear interest ranging from 1.22% to 2.78% (2016: 1.02% to 3.16%) per annum and are secured by way of a fixed and floating charge on all assets of certain subsidiaries and corporate guarantees by the Company and/or subsidiaries. These loans are repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
(CONTINUED)

24. INTEREST-BEARING LOANS AND BORROWINGS (CONTINUED)

(a) Details of securities granted for the secured borrowings are as follows: (Continued)

Subsidiaries/Joint operations (Continued)

- (iii) Term loans of \$47,843,000 (2016: \$11,896,000) bear interest ranging from 1.85% to 4.12% (2016: 2.10% to 3.06%) per annum and are secured by way of legal mortgage over the leasehold properties. These loans are repayable in 2032 to 2042.
- (iv) Land loans, term loans and revolving loans of \$459,909,000 (2016: \$306,540,000) bear interest ranging from 2.10% to 7.33% (2016: 1.92% to 6.32%) per annum and are secured by way of:
 - legal mortgages over subsidiaries' development properties (Note 19(a)), properties held for sale (Note 19(b)) and investment properties (Note 11);
 - legal assignments of subsidiaries' interest under the Sale and Purchase agreements and tenancy agreements in respect of the development properties or investment properties units therein which includes the assignment of all the sale and rental proceeds;
 - legal assignments of subsidiaries' interest in the Project Account and Rental Account, and a charge over such sales proceeds and rentals and all sums in credit in such accounts; and
 - corporate guarantees by the Company and/or subsidiaries.

The loans relating to the respective development projects in Singapore are repayable in one lump sum within 40 months from the date of the loan agreement or 6 months after the issuance of TOP, whichever is earlier.

The loans relating to the respective development projects outside of Singapore are repayable via monthly instalments or one lump sum by their respective maturity dates.

The loans include financial covenants which require the subsidiaries/joint operations to achieve certain cumulative sales targets and to maintain aggregate outstanding debt secured against the properties not exceeding 50.0% to 80.0% of the security value of the relevant development properties at all times.

(b) Maturity of borrowings

Loans due after one year are estimated to be repayable as follows:

	Group	
	2017 \$'000	2016 \$'000
<u>Years after end of reporting period:</u>		
After one year but within two years	88,501	6,818
After two years but within five years	35,300	149,990
After five years	42,098	18,804
	<u>165,899</u>	<u>175,612</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
(CONTINUED)

24. INTEREST-BEARING LOANS AND BORROWINGS (CONTINUED)

(c) Fulfilment of loan covenants

During the financial year ended 31 December 2017, in relation to certain bank loans granted to the Group, the Group did not fulfil requirements to obtain planning permissions and approvals for redevelopment and commence work on redevelopment within a stipulated timeframe from the respective dates of disbursement of the loans. The affected credit line amounting to \$3,450,000 was fully drawn down and presented as a current liability at the end of the reporting period. The bank is contractually entitled to request for immediate repayment of the outstanding loan amount in the event that these requirements are not fulfilled.

The bank had not requested for immediate repayment of the outstanding loan amount as at the date when these financial statements were authorised for issue. Management commenced renegotiation of the loan agreement terms in November 2017. As of the date the financial statements were authorised for issue, the renegotiation was still in progress. The directors do not expect the non-fulfilment of these requirements to have a material adverse impact to the Group's financial position and financial performance.

25. TERM NOTES AND BONDS

Date issued	Interest rate %	Maturity dates	Aggregate principal amount outstanding			
			Group		Company	
			2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Current						
23 January 2014 ⁽¹⁾	4.50	23 January 2017	–	55,750	–	55,750
27 November 2014 ⁽¹⁾	5.50	27 November 2018	98,000	–	100,000	–
			98,000	55,750	100,000	55,750
Non-current						
12 June 2014 ⁽¹⁾	5.05	12 June 2019	77,500	81,000	78,500	85,000
3 July 2014 ⁽¹⁾	5.05	12 June 2019	45,000	45,000	45,000	45,000
27 November 2014 ⁽¹⁾	5.50	27 November 2018	–	98,000	–	100,000
28 August 2015 ⁽²⁾	5.25	28 August 2020	150,000	150,000	–	–
1 April 2016 ⁽³⁾	5.30	1 April 2020	199,000	200,000	–	–
27 April 2017 ⁽⁴⁾	5.50	27 April 2020	50,000	–	–	–
9 October 2017 ⁽⁴⁾	5.50	27 April 2020	20,000	–	–	–
			541,500	574,000	123,500	230,000
Total term notes and bonds			639,500	629,750	223,500	285,750

Notes:

- (1) During the financial year ended 31 December 2014, unsecured term notes issued by the Group and the Company under the Multicurrency Debt Issuance Programme ("MDI Programme") amounted to \$310,000,000. During the financial year ended 31 December 2016, unsecured term notes amounting to \$24,250,000 issued under the MDI Programme were purchased and cancelled by the Group and the Company. During the financial year ended 31 December 2017, \$55,750,000 unsecured term notes issued under the MDI Programme were redeemed by the Group and the Company. Unsecured term notes amounting to \$6,500,000 were purchased and cancelled by the Group and the Company. As at 31 December 2017, \$3,000,000 (2016: \$4,000,000) term notes had been purchased and held by a subsidiary of the Company. Under the MDI Programme, the Group and the Company may issue both multicurrency medium term notes and perpetual securities. As at 31 December 2017 and 2016, no perpetual securities have been issued.
- (2) During the financial year ended 31 December 2015, unsecured bonds issued by a subsidiary of the Company under the MDI Programme amounted to \$150,000,000.
- (3) During the financial year ended 31 December 2016, unsecured bonds issued by a subsidiary of the Company under the MDI Programme amounted to \$200,000,000. As at 31 December 2017, \$1,000,000 (2016: Nil) term notes had been purchased and held by a subsidiary of the Company.
- (4) During the financial year ended 31 December 2017, unsecured term notes issued by a subsidiary of the Company under the Multicurrency Medium Term Note Programme ("MTN Programme") amounted to \$70,000,000.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
(CONTINUED)

25. TERM NOTES AND BONDS (CONTINUED)

Interest is payable semi-annually. Unless previously redeemed or purchased and cancelled, the term notes are redeemable at the principal amounts on their respective maturity dates.

A reconciliation of liabilities arising from financing activities is as follows:

	2016	Net cash flows from financing activities	Non-cash changes			2017
				Loss on purchase and cancellation of term notes and bonds	Amortisation of premium on term notes	
	\$'000	\$'000	Foreign exchange movement \$'000	\$'000	\$'000	\$'000
Trade and other payables – premium on term notes	–	140	–	–	(12)	128
Term notes and bonds	629,750	9,716	–	34	–	639,500
Interest-bearing loans and borrowings	623,360	220,663	1,035	–	–	845,058
Total	1,253,110	230,519	1,035	34	(12)	1,484,686

26. INCOME TAX EXPENSE

(a) Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2017 and 2016 are:

	Group	
	2017 \$'000	2016 \$'000
Consolidated statement of comprehensive income		
<i>Current income tax</i>		
– Current income taxation	(383)	13,216
– Under/(over) provision in respect of previous years	2,441	(257)
– Withholding tax	547	423
	2,605	13,382
<i>Deferred income tax</i>		
– Origination and reversal of temporary differences	6,280	(11,055)
– Under/(over) provision in respect of previous years	89	(249)
	6,369	(11,304)
Income tax expense recognised in profit or loss	8,974	2,078
<i>Deferred tax credit related to other comprehensive income</i>		
– Net gain/(loss) on fair value changes of available-for-sale financial assets	312	(1,292)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
(CONTINUED)

26. INCOME TAX EXPENSE (CONTINUED)

(b) Relationship between tax expense and profit before tax

The reconciliation between tax expense and the product of profit before tax multiplied by the applicable corporate tax rate for the years ended 31 December 2017 and 2016 are as follows:

	Group	
	2017 \$'000	2016 \$'000
Profit before tax	14,816	6,888
Tax at the domestic rates applicable to profits in the countries where the Group operates	1,211	940
Adjustments:		
– Non-deductible expenses	7,765	5,319
– Income not subject to taxation	(5,306)	(3,497)
– Deferred tax assets not recognised	3,438	566
– Effect of partial tax exemption and tax relief	(1,303)	(1,061)
– Under/(over) provision in respect of previous years	2,530	(506)
– Benefits from previously unrecognised tax losses	–	(1)
– Share of results of associates and a joint venture	85	(87)
– Withholding tax	547	423
– Others	7	(18)
Income tax expense recognised in profit or loss	8,974	2,078

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

(c) Deferred income tax

	Group	
	2017 \$'000	2016 \$'000
Balance at 1 January	(1,499)	11,097
Tax charged/(credited) to profit or loss	6,369	(11,304)
Tax charged/(credited) to other comprehensive income	312	(1,292)
Translation difference	94	–
Balance at 31 December	5,276	(1,499)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
(CONTINUED)

26. INCOME TAX EXPENSE (CONTINUED)

(c) Deferred income tax (Continued)

Deferred income tax as at 31 December relates to the following:

Deferred tax liabilities, net

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Differences in depreciation for tax purposes	340	366	108	149
Attributable profits from development properties	9,658	3,580	–	–
Uncompleted project expenses	(1,428)	(433)	–	–
Revaluations to fair value:				
– Investment properties	5,002	5,102	–	–
– Available-for-sale financial assets	63	–	–	–
Provisions	(372)	(54)	(25)	(26)
Unutilised tax losses	(102)	(468)	(3)	(14)
Unremitted foreign interest income, net	476	–	–	–
Others	69	(5)	–	–
	<u>13,706</u>	<u>8,088</u>	<u>80</u>	<u>109</u>

Deferred tax assets, net

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Differences in depreciation for tax purposes	(228)	(122)	–	–
Uncompleted project expenses	(4,291)	(3,563)	–	–
Provisions	(79)	(65)	–	–
Unutilised tax losses	(585)	(3,064)	–	–
Revaluations to fair value:				
– Available-for-sale financial assets	(1,688)	(1,937)	–	–
Unutilised capital allowance	(1,451)	(670)	–	–
Allowance for doubtful receivables	(98)	(139)	–	–
Others	(10)	(27)	–	–
	<u>(8,430)</u>	<u>(9,587)</u>	<u>–</u>	<u>–</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
(CONTINUED)

26. INCOME TAX EXPENSE (CONTINUED)

(c) Deferred income tax (Continued)

At the end of the reporting period, the Group has unutilised tax losses and unabsorbed capital allowances of approximately \$58,586,000 (2016: \$37,167,000) and \$6,048,000 (2016: \$5,513,000) that are available for offset against future taxable profits of the Group, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these balances is subject to the agreement of the tax authorities and compliance with the relevant provisions of the tax legislation of the respective countries in which the companies operate.

Tax consequences of proposed dividends

There are no income tax consequences attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 28).

27. SHARE CAPITAL, TREASURY SHARES AND OTHER RESERVES

(a) Share capital

	Group and Company			
	2017		2016	
	No. of shares '000	\$'000	No. of shares '000	\$'000
Issued and fully paid ordinary shares				
At 1 January	1,942,903	226,152	1,901,785	215,872
Scrip dividend scheme ^{(1), (2)}	2,993	778	41,118	10,280
At 31 December	<u>1,945,896</u>	<u>226,930</u>	<u>1,942,903</u>	<u>226,152</u>

Notes:

- (1) On 23 June 2017, the Company issued 2,992,591 new shares at an issue price of \$0.26 per share to eligible Shareholders who elected to participate in the Company's scrip dividend scheme.
- (2) On 23 June 2016, the Company issued 41,117,827 new shares at an issue price of \$0.25 to eligible Shareholders who elected to participate in the Company's scrip dividend scheme.

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
(CONTINUED)

27. SHARE CAPITAL, TREASURY SHARES AND OTHER RESERVES (CONTINUED)

(b) Treasury shares

	Group and Company			
	2017		2016	
	No. of shares '000	\$'000	No. of shares '000	\$'000
At 1 January	9,405	2,589	10,158	2,796
Reissued pursuant to Share Award Scheme	—	—	(753)	(207)
At 31 December	9,405	2,589	9,405	2,589

Treasury shares relate to ordinary shares of the Company that are held by the Company.

The Company reissued Nil (2016: 753,000) treasury shares pursuant to its employee share award scheme, the Aspiat Share Award Scheme, at a weighted average exercise price of \$Nil (2016: \$0.255) each.

(c) Other reserves

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Gain on reissuance of treasury shares	1,413	1,413	1,413	1,413
Premium on dilution of interests in subsidiary	13,186	3,804	—	—
Foreign currency translation reserve	(9,232)	(9,898)	—	—
Premium paid on acquisition of non-controlling interests	(9,915)	(4,632)	—	—
Fair value adjustment reserve	(8,151)	(9,121)	—	—
Asset revaluation reserve	28,315	13,105	—	—
Change in ownership interest in subsidiary without a change in control	822	—	—	—
	16,438	(5,329)	1,413	1,413

Gain on reissuance of treasury shares

This represents the gain arising from purchase, sale, issue or cancellation of treasury shares. 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 in respect of this reserve.

Premium on dilution of interests in subsidiary

This represents the difference between the consideration received and the carrying value of non-controlling interests adjusted upon dilution of interests in subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

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(CONTINUED)

27. SHARE CAPITAL, TREASURY SHARES AND OTHER RESERVES (CONTINUED)

(c) Other reserves (Continued)

Premium paid on acquisition of non-controlling interests

This represents the difference between the consideration paid and the carrying value of non-controlling interests adjusted upon acquisition of interests in subsidiary.

Foreign currency translation reserve

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

Fair value adjustment reserve

Fair value adjustment reserve represents the cumulative fair value changes, net of tax, of available-for-sale financial assets until they are disposed of or impaired.

Asset revaluation reserve

The asset revaluation reserve represents increases in the fair values of land and building, net of tax, and decreases to the extent that such decrease does not exceed the amount held in asset revaluation reserve for that same asset. Revaluation surplus included in the asset revaluation reserve in respect of an asset is transferred to the revenue reserve on retirement or disposal of the asset.

28. DIVIDENDS

	Group \$'000
<i>Dividends on ordinary shares declared and payable/paid during the year:</i>	
<u>Financial year ended 31 December 2017</u>	
– Final exempt (one-tier) dividend for FY2016: 0.25 cent per share on 1,933,498,585 shares	4,834
<u>Financial year ended 31 December 2016</u>	
– Final exempt (one-tier) dividend for FY2015: 1 cent per share on 1,891,627,581 shares	18,916

NOTES TO THE FINANCIAL STATEMENTS

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(CONTINUED)

28. DIVIDENDS (CONTINUED)

	Group	
	2017 \$'000	2016 \$'000
Proposed but not recognised as a liability as at 31 December:		
Dividends on ordinary shares, subject to shareholders' approval at AGM:		
– Final exempt (one-tier) dividend for FY2017: 0.25 cent per share on 1,936,491,176 shares	4,841	–
– Final exempt (one-tier) dividend for FY2016: 0.25 cent per share on 1,933,498,585 shares	–	4,834
	<u>4,841</u>	<u>4,834</u>

29. RELATED PARTY TRANSACTIONS

(a) Sale and purchase of goods, services and shares

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place on terms agreed between the parties during the financial year:

	Group	
	2017 \$'000	2016 \$'000
Construction expenses paid to an associate	1,308	22,908
Goods purchased from an affiliated company	815	1,756
Rental paid/payable to a director-related company	594	552
Purchase of goods from an associate	4,382	608
Marketing income received from an associate	138	–
Corporate service payable to a subsidiary of a joint venture	97	–
Management fee received from a subsidiary of a joint venture	<u>360</u>	<u>328</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
(CONTINUED)

29. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Compensation of key management personnel

	Group	
	2017 \$'000	2016 \$'000
Short-term employee benefits	7,929	4,380
Central Provident Fund contributions	144	170
Share-based payments	–	192
Total compensation paid to key management personnel	8,073	4,742
<i>Comprise amounts paid to:</i>		
Directors of the Company	3,556	2,251
Directors of the subsidiaries	2,981	544
Other key management personnel	1,536	1,947
	8,073	4,742

30. COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for as at the end of the reporting period but not recognised in the financial statements are as follows:

	Group	
	2017 \$'000	2016 \$'000
Capital commitments in respect of property development expenditure	417,947	666,410

(b) Operating lease commitments – As lessor

The Group has entered into commercial property leases on its leasehold building and standing property at the development site acquired for development properties. The non-cancellable leases on its standing property have remaining lease terms of between one to three years.

Future minimum rental receivable under non-cancellable operating leases at the end of the reporting period are as follows:

	Group	
	2017 \$'000	2016 \$'000
Not later than one year	1,710	1,574
Later than one year but not later than five years	1,272	629
	2,982	2,203

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(CONTINUED)

30. COMMITMENTS (CONTINUED)

(c) Operating lease commitments – As lessee

As at the end of the reporting period, the Group and the Company had lease commitments in respect of office and retail outlet premises. Certain of the leases contain escalation clauses and provide for contingent rentals based on a percentage of sales derived. Lease terms do not contain restrictions on the Group's activities concerning dividends, additional debt or further leasing.

Operating lease payments recognised as an expense in the consolidated statement of comprehensive income for the financial year ended 31 December 2017 amounted to \$32,489,000 (2016: \$32,829,000).

Future minimum rental payable under non-cancellable operating leases at the end of the reporting period are as follows:

	Group	
	2017 \$'000	2016 \$'000
Not later than one year	28,832	29,458
Later than one year but not later than five years	24,067	33,009
Later than five years	12,737	–
	<u>65,636</u>	<u>62,467</u>

31. CONTINGENCIES

Guarantees

The Company has provided the following guarantees at the end of the reporting period:

- It has guaranteed its interest in its share of the bank loans of joint operations and joint venture amounting to \$141,725,000 (2016: \$118,975,000).
- It has guaranteed part of the loans and borrowings of the associates to a maximum amount of \$15,868,000 (2016: \$39,986,000), of which it is severally liable for in the event of default by the associates.
- It has guaranteed the obligations of a subsidiary for bonds issued under the MDI Programme amounting to total principal amount of \$350,000,000 (2016: \$350,000,000).

The Company has provided corporate guarantees to banks for an aggregate of \$462,695,000 (2016: \$547,273,000) in respect of bank borrowings drawn down by certain subsidiaries, joint operations and associates (Note 24).

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32. SEGMENT INFORMATION

Business segments

The segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the products and services offered. The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The Group is organised into three main operating business segments, namely:

- (a) Manufacture and sale of jewellery;
- (b) Real estate business; and
- (c) Financial service business.

Other operations include rental of properties and provision of other support services.

Allocation basis and transfer pricing

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly tax liabilities, corporate assets, liabilities and expenses.

Transfer prices between business segments are on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, expenses and results include transfers between business segments. These transfers are eliminated on consolidation.

Capital expenditure comprises additions to property, plant and equipment.

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(CONTINUED)

32. SEGMENT INFORMATION (CONTINUED)

	Jewellery \$'000	Real estate \$'000	Financial service \$'000	Others \$'000	Elimination \$'000	Group \$'000	Note
2017							
Revenue	116,473	185,749	182,829	–	–	485,051	
Inter-segment revenue	<u>1,948</u>	<u>–</u>	<u>5,563</u>	<u>1,086</u>	<u>(8,597)</u>	<u>–</u>	A
Results							
Segment results	(6,603)	15,473	20,686	3,064	(3,308)	29,312	
Unallocated expenses	–	–	–	–	–	(226)	
Share of results of a joint venture	(215)	–	(215)	2,901	430	2,901	
Share of results of associates	400	(898)	–	–	–	(498)	
Interest income	2	632	1,963	46,170	(38,510)	10,257	
Finance costs	<u>(1,852)</u>	<u>(5,705)</u>	<u>(7,477)</u>	<u>(46,917)</u>	<u>35,021</u>	<u>(26,930)</u>	
(Loss)/profit before tax from operations	<u>(8,268)</u>	<u>9,502</u>	<u>14,957</u>	<u>5,218</u>		<u>14,816</u>	
Segment assets	138,443	1,093,492	446,204	1,132,493	(870,950)	1,939,682	B
Investment in joint ventures	–	–	–	30,316	–	30,316	
Investment in associates	12,137	9,949	–	–	–	22,086	
Unallocated assets	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>8,430</u>	
Total assets	<u>150,580</u>	<u>1,103,441</u>	<u>446,204</u>	<u>1,162,809</u>		<u>2,000,514</u>	
Segment liabilities	106,404	899,601	315,007	911,347	(676,089)	1,556,270	C
Unallocated liabilities	–	–	–	–	–	17,496	
Total liabilities						<u>1,573,766</u>	
Capital expenditure	2,397	151	14,121	23,311	–	39,980	
Depreciation and amortisation	3,083	105	1,604	773	48	5,613	
Other significant non-cash expenses	<u>619</u>	<u>2,392</u>	<u>426</u>	<u>1,845</u>	<u>–</u>	<u>5,282</u>	D

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
(CONTINUED)

32. SEGMENT INFORMATION (CONTINUED)

	Jewellery	Real	Financial	Others	Elimination	Group	Note
	\$'000	estate	service	\$'000	\$'000	\$'000	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
2016							
Revenue	128,569	337,951	154,516	–	–	621,036	
Inter-segment revenue	796	–	8,672	438	(9,906)	–	A
Results							
Segment results	(3,094)	16,189	17,684	(5,636)	3,815	28,958	
Unallocated expenses	–	–	–	–	–	(247)	
Share of results of a joint venture	–	–	–	1,695	–	1,695	
Share of results of associates	242	(879)	–	–	–	(637)	
Interest income	–	590	–	48,564	(36,198)	12,956	
Finance costs	(2,430)	(8,493)	(4,535)	(50,052)	29,673	(35,837)	
(Loss)/profit before tax from operations	(5,282)	7,407	13,149	(5,429)	–	6,888	
Segment assets	127,020	973,906	306,898	1,189,108	(914,868)	1,682,064	B
Investment in joint ventures	–	–	–	12,092	–	12,092	
Investment in associates	3,987	14,046	–	–	–	18,033	
Unallocated assets	–	–	–	–	–	9,587	
Total assets	131,007	987,952	306,898	1,201,200	–	1,721,776	
Segment liabilities	86,412	806,957	208,763	948,978	(731,831)	1,319,279	C
Unallocated liabilities	–	–	–	–	–	25,627	
Total liabilities	–	–	–	–	–	1,344,906	
Capital expenditure	4,679	166	2,608	16,739	–	24,192	
Depreciation and amortisation	2,550	115	1,382	578	48	4,673	
Other significant non-cash expenses	654	–	428	1,542	–	2,624	D

NOTES TO THE FINANCIAL STATEMENTS

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(CONTINUED)

32. SEGMENT INFORMATION (CONTINUED)

Notes:

A Inter-segment revenues are eliminated on consolidation.

B The following items are deducted from segment assets to arrive at total assets reported in the consolidated statement of financial position:

	2017 \$'000	2016 \$'000
Inter-segment assets	870,950	914,868

C The following items are added to segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:

	2017 \$'000	2016 \$'000
Inter-segment liabilities	676,089	731,831

D Other non-cash expenses comprises mainly write-off of property, plant and equipment, net fair value loss on investment properties, impairment loss on investment securities, allowance for write-down of inventories, development properties and properties held for sale, and allowance for/(write-back of) doubtful receivables as presented in the respective notes to the financial statements.

	2017 \$'000	2016 \$'000
Property, plant and equipment written-off	877	916
Net fair value loss on investment properties	486	–
Impairment loss on investment in a joint venture	25	–
Allowance for amount due from associates and a joint venture	604	–
Impairment loss on investment securities	1,733	1,500
Interest receivable written-off	75	42
Write-down of inventories	149	407
Allowance for write-down of development properties and properties held for sale	1,326	–
Allowance for/(write-back of) doubtful receivables, net	7	(241)
	5,282	2,624

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
(CONTINUED)

32. SEGMENT INFORMATION (CONTINUED)

Geographical information

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Revenue		Non-current assets	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Singapore	483,173	621,036	131,588	94,919
Australia	1,878	–	–	–
Malaysia	–	–	11,946	49
	<u>485,051</u>	<u>621,036</u>	<u>143,534</u>	<u>94,968</u>

Non-current assets information presented above consist of property, plant and equipment, investment properties, prepaid rent and intangible assets.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include liquidity risk, interest rate risk, foreign currency risk, credit risk and market price risk. The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Chief Financial Officer. The Audit Committee provides independent oversight to the effectiveness of the risk management process. It is, and has been throughout the current and previous financial year, the Group's policy that no derivatives shall be undertaken except for use as hedging instruments where appropriate and cost-efficient. The Group and the Company do not apply hedge accounting.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks.

(a) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities for its business other than the real estate business. As for the real estate business there is no liquidity risk as loans and borrowings are repayable upon TOP whereupon receipts exceed the repayment of loans and borrowings. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group's and the Company's liquidity risk management policy is that not more than 95% (2016: 95%) of loans and borrowings should mature in the next one year, and to maintain sufficient liquid financial assets and stand-by credit facilities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
(CONTINUED)

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Liquidity risk (Continued)

At the end of the reporting period excluding the real estate business, approximately 29% (2016: 29%) of the Group's loans and borrowings will mature in less than one year based on the carrying amount reflected in the financial statements. 45% (2016: 20%) of the Company's loans and borrowings will mature in less than one year at the end of the reporting period.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's financial assets and liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

	1 year or less \$'000	1 to 5 years \$'000	Over 5 years \$'000	Total \$'000
2017				
Group				
<i>Financial assets:</i>				
Investment securities	177,817	4,508	–	182,325
Trade and other receivables	310,743	60,753	–	371,496
Due from associates (non-trade)	1,305	–	–	1,305
Due from a joint venture (non-trade)	84,517	–	–	84,517
Cash and bank balances	54,888	–	–	54,888
Total undiscounted financial assets	629,270	65,261	–	694,531
<i>Financial liabilities:</i>				
Trade and other payables	64,920	4,349	–	69,269
Due to an associate (non-trade)	2,360	–	–	2,360
Interest-bearing loans and borrowings	696,959	131,798	57,489	886,246
Term notes and bonds	130,688	576,255	–	706,943
Total undiscounted financial liabilities	894,927	712,402	57,489	1,664,818
Total net undiscounted financial liabilities	265,657	647,141	57,489	970,287

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
(CONTINUED)

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Liquidity risk (Continued)

	1 year or less \$'000	1 to 5 years \$'000	Over 5 years \$'000	Total \$'000
2016				
Group				
Financial assets:				
Investment securities	155,985	1,365	–	157,350
Trade and other receivables	298,877	5,328	–	304,205
Due from associates (non-trade)	6,350	–	–	6,350
Due from a joint venture (non-trade)	82,897	–	–	82,897
Cash and bank balances	70,284	–	–	70,284
Total undiscounted financial assets	614,393	6,693	–	621,086
Financial liabilities:				
Trade and other payables	57,698	1,696	–	59,394
Due to an associate (non-trade)	5,260	–	–	5,260
Interest-bearing loans and borrowings	454,822	171,834	24,847	651,503
Term notes and bonds	86,441	639,222	–	725,663
Total undiscounted financial liabilities	604,221	812,752	24,847	1,441,820
Total net undiscounted financial assets/(liabilities)	10,172	(806,059)	(24,847)	(820,734)
		1 year or less \$'000	1 to 5 years \$'000	Total \$'000
2017				
Company				
Financial assets:				
Trade and other receivables		62	–	62
Due from subsidiaries (non-trade)		287,389	–	287,389
Due from a joint venture (non-trade)		84,570	–	84,570
Cash and bank balances		448	–	448
Total undiscounted financial assets		372,469	–	372,469
Financial liabilities:				
Trade and other payables		2,135	–	2,135
Due to subsidiaries (non-trade)		109,019	–	109,019
Term notes		111,209	126,268	237,477
Total undiscounted financial liabilities		222,363	126,268	348,631
Total net undiscounted financial assets/(liabilities)		150,106	(126,268)	23,838

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(CONTINUED)

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Liquidity risk (Continued)

	1 year or less \$'000	1 to 5 years \$'000	Total \$'000
2016			
Company			
Financial assets:			
Trade and other receivables	322	6	328
Due from subsidiaries (non-trade)	370,488	–	370,488
Due from a joint venture (non-trade)	82,897	–	82,897
Cash and bank balances	751	–	751
Total undiscounted financial assets	454,458	6	454,464
Financial liabilities:			
Trade and other payables	3,783	–	3,783
Due to subsidiaries (non-trade)	97,338	–	97,338
Term notes	67,966	244,451	312,417
Total undiscounted financial liabilities	169,087	244,451	413,538
Total net undiscounted financial assets/(liabilities)	285,371	(244,445)	40,926

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings. Other than the term notes and bonds and certain bank borrowings which are at fixed rates, the Group's loans and borrowings are at floating rates which are contractually repriced at intervals of less than 6 months from the end of the reporting period.

The Group's policy is to manage interest cost by using a mix of fixed and floating rate debts. At the end of the reporting period, term notes and bonds of \$639,500,000 (2016: \$629,750,000) and bank borrowings of \$421,357,000 (2016: \$371,848,000) are at fixed rates of interest.

Sensitivity analysis for interest rate risk

For the Group's financial service business, at the end of the reporting period, if SGD interest rates had been 50 (2016: 50) basis points lower/higher with all other variables held constant, the Group's profit net of tax would have been \$33,000 (2016: \$Nil) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate term loans.

NOTES TO THE FINANCIAL STATEMENTS

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(CONTINUED)

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Interest rate risk (Continued)

Sensitivity analysis for interest rate risk (Continued)

For the real estate business, at the end of the reporting period, if SGD, Malaysia Ringgit (“**MYR**”) and Australia Dollars (“**AUD**”) interest rates had been 100 (2016: 100) basis points lower/higher with all other variables held constant, the Group’s development properties would have been \$1,684,000 (2016: \$1,657,000), \$503,000 (2016: \$497,000) and \$2,412,000 (2016: \$240,000) lower/higher respectively, arising mainly as a result of lower/higher capitalised borrowing cost on floating rate loans and borrowings.

For the Group’s other businesses, at the end of the reporting period, if SGD interest rates had been 50 (2016: 50) basis points lower/higher with all other variables held constant, the Group’s profit net of tax would have been \$166,000 (2016: \$49,000) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings.

(c) Foreign currency risk

The jewellery business has transactional currency exposures arising from purchases that are denominated in a currency other than the respective functional currencies of the Group entities, primarily SGD. The foreign currencies in which these transactions are denominated are mainly United States Dollars (“**USD**”), Hong Kong Dollars (“**HKD**”) and Euro (“**EUR**”). Approximately 40% (2016: 27%) of the jewellery business purchases are denominated in foreign currencies. Trade payable balances at the end of the reporting period have similar exposures.

The real estate business has transactional currency exposures arising from loans extended by WCG, a subsidiary of the Group, to WCG’s subsidiaries in Malaysia and Australia. These loans are denominated in MYR and AUD, whereas WCG’s functional currency is SGD.

The Group’s financial service business has transactional currency exposures arising from investments that are denominated in a currency other than the respective functional currencies of the Group entities, primarily SGD. The foreign currencies in which these transactions are denominated are mainly AUD.

The Group also holds cash and bank balances denominated in foreign currencies for working capital purposes.

The Group did not hedge any of its foreign currency purchases during the financial years ended 31 December 2017 and 2016. There was no outstanding forward currency contract as at 31 December 2017 and 2016.

The Group is also exposed to currency translation risk arising from its net investments in foreign operations, including Malaysia and Australia. The Group’s net investments in Malaysia and Australia are not hedged as currency positions in MYR and AUD are considered to be long-term in nature.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
(CONTINUED)

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Foreign currency risk (Continued)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit net of tax to a reasonably possible change in the USD, HKD, MYR and AUD exchange rates (against SGD), with all other variables held constant.

	2017	2016
	Profit net of tax	Profit net of tax
	\$'000	\$'000
	(lower)/higher	(lower)/higher
USD – strengthened 5% (2016: 5%)	(74)	(89)
– weakened 5% (2016: 5%)	74	89
HKD – strengthened 5% (2016: 5%)	(41)	(25)
– weakened 5% (2016: 5%)	41	25
MYR – strengthened 5% (2016: 5%)	4,538	3,477
– weakened 5% (2016: 5%)	(4,538)	(3,477)
AUD – strengthened 5% (2016: 5%)	11,921	10,712
– weakened 5% (2016: 5%)	(11,921)	(10,712)

(d) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables and cash and bank balances. Secured lending receivables has no significant exposure to credit risk as these receivables are secured by way of collateralised real estate by investment at a conservative loan-to-valuation ratio. No other financial asset carries a significant exposure to credit risk.

Excessive risk concentration

Concentration arises when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

In order to avoid excessive concentration of risk, the Group focuses on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly. As at 31 December 2017 and 2016, there was no significant concentration of credit risk. The Group does not apply hedge accounting.

Information regarding credit enhancements for trade and other receivables is disclosed in Note 20.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
(CONTINUED)

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Credit risk (Continued)

Financial assets that neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are with creditworthy debtors with good payment record with the Group. Cash and bank balances that are neither past due nor impaired are placed with reputable financial institutions with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 20.

(e) Market price risk

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates). The Group is exposed to price risk arising from its investment in quoted debt securities. These debt securities are quoted on the SGX-ST in Singapore and are classified as available-for-sale financial assets. The Group does not have exposure to commodity price risk.

Sensitivity analysis for market price risk

At the end of the reporting period, if the quoted market price of the debt securities had been 2% (2016: 2%) higher/lower with all other variables held constant, the Group's other comprehensive income would have been \$3,556,000 (2016: \$3,120,000) higher/lower, arising as a result of an increase/decrease in the fair value of debt securities classified as available-for-sale.

34. FAIR VALUE OF ASSETS AND LIABILITIES

(a) Fair value hierarchy

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and

Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety at the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

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(CONTINUED)

34. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

(b) Assets measured at fair value

The following table shows an analysis of each class of assets measured at fair value at the end of the reporting period:

	Group 2017			
	Quoted prices in active markets for identical assets (Level 1) \$'000	Significant observable inputs other than quoted prices (Level 2) \$'000	Significant unobservable inputs (Level 3) \$'000	Total \$'000
Assets measured at fair value				
Financial assets				
<u>Available-for-sale financial assets</u>				
Quoted debt securities (Note 17)	177,817	–	–	177,817
Available-for-sale financial asset included in non-current trade and other receivables (Note 20)	–	–	10,364	10,364
	<u>177,817</u>	<u>–</u>	<u>10,364</u>	<u>188,181</u>
Non-financial assets				
<u>Investment properties</u>				
Singapore (Note 11)	–	–	48,730	48,730
Malaysia (Note 11)	–	–	11,836	11,836
	<u>–</u>	<u>–</u>	<u>60,566</u>	<u>60,566</u>
	Group 2016			
	Quoted prices in active markets for identical assets (Level 1) \$'000	Significant observable inputs other than quoted prices (Level 2) \$'000	Significant unobservable inputs (Level 3) \$'000	Total \$'000
Assets measured at fair value				
Financial assets				
<u>Available-for-sale financial assets</u>				
Quoted debt securities (Note 17)	155,985	–	–	155,985
Non-financial assets				
<u>Investment properties</u>				
Singapore (Note 11)	–	–	45,700	45,700

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(CONTINUED)

34. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

(c) Level 3 fair value measurements

(i) Information about significant unobservable inputs used in Level 3 fair value measurements

The following table shows the information about fair value measurements using significant unobservable inputs (Level 3).

Description	Fair value at 31 December 2017 \$'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs \$
Recurring fair value measurements				
Investment properties:				
Singapore	48,730	Market comparison approach	Price per square feet	881 – 4,874
Malaysia	11,836	Market comparison approach	Price per square feet	284 – 418
Available-for-sale financial assets:				
Available-for-sale financial asset included in non-current trade and other receivables (Note 20)	10,364	Net asset valuation	Not applicable	Not applicable

Description	Fair value at 31 December 2016 \$'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs \$
Recurring fair value measurements				
Investment properties:				
Singapore	45,700	Market comparison approach	Price per square feet	5,067 – 5,110

For investment properties, a significant increase/(decrease) in price per square feet based on management's assumptions would result in a significantly higher/(lower) fair value measurement.

NOTES TO THE FINANCIAL STATEMENTS

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(CONTINUED)

34. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

(c) Level 3 fair value measurements (Continued)

(i) Information about significant unobservable inputs used in Level 3 fair value measurements (Continued)

For secured lending extended through investment in a fund, the valuation of the units in the fund is performed on a monthly or quarterly basis by an independent professional investment manager. The investment manager provides management with quarterly investment reports, quarterly distribution statements, half yearly unaudited financial statements and annual audited accounts, audited by a reputable auditor.

The valuation of the investment by the fund in debt instruments, secured by real estate, is the responsibility of the investment manager. The net asset valuation, provided on a quarterly basis, is the value that approved transfers will be based on. The valuation based on reported net asset valuation of the fund is not publicly available as it is only provided by the investment manager to the investors of the fund.

(ii) Movements in Level 3 assets measured at fair value

The following table presents the reconciliation for all assets measured at fair value based on significant unobservable inputs (Level 3):

	Fair value measurements using significant unobservable inputs (Level 3)			
	Available-for-sale financial asset	Investment properties		Total
	\$'000	Singapore \$'000	Malaysia \$'000	
Group				
2017				
Opening balance	–	45,700	–	45,700
Transfer from properties held for sale	–	3,554	11,798	15,352
Net loss on fair value adjustments of investment properties, representing total gains or losses for the year included in profit or loss	–	(524)	38	(486)
Subscriptions	10,364	–	–	10,364
Closing balance	10,364	48,730	11,836	70,930

Prior year comparatives are not presented as there is no movement during the financial year ended 31 December 2016.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
(CONTINUED)

34. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

(c) Level 3 fair value measurements (Continued)

(iii) *Valuation policies and procedures*

The Group's Chief Financial Officer oversees the Group's financial reporting valuation process and is responsible for setting and documenting the Group's valuation policies and procedures.

For all significant financial reporting valuations using valuation models and significant unobservable inputs, it is the Group's policy to engage external valuation experts who possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies and FRS 113 fair value measurement guidance to perform the valuation.

For valuations performed by external valuation experts, the appropriateness of the valuation methodologies and assumptions adopted are reviewed along with the appropriateness and reliability of the inputs (including those developed internally by the Group) used in the valuations.

In selecting the appropriate valuation models and inputs to be adopted for each valuation that uses significant non-observable inputs, external valuation experts are requested to calibrate the valuation models and inputs to actual market transactions (which may include transactions entered into by the Group with third parties as appropriate) that are relevant to the valuation if such information is reasonably available. For available-for-sale financial asset, management has considered the reports and representations provided by the investment manager.

Significant changes in fair value measurements from period to period are evaluated for reasonableness. Key drivers of the changes are identified and assessed for reasonableness against relevant information from independent sources, or internal sources if necessary and appropriate.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
(CONTINUED)

34. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

(d) Assets and liabilities not carried at fair value but for which fair value is disclosed

The following table shows an analysis of the Group's assets and liabilities not measured at fair value but for which fair value is disclosed:

	Quoted prices in active markets for identical assets (Level 1) \$'000	Significant observable inputs other than quoted prices (Level 2) \$'000	Significant unobservable inputs (Level 3) \$'000	Fair value Total \$'000	Carrying amount \$'000
Group 2017					
Assets:					
<i>Non-current:</i>					
Trade receivables	–	–	37,361	37,361	33,096
Other receivables	–	–	5,076	5,076	5,558
Liabilities:					
<i>Current:</i>					
Term notes	–	98,219	–	98,219	98,000
<i>Non-current:</i>					
Term notes	–	191,281	–	191,281	192,500
Bonds	344,577	–	–	344,577	349,000
Other payables	–	–	2,585	2,585	2,708
Group 2016					
Assets:					
<i>Non-current:</i>					
Other receivables	–	–	5,207	5,207	5,328
Liabilities:					
<i>Current:</i>					
Term notes	–	55,564	–	55,564	55,750
<i>Non-current:</i>					
Term notes	–	206,641	–	206,641	224,000
Bonds	326,450	–	–	326,450	350,000
Other payables	–	–	1,632	1,632	1,696

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
(CONTINUED)

34. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

(d) Assets and liabilities not carried at fair value but for which fair value is disclosed (Continued)

	Quoted prices in active markets for identical assets (Level 1) \$'000	Significant observable inputs other than quoted prices (Level 2) \$'000	Significant unobservable inputs (Level 3) \$'000	Fair value Total \$'000	Carrying amount \$'000
Company 2017					
Assets:					
<i>Non-current:</i>					
Investment in quoted subsidiaries	277,173	—	—	277,173	168,237
Liabilities:					
<i>Current:</i>					
Term notes	—	100,223	—	100,223	100,000
<i>Non-current:</i>					
Term notes	—	122,434	—	122,434	123,500
Company 2016					
Assets:					
<i>Non-current:</i>					
Investment in a quoted subsidiary	79,399	—	—	79,399	56,502
Other receivable	—	—	6	6	6
Liabilities:					
<i>Current:</i>					
Term notes	—	55,564	—	55,564	55,750
<i>Non-current:</i>					
Term notes	—	212,157	—	212,157	230,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
(CONTINUED)

34. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

(d) Assets and liabilities not carried at fair value but for which fair value is disclosed (Continued)

Determination of fair value

Trade and other receivables/Other payables

The fair values as disclosed in the table above are estimated by discounting expected future cash flows at market incremental lending rates for similar types of lending, borrowing or leasing arrangements at the end of the reporting period.

Term notes

The fair values as disclosed in the table above are determined directly by reference to the bid price quotation of the term notes at the end of the reporting period.

Bonds

The fair values as disclosed in the table above are determined directly by reference to the quoted price of the bonds at the end of the reporting period.

(e) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not a reasonable approximation of fair value

The fair value of financial assets and liabilities by classes that are not carried at fair value and whose carrying amounts are not a reasonable approximation of fair value are as follows:

	Carrying amount		Fair value	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Group				
Financial assets:				
<i>Non-current:</i>				
Unquoted equity shares, at cost	4,508	1,365	*	*
Trade receivables	33,096	—	37,361	—
Other receivables	5,558	5,328	5,076	5,207
Financial liabilities:				
<i>Current:</i>				
Term notes and bonds	98,000	55,750	98,219	55,564
<i>Non-current:</i>				
Other payables	2,708	1,696	2,585	1,632
Term notes and bonds	541,500	574,000	535,858	533,091

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
(CONTINUED)

34. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

- (e) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not a reasonable approximation of fair value (Continued)

	Carrying amount		Fair value	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Company				
Financial assets:				
<i>Non-current:</i>				
Trade and other receivables	–	6	–	6
Financial liabilities:				
<i>Current:</i>				
Term notes and bonds	100,000	55,750	100,223	55,564
<i>Non-current:</i>				
Term notes and bonds	123,500	230,000	122,434	212,157

* Investment in unquoted equity shares carried at cost

Fair value information has not been disclosed for the Group's investments in unquoted equity shares that are carried at cost because fair value cannot be measured reliably. The investee companies are not quoted on any market and does not have any comparable industry peer that is listed. In addition, the variability in the range of reasonable fair value estimates derived from valuation techniques is significant. The Group does not intend to dispose of these investments in the foreseeable future.

35. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or procedures during the years ended 31 December 2017 and 31 December 2016.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, interest-bearing loans and borrowings, term notes and bonds, trade and other payables, less cash and bank balances. The gearing ratios for the jewellery segment, real estate segment and financial service segment are 36% (2016: 42%), 73% (2016: 67%) and 70% (2016: 64%) respectively. Due to the nature of the business, the real estate segment will generally have a higher gearing ratio than the jewellery segment. The table below shows the capital and net debt for the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017
(CONTINUED)

35. CAPITAL MANAGEMENT (CONTINUED)

	Note	2017 \$'000	2016 \$'000
Interest-bearing loans and borrowings	24	845,058	623,360
Term notes and bonds	25	639,500	629,750
Trade and other payables	23	69,352	60,909
Less: Cash and bank balances	22	(54,888)	(70,284)
Net debt		1,499,022	1,243,735
Equity attributable to owners of the Company		337,010	311,989
Capital and net debt		1,836,032	1,555,724
Gearing ratio		82%	80%

36. EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 19 January 2018, the Group's subsidiary, Aspial-Lee Hwa Jewellery Singapore Pte. Ltd. acquired an additional 14.49% equity interest in CTG for a cash consideration of \$1,007,000. Consequent to the acquisition, CTG became a wholly-owned subsidiary of the Group.

On 15 February 2018, the Group's subsidiary, Aspial Capital Investment Pte. Ltd. acquired a 19.8% equity interest in True Stats Lab Pte. Ltd. ("**True Stats Lab**") for a cash consideration of \$1,500,000. True Stats Lab is principally engaged in software development.

On 6 September 2016, the Group secured an AUD 200,000,000 (equivalent to approximately \$208,120,000) term loan facility from United Overseas Bank Limited and Malayan Bank Berhad ("**UOB-Maybank Loan**") for the construction and development of Stage 1.1 of Australia 108. As at 31 December 2017, the Group has drawn down AUD 113,119,000, equivalent to approximately \$117,995,000 under the UOB-Maybank Loan. Subsequent to the end of the reporting period, on 25 January 2018 and 28 February 2018, the Group made additional draw down of AUD 16,193,000 (equivalent to approximately \$17,136,000) and AUD 14,301,000 (equivalent to approximately \$14,755,000) respectively under the UOB-Maybank Loan.

On 20 January 2017, the Group entered into a subscription agreement and other ancillary transaction documents for the issuance of AUD 135,000,000 6.6% fixed rate notes (the "**Notes**") due January 2021 to be issued in three separate tranches. All three tranches of the Notes are expected to mature on 23 May 2019, with the option to fully redeem on 23 August 2018 or to extend the final maturity date to 23 January 2021. The first and second tranches of the Notes, with principal amounts of AUD 60,000,000 and AUD 35,000,000, was issued on 23 January 2017 and 24 July 2017 respectively. Subsequent to the end of the reporting period, on 23 January 2018, the third tranche of the Notes with a principal amount of AUD 40,000,000 was issued. The proceeds from the issuance of the Notes can and will only be primarily used to fund one of the Group's development projects in Australia.

37. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the directors on 19 March 2018.

STATISTICS OF SHAREHOLDINGS

AS AT 15 MARCH 2018

NO. OF ISSUE SHARES (EXCLUDING TREASURY SHARES AND SUBSIDIARY HOLDINGS)	:	1,936,491,176
NUMBER/PERCENTAGE OF TREASURY SHARES	:	9,405,143 (0.49%)
CLASS OF SHARES	:	ORDINARY SHARES
VOTING RIGHTS (EXCLUDING TREASURY SHARES AND SUBSIDIARY HOLDINGS)	:	ONE VOTE PER SHARE

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	96	5.31	3,884	0.00
100 – 1,000	106	5.86	61,075	0.00
1,001 – 10,000	386	21.34	1,736,367	0.09
10,001 – 1,000,000	1,184	65.45	79,608,275	4.11
1,000,001 & ABOVE	37	2.04	1,855,081,575	95.80
TOTAL	1,809	100.00	1,936,491,176	100.00

Top Twenty Shareholders as at 15 March 2018		NO. OF SHARES	%
1	MLHS HOLDINGS PTE LTD	1,137,825,087	58.76
2	CITIBANK NOMINEES SINGAPORE PTE LTD	184,127,677	9.51
3	UNITED OVERSEAS BANK NOMINEES PTE LTD	118,369,356	6.11
4	PHILLIP SECURITIES PTE LTD	55,028,090	2.84
5	HSBC (SINGAPORE) NOMINEES PTE LTD	52,093,021	2.69
6	SING INVEST & FINANCE NOMINEES PTE LTD	40,471,106	2.09
7	MAYBANK KIM ENG SECURITIES PTE LTD	34,689,008	1.79
8	HONG LEONG FINANCE NOMINEES PTE LTD	31,563,918	1.63
9	KO LEE MENG	22,642,785	1.17
10	NG SHENG TIONG	19,174,484	0.99
11	RAFFLES NOMINEES (PTE) LTD	17,797,109	0.92
12	KOH WEE SENG	17,187,797	0.89
13	CGS-CIMB SECURITIES (S) PTE LTD	12,901,055	0.67
14	DBS NOMINEES PTE LTD	12,190,356	0.63
15	UOB KAY HIAN PTE LTD	12,182,505	0.63
16	TAN BOY TEE	11,845,526	0.61
17	LIM SENG KUAN	10,542,199	0.54
18	TAN SU KIOK	10,000,000	0.52
19	OCBC SECURITIES PRIVATE LTD	7,018,233	0.36
20	KOH YONG HUI, KELVIN	6,985,799	0.36
		1,814,635,111	93.71

STATISTICS OF SHAREHOLDINGS

AS AT 15 MARCH 2018
(CONTINUED)

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

10.22% of the Company's shares are held in the hands of the public. Accordingly, the Company has complied with Rule 723 of the Listing Manual SGX-ST.

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

		Direct	Deemed
1	MLHS Holdings Pte Ltd	1,137,825,087	—
2	Koh Wee Seng ⁽¹⁾	373,463,357	1,142,907,178
3	Koh Lee Hwee ⁽²⁾	30,890,888	1,156,999,571
4	Ko Lee Meng ⁽³⁾	33,639,865	1,138,979,974

Notes:

- 1 Mr Koh Wee Seng's direct interest is derived from 17,187,797 shares held in his own name and 356,275,560 shares held in the name of nominee accounts. The deemed interest is derived from 1,137,825,087 shares held by MLHS Holdings Pte Ltd and 5,082,091 shares held by his spouse.
- 2 Ms Koh Lee Hwee's direct interest is derived from 30,890,888 shares held in the name of nominee accounts. The deemed interest is derived from 1,137,825,087 shares held by MLHS Holdings Pte Ltd and 19,174,484 shares held by her spouse.
- 3 Ms Ko Lee Meng's direct interest is derived from 22,642,785 shares held in her own name and 10,997,080 shares held in the name of nominee account. The deemed interest is derived from 1,137,825,087 shares held by MLHS Holdings Pte Ltd and 1,154,887 shares held by her spouse.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Aspial Corporation Limited (the “**Company**”) will be held at 55 Ubi Avenue 1, #06-05, Ubi 55, Singapore 408935 on Thursday, 26 April 2018 at 3.00 p.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors’ Statement and the Audited Financial Statements of the Company **(Resolution 1)** for the financial year ended 31 December 2017 together with the Auditor’s Report thereon.
2. To declare a final dividend of 0.25 Singapore cent per ordinary share (tax-exempt one-tier) for the financial year ended 31 December 2017 (2016: 0.25 Singapore cent per ordinary share (tax-exempt one-tier)). **(Resolution 2)**
3. To re-elect the following Directors of the Company, retiring pursuant to Regulation 104 of the Company’s Constitution:

Ms Koh Lee Hwee	(Resolution 3)
Mr Kau Jee Chu	(Resolution 4)

Mr Kau Jee Chu will, upon re-election as a Director of the Company, remain as the Chairman of the Nominating Committee and a member of the Audit and the Remuneration Committees respectively, and will be considered independent.
4. To approve the payment of Directors’ fees of S\$226,000 for the financial year ended 31 December 2017 (2016: S\$226,000). **(Resolution 5)**
5. To re-appoint Messrs Ernst & Young LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 6)**
6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

7. **Authority to issue shares** **(Resolution 7)**

That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”), the Directors of the Company be authorised and empowered to:

 - (a) (i) issue shares in the Company (“**shares**”) whether by way of rights, bonus or otherwise; and/or

NOTICE OF ANNUAL GENERAL MEETING

(CONTINUED)

- (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) options, warrants, debentures or other Instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force,

provided that:

- (1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (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 shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);
 - (2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:
 - (a) new shares arising from the conversion or exercise of any convertible securities;
 - (b) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and
 - (c) any subsequent bonus issue, consolidation or subdivision of shares;
 - (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and
 - (4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.
- [See Explanatory Note (i)]

NOTICE OF ANNUAL GENERAL MEETING

(CONTINUED)

8. **Renewal of Share Purchase Mandate**

(Resolution 8)

That for the purposes of Sections 76C and 76E of the Companies Act, Cap. 50, the Directors of the Company be and are hereby authorised to make purchases or otherwise acquire issued shares in the capital of the Company from time to time (whether by way of market purchases or off-market purchases on an equal access scheme) of up to ten per centum (10%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as ascertained as at the date of Annual General Meeting of the Company) at the price of up to but not exceeding the Maximum Price as defined in Appendix 1 to the Annual Report to shareholders ("**Appendix 1**"), in accordance with the "Guidelines on Share Purchases" set out in the Appendix 1 and this mandate shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier. [See Explanatory Note (ii)]

9. **Authority to issue shares under the Aspiat Performance Share Plan**

(Resolution 9)

That pursuant to Section 161 of the Companies Act, Cap. 50, the Directors of the Company be and are authorised to grant awards in accordance with the provisions of the Aspiat Performance Share Plan (the "**Plan**") and to allot and issue from time to time such number of fully-paid up shares as may be required to be allotted and issued pursuant to the vesting of the awards under the Plan, provided that the aggregate number of shares to be allotted and issued pursuant to the Plan on any date, when added to the number of new shares issued and issuable in respect of (a) all awards granted thereunder; and (b) all options or awards granted under any other share schemes of the Company then in force, shall not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier. [See Explanatory Note (iii)]

10. **Authority to issue shares under the Aspiat Corporation Limited Scrip Dividend Scheme** **(Resolution 10)**

That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Directors of the Company be authorised and empowered to issue such number of shares in the Company as may be required to be issued pursuant to the Aspiat Corporation Limited Scrip Dividend Scheme from time to time in accordance with the "Terms and Conditions of the Scrip Dividend Scheme" set out in pages 17 to 22 of the Circular to Shareholders dated 21 December 2011 and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier. [See Explanatory Note (iv)]

NOTICE OF ANNUAL GENERAL MEETING

(CONTINUED)

By Order of the Board

Lim Swee Ann

Secretary

Singapore, 10 April 2018

Explanatory Notes:

- (i) The Ordinary Resolution 7, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held, or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, fifty per centum (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to twenty per centum (20%) may be issued other than on a pro-rata basis to shareholders.

For determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares and subsidiary holdings) will be calculated based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

- (ii) The Ordinary Resolution 8, if passed, will empower the Directors of the Company effective until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier, to repurchase ordinary shares of the Company by way of market purchases or off-market purchases of up to ten per centum (10%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the Maximum Price as defined in Appendix 1. The rationale for, the authority and limitation on, the sources of funds to be used for the purchase or acquisition including the amount of financing and the financial effects of the purchase or acquisition of ordinary shares by the Company pursuant to the Share Purchase Mandate on the audited consolidated financial statements of the Group for the financial year ended 31 December 2017 are set out in greater detail in Appendix 1.
- (iii) The Ordinary Resolution 9, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to grant awards under the Plan in accordance with the provisions of the Plan and to issue from time to time such number of fully-paid up shares as may be required to be allotted and issued pursuant to the vesting of the awards under the Plan subject to the maximum number of shares prescribed under the terms and conditions of the Plan. The aggregate number of shares which may be issued pursuant to the Plan is limited to fifteen per centum (15%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) of the Company from time to time.
- (iv) The Ordinary Resolution 10, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or when such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares in the Company from time to time pursuant to the Aspiat Corporation Limited Scrip Dividend Scheme.

Notes:

1. (a) A member who is not a relevant intermediary, is entitled to appoint one or two proxies to attend and vote at the Annual General Meeting (the "**Meeting**").
- (b) A member who is a relevant intermediary, is entitled to appoint more than two proxies to attend and vote at the Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member.

"Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Cap. 50.

2. A proxy need not be a member of the Company.
3. The instrument appointing a proxy or proxies must be deposited at the Registered Office of the Company at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 not less than seventy-two (72) hours before the time appointed for holding the Meeting.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting ("**AGM**") and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

ASPIAL CORPORATION LIMITED

(COMPANY REGISTRATION NO.: 197001030G)
(INCORPORATED IN THE REPUBLIC OF SINGAPORE)

IMPORTANT:

1. A relevant intermediary may appoint more than two proxies to attend the Annual General Meeting and vote (please see note 4 for the definition of "relevant intermediary").
2. For investors who have used their CPF monies to buy the Company's shares, this Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely **FOR INFORMATION ONLY**.
3. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

PROXY FORM

(Please see notes overleaf before completing this Form)

I/We, _____

of _____

being a member/members of Aspiat Corporation Limited (the "**Company**"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as my/our* proxy/proxies* to vote for me/us* on my/our* behalf at the Annual General Meeting (the "**Meeting**") of the Company to be held on Thursday, 26 April 2018 at 3.00 p.m. and at any adjournment thereof. I/We* direct my/our* proxy/proxies* to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies* will vote or abstain from voting at his/her/their discretion, as he/she/they* will on any other matter arising at the Meeting and at any adjournment thereof.

No.	Resolutions relating to:	Number of Votes For ⁽¹⁾	Number of Votes Against ⁽¹⁾
1	Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2017		
2	Payment of proposed final dividend (tax-exempt one-tier)		
3	Re-election of Ms Koh Lee Hwee as a Director		
4	Re-election of Mr Kau Jee Chu as a Director		
5	Approval of Directors' fees amounting to S\$226,000		
6	Re-appointment of Messrs Ernst & Young LLP as Auditors		
7	Authority to issue shares		
8	Renewal of Share Purchase Mandate		
9	Authority to issue shares under the Aspiat Performance Share Plan		
10	Authority to issue shares under the Aspiat Corporation Limited Scrip Dividend Scheme		

⁽¹⁾ If you wish to exercise all your votes "For" or "Against", please indicate with a "X" within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this _____ day of _____ 2018

Signature of Shareholder(s)
or, Common Seal of Corporate Shareholder

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

*Delete where inapplicable

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act (Cap. 289)), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
3. Where a member appoints two proxies, if the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy is not indicated, the first proxy will be representing 100% and the second proxy will be deemed as alternate.
4. A member who is a relevant intermediary entitled to attend the meeting and vote is entitled to appoint more than two proxies to attend and vote instead of the member, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two proxies, the appointments shall be invalid unless the member specifies the number of Shares in relation to which each proxy has been appointed.

"Relevant intermediary" means:

- (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
 - (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or
 - (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Central Provident Fund Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
5. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.
 6. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 not less than seventy-two (72) hours before the time appointed for the Meeting.
 7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his/her attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
 8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act (Cap. 50) of Singapore.

PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 10 April 2018.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his/her name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

