LTC CORPORATION LIMITED

ANNUAL REPORT 2017

CONTENTS

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of LTC Corporation Limited, I am pleased to present the Annual Report and Financial Statements for the financial year ended 30 June 2017. Despite the challenging business environment, the Group's steel business has performed well compared to the previous year. Steel turnover has improved due to rising steel prices and higher tonnage delivered. On the property scene, the Government has relaxed some residential property measures related to seller's stamp duty as well as the total debt servicing ratio framework which may ease the property market. In the retail operations, the store is being renovated, re-energising of merchandise is being carried out and the store facade upgraded in anticipation of improvement in the market.

FINANCIAL HIGHLIGHTS

Group turnover for FY2017 increased by 3.5% or $4.5m to $134.1m from $129.6m for FY2016 due to higher steel prices and higher tonnage delivered offset by the decrease observed in property development. Net operating profit for the Group increased by $5.5m from $7.7m to $13.2m.

OUTLOOK

Steel Trading

For FY2017, despite facing keen competition and a construction slowdown, the steel trading business managed to produce a healthy recovery along with rising steel prices.

During the year under review, the Group completed several projects such as the Kwong Wai Shiu Hospital & Nursing Home at Serangoon Road, the Ascent at Science Park Drive and the Warehouse Hotel at Havelock Road.

The business environment for steel industry remains challenging for the year ahead due to the volatility of steel prices and stiffer competition amongst steel suppliers. In addition, the Building & Construction Authority has also projected a decrease for the private construction sector. The public construction sector has been projected to generate between $20b - $24b for the Year 2017, a decline of $2b compared to the Year 2016 of approximately $26.1b. Moving forward, the public sector will take the lead in construction demand by releasing more tenders for MRT and hospital projects which will provide better opportunity for steel operations.

Property Development

Singapore

Based on Urban Redevelopment Authority ("URA") statistics, the overall prices of private residential homes deceased by 0.3% quarter-on-quarter in the second quarter of 2017, following the 0.4% decline in the previous quarter. The drop is the smallest quarter-on-quarter since URA's benchmark private residential home price index peaked in Q3 2013. The index, which has eased for 15 consecutive quarters, is now 11.8% below peak. The prices of landed residential homes fell 0.4% in Q2 2017, compared to the 1.8% drop in the previous quarter.

For FY2018, the Group will continue to evaluate for feasible projects that the Company will undertake for property development.

Malaysia

For FY2017, the Malaysian economy was adversely affected by the plunging of oil price and Ringgit depreciation. The performance in almost all regions and all property sectors slowed during the year. The tightening of credit control policies of financial institutions further impacted the soft housing market. The political and economic uncertainties have also dampened the investment and speculative sentiments of the property development industry.

The Group's Mahkota Industrial Park development in Banting reported a significant drop in sales as demand from new foreign investments in the manufacturing sector has weakened. The construction of factories by the Linde Group, Sakamoto of Japan and PLT Scientific in our industrial park were completed and will be operational soon.

In Melaka, we have obtained the approval (land and planning) for the 38-storey high rise apartment beside the Melaka River. The approval of the sales gallery has been obtained, and we will be awarding the contracts for the construction soon.

In July 2017, the Group acquired a 40% equity interest in a joint venture company, Regata Maju Sdn. Bhd. ("Regata"), with the remaining 60% held by Belleview Group. Regata is currently undertaking a mixed development at Seberang Prai, Penang, comprising 978 apartment units and 15 shop lots in four 38-storey towers.

For FY2018, we will strive to launch the apartment project at the Melaka riverside and the mixed development project at Seberang Prai, Penang, when the market is favourable.

The People's Republic of China ("PRC")

We are designing a scheme to clear the residual stock of commercial shops in Shenyang City, Liaoning Province, PRC. The Company will continue to look for suitable new sites for investment and development. The China property market is still experiencing uncertainty due to the government's interventions.

Property Rental

Prices and rentals of industrial space continued to moderate in tandem with occupancy rates, according to JTC's latest quarterly market report on industrial properties.

In Q2 2017, the price and rental indices for the overall industrial property market fell by 1.6% and 0.8%, respectively compared to the previous quarter; 8.2% and 4.1% respectively from a year ago.

Rental income from the Company's investment properties in Singapore is expected to soften as the combination of supply overhang and lacklustre demand continue to exert downward pressure on rents.

Retail Operations

During the year the retail operations continued to face challenging market conditions. In addition, the ongoing transformation and renovation of our flagship store also affected our sales.

The retail team has signed up 6 new locations to operate new stores in the next 5 years wherein the 2nd Sogo store in Malaysia is expected to open in early 2019 in Shah Alam.

We are deploying multiple strategies to improve our retail operations. These include the refreshing of our store experience by updating our wide range of quality merchandise and offering new innovative and marketing platforms.

PROPOSED DIVIDEND

The Board is pleased to propose a first and final (one-tier) tax exempt dividend of 1 cent per ordinary share for the year ended 30 June 2017. The proposed first and final dividend, if approved at the Company's Annual General Meeting to be held on 27 October 2017, will be paid on 22 November 2017.

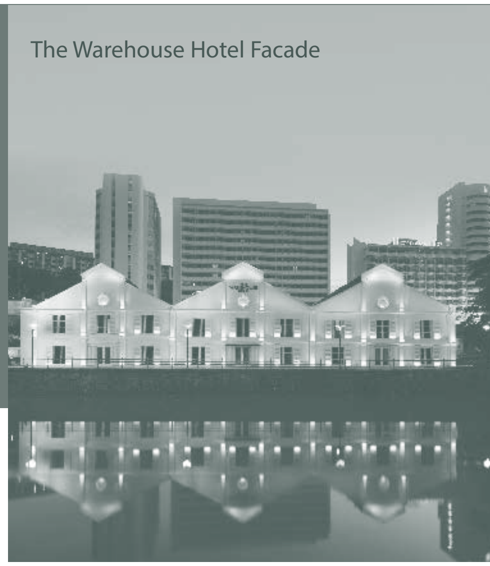
ACKNOWLEDGEMENT

On behalf of the Board, I wish to thank all our management and staff for their achievements and contributions to our performance. I would also like to express my sincere appreciation to our customers, suppliers, shareholders and business associates for their continuing support. I am grateful to Members of the Audit Committee and my fellow Directors for their counsel and commitment.

Cheng Theng Kee
Chairman


Investment Properties at Arumugam Road, Singapore


Kwong Wai Shiu Hospital & Nursing Home


The Warehouse Hotel Facade

STEEL

STEEL PROJECTS

Steel Trading

Steel turnover increased by $14.6m from $92.9m to $107.5m due to higher steel prices and higher tonnage delivered. Net operating profit for steel improved $8.6m from a loss of $2.5m for the previous corresponding period to a profit of $6.1m.


The Ascent at Singapore Science Park One

Entrance to Pebble Bay, Melaka


Pebble Bay, Melaka

PROPERTY

PROPERTY PROJECTS

Regional Property Development & Management

Property Development turnover decreased by $10.0m from $28.8m to $18.8m due mainly to lower sales in Singapore while net operating profit declined $0.5m.

Turnover for Property Rental remained unchanged while operating profit decreased by $0.8m after a fair value loss of $0.8m on the investment properties.

RETAIL

RETAIL OPERATIONS

The Group's share of results of the joint venture in Retail Operations was a loss of $0.8m due to higher deferred tax expenses and amortisation of intangible assets.


Renovated Beauty Hall at Sogo (K.L.) Department Store


Renovated 3rd Floor at Sogo (K.L.) Department Store

PROFILE OF DIRECTORS

MR CHENG THENG KEE, Chairman of the Group, was appointed to the Board on 24 February 1997. He is an Executive Director and also an entrepreneur with considerable experience in manufacturing, trading, property investment and development.

Mr Cheng was educated at the Chinese High School. He helped to steer and expand the Group's construction and property arm to its current position today. He was also responsible for the development of the Teck Chiang Industrial Complex at Arumugam Road, Singapore.

MR CHENG YONG LIANG joined the Board since 24 February 1997 and is the Managing Director of the Group. He is also a member of the Nominating Committee.

Mr Cheng graduated with a Bachelor of Science Degree in Business Administration from the University of San Francisco and a Diploma in Building from Singapore Polytechnic. He has been involved with The Lion Group for more than 25 years, primarily in The Lion Group's Property Division.

DATO' MAZLAN BIN DATO' SERI HARUN joined the Board on 31 January 1986. He is a Non-Executive Director and Independent Director. He is a member of the Audit Committee and Remuneration Committee.

Dato' Mazlan holds a Second Class Honours Degree in Economics and Political Science from the University of Exeter, England.

Dato' Mazlan was previously elected to the Selangor State Assembly to represent the Seri Setia (Sungai Way) (1982 to 1986) and the Lindungan (1987 to 1990) constituencies. Dato' Mazlan was also the Chairman of several committees in the Selangor State Development Corporation (PKNS) and the Chairman of the Selangor State Public Accounts Committee from 1982 to 1990.

He is currently involved in property development, operating golf club, manufacturing of recycled paper, shipping container and fuel bunkering.

MR CHAY YEE joined the Board on 24 February 1997 and is a Non-Executive and Independent Director. He is the Chairman of the Remuneration Committee and a member of the Audit Committee and Nominating Committee.

Mr Chay graduated with a B.A. (Hons), University of Malaya, and M. Soc. Sc. from the University of Hong Kong. He served in the Singapore Administrative Service and worked in the Ministry of Finance for 5 years before joining the Central Provident Fund Board where he served as its Deputy General Manager for 12 years. He has also served as a Board member of the Community Chest of Singapore for 16 years.

Since leaving the public service, he has been engaged in the provision of advisory and consultancy services internationally to governments of the less developed countries as well as providing training and education services through various institutions under his charge.

MR ONG TEONG WAN joined the Board on 28 July 1998. He is a Non-Executive and Lead Independent Director. He is the Chairman of the Audit Committee and Nominating Committee and a member of the Remuneration Committee.

Mr Ong holds an MBA (International Business) from the University of Southern California. He is currently Director and Managing Consultant of ManagementWise (International) Pte. Ltd. and is an Independent Director of Vicom Ltd, serving on the Audit Committee and the Nominating Committee.

He has been a Board Member of the Economic Development Board and the National Productivity Board. He was accorded the Friend of Labour Award by the National Trades Union Congress. He was in government service for more than 10 years and worked for two American multi-national companies at director level for 12 years. He has been a Corporate Consultant for more than 25 years at the Singapore Institute of Management.

KEY MANAGEMENT STAFF

MR CHENG THENG HOW is a Director and General Manager of Angkasa Amsteel Pte. Ltd.. Mr Cheng is currently the Group Director in The Lion Group and Executive Director of Antara Steel Mills Sdn Bhd. He is also a Non-Executive Director of Lion Asiapac Limited. His expertise and responsibilities in the Group cover steel marketing and trading, project management, the maintenance of plant and machinery and rebar fabrication. He has more than 20 years of experience in steel milling operations. He holds a Diploma in Mechanical Engineering from Singapore Polytechnic.

DATUK CHENG YOONG CHOONG is the Director of Business Development. He is overall in charge of Business Development and Retail operations in the Group and currently also holds the position of Group Managing Director of Sogo (K. L.) Department Store Sdn. Bhd.. Datuk Cheng was previously the Group Managing Director of Parkson Retail Asia Limited and Parkson Retail Group Limited and was actively involved in the South East Asia and China retail scene. He was Chairman of the Malaysia Retailers Association in 1996 and 1999 and was a member of the Executive Board of the Intercontinental Group of Department Stores in 1998 and 1999. Datuk Cheng holds a Bachelor of Science degree in Business Administration and a Master of Business Administration degree, both from the University of San Francisco.

MR LEE KHIAN LAI is the General Manager in the Property Development Department, Malaysia. He has more than 30 years of working experience in construction and property development industry. After graduation, he spent 8 years in construction companies before joining The Lion Group in 1990. He was involved in a number of comprehensive property development projects in The Lion Group's Property Division. He holds a Bachelor of Science degree in Civil Engineering from Teesside University, United Kingdom.

MR FREDDY MOK is the Group Accountant. He is responsible for the overall financial accounting, treasury and corporate finance affairs of the Group. He holds a Bachelor of Accountancy Degree from National University of Singapore.

MR JASON FOON LANG YEOW is the Assistant General Manager of Angkasa Amsteel Pte. Ltd.. He has over 20 years of experience in steel fabrication and related engineering works. He is in charge of overall day-to-day operations for cut and bend, pre-cagging, repairs and maintenance, wire mesh and factory safety.

MR TAY HUI SIANG is the Project Manager in the Property Development Department. He is responsible for the co-ordination and development of residential property projects in Singapore. He has been in construction related fields for more than 20 years. He holds a Bachelor of Science Degree in Construction Management and a Specialist Diploma in M&E Co-ordination.

MS WONG CHOY LING is the Manager in the Property Management Department. Ms Wong is responsible for the administration of leases and management of the investment properties at Arumugam Road, Singapore. She holds a Bachelor of Science Honours Degree in Real Estate Management.

CORPORATE INFORMATION

Board of Directors
Cheng Theng Kee (Chairman)
Cheng Yong Liang (Managing Director)
Ong Teong Wan (Lead Independent Director)
Dato' Mazlan Bin Dato' Seri Harun (Independent Director)
Chay Yee (Independent Director)

Audit Committee
Ong Teong Wan (Chairman)
Chay Yee
Dato' Mazlan Bin Dato' Seri Harun

Nominating Committee
Ong Teong Wan (Chairman)
Chay Yee
Cheng Yong Liang

Remuneration Committee
Chay Yee (Chairman)
Ong Teong Wan
Dato' Mazlan Bin Dato' Seri Harun

Company Secretaries
Silvester Bernard Grant, ACIS
Tan Yen Hui, ACIS

Investor Relations
Silvester Bernard Grant
Company Secretary
E-mail : enquiry@ltcgroup.com.sg
Tel : (65) 6745 9677
Fax : (65) 6747 9493

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LTC Building A
Singapore 409957
Tel : (65) 6745 9677
Fax : (65) 6747 9493
Website : www.ltcgroup.com.sg

Registrar and Share Transfer Office
B.A.C.S. Private Limited
8 Robinson Road #03-00
ASO Building
Singapore 048544
Tel : (65) 6593 4848
Fax : (65) 6593 4847

Auditors
Ernst & Young LLP
Public Accountants and Chartered Accountants
One Raffles Quay
Level 18, North Tower
Singapore 048583
Tel : (65) 6535 7777
Fax : (65) 6532 7662
Partner in charge : Mr Low Bek Teng
(Appointed during the financial year ended 30 June 2016)

Solicitors
WongPartnership LLP
12 Marina Boulevard Level 28
Marina Bay Financial Centre Tower 3
Singapore 018982
Tel : (65) 6416 8000
Fax : (65) 6532 5711

Principal Bankers
DBS Bank Limited
Malayan Banking Berhad
Oversea-Chinese Banking Corporation Limited

FINANCIAL SUMMARY

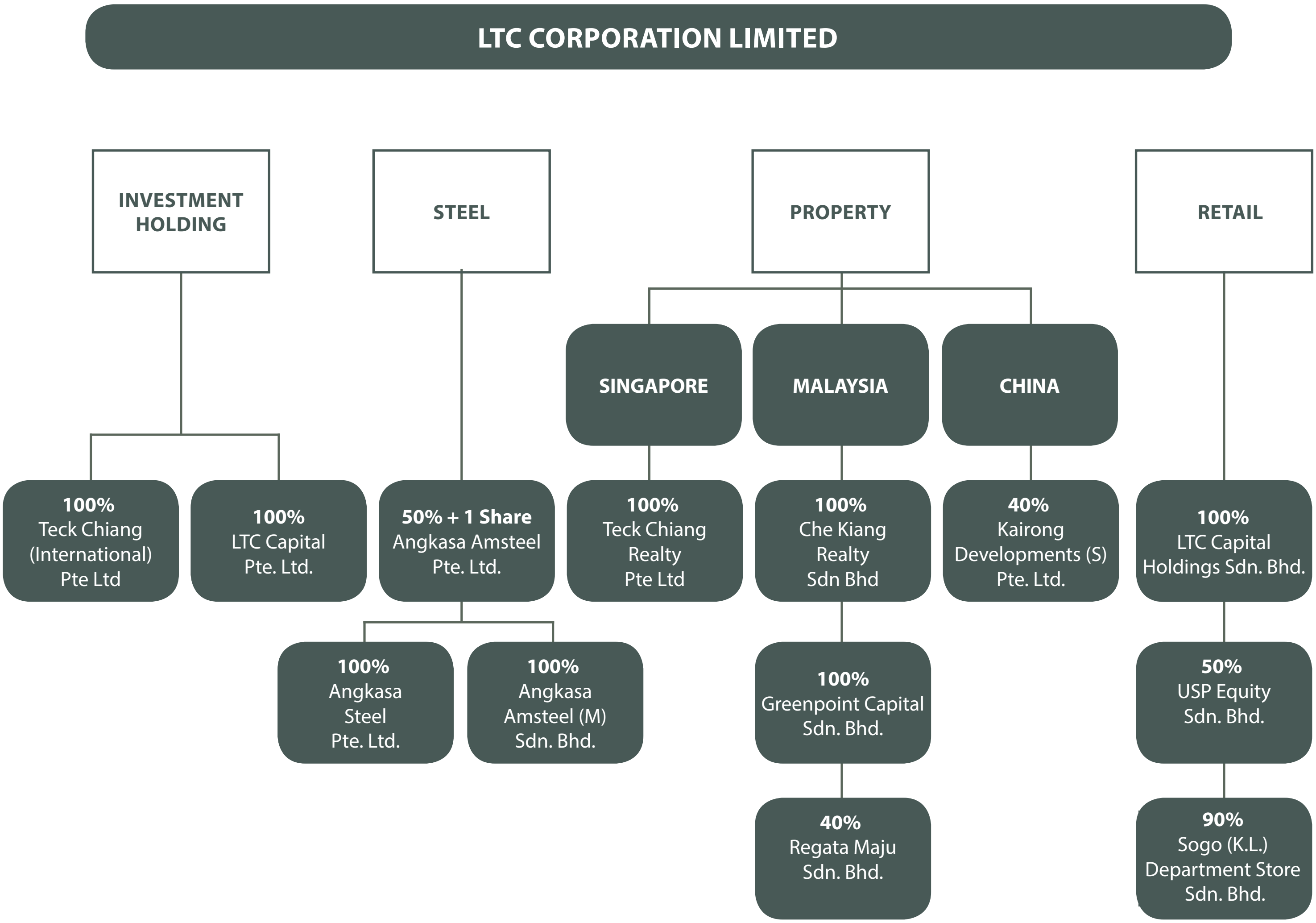
FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE	2017	2016
	$'000	$'000
Turnover		
Steel trading	**107,475**	92,898
Property development	**18,798**	28,845
Property rental	**7,803**	7,801
Investment holding	**30**	57
Total	**134,106**	**129,601**
Net operating profit		
Steel trading	**6,117**	(2,537)
Property development	**3,881**	4,400
Property rental	**4,055**	4,817
Investment holding	**(845)**	978
Total	**13,208**	**7,658**

FINANCIAL POSITION AS AT 30 JUNE	2017	2016
	$'000	$'000
Investment properties	**118,000**	118,000
Property, plant & equipment	**27,300**	29,871
Joint venture company	**22,237**	24,071
Associated company	**7,162**	8,898
Properties under development	**14,128**	13,325
Non-current assets held for sale	**-**	-
Completed properties	**13,279**	27,921
Inventories	**50,225**	39,714
Other assets	**76,814**	57,390
Borrowings	**(6)**	(62)
Other liabilities	**(39,535)**	(33,064)
Net assets	**289,604**	**286,064**
Share capital	**150,113**	150,113
Reserves	**(27,899)**	(23,985)
Accumulated profits	**132,317**	125,411
Shareholders' funds	**254,531**	251,539
Non-controlling interests	**35,073**	34,525
Total equity	**289,604**	**286,064**

5-YEAR FINANCIAL HIGHTLIGHTS

	2013 $'000	2014 $'000	2015 $'000	2016 $'000	**2017 $'000**
Revenue	190,865	165,659	168,457	129,601	**134,106**
Net profit	36,844	8,489	10,046	6,929	**8,470**
Owners equity	238,661	241,264	248,651	251,539	**254,531**
Earnings per share (cents)	23.5	5.4	6.4	4.4	**5.4**
Net asset value per share ($)	1.53	1.54	1.59	1.61	**1.63**

CORPORATE STRUCTURE



CORPORATE GOVERNANCE

LTC Corporation Limited ("LTC" or the "Company") believes in maintaining a high standard of corporate governance, and is committed to making sure that effective self-regulatory corporate practices exist to protect the interest of the shareholders.

This report sets out the Company's corporate governance processes and activities which are in line with the Code of Corporate Governance 2012 (the "Code"). Where the Company's practices differ from the recommendations under the Code, the Company's positions in respect of the same is also set out in this report.

BOARD MATTERS

Principle 1: The Board's Conduct of its Affairs

The Board is responsible for the overall strategy and direction of the Group. It provides entrepreneurial leadership, sets strategic aims, and ensures that the necessary financial and human resources are in places for the Company to meet its objectives. It also ensures that the Company's strategies are in the interest of the Company and its shareholders.

The Board supervises management and reviews management performance, as well as establishes a framework of prudent and effective controls which enables risk to be assessed and managed. It sets the Company's values and standards, and ensures that obligations to shareholders and others are understood and met.

During the financial year, the Board met 4 times. The Board reviews and approves appropriate strategic plans, key operational and financial matters, major acquisitions and divestment plans, major expenditure projects and funding decisions.

Principle 2: Board Composition and Guidance

The Board comprises 5 members, 2 of whom are Executives and 3 Independent Directors. The Directors are professionals in business, commerce and manufacturing. The strong independent element of the Board ensures that it is able to exercise objective and independent judgement on corporate affairs.

The members of the Board are as follows:

Executive	Non-Executive	
Cheng Theng Kee	Ong Teong Wan	(Lead Independent Director)
Cheng Yong Liang	Chay Yee	(Independent Director)
	Dato' Mazlan Bin Dato' Seri Harun	(Independent Director)

Certain functions have been delegated by the Board to various Board Committees, which operate under clearly defined terms of reference.

Delegation of Authority

The Board accepts that while these Board Committees have the authority to examine particular issues and will report back to the Board with their decision and/or recommendations, the ultimate responsibility for all matters lies with the entire Board.

The Board has delegated day-to-day operations to the management while reserving certain key matters for its approvals. Matters that require Board approval are Group's financial results, interested person transactions, material acquisition and disposal of assets, corporate or financial restructuring, share issuance and dividend payment.

Directors' Fiduciary Duties

All Directors are aware of their fiduciary duties and exercise due diligence and independent judgement in ensuring that their decisions are objective and in the best interests of the Company.

Directors' Training

All the Directors are informed and are encouraged to attend seminars, courses and other programmes, particularly on relevant new laws, regulations and changing commercial risks, from time to time, in order to discharge their duties as Directors. All the costs are to be borne by the Company.

Board Diversity

We are committed to promoting diversity as a key attribute of a well-functioning and effective Board. We believe that a diverse Board will enhance decision making by harnessing the variety of skills, industry and business experiences, age, ethnicity and culture, geographical background and nationalities, tenure of service and other distinguishing qualities of the members of the Board.

Principle 3: Board Membership and Board Performance

Directors' Attendance

The attendance of each Director at Board meetings and Board Committee meetings during the financial year ended 30 June 2017 is as follows:

	BOARD	**AUDIT COMMITTEE**	**REMUNERATION COMMITTEE**	**NOMINATING COMMITTEE**
Number of Meetings Held:	4	4	1	1
Name	**Number of Meetings Attended**	**Number of Meetings Attended**	**Number of Meetings Attended**	**Number of Meetings Attended**
Cheng Theng Kee (Chairman)	4	NA	NA	NA
Cheng Yong Liang (Managing Director)	4	1*	1*	1
Ong Teong Wan (Lead Independent Director)	4	4	1	1
Chay Yee (Independent Director)	4	4	1	1
Dato' Mazlan Bin Dato' Seri Harun (Independent Director)	3	3	0	NA

* Attendance by invitation of the relevant Committee
NA : Not applicable

The Directors are updated on the regulations of the SGX-ST, Companies Act and other statutory requirements when the need arises.

NOMINATING COMMITTEE

The Nominating Committee ("NC") comprises 3 Directors, 2 of whom, including its Chairman, are Independent Directors. The NC members are:

Mr Ong Teong Wan (Chairman)
Mr Chay Yee
Mr Cheng Yong Liang

The NC meets at least once a year and serves to provide a formal, transparent and objective procedure for appointing Board members and evaluating each Board member's performance. The NC performs the following functions:

1. To recommend appointment and re-appointment of Directors in accordance with the Constitution of the Company.

2. To re-nominate Directors, taking into account the individual Director's contribution and performance.

3. To determine annually whether or not a Director is independent, taking into account the relationship a Director may have with the company and its related companies.

4. To determine whether or not a Director is able to and has been adequately carrying out his/her duties as a Director of the company, in the event that a Director has multiple board representations.

5. To evaluate the Board's performance and the contribution by each Director to the effectiveness of the Board, and to adopt appropriate measures to assess performance.

The NC is of the view that the current Board comprises Directors who as a group provide core competencies such as commerce, business or management experience, industry knowledge, strategic planning experience and customer-based experience or knowledge.

Alternate Director

The Company has no alternate Directors on its Board.

Selection of New Directors

1. The NC reviews the needs of the Board by taking into account the scope and nature of the operations of the Group.

2. The NC will evaluate whether the composition and size of the Board is adequate. It also assesses whether additional competencies are required in the area when the appointment of new Directors is concerned.

Newly appointed Directors are provided orientation and training, if necessary, to enable them to familiarise with the Group's business activities and the relevant regulations and governance requirements.

Independence of Director

The NC which reviews the independence of each Director on an annual basis adopts the Code's definition of what constitutes an Independent Director. Each Independent Director is required to complete a confirmation on the Independent Directors Checklist, which is drawn up in accordance with the Code, and requires each Director to assess his own independence. The NC will then review the Independent Directors Checklist to determine whether a Director is independent.

For good corporate governance, the Board carries out rigorous review of the contributions and independence of Directors who have served on the Board beyond nine years from their first appointment, and if necessary, exercises its discretion to extend the tenures of these Directors.

The Code further requires the independence of any Director who has served on the Board beyond nine years to be rigorously reviewed. Mr Ong Teong Wan, Mr Chay Yee and Dato' Mazlan Bin Dato' Seri Harun have served as Independent Directors of the Company for more than nine years. They have contributed effectively by providing impartial and autonomous views, advice and judgment and have continued to demonstrate strong independence in character and mind.

The Board is of the opinion that their length of service has not, in any way diminished their independence. There were also no relationships with management or substantial shareholders or circumstances which were likely to affect, or could appear to affect their independence or impair their fair judgment. The Board also reviews the performance of the Directors and considers that the Directors who have gained valuable insight and good understanding of the Company through their years of involvement in the Company and together with their diverse experience and expertise, will be able to continue to greatly benefit the Company by providing impartial and autonomous views, advice and judgment.

The Board holds the view that continuity and stability of the Board is important and considers it is not currently in the interests of the Company and shareholders to require Directors who have served for nine years or longer to retire. The Board nevertheless will on a continual basis, review the need for progressive refreshing of its Board.

The Board is of the view that the current size of the Board is appropriate, taking into account the nature and scope of the Company's operations.

Re-election/Re-appointment of Directors

The Constitution of the Company requires one-third of the Directors, including a person holding the office of Managing Director, to retire from office by rotation at each Annual General Meeting. Accordingly, the NC recommended to the Board that Mr Cheng Theng Kee and Dato' Mazlan Bin Dato' Seri Harun who are subjected to retire by rotation, nominated themselves for re-election at the forthcoming Annual General Meeting.

The date of initial appointment and last re-election/re-appointment of each Director, together with their directorship in other listed companies as at the date of this report are as below:

Directors	**Date of initial appointment**	**Date of last re-election/ re-appointment**	**Current directorship in other listed companies**	**Past directorship in other listed companies in the preceding 3 years**
Cheng Theng Kee	24 February 1997	27 October 2016	–	–
Cheng Yong Liang	24 February 1997	27 October 2016	–	Lion Industries Corporation Berhad
Ong Teong Wan	28 July 1998	27 October 2016	Vicom Ltd	–
Dato' Mazlan Bin Dato' Seri Harun	31 January 1986	23 October 2015	–	–
Chay Yee	24 February 1997	27 October 2016	–	–

Review of Directors with Multiple Board Representations

The NC is of the view that multiple listed company board appointments will not affect the Director's ability to carry out their duties as Directors of the Company and therefore, it would not be necessary to prescribe a maximum number of listed company board representations a Director may hold. The NC is satisfied that each Director has devoted sufficient time and attention to the Company's affairs to adequately and competently carry out his duties as a Director of the Company. The Board concurs with the view of the NC.

Board Evaluation and Assessment of Director

The NC has an established appraisal process to assess the performance and effectiveness of the Board as a whole as well as to assess the contribution of individual Directors.

The assessments of a Director are experience in being a Company Director, competence and knowledge, including level and quality of involvement during the course of the year, attendance record at meetings of the Board and Board Committees, intensity of participation at meetings, the quality of interventions and special contributions.

On an annual basis, each Director will assess the effectiveness and performance of the Board as a whole and fellow Directors' performance based on the assessments adopted by the Board. The Chairman, in consultation with the NC, would evaluate and act on the results of the assessments and where appropriate, propose new members to be appointed to the Board or seek the resignation of Directors.

Each member of the Board has and will continue to have full access to the management and records.

Principle 4: Chairman and Managing Director

In compliance with the Code, the Chairman and the Managing Director ("MD") are separate persons. The Chairman is Mr Cheng Theng Kee, while the MD is Mr Cheng Yong Liang. Both Chairman and MD are related to each other, in that the MD is the son of the Chairman.

The roles of the Chairman and the MD are separate. This is to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making. The Chairman facilitates effective communication between the Board and management, engaging them in important matters relating to strategic issues and provides overall leadership for the Group. The Board has delegated the day-to-day management to the MD. The MD is the overall coordinator of the management team for the effective implementation of business strategies and policies and is supported by the respective Heads of Departments. The MD also assists in ensuring compliance with the Company's guidelines on corporate governance.

Lead Independent Director

As recommended by the Code, on 23 August 2013 the Board had appointed Independent Director, Mr Ong Teong Wan as Lead Independent Director. The Lead Independent Director shall be available to shareholders where they have concerns for which contact through the normal channels of the Chairman and MD has failed to resolve or for which such contact is inappropriate.

Where necessary the Independent Directors shall meet without the presence of the other Directors and the Lead Independent Director shall provide feedback to the Chairman after such meetings.

Principle 5: Access to Personnel and Information

Prior to each Board meeting, all Directors are provided with Board reports. These reports provide information on the Company's performance, financial position and significant issues.

All Directors are updated on an on-going basis via Board meetings and by way of circulars on matters relating to changes to the regulations of the SGX-ST, Companies Act, accounting standards and other statutory requirements. The phone numbers and email addresses of each Director and Company Secretary have also been provided to facilitate access to any required information.

All Directors have independent access to the senior management of the Company and also the Company Secretary. The Company Secretary attends all Board meetings and ensures that Board procedures are followed and that applicable rules and regulations are complied with. The Company Secretary is responsible for assisting the Company in its compliance with the requirement of the Companies Act, rules of the SGX-ST Listing Manual and other applicable regulations. The Company Secretary shall ensure good information flows within the Board and its committees, as well as between senior management and Non-Executive Directors, and shall facilitate orientation and assist in professional development when required. The appointment and removal of the Company Secretary are subject to Board approval.

Independent Advice

Each member of the Board has direct access to the Group's independent professional advisors as and when necessary to enable each member to discharge his responsibility effectively. Any cost of obtaining professional advice will be borne by the Company.

REMUNERATION MATTERS

Principle 6: Procedures for Developing Remuneration Policies

The Remuneration Committee ("RC") comprises 3 Independent Non-Executive Directors. The RC members are:

Mr Chay Yee (Chairman)
Mr Ong Teong Wan
Dato' Mazlan Bin Dato' Seri Harun

The RC meets at least once a year and their responsibilities include:

1. Recommend to the Board a framework of remuneration for the Directors and key executives.

2. Ensure that the remuneration package are in line with the Group's staff remuneration guidelines and commensurate with their respective job scopes and levels of responsibilities.

Principle 7: Level and Mix of Remuneration

The RC ensures that the level of remuneration is appropriate to attract, retain and motivate the Directors and key management needed to run the Company successfully, and is linked to the Company's relative performance and individual performance. It covers all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses and benefits-in-kind.

Long-term Incentive Schemes

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

Employee Share Schemes

The Company does not have any employee share schemes.

Level and Mix of Remuneration

The Non-Executive Directors are remunerated with Directors' fees, which are set in accordance with a remuneration framework comprising basic fees, committee fees and attendance fees, taking into account their effort, time spent and responsibilities. Such remuneration framework is reviewed by the RC on an annual basis and recommended to the Board for endorsement. The aggregate amount of Directors' fees for each financial year is subject to the approval of shareholders at the Annual General Meeting ("AGM") of the Company.

The RC ensures remuneration package for the Executive Directors takes into consideration the Company's relative performance and the performance of individual Directors. Such remuneration framework is reviewed by the RC on an annual basis and recommended to the Board for approval.

The RC determines the remuneration package for key management based on the Company's relative performance and the performance of individual key management, and in accordance with a remuneration framework comprising basic salary, bonus and benefits-in-kind. Such remuneration framework is reviewed by the RC on an annual basis and recommended to the Board for approval.

During the financial period under review, only Non-Executive Directors are paid Directors' fees. The payment of such fee is recommended for approval at the AGM of the Company. No Director is involved in deciding his own remuneration.

The level and mix of the Directors' remuneration in bands of $250,000 for FY2017 are set out below:

Remuneration Band	Salary[1]	Fees	Bonus	Benefits-in-kind[2]	Total
	%	%	%	%	%
Directors' Remuneration					
($500,000 to below $750,000)					
Cheng Yong Liang	54.7	–	43.3	2.0	100
($250,000 to below $500,000)					
Cheng Theng Kee	76.4	–	21.3	2.3	100
(Below $250,000)					
Ong Teong Wan	–	100	–	–	100
Chay Yee	–	100	–	–	100
Dato' Mazlan Bin Dato' Seri Harun	–	100	–	–	100

Having considered the recommendation in the Code on disclosure of Director's remuneration, the Board does not believe it is in the interest of Company to disclose the Directors' remuneration to the nearest thousand dollars, and that the current disclosure on a named basis and in bands of $250,000 including the provision of a break down in percentage terms is sufficient.

Notes:

1. Salary includes basic salary and employer's CPF
2. Benefits-in-kind includes car and club membership

The level and mix of the remuneration of the key management personnel who are not Directors or the CEO/MD for FY2017 and are immediate family members of a Director for FY2017 are set out in bands of $50,000 below:

Remuneration Band	Salary[1]	Fees	Bonus	Benefits-in-kind[2]	Total
	%	%	%	%	%
Key Management's Remuneration					
($300,000 to below $350,000)					
Datuk Cheng Yoong Choong	75.1	–	24.9	–	100
($250,000 to below $300,000)					
Cheng Theng How	62.3	–	32.0	5.7	100

Notes:

1. Salary includes basic salary and employer's CPF
2. Benefits-in-kind includes car and club membership

Apart from Mr Cheng Theng How, who is a brother to Mr Cheng Theng Kee and uncle of Mr Cheng Yong Liang and Datuk Cheng Yoong Choong, who is a son of Mr Cheng Theng Kee and a brother to Mr Cheng Yong Liang, there are no other employees who are immediate family members of a Director whose remuneration exceeds $50,000 during the year.

The level and mix of the remuneration of the key management personnel who are not Directors or the CEO/MD for FY2017 are set out in bands of $250,000 below:

Remuneration Band	Salary[1]	Fees	Bonus	Benefits-in-kind[2]	Total
	%	%	%	%	%
Key Management's Remuneration					
(Below $250,000)					
Lee Khian Lai	78.0	–	20.5	1.5	100
Freddy Mok	85.3	–	14.7	–	100
Jason Foon Lang Yeow	72.4	–	27.6	–	100
Tay Hui Siang	85.8	–	14.2	–	100
Wong Choy Ling	85.4	–	14.6	–	100

Notes:

1. Salary includes basic salary and employer's CPF
2. Benefits-in-kind includes car and club membership

The remuneration of the key management personnel is not disclosed to the nearest thousand dollars in the Annual Report due to the opinion of the Company that the key management remuneration package is competitive advantage of the Group. The aggregate amount of the total remuneration for the top key management personnel was approximately $1,210,000.

Expert Advice

The RC members are familiar with the executive compensation matters as they manage their own businesses and/or are holding directorship in the board of other listed company. The RC has access to appropriate external expert advice in the field of executive compensation, if necessary. Any cost of obtaining external expert advice will be borne by the Company.

Principle 8: Accountability and Audit

It is the aim of the Board to provide shareholders with explanation and assessment of the Group's financial position and prospects. The Directors have access to senior management at all times.

Principle 9: Audit Committee

The Audit Committee ("AC") comprises 3 members, all of whom are Independent Non-Executive Directors. The AC members are:

Mr Ong Teong Wan (Chairman)
Mr Chay Yee
Dato' Mazlan Bin Dato' Seri Harun

The AC meets at least 4 times a year to perform the following functions:

1. To review with the external auditors the audit plan, and the results of their examination and evaluation of the Group's system of internal accounting controls.

2. To review the Group's financial and operating results and accounting policies.

3. To review with the internal auditors, the scope and results of the internal audit procedures and to monitor the response to their findings to ensure that appropriate follow-up measures are taken.

4. To review compliance with the corporate governance guidelines on processes and activities adopted by the Board.

5. To review the Risk Management of the Group and to ensure that there are adequate controls in place.

6. To review Interested Person Transactions ("IPTs").

7. To make recommendations to the Board on the nominating of the external auditors, as well as reviewing the remuneration and terms of engagement of the external auditors.

The AC has full access to both the external and internal auditors. The internal audit plan is reviewed by the AC in consultation with the external auditors.

Both the AC and the Board of the Company have reviewed the appointment of different auditors. Based on their review, the AC and the Board are satisfied that the appointment of different auditors would not compromise the standard and effectiveness of the audit of the consolidated financial statements of the Group.

The AC and the Board of the Company confirmed that in appointing the auditing firms for the Company's significant subsidiaries and associated companies (whether incorporated in Singapore or elsewhere); the Group has complied with SGX-ST Listing Rules 712 and 716 respectively.

The AC has reviewed the non-audit services provided by the external auditors to the Group to assess the independence and objectivity of the external auditors. During the year under review, the aggregate amount of fees paid to the external auditors for audit and non-audit services amounted to $203,000 and $1,000 respectively. The AC is satisfied that the nature and extent of non-audit services have not prejudiced the independence and objectivity of the external auditors. The AC has recommended and the Board had approved the re-appointment of Ernst & Young LLP as auditors at the forthcoming AGM.

Significant Financial Reporting Matters

In the review of the financial statements of the Group, the Audit Committee considered the following key audit matters:

Significant Matters	**Review of significant matters by Audit Committee**
Assessment of purchase price allocation for the acquisition of USP Equity Sdn. Bhd. ("USP Equity")	The AC considered the qualifications, experience and independence of the valuation expert and their report and Management's assumptions used in the assessment. The AC also reviewed the procedures used by the External Auditors to obtain their assurance.
Valuation of provision for onerous contracts	After review and discussion with Management and the External Auditors, the AC has considered the approach and method used in the assessment to be consistent and reasonable.
Net realisable value of completed property held for sale – Hypermarket	The AC considered Management's assessment of the NRV of the hypermarket. After review of the work done by the External Auditors, the AC concurred with Management's assessment on the carrying value of the hypermart.
Valuation of investment properties	The AC considered the qualifications, experience and independence of the valuation expert and their report and reviewed the procedures carried out by the External Auditors.

AC Meeting with Auditors

The AC meets with the external auditors, without the presence of the Company's management, at least once a year. These meetings enable the external auditors to raise issues encountered in the course of their work directly to the AC.

AC Members' Qualifications

The AC members were selected based on their expertise and prior experience in the area of financial management. The Board is of the view that all the members of the AC have the related financial management expertise and experience to discharge their responsibilities as members of the AC.

AC Members' Restrictions

No former partner or Director of the Company's existing auditing firm or auditing corporation is a member of the AC.

Whistle Blowing Policy

There is a whistle blowing policy for the Group and policies and procedures are in place for any staff of the Group who may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. Arrangements are also in place for the independent investigation of such matters and for appropriate follow up action. Such policies and procedures have been reviewed by the AC.

Principle 10: Risk Management

Risk Management and Internal Controls

An Enterprise Risk Management framework has been established by management to formalise and documents the internal processes to enable significant strategic, financial, operation, compliance and information technology risks control within the Group. Strong emphasis is placed on creating risk awareness, promoting accountability and setting the appropriate tone at the top.

The Risk Management Committee of the Group is set up to implement and maintain risk policies and initiatives within the Group. The Risk Management Committee reports yearly to the AC. On an ongoing basis, management reviews the Group's business operations to identify key risk areas and risk mitigating strategies so as to ensure that risks are adequately managed within the Group's risk tolerance limits. Risk management training is conducted to communicate and enhance the Group's risk culture.

On an annual basis, the internal auditors will conduct a review of the internal controls which address the risks identified by the Risk Management Committee. Any material non-compliance or lapses in internal controls, together with recommendations for improvement are reported to the AC.

The AC has reviewed the Group's risk management process and is satisfied that there are adequate internal controls in place to manage any risks identified.

The Board will also review the Risk Management Committee reports yearly for follow up actions and high risk areas addressed immediately.

Other risk factors

Factors affecting the Group's property development activity in Singapore and Malaysia include the general state of the economy in the country where the project is located, the availability of suitable land banks for future development, level of interest rates and other factors that affect housing affordability. The prospects for the Group are also dependent upon levels of infrastructure development, which in turn would affect the demand and supply of residential property, timing of development of properties and the property sales price.

In the property investment sector, rental and occupancy rates of industrial space are affected by the state of the Singapore economy, the future supply of industrial spaces and overall rental rates.

In the steel business activity, factors which affect the price of steel include the state of the construction industry, cost of raw materials and the international demand and supply of rebars.

During periods of slowdown in the construction industry, the collection of trade receivables generally takes longer and the rate of default also tends to increase. Any significant default in payment by trade debtors will have a negative impact on our earnings and cash flow position.

In the retail operations, factors which affect the business are customers' preferences and seasonality, competition from existing competitors and new entrants, fluctuations in foreign exchange risk and changes in political, social, economic climate and government regulations.

Principle 11: Internal Controls and Internal Audit

The Board is responsible for ensuring that management maintains a sound system of internal controls to safeguard shareholders' investments and the Group's assets.

An internal audit team is in place to review, at least once annually, the risks incurred by the Group in its activities and promote continuous improvement to the Group's operations. The internal audit team reports the AC on any material non-compliance and internal control weakness.

The internal auditor reports directly to the Chairman of the AC on audit matters and to the management on administrative matters.

The AC reviews, on an annual basis, the adequacy of the internal audit function.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, and reviews performed by management, the AC and the Board are of the opinion that the Group's internal controls, addressing financial, operational, compliance and information technology controls, and risk management systems were adequate and effective as at 30 June 2017 to meet the needs of the Group in its current business environment.

The Board had received assurance from the MD and Group Accountant that (i) the financial records as at 30 June 2017 have been properly maintained and the financial statements for the financial year ended 30 June 2017 give a true and fair view of the Company's operations and finances; and (ii) the Company's risk management and internal control systems are adequate and effective.

Audit Committee to ensure internal audit function is adequately resourced

The Board recognises that it is responsible for maintaining a system of internal controls to safeguard shareholders' investments and the Company's businesses and assets, while the management is responsible for establishing and implementing the internal control procedures. The role of the internal auditors is to assist the AC in ensuring that the controls are effective and functioning as intended, to undertake investigations as directed by the AC and to conduct regular in-depth audits of high risk areas. The AC is satisfied that the internal audit function is adequately resourced and has appropriate standing within the Company.

Qualifications and experience of members of the Internal Audit

The AC is satisfied that the Internal Auditors is staffed by suitably qualified and experienced personnel with relevant professional accounting bodies.

Principle 12: Communication and Conduct of Shareholders' Meeting

Investor Relations and Shareholders' Participation

The Company's investor relations policy is that all shareholders should be informed of all major developments and events that impact the Company in a timely manner. Results and annual reports are announced or issued within the mandatory period.

To promote a better understanding of shareholders' views, the Board actively encourages shareholders to participate during the Company's general meetings. At these meetings, shareholders are given the opportunity to voice their views and raise issues formally and informally.

The Company's main forum for dialogue with shareholders takes place at its Annual General Meeting, where members of the Board, the chairpersons of the Audit, Nominating and Remuneration Committees, senior management and the external auditors are in attendance. The Company's Constitution allows a shareholder to appoint up to two proxies to attend and vote in his place. Pursuant to the introduction of the multiples proxies regime under the Companies Act, Amendment 2014 (Chapter 50 of Singapore), indirect investors who hold the Company's shares through a nominee company or custodian bank or through a CPF agent bank may attend and vote at the Annual General Meeting.

Website

The Company's website www.ltcgroup.com.sg is another channel to update the shareholders of the Group's projects and activities.

Separate Resolutions

The Board notes that there should be separate resolutions at general meetings on each substantially separate issue and supports the Code's principle regarding "bundling" of resolutions. In the event that there are resolutions which are interlinked, the Board will explain the reasons and material implications.

Poll Voting

To have greater transparency in the voting process, the Company has adopted the voting of all its resolutions by poll at its general meeting. The detailed voting results of each of the resolutions tabled will be announced immediately at the meeting. The total number of votes cast for or against the resolutions will be announced after the meeting via SGXNet.

Dealing in Securities

The Group has adopted an Internal Compliance Code on Securities Transaction ("Compliance Code") which provides guidance and internal regulation with regard to the Company's securities by its Directors and officers. These guidelines prohibit dealing in the Company's securities while in possession of unpublished material price-sensitive information in relation to such securities and during the "close period", which is defined as 2 weeks before the date of announcement of results for each of the first 3 quarters of the Company's financial year and one month before the date of announcement of the full year financial results.

The Compliance Code discourages all Directors and officers of the Group to deal in securities on short-term considerations.

Dividend Policy

The Company does not have a formal dividend policy. The form, frequency and amount of dividends will depend on the Group's earnings, financial position, results of operations, capital needs, plans for expansion, and others as the Board may deem appropriate.

INTERESTED PERSON TRANSACTIONS

The aggregate value of IPT entered into during the financial period under review pursuant to the Shareholders' Mandate obtained under Chapter 9 of the Listing Manual 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) $'000	Aggregate value of all interested person transactions conducted under Shareholders' Mandate pursuant to Rule 920 (excluding transactions less than $100,000) $'000
Antara Steel Mills Sdn Bhd	–	3,042
Amsteel Mills Marketing Sdn Bhd	–	4,648

RENEWAL OF SHAREHOLDERS' MANDATE FOR INTERESTED PERSON TRANSACTIONS

1. **Introduction**

The Directors of LTC Corporation Limited ("the Company") proposed to renew the Shareholders' Mandate for Interested Person Transactions ("IPT Mandate") that will enable the Company and its subsidiaries and associated company ("LTC Group" or the "Group"), or any of them, to enter into transactions with the Company's interested person ("Interested Person").

The approval of Shareholders of the Company ("Shareholders") for the renewal of the IPT Mandate will be sought at the Annual General Meeting of the Company ("AGM") to be held at 10 Arumugam Road, #10-00 LTC Building A, Singapore 409957 on 27 October 2017 at 9.30 a.m.

The Singapore Exchange Securities Trading Limited ("SGX-ST") takes no responsibility for the accuracy of any statements or opinions made in this IPT Mandate.

General information with respect to listing rules of the SGX-ST relating to interested person transactions, including meanings or terms such as "associate", "entity at risk", "interested person" and "interested person transaction" used in Chapter 9 of the Listing Manual, is also set out on page 27 of this Report.

2. **Rationale for the proposed renewal of IPT Mandate**

It is envisaged that the Group which is considered to be entity at risk within the meaning of Chapter 9 of the Listing Manual ("the EAR Group"), or any of them, would, in the ordinary course of their businesses, enter into Interested Person Transactions ("IPT or IPTs") with certain classes of Interested Persons in the categories of transactions as set out in paragraphs 5 and 6 below.

Given that such IPTs will occur with some degree of frequency and may arise at any time, the IPT Mandate is intended to facilitate transactions in the normal course of business of LTC Group provided that such IPTs are made on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders.

3. **Scope of IPT Mandate**

The IPT Mandate will cover a range of transactions arising in the ordinary course of business operations of the EAR Group as set out in paragraph 6 below.

The IPT Mandate will not cover any IPT, which has a value below $100,000 as the threshold and aggregate requirements of Chapter 9 of the Listing Manual do not apply to such transactions.

Transactions by the EAR Group with Interested Persons that do not fall within the ambit of the IPT Mandate (including any renewal thereof) will be subject to the relevant provisions of Chapter 9 and/or other applicable provisions of the Listing Manual.

4. **Benefits of IPT Mandate**

The IPT Mandate is intended to facilitate specified categories of IPTs in the normal course of business of the EAR Group which are transacted, from time to time, with the specified classes of Interested Persons, provided that they are carried out on the EAR Group's normal commercial terms, and are not prejudicial to the interests of the Company and its minority Shareholders.

Where the IPTs relate to the purchase of products and receipt of services from Interested Persons, the EAR Group will benefit from having access, where applicable, to competitive quotes from its Interested Persons, and may also derive savings in terms of cost efficiencies and greater economies of scale in its transactions with Interested Persons. The sale of products and provision of services to Interested Persons are also an additional source of revenue for the EAR Group, provided that such products and services are sold or provided on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders.

The IPT Mandate will eliminate the need to convene separate general meetings from time to time to seek Shareholders' approval as and when the need to enter a specified category of IPT with an Interested Person arises, thereby substantially reducing the administrative time and expenses in convening such meetings, without compromising the corporate objectives and adversely affecting the business opportunities available to the EAR Group.

5. **Classes of Interested Persons**

The IPT Mandate will apply to transactions (described in paragraph 6 below) that are carried out with the following classes of Interested Persons:

(a) Lion Investment (Singapore) Pte Ltd and its associates;

(b) Lion Realty Private Limited and its associates;

(c) William Cheng Sdn Bhd and its associates; and

(d) Mr Cheng Theng Kee, Mr Cheng Yong Liang, Tan Sri Cheng Heng Jem, Ms Juliana Cheng San San, and their associates.

6. **Categories of IPTs**

The IPTs entered into by the EAR Group with the Interested Persons (as described in paragraph 5 above) which will be covered by the IPT Mandate and which will not include transactions in respect of the purchase or sale of assets, undertakings or business, are as follows:

(a) Revenue Transactions

This category covers the revenue transactions ("Revenue Transactions") entered into by the EAR Group, including the sale or provision to, or the purchase or obtaining from, Interested Persons of products and services in the normal course of the businesses of the EAR Group which are defined as follows:

(i) the leasing or rental of office space and plant premises to Interested Persons;

(ii) the provision and obtaining of property services, including project management, building maintenance, estate management, and security, sales and marketing services;

(iii) the sale and purchase of iron and steel products, including steel rebars, deformed bars, round bars and wire rods; and

(iv) the provision and obtaining of services in relation to the iron and steel business, including contract manufacturing, storage, marketing, distribution and transportation services.

(b) General Transactions

This category covers transactions in relation to the provision or obtaining of management, support and other related services, including internal audit and information technology services.

7. Review Procedures for IPTs

In general, the EAR Group has internal control procedures to ensure that the IPTs are undertaken on normal commercial terms, are not prejudicial to the interests of the Company and its minority Shareholders, and consistent with the EAR Group's usual business practices and policies, which (in relation to products or services to be provided to an Interested Person) are no more favourable to the Interested Person than those extended to unrelated third parties, or (in relation to products or services to be obtained from an Interested Person) are no less favourable than those extended to the EAR Group by unrelated third parties.

In particular, the following review procedures have been established:

Revenue Transactions

(a) Leasing or Rental of Office Space and Plant Premises

The EAR Group will determine that the rental arrangements between the EAR Group and the Interested Person, including but not limited to, the rental rates and terms offered to the Interested Person, are comparable to the then prevailing market rates and terms for other properties within the vicinity of similar or comparable standing and facilities, after taking into account the tenure of the lease, the area of the leased premises and any other factor which may affect the rental rates or terms of the lease.

(b) Provision of Services or Sale of Products

The review procedures are as follows:

(i) All contracts entered into or transactions with an Interested Person are to be carried out at the prevailing market rates or prices and on normal commercial terms of the service or product provider within the EAR Group, which are no more favourable than those extended to unrelated third parties. As a basis to determine whether the price and terms offered to the Interested Person are no more favourable than those extended to unrelated third parties, the EAR Group will take into account at least two recent contracts for the same or substantially similar type of unrelated third parties (including, where applicable, preferential rates/prices/discounts accorded to a class of customers or for long-term contracts or for bulk purchases, where the giving of such preferential rates/prices/discounts are commonly practiced within the applicable industry), or otherwise in accordance with applicable industry norms.

(ii) Where the prevailing market rates or prices are not available due to the nature of the service to be provided or the product to be sold, or where it is not possible to obtain at least two recent contracts for the same or substantially similar type of unrelated third party transaction (for instance, if there are no unrelated third party purchasers or customers for similar products or services, or if the product or service is proprietary), the terms of supply will (where applicable) be in accordance with the EAR Group's usual business practices and pricing policies. In determining the transaction price payable by the Interested Person for such service or product, the EAR Group will take into account various factors including, where applicable, the type and volume of the product to be sold, the prices of raw materials, the type and complexity of the service to be provided, the credit worthiness of the customers, the duration of the contract, the strategic purposes of the transaction, and the then prevailing business conditions.

(c) Obtaining of Services or Purchase of Products

The review procedures are as follows:

(i) All contracts entered into or transactions with an Interested Person are to be carried out at the prevailing market rates or prices and on normal commercial terms for the service or product obtained by the EAR Group from unrelated third parties. As a basis to determine whether the price and terms offered by the Interested Person are fair and reasonable and comparable to those offered by other unrelated third parties to the EAR Group for the same or substantially similar type of service or product, the EAR Group will obtain at least two quotations from unrelated third party vendors or suppliers for the same or substantially similar type of service or product and will take into account, where applicable, factors such as, but are not limited to, preferential rates, rebates, discounts accorded to long-term contracts or bulk purchases and credit terms.

(ii) Where the prevailing market rates or prices are not available due to the nature of the service to be obtained or the product to be purchased, or where it is impractical or not possible for such quotes to be obtained (for instance, if there are no unrelated third party vendors or suppliers of similar services or products, or if the service or product is proprietary), the EAR Group will ensure that the price and terms of purchase are in accordance with industry norms, and/or will take into account, where relevant, factors such as, but are not limited to, specification compliance, skill, track record, quality of service, and delivery schedules.

General Transactions

Provision and Obtaining of Management, Support and Other Related Services

In relation to the provision and obtaining of management, support and other related services, the EAR Group will ensure that the costs for any management, support and other related services provided to, or obtained from, any Interested Person shall be in accordance with the cost recovery or sharing formula agreed with the Interested Person. The EAR Group will review and approve the computation of the cost recovery or sharing formula prior to the entry of the agreement with the Interested Person and will ensure that such cost recovery or sharing formula shall be based on actual costs incurred and shall not be prejudicial to the interests of the Company and its minority Shareholders.

Other Review Procedures

In addition to the review procedures set out above, the following review and approval procedures for IPTs will be applied to ensure that the IPTs are undertaken on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders:

(a) IPTs equal to or exceeding $100,000 but less than $3 million in value will be reviewed and approved by two (2) senior members of the management of the relevant company of the EAR Group who are designated by the Audit Committee (the "Management Members");

(b) IPTs equal to or exceeding $3 million but less than $5 million in value will be reviewed and approved by either one (1) of the Management Members and any one of the Independent Directors of the LTC Group; and

(c) IPTs equal to or exceeding $5 million in value will be reviewed and approved by the Audit Committee.

IPTs which need not have the prior approval of the Audit Committee will be reviewed on a half-yearly basis by the Audit Committee.

A register will be maintained by the Company to record all IPTs (and the basis on which they are entered into) which are entered into pursuant to the IPT Mandate.

The Company shall, on a half-yearly basis, report to the Audit Committee on all IPTs, and the basis of such transactions, entered into with Interested Persons during the preceding half-year. The Audit Committee shall review such IPTs at its half-yearly meetings except where such IPTs are required under the review procedures to be approved by the Audit Committee prior to the entry thereof.

The Company's annual internal audit plan shall incorporate a review of all IPTs, including the established review procedures for the monitoring of such IPTs, entered into during the current financial year pursuant to the IPT Mandate.

The Audit Committee shall, in conjunction with its review of the IPTs and the internal audit report, ascertain whether the established review procedures have been complied with. If, during its reviews, the Audit Committee is of the view that the review procedures as stated above are not sufficient or have become inappropriate, in view of changes to the nature of, or the manner in which, the business activities of the EAR Group are conducted, it will take such actions as it deems appropriate and/or institute additional procedures as necessary to ensure that the IPTs will be on normal commercial terms and not prejudicial to the interests of the Company and its minority Shareholders, and the Company will revert to the Shareholders for a fresh Shareholders' Mandate based on new guidelines for the IPTs. In such a case, all IPTs will be reviewed and approved by the Audit Committee prior to their entry thereof.

For the purposes of the above review and approval process, any Director who is not considered independent for purposes of the IPT Mandate and/or any IPT will abstain from voting in relation to any respective resolution, and/or abstain from participating in the Audit Committee's decision during its review of the established review procedures for the IPTs or during its review or approval of any IPT.

8. Expiry and renewal of the IPT Mandate

If approved by Shareholders at the AGM, the IPT Mandate will take effect from the date of receipt of Shareholders' approval, and will (unless revoked or varied by the Company in a general meeting) continue to be in force until the next AGM of the Company and will apply to IPTs entered into from the date of receipt of Shareholders' approval. Approval from the Shareholders will be sought for the renewal of the IPT Mandate at each subsequent AGM, subject to review by the Audit Committee of its continued application to the IPTs.

9. Disclosures

Pursuant to Chapter 9 of the Listing Manual, the Company will disclose in its annual report the aggregate value of the Interested Person Transactions conducted under the IPT Mandate during the financial year, and in the annual reports for the subsequent financial year during which the IPT Mandate is in force. In addition, the Company will announce the aggregate value of the IPTs conducted pursuant to the IPT Mandate for the financial periods which it is required to report on (in accordance with Rule 705 of the Listing Manual) within the time required for the announcement of such report. These disclosures will be in the form set out in Rule 907 of the Listing Manual.

10. Statement of the Audit Committee

The Audit Committee of the Company confirms that:

(a) the methods and procedures for determining the transaction prices of the IPTs conducted under the IPT Mandate have not changed since the Shareholders' approval of the IPT Mandate at the 2016 AGM;

(b) the methods and procedures referred to in (a) above continue to be sufficient to ensure that these IPTs will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders; and

(c) the Company will obtain a fresh mandate from the Shareholders if the methods or procedures for determining transaction prices referred to in paragraph 10(a) becomes inappropriate.

11. Directors' and Substantial Shareholders' interest

The interest of the Directors' and Substantial Shareholders' interests of the Company as at 30 June 2017 and as at 18 September 2017 respectively, can be found on page 31 and page 106 of this Report respectively.

Directors of the Company will abstain from voting their shareholdings in the Company, if any, on the resolution relating to the renewal of the IPT Mandate at the forthcoming AGM.

Controlling Shareholders and their respective associates, being Interested Persons under the IPT Mandate, will abstain from voting their respective shareholdings in the Company on the resolution relating to the renewal of the IPT Mandate at the forthcoming AGM.

12. Independent directors' recommendation

The independent directors having considered, inter alia, the terms, the rationale and the benefits of the IPT Mandate, are of the view that the IPT Mandate is in the interests of the Company and accordingly recommend that Shareholders vote in favour of the resolution relating to the renewal of the IPT Mandate at the forthcoming AGM.

13. Directors' responsibility statement

The Directors collectively and individually accept full responsibility for the accuracy of the information given herein and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the facts stated herein are fair and accurate and that there are no material facts the omission of which would make any statement in this report misleading.

GENERAL INFORMATION RELATING TO CHAPTER 9 OF THE LISTING MANUAL

1. Introduction

Chapter 9 of the Listing Manual applies to transactions which a listed company or any of its subsidiaries or associated companies (other than a subsidiary or an associated company that is itself listed on the SGX-ST or an approved stock exchange, or an associated company over which the listed group and/or its interested persons(s) has no control) proposes to enter into with a counterparty who is an interested person of the listed company.

2. Terms used in Chapter 9 of the Listing Manual

"Entity at Risk"

The term "entity at risk" is defined to mean (a) the listed company, (b) a subsidiary of the listed company that is not listed on the SGX-ST or an approved exchange and (c) an associated company of the listed company that is not listed on the SGX-ST or an approved exchange, provided that the listed company and/or its subsidiaries and its interested person(s) has control over the associated company.

"Interested Person"

The term "interested person" is defined to mean a director, chief executive officer or controlling shareholder of the listed issuer, or an associate of any such director, chief executive officer or controlling shareholder.

"Interested Person Transaction"

The term "interested person transaction" is defined to mean a transaction between an entity at risk and an interested person.

"Associate"

In relation to any director, chief executive officer, substantial or controlling shareholder (being an individual), an "associate" is defined to be an immediate family member (that is, spouse, child, adopted child, step child, sibling and parent); the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and any company in which the individual and his immediate family together (directly or indirectly) have an interest of 30% or more.

In relation to a substantial shareholder or controlling shareholder (being a company), an "associate" is defined to be any other company which is a subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more.

"Associated Company"

A listed company's "associated company" is defined as a company in which at least 20% but not more than 50% of its shares are held by the listed company or group.

"Controlling Shareholder"

A "controlling shareholder" of a listed company is a person who holds directly or indirectly 15% or more of the total number of issued shares excluding treasury shares in the listed company, or a person who in fact exercised control over the listed company.

"Approved Exchange"

An "approved exchange" means a stock exchange that has rules which safeguard the interests of shareholders against interested person transactions according to similar principles to Chapter 9 of the Listing Manual.

"Chief Executive Officer"

"Chief Executive Officer" is defined in the Listing Manual to mean the most senior executive officer who is responsible under the immediate authority of the board of directors for the conduct of the business of listed issuer.

3. Materiality Thresholds, Disclosure Requirements and Shareholders' Approval

Except for certain transactions which, by reason of the nature of such transactions, are not considered to put the listed company at risk to its interested person and are hence excluded from the ambit of Chapter 9, immediate announcement and shareholders' approval would be required in respect of transactions with interested persons if certain financial thresholds (which are based on the value of the transaction as compared with the listed company's latest audited consolidated NTA) are reached or exceeded.

Immediate Announcement

An immediate announcement is required where the interested person transaction is of a value equal to, or more than, 3% of the listed group's latest audited NTA.

Where the aggregate value of all the transactions entered into with the same interested person during the same financial year amounts to 3% or more of the listed group's latest audited NTA, the issuer must make an announcement of the latest transaction and all future transactions entered into with the same interested person during that financial year.

Shareholders' Approval

Shareholders' approval is required where the interested person transaction is of a value equal to or more than:

(a) 5% of the listed group's latest audited NTA; or

(b) 5% of the listed group's latest audited NTA, when aggregated with other transactions entered into with the same interested person during the same financial year.

However, a transaction which has been approved by shareholders, or is the subject of aggregation with another transaction that has been approved by shareholders, need not be included in any subsequent aggregation.

The above requirements for immediate announcement and for shareholders' approval do not apply to any transaction below $100,000.

4. Exceptions

Rule 916 of the Listing Manual provides that the following transactions are not required to comply with Rule 906:

(1) The entering into, or renewal of a lease or tenancy of real property of not more than 3 years if the terms are supported by independent valuation.

(2) Investment in a joint venture with an interested person if:

(a) the risks and rewards are in proportion to the equity of each joint venture partner;

(b) the issuer confirms by an announcement that its Audit Committee is of the view that the risks and rewards of the joint venture are in proportion to the equity of each joint venture partner and the terms of the joint venture are not prejudicial to the interests of the issuer and its minority shareholders; and

(c) the interested person does not have an existing equity interest in the joint venture prior to the participation of the entity at risk in the joint venture.

(3) The provision of a loan to a joint venture with an interested person if:

(a) the loan is extended by all joint venture partners in proportion to their equity and on the same terms;

(b) the interested person does not have an existing equity interest in the joint venture prior to the participation of the entity at risk in the joint venture; and

(c) the issuer confirms by an announcement that its Audit Committee is of the view that:

(i) the provision of the loan is not prejudicial to the interests of the issuer and its minority shareholders; and

(ii) the risks and rewards of the joint venture are in proportion to the equity of each joint venture partner and the terms of the joint venture are not prejudicial to the interests of the issuer and its minority shareholders.

(4) The award of a contract by way of public tender to an interested person if:

(a) the awarder entity at risk announces the following information:

(i) the prices of all bids submitted;

(ii) an explanation of the basis for selection of the winning bid; and

(b) both the listed bidder (or if the bidder is unlisted, its listed parent company) and listed awarder (or if the awarder is unlisted, its listed parent company) have boards, the majority of whose directors are different and are not accustomed to act on the instructions of the interested person or its associates and have audit committees whose members are completely different.

(5) The receipt of a contract which was awarded by way of public tender, by an interested person if:

(a) the bidder entity at risk announces the prices of all bids submitted; and

(b) both the listed bidder (or if the bidder is unlisted, its listed parent company) and listed awarder (or if the awarder is unlisted, its listed parent company) have boards, the majority of whose directors are different and are not accustomed to act on the instructions of the interested person or its associates and have audit committees whose members are completely different.

5. Shareholders' Mandate

Rule 920(1) of the Listing Manual permits a listed company to seek a general mandate from its shareholders for recurrent transactions with interested persons of a revenue or trading nature or those necessary for its day-to-day operations, but not in respect of the purchase or sale of assets, undertakings or businesses. A general mandate is subject to annual renewal.

FINANCIAL STATEMENTS

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of LTC Corporation Limited (the "Company") and its subsidiary companies (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 30 June 2017.

Opinion of the directors

In the opinion of the directors,

(a) the consolidated financial statements of the Group and the balance sheets 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 30 June 2017 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

The directors of the Company in office at the date of this statement are:

Cheng Theng Kee (Chairman)
Cheng Yong Liang (Managing Director)
Dato' Mazlan Bin Dato' Seri Harun
Ong Teong Wan
Chay Yee

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one 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' 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 and share options of the Company, as stated below:

	Direct interest			Deemed interest		
Name of Directors	**At beginning of the year**	**At end of the year**	**At 21 July 2017**	**At beginning of the year**	**At end of the year**	**At 21 July 2017**
Ordinary shares of LTC Corporation Limited						
Cheng Theng Kee	300,000	300,000	300,000	34,000	34,000	34,000
Cheng Yong Liang	150,000	150,000	150,000	–	–	–

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

DIRECTORS' STATEMENT

Share options

During the financial year there were:

(i) no options granted by the Company to any person to take up unissued shares in the Company; and

(ii) no shares issued by virtue of any exercise of option to take up unissued shares of the Company.

As at the end of the financial year, there were no unissued shares of the Company under option.

Audit Committee

The Audit Committee comprises the following members:

Ong Teong Wan (Chairman)	(Non-executive and independent director)
Chay Yee	(Non-executive and independent director)
Dato' Mazlan Bin Dato' Seri Harun	(Non-executive and independent director)

The Audit Committee carries out its functions in accordance with Section 201B (5) of the Singapore Companies Act, Chapter 50, including a review of the financial statements of the Company and of the Group for the financial year and the Auditor's report thereon.

Pursuant to Rule 1207(6) of the Listing Manual of Singapore Exchange Securities Trading Limited, the Committee has conducted an annual review of the non-audit services provided by its external auditors to satisfy itself that the nature and extent of such services will not prejudice the independence of the external auditors. It has recommended to the Board of directors the nomination of Ernst & Young LLP as external auditors at the forthcoming Annual General Meeting of the Company.

The functions performed are detailed in the Report on Corporate Governance.

Auditor

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

On behalf of the board of directors:

Cheng Theng Kee
Director

Cheng Yong Liang
Director

Singapore
3 October 2017

Report on the audit of the financial statements

Opinion

We have audited the financial statements of LTC Corporation Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 30 June 2017, the statements of changes in equity of the Group and the Company and the 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, 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 Financial Reporting Standards in Singapore (the "FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 30 June 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing (the "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 (the "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.

Assessment of purchase price allocation for the acquisition of USP Equity Sdn. Bhd. ("USP Equity")

In November 2015, the Group acquired 50% of USP Equity for $23,145,000. Details of the Purchase Price Allocation (PPA) are disclosed in Note 39 to the financial statements.

Due to the quantitative materiality of the acquisition and the significant management judgement involved in the PPA, which include the identification of the acquired assets and liabilities and their respective fair values, we have determined it to be a key audit matter.

As part of our audit procedures, we read the share purchase agreement and joint venture agreement to verify consideration paid, and understand the structure of the acquisition and their key terms.

We involved our internal valuation expert in reviewing the valuation methodologies, key assumptions and inputs used by management and their expert in the identification and fair valuation of the acquired assets and liabilities. We discussed with the external expert to assess the reasonableness of valuation method, assumptions and inputs applied and understand their basis of conclusion arrived in PPA report. We also considered the competency, objectivity and independence of the external expert by reference to their qualification and experience.

Finally, we assessed the adequacy of the related disclosures in Note 3.1 and Note 39 to the financial statements.

Key audit matters (cont'd)

Valuation of provision for onerous contracts

As at 30 June 2017, the Group recognized provision for onerous contracts amounting to $928,000 due to certain contracted selling price with customers being lower than the average cost of steel. The Group contracted with customers to supply steel at a fixed price. The timing of supply of steel is determined by the customer over an agreed period. Significant management judgment is required to estimate the amount of provision for onerous contract as this is dependent on market prices for steel, length of contract period, volume committed by the Group and its corresponding draw down date. Accordingly, we identified this as a key audit matter.

We assessed the Group's process for the identification of onerous contracts and tested the completeness against open sales order, available inventories, underlying contracts, and board resolutions and minutes. We compared the forecasted market price of steel products to information published by industry's regulator. We evaluated management's assessment for the mismatches in contracted price and volume between the Group's committed supply contracts and sales contracts and the unavoidable costs in meeting the obligations under these contracts.

We further assessed the adequacy of the Group's disclosures on provision for onerous contracts in Notes 2.21, Note 3.2(e), Note 22 and Note 37(iii) to the financial statements.

Net realisable value of completed property held for sale – Hypermarket

The Group has completed properties held for sale of $13,279 million, including a hypermarket with carrying amount of $12.5 million (equivalent to RM38.9 million). This property is located at Tebrau, Johor, as disclosed in Note 11 to the financial statements.

The determination of the estimated net realisable value ("NRV") of the property is dependent on the Group's expectations of future selling prices. The Group estimated net realisable value by using recently transacted price of similar property, adjusted for its geographical location. Accordingly, we identified this as a key audit matter.

As part of our audit procedures, we assessed the appropriateness of the method used to determine the NRV and significant assumptions used by management by comparing to available transacted price of similar properties, and considering the specific nature and use of the properties. We also tested the reasonableness of the adjustment factor used to account for the different geographical location.

The Group's disclosures relating to completed properties held for sale is included in Note 2.19 and Note 11 to the financial statements.

Valuation of investment properties

Investment properties represent 60.8% of non-current assets. As at 30 June 2017, the Group's investment properties carried at fair value amounted to $118.0 million.

The Group engaged a valuation expert to determine the fair value using comparable sales method. The valuation is dependent on estimates and assumptions such as size, location, existing use and age of the comparable properties used in the valuation. Given the magnitude of the investment properties and the complexity and judgment involved in their valuation, we have identified this as a key audit matter.

As part of our audit procedures, we assessed the competence, objectivity and capabilities of the valuation expert. We held discussions with the management's expert to understand the valuation methodology used in the valuation and the results of their work. We assessed the appropriateness of key inputs and reasonableness of assumptions supporting the valuation by comparing to available trade published data and considering the specific nature and uses of these properties. We also assessed the adequacy of the related disclosures in Note 2.7, Note 4 and Note 41(D) of the financial statements.

Other information

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

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the 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.

Auditor's responsibilities for the audit of the financial statements (cont'd)

- 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.

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 Low Bek Teng.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

3 October 2017

BALANCE SHEETS

AS AT 30 JUNE 2017

	Note	Group 2017 $'000	Group 2016 $'000	Company 2017 $'000	Company 2016 $'000
Non-current assets					
Investment properties	4	118,000	118,000	–	–
Property, plant and equipment	5	27,300	29,871	–	–
Subsidiary companies	6	–	–	130,170	130,170
Due from subsidiary companies	15	–	–	48,492	49,922
Joint venture company	39	22,237	24,071	–	–
Associated company	7	7,162	8,898	–	–
Long-term investments	8	4,780	4,651	380	380
Properties under development	9	14,128	13,325	–	–
Deferred tax assets	10	327	589	–	–
Fixed deposits	17	–	16	–	–
		193,934	199,421	179,042	180,472
Current assets					
Completed properties held for sale	11	13,279	27,921	–	–
Inventories	12	50,225	39,714	–	–
Prepayments		89	97	1	1
Trade debtors	13	19,482	16,433	–	–
Other debtors	14	1,222	357	–	–
Due from subsidiary company	15	–	–	1,005	322
Due from related parties	16	1,475	395	–	–
Tax recoverable		585	430	–	–
Derivatives	41	–	50	–	–
Fixed deposits	17	33,915	16,853	–	–
Cash and bank balances	17	14,939	17,519	26	23
		135,211	119,769	1,032	346
Current liabilities					
Trade creditors	18	28,480	21,968	–	–
Other creditors	19	3,405	5,024	222	220
Due to related parties	20	1,190	534	20	10
Interest-bearing loans and borrowings	21	6	56	–	–
Provisions	22	1,173	415	–	–
Derivatives	41	75	252	–	–
Provision for taxation		540	741	–	–
		34,869	28,990	242	230
Net current assets		100,342	90,779	790	116
Non-current liabilities					
Trade creditors	18	1,060	991	–	–
Due to subsidiary companies	23	–	–	21,123	22,082
Interest-bearing loans and borrowings	21	–	6	–	–
Deferred tax liabilities	10	3,612	3,139	–	–
		4,672	4,136	21,123	22,082
Net assets		289,604	286,064	158,709	158,506
Equity attributable to owners of the Company					
Share capital	24	150,113	150,113	150,113	150,113
Capital reserve	25	6,354	6,225	–	–
Exchange translation reserve	25	(34,253)	(30,210)	–	–
Accumulated profits		132,317	125,411	8,596	8,393
		254,531	251,539	158,709	158,506
Non-controlling interests		35,073	34,525	–	–
		289,604	286,064	158,709	158,506

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 30 JUNE 2017

	Note	2017	2016
		$'000	$'000
Revenue	26	134,106	129,601
Cost of sales	27	(111,537)	(116,250)
Gross profit		22,569	13,351
Other income	28	888	1,078
Selling and distribution expenses		(1,354)	(1,323)
Administrative expenses		(9,229)	(9,918)
Other operating income	30	1,586	3,805
Share of results of a joint venture		(849)	506
Share of results of associated company		396	159
Fair value changes in investment properties	4	(799)	–
Operating profit		13,208	7,658
Finance income		637	658
Finance costs	29	(798)	(707)
Profit before taxation	31	13,047	7,609
Taxation	33	(2,222)	(2,403)
Profit for the financial year		10,825	5,206
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Other capital reserve		129	32
Exchange differences on consolidation		(4,089)	(3,882)
Share of other comprehensive income of associated company		(9)	(207)
Other comprehensive income, net of tax		(3,969)	(4,057)
Total comprehensive income for the financial year		6,856	1,149
Profit for the year attributable to:			
Owners of the Company		8,470	6,929
Non-controlling interests		2,355	(1,723)
		10,825	5,206
Total comprehensive income attributable to:			
Owners of the Company		4,556	2,888
Non-controlling interests		2,300	(1,739)
		6,856	1,149
Earnings per share attributable to owners of the Company (cents per share)			
- Basic and diluted	34	5.4	4.4

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

	Attributable to owners of the Company						
	Share capital	**Capital reserve**	**Exchange translation reserve**	**Accumulated profits**	**Equity attributable to owners of the Company**	**Non-controlling interests**	**Total equity**
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group							
Balance as at 30 June 2015 and 1 July 2015	150,113	6,193	(26,137)	118,482	248,651	36,264	284,915
Profit for the financial year	–	–	–	6,929	6,929	(1,723)	5,206
Other comprehensive income for the financial year							
Other capital reserve	–	32	–	–	32	–	32
Exchange differences on consolidation	–	–	(3,866)	–	(3,866)	(16)	(3,882)
Share of other comprehensive income of associated company	–	–	(207)	–	(207)	–	(207)
Total comprehensive income for the financial year	–	32	(4,073)	6,929	2,888	(1,739)	1,149
Balance as at 30 June 2016	150,113	6,225	(30,210)	125,411	251,539	34,525	286,064
Group							
Balance as at 30 June 2016 and 1 July 2016	150,113	6,225	(30,210)	125,411	251,539	34,525	286,064
Profit for the financial year	–	–	–	8,470	8,470	2,355	10,825
Other comprehensive income for the financial year							
Other capital reserve	–	129	–	–	129	–	129
Exchange differences on consolidation	–	–	(4,034)	–	(4,034)	(55)	(4,089)
Share of other comprehensive income of associated company	–	–	(9)	–	(9)	–	(9)
Total comprehensive income for the financial year	–	129	(4,043)	8,470	4,556	2,300	6,856
Dividends paid	–	–	–	(1,564)	(1,564)	–	(1,564)
Dividends paid to non-controlling shareholder of a subsidiary company	–	–	–	–	–	(1,752)	(1,752)
Balance as at 30 June 2017	150,113	6,354	(34,253)	132,317	254,531	35,073	289,604

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 30 JUNE 2017

	Share capital	Accumulated profits	Total
	$'000	$'000	$'000
Company			
Balance as at 1 July 2015	150,113	7,601	157,714
Profit for the financial year	–	792	792
Total comprehensive income for the financial year	–	792	792
Balance as at 30 June 2016 and 1 July 2016	150,113	8,393	158,506
Profit for the financial year	–	1,767	1,767
Total comprehensive income for the financial year	–	1,767	1,767
Dividends paid	–	(1,564)	(1,564)
Balance as at 30 June 2017	150,113	8,596	158,709

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

CONSOLIDATED CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	Note	2017	2016
		$'000	$'000
Cash flows from operating activities:			
Profit before tax		13,047	7,609
Adjustments for:			
Fair value changes in investment properties	4	799	–
Depreciation of property, plant and equipment	31	2,874	2,784
Write-back of provision for qualifying certificate extension charges		–	(480)
Dividend income from long-term investments	26/28	(68)	(72)
(Write back)/provision for inventories obsolescence	27	(53)	53
Provision/(write back) for onerous contracts	27	775	(97)
Interest income		(637)	(658)
Gain on disposal of property, plant and equipment	28	(122)	(85)
Finance and related costs		841	582
Write-back for impairment of completed properties	30	(2,101)	(3,201)
(Write-back)/allowance for doubtful debts	31	(27)	41
(Gain)/loss on fair value changes on derivatives	31	(127)	72
Share of results of joint venture company		849	(506)
Share of results of associated company		(396)	(159)
Operating cash flows before changes in working capital		15,654	5,883
Increase in inventories		(10,460)	(10,285)
(Increase)/decrease in debtors and prepayments		(3,879)	10,257
Increase/(decrease) in creditors		5,207	(4,943)
Decrease in provisions		–	(986)
Increase in properties under development		(1,605)	(322)
Decrease in completed properties held for sale		16,166	24,771
Currency realignment		(960)	(1,148)
Cash flows from operations		20,123	23,227
Interest paid		(693)	(582)
Income taxes paid		(1,843)	(2,773)
Net cash flows generated from operating activities		17,587	19,872
Cash flows from investing activities:			
Interest received		637	658
Dividend income from long-term investments	26/28	68	72
Capital expenditure on investment properties	4	(154)	–
Proceeds from disposal of property, plant and equipment		122	168
Purchase of property, plant and equipment	5	(960)	(1,515)
Investment in joint venture company		–	(23,145)
Loan repayment from associated company		2,122	10,104
Purchase of long-term investments		–	(889)
Net cash flows generated from/(used in) investing activities		1,835	(14,547)

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

CONSOLIDATED CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	Note	2017	2016
		$'000	$'000
Cash flows from financing activities:			
Decrease in finance lease obligations		(56)	(37)
Repayment of long-term borrowings		–	(13,905)
Withdrawal of deposits		78	65
Settlement of interest rate swap		(148)	(47)
(Decrease)/increase in amounts due to related parties		(346)	48
(Increase)/decrease in amounts due from related parties		(1,080)	485
Dividend paid to non-controlling shareholder of a subsidiary company		(750)	(850)
Dividend paid	35	(1,564)	–
Net cash flows used in financing activities		(3,866)	(14,241)
Net increase/(decrease) in cash and cash equivalents		15,556	(8,916)
Effect of exchange rate changes on cash and cash equivalents		(1,012)	(1,471)
Cash and cash equivalents at beginning of financial year		34,310	44,697
Cash and cash equivalents at end of financial year	17	48,854	34,310

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

1. Corporate information

LTC 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 10 Arumugam Road #10-00, LTC Building A, Singapore 409957.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiary and associated companies are disclosed in Note 39.

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 (FRS).

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

The financial statements are presented in Singapore Dollars (SGD or S$) and all values are rounded to the nearest thousand ($'000).

2.2 *Changes in accounting policies*

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 July 2016. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

2.3 *Standards issued but not yet effective*

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

Description	Effective for annual periods beginning on or after
Amendments to FRS 110 & FRS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Date to be determined
Amendments to FRS 28 *Investments in Associates and Joint Venture*	1 January 2018
Amendments to FRS 40 *Transfers of Investment Property*	1 January 2018
FRS 115 *Revenue from Contracts with Customers*	1 January 2018
FRS 109 *Financial Instruments*	1 January 2018
Amendments to FRS 115 *Clarifications to FRS 115 Revenue from Contracts with Customers*	1 January 2018
Amendments to FRS 102 *Classifications and Measurement of Share-Based Payment Transaction*	1 January 2018
Amendments to FRS 40 *Transfers of Investment Property*	1 January 2018
Amendments to FRS 104 *Applying FRS 109 Financial Instruments with FRS 104 Insurance Contracts*	1 January 2018
FRS 116 *Leases*	1 January 2019

Except for FRS 115, FRS 109 and FRS 116, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of FRS 115, FRS 109 and FRS 116 are described below.

2. Summary of significant accounting policies (cont'd)

2.3 *Standards issued but not yet effective (cont'd)*

FRS 115 *Revenue from Contracts with Customers*

FRS 115 establishes a five-step model that will apply to revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in FRS 115 provide a structured approach to measuring and recognising revenue when the promised goods and services are transferred to the customer i.e. when performance obligations are satisfied.

Key issues for the Group include identifying performance obligations, accounting for contract modifications, applying the constraint to variable consideration, evaluating significant financing components, measuring progress toward satisfaction of a performance obligation, recognising contract cost assets and addressing disclosure requirements.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Group is currently assessing the impact of FRS 115 and plans to adopt the new standard on the required effective date.

FRS 109 *Financial Instruments*

FRS 109 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model.

The Group currently measures its investments in unquoted equity securities at cost. Under FRS 109, the Group will be required to measure the investment at fair value. Any difference between the previous carrying amount and the fair value would be recognised in the opening retained earnings when the Group apply FRS 109.

FRS 109 is effective for annual periods beginning on or after 1 January 2018 with early application permitted. Retrospective application is required, but comparative information is not compulsory. The Group is currently assessing the impact of FRS 109 and plans to adopt the standard on the required effective date.

FRS 116 *Leases*

FRS 116 requires lessees to recognise for most leases, a liability to pay rentals with a corresponding asset, and recognise interest expense and depreciation separately.

FRS 116 is effective for annual periods beginning on or after 1 January 2019. The Group is currently assessing the impact of the new standard and plans to adopt the new standard on the required effective date.

2.4 *Basis of consolidation and business combinations*

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary companies as at the end of the reporting period. The financial statements of the subsidiary companies 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.

2. Summary of significant accounting policies (cont'd)

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

Basis of consolidation (cont'd)

Subsidiary companies 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 company are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary company, 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 company 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 retained earnings, as appropriate.

Business combinations and goodwill

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

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

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

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

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

2. Summary of significant accounting policies (cont'd)

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

Business combinations and goodwill (cont'd)

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

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

2.5 *Transactions with non-controlling interests*

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

Changes in the Company 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 SGD, 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.

(b) *Consolidated financial statements*

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

2. Summary of significant accounting policies (cont'd)

2.7 *Investment properties*

Investment properties are properties 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. Properties held under operating leases are classified as investment properties when the definition of an investment property is met.

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

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

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

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in Note 2.8 up to the date of change in use.

2.8 *Property, plant and equipment*

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment other than industrial buildings are measured at cost less accumulated depreciation and accumulated impairment losses. Such cost 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 2.22. 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.

Industrial buildings are measured at fair value less accumulated depreciation and impairment losses recognised after the date of the revaluation. Valuations are performed by an independent professional valuer at least once every five years to ensure that the carrying amount does not differ materially from the fair value of the industrial buildings at the balance sheet date.

Any revaluation surplus is recognised in other comprehensive income and accumulated in equity under the capital reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset carried in the capital reserve.

2. Summary of significant accounting policies (cont'd)

2.8 *Property, plant and equipment (cont'd)*

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The revaluation surplus included in the capital reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset. Depreciation of an asset begins when it is available for use and is computed on a straight-line basis over the estimated useful life of the asset as follows:

Industrial buildings	–	Over period of the lease (ranging 5 to 60 years)
Plant and machinery	–	3 – 10 years
Renovation	–	5 – 10 years
Furniture and fittings	–	5 – 10 years
Office equipment	–	5 – 10 years
Electrical fittings	–	3 years
Computers	–	5 years
Motor vehicles	–	5 – 10 years

Assets under construction (or construction in progress) are not depreciated as these assets are not yet available for use. 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 de-recognition of the asset is included in profit or loss in the year the asset is derecognised.

2.9 *Intangible assets*

Goodwill

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 unit to which goodwill has 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.

2. Summary of significant accounting policies (cont'd)

2.10 *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 group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses of continuing operations are recognised in profit or loss, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

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 unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

2.11 *Subsidiary companies*

A subsidiary company 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 subsidiary companies are accounted for at cost less impairment losses.

2.12 *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.

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 2.13.

2. Summary of significant accounting policies (cont'd)

2.13 *Joint ventures and associated companies*

An associated company 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 account for its investments in associated companies and joint ventures using the equity method from the date on which it becomes an associated company or joint venture.

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

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

Unrealised gains and losses resulting from transactions between the Group and associated companies or joint ventures are eliminated to the extent of the interest in the associated companies or joint ventures.

When the Group's share of losses in an associated company or joint venture equals or exceeds its interest in the associated company or joint venture, the Group does not recognise further losses, unless it has incurred obligations or provided advances to or made payments on behalf of the associated company 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 associated company or joint venture. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associated company 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 associated company or joint venture and its carrying value and recognises the amount in profit or loss.

The most recent available audited financial statements of the associated company or joint venture are used by the Group in applying the equity method. Where the date of the audited financial statements used is not co-terminus with that of the Group, the share of results is arrived at from the last audited financial statements available and unaudited management financial statements to the end of the financial year.

2.14 *Financial assets*

Initial recognition and measurement

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

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

2. Summary of significant accounting policies (cont'd)

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

Subsequent measurement

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

Loans and receivables

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

Available-for-sale financial assets

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

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

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group. Derivatives, including separated embedded derivatives are also classified as held for trading.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss include exchange differences, interest and dividend income.

De-recognition

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

2. Summary of significant accounting policies (cont'd)

2.15 *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

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities carried at amortised cost

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.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognised in profit or loss.

De-recognition

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

2.16 *Impairment of financial assets*

The Group assesses at each end of the reporting period whether there is any objective evidence that a financial asset is impaired.

Financial assets carried at amortised cost

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

2. Summary of significant accounting policies (cont'd)

2.16 *Impairment of financial assets (cont'd)*

Financial assets carried at amortised cost (cont'd)

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

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

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

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

Financial assets carried at cost

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

Available-for-sale financial assets

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

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

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

2. Summary of significant accounting policies (cont'd)

2.17 *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand, bank deposits and short-term, highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

2.18 *Development properties*

Development properties are properties held and developed for sale in the ordinary course of business, rather than held for the Group's own use, rental or capital appreciation.

Development properties are held as inventories and are stated at the lower of cost and net realisable value. The costs are assigned by using specific identification. Net realisable value of development properties represents the estimated selling price in the ordinary course of business, based on market prices at the reporting date and discounted for time value of money if material, less the estimated costs of completion and the estimated costs necessary to make the sale.

Costs of properties under development include land cost, development and construction expenditure, borrowing costs and other related expenditure. Borrowing costs payable on loans funding development properties are capitalised as cost of the development property until the date of its practical completion, which is taken to be the date of issue of the Temporary Occupation Permit ("TOP").

By reference to the stage of completion of the development property at the end of the reporting period (the percentage of completion method), costs associated with the development properties for projects under progressive payment scheme and deferred payment scheme are recognised as expenses or capitalised respectively in the period which they are incurred, when the outcome of the construction contract can be estimated reliably.

When it is probable that total development costs will exceed total revenue of the construction contract, provision for expected loss is recognised as an expense immediately. Revenue of the construction contract comprises the initial amount of revenue agreed in the contract and variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

The development property will be transferred to completed properties held for sale when it has been completed, the TOP has been obtained and it is available for sale.

2.19 *Completed properties for sale*

Completed properties are properties held and developed for sale in the ordinary course of business, rather than held for the Company's own use, rental or capital appreciation.

Completed properties held for sale are stated at the lower of cost and net realisable value. The costs are assigned by using specific identification. Net realisable value represents the estimated selling price in the ordinary course of business, based on market prices at the reporting date and discounted for time value of money if material, less the estimated costs of completion and the estimated costs necessary to make the sale.

When it is probable that total development costs will exceed total revenue of the construction contract, provision for expected loss is recognised as an expense immediately. Revenue of the construction contract comprises the initial amount of revenue agreed in the contract and variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

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

2. Summary of significant accounting policies (cont'd)

2.20 *Inventories*

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

- Raw materials – purchase cost on a weighted average cost formula; and
- Trading stocks (include finished goods) – cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a weighted average cost formula.

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

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

2.21 *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 resources 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.

<u>Provision for onerous contracts</u>

The Group recognises a provision for onerous contracts when the unavoidable costs of meeting the obligations under existing sales contracts exceed the economic benefits expected to be received under them. The provision has been calculated based on the estimated cost less the selling price.

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 are recognised as income in profit or loss over the period of the guarantee. If it is probable that the liability will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to profit or loss.

2. Summary of significant accounting policies (cont'd)

2.23 *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 a qualifying 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 ready for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.24 *Employee benefits*

Defined contribution plan

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.

Employee leave entitlements

Employee entitlements to annual leave are recognised as a liability when they are accrued to the employees. The estimated liability for leave is recognised for services rendered by employees up to balance sheet date.

2.25 *Leases*

As lessee

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

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

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

As lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.25. Contingent rents are recognised as revenue in the period in which they are earned.

2. Summary of significant accounting policies (cont'd)

2.26 *Revenue*

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

Sales from property development

The Group recognised income on property development projects when the significant risks and rewards of ownership have been transferred to the purchasers.

For development projects under progressive payment scheme in Singapore, whereby the legal terms in the sale contracts result in continuous transfer of work-in-progress to the purchasers, revenue is recognised based on the percentage of completion method. Under the percentage of completion method, profit is brought into profit or loss only in respect of sales procured and to the extent that such profit relates to the progress of construction work. The progress of construction work is measured by the proportion of the construction costs incurred to date to the estimated total construction costs for each project.

For development projects under deferred payment scheme in Singapore and overseas development projects, the revenue will be recognised upon the transfer of significant risks and rewards of ownership, which generally coincides with the time the development units are delivered to the purchasers.

Revenue excludes goods and services or other sale taxes and is after deduction of any trade discounts. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of unit sold.

Sale of goods

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

Rental and service income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms. The aggregate cost of incentives provided to leases are recognised as a reduction of rental income over the lease term on a straight-line basis.

Dividend income

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

Interest income

Interest income is recognised using the effective interest method.

2. Summary of significant accounting policies (cont'd)

2.27 ***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.

(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 income 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 in 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)

2.27 ***Taxes (cont'd)***

(c) *Sales tax*

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

- Where the sales tax incurred in 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.

2.28 ***Share capital and share issuance expenses***

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

2.29 ***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.

3 Significant accounting estimates and judgments

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

3. Significant accounting estimates and judgments (cont'd)

3.1 *Judgments made in applying accounting policies*

In the process of applying the Group's accounting policies, management has made the following judgements which have the most significant effect on the amounts recognised in the consolidated financial statements:

Purchase price allocation review

The Group has exercised significant judgement regarding the allocation of the purchase price to the assets acquired, including judgement made relating to the accounting for acquisition of 50% interest in USP Equity Sdn. Bhd. and identification of intangible assets during the initial purchase price allocation.

In addition, purchase price accounting requires extensive use of accounting estimate to allocate the purchase price to the fair market values of the assets and liabilities purchased. Significant accounting estimates have been made to determine the fair value of intangible assets identified.

During the current financial year, the purchase price allocation exercise was completed within one year from date of acquisition, accordingly the provisional goodwill made in the previous financial year was adjusted prospectively as disclosed in Note 39.

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.

(a) *Useful lives of property, plant and equipment*

Property, plant and equipment are depreciated on a straight-line basis over their useful lives. Management estimates the useful lives of these property, plant and equipment to be between 3 to 60 years. The carrying amount of the Group's property, plant and equipment at 30 June 2017 was $27,300,000 (2016: $29,871,000). Changes in the expected level of usage could impact the economic useful lives and the residual values of these assets. As a result, future depreciation charges could be revised. A 5% difference in the expected useful lives of these assets from management's estimates would result in approximately 1.1% or $137,000 (2016: 1.7% or $133,000) variance in the Group's profit before taxation.

(b) *Income taxes*

The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authority in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the timing and level of future taxable profits together with the future tax planning strategies. Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised.

The carrying amount of the Group's provision for taxes and tax recoverable at 30 June 2017 was $540,000 (2016: $741,000) and $585,000 (2016: $430,000) respectively. The carrying amount of the Group's deferred tax assets and deferred tax liabilities at 30 June 2017 was $327,000 (2016: $589,000) and $3,612,000 (2016: $3,139,000) respectively.

3. Significant accounting estimates and judgments (cont'd)

3.2 *Key sources of estimation uncertainty (cont'd)*

(c) *Impairment of loans and receivables*

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. In determining whether there is objective evidence of impairment, the Group considers whether there is observable data indicating that there have been significant changes in the debtor's payment ability or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the balance sheet date is disclosed in Note 41 to the financial statements.

(d) *Impairment of non-financial assets*

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

(e) *Provision for onerous contracts*

The Group recognises a provision for onerous contracts when the unavoidable costs of meeting the obligations under existing sales contracts exceed the economic benefits to be received under them. In determining the amount of the provision, assumptions and estimates are made in relation to the costs necessary to meet the obligations. The carrying amount of the Group's provision for onerous contracts at the end of the reporting period is disclosed in Note 22 to the financial statements.

4. Investment properties

	Group 2017 $'000	Group 2016 $'000
Balance sheet:		
At 1 July	118,000	118,000
Additions	154	–
Transfer from property, plant and equipment (Note 5)	645	–
Net loss from fair value adjustment recognised in profit or loss	(799)	–
At 30 June	118,000	118,000
Consolidated statement of comprehensive income:		
Rental and service income from investment properties	7,844	7,842
Direct operating expenses (including repairs and maintenance) arising from:		
- Rental generating properties	232	443
- Non-rental generating properties	8	15

The details of the Group's investment properties are as follows:

	Location	Tenure of land	Approximate lettable area	Description and existing use
(i)	10 Arumugam Road Singapore 409957	Freehold	4,970 sq.m.	LTC Building A / Industrial
(ii)	12 Arumugam Road Singapore 409958	Freehold	8,500 sq.m.	LTC Building B / Industrial
(iii)	14 Arumugam Road Singapore 409959	Freehold	8,630 sq.m.	LTC Building C / Industrial
(iv)	16 Arumugam Road Singapore 409961	Freehold	5,031 sq.m.	LTC Building D / Industrial

Valuation of investment properties

Investment properties are stated at fair value, which has been determined based on valuation at the end of reporting period. Valuations are performed by Knight Frank Private Limited, an independent valuer with a recognised and relevant professional qualification and with recent experience in the location and category of the properties being valued.

Details of valuation techniques and inputs used are disclosed in Note 41.

5. Property, plant and equipment

Group	At valuation Industrial buildings $'000	At cost Plant and machinery $'000	Reno-vation $'000	Furniture and fittings $'000	Office equipment $'000	Electrical fittings $'000	Computers $'000	Motor vehicles $'000	Construction in progress $'000	Total $'000
Cost or valuation:										
At 1 July 2015	22,000	11,896	2,305	369	693	213	648	1,644	580	40,348
Additions	–	1,039	27	4	60	9	16	324	66	1,545
Disposals	–	–	(1,010)	(89)	(6)	–	(21)	(264)	–	(1,390)
Transfer	–	–	24	–	–	–	–	–	(24)	–
Currency alignment	–	–	(11)	–	(2)	(3)	–	(5)	(1)	(22)
At 30 June 2016 and 1 July 2016	22,000	12,935	1,335	284	745	219	643	1,699	621	40,481
Additions	–	446	–	2	22	–	4	462	24	960
Disposals	–	–	–	–	–	–	(29)	(347)	–	(376)
Transfer to investment properties	–	–	–	–	–	–	–	–	(645)	(645)
Currency alignment	–	–	(9)	–	(2)	(3)	–	(3)	–	(17)
At 30 June 2017	22,000	13,381	1,326	286	765	216	618	1,811	–	40,403
Accumulated depreciation:										
At 1 July 2015	–	5,201	1,771	298	233	55	620	959	–	9,137
Charge for the financial year	1,377	949	71	16	65	60	15	231	–	2,784
Disposals	–	–	(1,010)	(89)	(6)	–	(21)	(181)	–	(1,307)
Currency alignment	–	–	(2)	–	(1)	–	–	(1)	–	(4)
At 30 June 2016 and 1 July 2016	1,377	6,150	830	225	291	115	614	1,008	–	10,610
Charge for the financial year	1,377	989	71	16	66	53	13	289	–	2,874
Disposals	–	–	–	–	–	–	(29)	(347)	–	(376)
Currency alignment	–	–	(2)	–	(1)	(1)	–	(1)	–	(5)
At 30 June 2017	2,754	7,139	899	241	356	167	598	949	–	13,103
Net carrying amount										
At 30 June 2016	20,623	6,785	505	59	454	104	29	691	621	29,871
At 30 June 2017	19,246	6,242	427	45	409	49	20	862	–	27,300

5. Property, plant and equipment (cont'd)

	Computers	
	2017	**2016**
	$'000	$'000
Company		
Cost:		
At 1 July	1	5
Write-off	–	(4)
At 30 June	1	1
Accumulated depreciation:		
As at 1 July	1	5
Write-off	–	(4)
At 30 June	1	1
Net carrying amount		
As at 30 June	–	–

Revaluation of industrial buildings

As at the end of the last reporting period, the Group engaged Knight Frank Pte Ltd, an independent valuer to determine the fair value of industrial buildings. The valuations were based on the comparative sales method that considers sales of similar properties that have been transacted in the open market. During the current financial year, management were of the opinion that the fair values of the industrial buildings were close approximation of the net carrying amounts of the industrial buildings.

The following are industrial buildings held by the Group:

Location	Description	Approx. site area	Tenure of land
20 Woodlands Loop, Singapore	Factory and office building	11,203 sq.m.	30-year leasehold commencing 1 October 1994, with option to renew another 30 years
22 Woodlands Loop, Singapore	Plant	9,007 sq.m.	30-year leasehold commencing 1 September 2002
37 Senoko Drive, Singapore	Factory	7,021 sq.m.	5-year leasehold commencing 23 September 2014

If the industrial buildings were measured using the cost model, the carrying amounts would be $7,286,000 (2016: $8,245,000).

5. Property, plant and equipment (cont'd)

Assets held under finance leases

During the previous financial year, the Group acquired property, plant and equipment with a finance lease of $30,000. The cash outflow on acquisition of property, plant and equipment amounted to $960,000 (2016: $1,515,000).

The carrying amount of property, plant and equipment held under finance leases at the balance sheet date was $Nil (2016: $129,000) respectively.

Leased assets are pledged as security for the related finance lease liabilities (Note 21).

Assets pledged as security

In addition to assets held under finance leases, property, plant and equipment with a carrying amount of $26,533,000 (2016: $28,783,000) are subject to a floating charge to secure the Group's bills payable (Note 18).

6. Subsidiary companies

	Company	
	2017	**2016**
	$'000	$'000
Investment in shares, at cost	130,170	130,170

Subsidiary companies are detailed in Note 39.

7. Associated company

	Group	
	2017	**2016**
	$'000	$'000
Shareholders' loan	4,192	6,314
Share of reserves	2,970	2,584
	7,162	8,898

Associated company is detailed in Note 39.

7. Associated company (cont'd)

Summarised financial information in respect of the associated company based on its FRS financial statements, and reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

	Kairong Developments (S) Pte. Ltd. and its subsidiary company	
	2017	**2016**
	$'000	$'000
Summarised balance sheet:		
Current assets	19,383	23,313
Non-current assets	19	25
Total assets	19,402	23,338
Current liabilities	11,976	16,878
Non-current liabilities	–	–
Total liabilities	11,976	16,878
Net assets	7,426	6,460
Proportion of the Group's ownership	40%	40%
Group's share of net assets	2,970	2,584
Shareholders' loan	4,192	6,314
Carrying amount of the investment	7,162	8,898
Summarised statement of comprehensive income:		
Revenue	3,151	3,176
Profit after tax	989	398
Other comprehensive income	(23)	(518)
Total comprehensive income	966	(120)

8. Long-term investments

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	$'000	$'000	$'000
Cost:				
Quoted equity investments	1,050	921	–	–
Unquoted equity investments	3,685	3,685	380	380
Club memberships	193	193	–	–
	4,928	4,799	380	380
Less: Impairment losses	(148)	(148)	–	–
	4,780	4,651	380	380

9. Properties under development

	Group	
	2017	2016
	$'000	$'000
Land	6,677	7,071
Development costs	7,775	6,592
	14,452	13,663
Less: Provision for impairment	(324)	(338)
	14,128	13,325
Analysis of provision for impairment:		
At 1 July	(338)	(359)
Exchange differences	14	21
At 30 June	(324)	(338)

As at 30 June 2017, a parcel of land, which is in the planning stage of development, is held under the names of related parties of the Group. The land and development costs incurred on this piece of land amounted to $1,749,000 (2016: $1,803,000).

The details of the Group's properties under development are as follows:

	Property	Tenure of land	Percentage of completion at 30.6.2017/ expected date of completion	Site area/ gross floor area	Group's effective interest	Description and existing use
	Malaysia					
(i)	Kawasan Bandar XLII District of Melaka Tengah	99 years	Planning Stage	0.65 hectare	100%	Commercial land
(ii)	Lot 8243 (formerly Lot 1916) Mukim Tanjung Duabelas, District of Kuala Langat, Selangor (Mahkota Industrial Park, Banting)	Freehold	Planning Stage	53.07 hectare	100%	Industrial land
(iii)	Mukim Tanjung Duabelas, District of Kuala Langat, Selangor	Freehold	Planning Stage	4.70 hectare	100%	Commercial land
(iv)	Mukim Tanjung Duabelas, District of Kuala Langat, Selangor (No. PT 41539)	Freehold	Planning stage	3.43 hectare	100%	Industrial land
(v)	Lot 2090 Mukim Plentong District of Johor Bahru, Johor	Freehold	Planning Stage	0.58 hectare	100%	80 units of low cost flats

10. Deferred taxation

	Group	
	2017	**2016**
	$'000	$'000
Deferred tax assets		
At 1 July	589	1,287
Reversal made during the financial year	(248)	(670)
Currency alignment	(14)	(28)
At 30 June	327	589
Deferred tax liabilities		
At 1 July	3,139	3,281
Provision/(reversal) made during the financial year	473	(142)
At 30 June	3,612	3,139

	Group			
	Consolidated balance sheet		Consolidated statement of comprehensive income	
	2017	**2016**	**2017**	**2016**
	$'000	$'000	$'000	$'000
Deferred tax assets				
Provisions	327	589	248	670
Deferred tax liabilities				
Differences in depreciation for tax purposes	1,190	926	264	230
Unutilised tax losses	–	(372)	372	(372)
Revaluation on industrial buildings	2,422	2,585	(163)	–
	3,612	3,139	473	(142)
Deferred income tax (Note 33)			721	528

11. Completed properties held for sale

	Group 2017 $'000	Group 2016 $'000
Freehold and leasehold land cost	3,068	11,347
Construction costs	9,253	16,487
Borrowing costs capitalised	958	2,188
Allowance for impairment loss	–	(2,101)
	13,279	27,921
Movement in allowance account:		
At 1 July	2,101	5,302
Write-back during the financial year	(2,101)	(3,201)
At 30 June	–	2,101

Certain properties included in completed properties held for sale are rented out and are generating rental income. It is the intention of the Group to dispose of these properties and as such, they have been retained as completed properties held for sale on the reporting date.

Certain land, amounting to $624,000 (2016: $602,000) are held under the names of related parties of the Group.

The Group estimates the allowance for impairment loss by taking into account the estimated selling prices against the carrying value of the completed properties held for sale.

The Group's completed properties held for sale comprise mainly of unsold units in the following projects:

	Property	Tenure of land	Site area/ gross floor area	Group's effective interest	Description and existing use
	Malaysia				
(i)	Kawasan Bandar XLII District of Melaka Tengah	99 years lease (expiring in 2090)	8.92 hectare/ 104,516 sq.m.	100%	280 units of 4-storey shop/office[(a)]
(ii)	Lot 3066 & 3067 Mukim Tebrau District of Johor Bahru, Johor	Freehold	3.19 hectare/ 20,241 sq.m.	100%	Hypermarket
			0.79 hectare/ 15,080 sq.m.	100%	48 units of shop houses[(b)]
	Singapore				
(iii)	Lot 96927P, 96929A MK 25 7 Crescent Road	Freehold	3,078.3 sq.m./ 6,024 sq.m.	100%	14 units of 2-storey strata detached houses[(c)]

(a) 4 units unsold (2016: 3 units unsold)
(b) 1 unit unsold (2016: 1 unit unsold)
(c) Nil (2016: 4 units unsold)

12. Inventories

	Group 2017 $'000	Group 2016 $'000
Balance sheet:		
Trading stocks	39,760	21,020
Goods in transit	10,444	14,016
Raw material	–	4,648
Remnant	21	30
Total inventories at lower of cost and net realisable value	50,225	39,714
Consolidated statement of comprehensive income:		
Inventories recognised as expense in COS (Note 27)	86,329	82,293
(Write back)/provision for inventories obsolescence (Note 27)	(53)	53

The Group has pledged a floating charge over the inventories as security over the bills payable (Note 18).

13. Trade debtors

	Group 2017 $'000	Group 2016 $'000
Trade debtors	19,496	16,474
Less: Allowance for doubtful debts	(14)	(41)
Total trade debtors	19,482	16,433
Less: Sales tax receivables	–	(20)
Total trade debtors (excluding sales tax receivable)	19,482	16,413

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.

The Group has pledged a floating charge over the trade debtors, net of allowance for uncollectible amounts, amounting to $18,941,000 (2016: $15,803,000) as security over the bills payable (Note 18).

The Group held security deposits of $1,866,000 as at 30 June 2017 (2016: $1,879,000) from tenants against the trade debtors of its property rental business.

13. Trade debtors (cont'd)

Debts that are past due but not impaired

The Group has trade debtors amounting to $9,091,000 (2016: $6,461,000) that are past due at the balance sheet date but not impaired. These debts are unsecured and the analysis of their ageing at the balance sheet date is as follows:

	Group	
	2017	**2016**
	$'000	$'000
Trade debtors past due:		
Less than 30 days	5,680	4,552
30 to 60 days	2,441	1,242
60 to 90 days	941	115
More than 90 days	29	552
	9,091	6,461

Debts that are impaired

The Group's trade debtors that are individually impaired at the balance sheet date and the movement of the allowance accounts used to record the impairment are as follows:

	Group	
	2017	**2016**
	$'000	$'000
Trade debtors - nominal amounts	14	41
Less: Allowance for doubtful debts	(14)	(41)
	–	–
Movement in allowance accounts:		
At 1 July	41	–
Arose during the financial year	–	41
Written back	(27)	–
At 30 June	14	41

Trade debtors that are individually determined to be impaired at the end of reporting period relate to debtors that have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

14. Other debtors

	Group	
	2017	**2016**
	$'000	$'000
Deposits	923	204
Sundry debtors	299	153
	1,222	357

The Group has pledged a floating charge over the other debtors, amounting to $150,000 (2016: $126,000) as security over the bills payable (Note 18).

15. Due from subsidiary companies

Non-current

Amounts due from subsidiary companies are non-trade related, unsecured, non-interest bearing, and are not expected to be repaid within the next twelve months. The amount is to be settled in cash.

Current

The amount due from subsidiary company is unsecured, non-interest bearing and is repayable on demand. The amounts are to be settled in cash.

16. Due from related parties

	Group	
	2017	**2016**
	$'000	$'000
Trade related	1,321	2
Non-trade related	154	393
	1,475	395

Trade related amounts are unsecured, non-interest bearing, and repayable within trade credit terms. The amounts are to be settled in cash.

Non-trade related amounts are unsecured, non-interest bearing and repayable on demand. The amounts are to be settled in cash.

17. Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise the following at the balance sheet date:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	$'000	$'000	$'000
Non-current				
Fixed deposits	–	16	–	–
Current				
Fixed deposits	33,915	16,853	–	–
Cash and bank balances	14,939	17,519	26	23
	48,854	34,388	26	23
Less: Deposits pledged for more than 3 months	–	(78)	–	–
Total cash and cash equivalents	48,854	34,310	26	23

Cash at bank earns interest at floating rates based on daily bank deposit rates. The weighted average effective interest rate on fixed deposits was 1.92% (2016: 4.00%) per annum. The average maturity dates of these deposits were 75 (2016: 85) days.

Included in the cash and bank balances is an amount of $4,810,000 (2016: $4,931,000) held pursuant to local and foreign Housing Development Act and therefore restricted from use in other operations. Out of this amount, $474,000 (2016: $486,000) is held under the names of director related companies, of which the Group is the beneficiary and has control over.

The Group has pledged a floating charge over the cash and bank balances and fixed deposits, amounting to $8,457,000 (2016: $10,960,000) and $15,000 (2016: $95,000) as security over the bills payable (Note 18) and unutilised credit facilities respectively.

18. Trade creditors

	Group 2017	Group 2016
	$'000	$'000
Current:		
Trade creditors	1,079	562
Bills payable	26,328	19,869
Retention sum	141	323
Rental deposits	932	1,214
Total trade creditors	28,480	21,968
Less: Sales tax payable	(690)	(214)
Total trade creditors (excluding sales tax payables)	27,790	21,754
Non-current:		
Retention sum	126	326
Rental deposits	934	665
	1,060	991

Bills payable of the Group is secured by letters of comfort from the Company and a floating charge over all assets of a subsidiary company.

19. Other creditors

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Deposits received	6	7	–	–
Sundry creditors	430	239	–	–
Accruals	2,297	2,472	222	220
Accrued development cost	672	2,306	–	–
	3,405	5,024	222	220

20. Due to related parties

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

21. Interest-bearing loans and borrowings

	Maturity	Group 2017 $'000	Group 2016 $'000
Current:			
- Obligations under finance leases	2017	6	56
		6	56
Non-current:			
- Obligations under finance leases		–	6
		–	6
Total interest-bearing loans and borrowings		6	62

Obligations under finance leases

These obligations are secured by a charge over the leased assets (Note 5). The average discount rate implicit in the leases is 4.61% (2016: 4.61%) per annum. These obligations are denominated in the respective functional currencies of the relevant entities in the Group. There are no restrictions placed upon the Group by entering into these leases.

The future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Group 2017 Minimum payments $'000	Group 2017 Present value of payments $'000	Group 2016 Minimum payments $'000	Group 2016 Present value of payments $'000
Within one year	6	6	60	56
After one year but not more than five years	–	–	6	6
Total minimum lease payments	6	6	66	62
Less: Amount representing finance charges	–	–	(4)	–
Present value of minimum lease payments	6	6	62	62

22. Provisions

	Group		
	Onerous contracts	**Foreseeable losses**	**Total**
	$'000	$'000	$'000
At 1 July 2016	159	256	415
Arose during the financial year	775	–	775
Exchange differences	(6)	(11)	(17)
At 30 June 2017	928	245	1,173
At 30 June 2016	159	256	415

Provision for onerous contracts

Provision for onerous contracts is made when the unavoidable costs of meeting the obligations under existing sales contracts exceed the economic benefits expected to be received under them. Movement in provision for onerous contracts is included in "Cost of sales" in the consolidated statement of comprehensive income.

Provision for foreseeable losses

The Group makes provision for foreseeable losses based on their obligation to develop 80 units of low cost flats as disclosed in note 9(v). The provision takes into account the expected net selling prices and development expenditure as well as the location of property.

23. Due to subsidiary companies

Amounts due to subsidiary companies are non-trade related, unsecured, non-interest bearing and are not due for repayment within the next 12 months. The amounts are to be settled in cash.

24. Share capital

	Company	
	2017	**2016**
	$'000	$'000
Issued and fully paid:		
Balance at beginning and end of year:		
156,453,000 ordinary shares	150,113	150,113

The holders of ordinary 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.

25. Capital reserve and exchange translation reserve

Capital reserve

Capital reserve comprises revaluation reserves for industrial buildings and fair value gain arising from available for sale investments.

Exchange translation reserve

The exchange 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.

26. Revenue

	Group	
	2017	**2016**
	$'000	$'000
Sales of goods	107,475	92,898
Sales from property development	18,798	28,845
Rental and service revenue	7,803	7,801
Dividend income from unquoted investments	30	57
	134,106	129,601

27. Cost of sales

Included in cost of sales are the following items:

	Group	
	2017	**2016**
	$'000	$'000
Direct labour and related costs	3,592	3,012
(Write-back)/provision for inventories obsolescence	(53)	53
Provision/(write back) for onerous contracts	775	(97)
Inventories recognised as an expense in cost of sales	86,329	82,293

28. Other income

Included in other income are the following items:

	Group 2017 $'000	Group 2016 $'000
Dividend income	38	15
Gain on disposal of property, plant and equipment	122	85
Write-back of provision for qualifying certificate extension	–	480
Service income	192	137
Sundry income	536	361
	888	1,078

29. Finance income/(costs)

	Group 2017 $'000	Group 2016 $'000
Finance income		
Interest income from fixed deposits	637	658
Finance costs		
Revolving credit facilities and bank loans	–	(146)
Hire purchases	(4)	(4)
Trust receipts	(681)	(432)
Loss on interest rate swap	(43)	(71)
Commitment fee	(62)	(36)
Others	(8)	(18)
	(798)	(707)

30. Other operating income

	Group 2017 $'000	Group 2016 $'000
Foreign currency (loss)/gain, net	(515)	604
Write-back of impairment of completed properties	2,101	3,201
	1,586	3,805

31. Profit before taxation

This is determined after charging/(crediting) the following:

	Group	
	2017	2016
	$'000	$'000
Audit fees paid to:		
- Auditors of the Company	190	190
- Other auditors	13	18
Non-audit fees paid to other auditors	1	1
Depreciation of property, plant and equipment (Note 5)	2,874	2,784
Staff costs (Note 32)	5,220	5,637
(Gain)/loss on fair value changes on derivatives	(127)	72
(Write-back)/allowance for doubtful debts, net (Note 13)	(27)	41

32. Staff costs

	Group	
	2017	2016
	$'000	$'000
Directors of the Company		
- Directors' remuneration	789	755
- CPF contributions	34	32
Key management personnel of the Company and its subsidiary companies		
- Employees' remuneration	1,103	1,169
- CPF contributions	107	102
Staff costs		
- Salaries and other benefits	2,748	3,156
- CPF and other defined contributions	439	423
	5,220	5,637

32. Staff costs (cont'd)

The remuneration is paid to directors and key management officers in their capacity as employees.

	Group 2017 $'000	Group 2016 $'000
Number of directors in remuneration bands:		
Above $500,000	1	1
$250,000 to below $500,000	1	1
Below $250,000	3	3
	5	5
Number of key management officers in remuneration bands:		
$250,000 to below $500,000	2	2
Below $250,000	5	5
	7	7

33. Taxation

Major components of taxation

Major components of income tax expense for the financial years ended 30 June were:

	Group 2017 $'000	Group 2016 $'000
Current income tax:		
- Singapore	753	823
- Foreign	830	856
- (Over)/under provision in respect of previous financial years	(82)	196
	1,501	1,875
Deferred income tax:		
- Origination and reversal of temporary differences	721	57
- Under provision in respect of previous financial years	–	471
	721	528
Income tax expense recognised in profit or loss	2,222	2,403

33. Taxation (cont'd)

Relationship between tax expense and accounting profit

A reconciliation between the tax expense and the product of accounting profit multiplied by the applicable tax rates is as follows:

	Group	
	2017	**2016**
	$'000	$'000
Accounting profit before tax	13,047	7,609
Tax at statutory rate of 17% (2016: 17%)	2,218	1,294
Adjustments:		
Tax effect on different tax rate of other country	306	466
Non-deductible expenses	250	586
Income not subjected to tax	(271)	(490)
(Over)/under provision in respect of previous financial years	(82)	667
Effect of partial tax exemption and tax relief	(267)	(47)
Tax effect on benefit from operating losses not recorded	–	21
Share of results of associates and joint venture	77	(113)
Others	(9)	19
Income tax expense recognised in profit or loss	2,222	2,403

The Company and its subsidiary companies incorporated in Singapore are subject to income tax at the statutory tax rate of 17% for the financial years ended 30 June 2017 and 2016. The subsidiary companies incorporated in Malaysia are subject to income tax at the statutory tax rate of 24% for the financial year ended 30 June 2017 and 2016.

34. Earnings per share

	Group	
	2017	**2016**
	$'000	$'000
Net earnings attributable to ordinary shareholders	8,676	6,929
Weighted average number of ordinary shares for calculation of basic and fully diluted earnings per share ('000)	156,453	156,453
	Cents	Cents
Earnings per share - basic and diluted	5.5	4.4

35. Dividends

	Group and Company	
	2017	2016
	$'000	$'000
Declared and paid during the financial year:		
Dividends on ordinary shares:		
Interim one-tier tax exempt dividend for 2017: 1.00 cent (2016: Nil)	1,564	–

36. Related party transactions

Sale and purchase of goods and services

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

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Dividend income received from a subsidiary company	–	–	(1,752)	(319)
Management fee paid to related company	80	77	40	39
Purchase of goods from related parties	8,189	10,931	–	–
Rental paid to a subsidiary company	–	–	52	53
Recovery of expenses from related companies	(383)	(378)	–	–
Rental and service income from related companies	(148)	(150)	–	–

Compensation of key management personnel

The details of the remuneration are in Note 32.

37. Commitments and contingencies

(i) Operating lease commitments - as lessee

The Group's industrial buildings, used for its steel business, are constructed on land leased under operating leases. The three (2016: three) plots of leasehold land have remaining non-cancellable lease terms of 3, 8 and 16 years. The leases include a clause that enables revision of the rental charge on an annual basis based on prevailing market conditions. There are no restrictions placed upon the Group by entering into these leases. Operating lease payments recognised in the consolidated statement of comprehensive income during the financial year amounted to $694,000 (2016: $755,000). Future minimum lease payments payable under these non-cancellable leases as at the balance sheet date are as follows:

	Group	
	2017	**2016**
	$'000	$'000
Within one year	661	690
After one year but not more than five years	2,055	2,386
More than five years	2,695	3,403
	5,411	6,479

(ii) Operating lease commitments - as lessor

The Group has entered into property leases on its investment properties in Singapore and a completed property held for sale in Malaysia. These non-cancellable leases have remaining lease terms of less than three years. Some leases have specified higher rental charges applicable as the leases progress.

Future minimum lease payments receivable under the leases as at the balance sheet date are as follows:

	Group	
	2017	**2016**
	$'000	$'000
Not later than one year	4,858	5,064
Later than one year but not later than five years	1,612	1,799
	6,470	6,863

(iii) Significant commitments

During the financial year, a significant portion of new orders for the Group's steel business were contracted on a variable-price basis. The price is pegged to the cost of steel as published by the Building Construction Authority. At the end of the financial year, total steel deliverable to customers on variable-price contracts ("VPC") amounted to 81% (2016: 66%) of its total contracts on hand. The remaining relates to the fixed-price contracts ("FPC").

As the selling prices for VPC are not fixed, the economic benefits to be received cannot be ascertained. Due to the long duration of VPC and its re-pricing nature, the purchases of supplies to fulfil such contracts are not yet committed. As such it is also not possible to determine the costs of meeting the Group's obligations on VPC.

The selling prices for FPC are fixed but the purchases of supplies to fulfil such contracts are not yet committed. As such, it is also not possible to determine the costs of meeting the Group's obligations on FPC. However the Group will assess for provision for onerous contracts in respect of its inventories using the selling prices of FPC (Note 12).

37. Commitments and contingencies (cont'd)

(v) Contingent liabilities

Charges

The Group has a charge on its fixed deposits of $15,000 (2016: $95,000) in relation to a bank guarantee bond in connection with works carried out on properties under development.

Guarantees

	Company	
	2017	**2016**
	$'000	$'000
Guarantees given by the Company to banks in connection with bank facilities provided to subsidiary company	45,000	49,350
Amount utilised in respect of guarantees issued at 30 June	–	2,850

Letters of credit

A subsidiary of the Group has given letters of credit which amounted to $5,835,000 (2016: $26,956,000) in favour of suppliers in relation to purchases.

Financial support to certain subsidiaries

In addition to the above, in the ordinary course of business to enable certain of its subsidiaries to operate as going concerns, the Group has given undertakings to provide continuing financial support to these subsidiaries to enable them to meet their liabilities as an when they fall due.

38. Segment information

For management purposes, the Group is organized into business units based on their products and services, and has four reportable segments as follows:

(i) The steel trading segment is a supplier of steel reinforcement bars (rebars) for building construction and civil works. It also provides services to cut, bend or assemble the rebars to customer requirements.

(ii) The property development segment is in the business of building residential, commercial and industrial properties for sale.

(iii) The property rental segment owns, manages and leases industrial and commercial properties.

(iv) The investment holding segment manages the Group's long-term investments.

Management monitors the operating results of its business segments separately for making decisions on resource allocation and performance assessment. Segment performance is evaluated on operating profit or loss. Group financing (including finance costs) and taxation are managed on a group basis and are not allocated to the segments. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

38. Segment information (cont'd)

	Steel trading		Property development		Property rental		Investment Holding		Eliminations		Consolidated	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Revenues:												
Sales to external customers	107,475	92,898	18,798	28,845	7,803	7,801	–	–	–	–	134,076	129,544
Dividend income	–	–	–	–	–	–	30	57	–	–	30	57
Inter-segment sales	–	–	–	–	52	53	–	–	(52)	(53)	–	–
Total revenues	107,475	92,898	18,798	28,845	7,855	7,854	30	57	(52)	(53)	134,106	129,601
Results:												
Interest income	4	–	519	658	114	–	–	–	–	–	637	658
Depreciation of property, plant and equipment	(2,739)	(2,717)	(39)	(40)	(96)	(27)	–	–	–	–	(2,874)	(2,784)
Write-back provision for qualifying certificate extension charges	–	–	–	480	–	–	–	–	–	–	–	480
(Provision)/write-back for onerous contracts	(724)	97	–	–	–	–	–	–	–	–	(724)	97
Write-back allowance for impairment of completed properties	–	–	2,101	3,201	–	–	–	–	–	–	2,101	3,201
Fair value changes in investment properties	–	–	–	–	(799)	–	–	–	–	–	(799)	–
Share of results of joint venture company	–	–	–	–	–	–	(849)	506	–	–	(849)	506
Share of results of associated company	–	–	396	159	–	–	–	–	–	–	396	159
Loss on fair value changes on derivatives	106	(47)	–	–	21	(25)	–	–	–	–	127	(72)
Gain on disposal of property, plant and equipment	–	29	–	–	122	56	–	–	–	–	122	85
Operating profit/(loss)	6,117	(2,537)	3,881	4,400	4,055	4,817	907	1,297	(1,752)	(319)	13,208	7,658
Finance income											637	658
Finance costs											(798)	(707)
Profit before tax											13,047	7,609
Taxation											(2,222)	(2,403)
Profit for the financial year											10,825	5,206

38. Segment information (cont'd)

	Steel trading		Property development		Property rental		Investment holding		Eliminations		Consolidated	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Assets and liabilities:												
Segment assets	105,677	95,377	58,083	73,527	149,388	133,207	54,387	56,806	(39,302)	(41,161)	328,233	317,756
Current and deferred tax assets											912	1,019
Total assets											329,145	318,775
Segment liabilities	32,172	22,887	1,591	3,125	28,634	30,593	12,288	13,325	(39,302)	(41,161)	35,383	28,769
Current and deferred tax liabilities											4,152	3,880
Loans and borrowings											6	62
Total liabilities											39,541	32,711
Other segment information:												
Capital expenditure	469	1,294	1	40	490	211	–	–	–	–	960	1,545
Joint venture company	–	–	–	–	–	–	22,237	24,071	–	–	22,237	24,071
Associated company	–	–	7,162	8,898	–	–	–	–	–	–	7,162	8,898

A Inter-segment revenues are eliminated on consolidation.
B Inter-segment transactions are eliminated on consolidation.
C Inter-segment balances are eliminated on consolidation.
D Capital expenditure consists of additions to property, plant and equipment.

Geographical information

Revenue and non-current assets information based on the entity's country of domicile and geographical location of assets respectively are as follows:

	Singapore		Malaysia		People's Republic of China		Consolidated	
	2017	2016	2017	2016	2017	2016	2017	2016
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Segment revenue	99,153	98,058	34,973	31,543	–	–	134,106	129,601
Non-current assets	149,868	152,498	14,667	13,698	–	–	164,535	166,196
Investment in joint venture company	–	–	22,237	24,071	–	–	22,237	24,071
Investment in associated company	–	–	–	–	7,162	8,898	7,162	8,898

Non-current assets information presented above consist of investment properties, property, plant and equipment, long-term investments, properties under development, deferred tax assets and fixed deposits as presented in the consolidated balance sheet.

39. Subsidiary, joint venture and associated companies

Investment in subsidiary companies

A. Composition of the Group

The Group has the following significant investments in subsidiaries.

	Name of company	Principal activities	Principal place of business	Proportion of ownership interest held 2017 %	Proportion of ownership interest held 2016 %
	Subsidiary companies:				
	Held by the Company				
b	Che Kiang Realty Sdn. Bhd.	Property development	Malaysia	100	100
a	Teck Chiang Realty Private Limited	Investment holding, property investment and development and general merchants	Singapore	100	100
a	Angkasa Amsteel Pte. Ltd.	Importers, exporters and distributors of steel and iron products and commission agents	Singapore	50 plus 1 share	50 plus 1 share
a	LTC Capital Pte. Ltd.	Investment holding	Singapore	100	100
a	LTC Development Pte. Ltd.	Investment holding	Singapore	100	100
	Held through Che Kiang Realty Sdn. Bhd.				
b	Greenpoint Capital Sdn. Bhd.	Investment holding	Malaysia	100	100
	Held through Teck Chiang Realty Private Limited				
a	Teck Chiang (International) Pte Ltd	Investment holding	Singapore	100	100
	Held through Angkasa Amsteel Pte. Ltd.				
a	Angkasa Welded Mesh Pte Ltd	Dormant	Singapore	100	100
a	Angkasa Steel Pte. Ltd.	Steel trader	Singapore	100	100
b	Angkasa Amsteel (M) Sdn. Bhd.	Steel trader	Malaysia	100	100
b	Angkasa Steel Sdn. Bhd.	Dormant	Malaysia	100	100
	Held through LTC Capital Pte. Ltd.				
b	LTC Capital Holdings Sdn. Bhd.	Dormant	Malaysia	100	100

a Audited by Ernst & Young LLP, Singapore.
b Audited by Ernst & Young, Chartered Accountants, Malaysia.

39. Subsidiary, joint venture and associated companies (cont'd)

Investment in subsidiary companies (cont'd)

B. Interest in subsidiary companies with material non-controlling interest (NCI)

Name of Subsidiary	Principal place of business	Proportion of ownership interest held by non-controlling interest	Profit/(loss) allocated to NCI during the reporting period $'000	Accumulated NCI at the end of reporting period $'000	Dividends paid to NCI $'000
30 June 2017:					
Angkasa Amsteel Pte. Ltd. and its subsidiary companies	Singapore	50 less 1 share	2,355	35,260	1,752
30 June 2016:					
Angkasa Amsteel Pte. Ltd. and its subsidiary companies	Singapore	50 less 1 share	(1,723)	34,525	850

Significant restrictions:

The Group will not extend financial assistance to its subsidiary companies with material NCI nor receive such assistance from it unless such assistance is concurrently extended or received by the NCI proportionate to the respective shareholdings.

C. Summarised financial information about subsidiary companies with material NCI

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

Summarised balance sheets

	Angkasa Amsteel Pte. Ltd. and its subsidiary companies	
	2017	**2016**
	$'000	$'000
Current		
Assets	79,510	66,734
Liabilities	(32,287)	(23,350)
Net current assets	47,223	43,384
Non-current		
Assets	26,533	28,803
Liabilities	(3,612)	(3,139)
Net non-current assets	22,921	25,664
Net assets	70,144	69,048

39. Subsidiary, joint venture and associated companies (cont'd)

Investment in subsidiary companies (cont'd)

C. Summarised financial information about subsidiary companies with material NCI (cont'd)

Summarised statement of comprehensive income

	Angkasa Amsteel Pte. Ltd. and its subsidiary companies	
	2017	**2016**
	$'000	$'000
Revenue		
Profit/(loss) before income tax	5,433	(2,968)
Income tax expense	(723)	(477)
Profit/(loss) after tax	4,710	(3,445)
Other comprehensive income	(110)	(18)
Total comprehensive income	4,600	(3,463)

Other summarised information

	Angkasa Amsteel Pte. Ltd. and its subsidiary companies	
	2017	**2016**
	$'000	$'000
Net cash flows used in operations	(415)	(7,407)
Acquisition of significant property, plant and Equipment	469	1,295

Investment in joint venture

On 11 November 2015, the Group acquired 50% interest in USP Equity Sdn. Bhd. ("USP Equity") that is held through a subsidiary for a total consideration of $23,145,000. This joint venture is incorporated in Malaysia and holds 90% interest in Sogo (K.L.) Department Store Sdn. Bhd. ("SOGO"). The principal activity of SOGO is retail and distribution and the joint venture is a strategic venture in the business. The Group jointly controls the venture with other partner under the contractual agreement and requires unanimous consent for all major decisions over the relevant activities.

39. Subsidiary, joint venture and associated companies (cont'd)

Investment in joint venture (cont'd)

In the previous financial year, the Purchase Price Allocation ("PPA") were provisional as the Group had sought an independent valuation of intangible assets and has computed the provisional goodwill amount of $10,492,000. The results of this valuation had not been received at the reporting date of 2016 financial statements. In the current financial year, the Group with the assistance of external valuation expert have completed the PPA for the acquisition of USP Equity, within 1 year from the date of acquisition, which is 10 November 2016. The Group has computed intangible assets based on cash generating units ("CGU") identified as below:-

		CGU		
	Useful life	**Departmental Store**	**Carpark**	**Total**
		$'000	$'000	$'000
Purchase consideration		22,646	499	23,145
Less: fair value of the Group's share of USP Equity's net tangible assets on 10 November 2015		(12,378)	(273)	(12,651)
Excess of purchase consideration over Group's share of USP Equity's net tangible assets		10,268	226	10,494
Less: SOGO license (intangible asset identified)	6 years and 5 months	(1,951)	–	(1,951)
Less: Rental savings (intangible asset identified)	19 years and 7 months	(4,644)	–	(4,644)
Goodwill on acquisition		3,673	226	3,899

Impairment testing of CGU

The recovery amounts of the CGU have been determined based on value in use calculations using cash flow projections from financial budgets approved by management covering a five-year period for departmental store and carpark segments. The key variables, which are post-tax discount rate applied to the cash flow projections and the forecasted growth rates used to extrapolate cash flow projection beyond the five-year period are as follows:-

	Departmental store and carpark	
	2017	**2016**
Terminal growth rates	3%	3%
Post-tax discount rates	12%	12%

Management determined the quantum of key variables and base operating cash flow in accordance to past performance and its expectations on the market development.

The following key assumptions are made to the cash flow projections:

(i) The terminal growth rate is capped at constant zero percent, it is based on published industry research and did not exceed the long term average growth rate for the industry.

(ii) The post-tax discount rates represented the current market assessment of the risks specific to the CGUs, based on Malaysia cost of capital for similar investment.

The cash flow projection also assumed there will not be a change in the Malaysia corporate tax rate of 24% in future and the SOGO license and rental tenancy are set to be renewed upon expiry.

39. Subsidiary, joint venture and associated companies (cont'd)

Investment in joint venture *(cont'd)*

Sensitivity to changes in key assumptions

With regard to the assessment of value in use for the CGUs, management believes that no reasonably possible changes in any of the above key assumptions would cause the carrying amount of the investment to materially exceed its recoverable amount.

At the end of the reporting period, the implication of key assumptions for the recoverable amount is discussed below:-

Growth rate – If the Group sets no growth on its net operating cash flow in the projection with all other variables held constant, the recoverable amount would decrease by $2,678,000.

Discount rates – If the discount rates had been 100 (2016: 100) basis points lower/higher with all other variables held constant, the recoverable amount would increase/decrease by $1,859,000.

The assumed movement for discount rates and terminal growth rates in the sensitivity analysis is based on the currently observable market environment.

Summarised financial information in respect of USP Equity based on its FRS financial statements, and reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

Summarised balance sheet

	2017 $'000	**2016** $'000 (Restated)
Inventories	3,860	10,347
Trade and other debtors	5,226	4,236
Cash and cash equivalents	29,003	23,425
Other current assets	1,945	1,919
Current assets	40,034	39,927
Non-current assets	26,073	21,124
Total assets	66,107	61,051
Trade payables	(26,153)	(18,323)
Other payables	(9,670)	(12,078)
Current liabilities	(35,823)	(30,401)
Non-current liabilities (excluding trade, other payables and provision)	(1,336)	(470)
Total non-current liabilities	(1,336)	(470)
Total liabilities	(37,159)	(30,871)
Net assets	28,948	30,180
Less: Non-controlling interests	(2,871)	(3,021)
Net assets attributable to owners	26,077	27,159
Proportion of the Group's ownership	50%	50%
Group's share of net assets	13,038	13,579
Add: Adjustments at Group level		
Intangible assets	5,718	6,595
Goodwill on acquisition	3,731	3,899
Foreign currency adjustments	(250)	(2)
Carrying amount of the investment	22,237	24,071

39. Subsidiary, joint venture and associated companies (cont'd)

Investment in joint venture (cont'd)

The 2016 comparative information has been restated to reflect the adjustment to intangible assets upon completion of PPA. As at 30 June 2017, there was an increase in intangible assets by $5,718,000 (2016: $6,595,000), with corresponding amortisation of intangible assets of $548,000 (2016: $329,000) and reduction in goodwill recognised in the previous financial year. The insignificant impact arising from restatement has been equity accounted in current financial year.

Summarised statement of comprehensive income

	2017	2016
	$'000	$'000
		(Restated)
Revenue	60,880	49,760
Other income	2,608	3,494
Change in inventories	(1,596)	3,988
Inventories purchased	(19,174)	(22,595)
Staff costs	(13,502)	(10,733)
Rental of premises	(8,788)	(6,759)
Depreciation	(5,086)	(3,100)
Other operating costs	(14,207)	(12,776)
Interest income	435	355
Interest expense	(18)	(83)
Profit before income tax	1,552	1,551
Income tax expense	(1,520)	(416)
Profit after tax, representing total comprehensive income	32	1,135
Less: Non-controlling interests	25	(123)
	57	1,012
Proportion of the Group's ownership	50%	50%
Group's share of results	28	506
Add: Adjustment at Group level		
Amortisation of intangible assets	(877)	–
Share of results of a joint venture after adjustment	(849)	506

Joint venture:

	Name of company	Principal activities	Country of incorporation and place of business	Proportion of ownership interest held 2017 %	Proportion of ownership interest held 2016 %
	Held by LTC Capital Holdings Sdn. Bhd.				
A	USP Equity Sdn. Bhd.	Investment holding	Malaysia	50	50
	Held by USP Equity Sdn. Bhd.				
A	Sogo (K.L.) Department Store Sdn. Bhd.	Operations of department store and related trading activities	Malaysia	90	90

39. Subsidiary, joint venture and associated companies (cont'd)

Investment in joint venture (cont'd)

Joint venture: (cont'd)

	Name of company	Principal activities	Country of incorporation and place of business	Proportion of ownership interest held 2017 %	2016 %
	Held by Sogo (K.L.) Department Store Sdn. Bhd.				
A	Venus Arch Sdn. Bhd.	Operating car parking facility	Malaysia	100	100
A	Xingpao Enterprise Sdn. Bhd.	Food court operator	Malaysia	90	90
A	Mayang Mall Sdn. Bhd.	Food court operator	Dormant	100	–

A Audited Ernst & Young LLP, Chartered Accountants, Malaysia. Financial year end 31 March.

Investment in associated companies

Associated companies:

	Name of company	Principal activities	Country of incorporation and place of business	Proportion of ownership interest held 2017 %	2016 %
	Held by Teck Chiang (International) Pte Ltd				
A	Kairong Developments (S) Pte. Ltd.	Investment holding	Singapore	40	40
	Held by Kairong Developments (S) Pte. Ltd.				
B	Kairong Developments (Shenyang) Co., Ltd.	Property development	People's Republic of China	100	100

A Audited by KPMG, Singapore. Financial year end 31 December.
B Audited by Nexia TS, (Shanghai) Co., Ltd. Financial year end 31 December.

40. 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 credit risk, liquidity risk, interest rate risk and foreign currency risk. The board of directors reviews and agrees policies and procedures for the management of these risks. The Audit Committee provides independent oversight to the effectiveness of the risk management process. It is, and has been throughout the current and previous financial year the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Group and the Company do not apply hedge accounting.

40. Financial risk management objectives and policies

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.

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade debtors. For other financial assets (including cash and cash equivalents and derivatives), 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. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Excessive risk concentration

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

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

Exposure to credit risk

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by:

- the carrying amount of each class of financial assets recognised in the balance sheets, including derivatives with positive fair values; and

- a nominal amount of $Nil (2016: $2,850,000) relating to corporate guarantees provided by the Company for the bank loans taken by subsidiary and associated companies.

Information regarding credit enhancements for trade debtors is disclosed in Note 13.

40. Financial risk management objectives and policies (cont'd)

(a) *Credit risk (cont'd)*

Credit risk concentration profile

The Group determines concentration of credit risk by monitoring the country and industrial sector profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade debtors at the end of the reporting period are as follows:

	2017		2016	
	$'000	% of total	$'000	% of total
Group				
By geographical:				
Singapore	15,446	79	8,471	52
Malaysia	4,036	21	7,962	48
	19,482	100	16,433	100
By business:				
Steel trading	18,941	97	15,803	96
Property development	27	–	158	1
Property rental	514	3	472	3
	19,482	100	16,433	100

The Group determines credit risk concentration for its Steel and Property related businesses separately.

<u>Property development and property rental business</u>

Trade debtors for these business segments do not have concentration of credit risk as the customers are individuals or corporates of diverse background or nature.

<u>Steel business</u>

There is no significant concentration of credit risk except that customers are predominantly in the construction industry. As at 30 June 2017, approximately 81% (2016: 68%) of the trade debtors of the Steel business are due from 5 (2016: 5) customers who are key players in the construction industry.

Financial assets that are neither past due nor impaired

Trade and other debtors that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and cash equivalents and derivatives that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 13.

40. Financial risk management objectives and policies (cont'd)

(b) 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 maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Board and the management of the Group constantly reviews its cash and borrowing position to ensure that the Group maintains sufficient liquidity to meets its obligations as and when they fall due.

The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and the Group does not have any debt maturing within 12 months from the end of the reporting period other than the finance leases obligations.

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

	2017				2016			
	1 year or less	1 to 5 years	Over 5 Years	Total	1 year or less	1 to 5 years	Over 5 years	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group								
Financial assets								
Long-term investments	–	–	4,780	4,780	–	–	4,651	4,651
Trade debtors (excluding sales tax receivables)	19,482	–	–	19,482	16,413	–	–	16,413
Other debtors	1,222	–	–	1,222	357	–	–	357
Due from related parties	1,475	–	–	1,475	395	–	–	395
Derivatives	–	–	–	–	50	–	–	50
Fixed deposits	33,915	–	–	33,915	16,853	16	–	16,869
Cash and bank balances	14,939	–	–	14,939	17,519	–	–	17,519
Total undiscounted financial assets	71,033	–	4,780	75,813	51,587	16	4,651	56,254
Financial liabilities								
Trade creditors (excluding sales tax payables)	27,790	1,060	–	28,850	21,754	991	–	22,745
Other creditors	3,405	–	–	3,405	5,024	–	–	5,024
Due to related parties	1,190	–	–	1,190	534	–	–	534
Interest-bearing loans and borrowings	6	–	–	6	60	6	–	66
Derivatives	75	–	–	75	252	–	–	252
Total undiscounted financial liabilities	32,466	1,060	–	33,526	27,624	997	–	28,621
Total net undiscounted financial assets/(liabilities)	38,567	(1,060)	4,780	42,287	23,963	(981)	4,651	27,633

40. Financial risk management objectives and policies (cont'd)

(b) Liquidity risk (cont'd)

	2017				2016			
	1 year or less	1 to 5 years	Over 5 years	Total	1 year or less	1 to 5 years	Over 5 years	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Company								
Financial assets								
Due from subsidiary companies	1,005	–	48,492	49,497	322	–	49,922	50,244
Long-term investments	–	–	380	380	–	–	380	380
Cash and bank balances	26	–	–	26	23	–	–	23
Total undiscounted financial assets	1,031	–	48,872	49,903	345	–	50,302	50,647
Financial liabilities								
Other creditors	222	–	–	222	220	–	–	220
Due to related parties	20	–	–	20	10	–	–	10
Due to subsidiary companies	–	–	21,123	21,123	–	–	22,082	22,082
Total undiscounted financial liabilities	242	–	21,123	21,365	230	–	22,082	22,312
Total net undiscounted financial assets	789	–	27,749	28,538	115	–	28,220	28,335

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from their interest-bearing financial liabilities.

The Group's policy is to manage interest cost using a mix of fixed and floating rate debts. To manage this mix in a cost-efficient manner, the Group enters into interest rate swap unless market interest rates are persistently low. At the balance sheet date the Group has no interest-bearing financial liabilities that are at floating interest rates.

The Group does not apply hedge accounting.

Sensitivity analysis for interest rate risk

At the balance sheet date, if interest rates had been 75 (2016: 75) basis points lower/higher with all other variables held constant, the Group's profit before tax would have been $161,000 (2016: $149,000) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate interest-bearing financial liabilities.

40. Financial risk management objectives and policies (cont'd)

(d) Foreign currency risk

The Group enters into fixed price contracts, mainly in US Dollars (USD) and Malaysian Ringgit (RM), with its suppliers for the purchase of steel. The Group is thus exposed to transactional foreign currency exposure dependent on the timing of its future purchases and when the liabilities are settled or are converted into the functional currency. Approximately 100% (2016: 100%) of the Group's steel purchases is denominated in foreign currencies.

The Group also holds cash and cash equivalents denominated in foreign currencies for working capital purposes. At balance sheet date, such foreign currency balances amount to $24,000 (2016: $39,000) in USD. At balance sheet date, the Group has trade debts denominated in RM which amount to $4,036,000 (2016: $7,962,000).

Unless there is persistent weakness in the trend of the USD, the Group uses forward currency contracts to hedge between 50% to 100% of its anticipated steel purchases denominated in USD.

At 30 June 2017, the Group had hedged 95% (2016: 94%) of its foreign currency denominated purchases. The Group does not apply hedge accounting for such foreign currency denominated purchases.

The Group is also exposed to currency translation risk arising from its net investments in foreign operations. The Group uses its borrowings from the subsidiary company denominated in RM as a natural partial hedge against its cost of investment.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the USD and RM exchange rate (against SGD), with all other variables held constant, on the Group's profit before tax.

	Profit before tax	
	2017	**2016**
	$'000	$'000
USD		
- strengthened 3% (2016: 3%)	(144)	(534)
- weakened 3% (2016: 3%)	144	534
RM		
- strengthened 3% (2016: 6%)	(217)	(116)
- weakened 3% (2016: 6%)	217	116

41. Financial instruments

Classification of financial instruments

Set out below is a comparison by category of carrying amounts of all the Group's and Company's financial instruments that are carried in the financial statements:

	Note	Group 2017 $'000	Group 2016 $'000	Company 2017 $'000	Company 2016 $'000
Financial assets					
Fair value through profit or loss					
Foreign currency contracts	41C	–	50	–	–
Available for sale					
Long-term investments	8	4,780	4,651	380	380
Loan and receivables					
Due from subsidiary companies	15	–	–	49,497	50,244
Trade debtors (excluding sales tax receivables)	13	19,482	16,413	–	–
Other debtors	14	1,222	357	–	–
Due from related parties	16	1,475	395	–	–
Fixed deposits	17	33,915	16,869	–	–
Cash and bank balances	17	14,939	17,519	26	23
		71,033	51,553	49,523	50,267
Financial liabilities					
Fair value through profit or loss					
Foreign currency contracts	41C	36	107	–	–
Interest rate swap	41C	39	145	–	–
		75	252	–	–
Carried at amortised cost					
Trade creditors (excluding sales tax payables)	18	28,850	22,745	–	–
Other creditors	19	3,405	5,024	220	220
Due to related parties	20	1,190	534	20	10
Interest-bearing loans and borrowings	21	6	62	–	–
Due to subsidiary companies	23	–	–	21,123	22,082
		33,451	28,365	21,363	22,312

41. Financial instruments (cont'd)

A. Fair value hierarchy

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

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

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety 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

		Group			
	Note	Quoted price in active markets for identical instruments Level 1	Significant observable inputs other than quoted prices Level 2	Significant unobservable Inputs Level 3	Total
		$'000	$'000	$'000	$'000
2017					
Financial assets					
Fair value through profit or loss					
Forward currency contracts	41C	–	–	–	–
Available for sale financial assets					
Quoted equity investments	8	1,050	–	–	1,050
Financial assets as at 30 June		1,050	–	–	1,050
Non-financial assets					
Property, plant and equipment		–	19,246	–	19,246
Industrial buildings	5				
Investment properties					
Industrial	4	–	–	118,000	118,000
Non-financial assets as at 30 June		–	19,246	118,000	137,246
Financial liabilities					
Fair value through profit or loss					
Forward currency contracts	41C	–	36	–	36
Interest rate swap	41C	–	39	–	39
Financial liabilities as at 30 June		–	75	–	75

41. Financial instruments (cont'd)

B. Assets and liabilities measured at fair value (cont'd)

		Group			
	Note	Quoted price in active markets for identical instruments Level 1	Significant observable inputs other than quoted prices Level 2	Significant unobservable Inputs Level 3	Total
		$'000	$'000	$'000	$'000
2016					
Financial assets					
Fair value through profit or loss					
Forward currency contracts	41C	–	50	–	50
Available for sale financial assets					
Quoted equity investments	8	921	–	–	921
Financial assets as at 30 June		921	50	–	971
Non-financial assets					
Property, plant and equipment					
Industrial buildings	5	–	20,623	–	20,623
Investment properties					
Industrial	4	–	–	118,000	118,000
Non-financial assets as at 30 June		–	20,623	118,000	138,623
Financial liabilities					
Fair value through profit or loss					
Forward currency contracts	41C	–	107	–	107
Interest rate swap	41C	–	145	–	145
Financial liabilities as at 30 June		–	252	–	252

There have been no transfers between Level 1, Level 2 and Level 3 during 2017 and 2016.

41. Financial instruments (cont'd)

C. Level 2 fair value measurements

Derivatives

	Group			
	2017		2016	
	Assets	Liabilities	Assets	Liabilities
	$'000	$'000	$'000	$'000
Forward currency contracts	–	(36)	50	(107)
Interest rate swap	–	(39)	–	(145)
	–	(75)	50	(252)

Forward currency contracts and interest rate swap contract are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, interest rate curves and forward rate curves.

The notional amounts of derivative instruments are as follows:

	Group	
	Notional amount	
	2017	2016
	$'000	$'000
Forward currency contracts	4,957	36,447
Interest rate swap	10,000	10,000

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

The interest rate swap receives floating interest linked to Singapore Offer Rate and paid a rate of interest ranging from 1.77% to 2.19% during the year (2016: 1.16% to 1.77%). The maturity period of this swap is 16 September 2017.

Industrial buildings

The fair value of industrial buildings is based on comparable market transactions that consider sales of similar properties that have been transacted in the open market. The most significant input into this valuation approached is the selling price per square foot.

41. Financial instruments (cont'd)

D. Level 3 fair value measurements

The following table presents the information about fair value measurements using significant unobservable inputs:

Description	Fair value as at 30 June $	Valuation technique(s)	Key unobservable inputs	Range
2017				
Investment properties – Industrial buildings	118,000,000	Comparable sales method	Transacted price of comparable properties (psm).	$8,298- $8,928
2016				
Investment properties – Industrial buildings	118,000,000	Investment method	Capitalisation rate	5.0%

The valuations of the investment properties are generally sensitive to changes in yield and rental rates. A significant increase/(decrease) in yield and rental adjustments would result in a significantly higher/(lower) fair value measurement.

The movement for Level 3 non-financial asset is detailed in Note 4 to the financial statements.

E. Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

Due from subsidiary companies (Note 15) and Due to subsidiary companies (Note 23): The fair value information has not been disclosed due to uncertain timing of the future cash flow repatriation and hence fair value cannot be estimated reliably.

Long-term investments (Note 8): Fair value information has not been disclosed for the Group's investments in unquoted equity instruments that are carried at cost because fair value cannot be measured reliably. These unquoted equity instruments represent ordinary shares in the investee's companies that are not quoted on any market and do not have any comparable industry peer that is listed. In addition, the variability in the range of reasonable fair value estimates derived from valuation techniques is significant. The Group does not intend to dispose of this investment in the foreseeable future.

F. Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

Current trade and other debtors, due from subsidiary company, due from related parties, fixed deposits, cash and bank balances, current trade and other creditors, due to related parties, interest-bearing loans and borrowings.

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either repayable on demand, due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the balance sheet.

42. Capital management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 30 June 2017 and 2016.

The Group monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. The Group's policy is to keep the gearing ratio below 50%. The Group includes within net debt, provisions, interest-bearing loans and borrowings, trade and other creditors (excluding derivative instruments), amounts due to related parties, less cash, bank balances and fixed deposits. Equity includes equity attributable to the owners of the Company. The Group is not subjected to any externally imposed capital requirement.

	Group	
	2017	**2016**
	$'000	$'000
Trade creditors	29,540	21,968
Other creditors	3,405	5,024
Due to related parties	1,190	534
Interest-bearing loans and borrowings	6	62
Provisions	1,173	415
Fixed deposits	(33,915)	(16,869)
Cash and bank balances	(14,939)	(17,519)
Net debt	(13,540)	(6,385)
Total equity	254,531	251,539
Equity and net debt	240,991	245,154
Gearing ratio	(6)%	(3)%

43. Events occurring after the reporting period

On 26 April 2017, the Company's wholly-owned subsidiary, Greenpoint Capital Sdn Bhd ("GCSB"), entered into a Share Sale Agreement with Belleview Sdn. Bhd. for the acquisition of 200,000 ordinary shares, representing 40% equity interest in the share capital of Regata Maju Sdn. Bhd. ("RMSB"). RMSB is incorporated in Malaysia with an issued and paid up share capital of RM500,000 divided into 500,000 ordinary shares, and it is currently undertaking a mixed property development in Penang.

In accordance with the Share Sale Agreement, GCSB shall acquire the Sale Shares at a consideration of RM25,946,000 (approximately $8,211,000). Upon completion of Share Sale Agreement on 25 July 2017, a proportionate shareholder's advance from GCSB of RM8,487,000 (approximately equivalent to $2,686,000) shall be provided to RMSB. The investment will be equity accounted in the next financial year.

44. Authorisation of financial statements

The financial statements for the financial year ended 30 June 2017 were authorised for issue in accordance with a resolution of the Directors on 3 October 2017.

ANALYSIS OF SHAREHOLDINGS

AS AT 18 SEPTEMBER 2017

Issued and fully paid-up capital	:	$150,112,500
No. of shares issued	:	156,453,000 ordinary shares
Class of shares	:	Ordinary shares fully paid
Voting rights	:	1 Vote per share
No. of treasury shares held	:	Nil

DISTRIBUTION OF SHAREHOLDINGS AS AT 18 SEPTEMBER 2017

	No of Shareholders	%	No of Shares	%
1 - 99	93	1.30	4,306	0.00
100 - 1,000	4,847	67.74	4,200,465	2.69
1,001 - 10,000	1,678	23.45	6,468,797	4.13
10,001 - 1,000,000	525	7.34	37,013,198	23.66
1,000,001 and above	12	0.17	108,766,234	69.52
Total	7,155	100.00	156,453,000	100.00

TWENTY LARGEST SHAREHOLDERS AS AT 18 SEPTEMBER 2017

No.	Name	No. of Shares	%
1	Lion Investment (Singapore) Pte. Ltd.	53,100,000	33.94
2	Lion Realty Private Limited	21,400,000	13.68
3	RHB Securities Singapore Pte Ltd	8,863,000	5.67
4	Phillip Securities Pte Ltd	5,924,474	3.79
5	DBS Nominees Pte Ltd	3,834,900	2.45
6	UOB Kay Hian Pte Ltd	3,117,250	1.99
7	Leh Bee Hoe	3,116,600	1.99
8	Morph Investments Ltd	2,305,000	1.47
9	Ng Soo Giap Or Chew Sooi Guat	1,938,000	1.24
10	Saw Tze Choon	1,918,000	1.23
11	Citibank Nominees Singapore Pte Ltd	1,774,009	1.13
12	Khoo Poh Koon	1,475,001	0.94
13	Tan Boon Kay	965,000	0.62
14	Yim Chee Tong	948,000	0.60
15	Est Of Ching Kwong Yew, Deceased	935,000	0.60
16	Raffles Nominees (Pte) Ltd	877,800	0.56
17	Chiam Hock Poh	874,700	0.56
18	Vellayappan S/O Karruppiah	870,000	0.56
19	CIMB Securities (Singapore) Pte Ltd	748,146	0.48
20	HSBC (Singapore) Nominees Pte Ltd	665,762	0.42
		115,650,642	73.92

SHAREHOLDINGS IN THE HAND OF PUBLIC AS AT 18 SEPTEMBER 2017

On the basis of the information available to the Company, approximately 44.13 % of the equity securities of the Company are held in the hands of the public. This is in compliance with Rule 723 of the Listing Manual of the SGX-ST, which requires at least 10% of a listed issuer's equity securities to be held by the public.

SUBSTANTIAL SHAREHOLDERS

AS AT 18 SEPTEMBER 2017

	Direct Interest		Deemed Interest	
Name of Shareholder	**No. of Shares**	**Percentage**	**No. of Shares**	**Percentage**
Lion Investment (Singapore) Pte. Ltd.	53,100,000	33.94%	–	–
Tan Sri Cheng Yong Kim (1)	50,000	0.03%	53,100,000	33.94%
Datuk Cheng Yoong Choong (2)	30,000	0.02%	53,100,000	33.94%
Lion Realty Private Limited	21,400,000	13.68%	–	–
Tan Sri Cheng Heng Jem (3)	–		11,841,000	7.57%
ACB Resources Berhad (4)	–		11,708,000	7.48%
Lion Corporation Berhad (5)	–		11,708,000	7.48%

(1) Tan Sri Cheng Yong Kim, who is a son of Mr Cheng Theng Kee, is deemed to be interested in 53,100,000 shares held by Lion Investment (Singapore) Pte. Ltd..

(2) Datuk Cheng Yoong Choong, who is a son of Mr Cheng Theng Kee, is deemed to be interested in 53,100,000 shares held by Lion Investment (Singapore) Pte. Ltd..

(3) Tan Sri Cheng Heng Jem is deemed to be interested in 11,841,000 shares comprising 11,708,000 shares deemed held by Lion Corporation Berhad, 100,000 shares held by Lion AMB Resources Berhad and 33,000 shares held by Lion Industries Corporation Berhad.

(4) ACB Resources Berhad is deemed to be interested in 11,708,000 shares comprising 5,583,000 shares deemed held by Akurjaya Sdn Bhd, 2,850,000 shares deemed held by Angkasa Marketing (Singapore) Pte Ltd and 3,275,000 shares held by Umatrac Enterprises Sdn Bhd. Akurjaya Sdn Bhd is deemed to be interested in 5,583,000 shares held by The Brooklands Selangor Rubber Company Limited. The Brooklands Selangor Rubber Company Limited and Umatrac Enterprises Sdn Bhd are the beneficial owners of 5,583,000 shares and 3,275,000 shares respectively; registered under RHB Securities Singapore Pte Ltd.

(5) Lion Corporation Berhad is deemed to be interested in 11,708,000 shares comprising 11,708,000 shares deemed held by ACB Resources Berhad.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of LTC Corporation Limited (the "Company") will be held at The Conference Room, 10 Arumugam Road, #10-00 LTC Building A, Singapore 409957 on Friday, 27 October 2017 at 9.30 a.m. to transact the following business:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and Audited Financial Statements of the Company for the financial year ended 30 June 2017 together with the Auditors' Report thereon. (Resolution 1)

2. To declare a first and final (one-tier) dividend of 1 cent per ordinary share of the Company for the financial year ended 30 June 2017. (Resolution 2)

3. To re-elect Mr Cheng Theng Kee, a Director retiring pursuant to Article 91 of the Constitution of the Company. (Resolution 3)

4. To re-elect Dato' Mazlan Bin Dato' Seri Harun, a Director retiring pursuant to Article 91 of the Constitution of the Company. (Resolution 4)

   Dato' Mazlan Bin Dato' Seri Harun will, upon re-election, remain as a member of the Audit Committee and Remuneration Committee and will be considered independent.

5. To approve the payment of Directors' fees of $111,500 for the financial year ended 30 June 2017 (2016: $112,000). (Resolution 5)

6. To re-appoint Messrs Ernst & Young LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. (Resolution 6)

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass, with or without amendments, the following resolutions as Ordinary Resolutions:

7. **General Mandate to Directors to Issue Shares**

   THAT pursuant to Section 161 of the Companies Act (Chapter 50 of Singapore) (the "Companies Act"), authority be and is hereby given to the Directors of the Company 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 into shares,

   at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

   (b) (notwithstanding that 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 while this Resolution was in force, provided that:

(1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50% of the total number of issued shares (excluding treasury shares) 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 (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 20% of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited ("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) shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Resolution is passed, after adjusting for:

(i) 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 this Resolution is passed; and

(ii) any subsequent bonus issue, consolidation or subdivision of shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Companies Act, 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 for the time being in force; and

(4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution 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 i) (Resolution 7)

8. **Renewal of the Shareholders' Mandate for Interested Person Transactions**

THAT for the purpose of Chapter 9 of the Listing Manual of the SGX-ST ("Chapter 9"):

(a) approval be and is hereby given for the Company, its subsidiaries and its associated companies which are entities at risk as defined under Chapter 9, to enter into any of the transactions falling within the categories of Interested Person Transactions as described on page 23 of this Annual Report, with any person who falls within the classes of Interested Persons as described on page 23 of this Annual Report, provided that such transactions are made on normal commercial terms, are not prejudicial to the interests of the Company and its minority shareholders and in accordance with the review procedures for Interested Person Transactions set out on pages 24 to 26 of this Annual Report (the "IPT Mandate");

(b) the IPT Mandate shall, unless revoked or varied by the Company in 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 the earlier;

(c) the Audit Committee of the Company be and is hereby authorised to take such action as it deems proper in respect of such procedures and/or to modify or implement such procedures as may be necessary to take into consideration any amendment to Chapter 9 which may be prescribed by the SGX-ST from time to time; and

(d) authority be given to the Directors to complete and do all such acts and things (including, without limitation, executing all such documents as may be required) as they may consider expedient or necessary or in the interests of the Company to give effect to the IPT Mandate and/or this Resolution.
(See Explanatory Note ii) (Resolution 8)

9. To transact such other ordinary business as can be transacted at an Annual General Meeting of the Company.

By Order of the Board

Silvester Bernard Grant
Company Secretary

Singapore, 10 October 2017

Explanatory Notes:

(i) Resolution 7 proposed in item 7 above, if passed, authorises the Directors of the Company to issue shares in the capital of the Company and to make or grant instruments (such as warrants or debentures) convertible into shares, and to issue shares in pursuance of such instruments, up to an amount not exceeding in total 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company, with a sub-limit of 20% of the total number of issued shares (excluding treasury shares) in the capital of the Company for issues other than on a *pro rata* basis to its shareholders.

(ii) Resolution 8 proposed in item 8 above, if passed, renews the IPT Mandate and allows the Company, its subsidiaries and its associated companies which are entities at risk as defined under Chapter 9 to enter into certain interested person transactions as described on page 23 of this Annual Report and will empower the Directors to do all acts necessary to give effect to the IPT Mandate. This authority will, unless previously revoked or varied by the Company at a general meeting, expire at 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.

Notes:

A member of the Company entitled to attend and vote at the above meeting, and who is not a Relevant Intermediary (which has the meaning ascribed to it in Section 181 of the Companies Act) is entitled to appoint not more than two proxies to attend and vote in his place. Where a member appoints more than one proxy, he shall specify the proportion of his shareholding to be represented by each proxy. A member of the Company who is a Relevant Intermediary is entitled to appoint more than two proxies to attend and vote in his place, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. A proxy need not be a member of the Company.

The instrument appointing a proxy must be deposited at the Registered Office of the Company at 10 Arumugam Road, #10-00 LTC Building A, Singapore 409957, not less than 48 hours before the time appointed for holding the meeting.

Where a member submits an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the meeting and/or any adjournment thereof, a member (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 proxy(ies) and/or representative(s) appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (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.

NOTICE OF BOOKS CLOSURE

NOTICE IS HEREBY GIVEN THAT the Transfer Books and Register of Members of the Company will be closed on 8 November 2017, for the preparation of dividend warrants. Duly completed transfers received by the Company's Registrar, B.A.C.S. Private Limited, 8 Robinson Road #03-00 ASO Building, Singapore 048544 up to the close of business at 5.00 p.m. on 7 November 2017 will be registered to determine shareholders' entitlement to the proposed first and final dividend.

The proposed first and final dividend if approved at the Annual General Meeting will be paid on 22 November 2017.

PROXY FORM

LTC CORPORATION LIMITED

Company Registration No. 196400176K
(Incorporated in the Republic of Singapore)

IMPORTANT:

1. Relevant Intermediaries (as defined in Section 181 of the Companies Act (Chapter 50 of Singapore)) may appoint more than two proxies to attend and vote at the AGM.
2. For CPF investors who have used their CPF monies to buy shares in the capital of the Company, this Annual Report is forwarded to you at the request of your CPF Agent Bank and is sent **SOLELY FOR YOUR INFORMATION ONLY.**
3. This Proxy Form is therefore not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
4. A CPF investor who wishes to attend the AGM as proxy must submit his request to his CPF Agent Bank so that his CPF Agent Bank may appoint him as its proxy within the time frame specified. (CPF Agent Bank: Please refer to Notes 3 and 4 on the reverse side of this form on the required details.)

I/We, ______________________________ (Name), NRIC/Passport No. ______________

of ____ (Address)

being a member/members of LTC CORPORATION LIMITED (the "Company"), hereby appoint:

Name	**NRIC/ Passport No.**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			

and/or (delete as appropriate)

Name	**NRIC/ Passport No.**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			

or failing him/her/them, the chairman of the annual general meeting (the "AGM") as my/our proxy/proxies to vote for me/us on my/our behalf at the AGM of the Company to be held at The Conference Room, 10 Arumugam Road, #10-00 LTC Building A, Singapore 409957 on Friday, 27 October 2017 at 9.30 a.m.

I/We direct my/our proxy/proxies to vote for or against the Resolution 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.

No.	**Ordinary Resolutions:**	**For***	**Against***
1.	Adoption of Directors' Statement, Audited Financial Statements and Auditors' Report		
2.	Declaration of first and final dividend		
3.	Re-election of Mr Cheng Theng Kee as a Director of the Company		
4.	Re-election of Dato' Mazlan Bin Dato' Seri Harun as a Director of the Company		
5.	Approval of Directors' Fees		
6.	Re-appointment of Messrs Ernst & Young LLP as Auditors of the Company and to authorise the Directors to fix their remuneration		
7.	General Mandate to Directors to issue shares and convertible securities		
8.	Renewal of the Shareholders' Mandate for Interested Person Transactions		

* If you wish to use all your votes "For" or "Against", please indicate with an "X" within the box provided. Otherwise, please indicate the number of votes.

Dated this ________ day of ______________ 2017.

Total No. of Shares in:	**No. of Shares**
(1) CDP Register	
(2) Register of Members	

____
Signature(s) of Member(s)/Corporation's Common Seal

IMPORTANT: PLEASE READ NOTES OVERLEAF

Notes:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Part IIIAA of the Securities and Futures Act (Chapter 289 of Singapore)), 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, and who is not a Relevant Intermediary (which has the meaning ascribed to it in Section 181 of the Companies Act (Chapter 50 of Singapore) (the "Companies Act")) is entitled to appoint one or two proxies to attend and vote in his stead and such proxy need not be a member of the Company. Where a member appoints more than one proxy, the appointments shall be invalid unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.

3. A member of the Company who is a Relevant Intermediary is entitled to appoint more than two proxies to attend and vote in his stead at a meeting of the Company, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where more than one proxy is appointed, the number of shares in relation to which each proxy has been appointed shall be specified in the proxy form. In relation to a Relevant Intermediary who wishes to appoint more than two proxies, it should annex to the proxy form the list of proxies, setting out, in respect of each proxy, the name, address, NRIC/Passport Number and proportion of shareholding (number of shares and percentage) in relation to which the proxy has been appointed. For the avoidance of doubt, a CPF Agent Bank who intends to appoint CPF investors as its proxies shall comply with this Note.

4. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 10 Arumugam Road, #10-00 LTC Building A, Singapore 409957, not less than 48 hours before the time appointed for the AGM.

5. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised.

6. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM, in accordance with its Constitution and Section 179 of the Companies Act.

7. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member (being the appointor) is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

8. 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 10 October 2017.

AGM
Proxy Form

Affix
postage
stamp

The Company Secretary
LTC CORPORATION LIMITED
10 Arumugam Road
#10-00 LTC Building A
Singapore 409957

LTC CORPORATION LIMITED
(Co. Reg. No. 196400176K)
10 Arumugam Road #10-00 LTC Building A Singapore 409957
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http://www.ltcgroup.com.sg

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