HWA HONG
CORPORATION LIMITED

ANNUAL REPORT 2018

HWA HONG CORPORATION LIMITED

SINGAPORE CORPORATE GOVERNANCE WEEK

Towards Excellence in Corporate Governance 2018

CONTENTS

Corporate Profile

HWA HONG CORPORATION LIMITED, originally formed as a partnership, was incorporated on 29 December 1952 as a private limited company under the name of Hwa Hong Manufacturing Company Pte. Limited. On 21 November 1969, it converted to a public company known as Hwa Hong Manufacturing Company Limited and was admitted to the Official List of the Singapore Exchange Limited on 26 July 1979. The name "Hwa Hong Corporation Limited" was adopted with effect from 15 January 1985. The principal activity of HWA HONG CORPORATION LIMITED is that of an investment holding company. The subsidiary companies are primarily engaged in property rental investment and development and investment holding.

Corporate Information

REGISTERED OFFICE
38 South Bridge Road
Singapore 058672
website: www.hwahongcorp.com

Finance and Administrative
38 South Bridge Road #04-01
Singapore 058672
tel: 6538 5711
fax: 6533 3028
email: finance@hwahongcorp.com

Corporate Secretarial
38 South Bridge Road #01-01
Singapore 058672
tel: 6538 6818
fax: 6532 6816
email: secretariat@hwahongcorp.com

PRINCIPAL SUBSIDIARIES
Singapore Warehouse Company (Private) Ltd.
400 Orchard Road
#11-09/10 Orchard Towers
Singapore 238875
tel: 6734 8355
fax: 6733 4288
email: property@hwahongcorp.com

Paco Industries Pte. Ltd.
Hwa Hong Edible Oil Industries Pte. Ltd.
38 South Bridge Road #04-01
Singapore 058672
tel: 6538 5711
fax: 6533 3028

MANAGEMENT
Ong Choo Eng Group Managing Director
Hwa Hong Corporation Limited
Ong Mui Eng Executive Director
Hwa Hong Corporation Limited
Lee Soo Wei Chief Financial Officer
Hwa Hong Corporation Limited
Ong Eng Yaw Senior Vice President, Real Estate
Singapore Warehouse Company (Private) Ltd.
Chen Chee Kiew (Mrs) General Manager
Singapore Warehouse Company (Private) Ltd.
Ong Eng Loke Senior Vice President, Fund Management
Hwa Hong Edible Oil Industries Pte. Ltd

COMPANY SECRETARY
Gwendolin Lee Soo Fern

REGISTRAR / SHARE REGISTRATION OFFICE
Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623
tel: 6536 5355
fax: 6536 1360

AUDITORS
Ernst & Young LLP
Chartered Accountants
One Raffles Quay
North Tower, Level 18
Singapore 048583
Partner In-Charge: Philip Ng
(with effect from financial year ended 31 December 2015)

BOARD OF DIRECTORS
Hans Hugh Miller *Non-Executive Chairman; Independent*
Ong Choo Eng *Group Managing Director; Non-Independent*
Ong Mui Eng *Executive Director; Non-Independent*
Ong Hian Eng (Dr) *Non-Executive Director; Non-Independent*
Guan Meng Kuan *Non-Executive Director; Non-Independent*
Ong Wui Leng, Linda *Non-Executive; Independent*
Huang Yuan Chiang *Non-Executive; Independent*

AUDIT AND RISK COMMITTEE
Hans Hugh Miller *Chairman*
Ong Wui Leng, Linda
Huang Yuan Chiang

NOMINATING COMMITTEE
Ong Wui Leng, Linda *Chairman*
Hans Hugh Miller
Guan Meng Kuan

REMUNERATION COMMITTEE
Huang Yuan Chiang *Chairman*
Hans Hugh Miller
Guan Meng Kuan

Financial Calendar

IN RESPECT OF FINANCIAL YEAR ENDED 31 DECEMBER 2018

Announcement of 2018 Unaudited Results

First Quarter ended 31 March 2018	25 April 2018
Second Quarter ended 30 June 2018	1 August 2018
Third Quarter ended 30 September 2018	25 October 2018
Financial Year ended 31 December 2018	31 January 2019

Annual General Meeting 24 April 2019 (10.00 a.m.)

Dividends

Proposed one-tier tax exempt final ordinary dividend of 1 cent per ordinary share

	Up to 5.00 p.m. on
Last day for lodgement of transfers for dividend entitlement	2 May 2019
Date of books closure	3 May 2019
Payment date	17 May 2019

IN RESPECT OF FINANCIAL YEAR ENDING 31 DECEMBER 2019

Tentative Dates for Announcement of 2019 Unaudited Results

First Quarter of 2019	24 April 2019
Second Quarter of 2019	26 July 2019
Third Quarter of 2019	25 October 2019
Financial Year 2019	4 February 2020

Joint Letter to Shareholders

"OUR INVESTMENT PROPERTY PORTFOLIO IN SINGAPORE ACHIEVED AN OCCUPANCY RATE OF ALMOST 100% FOR FY2018. THE PORTFOLIO CONTRIBUTED S$5.2 MILLION TO OUR REVENUES."

Dear Shareholders

On behalf of the Board and all staff in Hwa Hong Corporation Limited, we would like to thank you for your continued support in 2018.

During the year, macro-economic and geopolitical uncertainties such as the US-China trade war, BREXIT and slowing global growth affected general business sentiment, financial markets and asset values. The risks of rising interest rates and a slowdown in global

IN FY2018, WE COMPLETED THE ACQUISITION OF 2 COMMERCIAL OFFICE PROPERTIES IN CENTRAL LONDON, NAMELY 46 LOMAN STREET IN THE SOUTH BANK AND 20 GARRETT STREET NEAR THE OLD STREET ROUNDABOUT.

trade have meant that real estate values in many global cities have remained subdued in 2018.

For FY2018, we did not feel that the market sentiment was optimal to actively market several investments with embedded unrealised gains. As a result, we realised fewer gains than in the prior year and our revenue decreased by S$4.1 million or 28.1% in FY2018 from FY2017. Furthermore we had lower interest income in our investment business segment. Notwithstanding this, revenues from our rental segment increased by 7.2% primarily due to our increased interest in 20 Midtown to 100%.

In line with the lower revenue overall, profit before tax for FY2018 was lower due to fair value losses in certain investment securities, reflecting declining equity markets and increased volatility in 2018.

For FY2018, our EBITDA was S$8.3 million. Earnings per share decreased to 0.67 cents from 1.13 cents in the preceding financial year. Total shareholders fund as at 31 December 2018 was S$189.1 million representing a net asset value of 28.98 cents per share. Gearing increased to 54% from 33% as at the end of last financial year.

The Group's balance sheet remains strong with total debt standing at S$102.3 million against shareholders' funds of S$189.1 million. Our investment properties, recorded using the historical cost model in our accounts, totaled approximately S$156.1 million, whilst their fair values as at 31 Dec 2018 are approximately S$240.7 million. In addition to our debt levels, our balance sheet management also takes into account currency and interest rate risks inherent in investing in real estate in overseas markets.

BUSINESS REVIEW

We operate in 2 main geographical markets - Singapore and the UK. In 2018 the Singapore economy grew by 4.2%, buoyed by global growth in the 1st half of 2018. Growth in the last quarter of 2018 slowed to 2.2% as the geo-political and macroeconomic picture turned uncertain.

In Singapore's residential market, land values continued to recover in the first half of 2018 as developers sought development sites in both enbloc and government land sales transactions. This recovery in land values subsequently came to a halt with the imposition of additional Government cooling measures in July 2018 which negatively affected market sentiment. The Singapore commercial property market proved more positive as office take-up and rentals continued to strengthen during the year.

Our investment property portfolio in Singapore achieved an occupancy rate of almost 100% for FY2018. The portfolio contributed S$5.2 million to our revenues. During the year, we disposed of one unit at Rivergate, contributing a gain of S$1.6 million to our results. As part of our strategy to invest into projects and assets with compelling returns over time, we purchased a commercial property development site in Jalan Besar in FY2018. Centrally located in the vibrant precinct of Jalan Besar, this location is popular with firms in the creative industry such as architectural firms and design firms. The site is located close to the Beach Road/Ophir-Rochor precinct, an area identified by the Urban Redevelopment Authority of Singapore as a key growth area. It is also located close to City Square Mall and both Jalan Besar and Farrer Road MRT stations. Our plans are to build a boutique mixed-use development with F&B services on the ground floor for future rental and/or capital appreciation.

Joint Letter to Shareholders

In the UK, BREXIT remains the biggest challenge to the economy and the London real estate markets. BREXIT uncertainties impacted the UK economy with 1.4% growth in FY2018, particularly due to a slowdown in consumer spending and a lack of business investment. Notwithstanding this, central London remained a key investment location for real estate investors, with total investment volumes hitting c.£55bn in 2018. Although lower than 2017, investment volumes for 2018 remained higher than the long run annual average of £42bn. International investors comprised a significant percentage of these investors, with the weak GBP exchange rate, market transparency and long lease structures being major factors attracting them (source: Cushman & Wakefield).

Our commercial investment properties in London continued to perform in line with our expectations. Total rental revenue from these properties for FY2018 was S$2.8 million, while average occupancy for the portfolio was close to 100%. During the year, as part of our strategy to own 100% of our core income assets and to recycle our capital where possible, we disposed of our 50% interest in Herbal Hill whilst increasing our interest in 20 Midtown to 100%.

The London residential sector was affected by both BREXIT uncertainty as well as increases in the stamp duty land tax rate. Our residential development projects at Allen House and Kilmuir House are both in the planning process in order to obtain approvals for redevelopment.

In FY2018, we completed the acquisition of 2 commercial office properties in central London, namely 46 Loman Street in the South Bank and 20 Garrett Street near the Old Street Roundabout. The rationale for both acquisitions follows our core strategies of investing into properties located in areas with strong fundamentals and investing both for long term capital appreciation and rental income. The properties are located in areas which are popular office hubs with technology, media and businesses in the creative industry but where the overall supply of new and refurbished space is relatively low. In addition to their strategic locations, both properties were also value-add opportunities where our focus is to create additional value through refurbishment works and lease management.

The performance of our Investment segment was adversely affected by the sharp decline in global equity markets in 4Q 2018: it recorded a profit before tax of S$34,000 for FY2018.

As part of our strategy to develop new streams of income from our real estate capabilities, we have set up an advisory services business to provide real estate investment management advisory services. The investment is not material at present but does represent a possible extension of our capabilities into new areas.

BUSINESS PROSPECTS

Looking forward, we remain cautious in our investment outlook given the uncertainties surrounding the US-China trade negotiations, BREXIT and interest rates. Our prudent approach to capital management means we will look to maintain balance sheet strength; recycle capital generated from divestments into new investments; and hedge the balance sheet, where appropriate, against risks such as currency fluctuations and interest rate spikes. Shareholders should of course note that real estate investment is a cyclical, multi-year business. Several of our investments will take time to come to fruition. We look to operate

efficiently and generate a reasonable level of profit in any one year. With respect to any one investment we take a long term view as to its potential. Once the value begins to emerge we may realise it through sale of the asset, if market timing is right, or continue to hold it as a core income generating asset.

In Singapore, we continue to monitor the various segments of the real estate market. With the recent residential property cooling measures and slowdown in the segment, we maintain a conservative approach to new residential property investments. Our development site in Jalan Besar will benefit from an improvement in the commercial property market. Our focus will be to develop the site in the near future as we continue to look for more opportunities in the commercial sector where we see value and long term potential.

In the UK, our approach will be cautious given the uncertainties surrounding the BREXIT process and its potential effects on the UK economy. We remain focused on central London as our core market given our track record and knowledge, and take a long term view on the city. Our immediate priority will be on obtaining the requisite approvals for the redevelopment of Allen House and Kilmuir House, completing the refurbishment of 46 Loman Street and enhancing 20 Garrett Street though active lease management. We may continue to look for sites and properties with strong fundamentals in London, especially if BREXIT brings about dislocations in the London real estate market.

Our Investment business will continue to be managed prudently. We are mindful of the concerns affecting investor sentiment in the global equity markets such as the US-China trade tensions, a slowdown in the global economy, BREXIT and the direction of interest rates, and will take a cautious long term approach to our investment business.

FINAL WORDS

As we look ahead into 2019 and beyond, we expect continued political and economic volatility. Management is, however, confident in the mix and quality of our investments in the longer term as we will continue to focus on value and fundamentals with a long term investment horizon. This will underpin our activities to seek out value accretive opportunities for shareholders and stakeholders of our business.

In closing, we would like to thank our Board of Directors for their guidance and counsel in the financial year, and our management and staff for their dedication and contributions to Hwa Hong Corporation. Last but not least, we would like to extend our appreciation to our shareholders, clients, consultants, suppliers, partners and business associates for their strong support. We look forward to growing alongside all of you as we work towards our goal to create sustainable long term value.

Very sincerely,

Hans Hugh Miller
Chairman

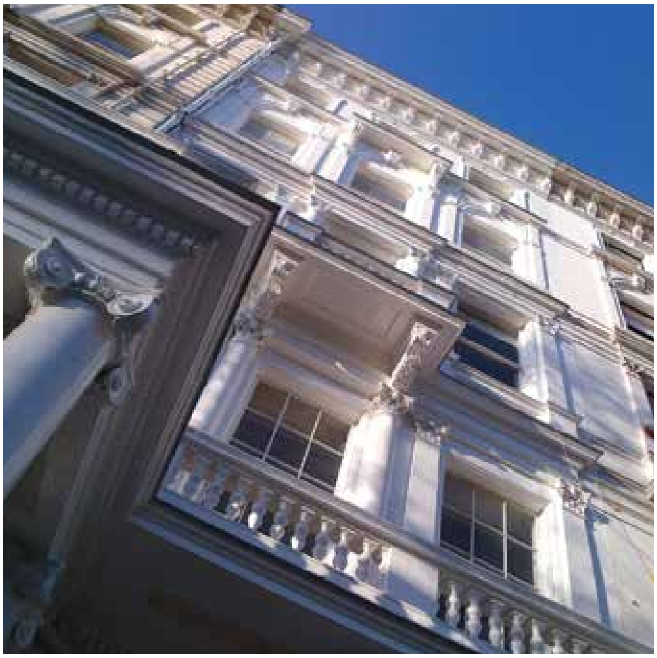
Ong Choo Eng
Group Managing Director

INVESTMENT PROPERTIES PORTFOLIO

RTFOLIO

Investment Properties Portfolio

LONDON RESIDENTIAL PROPERTY INVESTMENTS



58/115B QUEEN'S GATE, SOUTH KENSINGTON, LONDON SW7

- Approximate **8,689 square feet** floor area
- **£13.5m** Market Value
- **8** High End Residential Apartments
- **100%** Effective Group Interest
- **Freehold**

This freehold residential properties are located in the prestigious Royal Borough of Kensington and Chelsea, within walking distance from key destinations such as the Natural History Museum, Harrods and Hyde Park. The properties were refurbished in 2013/2014 and includes a duplex penthouse with a roof garden. The properties are fully let for recurring rental income.

15/17 HORNTON STREET, LONDON W8

- Approximate **2,685 square feet** floor area
- **£3.1m**
- **4** High End Residential Apartments
- **100%** Effective Group Interest
- **Freehold**

This freehold residential property is located in the prestigious Royal Borough of Kensington and Chelsea, off High Street Kensington and within walking distance from Hyde Park. The property is fully let for recurring rental income and we are currently carrying out phased asset enhancement works of units as tenant leases expire.

ALLEN HOUSE, KENSINGTON, LONDON W8

- Approximate **35,600 square feet** floor area
- **45** Residential Apartments
- **19.05%** Effective Group Interest (**£6.7m** invested)
- **Freehold**

This freehold residential property is located in the prestigious Royal Borough of Kensington and Chelsea, within walking distance from Kensington High Street and Hyde Park. The property is close to major transport links such as High Street Kensington London Underground Station and major bus routes. The property is fully let for recurring rental income and planning permission has been obtained for its redevelopment into 45 apartments.

KILMUIR HOUSE, EBURY STREET, LONDON SW1W 9JL

- Approximate **35,231 square feet** floor area
- **49** Residential Apartments
- **25%** Effective Group Interest (The Group has an interest in this property via its 50% investment in Clan Kilmuir (Jersey)Limited, which in turn holds 50% interests in Kilmuir House (Jersey) Limited. The property was purchased and held by Kilmuir House (Jersey) Limited.
- **Leasehold**

This 9 storey leasehold residential property is located at Ebury Street in Belgravia. It is within walking distance of the prestigious residential neighbourhoods of Sloane Square and Eaton Square and key shopping and lifestyle areas such as Sloane Street, Kings Road and Knightsbridge. It is also located within walking distance of London Victoria Station and Sloane Square London Underground Station. The property was purchased in 2016 and is presently under refurbishment, after which it will be leased out for recurring rental income.

Investment Properties Portfolio

LONDON COMMERCIAL AND RETAIL PROPERTY INVESTMENTS

20 MIDTOWN, PROCTER STREET, HOLBORN, LONDON WC1

- Approximate **30,533 square feet** floor area
- **£33.6m** Market Value
- **Office and retail**
- **100%** Effective Group Interest
- **Freehold**

This freehold commercial property is located in Holborn, an area popular with firms in the legal services. It is located within walking distance from the legal institutions such as the Inns of Courts and key transport links such as the Chancery Lane Cross rail station and Holborn London Underground Station. The property was purchased in 2014 and had undergone a thorough refurbishment. It is currently being leased out for recurring rental income.

COMMERCIAL PROPERTY AT GARRETT STREET, LONDON, EC1Y 0TW

- Approximate **17,500 square feet** floor area
- **£19.80m** Market Value
- **Office**
- **71.39%** Effective Group Interest
- **Freehold**

The Property is located in the borough of Hackney, approximately 650m from the Old Street Roundabout. The area is commonly referred to as East London Tech City or Silicon Roundabout as it is London's main technology cluster with more than 1,000 technology companies located in the area (source: www.techcitymap.com). The Old Street area is popular with both start-up technology companies as well as established technology and media companies such as Adobe. Inc and CBS Corporation. The Property is served by good transport links as it is within walking distance of Old Street Underground Station, Barbican Underground Station and Farringdon Underground and Crossrail station.

THE PAVILLION, NEO BANKSIDE, SOUTHWARK, LONDON SE1

- Approximate **7,300 square feet** floor area
- **£7.3m** Market Value
- **Office**
- **50%** Effective Group Interest
- **Leasehold**

This leasehold commercial property is located on the South Bank close to landmarks such as the Tate Modern museum, the Shard, Borough Market and is close to key transport links such as Blackfriars station, Southwark and London Bridge London Underground Stations. The property was purchased in 2013 and is fully let to a single tenant for recurring income.

RETAIL UNITS AT NEO BANKSIDE, SOUTHWARK, LONDON SE1

- Approximate **14,399 square feet** floor area
- **£14.4m** Market Value
- **5** Ground Floor and Basement Retail Units
- **50%** Effective Group Interest
- **Leasehold**

This leasehold retail portfolio is located within Neo Bankside, a luxury condominium development located on the South Bank. The development is next to the Tate Modern and we believe that our ground retail units will benefit from footfall to and from the Tate Modern Museum. Neo Bankside is also close to other key tourist destinations such as the Globe Theatre, the Shard and Borough Market. The units have been let to a variety of lifestyle tenants, including Carluccio's, Gail's Bakery and Albion.

COMMERCIAL PROPERTY AT LOMAN STREET, SOUTHWARK, LONDON SE1 OEH

- Approximate **19,786 square feet** floor area
- **£14.85m** Market Value
- **5** Floors of Office Accommodation
- **50%** Effective Group Interest
- **Freehold**

This freehold commercial property is located in the vibrant Southbank area in the borough of Southwark, London. It is located close to the Tate Modern London and other notable landmarks such as Borough Market, the Globe Theatre, The Millennium Bridge and The Shard. The Property is served by excellent transport links as it is located a short walk from

Southwark London Underground station and also within walking distance of the recently refurbished Blackfriars Station and London Bridge Station. Both Blackfriars Station and London Bridge Station are served by the London Underground as well as Thameslink and Southeastern regional rail services.

Investment Properties Portfolio

REGIONAL UK COMMERCIAL PROPERTY INVESTMENTS

FORMER HEAD POST OFFICE SITE, SHEFFIELD, UK

- Approximate **73,662 square feet** floor area & land
- **Mixed use scheme comprising academic facilities, retail and student accommodation**
- **£4.6m** Market Value
- **50%** Effective Group Interest
- **Freehold (partially under development)**

This freehold site is located in Sheffield. It is located within walking distance from Sheffield railway station and the city centre. The site is mixed used comprising teaching facilities for Sheffield Hallam University and land for the construction of a 241 bed student accommodation facility. The 1st phase of redevelopment involving the teaching facilities has been completed and delivered to Sheffield Hallam University who are in occupation. The 2nd phase involving the development of a student accommodation facility is being evaluated.

SINGAPORE PROPERTY INVESTMENTS

RIVERGATE, SINGAPORE

- Approximate **13,175 square feet** floor area
- **5** residential apartments and **4** retail units
- **S$27.5m** Market Value
- **100%** Effective Group Interest
- **Freehold**

This freehold portfolio of strata titled retail properties and residential apartments is located in the River Valley area. The project was jointly developed with Capitaland and the apartments and retail units is currently leased out for recurring rental income.

110 PAYA LEBAR, SINGAPORE

- Approximate **157,109 square feet** floor area
- **S$87.3m** Market Value
- **B1 industrial property**
- **100%** Effective Group Interest
- **Freehold**

This freehold commercial property is located in Paya Lebar within walking distance from MacPherson MRT station and key transport links such as the Pan Island Expressway. The property underwent asset enhancement works in 2009 and is currently leased to the Telstra Group as a data centre for recurring rental income.

253 JALAN BESAR

- Approximate **3,230 square feet** floor area
- **Commercial**
- **100%** Effective Group Interest
- **Two commercial freehold sites**

This subject sites are located in the vibrant Jalan Besar area, a popular location for businesses in the creative industry, and have a freehold tenure. They are located close to City Square Mall and Little India and are served by excellent transport links, being within walking distance of Farrer Park and Jalan Besar MRT stations and a short drive to the central business district. They are also located close to the Beach Road / Ophir-Rochor precinct, one of the key growth areas identified by the Urban Redevelopment Authority of Singapore, and Kampong Bugis, a new waterside residential precinct with approximately 4,000 planned new residential dwelling units.

The property is now under development.

ORCHARD MEDICAL, SINGAPORE

- Approximate **32,378 square feet** floor area
- **Office**
- **30%** Effective Group Interest
- **Freehold**

This freehold property is located in Lucky Plaza on Orchard Road. The property comprises 37 strata-titled medical office units and is partially leased out for recurring income.

SCOTTS SPAZIO, SINGAPORE

- Approximate **168,628 square feet** floor area
- **S$32.0m** Market Value
- **Office**
- **50%** Effective Group Interest
- **Leasehold**

This leasehold commercial property is located on Scotts Road within walking distance from Newton MRT station and Orchard Road. The property was developed in 2002 and is currently leased to the Prudential Group for recurring rental income.

Financial Highlights

	FY2018 $'000	FY2017 $'000	+/(-) %
Revenue	10,424	14,500	**(28.1)**
EBITDA	8,245	11,548	**(28.6)**
Profit before taxation	4,867	8,158	**(40.3)**
Profit after taxation	4,358	7,407	**(41.2)**
Assets			
Non-current assets	228,073	176,204	**29.4**
Current assets	63,305	85,870	**(26.3)**
Total assets	**291,378**	**262,074**	**11.2**
Liabilities			
Current liabilities	74,583	60,571	**23.1**
Non-current liabilities	27,675	4,362	**n.m.**
Total liabilities	**102,258**	**64,933**	**57.5**
Per share data			
Share price (cents)	29.00	32.00	**(9.4)**
Net assets (cents)	28.98	30.19	**(4.0)**
Earnings per share (cents)	0.67	1.13	**(40.7)**
Interim dividend declared & paid (cents)	0	0	**0.0**
Final dividend recommended/declared (cents)	1.00*	1.00	**0.0**
Special dividend recommended/declared (cents)	0	0.10	**n.m.**
Ratios			
Current ratio (times)	0.85	1.42	
Gearing ratio (%)	54%	33%	
Total debt to total asset ratio (%)	35%	25%	
Return on equity (%)	2.25%	3.78%	
Return on asset (%)	1.57%	2.76%	

n.m- denotes not meaningful

*** Subject to shareholders' approval at the Annual General Meeting on 24 April 2019.**

Performance Review

The Group adopted the new financial reporting framework – Singapore Financial Reporting Standards (International) ("SFRS(I)") in the current year. The adoption of SFRS(I) did not have any material financial impact on the financial statements except for SFRS(I) 9. The impact of adopting of SFRS(I) 9 as at 1 January 2018 was explained on pages 74 to 78 under Note 2.2 *First-time adoption of SFRS(I).*

PROFIT AFTER TAXATION

Profit after taxation, which is in large part a reflection of gains realised from assets sales effected in any given year, decreased by approximately 41.2%, from S$7.4 million in FY2017 to S$4.4 million in FY2018. The decrease was attributable mainly to (i) lower revenue (as discussed in the Revenue section below); (ii) lower gains from the disposal of investment properties; and (iii) higher general and administrative costs, driven by one-time transaction costs.

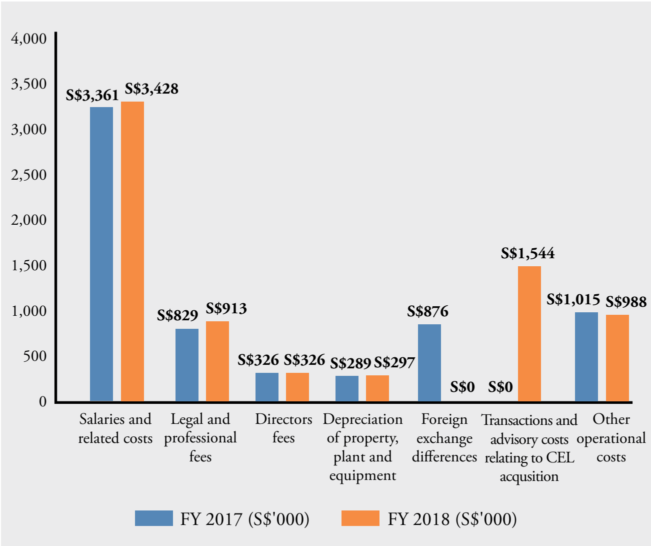
Gains from the disposal of investment properties amounted to S$1.6 million in FY2018 compared to S$7.9 million in FY2017, attributable to the disposal of 1 residential property in Singapore whereas in 2017, the Group disposed of 3 residential properties in London, 1 commercial property in Manchester and 1 residential property in Singapore.

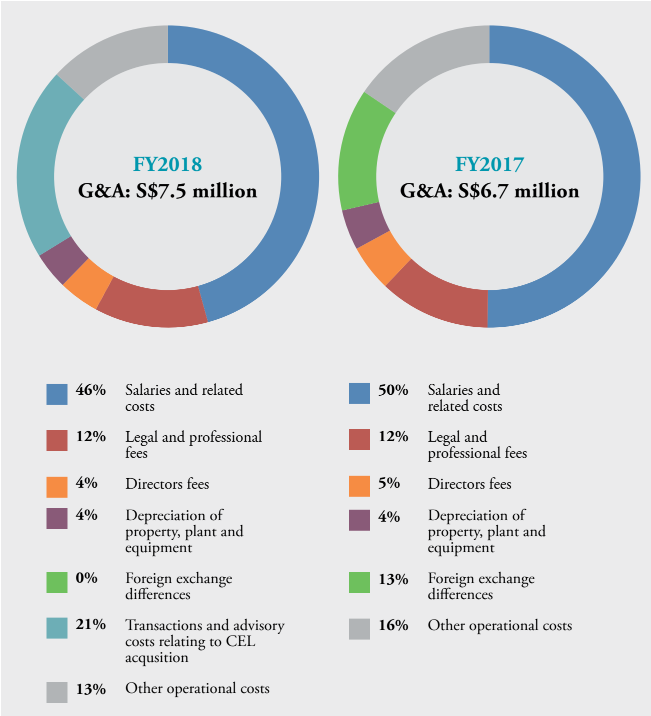
General and administrative costs increased by S$0.8 million, attributable mainly to S$1.5 million transaction and advisory costs arising from the acquisition of 30% interest in Capital Eagle Limited ("CEL"), offset by the absence of an exchange loss of $0.9 million in general and administrative costs which was reported in FY2017.

The decrease in profit after taxation was partially mitigated by (i) foreign currency gains; (ii) a reduction in other operating costs; (iii) gain on disposal of a subsidiary and its joint venture; and (iv) gain recognised on remeasuring previously held equity interest in CEL to fair value at acquisition date.

The strengthening of Singapore Dollars against the Sterling Pound in FY2018 resulted in an unrealised translation gain of S$0.7 million in FY2018, mainly attributable to the translation of receivables denominated in Singapore Dollars of a UK subsidiary. The same factor resulted in larger foreign currency losses appearing in the consolidated statement of comprehensive income, due to the resulting decline in the value in Singapore Dollars of UK assets.

General and Administrative costs





Other operating costs decreased by S$3.2 million mainly attributable to absence of impairment loss on current and non-current investment securities as the Group no longer needs to perform assessment for impairment arising from the adoption of new accounting standard SFRS(I) 9.

Performance Review

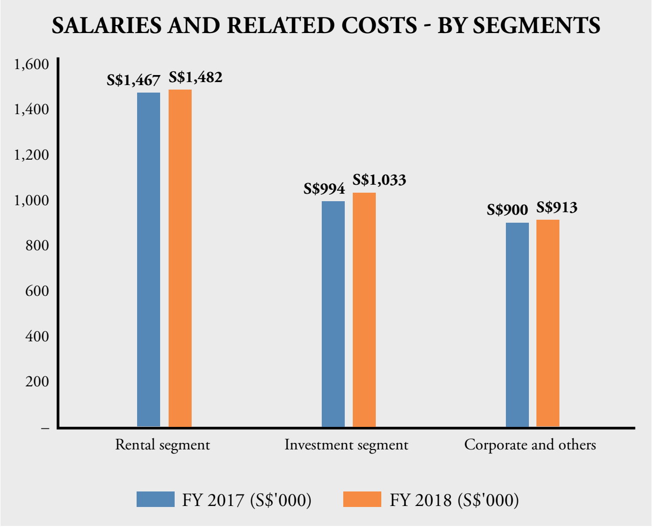
Gains on disposal of a subsidiary and its related joint operation of S$1.0 million in FY2018 came from the disposal of the Group's interests in Capital Herbal Limited ("CHL").

Remeasurement gain of S$4.8 million in FY2018 arose from the acquisition of the 30% remaining interest in CEL. The Group recorded a provisional gain as a result of remeasuring the existing 70% interest in CEL held before the business combination to fair value upon completion of the acquisition pursuant to SFRS(I) 3.

The effective tax rate for FY2018 was 10.5%. The lower effective tax rate in FY2018 was attributable mainly to certain gains being capital in nature and the absence of tax effect on the share of results of associates and joint ventures, offset by certain non-deductible expenses and losses incurred by foreign subsidiaries which are not available for setoff against profits of local subsidiaries.

REVENUE

The Group has two distinct business segments, namely the property segment and the investment segment. We derive our revenue from 2 main geographical regions, namely Singapore and the UK. Singapore and the UK contributed approximately 65.2% and 34.8% to the Group's total revenue, respectively. Revenue for the UK is attributable mainly to the rental of our UK properties.



Property business segment

We focus on value creation for shareholders over the medium to long term through 2 main principles. First, we strive to maintain a value-oriented approach to new investments while holding to conservative financial standards. Second, we are focused on building a balanced portfolio of investments comprising (i) core assets with recurrent rental income; and (ii) higher risk projects such as value-add or opportunistic investments which allow us to generate increased returns whilst recycling our capital.

The improvement in rental income of S$0.6 million was primarily attributable to an increase in rental income of S$1.4 million from the 20 Midtown property (property held by CEL) in London arising from boosting our stake from a joint operation to a 100%, wholly-owned subsidiary. The increase was partially offset by a decrease in rental income of S$0.7 million from CHL arising from the disposal of the joint operation.

Rental income from our UK and Singapore properties contributed approximately 33.8% and 49.7% to our total revenue, respectively.

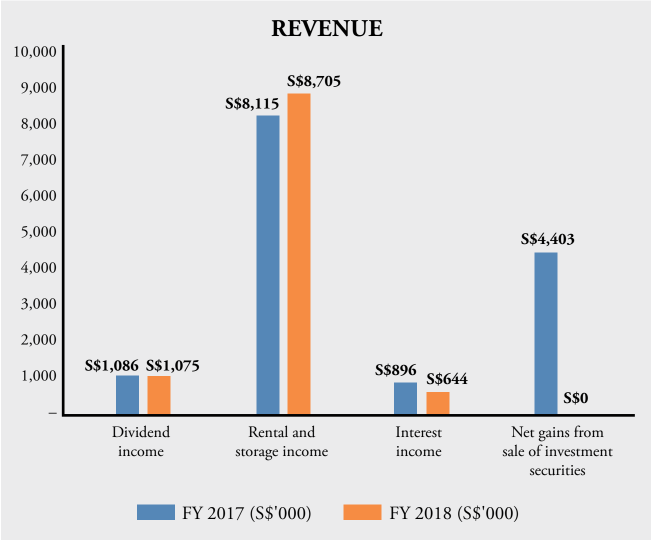
Investment business segment

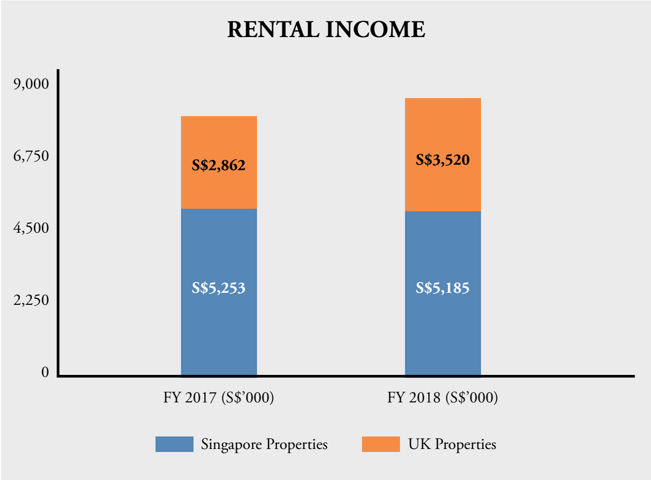
In relation to our investment segment, the Group evaluates investment opportunities in the public and private markets for capital growth, interest income and dividend yield. The investment portfolios are closely monitored and carefully assessed for both risks and returns.

With effect from 1 January 2019, investment securities designated as Fair value through Profit or Loss ("FVPL") are marked to market at reporting date, and resulting changes in fair value are recorded in the ''Changes in fair value of investment securities" of the Group's profit and loss statement. Net gains on disposal of investment securities are no longer recorded in the ''Revenue" Line.

The decrease in investment segment profit of S$4.7 million relative to the prior year was primarily attributable to absence of net gain on disposal of investment securities subsequent to SFRS(I) 9 adoption and a decrease in interest income of S$0.3 million as the loan had been repaid.

Net gains from dividend income and interest income contributed approximately 10.3% and 6.2% respectively to the Group's total revenue in FY2018.





CHANGES IN FAIR VALUE OF INVESTMENT SECURITIES

Fair value losses from changes in fair value of investment securities of S$2.9 million in FY2018 were due to net decreases in fair values for fair value through profit and loss ("FVPL") investment securities arising from unfavourable market conditions on investment securities that were being held by the Group. The STI Index decreased from 3,402.92 as at 31 December 2017 to 3,068.76 as at 31 December 2018 and KOSPI Index decreased from 2,467.49 as at 31 December 2017 to 2,041.04 as at 31 December 2018.

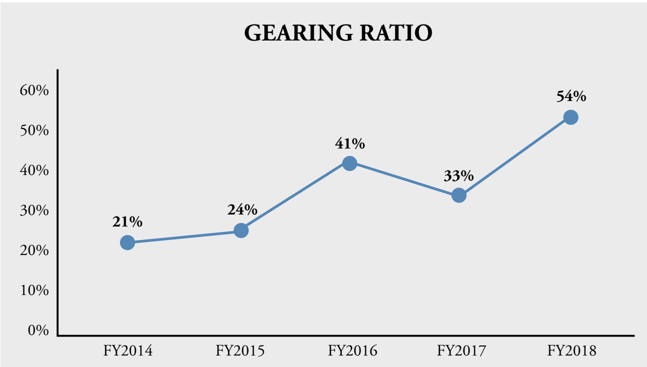
BALANCE SHEET

As at 31 December 2018, the Group remained in a sound financial position with shareholders' equity of S$189.1 million, cash and bank balances of S$32.4 million and S$82.3 million of outstanding bank borrowings. Of the S$32.4 million in cash and bank balances, S$19.3 million is held as collateral for our bank facilities.

Total assets increased by S$29.3 million or approximately 11.2%. Total liabilities increased by S$37.3 million or approximately 57.5%. Net assets decreased by S$8.0 million or 4.1%. Net assets value per share decreased by approximately 4.0% from 30.19 cents as at 31 December 2017 to 28.98 cents as at 31 December 2018.

During the year, investment properties increased by S$44.0 million mainly due to (i) the increase in 20 Midtown property arising from the acquisition of additional equity interests in CEL; (ii) acquisition of 2 commercial freehold sites at Jalan Besar, Singapore; and (iii) acquisition of a commercial freehold property at 20 Garrett Street, London. The increase was partially offset by a disposal of a residential property in Singapore and de-consolidation of a commercial property in UK arising from disposal of the Group's interest in CHL. Non-current other receivables increased by S$8.4 million mainly due to increase in deferred rental receivables of S$1.1 million from 20 Midtown property in UK and amount due from a joint venture of S$7.1 million. Investment in associates decreased by S$4.1 million mainly due to

Performance Review



Gearing ratio – (Long term debt + short term debt)/shareholders' equity

distribution of dividends from an associate of $4.5 million, and share of currency translation losses of S$0.4 million, partially offset by share of results of S$0.9 million during the year. Cash and bank balances decreased by S$18.3 million mainly due to purchases in investment securities, acquisition of properties, payment of dividends, offset by proceeds received from disposal of a residential property.

Bank borrowings increased by S$29.2 million during FY2018 mainly to finance the purchase of new properties in current year.

Non-current other payables increased by S$5.2 million mainly due to a loan due to non-controlling interests in Capital Garrett Limited.

As at 31 December 2018, the Group's current liabilities exceeded its current assets by S$11.2 million This is primarily due to the current bank loans of S$65.1 million which are due for repayment within the next 12 months. Notwithstanding the current liabilities position, based on the Group's existing financial resources, including the Group's untilised banking facilities, the Group will be able to meet its current obligations as and when they fall due.

DEBT MANAGEMENT

The Group aims to sustain a strong reputation and a solid balance sheet with sufficient liquidity to meet its liabilities irrespective of market conditions.

To ensure that the Group has adequate overall liquidity for its operations and new investment opportunities, the Group has cash reserves of S$32.4 million (S$13.1 million net of collateral commitments) and has unutilised credit facilities for future investments. We monitor our cash flow position, debt maturity profile, cost of debt and overall liquidity position on a regular basis. In managing our debt levels and interest rate risks, we take into account the interest rate outlook, expected cash flow generated from our operations, our investment horizon for our investments and our acquisition and divestment plans.

During the year, we obtained new bank loans of S$47.3 million mainly for the financing of the new acquisition of properties in current year. The gearing ratio increased from 33% as at 31 December 2017 to 54% as at 31 December 2018.

At 31 December 2018, the maturity profile of our outstanding bank borrowings was as follows:

	S$'000	% of debt
Current liabilities	65,120	79%
Non-current liabilities	17,217	21%
	82,337	

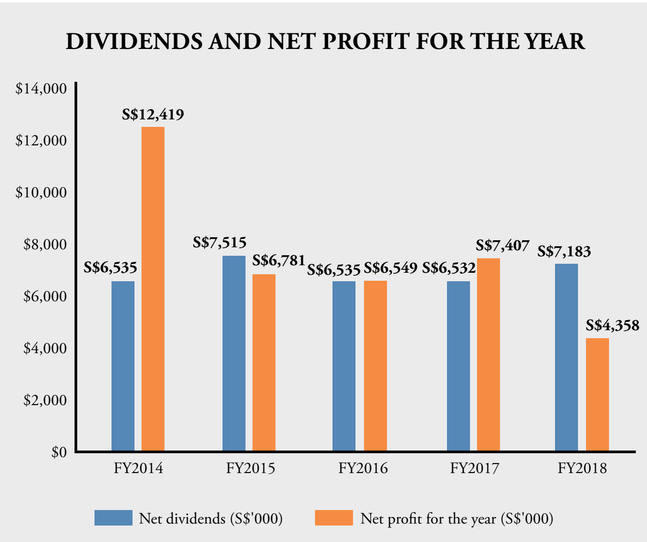
The Group currently has sufficient resources to repay all outstanding loans and under current market conditions is confident of its capacity to refinance at acceptable terms, and secure additional loan facilities should the need arise.

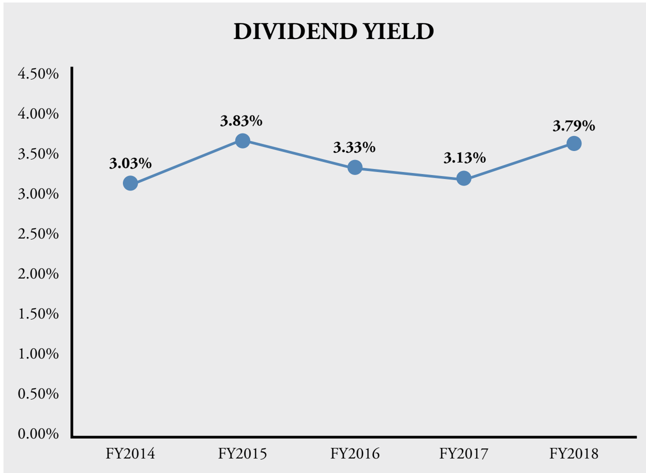
INVESTORS' RETURN

Dividend payout

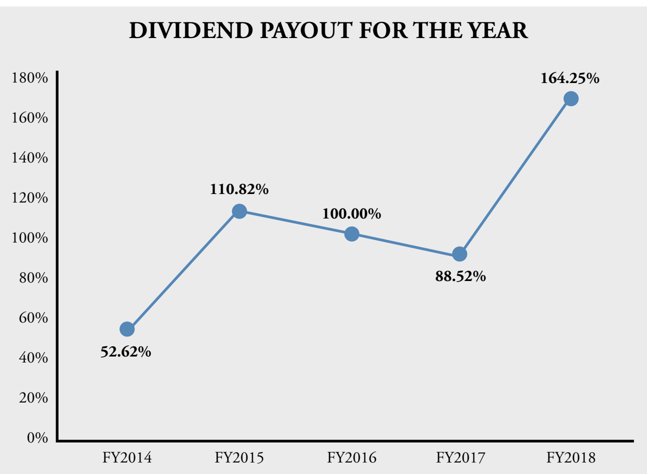
The Group has a track record of paying consistent dividends to shareholders. The decision on whether to recommend a dividend is at the discretion of the Board of Directors. In determining the dividend payout for a given year, the Board of Directors take into account, *inter alia*, the Group's balance sheet position, operating results, capital requirements and such other factors as the Board of Directors deems relevant. The Group strives to continue declaring dividends to shareholders while maintaining the ability to pursue future investment opportunities.

For the five financial years ended 31 December 2018, we paid over S$34.3 million in dividends to our shareholders. Owing to our cash position and sufficient revenue reserves as at 31 December 2017, we were able to pay dividends of S$7.2 million, equivalent to approximately 97.2% of our FY2017 net profit after tax attributable to shareholders in

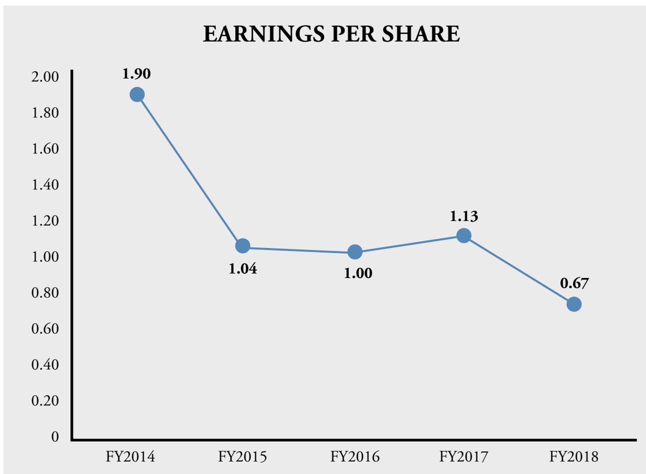




Dividend yield (based on year end share price) – current year dividend per share/year end share price



Dividend payout – dividend per share/EPS



EPS (cents) – net profit for the year attributable to owners of the Company/weighted average number of shares X 100

May 2018. The directors have recommended a final dividend for FY2018 of 1.0 cent per share, totaling S$6.5 million for the financial year ended 31 December 2018. Based upon a recommended dividend of 1.0 cents and our closing share price of 29 cents as at 31 December 2018, our annualised dividend yield is approximately 3.4%.

Shareholder return

The Group is focused on maximising shareholder value over the medium to long term. The Group will continue to focus both on investment opportunities which enhance recurrent revenues and cash flow and those which contribute to growth in shareholder value.

Total earnings per share decreased to 0.67 cents in FY2018 from 1.13 cents in FY2017, representing a decrease of approximately 41%, resulting primarily from the timing of the assets sales and the impact of SFRS(I) 9 as discussed above.

Board of Directors

HANS HUGH MILLER
Chairman; Independent and Non-Executive
B.A. ECONOMICS

Mr Hans Hugh Miller was appointed a Director and the Chairman of the Board of Directors on 3 January 2005 and 20 April 2005 respectively. He was last re-appointed on 25 April 2018. He is the Chairman of the Audit and Risk Committee and a member of the Nominating Committee and the Remuneration Committee of the Company. He was also a member of the Divestment and Investment Committee, before it was dissolved on 27 July 2017.

Mr Miller holds a BA degree in economics, Carleton College (Minnesota, USA). He is a member of the board and the finance committee of The American Friends of the Louvre (NY, USA); a member of the board, finance and investment committees of The Mark Twain House (CT, USA) and a member of the board, chair of the governance committee and a member of the executive committee of Nod Road Preservation Inc (CT, USA).

He is a former trustee of the US investment group, Buffalo Funds, and a member of its audit and nominating committees. From 2009 until the sale of the company in 2015, Mr Miller was a director of publicly traded, Protective Life Corporation in the USA, and a member of that company's audit, finance and risk committee. He is also a former board and audit committee member of publicly traded Tawa PLC in the UK. Mr Miller was formerly Managing Director and Senior Advisor with the investment bank of Bank of America in New York City. Previously he was President and CEO of The Hartford International Financial Services Group, LLC (CT, USA), and Senior Vice President of The Hartford Financial Services Group, Inc, for Planning, Development and Investor Relations. He is a fellow of the Institute of Directors (UK) and a past fellow of the National Association of Corporate Directors (USA). Among other industry and board roles, Mr Miller was formerly active in leadership roles with several industry associations and active with other non-profit organisations working in the areas of youth development, social justice and historic preservation.

ONG CHOO ENG
Group Managing Director; Non-Independent
M. SC. (ENG.), M.I.E.S.

Mr Ong Choo Eng was appointed a Director on 15 June 1982 and has served as Group Managing Director since 10 February 1989. Mr Ong was last re-appointed on 24 April 2015 (pursuant to the now defunct Section 153(6) of the Companies Act, which required directors over the age of 70 to be re-appointed annually).

Under the provisions of the Company's Constitution, Mr Ong, being the Group Managing Director, is not subject to rotation and re-election at the Company's Annual General Meetings. However, in accordance with Rule 720(5) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), all Directors must submit themselves for re-nomination and re-appointment at least once every 3 years. Based on the Transitional Practice Note 3 issued by the SGX-ST in November 2018, Mr Ong has up to 31 December 2021 (i.e. by April 2021 being the deadline for the Company to hold its Annual General Meeting for FY2020) to comply with the said Rule 720(5) of the Listing Manual of the SGX-ST.

Mr Ong obtained a Bachelor of Science (Honours) Degree in Civil Engineering and a Master of Science Degree in Advanced Structural Engineering from Queen Mary College, University of London in 1966. He was elected a Fellow of Queen Mary College, University of London in 1990. Mr Ong is a member of The Institution of Engineers (Singapore).

Mr Ong was formerly a director of MTQ Corporation Limited from September 1997 to October 2016 and a director of Singapore Reinsurance Corporation Limited from June 2002 to December 2015.

ONG MUI ENG
Executive Director; Non-Independent

Mr Ong Mui Eng was appointed a Director on 1 February 1983. Mr Ong was last re-appointed on 27 April 2017.

Mr Ong is overseeing the finance and administration matters of the Group. Prior to joining the Company, he was a Regional Officer in The Hongkong and Shanghai Banking Corporation Limited.

ONG HIAN ENG (DR)
Non-Executive Director; Non-Independent
B. SC., D.I.C., PH. D., C. ENG., F.I. CHEM.E.

Dr Ong Hian Eng was appointed a Director on 24 February 1981. Dr Ong was last re-appointed on 27 April 2016. He will be subject to retirement and will be seeking re-election at the forthcoming Annual General Meeting of the Company scheduled to be held on 24 April 2019. Additional information on Dr Ong as required to be furnished pursuant to Rule 720(6) of the Listing Manual of the SGX-ST is found on pages 24 to 27.

Dr Ong is a CEO and Executive Director of AsiaPhos Limited, a public listed company listed in Singapore. He graduated with an Upper Second Class Degree in Chemical Engineering from the University of Surrey in 1969 and completed Doctor of Philosophy (PhD) as a Biochemical Engineer at the Imperial College, London in 1972. He is a Corporate Member in the class of fellows of The Institution of Chemical Engineers, London since November 1986 and was a member of the Trade Development Board from January 1995 to December 1996.

He is also a member of the Singapore Sichuan Trade & Investment Committee and honorary council member of the Singapore Chinese Chamber of Commerce & Industry.

GUAN MENG KUAN

Non-Executive Director; Non-Independent
B. SC. (ENG.), M.I.E.S., M.I.E.M.

Mr Guan Meng Kuan was appointed a Director on 1 February 1983. Mr Guan was last re-appointed on 27 April 2017. He is a member of the Nominating Committee and the Remuneration Committee of the Company.

Mr Guan was the Managing Director of Singapore Piling & Civil Engineering Private Limited ("SPACE") from November 1971 to December 1999, after which, he has remained as a Director and acted as a consultant to SPACE until this wholly-owned subsidiary of the Company was disposed of on 2 July 2001. Prior to this, he held several head posts of Executive Engineer, Deputy Director and Acting Director of Development Division of Jurong Town Corporation.

Mr Guan holds a Bachelor of Science (Engineering) from the University of London, and is a member of the Institution of Engineers (Singapore) and Institution of Engineers (Malaysia).

ONG WUI LENG, LINDA

Non-Executive Director; Independent
BSc (Economics) in Management Studies (HONS)
Master of Practising Accounting

Ms Ong Wui Leng, Linda was appointed a Director on 19 April 2013. She was last re-appointed on 25 April 2018. She is the Chairman of the Nominating Committee and a member of the Audit and Risk Committee of the Company. She was also a member of the Divestment and Investment Committee before it was dissolved on 27 July 2017.

Ms Ong also sits on the board of SiS International Holdings Limited, a company listed on The Stock Exchange of Hong Kong Limited and is the chairperson of the Audit Committee and the Remuneration Committee and a member of the Nomination Committee. She is appointed to the board of QAF Limited in January 2017 and chairs the Audit and Risk Committee. Ms Ong is also a member of the Nominating Committee of QAF Limited.

She is a director of BlackInk Corporate Partners Pte Ltd, having spent more than 10 years in corporate banking. She also has many years of experience in corporate finance and management.

Ms Ong graduated from the University of London, United Kingdom with a Bachelor of Science (Economics) in Management Studies in 1990 and has since completed her Master of Practising Accounting from the Monash University, Australia.

HUANG YUAN CHIANG

Non-Executive Director; Independent
Bachelor of Economics (B.Ec)
Bachelor of Laws (LL.B)

Mr Huang was appointed a Director on 19 April 2013. Mr Huang was last re-appointed on 27 April 2016. He will be subject to retirement and will be seeking re-election at the forthcoming Annual General Meeting of the Company scheduled to be held on 24 April 2019. Additional information on Mr Huang as required to be furnished pursuant to Rule 720(6) of the Listing Manual of the SGX-ST is found on pages 24 to 27.

Mr Huang is the Chairman of the Remuneration Committee and a member of the Audit and Risk Committee of the Company. He was also the Chairman of the Divestment and Investment Committee before it was dissolved on 27 July 2017.

Mr Huang is also an independent director of MTQ Corporation Limited and Asia Commercial Bank (Vietnam).

Mr Huang is a lawyer by training and was an investment banker by vocation. During his banking career he held senior managerial positions with various banking institutions including HSBC, Bankers Trust and Deutsche Bank.

His areas of specialisation were in mergers and acquisitions and equity capital markets.

Mr Huang has degrees in Economics and Laws.

Board of Directors

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-APPOINTMENT

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the information on Mr Huang Yuan Chiang and Dr Ong Hian Eng, both of whom are seeking re-appointment as Directors at the Company's Sixty-Sixth Annual General Meeting are set out below:

Information as required in Appendix 7.4.1	**MR HUANG YUAN CHIANG** Independent and Non-Executive Director	**DR ONG HIAN ENG** Non-Independent and Non-Executive Director
Date of Appointment	19 April 2013	24 February 1981
Date of last re-appointment	27 April 2016	27 April 2016
Age	60	72
Country of principal residence	Singapore	Singapore
The Board's comments on this re-appointment	The Nominating Committee ("NC") had recommended to the Board the re-appointment of Mr Huang as a Director and took into account his attendance at meetings, contributions and performance in its assessment and recommendation. The Board concurred with the NC's recommendation on Mr Huang's re-appointment as a Director of the Company.	The NC had recommended to the Board the re-appointment of Dr Ong as a Director and took into account Dr Ong's attendance at meetings, contributions and performance in its assessment and recommendation. The Board concurred with the NC's recommendation on Dr Ong's re-appointment as a Director of the Company.
Whether re-appointment is executive, and if so, the area of responsibility	N.A.	N.A
Job Title	Independent and Non-Executive Director, Chairman on the Remuneration Committee and member of the Audit & Risk Committee	Non-Independent and Non-Executive Director
Professional qualifications	• Bachelor's degree in Economics • Bachelor's Degree in Law	• Bachelor of Science (second class honours, upper division) in Chemical Engineering • Doctorate of Philosophy (PhD) in Biochemical Engineer
Working experience and occupation(s) during the past 10 years	**2008 – Present:** Freelance Consultant and Professional Director. Please refer to the "Board of Directors" section on pages 22 to 23.	**2008 – Present:** Chief Executive Officer and Executive Director of Asiaphos Limited Please refer to the "Board of Directors" section on pages 22 to 23.

Information as required in Appendix 7.4.1	MR HUANG YUAN CHIANG Independent and Non-Executive Director	DR ONG HIAN ENG Non-Independent and Non-Executive Director
Shareholding interest in the Company and its subsidiaries	Nil	Please refer to the "Directors' Statement" section on pages 49 to 51.
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the Company and/or substantial shareholder of the Company or of any of its principal subsidiaries	Nil	Dr Ong is: • Brother of Mr Ong Choo Eng (Group Managing Director, Executive Director) and a substantial shareholder. • Brother of Mr Ong Mui Eng (Executive Director). • Brother of Mr Ong Kwee Eng, Mr Ong Kay Eng and Mr Ong Hoo Eng, who are substantial shareholders. • Uncle of Mr Ong Eng Loke, Senior Vice President, Fund Management and a substantial shareholder. • Uncle of Mr Ong Eng Yaw, Senior Vice President, Real Estate and a substantial shareholder. • Uncle of Ms Ong Bee Leem and Dr Ong Eng Hui, David, who are substantial shareholders.
Conflict of interest (including any competing business)	Nil	Nil
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) of the Listing Manual of the SGX-ST has been submitted to the Company	Yes	Yes

Board of Directors

Information as required in Appendix 7.4.1		MR HUANG YUAN CHIANG Independent and Non-Executive Director	DR ONG HIAN ENG Non-Independent and Non-Executive Director
Other Principal Commitments[1] including Directorships[2]		**Past Directorships** (for the last 5 years) Listed Companies: • Kluang Rubber Co (M) Bhd. • Sungai Bagan Rubber Co (M) Bhd. • Kuchai Development Bhd. • Mercator Lines (Singapore) Ltd Others: LaTache Pte Ltd **Present / Existing Directorships** Listed Companies: • MTQ Corporation Limited • Asia Commercial Bank (Vietnam) Others: • HQ Solutions Sdn. Bhd. • Mankong Tamrong Sin Limited • Pintas Bidara Sdn Bhd • Rayan Holdings Company Limited • Rayan Management Company Limited • SGAT (Malaysia) Sdn Bhd • Kaer Sdn Bhd • Monopole Pte Ltd • Monopole Fine Wines Sdn Bhd • LGM Trading Malaysia Sdn Bhd	**Past Directorships** (for the last 5 years) Listed Companies: • Nil Others: • Subsidiaries and indirect subsidiaries held by the Hwa Hong Group • International Foundation Engineering Pte. Ltd. • Bee Tong Trading Company Private Limited **Present / Existing Directorships:** Listed Companies: • Asiaphos Limited (also a Chief Executive Officer) Others: • Subsidiaries and indirect subsidiaries held by the Hwa Hong Group • Subsidiaries and indirect subsidiaries held by Asiaphos Limited • Kaifeng Yufen Oil, Fats & Foodstuff Co., Ltd • Shandong Hua Xing Plate Printing & Can Manufacturing Co., Ltd • Shandong Qifeng Packaging Products Co., Ltd • Fica Holding Ltd • Fica (Pte) Ltd • Ong Chay Tong & Sons (Private) Limited
(a)	**Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?**	No	No
(b)	**Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?**	No	No
(c)	**Whether there is any unsatisfied judgment against him?**	No	No

(1) "Principal Commitments" has the same meaning as defined in the 2012 Code of Corporate Governance (i.e. includes all commitments which involve significant time commitment such as full-time occupation, consultancy work, committee work, non-listed company board representations and directorships and involvement in non-profit organisations. Where a director sits on the boards of non-active related corporations, those appointments should not normally be considered principal commitments).

(2) Not applicable for announcements of appointment pursuant to Rule 704(9) of the Listing Manual of the SGX-ST (i.e. appointment of a person who is a relative of a director or chief executive officer or substantial shareholder of the Company to a managerial position in the Company or any of its principal subsidiaries).

Information as required in Appendix 7.4.1		MR HUANG YUAN CHIANG Independent and Non-Executive Director	DR ONG HIAN ENG Non-Independent and Non-Executive Director
(d)	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No
(e)	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No
(f)	Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
(g)	Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
(h)	Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
(i)	Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No
(j)	Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:		
	(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No
	(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No
	(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No
	(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,	No	No
	in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?		
(k)	Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No

Key Executives

CHEN CHEE KIEW (MRS)

General Manager
Singapore Warehouse Company (Private) Ltd.

Mrs Chen Chee Kiew joined Singapore Warehouse Company (Private) Ltd. ("SWC") as an Executive in April 1977. In 1983, she was promoted to Business Development Manager, to be in charge of leasing, marketing and managing the whole warehouse for SWC. In 1989, she was promoted to General Manager and is responsible for leasing/marketing and management of residential and commercial properties in SWC. In addition, she assists the Group Managing Director in management of funds.

Mrs Chen graduated with a Bachelor of Social Science (Honours) from the University of Singapore in 1975. She also holds a Diploma in Marketing Management.

ONG ENG YAW

Senior Vice President, Real Estate
Singapore Warehouse Company (Private) Ltd.

Mr Ong Eng Yaw joined the Company as Manager for Investments on 1 August 2008. He is responsible for the Group's business development and investment activities. Prior to joining the Company, he has worked in OCBC Bank, Vickers Ballas, DBS Bank, CIMB Group and Parkway Life Real Estate Investment Trust. Mr Ong's career has been in corporate finance and in real estate investment and management in Singapore and the UK. Mr Ong is also an independent director and is the Chairman of the Nominating Committee and a member of the Audit Committee, Remuneration Committee, Executive and Investment Committee of Singapore Reinsurance Corporation Limited. Mr Ong is also an independent director and is a member of the Remuneration Committee of MTQ Corporation Limited.

Mr Ong graduated with a Bachelor of Laws (second class upper division) from University College London, an MSc (Investment Management) from Cass Business School and an MBA from INSEAD.

ONG ENG LOKE

Senior Vice President, Fund Management
Hwa Hong Edible Oil Industries Pte. Ltd.

Mr Ong Eng Loke joined the Company in August 2004 as manager for business development. Prior to the appointment, he was a fund manager in Tokio Marine Asset Management International Pte Ltd, UOB Asset Management and OUB Asset Management. He is currently responsible for investment opportunities in Asia particularly in the North Asian region of China, Hong Kong and Korea.

Mr Ong graduated with a BComm and Honours BSc (Distinction) in Finance, Actuarial Science and Statistics from the University of Toronto, Canada, and a Master of Arts in Statistics at the York University, Canada, and a Master of Social Science in Applied Economics at the National University of Singapore.

LEE SOO WEI

Chief Financial Officer
Hwa Hong Corporation Limited

Ms Lee Soo Wei joined the Company as Chief Financial Officer on 16 July 2012. She oversees the financial management of the Group, which covers accounting, tax, financial control and reporting.

Ms Lee is a non-practising member of the Institute of Singapore Chartered Accountants.

Prior to joining the Group, Ms Lee was a senior audit manager in one of the big four accounting firms in Singapore, where she was involved in various audit and special engagements of local and multi-national companies in various industries.

Corporate Governance Report

Hwa Hong Corporation Limited (the "Company") recognises the importance of good corporate governance practices. The Company is committed to adopt its governance framework with the recommendations under the revised Code of Corporate Governance which was issued on 2 May 2012 (the "2012 Code") to align with shareholders' interests.

This report describes the Company's corporate governance practices with reference to the principles of the 2012 Code. Where there are deviations from the 2012 Code, an explanation has been provided. Insofar as a guideline has not been complied with, the reason has been provided.

(A) BOARD MATTERS

The Board's Conduct Of Its Affairs

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.

The board of directors of the Company (the "Board") is entrusted to lead and oversee the Company, with the fundamental principle to act in the interests of the Company. The Board oversees the corporate policy and overall strategy for the Company and its subsidiaries (the "Group"). The Board also seeks to align the interests of the Board and management with that of shareholders and balance the interests of all stakeholders. In addition to its statutory duties, the principal roles and responsibilities of the Board include:-

(a) overseeing the overall strategic plans, overall policies and financial objectives of the Group;
(b) reviewing the operational and financial performance of the Group;
(c) overseeing the business and affairs of the Group, including reviewing the performance of management;
(d) approving quarterly financial results announcements, circulars (if any), and audited financial statements and annual reports;
(e) dealing with matters such as conflicts of interests relating to directors (the "Directors") and/or controlling shareholders (where applicable), major acquisitions and disposals of assets, dividend and other distributions to shareholders, and those transactions or matters which require the Board's approval under the provisions of the listing manual (the "Listing Manual") of the Singapore Exchange Securities Trading Limited ("SGX-ST") or any applicable regulations;
(f) approving changes in the composition of the Board and board committees (the "Board Committees");
(g) overseeing the Group's system of internal controls, risk management, financial reporting, information technology controls and compliance;
(h) overseeing and enhancing corporate governance practices and ethical standards within the Group;
(i) overseeing sustainability reporting;
(j) reviewing the investment goals and objectives of the Group;
(k) overseeing and reviewing the investment policies and strategies of the Group to ensure that they are consistent with the goals and objectives of the Group;
(l) reviewing and approving proposed investments, acquisitions and disposal of assets of the Group which are above the thresholds set for the Group Managing Director; and
(m) reviewing the appropriate investment/divestment authority levels delegated to management.

The Board has adopted written internal guidelines which set out authorisation and approval limits for capital expenditure, investments and divestments, bank borrowings and cheque signatories at the Board and management levels.

Corporate Governance Report

Management seeks the Board's approval on matters required under the Companies Act, Chapter 50 of Singapore (the "Companies Act") and the Listing Manual.

The functions of the Board are either carried out by the Board or delegated to various Board Committees established by the Board, namely, the Audit and Risk Committee (the "ARC"), the Nominating Committee (the "NC") and the Remuneration Committee (the "RC"). Each committee has the authority to examine issues relevant to their respective terms of reference and to make recommendations to the Board for the Board's consideration and approval. From 2017, invitations were extended to all Directors (regardless of them being non-committee members), to voluntarily attend all Board Committee meetings if they so wish.

The Board conducts regularly scheduled meetings on a quarterly basis. Additional meetings are convened as and when circumstances warrant. The Constitution of the Company allows Board meetings to be conducted via any form of audio or audio-visual communication. The Directors are free to discuss any information or views presented by any member of the Board and management.

The Company has adopted a policy which welcomes Directors to request further explanations, briefings or informal discussions on any aspect of the Group's operations or business from the management of the Company.

Board members may on occasion exchange views outside the formal environment of Board meetings.

The attendance record of each Director at meetings of the Board and Board Committees for the financial year ended 31 December 2018 ("FY2018") is disclosed below:

Name of Director	Board of Directors	ARC	NC	RC
Hans Hugh Miller	4	4	1	3
Ong Choo Eng	4	4*	1*	3*
Ong Mui Eng	4	-	-	-
Ong Hian Eng	4	-	-	-
Guan Meng Kuan	4	-	1	3
Ong Wui Leng, Linda	4	4	1	-
Huang Yuan Chiang	4	3	-	3
Number of meetings held in FY2018	**4**	**4**	**1**	**3**

* Attendance by non-committee member (by invitation)

It is the Company's policy that newly appointed Directors be provided with briefings and orientation by the Executive Directors and management to familiarise them with the businesses and operations of the Group. The orientation also allows newly appointed Directors to get acquainted with Executive Directors and management, thereby facilitating Board interaction and independent access to management. For a newly appointed Director who has no prior experience as a director of a listed company, in addition to the orientation, he or she will be encouraged to also attend the relevant programme conducted by the Singapore Institute of Directors ("SID") to acquire knowledge of what is expected of a listed company director. It is the Company's practice that newly appointed Directors be also given a copy of the Company's Directors' manual, setting out their duties and obligations. For FY2018, no new Directors were appointed.

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The Directors may join institutes and group associations of interests related to the affairs of the Group and attend relevant training seminars or informative talks from time to time. As part of their continuing education, Directors may attend courses in areas of Directors' duties and responsibilities, corporate governance, changes in financial reporting standards, insider trading, changes in the Companies Act and industry-related matters, to keep themselves apprised and updated on the latest corporate, regulatory, legal and other requirements. The Directors are regularly kept informed by the in-house corporate secretarial department of the availability of appropriate courses, conferences and seminars, such as those organised by the SID. The registration process is facilitated by the Company with course fees borne by the Company. During FY2018, as part of the training and professional development of the Board, the Company had arranged for the Directors to be briefed on anti-corruption legislation and effects of changes in foreign exchange rates to the Hwa Hong Group.

Board Composition And Guidance

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

The Board comprises seven Directors, three of whom (including the Chairman of the Board) are Independent Directors, thereby satisfying the requirement that at least one-third of the Board be comprised by Independent Directors. Of the seven Directors, two are full-time Executive Directors, and therefore, non-independent. As Non-Executive Directors make up 71% of the Board, no individual or small group of individuals dominate the Board's decision making. The composition of the Board, including dates of initial appointment and last re-election of Directors are set out below:

Name of Director	Appointment	Date of Initial Appointment	Date of Last Re-Election	ARC	NC	RC
Hans Hugh Miller	Chairman; Independent and Non-Executive Director	03.01.2005	25.04.2018	Chairman	Member	Member
Ong Choo Eng(3) and (5)	Group Managing Director; Non-Independent	15.06.1982	24.04.2015	-	-	-
Ong Mui Eng(4)	Executive Director; Non-Independent	01.02.1983	27.04.2017	-	-	-
Ong Hian Eng (Dr) (1)	Non-Executive Director; Non-Independent	24.02.1981	27.04.2016	-	-	-
Guan Meng Kuan	Non-Executive Director; Non-Independent	01.02.1983	27.04.2017	-	Member	Member
Ong Wui Leng, Linda	Independent and Non-Executive Director	19.04.2013	25.04.2018	Member	Chairman	-
Huang Yuan Chiang(2)	Independent and Non-Executive Director	19.04.2013	27.04.2016	Member	-	Chairman

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Notes:

1 Dr Ong Hian Eng is retiring by rotation and standing for re-election pursuant to Article 113 of the Company's Constitution and Rule 720(5) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST") at the Company's forthcoming AGM.

Dr Ong Hian Eng's brothers are Mr Ong Choo Eng and Mr Ong Mui Eng, who are Directors of the Company, as well as Mr Ong Kwee Eng, Mr Ong Kay Eng and Mr Ong Hoo Eng, who are substantial shareholders. He is uncle of Mr Ong Eng Yaw, Senior Vice President, Real Estate and a substantial shareholder, Ms Ong Bee Leem, a substantial shareholder, Mr Ong Eng Loke, Senior Vice President, Fund Management and a substantial shareholder and Dr Ong Eng Hui David, a substantial shareholder.

2 Mr Huang Yuan Chiang is retiring by rotation and standing for re-election pursuant to Article 113 of the Constitution of the Company and Rule 720(5) of the Listing Manual of the SGX-ST at the Company's forthcoming AGM. There are no relationships including immediate family relationships between Mr Huang and the other Directors, the Company or its 10% shareholders.

3 Mr Ong Choo Eng's brothers are Mr Ong Mui Eng and Dr Ong Hian Eng, who are Directors, as well as Mr Ong Kwee Eng, Mr Ong Kay Eng and Mr Ong Hoo Eng, who are substantial shareholders. He is father of Mr Ong Eng Yaw, Senior Vice President, Real Estate and a substantial shareholder and Ms Ong Bee Leem, a substantial shareholder. He is uncle of Mr Ong Eng Loke, Senior Vice President, Fund Management and a substantial shareholder and Mr Ong Eng Hui David, a substantial shareholder.

4 Mr Ong Mui Eng's brothers are Mr Ong Choo Eng and Dr Ong Hian Eng, who are Directors, as well as Mr Ong Kwee Eng, Mr Ong Kay Eng and Mr Ong Hoo Eng, who are substantial shareholders. He is father of Mr Ong Eng Loke, Senior Vice President, Fund Management and a substantial shareholder. He is uncle of Mr Ong Eng Yaw, Senior Vice President, Real Estate and a substantial shareholder, Ms Ong Bee Leem, a substantial shareholder and Mr Ong Eng Hui David, a substantial shareholder.

5 Under the provisions of the Company's Constitution, Mr Ong Choo Eng, being the Group Managing Director, is not subject to rotation and re-election at the Company's AGM. His last re-election on 24 April 2015 was due to the now defunct Section 153(6) of the Companies Act, which required directors over the age of 70 to be re-appointed annually.

In accordance with Rule 720(5) of the Listing Manual of the SGX-ST, all Directors must submit themselves for re-nomination and re-appointment at least once every 3 years. Based on the Transitional Practice Note 3 issued by the SGX-ST in November 2018, Mr Ong Choo Eng has up to 31 December 2021 (i.e. by April 2021 being the deadline for the Company to hold its AGM for FY2020) to comply with the said Rule 720(5) of the Listing Manual of the SGX-ST.

The profiles of the Board members, including information on their qualifications and experiences are set out on pages 22 to 23.

The NC has reviewed and considered and is of the view that, the size and composition of the Board remains appropriate for effective decision making, taking into account factors such as the scope and nature of the operations of the Group and the core competencies of Board members who are in the fields of civil engineering, accounting, chemical engineering, insurance, finance and banking. The Board, in concurrence with the NC, confirms that the Board size of seven members is appropriate having regard to the diversity of the Board members' competencies. The Board comprises one female Director in recognition of the importance and value of gender diversity. The Board also strives for cultural and nationality diversity and currently has one member of the Board from the United States of America. The other six members of the Board are from Singapore. Nationality diversity is considered important for the Company given the geographic diversity of the Group's businesses.

The Non-Executive Directors are encouraged to actively participate at Board meetings, provide constructive feedback and challenge management's decisions. While the Non-Executive Directors do not exercise management functions, they provide oversight on issues deliberated and in reviewing the performance of the Company. The Non-Executive Directors have unrestricted access to Management and have sufficient time and resources to discharge their oversight function. In encouraging open communication and providing effective oversight on management, the Non-Executive Directors meet separately after each scheduled quarterly Board meeting, without the presence of management.

The Company conducts annual performance evaluations on a no-name basis, on (i) each Director on an individual basis; and (ii) collectively as a group, to assist the NC in the assessment of the contributions and commitment of each individual Director to the Company and the effectiveness of the Board as a whole. The Company also conducts Board Committees

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performance evaluations as well as Independent Director self-assessment annually. The Company's outsourced company secretary assists the Company with the evaluation process and has confirmed that the Company's performance evaluation exercise (including the rigorous review and assessment of Independent Directors who has been with the Company for more than nine years) continues to be informative and feedback provided by Directors continue to be forthcoming. As with previous years, the results of the evaluations for FY2018 clearly indicated that the Directors remain committed and stand ready to contribute to the Company.

The independence of each Independent Director is assessed and reviewed annually by the NC. In its deliberation on the independence of an Independent Director, the NC took into account the 2012 Code's definition of relationships, considered whether such Independent Director had business relationships with the Group, and if so, whether such relationships could interfere, or be reasonably perceived to interfere with the exercise of such Independent Director's objective judgements. There were no business relationships between the Group and the respective Independent Directors for FY2018.

Each Independent Director is required to complete a Director's independence form annually, to confirm his/her independence based on the guidelines as set out in the 2012 Code.

Since 2015, in addition to peer assessment, all three Independent Directors subjected themselves to self-assessment evaluation in respect of their respective independence. Since 2016, the Board accepted the NC's recommendation to include Mr Guan Meng Kuan, who is Non-Executive and Non-Independent, to the same rigorous review assessment of his independence. Accordingly, in respect of the review of the independence of each Independent Director and Mr Guan Meng Kuan for FY2018, the NC having assessed the independence of each Independent Director and Mr Guan Meng Kuan, had considered Mr Hans Hugh Miller, Mr Huang Yuan Chiang, Ms Ong Wui Leng, Linda to be independent and Mr Guan Meng Kuan to be independent in substance. Each member of the NC had abstained from deliberations in respect of assessment of his/her own independence.

In considering whether an Independent Director who has served on the Board beyond nine years from the date of his appointment is still independent, the NC takes into consideration the following factors: –

(i) the findings of the annual performance evaluation of each individual Independent Director and Mr Guan Meng Kuan (i.e. peer and individual self-assessment);

(ii) his/her ability to continue exercising independent judgement in the best interests of the Company;

(iii) the attendance and active participation in the proceedings and decision making process of the Board and Board Committees meetings; and

(iv) the level of commitment, equity and integrity in discharging his/her respective responsibilities as an Independent Director of the Company.

Mr Hans Hugh Miller (First appointed on 3 January 2005)
The Board supported the NC's recommendation that Mr Miller continues to be considered independent. This is based on the NC's rigorous review of Mr Miller and the NC's observations of Mr Miller's conduct to continue exercising independent and objective judgement in the interest of the Company despite his extended tenure in office. The NC was of the view that Mr Miller through his years of involvement with the Group, gained valuable insights and deep understanding of the Group's business and together with his diverse experience and expertise, has contributed and will continue to contribute effectively by providing his impartial and autonomous views as an Independent Director.

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In addition, Mr Miller continues to bring new and constructive initiatives to the Group and is an important link between the Company and its shareholders. He continues to reach out to management and Board members, meeting them on a regular basis to hear and resolve issues (if any), as well as to brainstorm and implement good corporate practices, having spent several days annually on governance and best practices training at his own time and expenses. Mr Miller is highly regarded by fellow Board members and management.

Mr Guan Meng Kuan (First appointed on 1 February 1983)
Mr Guan was first appointed to the Board as a full time Executive Director in 1983. He retired in 2003 and became a Non-Executive and Non-Independent Director. Thereafter in 2004, Mr Guan was appointed as Independent Director. Since 2006, Mr Guan has been re-designated as a Non-Executive and Non-Independent Director due to a family member of Mr Guan being employed by the Group between 2006 to 2009.

Despite Mr Guan continuing to be a Non-Executive and Non-Independent Director, the NC had also submitted Mr Guan to a rigorous review since 2016, arising from his long tenure in the Company. Based on the NC's review, Mr Guan had satisfied the criteria of being independent in substance, in accordance with the 2012 Code (however, in form, Mr Guan is a Non-Independent Director). Some of the Board members have known Mr Guan for more than 30 years and they continue to hold high regards for Mr Guan's professionalism and integrity. The NC also noted that Mr Guan had no hesitation to put the interest of the Company first and the Board supported the NC's recommendation to continue to designate Mr Guan as a Non-Independent Director of the Company, notwithstanding his independence in accordance with the 2012 Code. It is however the NC's intention to rigorously review the independence of Mr Guan with a view to possibly re-designate Mr Guan as an Independent Director at some point in the future.

Both Mr Miller and Mr Guan had abstained from all discussions and deliberations in respect of their own independence.

The NC is cognizant of the importance of Board renewal and refreshment. The Company has instituted the practice of maintaining a ready-pool of Independent Directors which the Company may tap into, as and when required.

Chairman And Group Managing Director

Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

The roles of the Board Chairman and the Group Managing Director in the Company are separate. Mr Hans Hugh Miller is the Chairman of the Board and is an Independent Non-Executive Director. Mr Ong Choo Eng is the Group Managing Director. The Board Chairman and the Group Managing Director are not related.

The Group Managing Director has the executive responsibility for the day-to-day operations of the Group whilst the Board Chairman provides leadership to the Board, setting the tone of Board meetings, to encourage proactive participation and constructive discussions between Board members, to improve Board, Board Committee and individual Director effectiveness. The Board Chairman ensures that Board meetings are held as and when necessary and sets the meeting agenda in consultation with the Group Managing Director and fellow Directors and management, and if warranted, with professional advisors. He also ensures that information and materials to be discussed at Board meetings are circulated on a timely basis to Directors so as to enable them to be updated and prepared, thereby enhancing the effectiveness of the Non-Executive Directors and the Board as a whole. He engages and promotes constructive discussions among the Directors and engages with members of the management regularly. At general meetings, the Board Chairman plays a pivotal role in fostering constructive dialogue between shareholders, the Board and management.

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The Company has not appointed a lead independent director as the Board Chairman and the Group Managing Director is not the same person and the Board Chairman and the Group Managing Director are not related to each other.

Board Membership

Principle 4: There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

Nominating Committee

The NC comprises entirely of three Non-Executive Directors, a majority of whom, including the Chairman, are independent. The Chairman is not a substantial shareholder or directly associated with a substantial shareholder. The NC Chairman assumes the lead role in promoting corporate governance processes. The NC members are:

Ong Wui Leng, Linda	*Chairman, Independent and Non-Executive*
Guan Meng Kuan	
Hans Hugh Miller	

The key duties and responsibilities of the NC under its terms of reference include the following:
(a) making recommendations to the Board on new appointments to the Board (including alternate directors, if applicable);
(b) making recommendations to the Board on the re-nomination of retiring Directors standing for re-election at the Company's AGM, having regard to the Director's contribution and performance;
(c) determining annually whether or not each Independent Director is independent;
(d) reviewing the Board structure, size and composition;
(e) reviewing whether or not a Director has adequately carried out and is able to carry out his/her duties as a Director, particularly when he/she has multiple board representations;
(f) reviewing Board succession plans for Directors, in particular, the Board Chairman and the Group Managing Director;
(g) reviewing training and professional development programs for the Board;
(h) deciding how the Board's performance may be evaluated;
(i) recommending for the Board's implementation, a process for assessing the effectiveness of the Board as a whole and for assessing the contribution by each individual Director to the effectiveness of the Board; and
(j) exercising general oversight in respect of governance matters, including the review and recommendation of any corporate governance principles and practices that may be applicable to the Company and proposing changes to such principles and/or practices, as appropriate.

In assessing and recommending a candidate for appointment to the Board, the NC takes into consideration the background, qualifications, skills, expertise, experience and knowledge that the candidate brings which could benefit the Board. The selection for suitable candidates is conducted through contacts and network of the Board and where necessary, external recruitment companies may be engaged at the Company's expense. Since FY2016, the NC recommended and the Board has instituted the practice of maintaining a ready-pool of Independent Directors which the Company may tap into, as and when required. NC would meet shortlisted candidates for an interview. Recommendations to the Board are made based on the NC's review of these candidates' suitability. New Directors are appointed by way of a Board resolution after the NC recommends the appointment for approval of the Board or at an AGM.

The Company does not currently have any alternate directors. The Company would avoid approving the appointment of alternate directors unless in exceptional cases.

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At each AGM of the Company, the Company's Constitution requires one-third of the Board to retire from office by rotation, being one-third of those who have been longest in office since their last re-election and at intervals of at least once in every three years. The retiring Directors are at liberty to submit themselves for re-nomination and re-election. NC has adopted a set of internal guidelines on re-appointment/re-election of directors. A newly appointed Director must also subject himself for retirement and re-election at the AGM immediately following his appointment. In addition, effective 1 January 2019, all Directors must submit themselves for re-nomination and re-appointment at least once every three years pursuant to Rule 720(5) of the Listing Manual of the SGX-ST.

Under the provisions of the Company's Constitution, Mr Ong Choo Eng, being the Group Managing Director, is not subject to rotation and re-election at the Company's AGM. His last re-election on 24 April 2015 was due to the now defunct Section 153(6) of the Companies Act, which required directors over the age of 70 to be re-appointed annually. Based on the Transitional Practice Note 3 issued by the SGX-ST in November 2018, Mr Ong Choo Eng has up to 31 December 2021 (i.e. by April 2021 being the deadline for the Company to hold its AGM for FY2020) to comply with said Rule 720(5) of the Listing Manual of the SGX-ST.

Dr Ong Hian Eng (Non-Independent and Non-Executive Director) and Mr Huang Yuan Chiang (Independent and Non-Executive Director) would retire by rotation and stand for re-election at the Company's forthcoming AGM. Information as required under Rule 720(6) of the Listing Manual of the SGX-ST can be found in the section "**Board of Directors**" on pages 24 to 27.

In assessing and recommending retiring Directors for re-election, the NC takes into account the Director's attendance at meetings and his contribution and performance at such meetings.

All Directors are required to declare their board representations. In cases where a Director has multiple board representations, the NC also assesses on an annual basis, whether such Director has adequately carried out his/her duties as a Director.

In anticipation of competing time commitments where Directors serve on multiple boards, the Board had set a maximum limit of six (6) directorships in listed companies for Independent Directors. None of the Independent Directors hold 6 directorships in listed companies. The NC has considered and is of the opinion that Directors had been carrying out their duties to the Company given the prompt and active participation, attendance of the Directors whether at Board meetings or by way of other forms of communication including emails.

Further information regarding the Directors can be found in the section "**Board of Directors**" on pages 22 to 27. Details of Directors' shareholdings in the Company and related corporations are set out in the "**Directors' Statement**" on pages 49 to 51.

Board Performance

Principle 5: There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.

The NC meets at least once a year, and as warranted by circumstances, to discharge its functions. For FY2018, the NC met once.

The NC has in place an annual performance evaluation for the Board as a whole, each individual Director, Board Committees and Independent Director self-assessment. The Board and Board Committees members completed the respective questionnaires covering mainly the following areas of assessment -

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i) Board size, composition, mix of expertise and level of independence;
ii) Promptness, availability and clarity of Board information;
iii) Robustness of Board discussions and timely resolution of issues and Board accountability;
(iv) Board Committee performance in relation to discharging their responsibilities set out in the respective terms of reference; and
(v) Standards of conduct and conflicts of interests.

The Directors' individual performance criterion was assessed mainly on the following –

i) Interactive skills;
ii) Knowledge including professional expertise, specialist and technical skills;
iii) Duties including attendance at meetings, meeting preparation, participation and performance of specific assignments; and
iv) Conduct including maintenance of independence and compliance with Company policies.

The Independent Directors' self-assessment covers mainly the following areas:

i) Commitment and contributions to the Group;
ii) Relationship with the Company and its related corporations;
iii) Independent in character and objective judgement; and
iv) Financial independency.

The NC reviews and assesses Board, Board Committees, individual Directors and Independent Director performance, self-assessment evaluation process and procedures and recommends any changes (where applicable) annually to ensure that the same remained effective, robust and updated.

The Company's outsourced company secretary was engaged to collate the performance evaluations and provide summary of findings for the NC Chairman and the Board Chairman. The NC, in consultation with the Board Chairman, takes appropriate actions to address the findings of the performance evaluations.

Access To Information

Principle 6: In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

Management, including the Executive Directors, keeps the Board apprised of the Group's operations and performance through quarterly updates and reports, as well as through informal discussions. Management is expected to provide the Board with key information that is complete, adequate and timely. Management also provides any additional material or information, including management accounts, potential acquisition and disposal of assets, significant developments or events relating to the Group's operations that is requested by Directors or that is necessary to enable the Board to make a balanced and informed assessment of the Group's performance, position and prospects. Prior to any meetings of the Board and Board Committees, Directors are provided, where appropriate, with management information to enable them to be prepared for the meetings. It is the Company's practice for the Board papers to be given to the Directors at least seven days before the Board and Board Committees meetings so that the Board and Board Committee members have a better understanding of the agenda matters and to facilitate discussion among themselves during the meeting. However, sensitive matters may be tabled at the meeting itself or discussed without papers being distributed. Key management personnel are invited to attend the Board and

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Board Committees meetings to make the appropriate presentations and to answer any queries from the Directors, whenever needed. Non-committee Board members are also invited to voluntarily attend any Board Committee meetings if they so wish and with meeting materials provided to them, as appropriate. On an ongoing basis, all Board members have separate and independent access to management should they have any queries or require additional information on the affairs of the Company and the Group.

Board members also have separate and independent access to the outsourced company secretary. The outsourced company secretary attends all Board and Board Committee meetings. The outsourced company secretary, together with management, assists the Board in ensuring that the Company complies with all applicable statutory and regulatory rules, including the Companies Act, Securities and Futures Act, Chapter 289 of Singapore (the "SFA") and the Listing Manual of the SGX-ST. The appointment and removal of the outsourced company secretary rests with the Board.

Where the Directors either individually or as a group, in the furtherance of their duties, require independent professional advice, they are empowered to obtain such advice at the Company's expense.

(B) REMUNERATION MATTERS

Procedures For Developing Remuneration Policies

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

Remuneration Committee

The RC comprises entirely of three Non-Executive Directors, a majority of whom, including the Chairman are independent. The RC members are:

Huang Yuan Chiang *Chairman, Independent and Non-Executive*
Hans Hugh Miller
Guan Meng Kuan

The key duties and responsibilities of the RC under its terms of reference include the following:

(a) reviewing and recommending to the Board the general framework of remuneration for Directors and key management personnel;
(b) reviewing and approving specific remuneration packages for the Directors and the Group Managing Director, including Director's fees, salaries, allowances, bonuses, options, share-based incentives and awards and benefits-in-kind;
(c) and reviewing the remuneration of key management personnel.

The roles, duties and responsibilities of the RC cover the functions described in the 2012 Code including but not limited to, ensuring a fair and transparent procedure for developing policy on executive remuneration, developing a performance matrix for the Group Managing Director and fixing the remuneration packages of Directors and key management personnel. Each member of the RC has abstained from deliberations in respect of his own remuneration, compensation or any form of benefits to be granted to him. As and when deemed appropriate by the RC, expert advice is or will be sought. During the financial year, the RC did not require the service of an external remuneration consultant.

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The RC reviews 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 Company has a claw back policy for the annual incentive and other performance based compensation. No termination, retirement and post-employment benefits were granted to Directors and employees of the Group for FY2018.

Level And Mix Of Remuneration

Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

The RC recommends to the Board the quantum of Directors' fees and the Board in turn determines the recommendation for shareholders' approval at the Company's AGM. Directors' fees are payable to the Non-Executive Directors and take into account the Non-Executive Director's attendance and responsibilities on the respective Board Committees. Non-Executive Directors who cease to be a director during any part of the financial year, are paid pro-rated fees for their term in office. For Executive Directors and key executives, each of their service contracts and compensation packages is reviewed privately by the RC. The RC takes into account the risk policies of the Group and ensures that remuneration is commensurate with risk outcomes and is sensitive to the time horizon of risks. The RC will continually evaluate the remuneration structure of Executive Directors and key management personnel and consider linking rewards to corporate and individual performance, to promote the long-term success of the Company. During the year, the RC had reviewed various long-term incentive plans/ schemes which may be suitable for implementation for the Group's key management personnel to promote retention and reward strategies for its key management personnel and to enhance the Group's remuneration competitiveness amongst its industry-peers.

The RC is also responsible for the administration of the Company's share option scheme known as the "Hwa Hong Corporation Limited (2001) Share Option Scheme" (the "2001 Scheme"), approved by shareholders on 29 May 2001. The extension of the 2001 Scheme for a further period of 10 years from 29 May 2011 to 28 May 2021 was approved by shareholders at the AGM held on 27 April 2011. Under the 2001 Scheme, the number of shares in respect of which options may be granted shall be determined by the RC who shall take into account, inter alia, the seniority, level of responsibility, years of service, performance evaluation and potential for development of the employee. More information on the 2001 Scheme can be found in the Rules of the 2001 Scheme as set out in Appendix 1 of the Circular to Shareholders dated 4 May 2001.

No options were granted under the 2001 Scheme to date and the Company has no long term scheme involving the offer of shares or options in place. At the moment, the 2001 Scheme is not operational and there are no outstanding share options.

Disclosure On Remuneration

Principle 9: Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

The RC makes recommendations on an appropriate framework of remuneration taking into account employment conditions within the industry and the Group's performance to ensure that the package is competitive and sufficient to attract, retain and motivate Directors and key management personnel. On the other hand, the Company avoids paying more than is necessary

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for this purpose. Elements of the Group's relative performance and the performance of the individual Directors form part of the Executive Directors' remuneration packages so as to align their interests with those of shareholders and to promote the success of the Company in the longer term.

The breakdown (in percentage terms) of the remuneration of Directors of the Company FY2018 is set out below:

Remuneration Band & Name of Director	Based/ Fixed salary* %	Variable or performance related income/ Bonus* %	Fees ** %	Benefits in kind %	Other long term incentives %	Total %
(i) *$500,001* to *$750,000*						
Ong Choo Eng[1]	76.1	22.1	–	1.8	–	100
(ii) *$250,000* and below						
Ong Mui Eng[1]	83.0	13.2	-	3.8	–	100
Hans Hugh Miller	–	–	100	–	–	100
Guan Meng Kuan	–	–	100	–	–	100
Ong Wui Leng, Linda	–	–	100	–	–	100
Huang Yuan Chiang	–	–	100	–	–	100
Ong Hian Eng	–	–	100	–	–	100

* Inclusive of employer's central provident fund contributions.

** The fees payable by the Company to the Non-Executive Directors for FY 2018 were approved by shareholders at the AGM held on 25 April 2018.

1. Mr Ong Choo Eng and Mr Ong Mui Eng are brothers and also Executive Directors of the Group, and each of their all-in remuneration exceeded S$50,000 for FY2018.

Information regarding key management personnel can be found in the section "**Key Executives**" on page 28. The remuneration of top four key management personnel (who are not Directors) of the Group is categorised into the respective remuneration bands as follows:

Top 4 Key MANAGEMENT Personnel in Remuneration Bands	Number
(i) $250,001 to $500,000	4
(ii) $250,000 and below	0
Total	4

The remuneration packages of the Directors and key management personnel of the Group generally comprise two components. One component is fixed in the form of a base salary. The other component is variable consisting of AWS and performance bonus. The variable portion is largely dependent on the Group and individual performance, both in terms of financial and non-financial performance and creation of shareholder wealth. For FY2018, the RC reviewed the mix of fixed and variable components and considered it appropriate for the Group and key management personnel. However, the RC is exploring the use of long-term incentive plans to promote retention and competitiveness compared to its industry-peers.

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One of the employees, Mr Ong Eng Yaw (Senior Vice President, Real Estate) whose all-in remuneration exceeded S$50,000 is an immediate family member of Mr Ong Choo Eng, the Group Managing Director. Another employee, Mr Ong Eng Loke (Senior Vice President, Fund Management) whose all-in remuneration exceeded S$50,000 is an immediate family member of Mr Ong Mui Eng, an Executive Director of the Company. Due to the sensitivity and confidentiality attached to remuneration pertaining to these employees, the disclosures are not made in incremental bands of S$50,000. Save as disclosed, none of the employees of the Company and its subsidiaries was an immediate family of any Directors or the Group Managing Director, and whose remuneration exceeded S$50,000 during the year.

Given the highly competitive industry conditions and the sensitivity and confidentiality of remuneration matters, the Company believes that the disclosure of the details of the remuneration of the Executive Directors, Non-Executive Directors and key management personnel (including the aggregate total remuneration paid to the key executives) as recommended by the 2012 Code, would be disadvantageous to the Group's interests. The Company has, however, disclosed the aggregate remuneration of the Executive Directors, Non-Executive Directors and key management personnel (on an unnamed basis) in bands.

(C) ACCOUNTABILITY AND AUDIT

Accountability

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

The Board is responsible for providing a balanced and objective assessment of the Group's performance, position and prospects, including interim and other price sensitive public reports and reports to regulators (if required). Notwithstanding that the 2012 Code recommended that Board members be provided with management accounts and such explanation and information on a monthly basis, the Board is of the view that the provision of the same on a quarterly basis is sufficient for the moment. These reports are being reviewed by the Board at quarterly Board meetings, along with inquiry and discussion at Board meetings. The Company also adopts a practice whereby Directors are welcome to request further explanations, briefings or informal discussions on any aspect of the Group's operations or business from management.

Shareholders are informed of the financial performance of the Group through quarterly results announcements and the various disclosures and announcements made to the SGX-ST via SGXNet. The Company provides a platform in its website containing recent information which has been disseminated via SGXNet to the SGX-ST and the public.

In line with the Listing Manual of the SGX-ST, the Board provides a negative assurance statement to the shareholders in its quarterly financial statements announcements, confirming to the best of its knowledge that nothing had come to the attention of the Board which might render the financial statements false or misleading in any material aspect. The Board's statement is provided after receipt of letters of representation from the Group's senior executives.

Risk Management Systems and Internal Controls

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

Corporate Governance Report

The ARC reviews the Group's system of internal controls, including financial, operational, compliance and information technology controls, and risk management policies and systems established by management. Management maintains a system of risk management and internal controls which the Board believes is adequate to provide reasonable assurance of the integrity, effectiveness and efficiency in safeguarding shareholders' interests and the Group's assets.

A formalised risk management process has been established since 2006 whereby key risks, control measures, risk tolerance levels or limits and management actions are identified and monitored by management and reported to the Board for review and evaluation at least annually. The Risk Management Report can be found on page 48.

Based on the internal controls and risk management systems established and maintained by the Group, work performed by the internal and external auditors, reviews performed by management and written representations from the Group Managing Director and Chief Financial Officer on internal controls, the Board, with the concurrence of the ARC, is of the opinion that the Group's internal controls addressing financial, operational, compliance risks and information technology controls, and risk management systems remains adequate and effective as at 31 December 2018.

The system of internal controls provides reasonable, but not absolute, assurance that the Group will not be adversely affected by any event that can be reasonably foreseen as it strives to achieve its business objectives. However, the Board also notes that no system of internal controls can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgement in decision making, human error, losses, fraud or other irregularities.

The Board has received assurances from the Group Managing Director and the Chief Financial Officer that for the year in review that:

(i) The Group's financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and
(ii) The system of risk management and internal controls in place within the Group is adequate and effective in addressing the financial, operational, compliance and information technology risks.

The Group Managing Director and Chief Financial Officer obtained similar assurance from the respective managers of the various business units in the Group.

Audit and Risk Committee ("ARC")

Principle 12: The Board should establish an Audit Committee ("AC") with written terms of reference which clearly set out its authority and duties.

The ARC comprises three members, all of whom are Independent Directors. The members of the ARC are:

Hans Hugh Miller	*Chairman, Independent and Non-Executive*
Ong Wui Leng, Linda	
Huang Yuan Chiang	

The Board confirms that the ARC is appropriately qualified to discharge its duties and responsibilities. At least two members of the ARC (including the ARC Chairman) have recent and relevant accounting or related financial management expertise or experience. Neither the Chairman of the ARC nor any of its members is a former partner nor a director of the Company's existing auditing firm.

Corporate Governance Report

The ARC has explicit authority to investigate any matter within its terms of reference. It has full access to management and full discretion to invite any Director or executive officer to attend its meetings, and to be provided with reasonable resources to enable it to discharge its functions properly.

The key duties and functions of the ARC include, amongst other things, nominating external auditors for appointment, re-appointment, or removal, and approving their remuneration and terms of engagement as well as reviewing:

(a) the overall scope of the internal and external audit and its cost effectiveness;
(b) the assistance given by management to the internal and external auditors;
(c) the Group's periodic financial results announcements, the financial statements of the Company and the consolidated financial statements of the Group including the significant financial reporting issues and judgments and auditors' report prior to submission to the Board for approval and release;
(d) along with the internal and external auditors, the results of their examination of the Group's system of internal controls;
(e) non-audit services provided by the external auditors;
(f) the independence and objectivity of the external auditors;
(g) the adequacy and effectiveness of the internal audit function;
(h) the effectiveness and adequacy of the Group's internal financial controls, operational, compliance and information technology controls and risk management processes;
(i) the investment/divestment transactions from an accounting, capital requirements and financing perspective;
(j) interested persons transactions and related parties transactions; and
(k) sustainability reporting.

The ARC met with the external and internal auditors without the presence of management for the FY2018 audit.

The Group Managing Director and the Chief Financial Officer were invited to be present at the ARC meetings to report and brief the ARC members on the financial and operating performance of the Group and to answer any queries from the ARC members on any aspect of the operations of the Group. The external auditors were also invited to be present at all ARC meetings held during the year to, inter alia, deliberate on accounting and auditing matters.

During FY2018, the ARC carried out the functions enumerated above and reviewed the annual audit plans of the external and internal auditors and the results and findings of the audits performed by them and the re-appointment of the external auditors and their remuneration.

The ARC is kept abreast by management and the external auditors of changes to accounting standards, Listing Manual of the SGX-ST and other regulations that could have an impact on the Group's business and financial statements.

In the review of the financial statements, the ARC has discussed with management the accounting principles that were applied and their judgment that might affect the integrity of the financial statements. The following significant matters relating to the financial statements were discussed with management and the external auditor and were reviewed by the ARC:

Corporate Governance Report

Significant matters	How the ARC reviewed these matters and what decisions were made
Impairment assessment of investment properties	The Group accounts for investment properties using the cost model. The ARC reviewed the performance of the investment properties and their respective valuations (external and Directors' valuations) of investment properties to consider whether there were any impairment indicators for the carrying value of the investment properties and the appropriateness of fair values of investment properties disclosed. The impairment assessment of investment properties was also an area of focus for the external auditor. The external auditor had included this item as key audit matter in its audit report for FY2018. Refer to pages 52 to 53 of this annual report.
Accounting for business acquisitions	The ARC considered the approach and methodology applied on the accounting for the acquisition of the remaining 30% beneficial interest held by Capital Eagle Limited ("CEL"). The accounting of the business acquisition investment was also an area of focus for the external auditor. The external auditor had included this item as a key audit matter in its audit report for FY2018. Refer to pages 52 to 53 of this annual report.

Following review and discussions, the ARC recommended the full year financial statements to the Board for its approval.

For the year in review, the ARC had reviewed the audit and non-audit services provided by external auditors and was satisfied that the independence and objectivity of the external auditor had not been compromised.

Service Category Fees	EY entities in Singapore S$'000
Audit Services	184
Non-Audit Services	23
Total	207

The financial statements of the Company and significant subsidiaries and associated companies, are audited by Ernst & Young LLP, an auditing firm registered with the Accounting and Corporate Regulatory Authority. The Group's joint operations in the United Kingdom ("UK") are audited by BDO LLP, UK who is also the Group's tax advisors for the UK. One of the associated companies is audited by Deloitte LLP, UK. The ARC and the Board are satisfied that the appointment of different auditors for the overseas joint operations and associated company does not compromise the standard and effectiveness of the audit of the Company and does not increase overall costs to the Group. The Group's overseas subsidiaries, joint ventures and associated companies whose contributions to the Group are not significant, are audited by other auditors. The Company has complied with Rule 712 and Rule 715 together with Rule 716 of the Listing Manual of the SGX-ST.

The Company has a whistle-blowing policy whereby staff of the Group and relevant external parties may, in confidence, raise concerns about possible irregularities in financial reporting or other matters. The policy defines the processes clearly to ensure independent investigation of such matters and permits whistle blowers to communicate directly with the ARC Chairman. There were no whistle-blowing reports received during FY2018.

The ARC's activities during the year, amongst other things, included:

(i) the review by ARC on the accounting for the acquisition of in the remaining 30% beneficial interest held by Capital Eagle Limited ("CEL") and the gain on remeasurement arising from the Group's existing 70% interests in CEL
(ii) the review by the ARC on IFRS convergence implementation for FY2018;

(iii) the review by the ARC on accounting and tax implications in respect of SFRS(I) 9 Financial Instruments effective from FY2018;
(iv) the review by ARC on the impact of Brexit to the Group's business;
(v) the review by ARC on stress tests carried out by management and sensitivity analysis on the Group's foreign currency risks;
(vi) the review by the ARC on investment and/or divestment proposals from an accounting, capital requirements and financing perspective;
(vii) the review by the ARC on Directors' Valuation carried out on the Group's investment; and
(viii) the oversight by the ARC on implementation of the Company's sustainability policies and practices, including the identification of the Company's material Environmental, Social and Governance factors and preparation for sustainability reporting.

The Company's FY2018 Sustainability Report is expected to be issued and published on the Company's website in May 2019.

Internal Audit

Principle 13: The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

The Board is of the view that given the size and range of activities within the Group, outsourcing of the internal audit function provides a broader range of capabilities and at a lower cost than would staffing the function internally. The internal audit function is outsourced to KPMG Services Pte Ltd ("IA") who reports directly to the ARC. The IA conducts independent reviews, assessment and follow-up procedures on the Group's financial, operational, compliance controls and risk management systems and the IA's findings and recommendations are presented to and reviewed by the ARC. The IA reports primarily to the Chairman of the ARC and has unrestricted access to the documents, records, properties and personnel of the Company and the Group.

The ARC is satisfied that the internal audit function is staffed by suitably qualified and experienced professionals with the relevant experience. The IA is a member of the Institute of Internal Auditors ("IIA") and has adopted the Standards for the Professional Practice of Internal Auditing (IIA Standards) laid down in the International Professional Practices Framework issued by the IIA.

The ARC met with the IA twice during the financial year, for the review of internal audit plan, considered the findings in IA reports and reviewed the adequacy and effectiveness of the internal audit function.

The ARC approves the appointment, removal, evaluation and compensation of the IA.

The ARC confirms that for FY2018, the internal audit function of the Group is independent, effective and adequately resourced.

(D) SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Principle 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

Corporate Governance Report

Although the Company does not have a formal investor relations policy, the Company recognises that effective communication can highlight transparency and enhance accountability to its shareholders and investors. The Company's corporate governance practices promote a fair and equitable treatment to all shareholders. The Company strives to disclose information on a timely basis to shareholders and ensure any disclosure of price sensitive information is not made to a selective group. To facilitate shareholders' ownership rights, management ensures that all material information is disclosed on a comprehensive, accurate and timely basis via SGXNet. All shareholders of the Company receive the full annual report with the notice of AGM. Recent annual reports of the Company are available on the Company's website at **www.hwahongcorp.com**. The notice of AGM to shareholders is issued at least fourteen days, or as required, before the scheduled AGM. The notice is also advertised in The Business Times and made available on the SGXNet. AGM and other general meetings of shareholders are the principal forum for dialogue and interaction with shareholders. During these meetings, shareholders are given the opportunity to air their views and ask Directors and/or management questions regarding the Company and the Group. All shareholders are entitled to vote in accordance with the established voting rules and procedures. The Company conducted poll voting for all resolutions tabled at general meetings.

An email account, hanshughmiller@gmail.com, addressed to the Board Chairman has been set up to communicate with and to solicit feedback from shareholders.

The Company does not have a formal dividend policy. However, the Company has been fairly consistent in its dividend pay-outs to shareholders. Any pay-outs are clearly communicated to shareholders in public announcements via SGXNet. In determining the dividend pay-outs for a given year, the Board takes into account, *inter alia*, the Group's cashflow, balance sheet position, operating results, capital requirements and such other factors as the Board deems relevant.

Conduct of Shareholder Meetings

Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

Under the existing Constitution of the Company, a shareholder may vote in person or appoint not more than two proxies to attend and vote in his stead. Such proxy to be appointed need not be a shareholder. Pursuant to the introduction of the multiple proxies regime under the Singapore Companies (Amendment) Act 2014, nominee company or custodian bank or a CPF agent bank may appoint more than two proxies to attend and vote. The Company's Constitution provides for abstentia voting however voting in absentia by mail, electronic mail or facsimile has not been implemented due to concerns relating to issues of authentication of shareholder identity and other related security issues.

The Company ensures that shareholders are given the opportunity to effectively participate and vote at all general meetings. Each distinct issue is tabled for shareholders' approval via separate resolutions at the general meetings. All resolutions are each put to vote by poll with the poll voting procedures being briefed to shareholders prior to voting, and the results of each resolution put to vote by poll are announced in the meeting and subsequently via SGXNet after the conclusion of the meeting. Minutes of general meetings are taken and are available to shareholders upon request.

The Chairman of the Board, ARC, NC and RC, the Group Managing Director and the external auditors are also present to assist the Directors in addressing any relevant queries by shareholders.

Corporate Governance Report

DEALINGS IN SECURITIES

The Company has adopted an internal code on dealings in securities, which has been disseminated to all employees within the Group (the "Code").

Directors and employees of the Company are regularly reminded not to deal (whether directly or indirectly) in the Company's securities on short-term considerations and to be mindful of the law on insider trading as prescribed by the SFA.

The Code also makes clear that it is an offence to deal in the Company's securities, while in possession of unpublished price-sensitive information and prohibits trading as well as in the following periods:

i) the period commencing two weeks before the announcement of the Company's financial statements for the first, second and third quarters of its financial year; and
ii) the period commencing one month before the announcement of the Company's financial statements for its full financial year.

Each of the above periods will end only upon the release of the announcement of the relevant results of the Company.

The Company has complied with its Code and has not dealt in its own securities during the dealing restricted periods.

INTERESTED PERSONS TRANSACTIONS

The Company has established procedures to ensure that all transactions with interested persons are reported on a timely manner to the ARC and that the transactions are carried out on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders.

Transactions entered into with interested persons during FY 2018 were 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)**	**Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)**
Hong Leong Investment Holdings Pte. Ltd. Group - Interest charged on shareholder loan to Hong Property Investment Pte Ltd	$129,303	Nil**
Hong Leong Investment Holdings Pte. Ltd. Group - Purchase of 2 commercial lands from City Developments Limited.	$13,800,000	Nil**

** There is no subsisting shareholders' mandate for interested person transactions pursuant to Rule 920 of the Listing Manual of the SGX-ST.

Risk Management and Control Environment

RISK MANAGEMENT

The main objective of risk management in Hwa Hong Group is to protect the Group against material losses that may result from taking on risks which are not managed, or for which it has not been adequately compensated. The Board determines acceptable levels of risk tolerance and policies. Its philosophy on risk management is that all identifiable, material risks should be analysed, understood, managed and monitored. Furthermore, risk management processes must be closely aligned to the Group's vision and strategy. Since 2006, the Group has implemented a formalised Risk Management Framework for the identification, monitoring and reporting of risks.

The Group believes that effective risk management is the responsibility of all directors and managers, with the Board of Directors providing general oversight. The ARC supports the Board in the oversight of the financial and other operational risks.

A sound system of internal control is essential, and in this regard, the responsibilities of managers are designed such that there is adequate segregation of duties so that there is a system of checks and balances in the key areas of operations.

The Group's financial risk management objectives and policies are discussed further in Note 36 to the financial statements.

RISK PROCESSES AND ACTIVITIES

During the year, Management carried out a review of the Group's Risk Journals to update and identify new risks that may adversely affect the Group's operations. Based on the reviews, the Board of Directors is not aware of any matter which suggests that key risks are not being satisfactorily managed.

Directors' Statement

The directors present their statement to the members together with the audited consolidated financial statements of Hwa Hong Corporation Limited (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2018.

OPINION OF THE DIRECTORS

In the opinion of the directors,

(i) the consolidated financial statements of the Group and the balance sheet 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 2018 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

(ii) 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:

Hans Hugh Miller	(Chairman)
Ong Choo Eng	(Group Managing Director)
Ong Mui Eng	
Ong Hian Eng	
Guan Meng Kuan	
Ong Wui Leng, Linda	
Huang Yuan Chiang	

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

At an extraordinary general meeting of the Company held on 7 November 2003, shareholders of the Company approved, *inter alia*, a scrip dividend scheme known as Hwa Hong Corporation Limited Scrip Dividend Scheme (the "Scrip Dividend Scheme"), which, if applied, provides an opportunity for shareholders of the Company to make an election to receive dividends in the form of ordinary shares in the Company, instead of cash. Pursuant to the Scrip Dividend Scheme, directors who are also shareholders of the Company may elect to receive their dividend entitlements in the form of ordinary shares in the Company if the directors of the Company have determined that the Scrip Dividend Scheme is to apply to a particular dividend.

Except as disclosed aforesaid and under "Share Options" in this report, 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

DIRECTORS' INTERESTS IN SHARES AND 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 shares of the Company as stated below:

	Shares beneficially held by director		Shareholdings in which director is deemed to have an interest	
	At 1.1.2018	At 31.12.2018	At 1.1.2018	At 31.12.2018
Ong Choo Eng	903,000	903,000	80,986,000	80,986,000
Ong Mui Eng	11,505,664	11,505,664	321,748	321,748
Ong Hian Eng	9,898,463	9,898,463	20,385,000	20,385,000
Guan Meng Kuan	1,034,860	1,034,860	–	–

There were no changes in the Directors' interest in the Company between the end of the financial year and 21 January 2019, except for Mr Ong Hian Eng, whose interest in shares of the Company are disclosed below:

	Shares beneficially held by director		Shareholdings in which director is deemed to have an interest	
	At 31.12.2018	At 21.1.2019	At 31.12.2018	At 21.1.2019
Ong Hian Eng	9,898,463	9,898,463	20,385,000	18,385,000

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.

SHARE OPTIONS

Hwa Hong Corporation Limited (2001) Share Option Scheme

At an Extraordinary General Meeting held on 29 May 2001, shareholders approved the Hwa Hong Corporation Limited (2001) Share Option Scheme (the "Scheme"). The Scheme will continue in operation for a maximum period of 10 years from 29 May 2001, unless otherwise extended and subject to relevant approvals. At the 58th Annual General Meeting held on 27 April 2011, shareholders approved the extension of the Scheme for another ten years to 28 May 2021.

The principal features of the Scheme had been set out in previous years' Directors' Reports.

Directors' Statement

The Scheme is administered by the Remuneration Committee, comprising the following directors who are ineligible for the Scheme:

Huang Yuan Chiang (Chairman)
Hans Hugh Miller
Guan Meng Kuan

Since the commencement of the Scheme till the end of the financial year, no options have been granted to directors and employees of the Company and its subsidiaries.

AUDIT AND RISK COMMITTEE

The Audit and Risk Committee performed, *inter alia*, the functions specified in the Singapore Companies Act, Chapter 50. The functions performed are set out in the Corporate Governance Report.

The Audit and Risk Committee has nominated Ernst & Young LLP for re-appointment as auditor at the forthcoming Annual General Meeting of the Company.

MATERIAL CONTRACTS INVOLVING THE INTERESTS OF CHIEF EXECUTIVE OFFICER, EACH DIRECTOR OR CONTROLLING SHAREHOLDER

Since the end of the previous financial year, the Company and its subsidiaries did not enter into any material contracts involving the interests of the Chief Executive Officer, each director or controlling shareholder (as defined under the Listing Manual of the Singapore Exchange Securities Trading Limited) of the Company and no such material contracts subsist at the end of the financial year, except as disclosed in the accompanying notes and that Singapore Warehouse Company (Private) Ltd. ("SWC"), a wholly owned subsidiary, has entered into property joint ventures and related transactions with certain related corporations of Hong Leong Investment Holdings Pte. Ltd., a controlling shareholder of the Company. The joint ventures are Hong Property Investments Pte Ltd and a residential development known as *The Pier at Robertson* in which SWC has an interest of 30% and 20% respectively.

AUDITOR

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditor.

On behalf of the board of directors:

Ong Choo Eng
Director

Ong Mui Eng
Director

Singapore
8 March 2019

Independent Auditor's Report

For the financial year ended 31 December 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HWA HONG CORPORATION LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Hwa Hong Corporation Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2018, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement 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, and the balance sheet 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 Singapore Financial Reporting Standards (International) (SFRS(I)) 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 2018 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

For the financial year ended 31 December 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HWA HONG CORPORATION LIMITED (CONT'D)

Key Audit Matters (cont'd)

Impairment assessment of investment properties

The Group's investment properties represent 54% of the Group's total assets as at 31 December 2018. These investment properties are accounted using the cost model. The carrying value of the investment properties is significant to our audit due to the judgmental nature of their impairment assessment. This assessment is complex and highly dependent on a range of estimates made by directors of the subsidiaries owning the investment properties as well as the external valuation experts engaged by directors. The most significant judgements and estimates affecting the value of the properties are comparable market transactions, net rental income and rate of return which reflects the tenure and quality of the investments. The Group uses external valuation experts to support its determination of the fair value of the individual investment properties at least once every three years. Directors' valuation is carried out in years when no external valuation expert is appointed for the individual investment property.

Amongst others, we have considered the objectivity, independence and expertise of the external valuation experts. We discussed with the external valuation experts and directors about the appropriateness of the valuation model and property related data, including estimates used by them. In addition, we involved our internal real estate and valuation specialist to assist us in reviewing the appropriateness of the data used in the estimation process. We researched the market for data to compare against the assumptions used in the valuation and assessed whether the assumptions used are supported by observable market data. We assessed whether the valuation methodology and techniques used were complete, adequate and consistent with appraisal methodology given the nature of the investment properties. The related disclosures for investment properties are included in Note 16 and Note 35.

Accounting for business acquisitions

In April 2018, the Group acquired the remaining 30% interest in Capital Eagle Limited ("CEL") and the remaining 30% beneficial interest held by CEL as trustee in the freehold retail and commercial property known as 20 Midtown for a total purchase consideration of GBP10.2 million (S$18.7 million). Prior to the transaction, the Group's 70% equity interest in CEL and the 20 Midtown Property were accounted for as a joint operation. Accordingly, the acquisition of the remaining 30% interest is accounted for as a business combination achieved in stages, for which the Group performed a provisional purchase price allocation ("PPA") exercise.

We have determined this to be a key audit matter based on the materiality of the acquisition to the consolidated financial statements and the significant management judgment and estimates made on the provisional PPA. The significant management judgment and estimates involved in the provisional PPA exercise mainly relate to the determination of the fair value of the identifiable assets and liabilities. In relation to the acquisition, an independent professional firm ("management's expert") was engaged to assist the Group in arriving at its PPA assessment.

Amongst others, we read the legal and contractual documents to obtain an understanding of the transactions and the key terms. We read the purchase price allocation reports and assessed the allocation of the purchase price to significant identified assets and liabilities acquired. We tested this identification and allocation based on our discussion with management and management's expert and our understanding of the business of CEL. Furthermore, we involved our internal specialists in assisting us to review management's valuation methodologies and assessing the key assumptions and inputs used in the identification of and in measuring the fair value of the net identifiable assets and liabilities. We evaluated the timing and appropriateness of the accounting treatment and purchase consideration of the acquisition based on the contractual agreements. The related disclosures for the acquisition are included in Note 17 to the financial statements.

Independent Auditor's Report

For the financial year ended 31 December 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HWA HONG CORPORATION LIMITED (CONT'D)

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.

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 SFRS(I), 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.

Independent Auditor's Report

For the financial year ended 31 December 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HWA HONG CORPORATION LIMITED (CONT'D)

Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)

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.

- 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 consolidated financial statements. We are responsible for the direction, supervision and performance of the group 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.

Independent Auditor's Report

For the financial year ended 31 December 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HWA HONG CORPORATION LIMITED (CONT'D)

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 Philip Ng Weng Kwai.

Ernst & Young LLP
Public Accountants and
Chartered Accountants

Singapore
8 March 2019

Consolidated Income Statement

For the financial year ended 31 December 2018

	Note	Group 2018 $	Group 2017 $
Revenue	4	10,424,113	14,500,346
Cost of sales	5	(3,829,942)	(4,482,816)
Changes in fair value of investment securities		(2,863,633)	–
Gross profit		3,730,538	10,017,530
Other income	6	8,866,630	8,377,701
General and administrative costs	7	(7,495,504)	(6,695,616)
Other operating costs	8	(70,145)	(3,296,387)
Finance costs	9	(1,199,450)	(1,281,861)
Share of results of associates and joint ventures		1,034,992	1,036,449
Profit before tax		4,867,061	8,157,816
Income tax expense	10	(509,239)	(750,700)
Profit for the year		4,357,822	7,407,116
Profit attributable to:			
Owners of the Company		4,354,096	7,407,116
Non-controlling interests		3,726	–
Profit for the year		4,357,822	7,407,116
Earnings per share (cents):			
Basic and fully diluted	12	0.67	1.13

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

Consolidated Statement of Comprehensive Income

For the financial year ended 31 December 2018

	Group	
	2018	2017
	$	$
Profit for the year	4,357,822	7,407,116
Other comprehensive income:		
Items that will not be reclassified to profit or loss		
Net fair value loss on equity instruments at fair value through other comprehensive income	(3,029,593)	–
Items that may be reclassified subsequently to profit or loss		
Available-for-sale investments:		
Net fair value gain	–	2,780,686
Reclassification adjustments included in profit or loss for:		
- gains on disposal	–	(4,194,533)
- impairment losses	–	2,494,477
Income tax effect	–	151,096
Net gains on available-for-sale investments (net of tax)	–	1,231,726
Foreign currency translation	(1,961,946)	883,816
Reclassification adjustments for gains included in profit or loss relating to disposal of investment properties, which were previously revalued and purchased from an associate	(109,599)	(201,319)
Other comprehensive (loss)/income for the year, net of tax	(5,101,138)	1,914,223
Total comprehensive (loss)/income for the year	(743,316)	9,321,339
Attributable to:		
Owners of the Company	(746,934)	9,321,339
Non-controlling interests	3,618	–
Total comprehensive (loss)/income for the year	(743,316)	9,321,339

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

Balance Sheets

As at 31 December 2018

	Note	Group 31 December 2018 $	Group 31 December 2017 $	Group 1 January 2017 $	Company 31 December 2018 $	Company 31 December 2017 $	Company 1 January 2017 $
Equity attributable to owners of the Company							
Share capital	13(a)	172,153,626	172,153,626	172,153,626	172,153,626	172,153,626	172,153,626
Treasury shares	13(b)	(260,086)	(164,945)	(98,002)	(260,086)	(164,945)	(98,002)
Reserves	14	17,222,890	25,152,362	22,362,763	7,669,950	8,954,957	7,555,140
		189,116,430	197,141,043	194,418,387	179,563,490	180,943,638	179,610,764
Non-controlling interests		3,668	–	–	–	–	–
Total equity		189,120,098	197,141,043	194,418,387	179,563,490	180,943,638	179,610,764
Non-current assets							
Property, plant and equipment	15	4,442,684	4,452,479	4,672,394	–	–	–
Investment properties	16	156,088,956	112,040,076	120,254,292	–	–	–
Investment in subsidiaries	17	–	–	–	167,848,865	170,463,857	169,687,153
Investment in associates	18	23,698,802	27,812,304	26,549,780	745,800	745,800	745,800
Investment in joint ventures	19	3,107,344	3,105,930	7,310,519	–	–	–
Investment securities	20	26,798,815	23,212,118	20,779,553	–	–	–
Amounts due from associates	18	–	–	2,000,000	–	–	–
Other receivables	21	13,936,184	5,581,856	5,361,766	–	–	–
		228,072,785	176,204,763	186,928,304	168,594,665	171,209,657	170,432,953

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

Balance Sheets

As at 31 December 2018

		Group			Company		
	Note	31 December 2018 $	31 December 2017 $	1 January 2017 $	31 December 2018 $	31 December 2017 $	1 January 2017 $
Current assets							
Trade receivables	22	1,860,845	494,128	595,113	–	–	–
Tax recoverable		16,871	1,821	–	–	–	–
Prepayments and deposits		180,147	224,445	222,729	47,553	52,630	52,785
Other receivables	21	4,067,071	3,228,266	13,518,672	–	6,778	475
Amounts due from subsidiaries	17	–	–	–	11,264,000	6,694,000	8,674,000
Amounts due from associates	18	6,383,802	6,464,599	7,355,294	–	–	–
Investment securities	20	18,426,041	24,773,499	28,872,625	–	–	–
Cash and bank balances	23	32,371,088	50,682,911	36,866,008	674,128	3,958,628	1,380,696
		63,305,865	85,869,669	87,430,441	11,985,681	10,712,036	10,107,956
Total assets		291,378,650	262,074,432	274,358,745	180,580,346	181,921,693	180,540,909
Current liabilities							
Bank overdraft	24	100,429	–	–	–	–	–
Trade payables	25	317,108	424,147	682,639	–	–	–
Other payables	26	2,983,071	2,192,343	1,924,420	371,791	368,746	349,556
Accrued operating expenses		2,382,362	2,223,407	1,944,091	278,682	248,007	199,186
Amounts due to associates	18	1,982,589	542,401	562,608	366,383	361,302	381,403
Bank loans (secured)	27	65,119,778	53,176,494	57,705,428	–	–	–
Income tax payable		1,697,760	2,012,396	1,419,266	–	–	–
		74,583,097	60,571,188	64,238,452	1,016,856	978,055	930,145

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

Balance Sheets

As at 31 December 2018

	Note	Group 31 December 2018 $	Group 31 December 2017 $	Group 1 January 2017 $	Company 31 December 2018 $	Company 31 December 2017 $	Company 1 January 2017 $
Net current (liabilities) / assets		(11,277,232)	25,298,481	23,191,989	10,968,825	9,733,981	9,177,811
Non-current liabilities							
Deferred tax liabilities	28	4,914,933	3,969,780	4,033,506	–	–	–
Other payables	26	5,543,067	392,421	456,349	–	–	–
Bank loans (secured)	27	17,217,455	–	11,212,051	–	–	–
		27,675,455	4,362,201	15,701,906	–	–	–
Total liabilities		102,258,552	64,933,389	79,940,358	1,016,856	978,055	930,145
Net assets		**189,120,098**	**197,141,043**	**194,418,387**	**179,563,490**	**180,943,638**	**179,610,764**

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 2018

2018 Group	Attributable to owners of the Company								
	Share capital $	**Treasury shares $**	**Revenue reserve $**	**Capital reserve $**	**Fair value reserve $**	**Currency translation reserve $**	**Equity attributable to the owners of the Company, total $**	**Non-controlling interests $**	**Total equity $**
At 1 January 2018 (FRS framework)	172,153,626	(164,945)	38,466,823	1,000,762	7,557,958	(21,873,181)	197,141,043	–	197,141,043
Cumulative effects of adopting SFRS(I) (Note 2.2)	–	–	6,734,715	–	(6,734,715)	–	–	–	–
At 1 January 2018 (SFRS(I) framework)	172,153,626	(164,945)	45,201,538	1,000,762	823,243	(21,873,181)	197,141,043	–	197,141,043
Profit for the year	–	–	4,354,096	–	–	–	4,354,096	3,726	4,357,822
Other comprehensive income									
Net fair value loss on equity instruments at fair value through other comprehensive income	–	–	–	–	(3,029,593)	–	(3,029,593)	–	(3,029,593)
Foreign currency translation	–	–	–	–	–	(1,961,838)	(1,961,838)	(108)	(1,961,946)
Reclassification adjustments for gains included in profit or loss relating to disposal of investment properties	–	–	–	(109,599)	–	–	(109,599)	–	(109,599)
Other comprehensive income for the year, net of tax	–	–	–	(109,599)	(3,029,593)	(1,961,838)	(5,101,030)	(108)	(5,101,138)
Total comprehensive income for the year	–	–	4,354,096	(109,599)	(3,029,593)	(1,961,838)	(746,934)	3,618	(743,316)

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 2018

	Attributable to owners of the Company								
2018 Group	Share capital $	Treasury shares $	Revenue reserve $	Capital reserve $	Fair value reserve $	Currency translation reserve $	Equity attributable to the owners of the Company, total $	Non-controlling interests $	Total equity $
Distributions to owners									
Purchase of treasury shares (Note 13(b))	–	(95,141)	–	–	–	–	(95,141)	–	(95,141)
Dividends on ordinary shares (Note 29)	–	–	(7,182,538)	–	–	–	(7,182,538)	–	(7,182,538)
Total distributions to owners	–	(95,141)	(7,182,538)	–	–	–	(7,277,679)	–	(7,277,679)
Contribution from non-controlling interests for a subsidiary	–	–	–	–	–	–	–	50	50
At 31 December 2018	172,153,626	(260,086)	42,373,096	891,163	(2,206,350)	(23,835,019)	189,116,430	3,668	189,120,098

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 2018

2017 Group	Attributable to owners of the Company						
	Share capital $	Treasury shares $	Revenue reserve $	Capital reserve $	Fair value reserve $	Currency translation reserve $	Total equity $
At 1 January 2017	172,153,626	(98,002)	37,591,447	1,202,081	6,326,232	(22,756,997)	194,418,387
Profit for the year	–	–	7,407,116	–	–	–	7,407,116
Other comprehensive income							
Net gains on available-for-sale investments	–	–	–	–	1,231,726	–	1,231,726
Foreign currency translation	–	–	–	–	–	883,816	883,816
Reclassification adjustments for gains included in profit or loss relating to disposal of investment properties	–	–	–	(201,319)	–	–	(201,319)
Other comprehensive income for the year, net of tax	–	–	–	(201,319)	1,231,726	883,816	1,914,223
Total comprehensive income for the year	–	–	7,407,116	(201,319)	1,231,726	883,816	9,321,339
<u>Distributions to owners</u>							
Purchase of treasury shares (Note 13(b))	–	(66,943)	–	–	–	–	(66,943)
Dividends on ordinary shares (Note 29)	–	–	(6,531,740)	–	–	–	(6,531,740)
Total distributions to owners	–	(66,943)	(6,531,740)	–	–	–	(6,598,683)
At 31 December 2017	172,153,626	(164,945)	38,466,823	1,000,762	7,557,958	(21,873,181)	197,141,043

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 2018

2018 **Company**	**Share capital** **$**	**Treasury shares** **$**	**Revenue reserve** **$**	**Total equity** **$**
At 1 January 2018	172,153,626	(164,945)	8,954,957	180,943,638
Profit for the year, representing total comprehensive income for the year	–	–	5,897,531	5,897,531
Distributions to owners				
Purchase of treasury shares (Note 13(b))	–	(95,141)	–	(95,141)
Dividends on ordinary shares (Note 29)	–	–	(7,182,538)	(7,182,538)
Total distributions to owners	–	(95,141)	(7,182,538)	(7,277,679)
At 31 December 2018	172,153,626	(260,086)	7,669,950	179,563,490

2017 **Company**	**Share capital** **$**	**Treasury shares** **$**	**Revenue reserve** **$**	**Total equity** **$**
At 1 January 2017	172,153,626	(98,002)	7,555,140	179,610,764
Profit for the year, representing total comprehensive income for the year	–	–	7,931,557	7,931,557
Distributions to owners				
Purchase of treasury shares (Note 13(b))	–	(66,943)	–	(66,943)
Dividends on ordinary shares (Note 29)	–	–	(6,531,740)	(6,531,740)
Total distributions to owners	–	(66,943)	(6,531,740)	(6,598,683)
At 31 December 2017	172,153,626	(164,945)	8,954,957	180,943,638

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

Consolidated Cash Flow Statement

For the financial year ended 31 December 2018

	Note	Group 2018 $	Group 2017 $
Cash flows from operating activities			
Profit before tax		4,867,061	8,157,816
Adjustments for:			
Depreciation of investment properties	5	1,881,217	1,819,005
Depreciation of property, plant and equipment	7	297,424	289,132
Dividend income from investment securities	4	(1,075,188)	(1,086,068)
Fair value changes in investment securities		2,863,633	–
Gain on liquidation of an associate	6	(464,190)	–
Gain on disposal of investment properties	6	(1,571,652)	(7,851,842)
Gain on disposal of investment securities (non-current)	6	–	(219,513)
Gain on disposal of property, plant and equipment	6	(30,242)	–
Gain on disposal of a subsidiary and its joint operation	6	(1,037,045)	–
Gain on remeasurement of investment in joint operation to fair value upon business combination achieved in stages	6	(4,755,470)	–
Goodwill written off	8	70,145	–
Impairment loss on quoted equity investments (current)	8	–	1,150,009
Impairment loss on unquoted equity investments (non-current)	8	–	1,344,468
Impairment loss on investment properties	8	–	801,910
Interest expenses	9	1,199,450	1,281,861
Interest income	4,6	(663,000)	(904,829)
Share of results of associates and joint ventures		(1,034,992)	(1,036,449)
Unrealised exchange differences		(1,226,994)	156,252
Operating cash flows before changes in working capital		(679,843)	3,901,752
(Increase)/decrease in receivables and current investment securities		(3,103,817)	2,951,436
Increase in payables		949,646	211,327
Cash flows (used in)/from operations		(2,834,014)	7,064,515
Dividend income from investment securities	4	1,075,188	1,086,068
Interest received		473,414	1,117,711
Interest paid		(1,199,450)	(1,281,861)
Income tax paid		(1,111,407)	(128,774)
Net cash flows (used in)/from operating activities		(3,596,269)	7,857,659

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

Consolidated Cash Flow Statement

For the financial year ended 31 December 2018

	Note	Group 2018 $	Group 2017 $
Cash flows from investing activities			
Additions to investment properties	16	(953,577)	(877,698)
Decrease in other receivables		–	9,527,663
Decrease in amounts due from associates		210,000	3,014,793
Dividends and distribution received from an associate		4,649,884	200,000
(Increase)/decrease in amounts due from joint ventures		(7,148,877)	4,927,239
Contribution from non-controlling interests for a subsidiary		50	–
Increase in investment securities, net		(3,229,168)	(2,649,594)
Increase in investment in associates		–	(486,850)
Increase in investment in joint ventures		(87)	–
Proceeds from disposal of investment properties		2,468,574	14,338,456
Proceeds from disposal of investment securities (non-current)		77,724	469,513
Proceeds from disposal of property, plant and equipment		30,242	141,122
Purchase of investment properties	16	(48,299,784)	–
Purchase of property, plant and equipment	15	(287,629)	(206,752)
Net cash inflows on disposal of a subsidiary and its joint operation	11	11,753,592	–
Net cash outflows on acquisition of a subsidiary	17	(18,650,540)	–
Net cash flows (used in)/from investing activities		(59,379,596)	28,397,892
Cash flows from financing activities			
Dividends paid on ordinary shares	29	(7,182,538)	(6,531,740)
Purchase of treasury shares	13(b)	(95,141)	(66,943)
Proceeds from bank loans	27	47,250,440	3,161,832
Repayments of bank loans	27	(1,800,000)	(19,013,417)
Increase in pledged cash and bank balances		(278,980)	–
Loan from non-controlling interest		5,065,792	–
Net cash flows from/(used in) financing activities		42,959,573	(22,450,268)
Net (decrease)/increase in cash and cash equivalents		(20,016,292)	13,805,283
Cash and cash equivalents at the beginning of the year		31,682,911	17,866,008
Effects of exchange rate changes on cash and cash equivalents		(118,565)	11,620
Cash and cash equivalents at the end of the year		11,548,054	31,682,911

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

Consolidated Cash Flow Statement

For the financial year ended 31 December 2018

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

		Group	
		2018	**2017**
		$	**$**
Cash and bank balances	23	32,371,088	50,682,911
Less: fixed deposits, pledged	23	(19,278,980)	(19,000,000)
Less: bank overdraft	24	(100,429)	–
Less: restricted cash		(1,443,625)	–
Cash and cash equivalents		11,548,054	31,682,911

The restricted cash relates to cash held on behalf of an associate.

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 2018

1. CORPORATE INFORMATION

Hwa Hong 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 registered office and principal place of business of the Company is located at 38 South Bridge Road, Singapore 058672.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries, associates and joint ventures are disclosed below. The Group operates in Singapore and United Kingdom.

The subsidiaries, associates and joint ventures as at 31 December 2018 and 2017 are:

Name of company	Percentage of interest held			Place of incorporation	Cost of investment			Principal activities
	31 December 2018	31 December 2017	1 January 2017		31 December 2018	31 December 2017	1 January 2017	
	%	%	%		$	$	$	
(a) *Subsidiaries*								
Held by the Company								
Singapore Warehouse Company (Private) Ltd.[1]	100.0	100.0	100.0	Singapore	154,425,000	154,425,000	154,425,000	Owner of warehouse for rental and storage and investment holding.
Hwa Hong Edible Oil Industries Pte. Ltd.[1]	100.0	100.0	100.0	Singapore	27,740,002	27,740,002	27,740,002	Investment holding.
Paco Industries Pte. Ltd.[1]	100.0	100.0	100.0	Singapore	5,970,001	5,970,001	5,970,001	Provision of management services.
					188,135,003	188,135,003	188,135,003	

Notes to the Financial Statements

For the financial year ended 31 December 2018

1. CORPORATE INFORMATION (CONT'D)

Name of company	Percentage of interest held 2018 %	2017 %	Place of incorporation	Principal activities
(a) *Subsidiaries (cont'd)*				
Held by Singapore Warehouse Company (Private) Ltd.				
Thackeray Properties Limited[2]	100.0	100.0	Hong Kong	Owner of investment properties for rental and development.
Pumbledon Limited[2]	100.0	100.0	Hong Kong	Owner of investment properties for rental and development.
Global Trade Investment Management Pte Ltd[1]	100.0	100.0	Singapore	Leasing of residential and commercial properties, business management, consultancy and investment holding.
Vantagepro Investment Limited[7]	100.0	100.0	British Virgin Islands	Investment holding.
Capital Herbal Limited[4][13][14]	–	50.0	United Kingdom	Acting as nominee company for investment holding.
Held by Global Trade Investment Management Pte Ltd				
253 JB Pte Ltd[1][16]	100.0	–	Singapore	Owner of investment properties for rental and development (properties under development)
Held by Hwa Hong Edible Oil Industries Pte. Ltd.				
Jining Ningfeng Chemical Industry Co., Limited[8]	100.0	100.0	People's Republic of China	Dormant.
Held by Paco Industries Pte. Ltd.				
Jining Paco Chemical Industry Co., Ltd[8]	100.0	100.0	People's Republic of China	Dormant.

Notes to the Financial Statements

For the financial year ended 31 December 2018

1. CORPORATE INFORMATION (CONT'D)

Name of company	Percentage of interest held 2018 %	2017 %	Place of incorporation	Principal activities
(a) *Subsidiaries (cont'd)*				
Held by Vantagepro Investment Limited				
Capital East Limited[(4)(11)(15)]	–	82.0	United Kingdom	Acting as nominee company for investment holding.
Capital Liverpool Limited[(4)(11) (15)]	–	60.0	United Kingdom	Acting as nominee company for investment holding.
Capital Hatton Limited[(4)(11) (15)]	–	82.0	United Kingdom	Acting as nominee company for investment holding.
Capital 18 Vestry Limited[(4)(11) (15)]	–	82.0	United Kingdom	Acting as nominee company for investment holding.
Capital 20 Vestry Limited[(4)(11) (15)]	–	82.0	United Kingdom	Acting as nominee company for investment holding.
Capital New Mount Limited[(4)(11) (15)]	–	82.0	United Kingdom	Acting as nominee company for investment holding.
Capital Fitzalan Limited[(4)(11)]	50.0	50.0	United Kingdom	Acting as nominee company for investment holding.
Capital Eagle Limited[(4)(11)]	100.0	70.0	United Kingdom	Acting as nominee company for investment holding.
Garrett Property Holdings Ltd [(4)(16)]	71.4	–	United Kingdom	Investment holding.

Notes to the Financial Statements

For the financial year ended 31 December 2018

1. CORPORATE INFORMATION (CONT'D)

Name of company	Percentage of interest held 2018 %	2017 %	Place of incorporation	Principal activities
(b) *Associates*				
Held by the Company				
Singamet Trading Pte. Ltd.[1]	20.0	20.0	Singapore	Property investment.
Held by Singapore Warehouse Company (Private) Ltd.				
Clan Kilmuir (Jersey) Limited[6]	50.0[12]	50.0[12]	Jersey	Property investment.
Riverwalk Promenade Pte Ltd[3]	50.0	50.0	Singapore	Property development.
Hong Property Investments Pte Ltd[3]	30.0	30.0	Singapore	Property investment.
Scotts Spazio Pte. Ltd.[1]	50.0	50.0	Singapore	Property investment.
The Pier at Robertson[3][10]	20.0	20.0	Singapore	Property development.
Shorea Capital Pte. Ltd. [16][18]	50.0	–	Singapore	Real estate investment advisory services
Held by Thackeray Properties Limited				
Matahari 461 Ltd[17]	–	50.0	United Kingdom	Dormant.
Held by Hwa Hong Edible Oil Industries Pte. Ltd.				
Norwest Holdings Pte Ltd[9][15]	–	49.5	Singapore	In liquidation.
(c) *Joint ventures*				
Held by Singapore Warehouse Company (Private) Ltd.				
Neo Pav E Investments LLP[5]	50.0	50.0	United Kingdom	Owner of investment properties for rental and development.

Notes to the Financial Statements

For the financial year ended 31 December 2018

1. CORPORATE INFORMATION (CONT'D)

Name of company	Percentage of interest held 2018 %	2017 %	Place of incorporation	Principal activities
(c) *Joint ventures (cont'd)*				
Held by Singapore Warehouse Company (Private) Ltd.				
Neo Bankside Retail LLP[5]	50.0	50.0	United Kingdom	Owner of investment properties for rental and development.
Loman Holdings Limited[4]	50.0	–	United Kingdom	Investment holding.

(1) Audited by Ernst & Young LLP, Singapore.
(2) Audited by member firms of EY Global in their respective countries.
(3) Audited by KPMG LLP, Singapore.
(4) Audited by BDO Stoy Hayward LLP, London.
(5) Audited by Grant Thornton UK LLP.
(6) Audited by Deloitte LLP, UK.
(7) Not required to be audited in the country of incorporation/registration. The beneficial interests held in the UK by the Capital Group were audited by BDO Stoy Hayward LLP, London.
(8) Not required to be audited as the company is dormant.
(9) Not required to be audited as the company is in liquidation.
(10) The Group has a 20% interest in a residential development known as *The Pier at Robertson*, which is a residential development with a related company of a substantial shareholder of the Company, Hong Leong Investment Holdings Pte. Ltd.
(11) Collectively known as Capital Group. The Capital Group are nominee companies which hold the Group's United Kingdom properties in trust for a subsidiary, under a joint arrangement with an external party in respect of the United Kingdom properties.
(12) The Group has 50% equity interest in the company which represents 49.9% voting rights.
(13) Capital Herbal Limited ("CHL") is a nominee company which holds a United Kingdom property in trust for a subsidiary, under a joint arrangement with two external parties in respect of the United Kingdom property.
(14) On 23 April 2018, the Group disposed of its 50% interest in CHL and its joint operation.
(15) Dissolved during the year.
(16) Incorporated during the year.
(17) Disposed of during the year.
(18) Not audited this year as the entity is newly incorporated. The first set of audited financial statements will cover more than 12 months.

Notes to the Financial Statements

For the financial year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 *Basis of preparation*

The consolidated financial statements of the Group, and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (International) (SFRS(I)).

For all periods up to and including the year ended 31 December 2017, the Group prepared its financial statements in accordance with Financial Reporting Standards in Singapore (FRS). These financial statements for the year ended 31 December 2018 are the first the Group has prepared in accordance with SFRS(I). Refer to Note 2.2 for information on how the Group adopted SFRS(I).

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 $), unless otherwise stated.

As at 31 December 2018, the Group's current liabilities exceeded its current assets by $11,227,232. This is primarily due to the current bank loans of $65,119,778 which are due for repayment within the next 12 months. Notwithstanding the net current liabilities position, based on the Group's existing financial resources, including the Group's unutilised banking facilities, the directors believe that the Group will be able to meet its current obligations as and when they fall due.

2.2 *First-time adoption of SFRS(I)*

These financial statements for the year ended 31 December 2018 are the first the Group and the Company have prepared in accordance with SFRS(I). Accordingly, the Group and the Company have prepared financial statements that comply with SFRS(I) applicable as at 31 December 2018, together with the comparative data for the year ended 31 December 2017 as described in the summary of significant accounting policies. On preparing the financial statements, the Group's and the Company's opening balance sheets were prepared as at 1 January 2017, the Group and the Company's date of transition to SFRS(I).

The principal adjustments made by the Group on adoption of SFRS(I) and the adoption of the new standards that are effective on 1 January 2018 are disclosed below. There were no adjustments to the Company's financials arising from the adopting of SFRS(I) and the adoption of the new standards that are effective on 1 January 2018.

Exemptions applied on adoption of SFRS(I)

SFRS(I) allows first-time adopters exemptions from the retrospective application of certain requirements under SFRS(I). The Group has applied the following exemption:

- The comparative information does not comply with SFRS(I) 9 *Financial Instruments* or SFRS(I) 7 *Financial Instruments: Disclosures* to the extent the disclosures relate to items within the scope of SFRS(I) 9 (see discussion of SFRS(I) 9 below).

Notes to the Financial Statements

For the financial year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 *First-time adoption of SFRS(I) (cont'd)*

New accounting standards effective on 1 January 2018

The accounting policies adopted are consistent with those previously applied under FRS except that in the current financial year, the Group has adopted all the SFRS(I) which are effective for annual financial periods beginning on or after 1 January 2018. Except for the adoption of SFRS(I) 9 described below, the adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

SFRS(I) 9 *Financial Instruments*

On 1 January 2018, the Group adopted SFRS(I) 9 *Financial instruments*, which is effective for annual periods beginning on or after 1 January 2018.

The changes arising from the adoption of SFRS(I) 9 have been applied retrospectively. The Group has elected to apply the exemption in SFRS(I) 1 and has not restated comparative information in the year of initial application. The impact arising from SFRS(I) 9 adoption was included in the opening revenue reserve at the date of initial application, 1 January 2018. The comparative information was prepared in accordance with the requirements of FRS 39.

Classification and measurement

SFRS(I) 9 requires debt instruments to be measured either at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss ("FVPL"). Classification of debt instruments depends on the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). An entity's business model is how an entity manages its financial assets in order to generate cash flows and create value for the entity either from collecting contractual cash flows, selling financial assets or both. If a debt instrument is held to collect contractual cash flows, it is measured at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held both to collect the assets' contractual cash flows and to sell the assets are measured at FVOCI. Financial assets are measured at FVPL if they do not meet the criteria of FVOCI or amortised cost.

The assessment of the business model and whether the financial assets meet the SPPI requirements was made as of 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018.

The Group's debt instruments have contractual cash flows that are solely payments of principal and interest. There is no significant impact arising from measurement of these instruments under SFRS(I) 9.

SFRS(I) 9 requires all equity instruments to be carried at fair value through profit or loss, unless an entity chooses on initial recognition, to present fair value changes in other comprehensive income.

For equity securities, the Group continues to measure three of its currently held available-for-sale (AFS) quoted equity securities and all of its AFS unquoted equity securities at FVOCI. The Group will elect to measure the remaining

Notes to the Financial Statements

For the financial year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 *First-time adoption of SFRS(I) (cont'd)*

SFRS(I) 9 *Financial Instruments (cont'd)*

Classification and measurement (cont'd)

available-for-sale quoted equity securities at FVPL. As a result of the change in measurement of the Group's quoted equity securities previously measured at FVOCI to FVPL, the fair value reserve of $2,264,732 related to those investments that were previously presented under the fair value reserve were transferred to revenue reserve as at 1 January 2018.

For the previously held AFS unquoted equity securities and one of its AFS quoted equity securities measured at FVOCI, the cumulative impairment charge of $4,962,709 previously recognised in profit or loss were reclassified from revenue reserve to fair value reserve as at 1 January 2018.

Impairment

SFRS(I) 9 requires the Group to record expected credit losses on all its financial assets measured at amortised cost or debt instruments at FVOCI and financial guarantees. The Group previously recorded impairment based on the incurred loss model when there was objective evidence that a financial asset was impaired.

No impairment was recognised arising from assessing these financial assets for impairment under SFRS(I) 9.

Tax adjustments

The adoption of SFRS(I) 9 resulted in a decrease in deferred tax liabilities and revenue reserve of $492,726 and a corresponding increase in income tax payable and fair value reserve amounting to $492,726.

The Group has assessed which business models apply to the financial assets held by the Group at 1 January 2018 and has classified its financial instruments into the appropriate categories in accordance with SFRS(I) 9. The effects, before tax impact are as follows:

Financial assets:

Measurement category	FRS 39 carrying amount on 31 December 2017 $	Re-classifications $	SFRS(I) 9 carrying amount on 1 January 2018 $	Revenue reserve effect on 1 January 2018 $	Fair value reserve effect on 1 January 2018 $
Investment securities					
Available-for-sale financial assets	47,985,617	(47,985,617)	–	–	–
At FVOCI	–	29,501,860	29,501,860	–	(1,772,006)
At FVPL	–	18,483,757	18,483,757	1,772,006	–
	47,985,617	–	47,985,617	1,772,006	(1,772,006)
Reversal of impairment losses for equity instruments	–	–	–	4,962,709	(4,962,709)
FVOCI, FVPL balances and reclassifications at 1 January 2018	47,985,617	–	47,985,617	6,734,715	(6,734,715)

Notes to the Financial Statements

For the financial year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 *First-time adoption of SFRS(I) (cont'd)*

SFRS(I) 9 *Financial Instruments (cont'd)*

The following is a reconciliation of the impact arising from first-time adoption of SFRS(I) including application of the new accounting standards on 1 January 2018 to the balance sheet of the Group.

	31 December 2017 (FRS) $	SFRS(I) 9 adjustments $	1 January 2018 (SFRS(I)) $
Equity attributable to owners of the Company			
Share capital	172,153,626	–	172,153,626
Treasury shares	(164,945)	–	(164,945)
Revenue reserve	38,466,823	6,734,715	45,201,538
Capital reserve	1,000,762	–	1,000,762
Fair value reserve	7,557,958	(6,734,715)	823,243
Currency translation reserve	(21,873,181)	–	(21,873,181)
Total equity	197,141,043	–	197,141,043
Non-current assets			
Property, plant and equipment	4,452,479	–	4,452,479
Investment properties	112,040,076	–	112,040,076
Investment in subsidiaries	–	–	–
Investment in associates	27,812,304	–	27,812,304
Investment in joint ventures	3,105,930	–	3,105,930
Investment securities	23,212,118	6,289,742	29,501,860
Amounts due from associates	–	–	–
Other receivables	5,581,856	–	5,581,856
	176,204,763	6,289,742	182,494,505
Current assets			
Trade receivables	494,128	–	494,128
Tax recoverable	1,821	–	1,821
Prepayments and deposits	224,445	–	224,445
Other receivables	3,228,266	–	3,228,266
Amounts due from subsidiaries	–	–	–
Amounts due from associates	6,464,599	–	6,464,599
Investment securities	24,773,499	(6,289,742)	18,483,757
Cash and bank balances	50,682,911	–	50,682,911
	85,869,669	(6,289,742)	79,579,927
Total assets	262,074,432	–	262,074,432

Notes to the Financial Statements

For the financial year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 *First-time adoption of SFRS(I) (cont'd)*

SFRS(I) 9 *Financial Instruments (cont'd)*

	31 December 2017 (FRS) $	SFRS(I) 9 adjustments $	1 January 2018 (SFRS(I)) $
Current liabilities			
Trade payables	424,147	–	424,147
Other payables	2,192,343	–	2,192,343
Accrued operating expenses	2,223,407	–	2,223,407
Amounts due to associates	542,401	–	542,401
Bank loans (secured)	53,176,494	–	53,176,494
Income tax payable	2,012,396	492,726	2,505,122
	60,571,188	492,726	61,063,914
Net current assets	25,298,481	(6,782,468)	18,516,013
Non-current liabilities			
Deferred tax liabilities	3,969,780	(492,726)	3,477,054
Other payables	392,421	–	392,421
	4,362,201	(492,726)	3,869,475
Total liabilities	64,933,389	–	64,933,389
Net assets	197,141,043	–	197,141,043

Notes to the Financial Statements

For the financial year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 *Standards issued but not yet effective*

The Group has not adopted the following applicable standards which have been issued but not yet effective:

Description	*Effective for annual periods beginning on or after*
SFRS(I) 16 *Leases*	1 January 2019
SFRS(I) INT FRS 23 *Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to SFRS (I) 9 *Prepayment Features with Negative Compensation*	1 January 2019
Amendments to SFRS(I) 1-28 *Long-term Interests in Associates and Joint Ventures*	1 January 2019
Annual Improvements to SFRS(I)s 2015-2017 Cycle	1 January 2019
Amendments to SFRS(I) 10 and SFRS(I) 1-28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	To be determined

The directors expect that the adoption of the above standards will have no material impact on the financial statements in the year of initial application.

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:

- de-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- de-recognises the carrying amount of any non-controlling interest;
- de-recognises 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;
- re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or revenue reserve, as appropriate.

Notes to the Financial Statements

For the financial year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 *Basis of consolidation and business combinations (cont'd)*

(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 interests 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, are recognised on the acquisition date at fair value, or at the non-controlling interests' 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. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

Notes to the Financial Statements

For the financial year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

2.6 *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.

(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 except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

(b) ***Consolidated financial statements***

For consolidation purpose, the assets and liabilities of foreign operations are translated into Singapore Dollars 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.

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognised in profit or loss. For partial disposals of associates or jointly controlled entities that are foreign operations, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Notes to the Financial Statements

For the financial year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.7 *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. The cost also includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The accounting policy for borrowing costs is set out in Note 2.19. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

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

Freehold office property	–	50 years
Leasehold land and buildings	–	43 to 50 years
Furniture, motor vehicles, computers and other equipment	–	3 to 15 years

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 residual value, useful life 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 on derecognition of the asset is included in profit or loss in the year the asset is derecognised.

2.8 *Investment properties*

Investment properties are properties that are owned by the Group to earn rentals 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.

Investment properties are initially measured at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and any accumulated impairment losses.

Notes to the Financial Statements

For the financial year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.8 *Investment properties (cont'd)*

Investment properties are subject to renovations or improvements at regular intervals. Its cost is recognised in the carrying amount of the investment property as a replacement if the recognition criteria are satisfied. Components that are replaced are derecognised and included in profit or loss. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is computed on a straight-line method over the investment properties' estimated useful lives of 50 years. Freehold land has an unlimited useful life and therefore the freehold land component of investment properties is not depreciated. Investment properties that are being constructed or developed for future use as investment properties are not depreciated as these assets are not yet available for use.

The carrying values of investment properties are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recovered. The residual value, useful life and depreciation method are reviewed, and adjusted prospectively, if appropriate.

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 gain or loss on the retirement or disposal of an investment property is recognised in profit or loss in the year of retirement or disposal.

2.9 *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 an 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. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Notes to the Financial Statements

For the financial year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.9 *Impairment of non-financial assets (cont'd)*

Impairment losses of continuing operations 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.

2.10 *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.

2.11 *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:

(i) its assets, including its share of any assets held jointly;
(ii) its liabilities, including its share of any liabilities incurred jointly;
(iii) its revenue from the sale of its share of the output arising from the joint operation;
(iv) its share of the revenue from the sale of the output by the joint operation; and
(v) 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.

Notes to the Financial Statements

For the financial year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11 *Joint arrangements (cont'd)*

(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 venture is set out in Note 2.12.

2.12 *Joint ventures and associates*

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 represents 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 or joint venture's profit or loss in the period in which the investment is acquired.

Under the equity method, the investment in associates or joint ventures are 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 joint ventures or associates reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the associates or joint venture, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and associate or joint venture 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 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.13 *Financial instruments*

(a) *Financial assets*

Initial recognition and measurement

Financial assets are recognised when, and only when the entity becomes party to the contractual provisions of the instruments.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

Subsequent measurement

Investments in debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. The two measurement categories for classification of debt instruments are:

(i) Amortised cost

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through amortisation process.

(ii) Fair value through profit or loss

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt instruments that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss in the period in which it arises.

Investments in equity instruments

On initial recognition of an investment in equity instrument that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in other comprehensive income ("OCI"). Dividends from such investments are to be recognised in profit or loss when the Group's right to receive payments is established. For investments in equity instruments which the Group has not elected to present subsequent changes in fair value in OCI, changes in fair value are recognised in profit or loss.

Notes to the Financial Statements

For the financial year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.13 *Financial instruments (cont'd)*

(a) ***Financial assets (cont'd)***

Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition 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 in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss 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.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

(c) ***Offsetting of financial instruments***

Financial assets and financial liabilities are offset and the net amount is presented in the balance sheets, when and only when, there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Notes to the Financial Statements

For the financial year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.14 *Impairment of financial assets*

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss and financial guarantee contracts. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments at fair value through OCI, the Company applies the low credit risk simplification. At every reporting date, the Company evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Company reassesses the internal credit rating of the debt instrument. In addition, the Company considers that there has been a significant increase in credit risk when the contractual payments are more than 30 days past due.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.15 *Cash and cash equivalents*

Cash and cash equivalents comprise cash at bank and on hand, fixed deposits, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

Notes to the Financial Statements

For the financial year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.16 *Non-current assets held for sale and discontinued operations*

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. A component of the Group is classified as a 'discontinued operation' when the criteria to be classified as held for sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations.

In profit or loss of the current reporting period, and of the comparative period of the previous year, all income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of profit after taxes, even when the Group retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in profit or loss.

Property, plant and equipment and investment properties once classified as held for sale are not depreciated or amortised.

2.17 *Provisions*

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.18 *Transfers between levels of the fair value hierarchy*

Transfers between levels of the fair value hierarchy are deemed to have occurred on the date of the event or change in circumstances that caused the transfers.

2.19 *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.

Notes to the Financial Statements

For the financial year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.20 *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***

Employee entitlements to annual leave are recognised as a liability when they accrue to the employees. The estimated liability for leave is recognised for services rendered by employees up to the end of the reporting period.

2.21 *Leases*

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Leases where the Group retains 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.

2.22 *Financial guarantee*

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 measured at the higher of the amount of expected credit loss determined in accordance with the policy set out in Note 2.14 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised over the period of the guarantee.

2.23 *Revenue*

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

Notes to the Financial Statements

For the financial year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.23 *Revenue (cont'd)*

The following specific recognition criteria must also be met before revenue is recognised:

(a) ***Interest income***

Interest income is recognised using the effective interest method.

(b) ***Dividend income***

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

(c) ***Rental income***

Rental income arising from operating leases on investment properties 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) ***Sale/redemption of investment securities***

Revenue from sale/redemption of investment securities is recognised on trade date.

2.24 *Net gain or loss on financial assets at fair value through profit or loss*

Net gains or losses on financial assets at FVPL are changes in the fair value of financial assets held for trading or designated upon initial recognition as at FVPL and exclude interest and dividend income and expenses.

Unrealised gains and losses comprise changes in the fair value of financial instruments for the period and from reversal of the prior period's unrealised gains and losses for financial instruments which were realised in the reporting period. Realised gains and losses on disposals of financial instruments classified as at FVPL are calculated using the weighted-average method. They represent the difference between an instrument's initial carrying amount and disposal amount.

2.25 *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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.25 *Taxes (cont'd)*

(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 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 the accounting profit nor taxable profit or loss; and

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, 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, 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 the accounting profit nor taxable profit or loss; and

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.25 *Taxes (cont'd)*

(b) ***Deferred tax (cont'd)***

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it incurred during the measurement period or in profit or loss.

(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.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

2.26 *Segment reporting*

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 33, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.27 *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.

Notes to the Financial Statements

For the financial year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.28 *Treasury shares*

The Group's own equity instruments, which are reacquired (treasury shares) are recognised at cost (including directly attributable expenses) 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.

2.29 *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.

2.30 *Related parties*

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and the Company if that person:

(i) Has control or joint control over the Company;

(ii) Has significant influence over the Company; or

(iii) Is a member of the key management personnel of the Group or Company or of a parent of the Company.

Notes to the Financial Statements

For the financial year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.30 *Related parties (cont'd)*

(b) An entity is related to the Group and the Company if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;

(vi) The entity is controlled or jointly controlled by a person identified in (a);

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgements, 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 *Judgements made in applying accounting policies*

Management is of the opinion that there is no significant judgement 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.

Notes to the Financial Statements

For the financial year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D)

3.2 *Key sources of estimation uncertainty*

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Impairment of investment properties

The Group carries its investment properties at cost less accumulated depreciation and any accumulated impairment losses, with excess of carrying value over fair values being recognised as impairment in profit or loss. The Group has a policy to obtain external, independent valuations for its properties once every three years. Directors' valuations are carried out annually.

As at 31 December 2018, the fair value of the investment properties at the end of the reporting period are disclosed in Note 35 to the financial statements. The valuations applied in the determination of the fair value of investment properties are disclosed and further explained in Note 16. No impairment loss on investment properties was recorded in 2018 (2017: $801,910). The carrying amount of investment properties as at 31 December 2018 was $156,088,956 (31 December 2017: $112,040,076, 1 January 2017: $120,254,292).

4. REVENUE

	Group	
	2018	**2017**
	$	**$**
Dividend income from investment securities	1,075,188	1,086,068
Rental income from investment properties	8,705,137	8,115,307
Interest income from:		
- Associates	129,203	244,305
- Deposits with financial institutions	454,202	235,143
- Others	60,383	416,479
	643,788	895,927
Net gains from sale of investment securities	–	4,403,044
	10,424,113	14,500,346

Notes to the Financial Statements

For the financial year ended 31 December 2018

5. COST OF SALES

Included in cost of sales are:

	Group	
	2018	2017
	$	$
Direct operating expenses arising from rental generating properties	(1,948,725)	(2,663,811)
Depreciation of investment properties	(1,881,217)	(1,819,005)

6. OTHER INCOME

	Group	
	2018	2017
	$	$
Interest income from:		
- Deposits with financial institutions	19,212	8,902
Gain on disposal of investment properties	1,571,652	7,851,842
Gain on disposal of non-current investments	–	219,513
Gain on liquidation of an associated company	464,190	–
Gain on disposal of property, plant and equipment	30,242	–
Gain on remeasurement of investment in joint operation to fair value upon business combination achieved in stages	4,755,470	–
Gain on disposal of a subsidiary and its joint operation (Note 11)	1,037,045	–
Foreign currency gain (net)	723,983	–
Sundry income	264,836	297,444
	8,866,630	8,377,701

Gain on remeasurement of investment in joint operation to fair value upon business combination achieved in stages

Remeasurement gain arose from the acquisition of 30% remaining interests in Capital Eagle Limited ("CEL"). The Group recorded a gain from remeasuring its existing 70% interest in CEL to fair value upon completion of the acquisition (Note 17).

Gain on disposal of a subsidiary and its joint operation

Gain on disposal of a subsidiary and its joint operation refers to the disposal of the Group's interest in Capital Herbal Limited (Note 11).

Notes to the Financial Statements

For the financial year ended 31 December 2018

7. GENERAL AND ADMINISTRATIVE COSTS

General and administrative costs include the following:

	Group 2018 $	Group 2017 $
Directors' fees		
- Directors of the Company	(326,000)	(326,000)
Directors' remuneration		
- Directors of the Company	(838,390)	(835,318)
- Other directors of subsidiaries	(772,670)	(694,443)
- CPF contributions	(49,958)	(49,958)
	(1,661,018)	(1,579,719)
Audit fees paid to:		
- Auditor of the Company	(184,000)	(170,000)
- Other auditors	(84,931)	(87,170)
	(268,931)	(257,170)
Non-audit fees paid to auditors of the Company	(22,800)	(18,500)
Consultancy fees paid to a Director	(10,000)	–
Foreign currency loss (net)	–	(875,572)
Depreciation of property, plant and equipment	(297,424)	(289,132)
Staff costs (including executive directors)	(3,257,586)	(3,179,741)
CPF contribution (including executive directors)	(170,617)	(181,142)

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Group. The executive directors are considered key management personnel of the Group.

8. OTHER OPERATING COSTS

	Group 2018 $	Group 2017 $
Goodwill written off	(70,145)	–
Impairment losses on:		
- Quoted equity investments (current)	–	(1,150,009)
- Unquoted equity investments (non-current)	–	(1,344,468)
- Investment properties	–	(801,910)
	(70,145)	(3,296,387)

Notes to the Financial Statements

For the financial year ended 31 December 2018

9. FINANCE COSTS

	Group	
	2018	2017
	$	$
Interest expenses on bank loans and overdrafts	(1,199,450)	(1,281,861)

10. INCOME TAX EXPENSE

Major components of income tax expense

Major components of income tax expense for the years ended 31 December 2018 and 2017 are:

	Group	
	2018	2017
	$	$
Consolidated income statement:		
Current income tax		
- Current income taxation	(497,213)	(1,310,893)
- Over provision (net) in respect of previous years	209,471	507,099
	(287,742)	(803,794)
Deferred income tax		
- Origination and reversal of temporary differences	(215,469)	(87,370)
Withholding tax (expense)/refunded	(6,028)	140,464
Income tax expense recognised in profit or loss	(509,239)	(750,700)
Consolidated statement of comprehensive income:		
Deferred tax credit related to other comprehensive income:		
- Net gains on fair value changes of available-for-sale financial assets	–	151,096

Notes to the Financial Statements

For the financial year ended 31 December 2018

10. INCOME TAX EXPENSE (CONT'D)

Relationship between income tax expense and accounting profit

A reconciliation of the applicable statutory tax rate to the Group's effective tax rate for the years ended 31 December 2018 and 2017 is as follows:

	Group	
	2018	**2017**
	$	**$**
Accounting profit before tax	4,867,061	8,157,816
Domestic statutory tax rate	17.00	17.00
Adjustments:		
Non-deductible expenses	13.01	18.10
Income not subject to taxation	(12.91)	(15.62)
Over provision in respect of previous years	(3.99)	(6.22)
Withholding tax expense/(refund)	0.12	(1.72)
Deferred tax assets not recognised	0.26	1.80
Benefits from previously unrecognised tax losses	(0.49)	(0.74)
Effect of tax due to different jurisdiction	0.72	0.28
Effect of partial tax exemption and tax relief	(2.21)	(1.58)
Share of results of associates and joint ventures	(3.62)	(2.16)
Others	2.57	0.06
Effective tax rate	10.46	9.20

11. DISPOSAL OF A SUBSIDIARY AND ITS JOINT OPERATION

On 23 April 2018, the Group disposed of its 50% interest in Capital Herbal Limited ("CHL") and its joint operation. The disposal consideration was fully settled in cash, and was arrived at following arm's length negotiations on a willing-buyer willing-seller basis, taking into account, amongst others, the unaudited net asset value of CHL as at 6 April 2018. There was no significant change to the assets and liabilities of CHL for the intervening period from 6 April 2018 to 23 April 2018.

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11. DISPOSAL OF A SUBSIDIARY AND ITS JOINT OPERATION (CONT'D)

The carrying value of assets and liabilities of CHL and its joint operation recorded in the financial statements at disposal date, and the effects of the disposal were:

	2018 $
Assets:	
Investment property	23,844,272
Trade receivables	300,819
Other receivables	1,502
Cash and bank balances	911,546
	25,058,139
Liabilities:	
Trade payables	(48,495)
Other payables	(215,261)
Accrued operating expenses	(90,023)
Bank loans	(14,539,597)
	(14,893,376)
Carrying value of net assets	10,164,763
Cash consideration	12,665,138
Less: Cash and cash equivalents of the subsidiary and joint operation disposed of	(911,546)
Net cash inflow on disposal of CHL	11,753,592
Gain on disposal:	
Cash received	12,665,138
Net assets derecognised	(10,164,763)
Cumulative exchange differences in respect of the net assets of CHL reclassified from equity on loss of control of subsidiary	(1,463,330)
Gain on disposal	1,037,045

The gain on disposal was included in "Other income" in the Group's profit or loss for the year ended 31 December 2018.

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12. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit for the year, attributable to owners of the Company by the weighted average number of ordinary shares (excluding treasury shares) outstanding during the year. There is no dilution to earnings per share from conversion of dilutive potential ordinary shares into ordinary shares as no options have been granted under the Hwa Hong Corporation Limited (2001) Share Option Scheme.

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

	Group	
	2018	**2017**
	$	**$**
Profit for the year attributable to owners of the Company	4,354,096	7,407,116
Weighted average number of ordinary shares for basic and diluted earnings per share computation	652,908,500	653,048,000

The weighted average number of shares takes into account the weighted average effect of changes in treasury share transactions during the year.

13. SHARE CAPITAL AND TREASURY SHARES

(a) ***Share capital***

	Group and Company 2018 and 2017	
	No. of shares	**$**
Issued and fully paid ordinary shares		
Balance at the beginning and end of the year	653,504,000	172,153,626

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.

13. SHARE CAPITAL AND TREASURY SHARES (CONT'D)

(b) *Treasury shares*

	Group and Company			
	2018		2017	
	No. of shares	$	No. of shares	$
At 1 January	(546,000)	(164,945)	(330,000)	(98,002)
Acquired during the year	(296,900)	(95,141)	(216,000)	(66,943)
At 31 December	(842,900)	(260,086)	(546,000)	(164,945)

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

Share repurchase

At the Extraordinary General Meeting held on 7 November 2003, shareholders approved the grant of a general mandate to enable the Company to purchase or otherwise acquire its issued ordinary shares (the "Share Purchase Mandate"). The terms of the Share Purchase Mandate were set out in the Company's Circular to Shareholders dated 15 October 2003. The Share Purchase Mandate was renewed on 27 April 2017.

The Company acquired 296,900 (2017: 216,000) shares in the Company through purchases on the Singapore Exchange during the financial year. The total amount paid to acquire the shares was $95,141 (2017: $66,943) and this was presented as a component within the shareholders' equity.

14. RESERVES

	Group			Company		
	31 December 2018 $	31 December 2017 $	1 January 2017 $	31 December 2018 $	31 December 2017 $	1 January 2017 $
Revenue reserve	42,373,096	38,466,823	37,591,447	7,669,950	8,954,957	7,555,140
Capital reserve	891,163	1,000,762	1,202,081	–	–	–
Fair value reserve	(2,206,350)	7,557,958	6,326,232	–	–	–
Currency translation reserve	(23,835,019)	(21,873,181)	(22,756,997)	–	–	–
	17,222,890	25,152,362	22,362,763	7,669,950	8,954,957	7,555,140

Capital reserve represents unrealised revaluation gain pertaining to certain properties purchased from an associate.

Fair value reserve represents the cumulative fair value changes, net of tax, of financial assets at FVOCI (31 December 2017 and 1 January 2017: available-for-sale financial assets) until they are disposed of or impaired.

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.

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15. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold office property $	Leasehold land and buildings $	Furniture, motor vehicles, computers and other equipment $	Total $
Cost				
At 1 January 2017	2,299,292	5,187,456	1,870,308	9,357,056
Additions	–	–	206,752	206,752
Disposals	–	–	(291,782)	(291,782)
Currency realignment	–	–	1,437	1,437
At 31 December 2017 and 1 January 2018	2,299,292	5,187,456	1,786,715	9,273,463
Additions	–	73,000	214,629	287,629
Disposals	–	–	(147,054)	(147,054)
Currency realignment	–	–	(1,282)	(1,282)
At 31 December 2018	2,299,292	5,260,456	1,853,008	9,412,756
Accumulated depreciation and impairment loss				
At 1 January 2017	735,774	2,479,510	1,469,378	4,684,662
Depreciation for the year	45,986	120,836	122,310	289,132
Disposals	–	–	(150,660)	(150,660)
Currency realignment	–	–	(2,150)	(2,150)
At 31 December 2017 and 1 January 2018	781,760	2,600,346	1,438,878	4,820,984
Depreciation for the year	45,986	122,661	128,777	297,424
Disposals	–	–	(147,054)	(147,054)
Currency realignment	–	–	(1,282)	(1,282)
At 31 December 2018	827,746	2,723,007	1,419,319	4,970,072
Net carrying amount				
At 1 January 2017	1,563,518	2,707,946	400,930	4,672,394
At 31 December 2017	1,517,532	2,587,110	347,837	4,452,479
At 31 December 2018	1,471,546	2,537,449	433,689	4,442,684

The Group's leasehold land and buildings with a carrying value of $2,537,449 (31 December 2017: $2,587,110, 1 January 2017: $2,707,946) is mortgaged to secure its banking facilities including bank overdraft (Note 24).

Notes to the Financial Statements

For the financial year ended 31 December 2018

16. INVESTMENT PROPERTIES

Group	Freehold land $	Buildings $	Construction in-progress $	Total $
Cost				
At 1 January 2017	61,698,544	78,552,482	2,693,917	142,944,943
Additions (subsequent expenditure)	–	855,358	22,340	877,698
Reclassification	947,453	1,447,245	(2,394,698)	–
Disposal	(4,372,428)	(8,952,413)	–	(13,324,841)
Currency realignment	116,636	29,310	12,780	158,726
At 31 December 2017 and 1 January 2018	58,390,205	71,931,982	334,339	130,656,526
Additions (subsequent expenditure)	–	443,144	510,433	953,577
Reclassification	320,828	(410,347)	89,519	–
Purchase of investment properties	33,464,877	14,834,907	–	48,299,784
Arising from business combination (Note 17)	10,418,645	7,859,680	–	18,278,325
Remeasurement of previously held interest to fair value (Note 17)	5,078,491	956,237	–	6,034,728
Disposal	(17,620,998)	(7,569,302)	–	(25,190,300)
Currency realignment	(1,471,201)	(1,500,257)	(13,505)	(2,984,963)
At 31 December 2018	88,580,847	86,546,044	920,786	176,047,677
Accumulated depreciation and impairment loss				
At 1 January 2017	2,813,169	19,877,482	–	22,690,651
Depreciation for the year	–	1,819,005	–	1,819,005
Impairment loss	–	801,910	–	801,910
Reclassification	(1,358,822)	1,358,822	–	–
Disposal	(1,437,358)	(5,199,550)	–	(6,636,908)
Currency realignment	(16,989)	(41,219)	–	(58,208)
At 31 December 2017 and 1 January 2018	–	18,616,450	–	18,616,450
Depreciation for the year	–	1,881,217	–	1,881,217
Disposal	–	(339,507)	–	(339,507)
Currency realignment	–	(199,439)	–	(199,439)
At 31 December 2018	–	19,958,721	–	19,958,721
			–	
Net carrying amount				
At 1 January 2017	58,885,375	58,675,000	2,693,917	120,254,292
At 31 December 2017	58,390,205	53,315,532	334,339	112,040,076
At 31 December 2018	88,907,026	67,485,763	831,267	156,088,956

16. INVESTMENT PROPERTIES (CONT'D)

	Group	
	2018	**2017**
	$	**$**
Rental income from investment properties	8,705,137	8,115,307
Direct operating expenses (including depreciation, repairs and maintenance) arising from rental generating properties	3,829,942	4,482,816

The investment properties held by the Group, which are all rental generating, are disclosed in Note 34 to the financial statements. During the year, the Group made additions and alterations to its existing investment properties.

Valuation of the investment properties

Investment properties are measured at cost less accumulated depreciation and any accumulated impairment losses. Valuation of investment properties is performed for disclosure purposes and impairment assessments. The Group has a policy to obtain external, independent valuations for its properties once every three years. Directors' valuations are carried out annually.

Fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

For valuations performed by external valuation experts, the Group reviews the appropriateness of the valuation methodologies and assumptions adopted. The Group also evaluates the appropriateness and reliability of the inputs (including those developed internally by the Group) used in the valuations.

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.

The CFO documents and reports its analysis and results of the valuation to the Audit and Risk Committee on a quarterly basis, in line with the Group's quarterly reporting dates.

During the year, valuations were performed by Colliers International Consultancy & Valuation (Singapore) Pte Ltd ("Colliers") and Knight Frank Pte Ltd, for two properties in Singapore (31 December 2017: Colliers International Consultancy & Valuation (Singapore) Pte Ltd ("Colliers") and Knight Frank Pte Ltd for two properties in Singapore, 1 January 2017: Colliers, Farebrother Limited, GVA Grimley Limited, DTZ Debenham Tie Leung Limited and Lambert Smith Hampton Group Limited for a property in Singapore and four properties in the United Kingdom). These independent valuers have recognised and relevant professional qualification with relevant experience in the location and category of the properties being valued.

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For the financial year ended 31 December 2018

16. INVESTMENT PROPERTIES (CONT'D)

Valuation of the investment properties (cont'd)

Valuation for the remaining properties was performed by the directors as at year end, taking into consideration the advice of external valuation experts using recent transaction prices, investment method and residual method.

The valuation methods applied are further discussed in Note 35.

An impairment loss of $801,910, representing the excess of the carrying values over the market value of one property in the United Kingdom was included as part of "Other operating costs" (Note 8) in the consolidated income statement for the year ended 31 December 2017.

Properties pledged as security

Investment properties in Singapore amounting to $10,644,790 (31 December 2017: $11,845,128, 1 January 2017: $13,846,405) are mortgaged and their rental income assigned to a bank to secure bank loans and banking facilities.

Another investment property in Singapore amounting to $31,396,365 (31 December 2017: $32,301,080, 1 January 2017: $33,205,795) is mortgaged and its rental income is assigned to a bank to secure bank loans.

A newly purchased investment property in United Kingdom in 2018 amounting to $34,499,785 is mortgaged to secure bank loans. In 2017, an amount of $23,800,059 (1 January 2017: $23,834,302) was mortgaged to secured bank loans and was de-consolidated arising from the disposal of the subsidiary and its joint operation during the year (Note 11).

Material contract with a controlling shareholder

Included in the purchase of investment properties in 2018 were two commercial lands in Singapore purchased from City Developments Limited ("CDL") amounting to $13,800,000. CDL is a related corporation of Hong Leong Investment Holdings Pte. Ltd., a controlling shareholder of the Company.

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17. INVESTMENT IN SUBSIDIARIES

	Company		
	31 December 2018 $	31 December 2017 $	1 January 2017 $
Shares, at cost	188,135,003	188,135,003	188,135,003
Impairment losses			
Balance at 1 January	(17,671,146)	(18,447,850)	(17,970,600)
Charge to profit or loss	(2,614,992)	–	(477,250)
Written back	–	776,704	–
Balance at 31 December	(20,286,138)	(17,671,146)	(18,447,850)
	167,848,865	170,463,857	169,687,153
Amounts due from subsidiaries	11,264,000	6,694,000	8,674,000

Amounts due from subsidiaries are non-trade related, unsecured, non-interest bearing, repayable upon demand and are to be settled in cash.

At the end of the reporting period, the Company has provided an impairment loss of $2,614,992 (2017: written back impairment loss of $776,704) for the investment in Hwa Hong Edible Oil Industries Pte Ltd ("HHEO") as there was a decrease in the recoverable amount of this subsidiary. The recoverable amount has been determined based on fair value less costs to sell of the underlying assets of the subsidiary, which largely comprises quoted equity securities. In the current year, there was a decrease in the quoted prices of its equity securities, mainly due to unfavourable market conditions, which has led to the provision of impairment loss.

Acquisition of a subsidiary

On 23 April 2018, the Group acquired the remaining 30% interest in Capital Eagle Limited ("CEL") and the remaining 30% beneficial interest held by CEL as trustee in the freehold retail and commercial property known as 20 Midtown. The consideration for the transfer of the remaining CEL shares was arrived at following arm's length negotiations on a willing-buyer willing-seller basis, taking into account, amongst others, the unaudited net asset value of CEL as at 6 April 2018.

Prior to the transaction, the Group's 70% equity interest in CEL and the 20 Midtown property was accounted for as a joint operation. As CEL became a wholly-owned subsidiary, the acquisition of the remaining 30% is then a business combination achieved in stages, for which the Group performed a provisional purchase price allocation ("PPA") exercise.

Notes to the Financial Statements

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17. INVESTMENT IN SUBSIDIARIES (CONT'D)

Acquisition of a subsidiary (cont'd)

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

	Fair value recognised on acquisition $
Assets	
Investment properties	18,278,325
Other receivables	356,060
Trade debtors	181,404
Other receivables	233,431
	19,049,220
Liabilities	
Trade creditors	(46,369)
Other creditors	(314,179)
Accruals	(38,132)
Deferred tax liability	(71,213)
	(469,893)
Total identifiable net assets at fair value	18,579,327
Goodwill arising from acquisition	71,213
Consideration for the acquisition of 30% interest in CEL	18,650,540
Effect of the acquisition of CEL on cash flows	
Consideration settled in cash	18,650,540
Less: Cash and cash equivalents of subsidiary acquired	–
Net cash outflow on acquisition	18,650,540

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17. INVESTMENT IN SUBSIDIARIES (CONT'D)

Transaction and advisory costs

Transaction and advisory costs related to the acquisition of $1,543,604 have been recognised in the "General and administrative costs" line item in the Group's profit or loss for the year ended 31 December 2018.

Gain on remeasuring previously held equity interest in CEL to fair value at acquisition date

The Group recognised a gain of $4,755,470 as a result of measuring at fair value its 70% equity interest in CEL held before the business combination. The gain is included in the "Other income" line item in the Group's profit or loss for the year ended for 31 December 2018.

Goodwill on acquisition and goodwill written off

The goodwill of $71,213 represents excess purchase consideration paid over the fair value of its identifiable net assets and is written off in the "Other operating costs" in the Group's profit or loss for the year ended 31 December 2018. The goodwill amount written off amounted to $70,145, after deducting the impact of currency differences of $1,068. None of the goodwill recognised is expected to be deductible for income tax purposes.

Impact of the acquisition on profit or loss

From the acquisition date, CEL has contributed approximately $1,835,000 of revenue and $1,082,000 to the Group's profit for the year. If the business combination had taken place at the beginning of the year, the revenue from continuing operations would have been approximately $2,512,000 and the Group's profit from continuing operations, net of tax would have been approximately $1,835,000.

Provisional accounting of the acquisition of CEL

A purchase price allocation ("PPA") exercise was conducted to determine the fair values of the identifiable net assets of CEL. As at 31 December 2018, the fair values of CEL have been determined on a provisional basis as the final results of the assessment have not been finalised by the date the financial statements were authorised for issue. Goodwill arising from this acquisition, deferred tax liability and goodwill written off have been determined and recorded based on a preliminary assessment. These amounts will be adjusted accordingly on a retrospective basis if the finalisation of the PPA is substantially different from the provisional PPA exercise.

Notes to the Financial Statements

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18. INVESTMENT IN ASSOCIATES

The Group's and the Company's material investments in associates are summarised below:

	Group			Company		
	31 December 2018	31 December 2017	1 January 2017	31 December 2018	31 December 2017	1 January 2017
	$	$	$	$	$	$
Scotts Spazio Pte. Ltd.	7,636,346	10,417,110	8,747,520	–	–	–
Hong Property Investments Pte Ltd	6,819,360	6,644,101	6,107,272	–	–	–
Clan Kilmuir (Jersey) Limited	8,446,522	9,869,348	10,750,962	–	–	–
Other associates	796,574	881,745	944,026	800,000	800,000	800,000
	23,698,802	27,812,304	26,549,780	800,000	800,000	800,000
Less: Impairment losses	–	–	–	(54,200)	(54,200)	(54,200)
	23,698,802	27,812,304	26,549,780	745,800	745,800	745,800

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

	Group	
	2018	2017
	$	$
Profit after tax, representing total comprehensive income	64,713	137,449

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18. INVESTMENT IN ASSOCIATES (CONT'D)

The summarised financial information in respect of Scotts Spazio Pte. Ltd., Hong Property Investments Pte Ltd and Clan Kilmuir (Jersey) Limited, based on its IFRS financial statements and a reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

Summarised balance sheet

		Scotts Spazio Pte. Ltd.	
	As at 31 December 2018	**As at 31 December 2017**	**As at 1 January 2017**
	$	**$**	**$**
Current assets	1,095,314	1,808,649	8,327,807
Non-current assets	18,734,305	23,780,261	28,830,648
Total assets	19,829,619	25,588,910	37,158,455
Current liabilities	1,609,338	1,864,153	7,951,661
Non-current liabilities	2,947,589	2,890,538	11,711,755
Total liabilities	4,556,927	4,754,691	19,663,416
Net assets	15,272,692	20,834,219	17,495,039
Proportion of the Group's ownership	50%	50%	50%
Group's share of net assets	7,636,346	10,417,110	8,747,520
Other adjustments[(1)]	–	–	–
Carrying amount of the investment, representing Group's share of net assets	7,636,346	10,417,110	8,747,520

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Hong Property Investments Pte Ltd			Clan Kilmuir (Jersey) Limited		
As at 31 December 2018	**As at 31 December 2017**	**As at 1 January 2017**	**As at 31 December 2018**	**As at 31 December 2017**	**As at 1 January 2017**
$	**$**	**$**	**$**	**$**	**$**
44,582,903	44,578,449	45,345,137	62,438	112,634	97,143
2,516	5,523	6,407	23,538,978	24,529,892	23,513,880
44,585,419	44,583,972	45,351,544	23,601,416	24,642,526	23,611,023
574,879	888,304	476,324	13,023	8,858	7,099
21,279,341	21,548,665	24,517,648	–	–	–
21,854,220	22,436,969	24,993,972	13,023	8,858	7,099
22,731,199	22,147,003	20,357,572	23,588,393	24,633,668	23,603,924
30%	30%	30%	50%	50%	50%
6,819,360	6,644,101	6,107,272	11,794,197	12,316,834	11,801,962
–	–	–	(3,347,675)	(2,447,486)	(1,051,000)
6,819,360	6,644,101	6,107,272	8,446,522	9,869,348	10,750,962

Notes to the Financial Statements

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18. INVESTMENT IN ASSOCIATES (CONT'D)

Summarised statement of comprehensive income

	Scotts Spazio Pte. Ltd.		Hong Property Investments Pte Ltd		Clan Kilmuir (Jersey) Limited	
	As at 31 December 2018 $	As at 31 December 2017 $	As at 31 December 2018 $	As at 31 December 2017 $	As at 31 December 2018 $	As at 31 December 2017 $
Revenue	12,304,986	12,342,223	–	2,382,100	–	–
Profit after tax, representing total comprehensive income before adjustments	3,438,472	3,339,180	584,196	1,789,430	(722,788)	(1,447,360)
Other adjustments[1]	–	–	–	–	(1,386,829)	(1,336,994)
Profit after tax, representing total comprehensive income	3,438,472	3,339,180	584,196	1,789,430	(2,109,617)	(2,784,354)

[1] Other adjustments mainly relate to adjustments made to the carrying value of the associate's investment property in order to align their accounting treatment with the accounting policy of the Group.

	Group			Company		
	31 December 2018 $	31 December 2017 $	1 January 2017 $	31 December 2018 $	31 December 2017 $	1 January 2017 $
Amount due from associate:						
- Loan 1	6,383,802	6,464,599	7,355,294	–	–	–
- Loan 2	–	–	2,000,000	–	–	–
	6,383,802	6,464,599	9,355,294	–	–	–
Amount due within one year	6,383,802	6,464,599	7,355,294	–	–	–
Amount due between one and five years	–	–	2,000,000	–	–	–
	6,383,802	6,464,599	9,355,294	–	–	–
Amounts due to associates:						
Amounts due within one year	(1,982,589)	(542,401)	(562,608)	(366,383)	(361,302)	(381,403)

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18. INVESTMENT IN ASSOCIATES (CONT'D)

Included in amounts due to associates is an amount of $366,383 (31 December 2017: $361,302, 1 January 2017: 381,403) denominated in United States Dollar.

Loan 1 is due from an associate is a loan that is related to Hong Leong Investment Holdings Pte. Ltd., a substantial shareholder of the Company. The amount is unsecured, repayable upon demand, bears interest at 2% (31 December 2017: 2%, 1 January 2017: 2%) per annum and is to be settled in cash.

Loan 2 was unsecured, bore interest at 5% per annum. The balance was fully repaid in 2017.

Amounts due to associates are non-trade related, unsecured, non-interest bearing, repayable on demand and to be settled in cash.

19. INVESTMENT IN JOINT VENTURES

The Group's investment in joint ventures is summarised below:

	Group		
	31 December 2018	**31 December 2017**	**1 January 2017**
	$	**$**	**$**
Neo Pav E Investments LLP	1,014,568	1,060,349	2,565,974
Neo Bankside Retail LLP	2,092,776	2,045,581	4,744,545
Loman Holdings Ltd	–	–	–
	3,107,344	3,105,930	7,310,519

The Group has a 50% (31 December 2017 and 1 January 2017: 50%) interest in the ownership and voting rights in two limited liability partnership joint ventures, Neo Pav E Investments LLP and Neo Bankside Retail LLP that are held through a subsidiary. The Group jointly controls the ventures with the other partner under the contractual agreement which requires unanimous consent for all major decisions over the relevant activities.

The Group has not recognised losses relating to Loman Holdings Ltd where its share of losses exceeds the Group's interest in this joint venture. The Group's share of unrecognised losses at the end of the reporting period was $49,633, of which $49,720 was the share of the current year's losses. The Group has no obligation in respect of these losses.

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19. INVESTMENT IN JOINT VENTURES (CONT'D)

Summarised financial information in respect of Neo Pav E Investments LLP and Neo Bankside Retail LLP based on its IFRS financial statements, and reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

Summarised balance sheet

	Neo Pav E Investments LLP			Neo Bankside Retail LLP		
	As at 31 December 2018	As at 31 December 2017	As at 1 January 2017	As at 31 December 2018	As at 31 December 2017	As at 1 January 2017
	$	$	$	$	$	$
Current assets	385,339	486,663	754,509	1,525,552	1,240,573	1,492,685
Non-current assets	12,728,484	13,082,609	13,023,072	25,108,243	25,983,514	24,237,384
Total assets	13,113,823	13,569,272	13,777,581	26,633,795	27,224,087	25,730,069
Current liabilities	249,461	228,499	258,413	748,793	642,514	550,393
Non-current liabilities	7,216,843	7,637,400	4,980,531	14,363,330	15,243,095	10,319,077
Total liabilities	7,466,304	7,865,899	5,238,944	15,112,123	15,885,609	10,869,470
Net assets	5,647,519	5,703,373	8,538,637	11,521,672	11,338,478	14,860,599
Proportion of the Group's ownership	50%	50%	50%	50%	50%	50%
Group's share of net assets	2,823,760	2,851,687	4,269,319	5,760,836	5,669,239	7,430,300
Other adjustments (1)	(1,809,192)	(1,791,338)	(1,703,345)	(3,668,060)	(3,623,658)	(2,685,755)
Carrying amount of the investment	1,014,568	1,060,349	2,565,974	2,092,776	2,045,581	4,744,545

Notes to the Financial Statements

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19. INVESTMENT IN JOINT VENTURES (CONT'D)

Summarised financial information in respect of Neo Pav E Investments LLP and Neo Bankside Retail LLP based on its IFRS financial statements, and reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows (cont'd):

Summarised statement of comprehensive income

	Neo Pav E Investments LLP		Neo Bankside Retail LLP	
	As at 31 December 2018 $	As at 31 December 2017 $	As at 31 December 2018 $	As at 31 December 2017 $
Revenue	484,773	441,135	961,954	717,259
Other income	37,183	–	742	–
Operating (expenses)/income	(117,879)	(173,746)	(455,848)	2,705
Interest expense	(259,138)	(181,711)	(372,990)	(267,787)
	144,939	85,678	133,858	452,177
Other adjustments [1]	(148,983)	(157,148)	133,570	(211,534)
(Loss)/profit after tax, representing total comprehensive income	(4,044)	(71,470)	267,428	240,643

[1] Other adjustments mainly relate to adjustments made to the carrying values of the joint ventures' investment properties in order to align their accounting treatment with the accounting policies of the Group.

20. INVESTMENT SECURITIES

	Group		
	31 December 2018 $	31 December 2017 $	1 January 2017 $
(a) Investment securities at 31 December 2018			
Current			
At fair value through profit or loss			
- Equity securities (quoted)	15,747,041	–	–
- Debt instruments	2,679,000	–	–
	18,426,041	–	–
Non-current			
At fair value through other comprehensive income			
- Equity securities (quoted)	5,256,613	–	–
- Equity securities (unquoted)	17,938,474	–	–
- Non-equity securities (quoted)	3,603,728	–	–
	26,798,815	–	–

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For the financial year ended 31 December 2018

20. INVESTMENT SECURITIES (CONT'D)

	Group 31 December 2018 $	31 December 2017 $	1 January 2017 $
(b) Investment securities at 31 December 2017			
Non-current			
Available-for-sale:			
- Quoted non-equity, at fair value	–	4,258,878	3,690,936
- Unquoted equity, at fair value	–	18,953,240	17,088,617
	–	23,212,118	20,779,553
Current			
Available-for-sale:			
- Quoted equity, at fair value	–	24,773,499	28,872,625

Included in the quoted non-equity investments and unquoted equity securities are amounts of $10,959,742 (31 December 2017: $13,208,880, 1 January 2017: $11,486,577), $9,967,862 (31 December 2017: $9,354,290, 1 January 2017: $8,626,439) and $6,835,254 (31 December 2017: $7,568,269, 1 January 2017: $5,570,954) denominated in Sterling Pound, United States Dollar and Korean Won, respectively.

Investments in equity instruments designated at fair value through other comprehensive income

The fair value of each of the investments in equity instruments designated at fair value through other comprehensive income at the end of the reporting period is as follows:

	Group 31 December 2018 $
MTQ Corporation Ltd	2,356,870
Pan Hong Holdings Group Ltd	64,000
Singapore Reinsurance Corporation Limited	2,835,743
DCG Asia Value Fund (Cayman)	219,313
Value Monetization III Ltd (BVI)	3,495,053
Majuven Fund 1 Ltd	395,285
Accion Asia Growth Fund (Cayman)	267,731
Gaw NP Capital Vietnam Fund 1 LP (Cayman)	6,205,078
GOGC Allen House, LP (Cayman)	7,356,014
	23,195,087

The Group has elected to measure these equity securites at FVOCI due to the Group's intention to hold these equity instruments for long-term appreciation.

During the year, the Group received return of capital of $42,069 from Majuven Fund 1 Ltd, $35,655 from Accion Asia Growth Fund and $575,008 from Gaw NP Capital Vietnam Fund 1 LP.

The Group recognised a dividend of $202,400, $129,350 and $33,936 from Pan Hong Holdings Group Ltd, Singapore Reinsurance and Gaw NP Capital Vietnam Fund 1 LP (Cayman) respectively during the year.

Notes to the Financial Statements

For the financial year ended 31 December 2018

20. INVESTMENT SECURITIES (CONT'D)

Impairment losses

During the year ended 31 December 2017, the Group recognised impairment loss of $1,150,009 and $1,344,468 for quoted equity investments and unquoted equity investments respectively as there were "significant" or "prolonged" decline in the fair value of these investments below their costs. The Group had treated "significant" generally as 30% and "prolonged" as greater than 12 months.

21. OTHER RECEIVABLES

	Group			Company		
	31 December 2018	31 December 2017	1 January 2017	31 December 2018	31 December 2017	1 January 2017
	$	$	$	$	$	$
Current						
Sundry receivables	599,363	333,192	516,758	–	–	–
Dividend receivable	112,617	121,127	118,449	–	–	–
Interest receivable	276,313	67,669	59,050	–	6,778	475
Deposits receivable	93,753	100,847	121,618	–	–	–
Loan to joint venture partner	–	–	9,812,574	–	–	–
Amounts receivable from joint venture	1,485,546	1,578,033	1,469,942	–	–	–
Amounts receivable from a joint venture partner	340,530	–	–	–	–	–
Amounts due from estate agents	1,158,949	1,027,398	1,420,281	–	–	–
	4,067,071	3,228,266	13,518,672	–	6,778	475
Non-current						
Amounts receivable from joint venture	7,148,877	–	–	–	–	–
Interest receivable on loan to an associate	–	–	401,093	–	–	–
Deferred rental receivable	6,787,307	5,581,856	4,960,673	–	–	–
	13,936,184	5,581,856	5,361,766	–	–	–
Total other receivables	18,003,255	8,810,122	18,880,438	–	6,778	475

Notes to the Financial Statements

For the financial year ended 31 December 2018

21. OTHER RECEIVABLES (CONT'D)

Current amounts receivable from joint ventures of $1,485,546 (31 December 2017: $1,578,033, 1 January 2017: $1,469,942), amounts receivable from a joint venture partner of $340,530, amounts due from estate agents of $1,158,949 (31 December 2017: $1,027,398, 1 January 2017: $1,420,281) and non-current amounts receivable from joint venture of $7,148,877 (31 December 2017: $Nil, 1 January 2017: $Nil) are denominated in Sterling Pound.

Deposits receivable

The amount pertains to tenants' deposits receivable from agents and is repayable on demand.

Current amounts receivable from joint venture

Amounts receivable from joint venture of $1,485,546 (31 December 2017: $1,578,033, 1 January 2017: $1,469,942) bear interest at 4% (31 December 2017 and 1 January 2017: 7%) per annum and are repayable on demand. The amounts are secured by way of legal mortgage over an investment property of the joint venture in United Kingdom, including the joint venture partner's share of the property. At 31 December 2018, the carrying amount of the property was $7,994,534 (31 December 2017: $8,331,510, 1 January 2017: $6,966,016), including the joint venture partner's share of the property.

Current amounts receivable from a joint venture partner

Amounts receivable of $340,530 from a joint venture partner is non-trade related, unsecured, non-interest bearing, repayable on demand and to be settled in cash.

Non-current amounts receivable from joint venture

Amount receivable from joint ventures of $7,148,877 is non-interest bearing, unsecured, non-trade related and is not expected to be repaid within the next twelve months.

Loan to joint venture partner

The loan to joint venture partner at 1 January 2017 bore interest at 8% per annum and was repaid on 2 June 2017. The loan was secured by a charge over shares owned by the joint venture partner in two entities.

Interest receivable on loan to an associate

In 2016, the amount relates to interest receivable on a shareholder's loan of $2,000,000. The interest receivable and shareholder's loan were fully received in FY2017.

Deferred rental receivable

Deferred rental receivable relates to lease income that remains to be amortised over the lease term on a straight-line basis. The amount is mainly contributed by rental income from a Singapore investment property, for which a subsidiary has entered into a 15-year commercial property lease and granted the lessee a 7-month rent free period.

21. OTHER RECEIVABLES (CONT'D)

Receivables that are past due but not impaired

The Group has no other receivables that are past due but not impaired.

Receivables that are impaired

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

	31 December 2017 $	**1 January 2017 $**
Other receivables, nominal amounts	485,182	485,182
Allowance for doubtful debts	(485,182)	(485,182)
	–	–
Movement of allowance for doubtful debts:		
At 1 January and 31 December	485,182	

At the end of the reporting period 31 December 2017, the Group determined an amount of $485,182 (1 January 2017: $485,182) to be impaired following an assessment to determine collectability of the debt. This receivable was not secured by any collateral or credit enhancements.

Expected credit losses

	2018 $
Movement of allowance for doubtful debts:	
At 1 January	485,182
Amount written off during the year	(485,182)
At 31 December	–

22. TRADE RECEIVABLES

	Group		
	31 December 2018 $	31 December 2017 $	1 January 2017 $
Trade receivables	1,860,845	697,526	797,584
Allowance for doubtful debts	–	(203,398)	(202,471)
	1,860,845	494,128	595,113

Trade receivables are non-interest bearing and are generally on 30 to 90 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

<u>Receivables that are past due but not impaired</u>

The Group has trade receivables amounting to $5,812 (31 December 2017: $5,812, 1 January 2017: $26,492) that are past due at the end of the reporting period but not impaired. These receivables were unsecured and the analysis of their aging at the end of the reporting period is as follows:

	Group		
	31 December 2018 $	31 December 2017 $	1 January 2017 $
Trade receivables past due but not impaired:			
Lesser than 30 days	5,812	5,812	5,812
30 – 60 days	–	–	5,812
61 – 90 days	–	–	5,812
91 – 120 days	–	–	5,778
More than 120 days	–	–	3,278
	5,812	5,812	26,492

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For the financial year ended 31 December 2018

22. TRADE RECEIVABLES (CONT'D)

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 account used to record the impairment are as follows:

	Group	
	31 December 2017 $	1 January 2017 $
Trade receivables, nominal amounts	203,398	202,471
Allowance for doubtful debts	(203,398)	(202,471)
	–	–
Movement of allowance for doubtful debts:		
At 1 January	202,471	
Exchange differences	927	
At 31 December	203,398	

At the end of 2017, the Group has determined a trade receivable of $203,398 (1 January 2017: $202,471) to be impaired as the debtor has ceased business operations and defaulted on payment. This receivable is not secured by any collateral or credit enhancements.

Expected credit losses

	Group 2018 $
Movement of allowance for doubtful debts:	
At 1 January	203,398
Exchange differences	(1,328)
Written off	(202,070)
At 31 December	–

Notes to the Financial Statements

For the financial year ended 31 December 2018

23. CASH AND BANK BALANCES

	Group			Company		
	31 December 2018 $	31 December 2017 $	1 January 2017 $	31 December 2018 $	31 December 2017 $	1 January 2017 $
Fixed deposits	22,778,980	27,600,000	29,400,000	–	3,100,000	900,000
Cash at bank and on hand	9,592,108	23,082,911	7,466,008	674,128	858,628	480,696
	32,371,088	50,682,911	36,866,008	674,128	3,958,628	1,380,696
Included in above are:						
Fixed deposits pledged for banking facilities	19,278,980	19,000,000	19,000,000	–	–	–

Fixed deposits are made for varying periods of between one month and six months, depending on the immediate cash requirements of the Group and the Company, and earn interests at the respective fixed deposit rates. The effective interest rates at 31 December 2018 were in the range of 0.78% to 1.54% (31 December 2017: 0.78% to 1.14%, 1 January 2017: 0.35% to 1.14%) per annum.

Cash and bank balances denominated in foreign currencies as at reporting date are as follows:

	Group			Company		
	31 December 2018 $	31 December 2017 $	1 January 2017 $	31 December 2018 $	31 December 2017 $	1 January 2017 $
Sterling Pound	432,037	1,841,204	68,747	–	–	–
Singapore Dollars	399,337	410,610	1,410,652	–	–	–

Reconciliation of the cash and bank balances to cash and cash equivalents have been presented in the consolidation cash flows statements.

24. BANK OVERDRAFT

The bank overdraft is denominated in SGD, bears interest at 5% p.a. and is secured by the leasehold building and assignment of tenancy agreement in respect of the property (Note 15).

Notes to the Financial Statements

For the financial year ended 31 December 2018

25. TRADE PAYABLES

Trade payables are non-interest bearing and are normally settled on 30 to 90 days' terms.

26. OTHER PAYABLES

	Group			Company		
	31 December 2018 $	31 December 2017 $	1 January 2017 $	31 December 2018 $	31 December 2017 $	1 January 2017 $
Current						
Tenancy deposits	838,936	747,705	450,770	–	–	–
Unclaimed dividends	337,404	334,309	305,083	337,404	334,309	305,082
Deferred income	736,266	388,156	357,340	–	–	–
Other tax payables	31,251	26,476	86,232	–	–	–
Construction related costs payable	58,850	–	–	–	–	–
Rental received in advance	9,340	3,241	30,642	–	–	–
Amounts due to estate agents	180,601	–	–	–	–	–
Sundry payables	790,423	692,456	694,353	34,387	34,437	44,474
	2,983,071	2,192,343	1,924,420	371,791	368,746	349,556
Non-current						
Tenancy deposits	477,275	392,421	456,349	–	–	–
Loan to non-controlling interest	5,065,792	–	–	–	–	–
	5,543,067	392,421	456,349	–	–	–

Sundry payables are non-interest bearing and have an average term of 60 days.

Loan to non-controlling interest

Loan to non-controlling interest is denominated in Sterling Pound. The amount is unsecured, non-interest bearing, and not repayable within the next 12 months.

Other payables denominated in foreign currencies as at 31 December are as follows:

	Group		
	31 December 2018 $	31 December 2017 $	1 January 2017 $
Chinese Renminbi	246,426	226,128	523,885

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27. BANK LOANS (SECURED)

	Group		
	31 December 2018	**31 December 2017**	**1 January 2017**
	$	**$**	**$**
Non-current			
- Long-term Sterling Pound bank loan	17,217,455	–	11,212,051
Current			
- Short-term Singapore Dollar bank loan	12,500,000	1,800,000	2,900,000
- Short-term Sterling Pound bank loans	52,619,778	51,376,494	54,805,428
	65,119,778	53,176,494	57,705,428
Total bank loans	82,337,233	53,176,494	68,917,479

Short-term Singapore Dollar bank loan comprises of a revolving loan of $12,500,000 which is secured by a legal charge over a subsidiary's investment property, assignment of tenancy agreements in the investment property and a corporate guarantee from another subsidiary. The loan bears interest at bank's cost of funds rate + 1.4% per annum. The loan of $1,800,000 at 31 December 2017 (1 January 2017: $2,900,000) was repaid during the year. The loan was secured by an existing corporate guarantee of $4,000,000 (1 January 2017: $4,000,000) from another subsidiary and bore interest at swap rate plus 1.375% (1 January 2017: 1.375%) per annum.

Short-term Sterling Pound bank loans comprise of:

(a) A revolving loan of $3,487,256 (31 December 2017: $3,634,058, 1 January 2017: $5,426,280) granted to a subsidiary. The loan is secured by a legal charge of $4,000,000 (31 December 2017 and 1 January 2017: $4,000,000) over the subsidiary's fixed deposits and bears interest at bank's offer rate plus 1.4% (31 December 2017: 1.4%, 1 January 2017: 1.4% - 1.8%) per annum.

(b) A revolving loan of $24,236,429 (31 December 2017: $15,081,340, 1 January 2017: $25,322,640) granted by the same bank to the same subsidiary as in (a) above. The loan is secured by a legal charge over the subsidiary's investment property and assignment of tenancy agreement in respect of the property. The loan bears interest at bank's offer rate plus 1.4% (31 December 2017 and 1 January 2017 December 2017 and 1 January 2017: 1.4%) per annum.

(c) A revolving loan of $24,896,093 (31 December 2017: $18,170,290, 1 January 2017: $24,056,508) granted by another bank to the same subsidiary as in (a) above. The loan is secured by a corporate guarantee from the holding company and a legal charge of $15,000,000 (31 December 2017 and 1 January 2017: $15,000,000) over the subsidiary's fixed deposits. The loan bears interest at bank's costs of funds rate plus 1.1% - 1.7% (31 December 2017 and 1 January 2017: 1.1% - 1.7%) per annum.

Notes to the Financial Statements

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27. BANK LOANS (SECURED) (CONT'D)

(d) A bank loan of $14,490,806 was granted to a subsidiary at 31 December 2017 (1 January 2017: $11,212,051). The loan was secured by a legal charge over the subsidiary's investment property. $11,263,309 (1 January 2017: $5,607,156) of this loan bore interest at LIBOR rate plus 1.8% (1 January 2017: 1.8%) per annum, whereby the LIBOR was capped at a rate of 1.25% (1 January 2017: 1.25%) and had a floor rate of 0.49% (1 January 2017: 0.49%). The remaining balance bore interest at LIBOR rate plus 1.8% (1 January 2017: 1.8%) per annum. In 2018, the loan was de-consolidated arising from the disposal of the subsidiary and its joint operation (Note 11).

Long-term Sterling Pound bank loans comprises of a bank loan of $17,217,455 (31 December 2017: $Nil) granted to a subsidiary. The loan is secured by a legal charge over the subsidiary's investment property, a pledged deposit of $278,980, assignment of tenancy agreement and rental income and a corporate guarantee from another subsidiary. The loan is repayable in year 2021 and bears interest at LIBOR rate plus 2.3% per annum.

Under the terms and conditions of the respective loans, these subsidiaries are prohibited from lifting the fixed deposits or subjecting them to further charges without furnishing a replacement security of similar value.

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

				Non-cash changes		
2018	**At 1 January**	**Proceeds**	**Repayments**	**Foreign exchange movement**	**Other**	**At 31 December**
	$	**$**	**$**	**$**	**$**	**$**
Bank borrowings						
Current	53,176,494	30,032,985	(1,800,000)	(1,750,104)	(14,539,597)	65,119,778
Non-current	–	17,217,455	–	–	–	17,217,455
Total	53,176,494	47,250,440	(1,800,000)	(1,750,104)	(14,539,597)	82,337,233
2017						
Bank borrowings						
Current	57,705,428	–	(19,013,417)	(6,323)	14,490,806	53,176,494
Non-current	11,212,051	3,161,832	–	116,923	(14,490,806)	–
Total	68,917,479	3,161,832	(19,013,417)	110,600	–	53,176,494

The 'Other' column in 2018 relates to disposal of Capital Herbal Limited (Note 11). The 'Other' column in 2017 relates to the reclassification of non-current portion of bank borrowings to current due to passage of time.

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28. DEFERRED TAX LIABILITIES

Group	Group: Consolidated balance sheet 31 December 2018 $	31 December 2017 $	1 January 2017 $	Consolidated income statement 2018 $	2017 $
Deferred tax liabilities					
Remeasurement gain	(1,222,409)	–	–	–	–
Revaluations to fair value of available-for-sale financial assets	–	(492,725)	(643,821)	–	–
Differences in depreciation and capital allowances	(1,342,335)	(1,439,794)	(1,543,558)	(97,459)	(103,764)
Accrued interest income	(2,350,189)	(2,037,261)	(1,846,127)	312,928	191,134
	(4,914,933)	(3,969,780)	(4,033,506)		
Net deferred tax liabilities	(4,914,933)	(3,969,780)	(4,033,506)		
Deferred tax expense				215,469	87,370

Unrecognised tax losses

As the end of the reporting period, the Group has tax losses of approximately $15,222,000 (31 December 2017: $15,376,000, 1 January 2017: $15,569,000) that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain 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 (31 December 2017 and 1 January 2017: $Nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 29).

29. DIVIDENDS

	Group 2018 $	2017 $
In respect of financial year ended 31 December 2016:		
- Final exempt (one-tier) dividend of 1.00 cent per share	–	6,531,740
In respect of financial year ended 31 December 2017:		
- Final exempt (one-tier) dividend of 1.10 cents per share	7,182,538	–
	7,182,538	6,531,740

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29. DIVIDENDS (CONT'D)

The directors of the Company have recommended a final tax exempt ordinary dividend of 1 cent per share, totaling $6,526,610 to be paid in respect of the financial year ended 31 December 2018, subject to shareholders' approval at the annual general meeting of the Company.

30. RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions are entered into by the Group and the Company with related parties at terms agreed between the parties:

	Group		Company	
	2018	2017	2018	2017
	$	$	$	$
Income statement				
Management fees paid and payable to a subsidiary	–	–	122,187	132,090
Rental fee paid and payable to a subsidiary	–	–	53,741	–
Reimbursement of expense to a subsidiary	–	–	6,727	–
Interest income from associates	(129,203)	(244,305)	–	–

31. COMMITMENT AND CONTINGENCIES

	Group			Company		
	31 December 2018	31 December 2017	1 January 2017	31 December 2018	31 December 2017	1 January 2017
	$	$	$	$	$	$
(a) ***Contingent liabilities***						
Financial guarantees given to financial institutions in connection with facilities given to its joint ventures and subsidiaries	7,950,994	8,285,652	8,247,946	15,000,000	15,000,000	15,000,000

The fair value of the financial guarantees provided for its joint ventures and subsidiaries is not expected to be material as a portion of the loans and borrowings are collateralised against the joint ventures' investment properties and a subsidiary's fixed deposits. Further, the probability of the joint ventures and the subsidiaries defaulting on the credit lines is remote. Accordingly, the financial guarantees have not been recognised.

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31. COMMITMENT AND CONTINGENCIES (CONT'D)

	Group		
	31 December 2018 $	31 December 2017 $	1 January 2017 $
(b) ***Capital commitments***			
Investment properties	282,552	–	–
Property, plant and equipment	–	51,100	–
Unquoted investment securities	4,862,756	5,480,950	6,201,257
Investment in an associates	5,544,737	5,778,152	6,240,222

(c) ***Contingent asset***

In April 2013, one of the Group's joint ventures (the "JV") was granted a 125 year lease on the site of the former post office building in Fitzalan Square, Sheffield, United Kingdom (the "Site") as part of the redevelopment of the Site.

Concurrently, the lessee of the Site, the JV and the development manager of the site ("DM") have entered into agreements for the redevelopment of the Site ("Agreements") and the Group opined that the Agreements were integral to the 125 year lease as the lease would not have been granted had the Agreements not been put in place.

Pursuant to the Agreements, the funds required for the redevelopment of the Site is to be provided by the lessee and the JV could be entitled to receive up to GBP2.16 million in the event the Site is refinanced or disposed of in the future following its redevelopment, including the Group's share of GBP1.08 million.

During the financial year ended 31 December 2016, the JV has received GBP749,000 (equivalent to approximately $1,399,546), including the Group's share of GBP374,500 (equivalent to approximately $699,773) upon the completion of the Site refinancing.. The JV could be entitled to receive the remaining balance of GBP1,411,000 (equivalent to approximately $2,512,000), including the Group's share of GBP705,500 (equivalent to approximately $1,256,000), in the event the Site is disposed of in the future following its redevelopment.

Given the uncertainty in relation to (i) the future value of the Site post-development; and (ii) the possible sale of the redeveloped Site post-completion, the directors believe that it is not virtually certain that a profit will be realised. Hence, no contingent asset is recognised at the end of the reporting period in 2018 and 2017.

(d) ***Operating lease commitments - As lessor***

The Group has entered into residential and commercial property leases on its investment property portfolio. These non-cancellable leases have remaining non-cancellable lease terms of between 1 and 120 years (2017: 1 and 121 years). All leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions.

31. COMMITMENT AND CONTINGENCIES (CONT'D)

Future minimum lease payments receivable under non-cancellable operating leases as at 31 December are as follows:

	Group		
	31 December 2018 $	31 December 2017 $	1 January 2017 $
Within one year	8,680,000	7,874,090	7,047,931
Between one year and five years	31,538,720	25,576,790	21,278,353
Later than 5 years	33,656,549	36,527,476	37,173,234
	73,875,269	69,978,356	65,499,518

32. DIRECTORS' REMUNERATION

The number of directors of the Company whose emoluments fall within the following bands is as follows:

	2018	2017
$500,000 to $749,999	1	1
Below $250,000	6	6
	7	7

33. GROUP SEGMENTAL INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. Management has determined the operating segments based on the reports reviewed by the chief operating decision maker to make decisions about allocation of resources and assessment of performance.

The Group has three reportable segments, as described below, which are the Group's strategic business units. The strategic units offer different products and services and are managed separately because they require different strategies.

The following summary describes the operations in each of the Group's reportable segments:

- Rental: rental of residential, commercial properties and warehouse
- Investments: investment holding (other than the Company's investment in subsidiaries)
- Corporate and others: packing and trading of edible oils as well as the Company's investment holding of subsidiaries

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies. All assets and liabilities are allocated to reportable segments.

For purposes of monitoring segment performance and allocating resources between segments, the chief operating decision maker monitors performance based on segment profit before income tax. Segment profit is measured as management believes the information is useful in evaluating the results of certain segments relative to other entities that operate within these industries. The segment transactions are determined on an arm's length basis.

Transfer prices between operating segments are on an arms' length basis in a manner similar to transactions with third parties.

Unallocated items such as cash at bank, bank overdraft, bank loans, provision for tax, deferred taxation, group financing (including finance costs), income tax and certain foreign exchange differences are managed on a group basis and are not allocated to operating segments.

Notes to the Financial Statements

For the financial year ended 31 December 2018

33. GROUP SEGMENTAL INFORMATION (CONT'D)

31 December	Rental		Investments	
	2018	2017	2018	2017
	$	$	$	$
Revenue				
- External	8,705,115	8,116,884	1,718,998	6,383,462
- Inter-segment	–	–	4,500,000	5,200,000
Total revenue	8,705,115	8,116,884	6,218,998	11,583,462
Results:				
Interest income (in other income)	2,431	589	671	–
Depreciation of property, plant and equipment and investment properties	(1,980,024)	(1,912,053)	(42,591)	(40,258)
Fair value changes in investment securities	–	–	(2,863,633)	–
Gain on disposal of property, plant and equipment	(21,169)	–	(9,073)	–
Gain on disposal of investment properties	1,571,652	7,851,842	–	–
Gain on liquidation of an associate	–	–	464,190	–
Gain on remeasurement of investment in joint operation to fair value upon business combination achieved in stages	4,755,470	–	–	–
Gain on disposal of a subsidiary and its joint operation	–	–	1,037,045	–
Goodwill written off	(70,145)	–	–	–
Impairment loss on quoted equity investment (current)	–	–	–	(1,150,009)
Impairment loss on unquoted equity investment (non-current)	–	–	–	(1,344,468)
Impairment loss on investment properties	–	(801,910)	–	–
Share of results of associates and joint ventures	–	–	1,034,992	1,036,449
Segment profit/(loss) before tax	7,403,340	8,569,223	34,417	3,779,540
Investment in joint ventures	–	–	3,107,344	3,105,930
Investment in associates	–	–	23,698,802	27,812,304
Additions to non-current assets	73,715,164	1,017,678	63,750	59,992
Segment assets	189,823,166	141,953,314	180,641,416	111,553,438
Segment liabilities	122,303,689	54,820,160	34,080,451	28,380,633

Notes to the Financial Statements

For the financial year ended 31 December 2018

Corporate and others			Adjustments and eliminations		Per consolidated financial statements	
2018	2017		2018	2017	2018	2017
$	$		$	$	$	$
–	–		–	–	10,424,113	14,500,346
9,608,000	8,100,000	A	(14,108,000)	(13,300,000)	–	–
9,608,000	8,100,000		(14,108,000)	(13,300,000)	10,424,113	14,500,346
16,110	8,313		–	–	19,212	8,902
(156,026)	(155,826)		–	–	(2,178,641)	(2,108,137)
–	–		–	–	(2,863,633)	–
–	–		–	–	(30,242)	–
–	–		–	–	1,571,652	7,851,842
–	–		–	–	464,190	–
–	–		–	–	4,755,470	–
–	–		–	–	1,037,045	–
–	–		–	–	(70,145)	–
–	–		–	–	–	(1,150,009)
–	–		–	–	–	(1,344,468)
–	–		–	–	–	(801,910)
–	–		–	–	1,034,992	1,036,449
(2,129,157)	(2,052,412)	B	(441,539)	(2,138,535)	4,867,061	8,157,816
–	–		–	–	3,107,344	3,105,930
–	–		–	–	23,698,802	27,812,304
75,129	6,780	C	–	–	73,854,043	1,084,450
185,406,421	183,231,935	D	(264,492,353)	(174,664,255)	291,378,650	262,074,432
3,206,635	3,239,003	E	(57,332,223)	(21,506,407)	102,258,552	64,933,389

Notes to the Financial Statements

For the financial year ended 31 December 2018

33. GROUP SEGMENTAL INFORMATION (CONT'D)

1 January	Rental 2017 $	Investments 2017 $	Corporate and others 2017 $		Adjustments and eliminations 2017 $	Per consolidated financial statements 2017 $
Investment in joint ventures	–	7,310,519	–		–	7,310,519
Investment in associates	–	26,549,780	–		–	26,549,780
Additions to non-current assets	30,376,828	591	167,383	C	–	30,544,802
Segment assets	143,615,061	124,084,295	184,237,468	D	(177,578,079)	274,358,745
Segment liabilities	55,353,496	20,503,226	3,002,131	E	1,081,505	79,940,358

A. Inter-segment revenues are eliminated on consolidation.

B. The following items are (deducted from)/added to segment profit to arrive at "profit before tax" presented in the consolidated income statement:

	2018 $	2017 $
Unallocated income/(expenses)	757,911	(856,674)
Finance costs	(1,199,450)	(1,281,861)
	(441,539)	(2,138,535)

C. Additions to non-current assets consist of additions to property, plant and equipment and investment properties.

D. The following items are added to/(deducted from) segment assets to arrive at total assets reported in the consolidated balance sheet:

	31 December 2018 $	31 December 2017 $	1 January 2017 $
Cash and bank balances	32,371,087	50,682,911	36,866,008
Inter-segment assets	(296,863,440)	(225,347,166)	(214,444,087)
	(264,492,353)	(174,664,255)	(177,578,079)

Notes to the Financial Statements

For the financial year ended 31 December 2018

33. GROUP SEGMENTAL INFORMATION (CONT'D)

E. The following items are added to/(deducted from) segment liabilities to arrive at total liabilities reported in the consolidated balance sheet:

	31 December 2018 $	31 December 2017 $	1 January 2017 $
Bank loans	82,337,233	53,176,494	68,917,479
Bank overdraft	100,429	–	–
Income tax payable	1,697,760	2,012,396	1,419,266
Deferred tax liabilities	4,914,933	3,969,780	4,033,506
Inter-segment liabilities	(146,382,578)	(80,665,077)	(73,288,746)
	(57,332,223)	(21,506,407)	1,081,505

Geographical information

	Revenue		Non-current assets		
	2018 $	2017 $	31 December 2018 $	31 December 2017 $	1 January 2017 $
Singapore	6,794,381	11,528,699	115,464,695	103,277,620	109,003,714
United Kingdom	3,629,732	2,971,647	112,608,090	72,927,143	77,924,590
	10,424,113	14,500,346	228,072,785	176,204,763	186,928,304

In presenting information on the basis of geographical segments, segment revenue and assets are based on geographical location of customers and assets respectively.

Information about a major customer

Revenue of $4,368,877 (2017: $4,368,877) was derived from a single external customer. This revenue was derived in Singapore and relates to rental income.

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34. MAJOR PROPERTIES OWNED BY THE GROUP

Location	Company	Type/Usage	Area
Property, plant and equipment			
Leasehold land and building			
38 South Bridge Road Singapore 058672	Paco Industries Pte. Ltd.	Lot 160 – 99 years lease from 1941. Lot 164 – 99 years lease from 1947. Office	Lot 160 – land area of about 121 square metres. Lot 164 – land area of about 123 square metres. Gross floor area of about 1,022 square metres (10,989 sq feet)
Freehold office property			
400 Orchard Road #11-09/10 Orchard Towers Singapore 238875	Singapore Warehouse Company (Private) Ltd	Freehold. Office	Gross floor area of about 157 square metres (1,690 square feet)

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For the financial year ended 31 December 2018

34. MAJOR PROPERTIES OWNED BY THE GROUP (CONT'D)

Location	Company	Type/Usage	Area
Investment properties			
Held by the Group			
93,95,97,99 Robertson Quay Singapore 238255/6/7/8	Global Trade Investment Management Pte Ltd	5 units of freehold. residential apartments and 4 units of commercial shops	Gross floor area of 1,126 square metres (12,120 square feet)
110 Paya Lebar Road Singapore Warehouse Singapore 409009	Singapore Warehouse Company (Private) Ltd	Freehold. Factory, warehouse, ancillary office and showroom	Land area of about 5,480 square metres. Gross floor area of about 14,612 square metres (157,109 square feet)
Lands lots 2706N and lots 2847M, Jalan Besar Singapore	253 JB Pte. Ltd.	Freehold. 2 Commercial freehold sites	Land area of about 300.1 square metres (3,230 square feet)
58 Queensgate London SW7 United Kingdom	Thackeray Properties Limited	Freehold. 6 units of residential apartments	Gross floor area of 630.4 square metres (6,778 square feet)
115B Queensgate London SW7 United Kingdom	Thackeray Properties Limited	Freehold. 2 units of residential apartments	Gross floor area of 177.5 square metres (1,911 square feet)
15/17 Hornton Street London W8 United Kingdom	Pumbledon Limited	Freehold. 4 units of residential apartments	Gross floor area of 249 square metres (2,685 square feet)
71.4% interest in 20 Garrett Street, London EC1Y 0TW, United Kingdom[2]	Garrett Property Holdings Ltd	Freehold. Office building	Floor area of 1,625.80 square metres (17,500 square feet)
20 Midtown, Procter Street, Holborn London WC1 6NX United Kingdom	Vantagepro Investment Limited	Freehold. Office building	Floor area of 2,836.58 square metres (30,533 square feet)
50% interest in Head Post Office Fitzalan Square, Sheffield S1 2AB United Kingdom	Vantagepro Investment Limited	Freehold. Office building	Floor area of 6,843.36 square metres (73,662 square feet)

Notes to the Financial Statements

For the financial year ended 31 December 2018

34. MAJOR PROPERTIES OWNED BY THE GROUP (CONT'D)

Location	Company	Type/Usage	Area
Investment properties (cont'd)			
Held by joint ventures			
Block E Bankside 4, London SE1 9RE United Kingdom	Neo Pav E Investments LLP	Leasehold. Office building	Gross floor area of 678.2 square metres (7,300 square feet)
Block A, B, C and D, Retail units located at Bankside 4, London SE1 0SW United Kingdom	Neo Bankside Retail LLP	Leasehold. Retail units	Gross floor area of 1,337.70 square metres (14,399 square feet)
46 Loman Street London SE1 0EH United Kingdom[3]	Loman Holdings Limited	Freehold. Office building	Gross floor area of 1,838.18 square metres (19,786 square feet)
Held by associates			
304 Orchard Road #05-00 Lucky Plaza Singapore 238863	Hong Property Investments Pte Ltd	Freehold. Commercial	Gross floor area of 3,008 square metres (32,378 square feet)
400 Orchard Road #20-05/05A/06 Orchard Towers Singapore 238875	Hong Property Investments Pte Ltd	Freehold. Commercial	Gross floor area of 330.92 square metres (3,562 square feet)
Kilmuir House Ebury Street, London SW1W 9JL United Kingdom[1]	Clan Kilmuir (Jersey) Limited	Leasehold. Residential	Gross floor area of 3,273 square metres (35,231 square feet)
51 Scotts Road	Scotts Spazio Pte. Ltd.	Leasehold. 15 years from 15 August 2007 4-storey office block	Land area of 1.04 hectares. Maximum permissible gross floor area of 15,666 sq metres (168,628 sq feet)

(1) Clan Kilmuir (Jersey) Limited has a 50% investment in Kilmuir House (Jersey) Limited, which in turn holds the Kilmuir House property.
(2) Garrett Property Holdings Ltd has a 100% investment in Capital Garrett Ltd, which in turn holds the 20 Garrett Street property.
(3) Loman Holdings Limited Ltd has a 100% investment in Capital Loman Ltd, which in turn holds the 46 Loman Street property.

35. FAIR VALUES OF ASSETS AND LIABILITIES

(a) ***Fair value hierarchy***

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

(i) Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
(ii) Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
(iii) Level 3 - Unobservable inputs for the asset or liability.

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

(b) ***Assets and liabilities measured at fair value***

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

	Group			
	Fair value measurements at the end of the period using			
31 December 2018	**Quoted prices in active markets for identical instruments (Level 1)**	**Significant observable inputs other than quoted prices (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	$	**$**	**$**	**$**
Recurring fair value measurements				
Assets:				
Financial assets:				
Investment securities at FVPL (current)				
- Quoted equity securities	15,747,041	–	–	15,747,041
- Unquoted debt securities	–	–	2,679,000	2,679,000
Equity securities at FVOCI (non-current)				
- Quoted equity securities	5,256,613	–	–	5,256,613
- Quoted non-equity securities	3,603,728	–	–	3,603,728
- Unquoted equity securities	–	219,313	17,719,161	17,938,474
	24,607,382	219,313	20,398,161	45,224,856

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For the financial year ended 31 December 2018

35. FAIR VALUES OF ASSETS AND LIABILITIES (CONT'D)

(b) ***Assets and liabilities measured at fair value (cont'd)***

	Group			
	Fair value measurements at the end of the period using			
31 December 2017	**Quoted prices in active markets for identical instruments (Level 1)**	**Significant observable inputs other than quoted prices (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	$	**$**	**$**	**$**
Recurring fair value measurements				
Assets:				
Financial assets:				
Available-for-sale financial assets				
- Quoted equity investments (current)	24,773,499	–	–	24,773,499
- Quoted non-equity investments (non-current)	4,258,878	–	–	4,258,878
- Unquoted equity investments, at fair value (non-current)	–	251,420	18,701,820	18,953,240
	29,032,377	251,420	18,701,820	47,985,617
1 January 2017				
Recurring fair value measurements				
Assets:				
Financial assets:				
Available-for-sale financial assets				
- Quoted equity investments (current)	28,872,625	–	–	28,872,625
- Quoted non-equity investments (non-current)	3,690,936	–	–	3,690,936
- Unquoted equity investments, at fair value (non-current)	–	441,779	16,646,838	17,088,617
	32,563,561	441,779	16,646,838	49,652,178

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For the financial year ended 31 December 2018

35. FAIR VALUES OF ASSETS AND LIABILITIES (CONT'D)

(c) ***Level 2 fair value measurement***

The following is a description of the valuation techniques and inputs used in the fair value measurement for assets and liabilities that are categorised within Level 2 of the fair value hierarchy:

<u>Unquoted equity securities (non-current)</u>

The investments relate to funds which invest primarily in equities that are publicly traded and listed in recognised stock exchanges. Fair values have been determined based on investor statements issued by the fund managers.

(d) ***Level 3 fair value measurements***

<u>Information about significant unobservable inputs used in the Level 3 fair value measurements</u>

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

Description	**Fair value at 31 December 2018 $**	**Valuation techniques**	**Unobservable inputs**
Recurring fair value measurements			
Investment securities at FVPL			
- Unquoted debt securities (current)	2,679,000	Discounted cash flows	Discount rate
Equity securities at FVOCI			
- Unquoted equity investments, at fair value (non-current)	17,719,161	Quote from fund manager	Not applicable

Description	**Fair value at 31 December 2017** $	**Valuation techniques**	**Unobservable inputs**
Recurring fair value measurements			
Available-for-sale financial assets			
- Unquoted equity investments, at fair value (non-current)	18,701,820	Quote from fund manager	Not applicable

Notes to the Financial Statements

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35. FAIR VALUES OF ASSETS AND LIABILITIES (CONT'D)

(d) ***Level 3 fair value measurements (cont'd)***

Information about significant unobservable inputs used in the Level 3 fair value measurements (cont'd)

The following table shows the information about fair value measurements using significant unobservable inputs (Level 3) (cont'd):

Description	Fair value at 1 January 2017 $	Valuation techniques	Unobservable inputs
Recurring fair value measurements			
Available-for-sale financial assets			
- Unquoted equity investments, at fair value (non-current)	16,646,838	Quote from fund manager	Not applicable

The investments relate to funds which invest primarily in unquoted assets. Fair values have been determined based on investor statements issued by the fund managers.

Movements in level 3 assets and liabilities measured at fair value

	Group 2018 $	Group 2017 $
Fair value measurements using significant unobservable inputs (Level 3)		
Investment securities at FVPL:		
Unquoted debt securities (current)		
At 1 January	–	–
Purchased during the year	2,679,000	–
At 31 December	2,679,000	–
Equity securities:		
Unquoted equity investments (non-current)		
At 1 January	18,701,820	16,646,838
Total losses included in other comprehensive income	(734,990)	(410,057)
Disposed/return of capital during the year	(652,732)	–
Purchased during the year	405,063	2,465,039
At 31 December	17,719,161	18,701,820

Notes to the Financial Statements

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35. FAIR VALUES OF ASSETS AND LIABILITIES (CONT'D)

(e) ***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 at 31 December 2018 but for which fair value is disclosed:

	Group			
	Fair value measurements at the end of the period using			
	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
	$	$	$	$
31 December 2018				
Non-financial assets:				
Investment properties				
- Commercial	–	8,430,000	184,382,347	192,812,347
- Residential	–	47,910,762	–	47,910,762
	–	56,340,762	184,382,347	240,723,109
31 December 2017				
Assets:				
Non-financial assets:				
Investment properties				
- Commercial	–	7,940,000	166,412,413	174,352,413
- Residential	–	51,734,538	–	51,734,538
	–	59,674,538	166,412,413	226,086,951
1 January 2017				
Assets:				
Non-financial assets:				
Investment properties				
- Commercial	–	10,150,000	167,184,311	177,334,311
- Residential	–	60,699,360	–	60,699,360
	–	70,849,360	167,184,311	238,033,671

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35. FAIR VALUES OF ASSETS AND LIABILITIES (CONT'D)

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

Determination of fair value

Commercial investment properties

The valuation for one of the Singapore properties was based on income capitalisation method, which involves the conversion of the estimated annual net rental income of the property after deducting all necessary outgoings and expenses such as property tax, costs of repairs and maintenance and insurance into a capital sum at a suitable rate of return which reflects the tenure and quality of the investment.

The valuation for another Singapore property was based on income capitalisation method and comparable market transactions that consider the sales of similar properties that have been transacted in the open market.

The valuations for United Kingdom properties were derived using two methods, which were investment method and residual method. For the office and commercial properties, the fair value was derived on investment method, taking into consideration of the rental and capital transactions in the vicinity of the investment properties, the passing rents and the estimated rental values of the properties which have been capitalised using investment yields. The fair value, after deducting purchaser's costs, was compared to other capital transactions on a capital value per square foot basis.

For the office space under development, the fair value was derived using residual method. The residual valuation of property under development can be expressed as the value of the fully completed development (the Gross Development Value, or "GDV") deducts the estimated costs to complete and respective developers' profit to reflect the value of the partially completed development. The GDV is derived based on income capitalisation, after taking consideration the quantity surveyor's report on construction costs, lease terms, operating costs and capitalisation rates and other key inputs.

Valuations for the remaining properties are based on comparable market transactions that consider the sale of similar properties that have been transacted in the open market.

Residential investment properties

Valuations are based on comparable market transactions that consider the sale of similar properties that have been transacted in the open market.

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35. FAIR VALUES OF ASSETS AND LIABILITIES (CONT'D)

(f) *Carrying amounts of financial instruments by categories*

The table below is an analysis of the carrying amounts of financial instruments by categories as at 31 December:

	Note	Group		
		31 December 2018 $	31 December 2017 $	1 January 2017 $
Financial assets measured at amortised cost				
Other receivables (exclude deferred rental receivable)	21	11,215,948	3,228,266	13,919,765
Trade receivables	22	1,860,845	494,128	595,113
Amounts due from associates	18	6,383,802	6,464,599	9,355,294
Cash and bank balances	23	32,371,088	50,682,911	36,866,008
		51,831,683	60,869,904	60,736,180
Equity securities				
At fair value through profit and loss				
- Quoted equity securities (current)	20	15,747,041	–	–
- Debt instruments	20	2,679,000	–	–
At fair value through other comprehensive income				
- Quoted equity securities (non-current)	20	5,256,613	–	–
- Quoted non-equity securities (non-current)	20	3,603,728	–	–
- Unquoted equity securities (non-current)	20	17,938,474	–	–
		45,224,856	–	–
Available-for-sale financial assets				
Quoted equity investments, at fair value	20	–	24,773,499	28,872,625
Quoted non-equity investments, at fair value	20	–	4,258,878	3,690,936
Unquoted equity investments, at fair value	20	–	18,953,240	17,088,617
		–	47,985,617	49,652,178
Financial liabilities measured at amortised cost				
Bank overdraft	24	100,429	–	–
Trade payable	25	317,108	424,147	682,639
Other payables (exclude deferred income, rental received in advance and other tax payables)	26	7,749,281	2,166,891	1,906,555
Accrued operating expenses		2,382,362	2,223,407	1,944,091
Amounts due to associates	18	1,982,589	542,401	562,608
Bank loans (secured)	27	82,337,233	53,176,494	68,917,479
		94,869,002	58,533,340	74,013,372

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35. FAIR VALUES OF ASSETS AND LIABILITIES (CONT'D)

(f) ***Carrying amounts of financial instruments by categories (cont'd)***

	Note		Company	
		31 December 2018	31 December 2017	1 January 2017
		$	$	$
Financial assets measured at amortised cost				
Other receivables	21	–	6,778	475
Amounts due from subsidiaries	17	11,264,000	6,694,000	8,674,000
Cash and bank balances	23	674,128	3,958,628	1,380,696
		11,938,128	10,659,406	10,055,171
Financial liabilities measured at amortised cost				
Other payables	26	371,791	368,746	349,556
Accrued operating expenses		278,682	248,007	199,186
Amounts due to associates	18	366,383	361,302	381,403
		1,016,856	978,055	930,145

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include equity price risk, interest rate risk, liquidity risk, credit risk and foreign currency risk. The directors review and agree policies and procedures for the management of these risks. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Audit and Risk Committee provides independent oversight on the effectiveness of the risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

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.

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.

Notes to the Financial Statements

For the financial year ended 31 December 2018

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(a) *Equity price risk*

Equity 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 equity price risk arising from its investment in quoted equity securities. These securities are quoted on stock exchanges in Singapore, Korea and London. The Group's objective is to manage investment returns and equity price risk using a mix of investment grade shares with steady dividend yield and non-investment grade shares with higher volatility. To manage its price risk arising from investments in quoted equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

The table below demonstrates the sensitivity to a reasonably possible change in equity price risk with all other variables held constant, of the Group's profit before tax and the Group's fair value reserve:

	Group		
2018	**Percentage point change in assumption**	**Effect on profit before tax $'000**	**Effect on fair value reserve $'000**
- Straits Times Index	+10%	448	73
	-10%	(448)	(73)
- Korea Composite Stock Price Index	+10%	684	–
	-10%	(684)	–
- London Stock Exchange	+10%	–	360
	-10%	–	(360)

	Group		
2017	**Percentage point change in assumption**	**Effect on profit before tax $'000**	**Effect on fair value reserve $'000**
- Straits Times Index	+10%	–	730
	-10%	(399)	(331)
- Korea Composite Stock Price Index	+10%	–	757
	-10%	–	(757)
- London Stock Exchange	+10%	–	426
	-10%	–	(426)

Notes to the Financial Statements

For the financial year ended 31 December 2018

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) *Interest rate risk*

Interest rate 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 interest rates. The Group's exposure to interest rate risk arises primarily from its placements in fixed deposits, investments in unquoted bonds and and debt obligations with financial institutions. The Group's policy is to obtain the most favourable interest rates available without increasing its foreign currency exposure. The Group uses a combination of fixed and floating rates facilities to allow the Group to benefit from the relative lower interest rate in short term loans and mitigate sudden hike in interest rates.

At the end of the reporting period, if interest rates had been 50 (2017: 50) basis points lower/higher with all other variables held constant, the Group's profit before tax would have been $326,000 (2017: $266,000) lower/higher.

(c) *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.

The Group's and the Company's objective is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under normal and stressed conditions if any, without incurring unacceptable losses or risking damage to the Group's reputation. This is achieved through monitoring the cash flow requirements closely and optimising its cash return on investments. In addition, the Group also maintains the availability of stand-by credit facilities.

Surplus funds are placed with reputable banks and/or financial institutions.

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

Group **31 December 2018**	**1 year or less** **$**	**2 to 5 years** **$**	**After 5 years** **$**	**Total** **$**
Financial assets				
Amounts due from associates	6,511,478	–	–	6,511,478
Investment securities	18,426,041	23,303,763	3,495,052	45,224,856
Trade and other receivables	5,987,338	–	7,148,877	13,136,215
Cash and bank balances	32,371,088	–	–	32,371,088
Total undiscounted financial assets	63,295,945	23,303,763	10,643,929	97,243,637

Notes to the Financial Statements

For the financial year ended 31 December 2018

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(c) ***Liquidity risk (cont'd)***

Group **31 December 2018**	**1 year or less** **$**	**2 to 5 years** **$**	**After 5 years** **$**	**Total** **$**
Financial liabilities				
Bank overdraft	100,429	–	–	100,429
Trade and other payables	2,523,322	123,575	5,419,492	8,066,389
Accrued operating expenses	2,382,362	–	–	2,382,362
Amounts due to associates	1,982,589	–	–	1,982,589
Bank loans	66,903,484	18,592,994	–	85,496,478
Total undiscounted financial liabilities	73,892,186	18,716,569	5,419,492	98,028,247
Total net undiscounted financial (liabilities)/assets	(10,596,241)	4,587,194	5,224,437	(784,610)

Group **31 December 2017**	**1 year or less** **$**	**2 to 5 years** **$**	**After 5 years** **$**	**Total** **$**
Financial assets				
Amounts due from associates	6,593,891	–	–	6,593,891
Investment securities	24,773,499	20,111,024	3,101,094	47,985,617
Trade and other receivables	3,753,088	–	–	3,753,088
Cash and bank balances	50,682,911	–	–	50,682,911
Total undiscounted financial assets	85,803,389	20,111,024	3,101,094	109,015,507
Financial liabilities				
Trade and other payables	2,198,617	38,721	353,700	2,591,038
Accrued operating expenses	2,223,407	–	–	2,223,407
Amounts due to associates	542,401	–	–	542,401
Bank loans	54,291,746	–	–	54,291,746
Total undiscounted financial liabilities	59,256,171	38,721	353,700	59,648,592
Total net undiscounted financial assets	26,547,218	20,072,303	2,747,394	49,366,915

Notes to the Financial Statements

For the financial year ended 31 December 2018

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(c) ***Liquidity risk (cont'd)***

Group **1 January 2017**	**1 year or less** **$**	**2 to 5 years** **$**	**After 5 years** **$**	**Total** **$**
Financial assets				
Amounts due from associates	7,502,400	2,000,000	–	9,502,400
Investment securities	28,872,625	17,412,097	3,367,456	49,652,178
Trade and other receivables	14,465,425	901,093	–	15,366,518
Cash and bank balances	36,866,008	–	–	36,866,008
Total undiscounted financial assets	87,706,458	20,313,190	3,367,456	111,387,104
Financial liabilities				
Trade and other payables	2,132,845	102,649	353,700	2,589,194
Accrued operating expenses	1,944,091	–	–	1,944,091
Amounts due to associates	562,608	–	–	562,608
Bank loans	59,469,562	11,313,024	–	70,782,586
Total undiscounted financial liabilities	64,109,106	11,415,673	353,700	75,878,479
Total net undiscounted financial assets	23,597,352	8,897,517	3,013,756	35,508,625

Company **31 December 2018**	**1 year or less** **$**	**2 to 5 years** **$**	**Total** **$**
Financial assets			
Amounts due from subsidiaries	11,264,000	–	11,264,000
Cash and bank balances	674,128	–	674,128
		–	
Total undiscounted financial assets	11,938,128	–	11,938,128
Financial liabilities			
Trade and other payables	371,791	–	371,791
Amounts due to associates	366,383	–	366,383
Accrued operating expenses	278,682	–	278,682
Total undiscounted financial liabilities	1,016,856	–	1,016,856
Total net undiscounted financial assets	10,921,272	–	10,921,272

Notes to the Financial Statements

For the financial year ended 31 December 2018

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(c) *Liquidity risk (cont'd)*

Company **31 December 2017**	**1 year or less** **$**	**2 to 5 years** **$**	**Total** **$**
Financial assets			
Amounts due from subsidiaries	6,694,000	–	6,694,000
Other receivables	6,778	–	6,778
Cash and bank balances	3,958,628	–	3,958,628
Total undiscounted financial assets	10,659,406	–	10,659,406
Financial liabilities			
Trade and other payables	368,746	–	368,746
Amounts due to associates	361,302	–	361,302
Accrued operating expenses	248,007	–	248,007
Total undiscounted financial liabilities	978,055	–	978,055
Total net undiscounted financial assets	9,681,351	–	9,681,351

Company **1 January 2017**	**1 year or less** **$**	**2 to 5 years** **$**	**Total** **$**
Financial assets			
Amounts due from subsidiaries	8,674,000	–	8,674,000
Other receivables	475	–	475
Cash and bank balances	1,380,696	–	1,380,696
Total undiscounted financial assets	10,055,171	–	10,055,171
Financial liabilities			
Trade and other payables	349,556	–	349,556
Amounts due to associates	381,403	–	381,403
Accrued operating expenses	199,186	–	199,186
Total undiscounted financial liabilities	930,145	–	930,145
Total net undiscounted financial assets	9,125,026	–	9,125,026

Notes to the Financial Statements

For the financial year ended 31 December 2018

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(c) *Liquidity risk (cont'd)*

The table below shows the contractual expiry by maturity of the Group's and the Company's contingent liabilities. The maximum amount of the financial guarantee contracts are allocated to the earliest period in which the guarantees could be called.

Group	**1 year or less $**	**2 to 5 years $**	**Total $**
31 December 2018			
Financial guarantees provided to joint ventures	–	7,950,994	7,950,994
31 December 2017			
Financial guarantees provided to joint ventures	–	8,285,652	8,285,652
1 January 2017			
Financial guarantees provided to joint ventures	–	8,247,946	8,247,946
Company			
31 December 2018			
Financial guarantees provided to subsidiaries	15,000,000	–	15,000,000
31 December 2017			
Financial guarantees provided to subsidiaries	15,000,000	–	15,000,000
1 January 2017			
Financial guarantees provided to subsidiaries	15,000,000	–	15,000,000

Notes to the Financial Statements

For the financial year ended 31 December 2018

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(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 mainly from amounts due from subsidiaries/associates, trade and other receivables. For other financial assets (including investment securities and cash and bank balances), the Group and the Company minimise credit risk by dealing with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group has determined the default event on a financial asset to be when the counterparty fails to make contractual payments, within 90 days when they fall due, which are derived based on the Group's historical information.

The Group considers "low risk" to be an investment grade credit rating with at least one major rating agency for those investments with credit rating. To assess whether there is a significant increase in credit risk, the company compares the risk of a default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition. The Group considers available reasonable and supportive forwarding-looking information which includes the following indicators:

– Internal credit rating
– External credit rating
– Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
– Actual or expected significant changes in the operating results of the borrower
– Significant increases in credit risk on other financial instruments of the same borrower
– Significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
– Significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the group and changes in the operating results of the borrower.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making contractual payment.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(d) *Credit risk (cont'd)*

The Group determined that its financial assets are credit-impaired when:

- There is significant difficulty of the issuer or the borrower
- A breach of contract, such as a default or past due event
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation
- There is a disappearance of an active market for that financial asset because of financial difficulty

The Group categorises a loan or receivable for potential write-off when a debtor fails to make contractual payments more than 90 days past due. Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where loans and receivables have been written off, the Group continues to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

At the end of the reporting period, the carrying amount of amounts due from subsidiaries/associates, trade and other receivables and cash and bank balances represent the Group's and the Company' maximum exposure to credit risk. No other financial assets carry a significant exposure to credit risk.

At the end of the reporting period, there was no significant concentration of credit risks.

<u>Financial assets that are neither past due nor impaired</u>

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

<u>Financial assets that are either past due or impaired</u>

Information regarding financial assets that are either past due or impaired is disclosed in Note 21 (Other receivables) and Note 22 (Trade receivables).

(e) *Foreign currency risk*

Currency risk arises when transactions are denominated in currencies other than the functional currencies of the respective entities. In addition, the Group is exposed to currency translation gains/losses as a result of translating its overseas assets and liabilities held through its subsidiaries. Such translation gains/losses are unrealised in nature and do not impact current year profits unless the underlying assets or liabilities of the subsidiaries are disposed of.

The Group does not generally use derivative foreign exchange contracts in managing its foreign currency risk arising from cash flows from anticipated transactions denominated in foreign currencies, primarily the Sterling Pound and Korean Won. Wherever possible, the Group manages its currency risks by financing its purchases using bank borrowings denominated in the currency of the country in which the asset is situated. Foreign currencies received are kept in foreign currencies accounts and are converted to the respective functional currency of the Group companies on a need-to basis so as to minimise foreign exchange exposure.

Notes to the Financial Statements

For the financial year ended 31 December 2018

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(e) *Foreign currency risk (cont'd)*

Sensitivity analysis for foreign currency risk

Entities in the Group regularly transact in currencies other than their respective functional currencies, such as Singapore Dollar, United States Dollar and Sterling Pound. The following table demonstrates the sensitivity to a reasonably possible change in the Singapore Dollar, United States Dollar, Sterling Pound and Korean Won, against the respective functional currencies of the Group's entities with all other variables held constant, on the Group's profit before tax and fair value reserve:

	Group			
	2018		2017	
	Profit before tax $'000	Fair value reserve $'000	Profit before tax $'000	Fair value reserve $'000
United States Dollar/Singapore Dollar				
- strengthened 10% (2017: 10%)	320	822	(1)	780
- weakened 10% (2017: 10%)	(320)	(822)	(28)	(751)
Sterling Pound/Singapore Dollar				
- strengthened 10% (2017: 10%)	(2,117)	927	(3,266)	1,121
- weakened 10% (2017: 10%)	2117	(927)	2,371	(226)
United States Dollar/Sterling Pound				
- strengthened 10% (2017: 10%)	–	179	–	155
- weakened 10% (2017: 10%)	–	(179)	–	(155)
Korean Won/Singapore Dollar				
- strengthened 10% (2017: 10%)	684	–	–	757
- weakened 10% (2017: 10%)	(684)	–	–	(757)
Hong Kong Dollar/Singapore Dollar				
- strengthened 10% (2017: 10%)	33	–	–	26
- weakened 10% (2017: 10%)	(33)	–	–	(26)

Notes to the Financial Statements

For the financial year ended 31 December 2018

37. CAPITAL MANAGEMENT

Capital includes equity attributable to owners of the Company.

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, issue new shares, obtain new borrowings or sell assets to reduce borrowings. The Company may also purchase its own shares on the market; subject to the terms of the share purchase mandate as approved by the shareholders. Share purchase allows the Company greater flexibility over its share capital structure with a view to improving, inter alia, its return on equity. Share purchase in lieu of issuing new shares would also mitigate the dilution impact on existing shareholders. During the financial year, the Company acquired 296,900 (2017: 216,000) shares in the Company through purchases on the Singapore Exchange for cash consideration amounting to $95,141 (2017: $66,943) and held these shares as treasury shares (Note 13(b)).

No changes were made in the objectives, policies or processes during the years ended 31 December 2018 and 2017.

The Group monitors capital based on gearing ratio which is total liabilities divided by total equity. At 31 December 2018, total liabilities and total equity are $102,258,552 (31 December 2017: $64,933,389, 1 January 2017: $79,940,358) and $189,120,098 (31 December 2017: $197,141,043, 1 January 2017: $194,418,387) respectively. The Group also monitors dividends paid to shareholders. The Group seeks to maintain a balance between higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. At 31 December 2018, the Group's gearing ratio was 0.54 (31 December 2017: 0.33, 1 January 2017: 0.41).

38. EVENTS OCCURRING AFTER THE REPORTING PERIOD

Shorea Capital Pte. Ltd., an associated company of the Company, via its wholly owned subsidiary, Shorea Capital (Delaware), Inc, and in partnership with Jaguar Growth Partners LLC and the management of Northwood Securities LLC, acquired a 25% interest in Northwood Securities LLC (the "Investment") on 23 January 2019. As a result of the Investment, Northwood Securities LLC was renamed Jaguar Listed Property LLC.

39. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the financial year ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors on 8 March 2019.

Shareholding Statistics

As at 8 March 2019

No. of Issue Shares	: 653,504,000
No. of Issue Shares (excluding Treasury Shares)	: 652,661,100
No. of Treasury Shares Held	: 842,900
No. of Subsidiary Holdings held	: Nil
Class of Shares	: Ordinary Shares
Voting Rights	: 1 vote per ordinary share (no vote for treasury shares)

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 99	32	0.61	721	0.00
100 - 1,000	218	4.17	144,353	0.02
1,001 - 10,000	2,363	45.16	15,810,927	2.42
10,001 - 1,000,000	2,582	49.35	123,564,573	18.93
1,000,001 and above	37	0.71	513,140,526	78.63
Total	5,232	100.00	652,661,100	100.00

TWENTY LARGEST SHAREHOLDERS

Name		No. of Shares	%
1.	Ely Investments (Pte) Ltd.	80,986,000	12.41
2.	Ong Kay Eng	54,000,000	8.27
3.	United Overseas Bank Nominees (Private) Limited	38,044,800	5.83
4.	Ong Eng Loke	36,090,858	5.53
5.	Ong Eng Hui David (Wang Ronghui David)	35,900,000	5.50
6.	City Developments Realty Limited	33,355,000	5.11
7.	Astute Investment Holdings Pte Ltd	31,328,552	4.80
8.	Tudor Court Gallery Pte Ltd	29,940,000	4.59
9	Ong Hoo Eng and Sharon Chng	22,886,753	3.51
10.	Welkin Investments Pte Ltd	21,296,000	3.26
11.	Fica (Pte) Ltd	18,385,000	2.82
12.	Ong Hoo Eng	11,000,000	1.69
13.	CGS-CIMB Securities (Singapore) Pte. Ltd.	9,939,619	1.52
14.	DBS Nominees (Private) Limited	9,583,002	1.47
15.	Ong Hian Eng	8,899,623	1.36
16.	Ong Mui Eng	6,958,416	1.07
17.	HSBC (Singapore) Nominees Pte Ltd	6,261,448	0.96
18.	Chew Cheng Hoi Investments Pte Ltd	6,258,584	0.96
19.	Citibank Nominees Singapore Pte Ltd	6,190,600	0.95
20.	Ong Bee Sun	6,182,380	0.95
	Total	473,486,635	72.56

PERCENTAGE OF PUBLIC FLOAT

Based on information available to the Company as at 8 March 2019, approximately 29.05% of the issued Ordinary Shares of the Company are held by the public and accordingly, Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited is complied with.

Shareholding Statistics

As at 8 March 2019

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

Name of Substantial Shareholder	Direct Interest	Deemed Interest	Aggregate	%[14]
Ong Choo Eng[1]	903,000	80,986,000	81,889,000	12.547
Ong Kwee Eng[2]	2,809,812	32,929,052	35,738,864	5.476
Ong Eng Loke[3]	36,090,858	884,000	36,974,858	5.665
Ong Eng Yaw[4]	25,000	80,986,000	81,011,000	12.412
Ong Bee Leem[5]	151,440	80,986,000	81,137,440	12.432
Ely Investments (Pte) Ltd.	80,986,000	–	80,986,000	12.409
Hong Leong Enterprises Pte. Ltd.[6]	29,648,000	9,409,000	39,057,000	5.984
City Developments Realty Limited[7]	33,355,000	–	33,355,000	5.111
City Developments Limited[8]	–	33,355,000	33,355,000	5.111
Hong Leong Investment Holdings Pte. Ltd.[9]	–	123,648,000	123,648,000	18.945
Kwek Holdings Pte Ltd[10]	–	123,648,000	123,648,000	18.945
Davos Investment Holdings Private Limited[10]	–	123,648,000	123,648,000	18.945
Ong Kay Eng[11]	54,000,000	44,000,000	98,000,000	15.016
Ong Hoo Eng[12]	35,578,353	–	35,578,353	5.451
Ong Eng Hui David[13]	36,000,000	–	36,000,000	5.516

Notes:

1 Ong Choo Eng is deemed under Section 7 of the Act to have an interest in the shares held by Ely Investments (Pte) Ltd. ("Ely Investments"), in which he and/or his associates are entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof.

2 Ong Kwee Eng is deemed under Section 7 of the Act to have an interest in the shares held by his spouse and Astute Investment Holdings Pte. Ltd., in which he and/or his associates are entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof.

3 Ong Eng Loke is deemed under Section 7 of the Act to have an interest in the shares held by OME Investment Holding Pte Ltd, in which he and/or his associates are entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof.

4 Ong Eng Yaw is deemed under Section 7 of the Act to have an interest in the shares held by Ely Investments, in which he and/or his associates are entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof.

5 Ong Bee Leem is deemed under Section 7 of the Act to have an interest in the shares held by Ely Investments, in which she and/or her associates are entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof.

6 The aggregate interest of Hong Leong Enterprises Pte. Ltd. ("HLE") is based on its last notification to the Company on 14 April 2011. HLE is deemed under Section 7 of the Act to have an interest in the shares held by Starich Investments Pte. Ltd. ("Starich"), being a company in which it is entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof. As per the Company's Register of Substantial Shareholders as at 8 March 2019, Starich is holding 9,409,000 Ordinary Shares in the Company. HLE is not required to notify the Company on any disposal that has not resulted in a percentage level change in its shareholding.

7 The aggregate interest of City Developments Realty Limited ("CDRL") is based on its last notification to the Company on 13 February 2006.

8 The aggregate interest of City Developments Limited ("CDL") is based on its last notification to the Company on 13 February 2006. CDL is deemed under Section 7 of the Act to have an interest in the shares held by its wholly owned subsidiary, CDRL.

9 The aggregate interest of Hong Leong Investment Holdings Pte. Ltd. ("HLIH") is based on its last notification to the Company on 13 April 2011. HLIH is deemed under Section 7 of the Act to have an interest in the shares held by Tudor Court Gallery Pte Ltd, Welkin Investments Pte Ltd and CDRL, and the 39,057,000 Ordinary Shares held directly and indirectly by HLE, being companies in which it is entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof.

10 The aggregate interest of each of Kwek Holdings Pte Ltd ("KH") and Davos Investment Holdings Private Limited ("Davos") is based on their last notification to the Company on 13 April 2011. Each of KH and Davos is deemed under Section 7 of the Act to have an interest in the 123,648,000 Ordinary Shares held directly and indirectly by HLIH, in which each is entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof.

11 The aggregate interest of Ong Kay Eng is based on his last notification to the Company on 11 March 2019 (in respect of a change in interest on 8 March 2019). Ong Kay Eng is deemed to have an interest in 2,000,000 Ordinary Shares held by Altrade Investments Pte Ltd, 6,000,000 Ordinary Shares registered in the name of his spouse, Chen Wah Chi @ Chen Rosy and 36,000,000 Ordinary Shares registered in the name of Ong Eng Hui David.

12 The aggregate interest of Ong Hoo Eng is based on his last notification to the Company on 2 November 2018.

13 The aggregate interest of Ong Eng Hui David is based on his last notification to the Company on 11 March 2019 (in respect of a change in interest on 8 March 2019).

14 The percentage of interest is calculated based on the total issued Ordinary Shares excluding treasury shares (i.e. 652,661,100 Ordinary Shares).

15 The above information is based on the aggregate interest of the respective substantial shareholders as at 8 March 2019.

Notice of Annual General Meeting

HWA HONG CORPORATION LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration No. 195200130C)

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Sixty-Sixth Annual General Meeting of Hwa Hong Corporation Limited (the "**Company**") will be held at Grand Copthorne Waterfront Hotel, Galleria Ballroom, Level 3, 392 Havelock Road, Singapore 169663 on Wednesday, 24 April 2019 at 10.00 a.m. for the following purposes:

ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2018 and the auditors' report thereon. **Resolution 1**

2. To declare a one-tier tax exempt final ordinary dividend of 1 cent per ordinary share in respect of the financial year ended 31 December 2018. **Resolution 2**

3. To approve the payment of Directors' fees of S$306,000 in aggregate to the Non-Executive Directors of the Company for the financial year ending 31 December 2019 (FY2018: S$306,000), such fees to be paid on a quarterly basis in arrears at the end of each calendar quarter. **Resolution 3**
[See Explanatory Note (i)]

4. To re-appoint Dr Ong Hian Eng, who is retiring by rotation in accordance with Article 113 of the Constitution of the Company and Rule 720(5) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"). **Resolution 4**
[See Explanatory Note (ii)]

5. To re-appoint Mr Huang Yuan Chiang who is retiring by rotation in accordance with Article 113 of the Constitution of the Company and Rule 720(5) of the Listing Manual of the SGX-ST. **Resolution 5**
[See Explanatory Note (iii)]

6. To re-appoint Messrs Ernst & Young LLP as Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **Resolution 6**

7. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

Notice of Annual General Meeting

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions as **Ordinary Resolutions**:

8. **Authority to issue shares** **Resolution 7**

"That pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore and Rule 806 of the Listing Manual of the SGX-ST, the Directors of the Company be authorised and empowered to:

(a) (i) issue shares in the capital of the Company ("**shares**") whether by way of rights, bonus or otherwise; and/or

(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) warrants, debentures or other instruments convertible or exchangeable 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 Instrument 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 Instruments made or granted pursuant to this Resolution) to be issued pursuant to this Resolution does not exceed fifty per cent (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 cent (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 manner of calculation and adjustments 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:

Notice of Annual General Meeting

(i) new shares arising from the conversion or exercise of any convertible securities;

(ii) 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

(iii) any subsequent 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, the 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 the earlier."
[See Explanatory Note (v)]

9. **Authority to issue shares under Hwa Hong Corporation Limited Scrip Dividend Scheme** **Resolution 8**

"That pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore and Rule 806 of the Listing Manual of the SGX-ST, the Directors of the Company be authorised and empowered to issue such shares in the Company as may be required to be issued pursuant to the Hwa Hong Corporation Limited Scrip Dividend Scheme ("**Scrip Dividend Scheme**") from time to time in accordance to the "Terms and Conditions of the Scrip Dividend Scheme" approved by shareholders of the Company in general meeting on 7 November 2003, 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 (vi)]

Notice of Annual General Meeting

10. **Renewal of the Share Purchase Mandate** **Resolution 9**

"That:

(a) for the purposes of Sections 76C and 76E of the Companies Act, Chapter 50 of Singapore, as may be amended or modified from time to time (the "**Companies Act**"), the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire issued and fully paid ordinary shares in the capital of the Company (the "**Shares**") not exceeding in aggregate the Prescribed Limit (as hereinafter defined), at such price or prices as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereinafter defined), whether by way of:

(i) market purchases (each a "**Market Purchase**") on the SGX-ST; and/or

(ii) off-market purchases (each an "**Off-Market Purchase**") effected otherwise than on the SGX-ST in accordance with any equal access scheme(s) as may be determined or formulated by the Directors of the Company as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act,

and otherwise in accordance with all other laws, regulations and listing rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "**Share Purchase Mandate**");

(b) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors of the Company pursuant to the Share Purchase Mandate in paragraph (a) of this Resolution may be exercised by the Directors of the Company at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earliest of:

(i) the date on which the next Annual General Meeting of the Company is held; or

(ii) the date by which the next Annual General Meeting of the Company is required by law to be held; or

(iii) the date on which purchases or acquisitions of Shares are carried out to the full extent mandated;

(c) in this Resolution:

"Prescribed Limit" means, subject to the Companies Act, 10% of the total number of issued Shares of the Company (excluding any Shares which are held as treasury shares and subsidiary holdings) as at the date of the passing of this Resolution; and

Notice of Annual General Meeting

"Maximum Price", in relation to a Share to be purchased or acquired, means an amount (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses) not exceeding:

(i) in the case of a Market Purchase, 105% of the Average Closing Price (as defined hereinafter); and

(ii) in the case of an Off-Market Purchase, 120% of the Highest Last Dealt Price (as defined hereinafter),

where:

"Average Closing Price" means the average of the Closing Market Prices of the Shares over the last five Market Days on the SGX-ST, on which transactions in the Shares were recorded, immediately preceding the day of the Market Purchase, or as the case may be, the date of the making of the offer pursuant to Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs after such five-Market Day period;

"Closing Market Price" means the last dealt price for a Share transacted through the SGX-ST's trading system as shown in any publication of the SGX-ST or other sources;

"Highest Last Dealt Price" means the highest price transacted for a Share as recorded on the SGX-ST on the Market Day on which there were trades in the Shares immediately preceding the day of the making of the offer pursuant to the Off-Market Purchase;

"day of the making of the offer" means the day on which the Company announces its intention to make an offer for the purchase or acquisition of Shares from shareholders of the Company, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase;

"Market Day" means a day on which the SGX-ST is open for trading in securities; and

(d) the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated by this Resolution."
[See Explanatory Note (vii)]

BY ORDER OF THE BOARD

Gwendolin Lee Soo Fern
Company Secretary

Singapore, 2 April 2019

Notice of Annual General Meeting

Note

A Member (other than a member who is a relevant intermediary as defined below) entitled to attend and vote at the Annual General Meeting ("**AGM**") may appoint not more than two proxies to attend and vote in his stead. Where a Member appoints more than one proxy, he shall specify the proportion of his shareholdings to be represented by each proxy. A proxy need not be a Member of the Company. The instrument appointing a proxy or proxies must be deposited at the Registered Office of the Company at 38 South Bridge Road, Singapore 058672 at least forty-eight (48) hours before the time appointed for holding the AGM.

Pursuant to Section 181 of the Companies Act, Chapter 50 of Singapore, any member who is a relevant intermediary is entitled to appoint more than 2 proxies to attend and vote at the AGM. Relevant intermediary is either –

(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 Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

Explanatory Notes to Ordinary Business

(i) Resolution 3, if passed, will authorise the Company to effect payment of Directors' fees to the Non-Executive Directors (including fees payable to members of the various committees of the Board) for the financial year ending 31 December 2019, such payment to be made on a quarterly basis in arrears at the end of each calendar quarter. This Resolution will facilitate the payment by the Company of the Directors' fees during the financial year in which they are incurred.

(ii) Dr Ong Hian Eng, if re-appointed, will remain as a Non-Independent Non-Executive Director. In line with Guideline 4.7 of the Code of Corporate Governance: (a) Dr Ong Hian Eng's brothers are Mr Ong Choo Eng and Mr Ong Mui Eng, who are Directors of the Company, as well as Mr Ong Kwee Eng, Mr Ong Kay Eng and Mr Ong Hoo Eng, who are substantial shareholders of the Company. He is uncle of Mr Ong Eng Yaw, Senior Vice President, Real Estate and a substantial shareholder of the Company, Mr Ong Eng Loke, Senior Vice President, Fund Management and a substantial shareholder of the Company and Ms Ong Bee Leem and Dr Ong Eng Hui David, substantial shareholders of the Company; and (b) the list of all current directorships held by Dr Ong in other listed companies, as well as the details of his other principal commitments can be found in the FY2018 Annual Report, under the "Board of Directors" section. Additional information on Dr Ong as required to be furnished pursuant to Rule 720(6) of the Listing Manual of the SGX-ST is also found in the FY2018 Annual Report, under the "Board of Directors" section.

Notice of Annual General Meeting

(iii) Mr Huang Yuan Chiang, if re-appointed, will remain as the Chairman of the Remuneration Committee and as a member of the Audit and Risk Committee. He is considered an Independent Non-Executive Director. In line with Guideline 4.7 of the Code of Corporate Governance: (a) there are no relationships including immediate family relationships between Mr Huang and the other Directors, the Company or its 10% shareholders; and (b) the list of all current directorships held by Mr Huang in other listed companies, as well as the details of his other principal commitments can be found in the FY2018 Annual Report, under the "Board of Directors" section. Additional information on Mr Huang as required to be furnished pursuant to Rule 720(6) of the Listing Manual of the SGX-ST is also found in the FY2018 Annual Report, under the "Board of Directors" section.

(iv) Under the provisions of the Company's Constitution, Mr Ong Choo Eng, being the Group Managing Director, is not subject to rotation and re-election at the Company's AGM. His last re-election on 24 April 2015 was due to the now defunct Section 153(6) of the Companies Act, which required directors over the age of 70 to be re-appointed annually. In accordance with Rule 720(5) of the Listing Manual of the SGX-ST, all Directors must submit themselves for re-nomination and re-appointment at least once every 3 years. Based on the Transitional Practice Note 3 issued by the SGX-ST in November 2018, Mr Ong Choo Eng has up to 31 December 2021 (i.e. by April 2021 being the deadline for the Company to hold its AGM for FY2020) to comply with the said Rule 720(5) of the Listing Manual of the SGX-ST.

Explanatory Notes to Special Business

(v) Resolution 7, if passed, will empower the Directors of the Company, effective until the conclusion of the next AGM of the Company, or the date by which the next AGM 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 to shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders of the Company.

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.

(vi) Resolution 8, if passed, will empower the Directors of the Company, effective until the conclusion of the next AGM of the Company, or the date by which the next AGM 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 earlier, to issue shares in the Company from time to time pursuant to the Scrip Dividend Scheme approved at the Extraordinary General Meeting of the Company held on 7 November 2003. The validity of the Scrip Dividend Scheme remains until such time it is so terminated by the Directors and upon written notice to shareholders of the Company.

(vii) Resolution 9, if passed, will empower the Directors of the Company, effective until the conclusion of the next AGM of the Company or the date by which the next AGM 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 and/or off-market purchases of up to 10 percent (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 the Appendix.

Notice of Annual General Meeting

The Company intends to use the Group's internal resources to finance its purchases or acquisitions of Shares pursuant to the Share Purchase Mandate. The amount of funding required for the Company to purchase or acquire the Shares under the Share Purchase Mandate will depend on, *inter alia*, the aggregate number of Shares purchased or acquired and the consideration paid at the relevant time.

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 2018 are set out in greater detail paragraphs 2.3 to 2.7 of the Appendix.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the 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.

HWA HONG CORPORATION LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration No. 195200130C)

Proxy Form

IMPORTANT:
1. Relevant intermediaries as defined in Section 181 of the Companies Act, Chapter 50, may appoint more than two proxies to attend, speak and vote at the Annual General Meeting.
2. For investors who have used their CPF/SRS monies to buy shares in Hwa Hong Corporation Limited, this report is forwarded to them at the request of their CPF Approved Nominees and/or SRS Operators.
3. This Proxy Form is not valid for use by CPF/SRS investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
4. CPF/SRS investors who wish to vote should contact their CPF Approved Nominees and/or SRS Operators.

*I/We, ____(Name)

of____(Address)

being *a Member/Members of **HWA HONG CORPORATION LIMITED** (the "**Company**") hereby appoint :

Name	Address	NRIC/Passport No.	Proportion of Shareholdings	
			No. of Shares	%
*and/or				

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 attend and vote for *me/us on *my/our behalf at the **Sixty-Sixth Annual General Meeting** ("**AGM**") of the Company to be held at Grand Copthorne Waterfront Hotel, Galleria Ballroom, Level 3, 392 Havelock Road, Singapore 169663 on Wednesday, **24 April 2019** at **10.00 a.m.** and at any adjournment thereof.

(*I/We direct *my/our *proxy/proxies to vote for or against the Resolutions to be proposed at the AGM 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 AGM and at any adjournment thereof.)

Resolution No.	Resolutions relating to:	No. of Votes For[1]	No. of Votes Against[1]
ORDINARY BUSINESS			
1	Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2018 together with the auditors' report thereon		
2	Payment of proposed final ordinary dividend		
3	Approval of payment of Directors' fees to Non-Executive Directors for the financial year ending 31 December 2019		
4	Re-appointment of Dr Ong Hian Eng as a Director		
5	Re-appointment of Mr Huang Yuan Chiang as a Director		
6	Re-appointment of Messrs Ernst & Young LLP as Auditors and authorising Directors to fix their remuneration		
SPECIAL BUSINESS **As Ordinary Resolutions**			
7	Authority to issue shares		
8	Authority to issue shares under Hwa Hong Corporation Limited Scrip Dividend Scheme		
9	Renewal of Share Purchase Mandate		

(1) If you wish to exercise all your votes "For" or "Against", please indicate your vote with a ✓ within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this ____________ day of ______________ 2019

Total Number of Shares Held	
CDP Register	
Members' Register	

____

Signature(s) of Shareholder(s)
or Common Seal of Corporate Shareholder
* Delete as appropriate

IMPORTANT: PLEASE SEE NOTES PRINTED ON THE REVERSE

Fold this flap for sealing

Please affix
postage
stamp

The Company Secretary
HWA HONG CORPORATION LIMITED
38 South Bridge Road
Singapore 058672

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Notes

1. Please insert 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, Chapter 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, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.
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 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 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 AGM. Any appointment of a proxy or proxies shall be deemed to be revoked if a Member attends the AGM 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 AGM.
6. This instrument appointing a proxy or proxies must be under the hand of the appointor or of his 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.
7. A body corporate which is a Member may authorise by resolution of its directors or other governing body such persons as it thinks fit to act as its representative or representatives at the AGM, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.
8. This instrument appointing a proxy or proxies, duly executed, together with the power of attorney (if any) under which it is signed or a certified copy thereof, must be deposited at the Registered Office of the Company at 38 South Bridge Road, Singapore 058672 at least forty-eight (48) hours before the time appointed for the AGM.

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9. Investors who have used their CPF/SRS monies ("CPF/SRS Investors") to buy shares in the Company may attend and cast their vote at the AGM in person. CPF/SRS Investors who are unable to attend the AGM but would like to vote, may inform CPF Approved Nominees and/or SRS Operators to appoint Chairman of the AGM to act as their proxy, in which case, the CPF/SRS Investor shall be precluded from attending the AGM.

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 AGM dated 2 April 2019.

General:

The Company shall be entitled to reject this instrument appointing a proxy or proxies if it is incomplete, improperly completed, 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 a Member whose shares are 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 name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

HWA HONG CORPORATION LIMITED

Company Registration No. 195200130C
38 South Bridge Road Singapore 058672
www.hwahongcorp.com