

Aspial

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ANNUAL REPORT



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Aspial One, reception area

CHIEF EXECUTIVE OFFICER'S MESSAGE

DEAR SHAREHOLDERS, 2019 had been a fruitful year underscored by significant events. The Group shifted to a new office building, marking a new positive chapter for us. We have been making positive progress in all 4 of our business segments as outlined below:

REAL ESTATE BUSINESS

From 2018 to date, we have successfully completed one high-rise 456-unit residential tower in Melbourne, *AVANT* and the refurbishment of more than 7 sites made up of clusters of UNESCO heritage shophouses in Penang.

We have two ongoing projects in Australia – a 101-level freehold luxury residence strategically located in Southbank, Melbourne, *Australia 108*; and a mixed development in the Cairns CBD area, *Nova City*.

As at the end of February 2020, *Australia 108*'s construction was 94% completed with the building topping up at level 101 soon. With expected completion to take place in 3Q2020, we anticipate the *Australia 108* project to contribute positively to the Group's revenue and profitability for FY2020.

Within the region, the Group currently operates hotels comprising 72 keys in Georgetown, Penang. We have plans to increase up to 350 keys in the next eighteen months, by which four of our Penang properties would have attained completion status.

In Singapore, we will continue to market the remaining commercial units in the *City Gate* project.

FINANCIAL SERVICE BUSINESS

The Group's Financial Service Business comprises three segments, namely pawnbroking, retail and trading of jewellery and branded merchandise, as well as provision of secured funding.





Aspiat One, main lobby

Positioned as an innovative lender offering alternative financing solutions to the underbanked consumers, we are a leader of the industry dominating with the largest network of 47 pawnbroking outlets in Singapore and progressively expanding regionally. In FY2019, we delivered the largest pledge book with record loans.

To maintain our strong momentum of growth, the Group will continue to invest in brand building, improve our merchandise range and review our retail network.

JEWELLERY BUSINESS

The Group's Jewellery Business segment is made up of our luxury high-end award-winning German

brand, Niessing; contemporary design Lee Hwa and Goldheart brands, as well as bullion dealing business.

Our Niessing jewellery boasts of a global retail network that spans Germany, Hong Kong, Japan, Australia and Singapore, while our Lee Hwa and Goldheart brands focus on the Singapore market.

In view of the recent COVID-19 outbreak, the Group expects consumer sentiments to be affected and remain weak in the near to medium term. As such, we will use this opportunity to enhance our operational effectiveness and efficiency, and to reduce operating costs, so as to be well-poised for the impending recovery.

OTHER INVESTMENTS

Through AF Global Limited ("AFG"), we gained access to hotels and serviced residence businesses in popular holiday destinations such as Phuket, Ho Chi Minh and Vientiane. With the COVID-19 evolving situation sparking global concern, travel demand has slowed down immensely. In light of the current development, the Group is putting in place strategies to manage our hospitality assets more effectively to alleviate the impact brought about by the substantial drop in demand.

Separately, the Xuzhou Gulou Square case is still undergoing court proceedings in China. The Group will update whenever there is any material development.

CHIEF EXECUTIVE OFFICER'S MESSAGE

Moving ahead, AFG will work on asset enhancement initiatives, acquisitions and divestment ventures to further strengthen our asset portfolio, as we seek to improve our business operations and enhance returns generated from our assets.

IN APPRECIATION

As we stride into a year filled with the uncertainty and risks brought about by the COVID-19 pandemic, we continue to cement our position and strengthen our fundamentals. All these would not have been possible without our valuable stakeholders.

On behalf of the Board, I would like to thank our management and staff for their commitment and dedication towards the Group. I would also like to extend my appreciation to our Board of Directors for their insightful guidance. Last but not least, I would like to express my gratitude to our business partners, customers and shareholders for their unwavering trust and faith in us. We will forge ahead and strive to drive our business towards greater success.

KOH WEE SENG

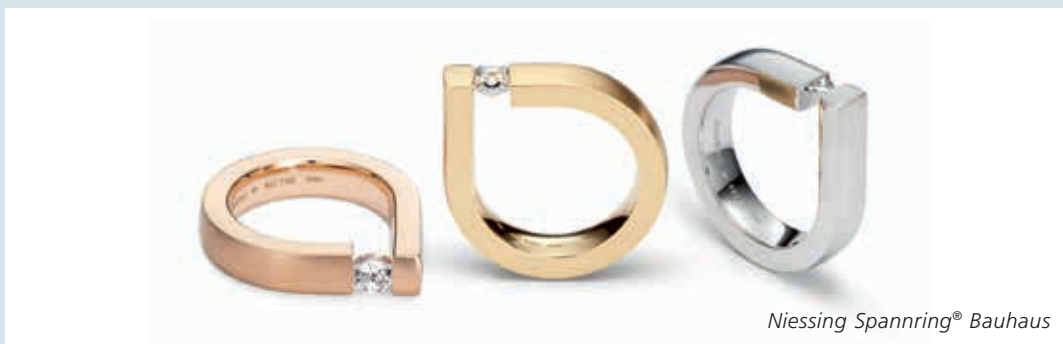
Chief Executive Officer



Niessing NOW



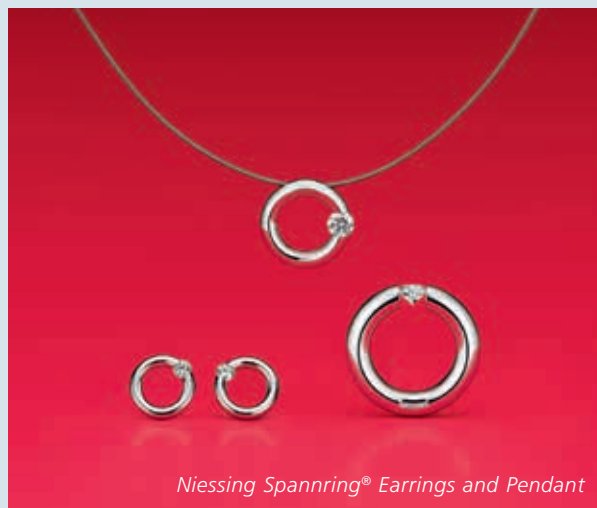
Holiday Inn Resort Phuket by AF Global



Niessing Spannring® Bauhaus



Niessing Mirage Bangle



Niessing Spannring® Earrings and Pendant



Experiential store concept at Lee Hwa's JewelPlay, Bugis Junction

BUSINESS REVIEW



OVERVIEW

As we complete construction of our property projects, we begin to recognise revenue contribution from individual developments upon settlement by the purchasers. With our Melbourne residential tower, *AVANT*, fully completed in FY2018, most of the revenue for this project was locked in for FY2018. Meanwhile, our iconic luxury residence, *Australia 108* was partially completed with settlements by purchasers contributing to revenue in FY2019.

In the absence of new property projects, the Group registered a 37.6% decrease in revenue to S\$560.2 million in FY2019. Consequently, pre-tax profit was 46.3% lower at S\$30.4 million as compared to S\$56.6 million in the previous year.

REAL ESTATE BUSINESS

Our Real Estate Business segment reported revenue decline of S\$363.3 million to S\$210.9 million as a result of the completion of fewer development projects in 2019. With FY2018 revenue contribution coming from a number of projects, including *City Gate*, *AVANT* and *Australia 108*, FY2019 presented a contrasting figure with contribution coming primarily from *Australia 108*.

Consequently, pre-tax profit for the Real Estate Business was S\$15.5 million against S\$56.4 million in FY2018. This was mainly attributed to lower revenue booked during the year, as well as provision for impairment loss, allowances for write-down of development properties and fair value loss amounting to S\$8.2 million for its assets and properties

in Singapore and Malaysia. Excluding these adjustments, pre-tax profit for this segment would have been S\$23.7 million.

As at the end of February 2020, the Group completed 94% of the construction of *Australia 108* with construction on site progressing all the way to the top of the building.



Rebecca Lim,
Mediacorp Artiste
& Goldheart Brand
Ambassador in
Mode Gold 916
collection



Australia 108 by World Class Global



Maxi-Cash opens its first Australian store in Melbourne



Goldheart Wedding Bands

FINANCIAL SERVICE BUSINESS

The Financial Service Business segment reported a 7.3% increase in revenue to S\$218.5 million in FY2019. This was largely due to higher interest income earned and increased sales from the retail and trading of jewellery and branded merchandises.

As a result, the Financial Service Business delivered pre-tax profit that hiked 49.2% or S\$5.9 million to S\$17.9 million in the reporting year, led by higher gross profit and lower foreign exchange loss.

JEWELLERY BUSINESS

With strengthened sales from overseas operations making up for lower sales from our Singapore operations, revenue for the Jewellery Business segment stood at S\$139.8 million in FY2019, which translated to a 2.9% increase.

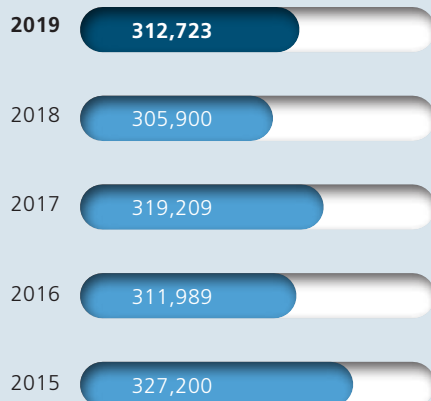
The Jewellery Business recorded a pre-tax loss of S\$0.4 million in FY2019 in contrast to S\$4.2 million in FY2018. A combination of factors, comprising higher profit from associates and reduction in operating costs for Singapore retail business, helped to alleviate the expenses, resulted in the pre-tax loss for the year being significantly lower than the previous year.

OTHER INVESTMENTS

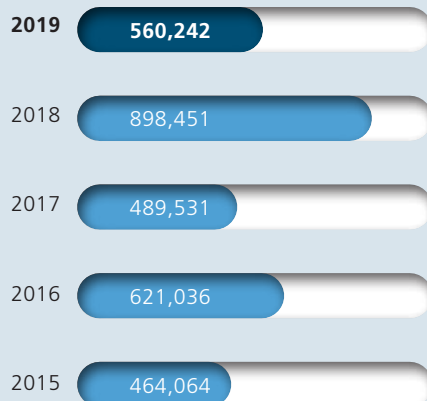
The share of results of associates and a joint venture was significantly boosted from S\$0.2 million in FY2018 to S\$12.2 million in FY2019. This was mainly due to the higher profit contribution from AF Global Limited.

FINANCIAL HIGHLIGHTS

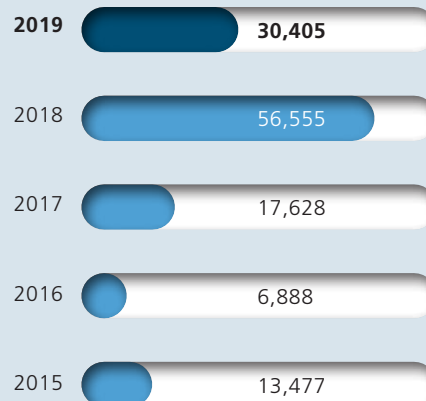
NET ASSET VALUE (S\$'000)



TOTAL TURNOVER (S\$'000)



PROFIT BEFORE TAX (S\$'000)



GROUP'S 5-YEAR FINANCIAL HIGHLIGHTS

(S\$)	2019 (^{'000})	2018 (^{'000})	2017 (^{'000})	2016 (^{'000})	2015 (^{'000})
Total Turnover	560,242	898,451	489,531	621,036	464,064
Profit Before Tax	30,405	56,555	17,628	6,888	13,477
Profit After Tax	18,560	37,106	8,654	4,810	9,158
Paid-up Capital	226,930	226,930	226,930	226,152	215,872
Total Equity	410,448	406,563	408,659	376,870	376,295
Net Asset Value	312,723	305,900	319,209	311,989	327,200
Earnings Per Share (cents)	0.66	1.46	0.25	0.06	0.46



CORPORATE INFORMATION

DIRECTORS

Koh Wee Seng
Chief Executive Officer

Koh Lee Hwee
Executive Director

Ko Lee Meng
*Non-Executive and
Non-Independent Director*

Wong Soon Yum
Lead Independent Director

Kau Jee Chu
Independent Non-Executive Director

Ng Bie Tjin @ Djuniarti Intan
Independent Non-Executive Director

COMPANY SECRETARY

Lim Swee Ann Felix
CPA, ACIS

REGISTERED OFFICE

50 Raffles Place #32-01
Singapore Land Tower
Singapore 048623

SHARE REGISTRAR

B.A.C.S. Private Limited
8, Robinson Road #03-00
ASO Building
Singapore 048544

PRINCIPAL BANKERS

DBS Bank Ltd.
United Overseas Bank Limited
Oversea-Chinese Banking
Corporation Limited
The Hongkong and Shanghai
Banking Corporation Limited
Malayan Banking Berhad
CIMB Bank Berhad
RHB Bank Singapore
National Australia Bank
Hong Leong Finance Limited

AUDITOR

Ernst & Young LLP
One Raffles Quay
North Tower, Level 18
Singapore 048583

Partner-in-charge:
Max Loh Khum Whai
(Chartered Accountant,
a member of the Institute of
Singapore Chartered Accountants)
(Since financial year ended
31 December 2016)

BOARD OF DIRECTORS

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

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

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

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

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

NG BIE TJIN @ DJUNIARTI INTAN is our Independent Non-Executive Director. Ms Ng is the Chairman of our Remuneration Committee and member of Audit Committee and Nominating Committee. Ms Ng was a director of Datapulse Technology Limited from 7 January 1994 to 30 November 2014, and during that time, was a member of the Nominating Committee. During the 20 years period, Ms Ng was the Finance Director. Apart from overseeing the daily operations of the finance functions including accounting, finance, treasury and capital management, she was responsible for administration and implementation of corporate finance strategies and policies, corporate governance and internal control policies and procedures, investor relations, and identification and evaluation of new business opportunities. She is also an independent director of SunMoon Food Company Limited from 31 August 2017 and is the Chairman of the Audit and Risk Committee and member of Remuneration and Nominating Committee. She is also a director of Uniseraya Holdings Pte. Ltd. from January 2015. Ms Ng holds a Masters in Business Administration from the University of Southern California.

KEY MANAGEMENT

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

NG KEAN SEEN is our Group's Senior Director for jewellery business. He oversees the Group's jewellery retail business and manages the Group's investments in Niessing jewellery, bullion and safe keeping businesses. He is currently spearheading Niessing's expansion into key Asia Pacific cities. Mr. Ng has more than 19 years' experience in the jewellery trade. Prior to joining the Group, he was working in engineering and construction, automobile and financial services sectors. He graduated with a Bachelor of Engineering with Management (Hons) from University of Leeds (UK) and obtained a Master of Science in Marketing from City University of New York (US). He has also attended Chicago Business School and ESSEC Business School.

HAN GEK CHING, JOCELYN is currently our Human Resource Director and manages all aspects of the human resource functions. Her key priority is to work together with the leadership team to inspire and achieve organisational effectiveness through business partnerships, attract and develop the best talents, and build a culture of collaboration and innovation. Jocelyn has more than 15 years of HR experience from the retail and tourism industries, and is a certified IHRP-Senior Professional. She holds a Master of Business from Nanyang Technological University and a Master of Science in Advanced Leadership Practise from University of Edinburgh Napier.

LIM JULIE is currently our Group's Corporate Information Technology Director and manages all aspects of the IT functions ranging from infrastructure, hardware to applications. She has spent majority of her career in the IT industry and has more than 25 years of experience, and out of which 16 years in the IT project management and planning. Julie is a certified Project Manager from both the Project Management Institution (PMI) and Infocomm Development Authority of Singapore (IDA) as well as a certified Enterprise Architecture (TOGAF). Before joining the Group, she was in IT consulting and banking arena. She holds a Honors Degree in Computing and Information System from University of London and Degree in Psychology from University of Singapore Institute of Management.

CORPORATE GOVERNANCE REPORT

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Aspial One Facade

CORPORATE GOVERNANCE REPORT

The board of directors (the “**Board**” or the “**Directors**”) of Aspiat Corporation Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) is committed to setting and maintaining a high standard of corporate governance to promote greater transparency, accountability, performance and integrity.

On 6 August 2018, the Monetary Authority of Singapore (MAS) issued a revised Code of Corporate Governance 2018 (the “**Code**”) and accompanying Practice Guidance. The Code will apply to annual reports covering financial years commencing from 1 January 2019. The Group has reviewed and set out the corporate practices it has in place to comply with the Code, where appropriate, in this current annual report (the “**Annual Report**”).

The Company has substantially adhered to the principles and provisions as set out in the Code through effective self-regulatory corporate practices to protect and enhance the interests and value of its shareholders, and where there is a variation from any provisions of the Code, appropriate explanations have been provided on the reason for such variations and how the existing practices adopted are consistent with the intent, aim and philosophy of the relevant principles of the Code.

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

BOARD MATTERS

THE BOARD’S CONDUCT OF AFFAIRS

Principle 1: Effective Board to lead and control the Company

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

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

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

CORPORATE GOVERNANCE REPORT

BOARD MATTERS (CONTINUED)

THE BOARD'S CONDUCT OF AFFAIRS (Continued)

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

- instil an ethical corporate culture and ensure that the Group's values, standards, policies and practices are consistent with the culture to ensure proper accountability within the Company and the Group; and
- ensure transparency and accountability to key stakeholder groups.

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

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

All Directors objectively discharged their duties and responsibilities at all times as fiduciaries in the interests of the Company. The Board has, without abdicating its responsibilities, delegated certain matters to specialised committees of the Board, which include the Audit Committee ("AC"), the Nominating Committee ("NC") and the Remuneration Committee ("RC") (collectively, the "Board Committees"). The Board Committees assist the Board in carrying out and discharging its duties and responsibilities efficiently and objectively. The Board Committees function within clearly defined terms of reference setting out their compositions, authorities and duties, which includes reporting back to the Board, and operating procedures. The effectiveness of the Board Committees is also reviewed by the Board on an annual basis. Information on the Board Committees and their respective terms of reference can be found in the subsequent sections of this report.

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

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

The Board met four (4) times in respect of the financial year ended 31 December 2019 ("FY2019"). The details of the number of the Board and the Board Committees meetings held in the calendar year and the attendance of each Director at those meetings are set out below:

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

* By invitation

CORPORATE GOVERNANCE REPORT

BOARD MATTERS (CONTINUED)

THE BOARD'S CONDUCT OF AFFAIRS (Continued)

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

A formal letter of appointment would be provided to the existing Non-Executive Directors which sets out the Directors' duties and responsibilities and the Board governance policies and practices. In line with the corporate governance best practices, a formal letter of appointment is provided to a new Director, setting out their duties and responsibilities and obligations as a Director in respect of potential conflicts of interest, their interested person transactions and disclosure of Director's interests. All Directors are required to disclose their business interests and any potential or actual conflicts of interest that they are aware of, or as soon as such conflicts become apparent. In any situation that involves a conflict of interest with the Group, the Directors will recuse themselves from participating in any discussions and decisions on the matter.

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

To enhance a Director's performance as a Board member or Board Committee member, all Directors undergo an induction and are encouraged to undergo continual professional development during the term of their appointment to develop and maintain their skills and knowledge. Professional development may relate to directors' duties and responsibilities, corporate governance, key changes in the relevant regulatory requirements, changes in financial reporting standards and industry related matters. Directors will also receive regular updates on changes in the relevant laws and regulations, changing commercial risks and business conditions to enable them to make well-informed decisions. All Directors were updated on the revised Code which applies to Annual Reports covering financial years commencing from 1 January 2019. Some of the Directors had attended the courses conducted by the Singapore Institute of Directors such as Family Business Director Fundamentals. The Directors are also provided with briefing and updates on the developments in financial reporting and governance standards by the Company's external auditors, Ernst & Young LLP. The expenses of such courses attended by the Directors are borne by the Group. The Group's external auditors also provide regular updates and periodic briefing to the AC on changes or amendments to the accounting standards and their impact on the financial statements, if any.

As the ability to commit sufficient time and attention to the Group's affairs is essential for the individual Director's contribution and performance, the Board has considered the number of listed directorships each of its Directors can hold to ensure Directors give sufficient time and attention to the affairs of the Company. As a guide, Directors should not have more than six (6) listed company board representations. None of the Directors of the Company sit on the boards of more than six (6) listed companies. The NC determines annually whether a director with other listed company board representations is able to and has been adequately carrying out his or her duties as a director of the Company. In FY2019, the NC has reviewed and is satisfied that where Directors have other listed company board representations, the Directors have been able to devote sufficient time and attention to the affairs of the Company to adequately carry out their duties as Directors of the Company.

To enable the Board to fulfil its responsibilities, Management provides the Board with management reports on a regular and timely basis, with relevant and adequate information prior to the Board meetings so that the Directors may better understand the matters and discussion may be focused on questions that the Directors may have. Directors are entitled to request from Management and should be provided with such additional information as needed to make informed decisions.

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

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

CORPORATE GOVERNANCE REPORT

BOARD MATTERS (CONTINUED)

THE BOARD'S CONDUCT OF AFFAIRS (Continued)

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

The Company Secretary attends all Board meetings and ensures that Board procedures are followed. The Company Secretary also ensures that the requirements under the Companies Act, Cap. 50 (the "**Companies Act**") and all other regulations of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") are complied with. The Company Secretary also advises the Board on corporate and administrative matters, works with various service providers to facilitate orientations and assists with professional development as required.

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

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

BOARD COMPOSITION AND GUIDANCE

Principle 2: Strong and independence element on the Board

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

As at the date of this report, Non-Executive Directors make up a majority of the Board. The Board comprises two (2) Executive Directors, one (1) Non-Executive and Non-Independent Director and three (3) Independent Non-Executive Directors. The Independent Non-Executive Directors make up half of the Board and the Company notes that this composition is not in compliance with the Code's requirement whereby the Chairman of the meeting is part of Management and is not independent.

However, the Board is of the opinion that based on the Group's current size and operations, it is not necessary nor cost effective to have Independent Directors make up a majority of the Board. The NC is of the view that the current Board is of an appropriate size, and comprises directors who as a group, provide the appropriate balance and mix of skills, knowledge, experience, and are sufficiently diverse so as to avoid groupthink and foster constructive debate. Further, the Chairman of the meeting declared that he will abstain from exercising his casting vote as provided for in the Company's Constitution.

Executive Directors

Koh Wee Seng	Chief Executive Officer
Koh Lee Hwee	Executive Director

Non-Executive Directors

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

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

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

CORPORATE GOVERNANCE REPORT

BOARD COMPOSITION AND GUIDANCE (CONTINUED)

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

In respect of the two Independent Non-Executive Directors, namely, Mr Wong Soon Yum and Mr Kau Jee Chu who have served as Board members for more than nine (9) years, the NC has considered their length of service and their continued independence. The independence of character and judgement of both Directors were not in any way affected or impaired by the length of their service. The NC has also conducted a review on the performance of each of the two (2) Independent Directors and considers that each of these Directors brings invaluable expertise, experience and knowledge to the Board and that they continue to contribute to the Board. The Board concurs with the views of the NC and is satisfied with the performance and continued independence of judgement of the two (2) Independent Non-Executive Directors.

However, with effect from 1 January 2022, any Independent Directors who have been appointed beyond nine (9) consecutive years will be subject to a two-tier vote by all shareholders excluding directors, CEO and associates of such directors and CEO in order to determine their independence. If such Director is not voted in as an Independent Director, he or she can continue to serve on the board as a Non-Independent Director.

The Independent Directors have confirmed that they do not have any relationship with the Company, its related corporations, its substantial Shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent business judgment with a view to the best interests of the Company.

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

The Board has a diversity policy which requires the NC to review the Board's diversity in skills, industry, business experience, gender, age, ethnicity and other attributes among the Directors, with the objective of bringing to the Board different perspectives, experiences and competencies. The Directors consider the Board's present size of six (6) members and composition appropriate to facilitate effective decision making, taking into account the nature and scope of the Group's operations, the wide spectrum of skills and knowledge of the Directors and gender diversity of the Board. The Directors on the current Board have professional expertise and competency in their respective fields in banking, finance, accounting and real estate. The Board is of the view that diversity is important to enhance the Board's effectiveness as it provides unique insights and more effective decision-making. Gender is an important aspect of diversity. The Board has an equal proportion of male and female directors, given that three (3) out of six (6) members are female.

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

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

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

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

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

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

As the CEO of the Company, he oversees the day-to-day management, leads and implements all major initiatives (such as expansion related strategies, acquisitions and capital investments of the Group), and plays an instrumental role in the sustainable development and growth of the Group's business.

In line with the Code's recommendation, the Board has appointed Mr Wong Soon Yum, an Independent Non-Executive Director, as the Lead Independent Director since the Chairman of the meeting and the CEO are the same person. Where the normal communication channels to the CEO or the CFO have failed, the Lead Independent Director makes himself available to shareholders to share their concerns or resolve such problems.

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

BOARD MEMBERSHIP

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

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

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

Kau Jee Chu	Chairman	Independent Director
Wong Soon Yum	Member	Lead independent Director
Ng Bie Tjin @ Djuniarti Intan	Member	Independent Director
Koh Wee Seng	Member	Executive Director

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

- reviewing, assessing, making recommendations to the Board on the appointment of all Directors, including making recommendations on the composition of the Board (taking into account Rule 210(5)(c) of the Listing Manual of the SGX-ST and Provisions 2.1 to 2.4 of the Code, progressive renewal of the Board, each Director's qualifications, competency, the number of other listed company board representations and whether he/she is independent);

CORPORATE GOVERNANCE REPORT

BOARD MEMBERSHIP (CONTINUED)

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

- reviewing the structure, size and composition (including the skills, gender, age, qualification, experience and diversity) of the Board and Board Committees (taking into account Rule 210(5)(c) of the Listing Manual of the SGX-ST and Provisions 2.1 to 2.4 of the Code). The NC shall make recommendations to the Board with regard to any adjustments that may be deemed necessary;
- reviewing, assessing and recommending nominee(s) or candidate(s) for re-appointment or re-election to the Board and to consider his/her competencies, experience, knowledge, gender, age, skills in relation to the needs of the Board, commitment, contribution, performance and whether or not he/she is independent, will add diversity to the Board and will likely to have adequate time to discharge his/her duties;
- making plans for succession, in particular for the Chairman of the Board, the Directors, CEO and key management personnel (“KMP”) of the Company;
- determining, on an annual basis, if a Director is independent bearing in mind the circumstances set forth in Rules 210(5)(d)(i), (ii), and (iii) of the Listing Manual of the SGX-ST and Provision 2.1 of the Code. If the NC determines that a Director, who has one or more relationships mentioned under Rules 210(5)(d)(i), (ii), and (iii) of the Listing Manual of the SGX-ST and Provision 2.1 of the Code, can be considered independent, the NC should provide its views to the Board for the Board’s consideration. Conversely, the NC has the discretion to determine that a Director is non-independent even if the said Director does not fall under the circumstances set forth under Rules 210(5)(d)(i), (ii), and (iii) of the Listing Manual of the SGX-ST and Provision 2.1 of the Code. It shall also similarly provide its views to the Board for the Board’s consideration;
- recommending Directors who are retiring by rotation to be put forward for re-election;
- deciding whether or not a Director is able to and has been adequately carrying out his/her duties as a Director of the Company, particularly when he/she has multiple board representations, and/or other principal commitments;
- recommending to the Board internal guidelines to address the competing time commitments faced by Directors who serve on multiple boards and the maximum number of listed company board representations which any Director may hold;
- assessing the effectiveness of the Board as a whole, and Board Committees and the contribution of each individual Director to the effectiveness of the Board;
- recommending to the Board the development of a performance evaluation framework and deciding how the performance of the Board may be evaluated and proposing objective performance criteria. The Chairman of the NC should act on the results of the performance evaluation, recommend areas that need improvement and, where appropriate, propose new members be appointed to the Board or seek the resignation of Directors, in consultation with the NC;
- recommending to the Board appropriate comprehensive induction training programmes for new Directors and to identify and develop training and professional development programmes for the Board to keep the Board apprised of relevant new laws, regulations and changing commercial risks, and assist with similar programs for the Board Committees; and
- reviewing and ensuring that there is a clear division of responsibilities between the Chairman and CEO of the Company in place.

In its selection of new Directors, the NC reviews the composition of the Board and identifies the skill sets which will enhance the Board’s overall effectiveness. Potential candidates are identified from various sources. The Board conducts an initial assessment to review the candidate’s qualifications, attributes and past experiences followed by interviewing short-listed candidates. The proposed candidate’s independence, expertise, background and right skills will be considered before the Board makes its final decision on the appointment.

For re-appointment of Directors to the Board, the Board will take into consideration, amongst others, the Director’s integrity, competencies, independence, commitment, contribution and performance (such as attendance, participation, preparedness and candour). Further information on the independence of the Directors can be found under “Board Composition and Guidance”.

CORPORATE GOVERNANCE REPORT

BOARD MEMBERSHIP (CONTINUED)

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

The NC ensures that new directors are aware of their duties and obligations. Information in respect of the academic and professional qualification, major appointments, and present and past directorships is set out in the "Board of Directors" section of this report. For FY2019, the Board is of the view that all Directors have been able to and have adequately carried out their duties as Directors notwithstanding their other listed company board representations and other principal commitments. Having reviewed each Director's attendance, participation, contribution, expertise and competing time commitments, the Board (with the NC's concurrence) is of the view that none of the Directors hold a significant number of directorships and other principal commitments that may impede his/her ability to discharge his/her duties. The Board further notes that none of the Directors hold six (6) or more listed company directorships. Further information on multiple directorships can be found under "The Board's Conduct of Affairs".

BOARD PERFORMANCE

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

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

For FY2019, the Directors participated in the evaluation by providing feedback to the NC in the form of completing a Board performance evaluation questionnaire which covers several parameters such as Board composition, conduct of meetings, Board process, Board accountability, risk management, measuring and monitoring performance as well as communication with shareholders. The assessment results are presented to the Board by the NC and follow-up actions are taken to address any areas for improvement.

The assessment parameters for each Director include their knowledge and abilities, attendance records at the meetings of the Board and Board Committees, and the intensity and quality of participation at meetings. The NC and the Board have relied on the abovementioned parameters to evaluate the Directors' contribution individually and have taken such evaluation into consideration for the re-nomination of the Directors.

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

The Company has complied with Rule 720(6) of the Listing Manual of the SGX-ST as the information relating to the re-elected Directors is set out from pages 150 to 155 of this Annual Report.

The Company does not have any alternate Directors.

CORPORATE GOVERNANCE REPORT

REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

Principle 6: Formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors

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

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

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

- reviewing and submitting a general framework of remuneration for endorsement by the entire Board, which is used to determine the specific remuneration packages and terms of employment for each of the Directors (including the CEO), KMP and any other employees related to the Executive Directors and controlling shareholders of the Group which are appropriate and proportionate to the sustained performance and value creation of the Company, taking into account the strategic objectives of the Company;
- ensuring that a significant and appropriate proportion of Executive Directors' and KMP's remuneration is structured so as to link rewards to corporate and individual performance. Performance-related remuneration is aligned with the interests of shareholders and other stakeholders and promotes the long-term success of the Company;
- reviewing the remuneration of employees related to the Directors, CEO or substantial shareholders, if any, to ensure that their remuneration packages are in line with staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities;
- ensuring that the remuneration of the Non-Executive Directors is appropriate to the level of contribution, taking into account factors such as effort, time spent, and responsibilities;
- ensuring that the contractual terms and any termination payments are fair to the individual and the Company;
- setting performance measures and determining targets for any performance-related pay schemes, as necessary, that are operated by the Company;
- reviewing and submitting its recommendations for endorsement by the entire Board, share-based incentives or awards or any long term incentive schemes which may be set up from time to time, in particular, to review whether Directors and KMP should be eligible for such schemes and also to evaluate the costs and benefits of such schemes and to do all acts necessary in connection therewith; and
- reviewing the ongoing appropriateness and relevance of the Company's remuneration policy (including but not limited to Directors' fees, salaries, allowances, bonuses, options, share-based incentives and awards and benefits-in-kind) and other benefit programmes (where appropriate).

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

- that the remuneration packages should be comparable within the industry and in comparable companies and shall include a performance-related element coupled with appropriate and meaningful measures of assessing individual Director's and KMP's performance. A significant and appropriate proportion of Executive Directors' and KMP's remuneration should be structured so as to link rewards to corporate and individual performance;
- that the remuneration packages of employees related to Executive Directors and substantial or controlling shareholders of the Group are in line with the Group's staff remuneration guidelines and commensurate with their respective job scopes and levels of responsibility;
- that the level and structure of remuneration should be aligned with the long-term interests and risk policies of the Company and Provisions 7.1 to 7.3 of the Code; and
- the Company's obligations arising in the event of termination of the Executive Directors' and KMP's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses.

CORPORATE GOVERNANCE REPORT

REMUNERATION MATTERS (CONTINUED)

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES (Continued)

Principle 6: Formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors (Continued)

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

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

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

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

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

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

LEVEL AND MIX OF REMUNERATION

Principle 7: Level of remuneration of Directors should be appropriate but not excessive

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

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

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

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

CORPORATE GOVERNANCE REPORT

DISCLOSURE ON REMUNERATION

Principle 8: Clear disclosure of remuneration policy, level and mix of remuneration, and procedure for setting remuneration

The Board has not included a separate annual remuneration report to shareholders in the Annual Report on the remuneration of Directors and the top five (5) KMP (who are not Directors or the CEO of the Company) as the Board is of the view that the matters which are required to be disclosed in such annual remuneration report have already been sufficiently disclosed in this report and in the financial statements of the Company.

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

In FY2019, there were no termination, retirement and post-employment benefits granted to the Directors, the CEO and the top five (5) KMP.

Disclosure on Directors' Fees and Remuneration

A breakdown of the level and mix of the remuneration payable to each individual Director for FY2019 are as follows:

Remuneration Band	Director	FY2019			
		Salary (including CPF) %	Bonus, profit sharing %	Fee %	Other Benefits %
\$S\$1,250,000 to below \$S\$1,500,000	Koh Wee Seng	19	77	4	–
\$S\$500,000 to below \$S\$750,000	Koh Lee Hwee	39	53	8	–
Below \$S\$250,000	Wong Soon Yum	–	–	100	–
	Kau Jee Chu	–	–	100	–
	Ng Bie Tjin @ Djuniarti Intan	–	–	100	–
	Ko Lee Meng	–	–	100	–

Remuneration of KMP (who are not Directors or the CEO)

The remuneration of the top five (5) KMP comprises both fixed and variable components. Fixed component is in the form of fixed monthly salary whereas variable component is linked to the performance of the Group's businesses and individual performance.

A breakdown of the level and mix of the remuneration payable to each top five (5) KMP for FY2019 are as follows:

Remuneration Band	No. of KMP	FY2019		
		Salary (including CPF) %	Bonus, profit sharing %	Other Benefits %
\$S\$750,000 to below \$S\$1,000,000	1	53	47	–
\$S\$500,000 to below \$S\$750,000	1	48	52	–
\$S\$250,000 to below \$S\$500,000	3	65	35	–

CORPORATE GOVERNANCE REPORT

DISCLOSURE ON REMUNERATION (CONTINUED)

Principle 8: Clear disclosure of remuneration policy, level and mix of remuneration, and procedure for setting remuneration (Continued)

Remuneration of KMP (who are not Directors or the CEO) (Continued)

The Board has reviewed the disclosure of the remuneration of the KMP and has decided not to disclose the names of KMP. In view of the confidentiality and sensitivity on remuneration matters as well as the competitive business environment the Company operates in, the Board believes that such disclosure may be prejudicial to its businesses and harm its commercial interests.

The total remuneration paid to the above five (5) KMP was S\$2,464,262 for FY2019.

Mr Ng Sheng Tiong ("**Mr Ng**") is an Executive Director and Chief Executive Officer of World Class Global Limited ("**World Class Global**"), a subsidiary of the Company. He is the husband of Ms Koh Lee Hwee and brother in-law of Mr Koh Wee Seng. The remuneration of Mr Ng fell within the band of S\$750,000 and S\$1,000,000. The Company is not disclosing Mr Ng's remuneration in band no wider than S\$100,000 to ensure that it is consistent with World Class Global's disclosure in its annual report. Save as disclosed, there are no other employees of the Group who are substantial shareholders of the Group, or are immediate family members of the Directors or the CEO or a substantial shareholder of the Group, and whose remuneration exceeds S\$100,000 during FY2019.

Share-Based Incentive Plan

The Aspiat Performance Share Plan (the "**Performance Share Plan**") was approved by the shareholders of the Company at the extraordinary general meeting held on 26 April 2017. The Performance Share Plan is administered by the RC. The names of the members of the RC are stated above.

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

During FY2019, performance share awards granted were based on the terms of the Performance Share Plan. A total of 1,085,928 shares were granted to its employees under the Performance Share Plan. No awards were granted to the Directors of the Group.

ACCOUNTABILITY AND AUDIT

RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 9: Sound system of risk management and internal controls

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

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

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT (CONTINUED)

RISK MANAGEMENT AND INTERNAL CONTROLS (Continued)

Principle 9: Sound system of risk management and internal controls (Continued)

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

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

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

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

The Board has received assurance from:

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

AUDIT COMMITTEE

Principle 10: Establishment of Audit Committee with written terms of reference

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

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

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE (CONTINUED)

Principle 10: Establishment of Audit Committee with written terms of reference (Continued)

The Board is satisfied that the members of the AC are appropriately qualified to discharge their responsibilities. The Chairman of the AC – Mr Wong Soon Yum, and members Mr Kau Jee Chu and Ms Ng Bie Tjin @ Djuniarti Intan have accounting and financial management experience.

The Company has established an in-house Internal Audit Department which performs financial audits, implements operational and compliance controls, oversees risk management and audits of other management processes. The internal auditors have unfettered access to all company documents, records, properties, personnel and the AC and reports findings and recommendations directly to the Chairman of the AC. The AC approves the appointment, termination, evaluation and remuneration of the head of internal audit function.

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

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

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

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

- reviewing with the external auditors the audit plan and their evaluation of the system of internal accounting controls, their audit report, their management letter and Management's response;
- reviewing and reporting to the Board on the adequacy and effectiveness of the Company's internal controls and risk management systems in relation to financial reporting and other financial-related risk and controls (and to the extent delegated to it by the Board), and ensuring compliance with accounting standards, SGX-ST and statutory/regulatory requirements;
- ensuring that the Company has programmes and policies in place to identify and prevent fraud;
- overseeing the establishment and operation of the whistleblowing process in the Company;
- reviewing the financial reporting issues and judgements so as to ensure the integrity of periodic financial results and financial statements, and of announcements on the Company's financial performance and recommend changes, if any, to the Board;
- reviewing the assurance provided by the CEO and CFO that the financial records have been properly maintained, and that the financial statements give a true and fair view of the Company's operations and finances;
- meeting with external auditors and with the internal auditors without the presence of Management, at least annually, to discuss any problems and concerns they may have;
- reviewing the scope and results of the audit and its cost effectiveness and the independence and objectivity of the external auditors annually and recommending the appointment/re-appointment of the external auditors, the audit fee and matters relating to the resignation or dismissal of the auditors. Where the auditors also supply non-audit services to the Company, the nature and extent of such services should be reviewed in order to balance the maintenance of objectivity and value for money, and to ensure that the independence of the auditors would not be affected;
- reviewing the internal audit programme and ensuring co-ordination between the internal and external auditors and Management;
- reviewing the adequacy, effectiveness, independence, scope and results of the Company's internal audit function;
- evaluating the effectiveness of both the internal and external audit efforts through regular meetings;
- ensuring that internal or external auditors has direct and unrestricted access to the Chairman of the AC and the Chairman of the Board;

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE (CONTINUED)

Principle 10: Establishment of Audit Committee with written terms of reference (Continued)

- reviewing and discussing with the external auditors any suspected fraud and irregularity, or suspected infringement of any Singapore law, rules or regulations, which has or is likely to have a material impact on the Company's operating results or financial position, and Management's response;
- reporting to the Board its findings from time to time on matters arising and requiring the attention of the AC;
- reviewing the interested person transactions falling within the scope of the Listing Manual of the SGX-ST including transactions that fall within the scope of Rule 912 (i.e. review and approval of proposed sale(s) of any units of property projects to the Company's interested persons and/or relatives of a Director, CEO or controlling shareholder) and related party transactions; and
- reviewing and approving the property development which are not meant for personal use for Mr Koh Wee Seng, Ms Ko Lee Meng and Ms Koh Lee Hwee.⁽¹⁾

Note:

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

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

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

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

The Company has complied with Rules 712 and 715 of the Listing Manual of the SGX-ST in appointing the audit firms for the Group. No former partner or director of the Company's existing auditing firm is a member of the AC (a) within a period of two (2) years commencing on the date of their ceasing to be a partner or director of the audit firm; or (b) hold any financial interest in the audit firm.

The AC has recommended that Messrs Ernst & Young LLP be nominated for re-appointment as the Company's auditors at the forthcoming AGM of the Company. A breakdown of the audit and non-audit fees paid to the external auditors can be found on page 79 of this Annual Report.

The Company has put in place a whistle blowing policy, endorsed by the AC, where employees of the Company may in confidence, raise concerns about the wrongdoing or malpractice within the Group and ensure arrangements are in place for the independent investigations of such matters and for appropriate follow up actions. All concerns would be kept confidential. There have been no incidents pertaining to whistle blowing in FY2019.

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

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS RIGHTS AND ENGAGEMENT

Principle 11: Shareholders rights, conduct of general meetings and assessment of Company's performance, position and prospects

Principle 12: Engagement with shareholders

The Company does not have an Investor Relations Policy in place. However, the Board's policy is that all Shareholders should be informed simultaneously in an accurate and comprehensive manner regarding all material developments that impact the Group via SGXNet on an immediate basis, in line with the Group's disclosure obligations pursuant to the Listing Manual of the SGX-ST and the Companies Act. There is no dedicated investor relations team in place as the Board is of the view that the current communication channels are sufficient and cost-effective.

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

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

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

The Company does not have a formal dividend policy. Dividends are declared based on the Group's financial performance, the consideration of the Group's future business plans, the position of the Group's revenue reserves, and other factors as the Board may deem appropriate. Any dividend payments are clearly communicated to shareholders via announcements on SGXNet. Pursuant to Rule 704(24) of the Listing Manual of the SGX-ST, in the event that the Board decides not to declare or recommend a dividend, the Company will expressly disclose the reason(s) for the decision together with the announcement of the financial statements.

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

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

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

Matters which require shareholders' approval are presented and proposed as a separate resolution. The Company practises having separate resolutions at general meetings on each substantial issue and are not bundled or made inter-conditional on each other, unless the issues are interdependent and linked so as to form one significant proposal. Where the resolutions are bundled, the Company will explain the reasons and material implications in the notice of meeting. Each item of special business in the notice of general meeting is accompanied by an explanatory note, where appropriate. Proxy form is also sent with the notice of general meeting to all shareholders.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS RIGHTS AND ENGAGEMENT (CONTINUED)

Principle 11: Shareholders rights, conduct of general meetings and assessment of Company's performance, position and prospects (Continued)

Principle 12: Engagement with shareholders (Continued)

All Directors, Management, Company Secretary, external auditors and legal advisors (if necessary) attend the general meetings. The procedures of the general meetings provide shareholders the opportunity to ask questions relating to each resolution tabled for approval. Shareholders are encouraged to provide their views on matters relating to the Company. All Directors and the Group's external auditors attended the AGM on 26 April 2019 and all Directors attended the EGM on 7 August 2019.

The Company Secretary prepares minutes of the general meetings which include substantial and relevant comments or queries from shareholders relating to the agendas of the meetings, and responses from the Board and Management, and to record these minutes. These minutes are subsequently approved by the Board and made available to shareholders during office hours at the registered office upon their written request. The minutes will be posted on the Group's website as soon as practicable. All material information relating to the Group is disclosed in an accurate and timely manner through publication on SGXNet and is made available to everyone, including the shareholders.

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

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

The Annual Report will be uploaded to the Company's website at www.aspial.com.

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

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

MANAGING STAKEHOLDER RELATIONSHIPS

Principle 13: Engagement with stakeholders

The Group takes a strategic and pragmatic approach in managing stakeholders' expectations to support its long-term strategy. A sustainability governance structure and framework was put in place to identify, engage with, and manage material environment, social and governance factors which are important to stakeholders and to the Group.

The Group maintains a website at www.aspial.com to communicate and engage with stakeholders.

CORPORATE GOVERNANCE REPORT

DEALING IN SECURITIES

The Company has adopted an internal Code of Best Practice to provide to the Directors and all employees of the Group with regard to dealing in the Company's securities pursuant to Rule 1207(19) of the Listing Manual of the SGX-ST. During the financial year, the Company issues quarterly memos to its Directors, officers and employees prohibiting dealing in its shares commencing two (2) weeks before the announcement of the Company's quarterly results, if required, and one (1) month before the announcement of half year and full year financial results (if the Company is not required to announce its quarterly financial results) and ending on the date of the announcement of the relevant results. Directors and employees are also advised against dealing in the securities when they are in possession of any unpublished material price-sensitive information of the Group at all times.

In addition, the Company discourages the Directors, KMP and employees of the Group from dealing in the Company's securities on short term considerations. The Group confirmed that it adhered to its Code of Best Practice for FY2019.

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

INTERESTED PERSON TRANSACTIONS

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

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

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) (S\$'000)
Corporate charges	
<i>Dynamic Project Management Services Pte. Ltd.</i> ⁽²⁾	720
<i>Maxi-Cash Financial Services Corporation Limited</i> ⁽²⁾	1,425
<i>AF Global Limited</i> ⁽³⁾	360
<i>Bayfront Ventures Pte. Ltd.</i> ⁽³⁾	416
Provision of an interest free loan	
<i>Bayfront Ventures Pte. Ltd.</i> ⁽³⁾	3,650
<i>Kensington Village Pte. Ltd.</i> ⁽³⁾	480
<i>Fragrance Group Limited</i> ⁽³⁾ and <i>AF Corporation Pte. Ltd.</i> ⁽³⁾	10,200
Provision of a loan with interest	
<i>Fragrance Group Limited</i> ⁽³⁾ and <i>AF Corporation Pte. Ltd.</i> ⁽³⁾	1,005
<i>Maxi-Cash Financial Services Corporation Limited and its subsidiaries</i> ⁽²⁾	67,850
Subscription of 3-year 6.35 per cent. Notes due 2022 issued by <i>Maxi-Cash Financial Services Corporation Ltd.</i> <i>Aspiat Investment Holding Pte. Ltd.</i> ⁽²⁾	595

CORPORATE GOVERNANCE REPORT

INTERESTED PERSON TRANSACTIONS (CONTINUED)

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)
Rental	
<i>Maxi-Cash Capital Pte. Ltd.</i> ⁽²⁾	156
<i>Maxi-Cash (East) Pte. Ltd.</i> ⁽²⁾	177
<i>Maxi-Cash (Central) Pte. Ltd.</i> ⁽²⁾	225
Sale of all ordinary shares in the capital of Aspial Property Investment Pte. Ltd. (" Transaction ")	
<i>Maxi-Cash Financial Services Corporation Limited</i> ⁽²⁾	5,314
Provision of a loan relating to the Transaction	
<i>Aspial Property Investment Pte. Ltd.</i> ⁽²⁾	7,688
Investment in a joint venture	
<i>AF Corporation Pte. Ltd.</i> ⁽³⁾	23,964
Purchase of bonds from Directors	
<i>Ms Koh Lee Hwee</i> ⁽¹⁾	254
<i>Ms Ko Lee Meng</i> ⁽¹⁾	1,525
Adjustment to payments received on disposal of	
<i>Aspial Property Investment Pte. Ltd.</i>	
<i>Aspial Property Investment Pte. Ltd.</i> ⁽²⁾	141

Notes:

(1) Mr Koh Wee Seng, Ms Koh Lee Hwee and Ms Ko Lee Meng are the Directors and controlling shareholders of the Company.

(2) A company in which Mr Koh Wee Seng, Ms Koh Lee Hwee and Ms Ko Lee Meng have an interest of 30 per cent. or more.

(3) A company in which Mr Koh Wee Seng and Mr Koh Wee Meng have an interest of 30 per cent. or more. Mr Koh Wee Meng is the brother of Mr Koh Wee Seng.

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

No IPT were conducted under the Company's IPT mandate for the year ended 31 December 2019.

CORPORATE GOVERNANCE REPORT

MATERIAL CONTRACTS

Saved as disclosed above in the section entitled “Interested Person Transactions” and in the financial statements of the Company, there were no material contracts of the Group involving the interest of the CEO, Directors or controlling shareholders subsisting at the end of FY2019 or have been entered into since the end of the previous financial year.

BOARD OF DIRECTORS

Mr Koh Wee Seng

Group Chief Executive Officer

Date of first appointment as a director	:	9 October 1989
Date of last re-election as a director	:	N.A.
Length of service as a director (as at 31 December 2019)	:	30 years 3 months

Board Committee(s) served on:
– Nominating Committee (member)

Academic & professional Qualification(s):
– Bachelor of Business Administration, National University of Singapore

Present Directorship in listed companies
– Maxi-Cash Financial Services Corporation Limited
– World Class Global Limited
– AF Global Limited

Major Appointments (other than Directorship)
– Nil

Past Directorships in listed companies held over the preceding three years (from 1 January 2017 to 31 December 2019)
– Nil

Ms Koh Lee Hwee

Executive Director

Date of first appointment as a director	:	15 August 1988
Date of last re-election as a director	:	26 April 2018
Length of service as a director (as at 31 December 2019)	:	31 years 5 months

Board Committee(s) served on:
– Nil

Academic & professional Qualification(s):
– Bachelor of Arts, National University of Singapore

Present Directorship in listed companies
– Maxi-Cash Financial Services Corporation Limited
– World Class Global Limited

Major Appointments (other than Directorship)
– Nil

Past Directorships in listed companies held over the preceding three years (from 1 January 2017 to 31 December 2019)
– Nil

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS (CONTINUED)

Ms Ko Lee Meng

Non-Executive Director and Non-Independent Director

Date of first appointment as a director	:	1 May 1987
Date of last re-election as a director	:	26 April 2017
Length of service as a director (as at 31 December 2019)	:	32 years 8 months

Board Committee(s) served on:

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

Academic & professional Qualification(s):

- Bachelor of Arts, National University of Singapore

Present Directorship in listed companies

- Maxi-Cash Financial Services Corporation Limited

Major Appointments (other than Directorship)

- Nil

Past Directorships in listed companies held over the preceding three years (from 1 January 2017 to 31 December 2019)

- Global Premium Hotels Limited

Mr Wong Soon Yum

Lead Independent and Non-Executive Director

Date of first appointment as a director	:	27 May 1999
Date of last re-appointment as a director	:	26 April 2017
Length of service as a director (as at 31 December 2019)	:	20 years 8 months

Board Committee(s) served on:

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

Academic & professional Qualification(s):

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

Present Directorship in listed companies

- Nil

Major Appointments (other than Directorship)

- Nil

Past Directorships in listed companies held over the preceding three years (from 1 January 2017 to 31 December 2019)

- Nil

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS (CONTINUED)

Mr Kau Jee Chu

Independent Non-Executive Director

Date of first appointment as a director	:	1 November 2002
Date of last re-appointment as a director	:	26 April 2018
Length of service as a director (as at 31 December 2019)	:	17 years 2 months

Board Committee(s) served on:

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

Academic & professional Qualification(s):

- Bachelor in Accountancy, National University of Singapore

Present Directorship in listed companies

- Nil

Major Appointments (other than Directorship)

- Nil

Past Directorships in listed companies held over the preceding three years (from 1 January 2017 to 31 December 2019)

- Global Premium Hotels Limited

Ms Ng Bie Tjin @ Djuniarti Intan

Independent Non-Executive Director

Date of first appointment as a director	:	20 January 2014
Date of last re-election as a director	:	26 April 2019
Length of service as a director (as at 31 December 2019)	:	5 years 11 months

Board Committee(s) served on:

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

Academic & professional Qualification(s):

- Masters in Business Administration, University of Southern California

Present Directorship in listed companies

- SunMoon Food Company Limited

Major Appointments (other than Directorship)

- Nil

Past Directorships in listed companies held over the preceding three years (from 1 January 2017 to 31 December 2019)

- Nil

FINANCIAL REPORT

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DIRECTORS' STATEMENT

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of Aspial Corporation Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**") and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2019.

Opinion of the directors

In the opinion of the directors,

- (a) the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date, and
- (b) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

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

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

In accordance with Regulation 104 of the Company's Constitution, Ko Lee Meng and Wong Soon Yum retire and, being eligible, offer themselves for re-election.

Arrangements to enable directors to acquire shares or debentures

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



DIRECTORS' STATEMENT

Directors' interest in shares or debentures

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

	Direct interest held by directors			Other shareholdings in which directors are deemed to have an interest		
	1 January 2019	31 December 2019	21 January 2020	1 January 2019	31 December 2019	21 January 2020
The Company						
Aspial Corporation Limited						
Ordinary shares						
Koh Wee Seng	373,463,357	373,463,357	373,463,357	1,142,907,178	1,142,907,178	1,142,907,178
Koh Lee Hwee	30,890,888	30,890,888	30,890,888	1,156,999,571	1,156,999,571	1,156,999,571
Ko Lee Meng	33,639,865	33,639,865	33,639,865	1,138,979,974	1,138,979,974	1,138,979,974
Holding company						
MLHS Holdings Pte. Ltd.						
Ordinary shares						
Koh Wee Seng	1,410,000	1,410,000	1,410,000	–	–	–
Koh Lee Hwee	607,500	727,500	727,500	–	–	–
Ko Lee Meng	772,500	772,500	772,500	–	–	–
Subsidiaries						
World Class Global Limited						
Ordinary shares						
Koh Wee Seng	22,750,000	22,750,000	22,750,000	742,828,700	742,828,700	742,828,700
Koh Lee Hwee	–	–	–	742,828,700	742,828,700	742,828,700
Ko Lee Meng	–	–	–	742,828,700	742,828,700	742,828,700
Ng Bie Tjin @ Djuniarti Intan	1,000,000	1,000,000	1,000,000	–	–	–
Maxi-Cash Financial Services Corporation Ltd.						
Ordinary shares						
Koh Wee Seng	96,181,017	96,181,017	96,181,017	727,571,074	727,571,074	727,571,074
Koh Lee Hwee	14,288,888	14,288,888	14,288,888	734,687,805	734,687,805	734,687,805
Ko Lee Meng	2,813,326	2,813,326	2,813,326	728,765,805	728,765,805	728,765,805
Ng Bie Tjin @ Djuniarti Intan	332,710	332,710	332,710	–	–	–
World Class Land Pte. Ltd.						
Ordinary shares						
Koh Wee Seng	250,000	250,000	250,000	4,500,000	4,500,000	4,500,000
Koh Lee Hwee	–	–	–	4,500,000	4,500,000	4,500,000
Ko Lee Meng	–	–	–	4,500,000	4,500,000	4,500,000
Associate						
AF Global Limited						
Ordinary shares						
Koh Wee Seng	–	–	–	881,383,569	440,691,785	440,691,785
Koh Lee Hwee	–	–	–	881,383,569	440,691,785	440,691,785
Ko Lee Meng	4,754,000	4,754,000	4,754,000	881,383,569	440,691,785	440,691,785

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

DIRECTORS' STATEMENT

Directors' interest in shares or debentures (Continued)

As at the beginning of the financial year, Koh Wee Seng, Koh Lee Hwee, Ko Lee Meng and Ng Bie Tjin @ Djuniarti Intan held term notes and bonds aggregating \$18,724,000, \$4,150,000, \$9,097,000 and \$1,000,000 respectively. As at the end of the financial year, Koh Wee Seng, Koh Lee Hwee, Ko Lee Meng and Ng Bie Tjin @ Djuniarti Intan held term notes and bonds aggregating \$20,250,000, \$3,900,000, \$8,347,000 and \$1,000,000 respectively. The bonds bear fixed interest rates of 5.25% and 5.30% per annum and are due in 2020 while the term notes bear fixed interest rates of 5.50%, 5.90%, 6.25% and 6.35% per annum and are due in 2020, 2021, 2021 and 2022 respectively. Except for Koh Lee Hwee, who held term notes and bonds aggregating \$8,097,000 as at 21 January 2020, there is no change in the term notes and bonds held by the other directors as at 21 January 2020.

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

Options

No options were issued by the Company during the financial year. As at 31 December 2019, there are no options on the unissued shares of the Company or any other body corporate which were outstanding.

Audit committee

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

Auditor

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

On behalf of the Board of Directors:

Koh Wee Seng
Director

Koh Lee Hwee
Director

Singapore
27 March 2020

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ASPIAL CORPORATION LIMITED FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Aspial Corporation Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**"), which comprise the statements of financial position of the Group and Company as at 31 December 2019, statements of changes in equity of the Group and Company and the consolidated statement of comprehensive income and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the statement of financial position and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "**Act**") and Singapore Financial Reporting Standards (International) ("**SFRS(I)**") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("**SSAs**"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("**ACRA**") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("**ACRA Code**") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, 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 each 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 carrying values of development properties, properties held for sale and hotel properties included in property, plant and equipment ("PPE")

As at 31 December 2019, the Group's development properties, properties held for sale and hotel properties included in property, plant and equipment ("**PPE**") amounted to \$521,221,000, \$64,237,000 and \$58,779,000 respectively, which in aggregate represented approximately 37% of the Group's total assets. The Group's development properties are located outside of Singapore, whilst its properties held for sale and hotel properties are located in and outside of Singapore.

For development properties, a significant proportion of these development properties relate to projects that have not been launched or completed as at 31 December 2019. In ascertaining net realisable value ("**NRV**"), significant judgment is involved as management either needs to estimate the expected selling price (taking into account estimated costs to complete construction) based on the future property market and economic conditions in the respective markets, or use external appraisers to support its determination of market prices.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ASPIAL CORPORATION LIMITED FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Key audit matters (Continued)

Assessment of carrying values of development properties, properties held for sale and hotel properties included in property, plant and equipment (Continued)

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

For hotel properties, the Group follows the guidance in SFRS(I) 1-36 *Impairment of Assets* in determining whether it is necessary to recognise any impairment. Management exercises significant judgment in determining whether there is any indication that the hotel properties may be impaired. If there is any indication of impairment, significant judgment is involved as management needs to estimate the recoverable amounts of these hotel properties based on the current property market and economic conditions in the respective markets, or use external appraisers to support its determination of market prices.

Given the magnitude of these assets and the significant estimation uncertainties involved in determining the NRV of development properties and properties held for sale and the recoverable amounts of hotel properties included in PPE, we have identified the assessment of carrying values of development properties, properties held for sale and hotel properties included in PPE as a key audit matter.

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

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

Further, we assessed the adequacy of disclosures related to development properties, properties held for sale and hotel properties in Note 2.18 Development properties, Note 2.19 Properties held for sale, Note 2.10 Property, plant and equipment, Note 3.2(e) Estimation of net realisable value for development properties, Note 3.2(f) Estimation of net realisable value for properties held for sale, Note 19 Development properties/properties held for sale and Note 10 Property, plant and equipment to the financial statements.

Allowance for expected credit losses on trade receivables of the Group's financial service business

Included in trade receivables of the Group's financial service business are pawnshop loans and interest receivables on pawnshop loans, which are significant to the Group. The collectability of trade receivables is a key element of the Group's working capital management.

The Group uses a provision matrix to estimate the allowance for expected credit losses ("ECLs") on pawnshop loans and interest receivables on pawnshop loans. The key inputs of the Group's ECLs model are the probability of default and loss given default. The Group has estimated the probability of default being the forfeiture of the customers' pledges based on historical non-redemption data of its pawnshop outlets. The Group has estimated the loss given default as the amount of loss exposure at default after considering the expected realisable value of the customers' pledges.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ASPIAL CORPORATION LIMITED FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Key audit matters (Continued)

Allowance for expected credit losses on trade receivables of the Group's financial service business (Continued)

Significant judgment and estimation is involved in using the historical non-redemption data to derive the probability of default, estimating the expected realisable value of customers' pledges as well as considering any forward-looking economic information. Accordingly, we have identified the Group's ECLs assessment on pawnshop loans and interest receivables on pawnshop loans from the Group's financial service business as a key audit matter.

As part of our audit, we tested the reasonableness of the inputs and assumptions used by the Group in the ECLs model which is largely dependent on the Group's historical loss experience and loan-to-valuation data. We reviewed and tested the overall process and key controls relating to the collection of non-redemption data used in the ECLs model including checking the arithmetic accuracy of the probability of default. We also analysed historical trend of expected realisable value of the customers' pledges and considered forward-looking macroeconomic factors that may affect the recoverability of the pawnshop loans and related interest receivables. Furthermore, we assessed the adequacy of the disclosures related to trade receivables in Note 20 to the financial statements.

Existence of pledges, cash and inventories

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

As part of our audit of the financial service business, we obtained an understanding of the internal controls with respect to the physical safeguards over pledges, cash and inventories. We tested selected internal controls over cash receipts and disbursements and movement of inventories. We obtained bank confirmations including testing controls over bank reconciliation reviews and obtained an understanding of management's monitoring of cash balances, including monitoring of outlet cash float, physical transfer of cash between outlets and head office, and reconciliation of outlet cash flows to the pledges movement.

On a sample basis, we attended and observed surprise outlet audits on daily cash counts and inventory counts at selected outlets. We performed verification of pledges by taking a sample of pledges held on open pawn tickets and matched details of pledges to the physical pledges during our planned and surprise visits to the outlets. We also attended the year-end inventory count and cash count conducted at head office.

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

Furthermore, we assessed the adequacy of the disclosures related to total cash on hand, pledges held (trade receivables of the Group's financial services business) and inventories in Note 23 Cash and bank balances, Note 20 Trade and other receivables and Note 18 Inventories respectively to the financial statements.

Other information

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

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ASPIAL CORPORATION LIMITED FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Responsibilities of management and directors for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with SSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ASPIAL CORPORATION LIMITED FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Max Loh Khum Whai.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

27 March 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	2019 \$'000	2018 \$'000
Revenue			
Materials and subcontract costs	4	560,242 (354,883)	898,451 (644,048)
Employee benefits	5	(62,661)	(58,398)
Depreciation and amortisation		(28,193)	(6,547)
Finance costs	6	(34,268)	(31,334)
Other operating expenses		(77,164)	(129,625)
Interest income		4,037	9,316
Rental income		2,560	2,703
Other income	7	8,502	15,827
Share of results of associates		40	637
Share of results of joint ventures		12,193	(427)
Profit before tax	8	30,405	56,555
Income tax expense	28(a)	(11,845)	(19,449)
Profit for the year		18,560	37,106
Other comprehensive income:			
<i>Items that will not be reclassified to profit or loss</i>			
Net fair value changes on equity instruments at fair value through other comprehensive income		1,876	(6,174)
<i>Items that may be reclassified subsequently to profit or loss</i>			
Net fair value changes on debt instruments at fair value through other comprehensive income		1,962	(2,298)
Foreign currency translation		(3,475)	(16,934)
Share of other comprehensive income/(loss) of a joint venture		7,663	(1,430)
Share of other comprehensive loss of an associate		—	(23)
Other comprehensive income/(loss) for the year, net of tax		8,026	(26,859)
Total comprehensive income for the year		26,586	10,247
Profit for the year attributable to:			
Owners of the Company		12,695	28,346
Non-controlling interests		5,865	8,760
		18,560	37,106
Total comprehensive income attributable to:			
Owners of the Company		21,186	6,397
Non-controlling interests		5,400	3,850
		26,586	10,247
Earnings per share (cent)			
Basic	9	0.66	1.46
Diluted	9	0.66	1.46

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

		Group		Company	
	Note	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Non-current assets					
Property, plant and equipment	10	171,377	91,155	171	191
Investment properties	11	60,795	72,523	–	–
Intangible assets	12	9,599	10,244	1,233	1,054
Right-of-use assets	27(a)	96,972	–	–	–
Investment in subsidiaries	13	–	–	225,204	227,204
Investment in associates	14	124,070	19,324	76,529	–
Investment in joint ventures	15	75	13,346	75	5,000
Investment securities	17	11,872	99,303	–	500
Trade and other receivables	20	14,282	16,686	–	–
Prepayments		–	1	–	–
Deferred tax assets	28(c)	3,181	3,530	1,039	87
		492,223	326,112	304,251	234,036
Current assets					
Contract assets	4(b)	–	44,918	–	–
Inventories	18	149,692	147,413	–	–
Development properties	19(a)	521,221	590,335	–	–
Properties held for sale	19(b)	64,237	76,135	–	–
Trade and other receivables	20	331,293	326,229	7,826	2,202
Prepayments		5,598	6,798	319	231
Due from subsidiaries (non-trade)	21	–	–	27,434	211,712
Due from associates (non-trade)	21	1,278	276	385	–
Due from a joint venture (non-trade)	21	1	86,099	1	86,093
Investment securities	17	9,718	3,679	425	–
Derivatives	22	2,033	2,537	–	–
Cash and bank balances	23	146,194	59,020	337	164
		1,231,265	1,343,439	36,727	300,402
Total assets		1,723,488	1,669,551	340,978	534,438
Current liabilities					
Trade and other payables	24	79,577	73,887	16,220	8,158
Due to subsidiaries (non-trade)	21	–	–	53,296	185,665
Due to an associate (non-trade)	21	1,508	2,028	–	–
Due to a joint venture (non-trade)	21	–	25	–	–
Provision for taxation		19,720	14,250	–	–
Interest-bearing loans and borrowings	25	486,436	461,655	–	–
Lease liabilities	27(b)	22,591	–	–	–
Term notes and bonds	26	357,982	82,750	–	83,000
		967,814	634,595	69,516	276,823
Net current assets/(liabilities)		263,451	708,844	(32,789)	23,579

STATEMENTS OF FINANCIAL POSITION (CONTINUED)

AS AT 31 DECEMBER 2019

		Group		Company	
	Note	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Non-current liabilities					
Other payables	24	5,939	3,121	–	–
Interest-bearing loans and borrowings	25	104,991	104,346	–	–
Lease liabilities	27(b)	75,549	–	–	–
Term notes and bonds	26	142,000	505,122	–	–
Deferred tax liabilities	28(c)	16,747	15,804	–	–
		345,226	628,393	–	–
Total liabilities		1,313,040	1,262,988	69,516	276,823
Net assets		410,448	406,563	271,462	257,615
Equity attributable to owners of the Company					
Share capital	29(a)	226,930	226,930	226,930	226,930
Treasury shares	29(b)	(2,290)	(2,589)	(2,290)	(2,589)
Other reserves	29(c)	(17,622)	(27,776)	1,302	1,413
Revenue reserves		105,705	109,335	45,520	31,861
		312,723	305,900	271,462	257,615
Non-controlling interests		97,725	100,663	–	–
Total equity		410,448	406,563	271,462	257,615
Total equity and liabilities		1,723,488	1,669,551	340,978	534,438

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Attributable to owners of the Company							
Note	Share capital \$'000	Treasury shares \$'000	Other reserves \$'000	Revenue reserves \$'000	Equity attributable to owners of the Company \$'000	Non-controlling interests \$'000	Total equity \$'000
Group							
At 1 January 2018							
– As previously reported	226,930	(2,589)	16,438	96,231	337,010	89,738	426,748
– Effects of adopting SFRS(I) 1	–	–	(28,314)	13,104	(15,210)	–	(15,210)
– Effects of adopting SFRS(I) 15	–	–	–	(2,591)	(2,591)	(288)	(2,879)
– As restated	226,930	(2,589)	(11,876)	106,744	319,209	89,450	408,659
– Effects of adopting SFRS(I) 9	–	–	7,835	(9,367)	(1,532)	–	(1,532)
	226,930	(2,589)	(4,041)	97,377	317,677	89,450	407,127
Profit for the year	–	–	–	28,346	28,346	8,760	37,106
<u>Other comprehensive income</u>							
Net fair value changes on debt instruments at FVOCI	–	–	(2,038)	–	(2,038)	(260)	(2,298)
Net fair value changes on equity instruments at FVOCI	–	–	(5,351)	–	(5,351)	(823)	(6,174)
Foreign currency translation	–	–	(13,107)	–	(13,107)	(3,827)	(16,934)
Share of other comprehensive loss of an associate and a joint venture	–	–	(1,453)	–	(1,453)	–	(1,453)
Other comprehensive loss for the year, net of tax	–	–	(21,949)	–	(21,949)	(4,910)	(26,859)
Total comprehensive (loss)/income for the year	–	–	(21,949)	28,346	6,397	3,850	10,247
<u>Contributions by and distributions to owners</u>							
Dividend on ordinary shares							
– Cash dividends	–	–	–	(14,523)	(14,523)	–	(14,523)
Dividend paid to non-controlling interests of subsidiaries							
– Cash dividends	–	–	–	–	–	(5,880)	(5,880)
Premium on dilution of interests in subsidiary	–	–	198	–	198	(198)	–
Capital contribution from non-controlling interests	–	–	(73)	–	(73)	10,524	10,451
Total contributions by and distributions to owners	–	–	125	(14,523)	(14,398)	4,446	(9,952)

STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Attributable to owners of the Company						
		Share capital \$'000	Treasury shares \$'000	Other reserves \$'000	Revenue reserves \$'000	Equity attributable to owners of the Company \$'000	Non-controlling interests \$'000	Total equity \$'000
Group								
Changes in ownership interests in subsidiaries								
Acquisition of non-controlling interests in a subsidiary	13	–	–	(3,727)	–	(3,727)	2,720	(1,007)
Change in ownership interests in subsidiaries without a change in control		–	–	(27)	(22)	(49)	197	148
Total changes in ownership interests in subsidiaries		–	–	(3,754)	(22)	(3,776)	2,917	(859)
Total transactions with owners in their capacity as owners		–	–	(3,629)	(14,545)	(18,174)	7,363	(10,811)
Others								
Transfer at fair value reserves of equity instruments at FVOCI upon disposal		–	–	1,843	(1,843)	–	–	–
Total Others		–	–	1,843	(1,843)	–	–	–
At 31 December 2018		226,930	(2,589)	(27,776)	109,335	305,900	100,663	406,563

STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Attributable to owners of the Company						Total equity \$'000
		Share capital \$'000	Treasury shares \$'000	Other reserves \$'000	Revenue reserves \$'000	Equity attributable to owners of the Company \$'000	Non-controlling interests \$'000	
Group								
At 1 January 2019		226,930	(2,589)	(27,776)	109,335	305,900	100,663	406,563
Profit for the year		–	–	–	12,695	12,695	5,865	18,560
Other comprehensive income								
Net fair value changes on debt instruments at FVOCI		–	–	1,806	–	1,806	156	1,962
Net fair value changes on equity instruments at FVOCI		–	–	1,690	–	1,690	186	1,876
Foreign currency translation		–	–	(2,668)	–	(2,668)	(807)	(3,475)
Share of other comprehensive income of an associate and a joint venture		–	–	7,663	–	7,663	–	7,663
Other comprehensive income/(loss) for the year, net of tax		–	–	8,491	–	8,491	(465)	8,026
Total comprehensive income for the year		–	–	8,491	12,695	21,186	5,400	26,586
Contributions by and distributions to owners								
Dividend on ordinary shares								
– Cash dividends	30	–	–	–	(14,529)	(14,529)	–	(14,529)
Dividend paid to non-controlling interests of subsidiaries								
– Cash dividends		–	–	–	–	–	(8,495)	(8,495)
Treasury shares reissued pursuant to Aspiat Performance Share Plan	29(b)	–	299	(111)	–	188	–	188
Capital contribution from non-controlling interests		–	–	–	–	–	115	115
Total contributions by and distributions to owners		–	299	(111)	(14,529)	(14,341)	(8,380)	(22,721)

STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Attributable to owners of the Company						Total equity \$'000
		Share capital \$'000	Treasury shares \$'000	Other reserves \$'000	Revenue reserves \$'000	Equity attributable to owners of the Company \$'000	Non-controlling interests \$'000	
Group								
Changes in ownership interests in subsidiaries								
Change in ownership interests in subsidiaries without a change in control		–	–	(23)	1	(22)	42	20
Total changes in ownership interests in subsidiaries		–	–	(23)	1	(22)	42	20
Total transactions with owners in their capacity as owners		–	299	(134)	(14,528)	(14,363)	(8,338)	(22,701)
Others								
Transfer at fair value reserves of equity instruments at FVOCI upon disposal		–	–	1,797	(1,797)	–	–	–
Total Others		–	–	1,797	(1,797)	–	–	–
At 31 December 2019		226,930	(2,290)	(17,622)	105,705	312,723	97,725	410,448

STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Share capital \$'000	Treasury shares \$'000	Other reserves \$'000	Revenue reserves \$'000	Total equity \$'000
Company						
At 1 January 2018		226,930	(2,589)	1,413	28,715	254,469
Profit for the year, representing total comprehensive income for the year		–	–	–	17,669	17,669
<u>Contributions by and distributions to owners</u>						
Dividends on ordinary shares						
– Cash dividends	30	–	–	–	(14,523)	(14,523)
Total contributions by and distributions to owners, representing total transactions with owners in their capacity as owners		–	–	–	(14,523)	(14,523)
At 31 December 2018 and 1 January 2019		226,930	(2,589)	1,413	31,861	257,615
Profit for the year, representing total comprehensive income for the year		–	–	–	28,188	28,188
<u>Contributions by and distributions to owners</u>						
Dividends on ordinary shares						
– Cash dividends	30	–	–	–	(14,529)	(14,529)
Treasury shares reissued pursuant to Aspiat Performance Share Plan	29(b)	–	299	(111)	–	188
Total contributions by and distributions to owners, representing total transactions with owners in their capacity as owners		–	299	(111)	(14,529)	(14,341)
At 31 December 2019		<u>226,930</u>	<u>(2,290)</u>	<u>1,302</u>	<u>45,520</u>	<u>271,462</u>

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	2019 \$'000	2018 \$'000
Operating activities			
Profit before tax		30,405	56,555
Adjustments for:			
Property, plant and equipment written-off		980	818
Impairment loss on investment in an associate		–	31
Impairment loss on intangible assets		99	1,773
Impairment loss on property, plant and equipment	10	4,156	–
Allowance for write-down of development properties	19(a)	1,502	–
Loss/(gain) on disposal of property, plant and equipment		1	(10)
Fair value gain on derivatives		(974)	(2,537)
Fair value loss on investment securities		77	2,895
Net fair value loss on investment properties	11	3,341	1,303
Interest receivable written-off		11	81
Impairment loss/ (reversal of impairment) on investment securities	35(d)	1,959	(2,774)
Depreciation of property, plant and equipment	10	5,832	5,458
Depreciation of right-of-use assets	27(a)	21,080	–
Employee Share Award Scheme expenses		188	191
Write-back of inventories	18	(400)	(29)
Allowance for doubtful receivables	20	209	564
Interest expense	6	31,688	28,718
Interest income		(4,037)	(9,316)
Amortisation of prepaid rent		4	3
Amortisation of intangible assets	12	1,277	1,086
Amortisation of prepaid commitment fees	6	2,637	2,671
Amortisation of premium on term notes	6	(57)	(55)
Net loss on disposal of investment securities		572	1,665
Loss/(gain) on purchase and cancellation of term notes and bonds		3	(67)
Dividend income from equity instruments		(1,876)	(4,717)
Gain on bargain purchase on acquisition of subsidiary		–	(1,144)
Net gain on remeasuring previously held equity interest in associates to fair value on business combination		–	(957)
Share of results of associates		(40)	(637)
Share of results of joint ventures		(12,193)	427
Unrealised foreign exchange differences		149	13,693
Operating cash flows before changes in working capital		86,593	95,689
Changes in working capital			
(Increase)/decrease in inventories		(2,447)	3,586
Decrease in development properties, investment properties and properties held for sale		29,495	175,167
Decrease in contract assets, trade and other receivables		45,184	68,253
(Increase)/decrease in prepayments		(706)	490
Increase in restricted cash		(13,197)	–
Decrease in trade and other payables		(2,583)	(4,928)
Total changes in working capital		55,746	242,568
Cash flows generated from operations		142,339	338,257
Interest paid		(33,741)	(63,928)
Income taxes paid		(7,285)	(3,158)
Net cash flows generated from operating activities		101,313	271,171

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	2019 \$'000	2018 \$'000
Investing activities			
Net cash inflow on acquisition of a subsidiary		–	3,026
Purchase of property, plant and equipment	10	(29,487)	(19,112)
Acquisition of intangible assets		(868)	(1,506)
Proceeds from sale of property, plant and equipment		–	332
Interest received		5,639	3,139
Purchase of investment securities		(2)	(94,800)
Dividend income from equity instruments		1,876	4,717
Dividend income from associates		576	–
Proceeds from disposal of investment securities		83,792	162,836
Due (from)/to associates (non-trade), net		(2,098)	1,943
Due to/(from) a joint venture (non-trade), net		10,088	(1,583)
Net cash flows generated from investing activities		69,516	58,992
Financing activities			
Dividends paid to shareholders of the Company		(9,682)	(9,682)
Dividends paid to non-controlling interests of subsidiaries		(4,500)	(4,462)
Proceeds from issuance of ordinary shares by subsidiaries to non-controlling interests		115	6,335
Proceeds from issuance of term notes and bonds		23,500	44,750
Repayment of term notes		(111,393)	(96,311)
Purchase of treasury shares of a subsidiary		(116)	(42)
Proceeds from term loans		207,349	162,360
Repayment of term loans		(134,893)	(379,569)
Repayment of short-term bank borrowings, net		(43,934)	(47,434)
Repayment of principal portion of lease liabilities		(22,374)	–
Term notes and bonds commitment fees paid		(756)	(976)
Repayment of finance lease obligations		–	(136)
Net cash flows used in financing activities		(96,684)	(325,167)
Net increase in cash and cash equivalents		74,145	4,996
Effect of exchange rate changes on cash and cash equivalents		(168)	(864)
Cash and cash equivalents at beginning of year		59,020	54,888
Cash and cash equivalents at end of year	23	132,997*	59,020

Note:

- * An amount of \$13,197,000 has not been included in cash and cash equivalents of the Group as the amount relates to a reserve account held in escrow by a third party which will only be released upon repayment of the loan and related interested liabilities owing to the third party.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

1. CORPORATE INFORMATION

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

The address of the Company’s registered office is 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623. The address of its principal place of business is located at 55 Ubi Avenue 3, #01-01, Singapore 408864.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

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

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

2.2 Adoption of new and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Group has adopted all the new and amended standards which are relevant to the Group and are effective for annual financial periods beginning on or after 1 January 2019. Except for the adoption of SFRS(I) 16 *Leases* described below, the adoption of these standards did not have any material effect on the financial performance or position of the Group.

SFRS(I) 16 *Leases*

SFRS(I) 16 supersedes SFRS(I) 1-17 *Leases*, SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*, SFRS(I) INT 1-15 *Operating Leases-Incentives* and SFRS(I) INT 1-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the statements of financial position.

Lessor accounting under SFRS(I) 16 is substantially unchanged from SFRS(I) 1-17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in SFRS(I) 1-17. Therefore, SFRS(I) 16 does not have an impact for leases where the Group is the lessor.

The Group adopted SFRS(I) 16 using the modified retrospective method of adoption, with the date of initial application of 1 January 2019. Under this method, the Group has adopted to measure the carrying amount of the right-of-use asset at an amount equal to the carrying amount of the lease liability on the date of initial application. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains, a lease at 1 January 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying SFRS(I) 1-17 and SFRS(I) INT 4 at the date of initial application.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Adoption of new and amended standards and interpretations (Continued)

SFRS(I) 16 Leases (Continued)

The effect of adopting SFRS(I) 16 as at 1 January 2019 was as follows:

	Group \$'000
Assets	
Right-of-use assets	59,802
Liabilities	
Lease liabilities	59,802

The Group has lease contracts for land, leased properties, motor vehicles, machinery, tools & equipment, security equipment & office equipment and computer software. Before the adoption of SFRS(I) 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. The accounting policy prior to 1 January 2019 is disclosed in Note 2.22.

Upon adoption of SFRS(I) 16, the Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. The accounting policy beginning on or after 1 January 2019 is disclosed in Note 2.22. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e. right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under SFRS(I) 1-17). The requirements of SFRS(I) 16 were applied to these leases from 1 January 2019.

Leases previously accounted for as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Relied on its assessment of whether leases are onerous immediately before the date of initial application;

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Adoption of new and amended standards and interpretations (Continued)

SFRS(I) 16 Leases (Continued)

Leases previously accounted for as operating leases (Continued)

- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application;
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

Based on the above, as at 1 January 2019:

- Right-of-use assets of \$59,802,000 were recognised and presented separately in the statement of financial position. This includes the lease assets recognised previously under finance leases of \$542,000 that were reclassified from property, plant and equipment;
- Additional lease liabilities of \$59,802,000 were recognised and presented separately in the statement of financial position; and
- The net effect of these adjustments to retained earnings was nil. Comparative information is not restated.

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

	\$'000
Operating lease commitments as at 31 December 2018	52,257
Less:	
Commitments relating to short-term leases	(4,957)
Commitments relating to leases of low-value assets	(71)
	<u>47,229</u>
Weighted average incremental borrowing rate as at 1 January 2019	3.28%
Discounted operating lease commitments as at 1 January 2019	38,334
Add:	
Commitments relating to leases previously classified as finance leases	467
Lease payments relating to renewal periods not included in operating lease commitments as at 31 December 2018	<u>21,001</u>
Lease liabilities as at 1 January 2019	<u>59,802</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 SFRS(I) 3 <i>Definition of a Business</i>	1 January 2020
Amendments to SFRS(I) 1-1 and SFRS(I) 1-8 <i>Definition of Material</i>	1 January 2020
Amendments to SFRS(I) 10 and SFRS(I) 1-28 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Date to be determined

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

2.4 Basis of consolidation and business combinations

(a) Basis of consolidation

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Basis of consolidation and business combinations (Continued)

(b) *Business combinations and goodwill*

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

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

Non-controlling interest in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of net assets of the acquiree are recognised on the acquisition date at either fair value, or the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

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

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

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

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

2.5 Transactions with non-controlling interests

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

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

2.6 Subsidiaries

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Joint arrangements

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

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

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

(a) *Joint operations*

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

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

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

(b) *Joint ventures*

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

2.8 Associates and joint ventures

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Associates and joint ventures (Continued)

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

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

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

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

2.9 Foreign currency

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

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Property, plant and equipment

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

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

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

Freehold properties	–	50 years
Leasehold properties	–	37 to 69 years
Renovations, electrical fittings, furniture and fittings	–	1 to 20 years
Air-conditioners, security equipment, office equipment and electrical equipment	–	2 to 12 years
Machinery, tools and equipment	–	2 to 10 years
Computers	–	3 to 5 years
Motor vehicles	–	3 to 7 years

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

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

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

2.11 Investment properties

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Intangible assets

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

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

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

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

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

(i) *Brands*

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

(ii) *Trademark*

Trademark acquired separately is measured on initial recognition at cost. Following initial recognition, it is carried at cost less accumulated amortisation and any accumulated impairment losses.

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

For trademarks with finite useful lives, the trademarks are amortised on a straight-line basis over its finite useful life of 15 years.

For trademarks with indefinite useful lives, the trademarks are estimated to have indefinite useful lives based on the current market share of these trademarks. Hence, management believes that there is no foreseeable limit to the period over which the trademarks are expected to generate net cash inflows for the Group.

2.13 Impairment of non-financial assets

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Impairment of non-financial assets (Continued)

Impairment losses are recognised in profit or loss.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

2.14 Financial instruments

(a) *Financial assets*

Initial recognition and measurement

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

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

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

Subsequent measurement

Investments in debt instruments

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

(i) Amortised cost

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

(ii) Fair value through other comprehensive income

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Financial assets measured at FVOCI are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses 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 de-recognised.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Financial instruments (Continued)

(a) Financial assets (Continued)

Subsequent measurement (Continued)

Investments in debt instruments (Continued)

(iii) Fair value through profit or loss

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

Investments in equity instruments

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

Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Changes in fair value of derivatives are recognised in profit or loss.

De-recognition

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

(b) Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Financial instruments (Continued)

(b) *Financial liabilities* (Continued)

De-recognition

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

2.15 Cash and cash equivalents

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

2.16 Impairment of financial assets

The Group estimates the ECLs for all debt instruments not held at FVPL and financial guarantee contracts. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The Group's estimation varies with respect to its various types of financial assets as follows:

Trade receivables from the Group's financial service business

(i) Pawnshop loans and interest receivables on pawnshop loans

The Group uses the general approach and estimates for lifetime ECLs on the financial assets. ECLs are based on the difference between the contractual cash flows due in accordance with the contractual terms of the pawn tickets and all the cash flows that the Group expects to receive from the sale of collateral held or other credit enhancements that are integral to the contractual terms of the pawn tickets.

The Group considers the financial assets to be in default upon forfeiture of the collateral to the Group. When such default occurs, the Group has no reasonable expectations of recovering the interest receivable portion of the financial assets. Therefore, the Group writes off the interest receivable portion of the financial assets.

(ii) Secured lending receivables

The Group uses the general approach and estimates the 12-month expected credit losses when there is no indication of significant deterioration in credit risk. When a significant increase in credit risk has occurred, the Group estimates the lifetime ECLs for such financial assets.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Impairment of financial assets (Continued)

Trade receivables from the Group's jewellery and real estate businesses, and contract assets

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

Debt investment securities

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

For debt instruments at FVOCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the external credit rating of the debt instrument.

Due from subsidiaries, associates and joint ventures

The Group uses the general approach and estimates the 12-month expected credit losses when there is no indication of significant deterioration in credit risk based on the financial performance of its related entities. When a significant increase in credit risk has occurred, the Group estimates the lifetime ECLs for such financial assets.

2.17 Inventories

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

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

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

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

2.18 Development properties

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Development properties (Continued)

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

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

2.19 Properties held for sale

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

2.20 Borrowing costs

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

2.21 Employee benefits

(a) *Defined contribution plans*

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

(b) *Employee leave entitlement*

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

(c) *Employees share award plan*

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Leases

These accounting policies are applied on and after the initial application date of SFRS(I) 16, 1 January 2019:

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(a) *As lessee*

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities representing the obligations to make lease payments and right-of-use assets representing the right to use the underlying leased assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Leased properties	– 2 to 10 years
Motor vehicles	– 1 to 4 years
Machinery, tools and equipment	– 2 to 6 years
Security equipment	– 4 years
Computer software	– 4 to 5 years
Land	– 37 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. The accounting policy for impairment is disclosed in Note 2.13.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Leases (Continued)

(a) *As lessee* (Continued)

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of retail stores (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of vehicles and office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

(b) *As lessor*

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

These accounting policies are applied before the initial application date of SFRS(I) 16, 1 January 2019:

(a) *As lessee*

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

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

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

(b) *As lessor*

The accounting policy applicable to the Group as a lessor in the comparative period was the same as under SFRS(I) 16.

2.23 Revenue

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Revenue (Continued)

(a) Sales of goods

Revenue from sale of jewellery

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

The amount of revenue recognised is based on the estimated transaction price, which comprises the contractual price, net of the estimated volume discounts and adjusted for expected returns. Based on the Group's experience with similar types of contracts, variable consideration is typically constrained and is included in the transaction only to the extent that it is a highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The Group recognises the expected volume discounts payable to customer where consideration has been received from customers and refunds due to expected returns from customers as refund liabilities. Separately, the Group recognises a related asset for the right to recover the returned goods, based on the former carrying amount of the good less expected costs to recover the goods, and adjusts them against cost of sales correspondingly.

At the end of each reporting date, the Group updates its assessment of the estimated transaction price, including its assessment of whether an estimate of variable consideration is constrained. The corresponding amounts are adjusted against revenue in the period in which the transaction price changes. The Group also updates its measurement of the asset for the right to recover returned goods for changes in its expectations about returned goods.

The Group offers customers the option to separately purchase extended warranty that provides the customer with a distinct service in addition to the assurance that the product complies with agreed-upon specifications. The Group accounts for a service-type warranty as a separate performance obligation to which the Group allocates a portion of the transaction price. The portion of the consideration allocated to the service-type warranty is initially recorded as a contract liability and recognised as revenue over the period when the warranty services are provided.

The Group has elected to apply the practical expedient to recognise the incremental costs of obtaining a contract as an expense when incurred where the amortisation period of the asset that would otherwise be recognised is one year or less.

Revenue from sale of completed development property

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

Revenue from sale of development property under construction

Where a development property is under construction and agreement has been reached to sell such property when construction is completed, revenue is recognised at a point in time when the significant risks and rewards of ownership of the property have been transferred to the buyer (i.e. revenue is recognised at a point in time).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Revenue (Continued)

(a) Sales of goods (Continued)

Revenue from sale of development property under construction (Continued)

If, however, the legal terms of the contract are such that the construction represents the continuous transfer of work in progress to the purchaser, the percentage of completion method of revenue recognition is applied and revenue is recognised as work progresses. The percentage of work completed is measured by reference to the survey of work performed by external architects.

Incremental costs of obtaining a contract are capitalised if these costs are recoverable. Costs to fulfil a contract are capitalised if the costs relate directly to the contract, generate or enhance resources used in satisfying the contract and are expected to be recovered. Other contract costs are expensed as incurred.

Capitalised contract costs are subsequently amortised on a systematic basis as the Group recognises the related revenue. An impairment loss is recognised in profit or loss to the extent that the carrying amount of the capitalised contract costs exceeds the remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the contract costs relates less the costs that relate directly to providing the goods and that have not been recognised as expenses.

(b) Interest income

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

(c) Rental income from operating leases

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

(d) Dividend income

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

2.24 Taxes

(a) Current income tax

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Taxes (Continued)

(b) *Deferred tax*

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Taxes (Continued)

(c) Sales tax

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

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

2.25 Share capital and share issuance expenses

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

2.26 Treasury shares

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

2.27 Contingencies

A contingent liability is:

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

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

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

2.28 Financial guarantees

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

Financial guarantees are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are measured at the higher of the amount of expected credit loss determined in accordance with the policy set out in Note 2.16 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised over the period of the guarantee.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

3.1 Judgments in applying accounting policies

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

Classification and measurement of equity instruments as FVOCI

The Group intends to hold its equity instruments for an indefinite period and it may be sold in response to liquidity needs or in response to changes in the market conditions. Therefore, management has concluded that these equity instruments are not held for trading and can be classified and measured at FVOCI.

Determining the lease term of contracts with renewal options – Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g. construction of significant leasehold improvements or significant customisation to the leased asset).

The Group included the renewal period as part of the lease term for leases of leased properties with shorter non-cancellable period (i.e. two to six years). The Group typically exercises its option to renew these leases because there will be a significant negative effect on its operations if a replacement asset is not readily available.

As at 31 December 2019, potential future (undiscounted) cash outflows of approximately \$1,035,000 have not been included in lease liabilities because it is not reasonably certain that the leases will be extended.

3.2 Key sources of estimation uncertainty

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

(a) *Allowance for expected credit losses on pawnshop loans and interest receivables on pawnshop loans*

The Group uses a provision matrix to estimate the allowance for ECLs on trade receivables of the Group's financial service business. The Group has estimated the probability of default being the forfeiture of the customers' pledges based on historical non-redemption data of individual pawnshop outlets. The Group has estimated the loss given default based on the expected realisable value of the customers' pledges. Significant judgment and estimation is involved in using the historical non-redemption data to derive the probability of default as the pawnshop loans age as well as considering any forward-looking economic information. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The carrying amount of the Group's trade receivables which includes the Group's financial service business at the end of the financial year is disclosed in Note 20 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (CONTINUED)

3.2 Key sources of estimation uncertainty (Continued)

(b) *Income taxes*

The Group has exposure to income taxes in the countries where the Group operates. Significant judgment is involved in determining the Group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The carrying amount of the Group's provision for taxation, deferred tax liabilities and deferred tax assets at the end of the reporting period was \$19,720,000 (2018: \$14,250,000), \$16,747,000 (2018: \$15,804,000) and \$3,181,000 (2018: \$3,530,000) respectively.

(c) *Allowance for inventory obsolescence*

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

(d) *Revenue recognition on development properties*

The Group recognises revenues and costs of certain types of development properties under construction using the percentage of completion method for contracts where the legal terms are such that the construction represents the continuous transfer of work in progress to the purchaser. The stage of completion is measured by reference to the survey of work performed by external architects. Revenue is recognised over time based on project progression and billings to customers based on completion of certain milestones as indicated in contracts with customers.

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

Management has reviewed the status of all its projects and is satisfied that the estimates are realistic, and the estimates of total project costs and sales proceeds indicate full project recovery. The carrying amounts of the development properties and accrued expenses relating to development properties are disclosed in Note 19(a) and Note 24 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (CONTINUED)

3.2 Key sources of estimation uncertainty (Continued)

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

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

As at 31 December 2019 and 2018, a proportion of the Group's development properties are in their planning phases, some of which the Group is in the process of obtaining the necessary development permits from the relevant authorities in the respective jurisdictions. NRV in respect of these development properties is assessed based on management's best estimates of expected selling price (taking into account estimated costs to complete construction) based on future property market and economic conditions in the respective markets, with the assumption that the required development permits will be obtained. Management has also made estimates of NRV with references to gross development values as assessed by external appraisers for certain development projects. The gross development value of a development property is derived from estimated sales proceeds less estimated construction costs.

In terms of expected selling prices, management has made the estimates with reference to market prices at the reporting date for similar properties in the respective markets where applicable. Estimated construction costs or costs to complete construction take into account construction contracts entered into or input from project managers.

As at 31 December 2019 and 2018, the carrying amounts of development properties are disclosed in Note 19(a) to the financial statements.

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

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

NRV in respect of properties held for sale is assessed with reference to expected selling price based on current property market and economic conditions in the respective markets or use of external appraisers to support its determination of market prices. As at 31 December 2019 and 2018, the carrying amount of properties held for sale are disclosed in Note 19(b) to the financial statements.

(g) *Fair value of financial instruments*

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses its judgment to select the appropriate valuation model and make assumptions that are mainly based on market conditions existing at the end of each reporting period. The inputs to this model are derived from market data where possible, but where not feasible, a degree of judgment is required in establishing fair values. For details of the valuation method and key assumptions used, refer to Note 36(d).

(h) *Allowance for expected credit losses on quoted debt securities with fixed maturity*

Management has performed impairment assessment of these debt instruments and determined the expected credit loss as at 31 December 2019. The determination of ECLs requires significant management judgment and involved estimation uncertainty as the instruments are issued by corporations operating in various industries and countries, and management's impairment assessment requires consideration of the specific local market risks to which the corporations are subject to.

Management considers actual or expected significant changes in the financial instruments' external credit rating, actual or expected significant changes in the financial performance of the issuer or existing or forecasted adverse changes in the issuer's business, financial or economic conditions that are expected to cause a significant change in the issuer's ability to meet its debt obligations in the ECLs model. The carrying amount of the quoted debt securities with fixed maturity is disclosed in Note 17 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (CONTINUED)

3.2 Key sources of estimation uncertainty (Continued)

(i) Impairment of property, plant and equipment

As at 31 December 2019, the Group's property, plant and equipment amounted to \$171,377,000 (31 December 2018: \$91,155,000).

Where there are indicators of impairment, management has made estimates of the recoverable amounts based on the current property market and economic conditions in the respective markets, or used external appraisers to support its determination of market prices.

Based on the recoverable amounts, an impairment loss of \$4,156,000 (31 December 2018: \$Nil) was recognised as at 31 December 2019.

(j) Leases – estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (e.g. when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

4. REVENUE

(a) Disaggregation of revenue

Segments	Financial Services		Development properties		Jewellery		Total revenue	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Major product or service								
Interest income from pawnbroking services	43,224	41,109	–	–	–	–	43,224	41,109
Interest income and distribution income from secured lending	7,940	8,944	–	–	–	–	7,940	8,944
Sale of jewellery and branded merchandise	161,676	148,023	–	–	136,520	126,060	298,196	274,083
Sale of development properties	–	–	209,970	571,323	–	–	209,970	571,323
Service income	–	–	912	2,890	–	–	912	2,890
Marketing income	–	–	–	–	–	102	–	102
	<u>212,840</u>	<u>198,076</u>	<u>210,882</u>	<u>574,213</u>	<u>136,520</u>	<u>126,162</u>	<u>560,242</u>	<u>898,451</u>
Timing of transfer of goods or services								
At a point in time	161,676	148,023	205,440	442,032	136,520	126,162	503,636	716,217
Over time	–	–	5,442	132,181	–	–	5,442	132,181
Interest income scoped out of SFRS(I) 15	51,164	50,053	–	–	–	–	51,164	50,053
	<u>212,840</u>	<u>198,076</u>	<u>210,882</u>	<u>574,213</u>	<u>136,520</u>	<u>126,162</u>	<u>560,242</u>	<u>898,451</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

4. REVENUE (CONTINUED)

(b) Contract assets

Information about receivables and contract assets from contracts with customers is disclosed as follows:

	Group	
	2019 \$'000	2018 \$'000
Contract assets	–	44,918
Trade receivables (Note 20)	318,895	318,945

Contract assets primarily relate to the Group's right to consideration of work completed but not yet billed at reporting date for its development of property. Contract assets are transferred to receivables when the rights become unconditional.

(c) Capitalised contract costs

	Group	
	2019 \$'000	2018 \$'000
Capitalised incremental costs of obtaining contract		
– commission costs paid to property agents		
At 1 January	–	4,509
Additions	–	1,072
Amortisation	–	(5,581)
At 31 December	–	–

5. EMPLOYEE BENEFITS

	Group	
	2019 \$'000	2018 \$'000
Employee benefits expense (including executive directors):		
Salaries and bonuses	55,361	52,217
Central Provident Fund contributions	7,300	6,181
	62,661	58,398

6. FINANCE COSTS

	Group	
	2019 \$'000	2018 \$'000
Interest expense on:		
– Term loans/short-term borrowings	25,371	30,858
– Term notes and bonds	29,233	34,498
– Lease liabilities (Note 27(b))	2,073	–
– Amortisation of prepaid commitment fees	2,637	2,671
– Amortisation of premium on term notes	(57)	(55)
– Others	107	42
	59,364	68,014
Less: Interest expense capitalised in development properties	(25,096)	(36,680)
Total finance costs	34,268	31,334

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

7. OTHER INCOME

	Group	
	2019 \$'000	2018 \$'000
Administrative income	818	705
Corporate charges to a subsidiary of a joint venture	–	360
Corporate charges to an associate	360	–
Dividend income from equity instruments and associates	2,452	4,717
Forfeiture of option fees on sale of development properties	245	203
Foreign exchange gain	726	170
Reversal of impairment in investment securities	–	2,774
Gain on bargain purchase on acquisition of subsidiary	–	1,144
Net gain on remeasuring previously held equity interest in associates to fair value on business combination	–	957
Income from hotel operations	1,196	452
Government grants and other miscellaneous income	1,731	1,808
Net fair value gain on derivatives	974	2,537
	8,502	15,827

8. PROFIT BEFORE TAX

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

	Note	Group	
		2019 \$'000	2018 \$'000
Audit fees to:			
– Auditor of the Company		731	713
– Other auditors		115	53
Non-audit fees to:			
– Auditor of the Company		107	113
Amortisation of prepaid rent		4	3
Amortisation of intangible assets	12	1,277	1,086
Directors' fees		266	226
Depreciation of property, plant and equipment	10	5,832	5,458
Depreciation of right-of-use assets	27	21,080	–
Fair value loss on investment property		3,341	1,303
Operating leases:			
– Fixed rental expense on operating leases		–	28,910
– Contingent rental expense on operating leases		–	1,256
Lease expense not capitalised in lease liabilities:			
– Expense relating to short-term leases and leases of low-value assets (Note 27(c))		6,330	–
– Variable lease payment (Note 27(c))		474	–
Allowance for write-down of development properties		1,502	–
Property, plant and equipment written-off		980	818
Allowance for doubtful trade and other receivables, net		209	564
Write-back of inventories	18	(400)	(29)
Net loss on disposal of investment securities		572	1,665
Loss/(gain) on purchase and cancellation of term notes and bonds		3	(67)
Net foreign exchange loss		896	19,850
Financial losses on pledged items not fully covered by insurance		33	13
Impairment loss/ (reversal of impairment) on investment securities		1,959	(2,774)
Impairment loss on intangible assets		99	1,773
Impairment loss on property, plant and equipment	10	4,156	–
Gain on bargain purchase on acquisition of subsidiary		–	(1,144)
Net gain on remeasuring previously held equity interest in associates to fair value on business combination		–	(957)
Interest receivable on pawnshop loans written off		3,946	4,427

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

9. EARNINGS PER SHARE

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

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

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

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

	Group	
	2019 \$'000	2018 \$'000
Profit for the year attributable to owners of the Company used in the computation of basic and diluted earnings per share	12,695	28,346
Weighted average number of ordinary shares ('000) (excluding treasury shares) for basic and diluted earnings per share computation	1,936,775	1,936,491
Earnings per share (cent)		
– basic	0.66	1.46
– diluted	0.66	1.46

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

10. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold properties \$'000	Leasehold properties \$'000	Renovations, electrical fittings, furniture and fittings \$'000	Air-conditioners, security equipment, office equipment and electrical equipment \$'000	Machinery, tools and equipment \$'000	Computers \$'000	Motor vehicles \$'000	Work-in-progress \$'000	Total \$'000
Cost:									
At 1 January 2018	15,913	26,618	23,048	5,241	1,683	7,119	707	23,565	103,894
Additions	–	6,935	2,199	401	249	376	216	8,736	19,112
Acquisition of a subsidiary	–	–	470	63	724	100	–	23	1,380
Disposals/write-off	–	–	(3,608)	(380)	(177)	(247)	(65)	(10)	(4,487)
Transfer in/(out)	–	–	1,552	2	53	142	–	(1,749)	–
Transferred from development properties	1,369	427	–	–	–	–	–	–	1,796
Exchange differences	–*	–	(17)	(2)	(28)	(4)	–*	(1)	(52)
At 31 December 2018 and 1 January 2019	17,282	33,980	23,644	5,325	2,504	7,486	858	30,564	121,643
Additions	–	–	862	441	150	291	16	27,652	29,412
Disposals/write-off	–	–	(4,299)	(302)	(27)	(155)	–	(484)	(5,267)
Transfer in/(out)	–	46,384	8,134	1,255	38	226	–	(56,037)	–
Transferred to intangible assets	–	–	–	–	–	–	–	(8)	(8)
Transferred from development properties and investment properties	25,260	36,918	–	–	–	–	–	–	62,178
Transferred from/ (to) right-of-use assets	–	116	–	–	(458)	–	(242)	75	(509)
Exchange differences	(1)	–*	(29)	(2)	(10)	(2)	–*	(4)	(48)
At 31 December 2019	42,541	117,398	28,312	6,717	2,197	7,846	632	1,758	207,401

* Less than \$1,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Freehold properties \$'000	Leasehold properties \$'000	Renovations, electrical fittings, furniture and fittings \$'000	Air-conditioners, security equipment, office equipment and electrical equipment \$'000	Machinery, tools and equipment \$'000	Computers \$'000	Motor vehicles \$'000	Work-in- progress \$'000	Total \$'000
Accumulated depreciation and impairment:									
At 1 January 2018	414	844	15,495	3,869	1,376	5,990	395	–	28,383
Depreciation charge for the year	9	519	3,350	498	256	733	93	–	5,458
Disposals	–	–	(2,739)	(299)	(50)	(198)	(61)	–	(3,347)
Exchange differences	–*	–	(5)	–*	(1)	–*	–*	–	(6)
At 31 December 2018 and 1 January 2019	423	1,363	16,101	4,068	1,581	6,525	427	–	30,488
Depreciation charge for the year	10	697	3,741	517	214	595	58	–	5,832
Impairment loss	300	3,636	213	4	3	–	–	–	4,156
Disposals	–	–	(3,862)	(273)	(25)	(126)	–	–	(4,286)
Transferred to right-of-use assets	–	–	–	–	(79)	–	(79)	–	(158)
Exchange differences	–	–*	(6)	–*	(2)	–*	–*	–	(8)
At 31 December 2019	733	5,696	16,187	4,316	1,692	6,994	406	–	36,024
Net carrying amount:									
At 31 December 2018	16,859	32,617	7,543	1,257	923	961	431	30,564	91,155
At 31 December 2019	41,808	111,702	12,125	2,401	505	852	226	1,758	171,377

* Less than \$1,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Renovations, electrical fittings, furniture and fittings \$'000	Air-conditioners, security equipment, office equipment and electrical equipment \$'000	Machinery, tools and equipment \$'000	Computers \$'000	Work-in- progress \$'000	Total \$'000
Cost:						
At 1 January 2018	789	423	78	3,970	21	5,281
Additions	–	2	–	8	56	66
Disposal	–	(3)	–	–	–	(3)
Transferred in/(out)	–	–	–	42	(42)	–
At 31 December 2018 and 1 January 2019	789	422	78	4,020	35	5,344
Additions	–	7	–	140	–	147
Disposal	(6)	(7)	–	(4)	(27)	(44)
Transferred to intangible assets	–	–	–	–	(8)	(8)
At 31 December 2019	<u>783</u>	<u>422</u>	<u>78</u>	<u>4,156</u>	<u>–</u>	<u>5,439</u>
Accumulated depreciation and impairment:						
At 1 January 2018	747	405	78	3,653	–	4,883
Depreciation charge for the year	26	9	–	236	–	271
Disposal	–	(1)	–	–	–	(1)
At 31 December 2018 and 1 January 2019	773	413	78	3,889	–	5,153
Depreciation charge for the year	14	6	–	110	–	130
Disposal	(5)	(6)	–	(4)	–	(15)
At 31 December 2019	<u>782</u>	<u>413</u>	<u>78</u>	<u>3,995</u>	<u>–</u>	<u>5,268</u>
Net carrying amount:						
At 31 December 2018	<u>16</u>	<u>9</u>	<u>–</u>	<u>131</u>	<u>35</u>	<u>191</u>
At 31 December 2019	<u>1</u>	<u>9</u>	<u>–</u>	<u>161</u>	<u>–</u>	<u>171</u>

Assets pledged as security

A floating charge has been placed on property, plant and equipment of certain subsidiaries with a carrying amount aggregating \$162,494,000 (2018: \$82,850,000) as security for bank borrowings (Note 25).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

11. INVESTMENT PROPERTIES

	Group	
	2019 \$'000	2018 \$'000
<u>Statement of financial position:</u>		
At 1 January	72,523	60,566
Enhancement work incurred during the year	1,864	–
Transferred to property, plant and equipment	(10,228)	–
Transferred from development properties	–	13,235
Net loss from fair value adjustments recognised in profit or loss	(3,341)	(1,303)
Exchange difference	(23)	25
At 31 December	<u>60,795</u>	<u>72,523</u>
<u>Statement of comprehensive income:</u>		
Rental income from investment properties:		
– Minimum lease payments	955	1,115
– Contingent rent based on tenant's turnover	26	23
	<u>981</u>	<u>1,138</u>
Direct operating expenses (including repairs and maintenance) arising from:		
– Rental generating properties	<u>991</u>	<u>925</u>

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

Valuation of investment properties

Investment properties are stated at fair value, which has been determined based on valuations performed as at 31 December 2019 and 31 December 2018. The valuations were performed by Jones Lang LaSalle Property Consultants Pte. Ltd. and Henry Butcher Sdn. Bhd., independent valuers with recognised and relevant professional qualifications and with recent experience in the location and category of the properties being valued. Details of the valuation technique and inputs used are disclosed in Note 36.

Properties pledged as security

As at 31 December 2019, investment properties with a carrying value of \$53,706,000 (2018: \$65,427,000) are pledged as security for bank borrowings (Note 25).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

11. INVESTMENT PROPERTIES (CONTINUED)

The investment properties held by the Group are as follows:

Description and location	Existing use	Tenure	Unexpired lease term
World Class Development (Bedok) Pte. Ltd.			
#01-08, #01-47, #01-48, #01-49, #01-64, #01-65, #01-67, #01-68 East Village, Bedok Road, Singapore	Retail	Freehold	—
World Class Development (North) Pte. Ltd.			
#01-52 and #01-67 The Hillford, Jalan Jurong Kechil, Singapore	Retail	Leasehold	54 years
World Class Land (Georgetown) Sdn. Bhd.			
41, 43 & 51 Gat Jalan Prangin, Penang, Malaysia	Commercial	Freehold	—
WCL (Macallum) Sdn. Bhd.			
206 Jalan C.Y. Choy, Penang, Malaysia	Commercial	Freehold	—
55 Lebuhr Cecil, Penang, Malaysia	Commercial	Freehold	—
81 Lebuhr Macallum, Penang, Malaysia	Commercial	Freehold	—
WCL (Noordin St) Sdn. Bhd.			
68 Lebuhr Presgrave, Penang, Malaysia	Commercial	Freehold	—
69 & 71 Lebuhr Presgrave, Penang, Malaysia	Commercial	Freehold	—
95, 97 & 99 Lebuhr Noordin, Penang, Malaysia	Commercial	Freehold	—
15 Lebuhr Tye Sin, Penang, Malaysia	Commercial	Freehold	—
80 & 82 Lebuhr Tye Sin, Penang, Malaysia	Commercial	Freehold	—
34, 36, 38, 38-A, 38-B & 38-C Lebuhr Tye Sin, Penang, Malaysia and Lot 711 Seksyen 11W, Bandar Georgetown, Daerah Timur Laut, Penang, Malaysia	Mixed use development	Freehold	—

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

12. INTANGIBLE ASSETS

Group	Brands \$'000	Trademark \$'000	Goodwill \$'000	Computer software and internet domain \$'000	Club membership \$'000	Industrial rights \$'000	Work-in- progress \$'000	Total \$'000
Cost:								
At 1 January 2018	8,421	723	5,093	1,308	49	—	—	15,594
Addition	—	—	—	1,153	—	—	386	1,539
Acquisition of a subsidiary	—	4,161	—*	102	—	8	—	4,271
Transferred in/(out)	—	—	—	82	—	—	(82)	—
Exchange difference	—	(159)	—	(4)	—	—*	—	(163)
At 31 December 2018 and 1 January 2019	8,421	4,725	5,093	2,641	49	8	304	21,241
Addition	—	—	—	454	—	—	414	868
Write-off	—	—	—	—	—	—	(162)	(162)
Transferred in/(out)	—	—	—	359	—	—	(359)	—
Transferred from property, plant and equipment	—	—	—	8	—	—	—	8
Exchange difference	—	(131)	—	(3)	—	—*	(10)	(144)
At 31 December 2019	8,421	4,594	5,093	3,459	49	8	187	21,811
Accumulated amortisation and impairment:								
At 1 January 2018	7,034	685	—	405	14	—	—	8,138
Amortisation	462	38	—	581	—	5	—	1,086
Impairment loss	—	—	1,773	—	—	—	—	1,773
Exchange difference	—	—	—	—*	—	—*	—	—*
At 31 December 2018 and 1 January 2019	7,496	723	1,773	986	14	5	—	10,997
Amortisation	462	—	—	812	—	3	—	1,277
Impairment loss	—	—	99	—	—	—	—	99
Write-off	—	—	—	(160)	—	—	—	(160)
Exchange difference	—	—	—	(1)	—	—*	—	(1)
At 31 December 2019	7,958	723	1,872	1,637	14	8	—	12,212
Net carrying amount:								
At 31 December 2018	925	4,002	3,320	1,655	35	3	304	10,244
At 31 December 2019	463	3,871	3,221	1,822	35	—	187	9,599

* Less than \$1,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

12. INTANGIBLE ASSETS (CONTINUED)

Company	Computer software \$'000	Club membership \$'000	Work-in-progress \$'000	Total \$'000
Cost:				
At 1 January 2018	330	49	–	379
Addition	1,094	–	–	1,094
At 31 December 2018 and 1 January 2019	1,424	49	–	1,473
Addition	393	–	264	657
Transferred from property, plant and equipment	8	–	–	8
At 31 December 2019	1,825	49	264	2,138
Accumulated amortisation and impairment:				
At 1 January 2018	66	14	–	80
Amortisation	339	–	–	339
At 31 December 2018 and 1 January 2019	405	14	–	419
Amortisation	486	–	–	486
At 31 December 2019	891	14	–	905
Net carrying amount:				
At 31 December 2018	1,019	35	–	1,054
At 31 December 2019	934	35	264	1,233

Amortisation expense

Except for the trademark related to “Niessing” (acquired in 2018) which useful life is estimated to be indefinite, the brands and trademark acquired are amortised on a straight-line basis over their estimated economic useful lives of 15 years. The remaining amortisation period for the brands and trademark are 2 years and nil (2018: 3 years and 1 year) respectively.

Impairment testing of goodwill

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

The recoverable amount of goodwill was determined based on value in use calculations using cash flow projections from financial budgets of the business unit approved by management covering a five-year period. Management has considered and determined the factors applied in these financial budgets which include average growth rates derived based on management’s judgment. The growth rate applied ranges from 1.1% to 1.2% (2018: 1.0% to 1.2%) and the pre-tax discount rate applied in the cash flow projections is 11.0% (2018: 10.5%), which reflects management’s estimation of the risks specific to the segment.

Impairment loss recognised

During the financial year, an impairment loss was recognised to write-down the carrying amount of the goodwill attributable to the jewellery segment. The impairment loss of \$99,000 (2018: \$1,773,000) has been recognised in profit or loss in other operating expenses.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

13. INVESTMENT IN SUBSIDIARIES

	Company	
	31 December 2019 \$'000	31 December 2018 \$'000
Shares, at cost	227,204	210,738
Acquisition/subscription of shares issued by subsidiaries during the year	–	16,466
Disposal of shares during the year	(2,000)	–
	<u>225,204</u>	<u>227,204</u>

Composition of the Group

The Group has the following material investment in subsidiaries:

Name of Company		Principal place of business	Principal activities	Proportion of ownership interest	
				2019 %	2018 %
<i>Held by the Company</i>					
(a)	Aspial International Pte. Ltd.	Singapore	Jewellery wholesaling	100	100
(a)	World Class Land Pte. Ltd.	Singapore	Property development	90	90
(a)	World Class Global Limited (“WCG”)	Singapore	Investment holding and provision of management services	81.11	81.11
(a)	Aspial-Lee Hwa Jewellery Singapore Pte. Ltd.	Singapore	Jewellery manufacturing	100	100
(a)	Maxi-Cash Financial Services Corporation Ltd. (“Maxi-Cash”)	Singapore	Investment holding and provision of management services	64.72	64.72
(a), (l)	Aspial Property Investment Pte. Ltd.	Singapore	Real estate activities	–	100
(a)	Aspial Investment Holding Pte. Ltd.	Singapore	Investment holding	100	100
(a)	Aspial Treasury Pte. Ltd.	Singapore	Provision of financial services	100	100
<i>Held through subsidiaries</i>					
<i>Aspial-Lee Hwa Jewellery Singapore Pte. Ltd.</i>					
(a)	Aspial-Lee Hwa Jewellery Pte. Ltd.	Singapore	Jewellery retailing	100	100
(a)	Goldheart Jewelry Pte. Ltd.	Singapore	Jewellery retailing	100	100
(a), (j)	Aspial Capital (Ubi) Pte. Ltd.	Singapore	Property leasing and management	82.36	82.36

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

13. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Composition of the Group (Continued)

	Name of Company	Principal place of business	Principal activities	Proportion of ownership interest	
				2019 %	2018 %
	Held through subsidiaries (Continued)				
	Aspial International Pte. Ltd.				
(a)	Goldheart Bullion Pte. Ltd.	Singapore	Gold bullion brokers and dealers	70	70
(a)	Niessing Group Pte. Ltd.	Singapore	Investment holding and provision of management services	100	100
	Niessing Group Pte. Ltd.				
(a)	Niessing Asia Pacific Pte. Ltd.	Singapore	Jewellery retailing and regional sales office	100	100
(c)	Niessing Manufaktur GmbH & Co. KG	Germany	Jewellery trading and manufacturing	75	75
	Niessing Asia Pacific Pte. Ltd.				
(b)	Niessing (Hong Kong) Limited	Hong Kong	Jewellery retailing	100	100
(h)	Niessing (Australia) Pty. Ltd.	Australia	Jewellery retailing	100	100
	World Class Land Pte. Ltd.				
(d)	World Class Developments Pte. Ltd.	Singapore	Property development	100	100
	World Class Developments Pte. Ltd.				
(a)	World Class Developments (Bedok) Pte. Ltd.	Singapore	Property development	80	80
(a)	World Class Developments (North) Pte. Ltd.	Singapore	Property development	100	100
	World Class Global Limited				
(e)	World Class Land (Malaysia) Sdn. Bhd.	Malaysia	Investment holding	100	100
(g)	World Class Land (Australia) Pty. Ltd.	Australia	Investment holding	100	100

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

13. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Composition of the Group (Continued)

	Name of Company	Principal place of business	Principal activities	Proportion of ownership interest	
				2019 %	2018 %
	<i>Held through subsidiaries</i> (Continued)				
	<i>World Class Land (Malaysia) Sdn. Bhd.</i>				
(e)	World Class Land (Penang) Sdn. Bhd.	Malaysia	Property development	100	100
	<i>World Class Land (Penang) Sdn. Bhd.</i>				
(e)	World Class Land (Georgetown) Holdings Sdn. Bhd.	Malaysia	Property development	95	95
	<i>World Class Land (Georgetown) Holdings Sdn. Bhd.</i>				
(b)	World Class Land (Georgetown) Sdn. Bhd.	Malaysia	Property development	100	100
(b)	WCL (Magazine) Sdn. Bhd.	Malaysia	Property development	100	100
(b)	WCL (Macallum) Sdn. Bhd.	Malaysia	Property development	100	100
(b)	WCL (Noordin St) Sdn. Bhd.	Malaysia	Property development	100	100
(b)	WCL (Bertam R) Sdn. Bhd.	Malaysia	Property development	100	100
(b)	WCL (Bertam L) Sdn. Bhd.	Malaysia	Property development	100	100
(e)	PHC Hotels Sdn. Bhd.	Malaysia	Management and operation of hotels	100	100
	<i>World Class Land (Australia) Pty. Ltd.</i>				
(f), (i)	WCL-Cairns (QLD) Pty. Ltd.	Australia	Property development	100	100
(f), (i)	WCL-Central Park (QLD) Pty. Ltd.	Australia	Property development	100	100
(b)	WCL-Southbank (VIC) Pty. Ltd.	Australia	Property development	100	100
(b)	WCL-A Beckett (VIC) Pty. Ltd.	Australia	Property development	100	100
(i)	WCL (QLD) Holdings Pty. Ltd.	Australia	Property development	100	100
(i), (m)	SBD 102 Pty. Ltd.	Australia	Property development	100	—

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13. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Composition of the Group (Continued)

	Name of Company	Principal place of business	Principal activities	Proportion of ownership interest	
				2019 %	2018 %
	Held through subsidiaries (Continued)				
	WCL-Cairns (QLD) Pty. Ltd.				
(i)	Dynamic Ideas Pty. Ltd.	Australia	Property development	100	100
(f), (i)	WCL (CNS) CBD Pty. Ltd.	Australia	Property development	100	100
	WCL (QLD) Holdings Pty. Ltd.				
(f), (i)	WCL (QLD) Albert St Pty. Ltd.	Australia	Property development	100	100
(f), (i)	WCL (QLD) Margaret St Pty. Ltd.	Australia	Property development	65	65
	Maxi-Cash Financial Services Corporation Ltd.				
(a)	Maxi-Cash Group Pte. Ltd.	Singapore	Investment holding and provision of management services	100	100
(a)	Maxi-Cash Jewellery Group Pte. Ltd.	Singapore	Trading and retailing of jewellery and branded merchandise	100	100
(a), (k)	Gold N Gems Pte. Ltd.	Singapore	Trading and retailing of jewellery and branded merchandise	–	100
(a)	Maxi-Cash Property Pte. Ltd.	Singapore	Real estate activities	100	100
(a)	Maxi-Cash Investment Holding Pte. Ltd.	Singapore	Investment holding	100	100
(a)	Maxi-Cash Capital Management Pte. Ltd.	Singapore	Secured lending and investment holding	100	100
(a)	Maxi-Cash International Pte. Ltd.	Singapore	Investment holding and provision of management services	100	100
(a), (k)	Maxi-Cash Retail Pte. Ltd. (previously known as Citigems Pte. Ltd.)	Singapore	Jewellery retailing	100	100
(a), (l)	Aspial Property Investment Pte. Ltd.	Singapore	Real estate activities	100	–

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

13. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Composition of the Group (Continued)

Name of Company		Principal place of business	Principal activities	Proportion of ownership interest	
				2019 %	2018 %
<i>Held through subsidiaries</i>					
<i>(Continued)</i>					
<i>Maxi-Cash Group Pte. Ltd.</i>					
(a)	Maxi-Cash (North) Pte. Ltd.	Singapore	Pawn brokerage	100	100
(a)	Maxi-Cash (East) Pte. Ltd.	Singapore	Pawn brokerage	100	100
(a)	Maxi-Cash (Central) Pte. Ltd.	Singapore	Pawn brokerage	100	100
(a)	Maxi-Cash (West) Pte. Ltd.	Singapore	Pawn brokerage	100	100
(a)	Maxi-Cash (Clementi) Pte. Ltd.	Singapore	Pawn brokerage	70	70
(a)	Maxi-Cash Capital Pte. Ltd.	Singapore	Pawn brokerage	100	100
(a)	Maxi-Cash Assets Pte. Ltd.	Singapore	Pawn brokerage	100	100
(a)	Maxi-Cash Ventures Pte. Ltd.	Singapore	Pawn brokerage	100	100
(a)	Maxi-Cash (Central 2) Pte. Ltd.	Singapore	Pawn brokerage	100	100
(a)	Maxi-Cash (East 2) Pte. Ltd.	Singapore	Pawn brokerage	100	100
(a)	Maxi-Cash (North East) Pte. Ltd.	Singapore	Pawn brokerage	100	100
<i>Maxi-Cash International Pte. Ltd.</i>					
(b)	Maxi Cash (Malaysia) Sdn. Bhd.	Malaysia	Investment holding and provision of management services	100	100
(h)	Maxi-Cash (Australia) Pty. Ltd.	Australia	Investment holding and provision of management services	100	100
(b), (m)	Maxi-Cash (Hong Kong) Co. Ltd.	Hong Kong	Investment holding and provision of management services	100	–

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13. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Composition of the Group (Continued)

Name of Company		Principal place of business	Principal activities	Proportion of ownership interest	
				2019 %	2018 %
Held through subsidiaries (Continued)					
Maxi Cash (Malaysia) Sdn. Bhd.					
(b)	Maxi Cash (Southern) Sdn. Bhd.	Malaysia	Investment holding and provision of management services	100	90
(b)	LuxeSTYLE (Malaysia) Sdn. Bhd.	Malaysia	Trading and retailing of jewellery and branded merchandise	100	100
Maxi Cash (Southern) Sdn. Bhd.					
(b)	Maxi Cash (S1) Sdn. Bhd.	Malaysia	Pawn brokerage	99	100
Maxi-Cash (Australia) Pty. Ltd.					
(h)	Maxi-Cash Melbourne (VIC) Pty. Ltd.	Australia	Pawn brokerage	100	100
(h)	LuxeSTYLE (Australia) Pty. Ltd.	Australia	Trading and retailing of jewellery and branded merchandise	100	100
Maxi-Cash (Hong Kong) Co. Ltd.					
(b), (m)	Maxi-Cash (HKI) Co. Ltd.	Hong Kong	Pawn brokerage	100	–

(a) Audited by Ernst & Young LLP, Singapore

(b) Audited by a member firm of EY Global

(c) Audited by Reuter Thoben

(d) Audited by CG Alliance, Singapore

(e) Audited by Baker Tilly Monteiro Heng, Malaysia

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

(g) Audited by Crowe Horwath NQ

(h) Audited by The Field Group, Melbourne

(i) Exempted from statutory audit

(j) During the financial year ended 31 December 2016, Aspiat Capital (Ubi) Pte. Ltd. was incorporated as a joint venture between Maxi-Cash Financial Services Corporation Ltd. and Aspiat-Lee Hwa Jewellery Singapore Pte. Ltd., each holding 50% interest in the ownership and voting rights. The proportion of ownership interest of 82.36% represents the effective interest held by the Company.

(k) During the financial year ended 31 December 2019, Maxi-Cash Retail Pte. Ltd. (previously known as Citigems Pte. Ltd.) and Gold N Gems Pte. Ltd. have amalgamated pursuant to Section 215A and Section 215D of the Companies Act (Chapter 50), with Maxi-Cash Retail Pte. Ltd. remaining as the amalgamated entity. The amalgamation took effect on 1 July 2019.

(l) During the financial year ended 31 December 2019, Aspiat Property Investment Pte. Ltd. was transferred to Maxi-Cash Financial Services Corporation Ltd. from the Company.

(m) Newly incorporated/established during the financial year ended 31 December 2019.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

13. INVESTMENT IN SUBSIDIARIES (CONTINUED)

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

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

Name of subsidiary	Principal place of business	Proportion of ownership interest held by NCI	Profit/(loss) allocated to NCI during the reporting period \$'000	Accumulated NCI at the end of reporting period \$'000	Dividends paid to NCI \$'000
31 December 2019					
Financial service segment	Singapore	35.28%	5,335	51,503	4,931
Real estate segment	Singapore	10.00% – 18.89%	168	42,576	2,740
Niessing Manufaktur GmbH & Co. KG ("NMK")	Germany	25%	393	3,673	429
31 December 2018					
Financial service segment	Singapore	35.28%	3,807	51,009	4,058
Real estate segment	Singapore	10.00% – 18.89%	5,020	45,821	1,500
NMK	Germany	25%	170	3,827	322

Summarised financial information about subsidiaries with material NCI

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

Summarised statement of financial position

	Financial service segment		Real estate segment		NMK	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Current						
Assets	413,485	397,327	751,607	769,480	23,425	21,712
Liabilities	(274,656)	(237,554)	(642,449)	(586,111)	(11,723)	(7,974)
Net current assets	138,829	159,773	109,158	183,369	11,702	13,738
Non-current						
Assets	108,334	63,349	130,659	84,842	8,953	5,903
Liabilities	(108,270)	(81,975)	(64,471)	(68,929)	(6,377)	(4,737)
Net non-current assets/(liabilities)	64	(18,626)	66,188	15,913	2,576	1,166
Net assets	138,893	141,147	175,346	199,282	14,278	14,904

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

13. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Summarised financial information about subsidiaries with material NCI (Continued)

Summarised statement of comprehensive income

	Financial service segment		Real estate segment		NMK	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Revenue	218,478	203,651	210,882	574,213	29,699	20,016
Profit before income tax	17,939	12,066	15,540	56,143	1,795	786
Income tax expense	(3,003)	(1,581)	(9,119)	(17,643)	(216)	(108)
Profit after tax	14,936	10,485	6,421	38,500	1,579	678
Other comprehensive income/(loss)	981	(3,030)	(2,972)	(16,409)	(487)	(543)
Total comprehensive income	15,917	7,455	3,449	22,091	1,092	135

Other summarised information

	Financial service segment		Real estate segment		NMK	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Net cash flows generated from operations	8,469	7,621	10,226	248,356	2,816	876

Acquisition of ownership interest in subsidiary, without loss of control

Citigems

On 19 January 2018, Aspiat-Lee Hwa Jewellery Singapore Pte. Ltd. ("ALHJS") acquired an additional 14.5% equity interest in Citigems Pte. Ltd. ("CTG") from its non-controlling interests for a cash consideration of \$1,007,000. As a result of this acquisition, CTG became 100% owned by ALHJS. The carrying value of the additional interest acquired was a deficit of \$2,720,000. The difference of \$3,727,000 between the consideration and the carrying value of the additional interest acquired has been recognised as "Premium paid on acquisition of non-controlling interests" within equity.

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

	2018 \$'000
Consideration for acquisition of non-controlling interests	1,007
Increase in equity attributable to non-controlling interests	2,720
Decrease in equity attributable to owners of the Company	3,727

NOTES TO THE FINANCIAL STATEMENTS

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13. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Acquisition of ownership interest in subsidiary, without loss of control (Continued)

Niessing Manufaktur GmbH & Co. KG

On 18 October 2017, the Group's subsidiary company, Niessing Group Pte. Ltd. ("NGPL") entered into an agreement with the remaining limited partners of NMK to acquire an additional aggregate 45% equity interest in its 30% owned associate, NMK, a trader and manufacturer of jewellery in Germany for an aggregate cash consideration of EUR3,793,000 (equivalent to approximately \$6,000,000).

On 11 April 2018 (the "acquisition date"), NGPL owned 75% equity interest in NMK after the legal completion of registration as partner. Consequent to the acquisition, NMK became a subsidiary of the Group.

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

	Fair value recognised on acquisition \$'000
Property, plant and equipment	1,380
Other receivables	3,736
Inventories	17,871
Prepayments	133
Other investments	41
Cash and cash equivalents	3,026
Intangible assets	4,271
	<u>30,458</u>
Trade and other payables	(3,383)
Interest-bearing loan and borrowings	(4,688)
Provision for taxation	(464)
Amount due to partners	(4,031)
Deferred tax liability	(1,764)
	<u>(14,330)</u>
Total identifiable net assets at fair value	16,128
Non-controlling interest measured at the non-controlling interest's proportionate share of NMK's net identifiable assets	(4,032)
Gain on bargain purchase on acquisition	(1,144)
Net gain on remeasuring previously held equity interest in NMK to fair value at acquisition date	(957)
Other adjustments	(114)
	<u>9,881</u>
<u>Effect of the acquisition of NMK on cash flows</u>	
Total cash paid in previous years	9,881
Less: Cash and cash equivalents of subsidiary acquired, taken into account in 2018	(3,026)
Net cash outflow on acquisition	<u>6,855</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

13. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Acquisition of ownership interest in subsidiary, without loss of control (Continued)

Niessing Manufaktur GmbH & Co. KG (Continued)

Impact of the acquisition on profit or loss

From the acquisition date, NMK has contributed \$20,016,000 of revenue and a profit of \$135,000 to the Group's profit for the financial year ended 31 December 2018. If the business combination had taken place at the beginning of the year, the Group's revenue would have been \$907,633,000 and the Group's profit for the year would have been \$37,130,000.

Gain on bargain purchase on acquisition

The Group recognised a gain of \$1,144,000 on bargain purchase relating to the subject acquisition mainly due to trademarks and inventories at fair value which were higher than NMK's initial carrying value upon acquisition. The gain is included in the "Other income" line item in the Group's profit or loss for the year ended 31 December 2018.

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

The Group recognised a gain of \$957,000 as a result of measuring at fair value its 30% equity interest in NMK held before the business combination of \$4,838,000. The gain is included in the "Other income" line item in the Group's profit or loss for the year ended 31 December 2018.

Disposal of ownership interest in subsidiary, without loss of control

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

On 12 January 2018 and 30 September 2018, Maxi-Cash issued 87,125,632 new shares at an issue price of \$0.16 for each rights share, on the basis of one (1) rights share for every ten (10) existing ordinary shares in the capital of Maxi-Cash.

On 13 July 2018, Maxi-Cash issued 36,550,676 new shares at an issue price of \$0.14 to eligible Shareholders who elected to participate in the Maxi-Cash's scrip dividend scheme.

On 14 August 2018, 17 August 2018 and 20 August 2018, Maxi-Cash purchased an aggregate of 300,000 shares, which are held as treasury shares in Maxi-Cash.

On 31 August 2018, Maxi-Cash transferred 1,203,700 treasury shares to eligible employees under the Maxi-Cash Performance Share Plan.

Following the issuance, share buyback and share awards in 2018, the Company's ownership interest in Maxi-Cash decreased from 64.92% to 64.72%.

On 22 August 2019, 23 August 2019 and 26 August 2019, Maxi-Cash purchased an aggregate of 911,000 shares, which are held as treasury shares in Maxi-Cash.

On 30 August 2019, Maxi-Cash transferred 941,178 treasury shares to eligible employees under the Maxi-Cash Performance Share Plan.

The Company's ownership interest in Maxi-Cash remains unchanged following the share buyback and share awards.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

14. INVESTMENT IN ASSOCIATES

The Group's investments in associates are summarised below:

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Kensington Land Pte. Ltd.	1,997	2,016	–	–
Kensington Village Pte. Ltd.	6,390	7,619	–	–
Silver Bullion Pte. Ltd.	9,380	8,092	–	–
Niessing Schmuck-Kooperation GmbH & Co. KG	1,597	1,597	–	–
AF Global Limited	104,706	–	76,529	–
	<u>124,070</u>	<u>19,324</u>	<u>76,529</u>	<u>–</u>

Name of Company		Principal place of business	Principal activities	Proportion of ownership interest	
				2019 %	2018 %
<i>Held through subsidiaries</i>					
i	Kensington Land Pte. Ltd.	Singapore	Property development	40	40
i	Kensington Village Pte. Ltd.	Singapore	Property development	40	40
ii	Silver Bullion Pte. Ltd.	Singapore	Sale and storage of investment precious metals	25.25	25.77
	Niessing Schmuck-Kooperation GmbH & Co. KG	Germany	Jewellery retailing	50	50
ii, iii	AF Global Limited	Singapore	Investment holding and provision of the management services	41.75	–

i Audited by Deloitte & Touche LLP

ii Audited by Ernst & Young LLP, Singapore

iii Acquired during the financial year ended 31 December 2019

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

14. INVESTMENT IN ASSOCIATES (CONTINUED)

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

Summarised statement of financial position

	KEL		KEV		SB		AFG
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000
Current assets	5,399	5,439	51,227	53,269	25,576	18,156	83,966
Non-current assets	–	–	10,090	10,090	1,205	1,165	285,304
Total assets	5,399	5,439	61,317	63,359	26,781	19,321	369,270
Current liabilities	406	399	41,817	40,788	12,297	9,053	24,874
Non-current liabilities	–	–	3,525	3,525	231	863	34,237
Total liabilities	406	399	45,342	44,313	12,528	9,916	59,111
Net assets	4,993	5,040	15,975	19,046	14,253	9,405	310,159
Less: Non-controlling interest	–	–	–	–	(230)	(59)	(68,302)
Net assets excluding non-controlling interest	4,993	5,040	15,975	19,046	14,023	9,346	241,857
Proportion of Group's ownership	40%	40%	40%	40%	25.25%	25.77%	41.75%
Group's share of net assets	1,997	2,016	6,390	7,619	3,541	2,408	100,963
Goodwill on acquisition	–	–	–	–	5,492	5,492	–
Consolidation adjustments relating to previous interest held indirectly via AF Corporation Pte. Ltd.	–	–	–	–	–	–	11,480 [#]
Effects of adopting SFRS(I) 1	–	–	–	–	–	–	(7,233)
Other adjustments	–	–	–	–	347	192	(504)
Carrying amount of the investment	1,997	2,016	6,390	7,619	9,380	8,092	104,706

[#] On 20 December 2019, AF Corporation Pte. Ltd. ("AFC") transferred its equity interests held in AFG to the Company. This amount represents the cumulative consolidation adjustments relating to the Group's investment in AFG recorded up to the date of transfer.

Summarised statement of comprehensive income

	KEL		KEV		NMK	SB		AFG
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	30 April 2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000
Revenue	–	1	674	516	9,182	137,028	95,076	28,266
(Loss)/profit after tax after NCI	(46)	(8)	(868)	(1,105)	24	5,098	1,417	18,949
Total comprehensive (loss)/income after NCI	(46)	(8)	(868)	(1,105)	24	5,096	1,328	28,754

On 11 April 2018, the Group's equity interest in one of its associates, NMK increased from 30% to 75% and NMK became a subsidiary from that date (see Note 13). Accordingly, the information presented in the above table includes the results of NMK only for the period from 1 January 2018 to 30 April 2018.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

14. INVESTMENT IN ASSOCIATES (CONTINUED)

Distribution in specie of shares in AFG by AFC

During the year, a distribution *in specie* (the "**AFC Distribution**") was undertaken to distribute substantially all of the 881,383,569 ordinary shares (the "**AFG Shares**") in the capital of AFG held by AFC to the Company and Fragrance Group Limited ("**Fragrance**") in proportion to their shareholdings in AFC. This was done by way of the following:

- AFC capitalising approximately \$47,928,452 of its total reserve by allotting and issuing 47,928,452 new ordinary shares in the capital of AFC, credited as fully paid, to the Company and Fragrance on a pro-rata basis (the "**AFC Capitalisation of Reserve**");
- Subsequent to the AFC Capitalisation of Reserve, AFC reducing its share capital by the sum of \$57,793,916, and such reduction will be effected by AFC distributing an aggregate of 242,796,136 AF Global Shares held by it to the Company and Fragrance in proportion to their shareholdings in AFC (the "**AFC Capital Reduction**");
- On or about the date on which the AFC Capital Reduction takes effect, AFC repaying the aggregate shareholders' loan of \$152,005,996 to the Company and Fragrance in equal proportion by transferring 638,587,432 AF Global Shares, free of encumbrances and together with all rights attaching thereto on and from the date of transfer, to the Company and Fragrance in equal proportion.

Following the completion of the AFC Distribution on 20 December 2019 and transfer of 1 AFG Share from AFC to the Company on 30 December 2019, the Company has ceased to hold a deemed interest in the 881,383,569 AFG Shares that were previously held by AFC and now holds a direct interest in 440,691,785 AFG Shares, representing approximately 41.75 per cent. of the total number of AFG Shares in issue; and there is no change to the Company's effective interest in AFG.

15. INVESTMENT IN JOINT VENTURES

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

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Jewelfest Pte. Ltd.	—	—	—	—
AF Corporation Pte. Ltd.	75	13,321	75	5,000
The Real Insight Company Pte. Ltd.	—	25	—	—
	<u>75</u>	<u>13,346</u>	<u>75</u>	<u>5,000</u>

			Proportion of ownership interest		
Name of Company		Principal place of business	Principal activities	2019 %	2018 %
Held by the Company					
	Jewelfest Pte. Ltd.	Singapore	Management of trade shows and exhibitions	–	40*
(a)	AF Corporation Pte. Ltd. (“ AFC ”)	Singapore	Investment holding	50	50
(b)	The Real Insight Company Pte. Ltd. (“ RIC ”)	Singapore	Inactive	–	50

(a) Audited by Ernst & Young LLP, Singapore

(b) Voluntarily liquidated during the financial year ended 31 December 2019

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

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15. INVESTMENT IN JOINT VENTURES (CONTINUED)

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

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

The summarised financial information in respect of AFC is based on its separate FRS financial statements prepared in accordance with SFRS(I) 1-27: *Separate Financial Statements* where AFC equity accounts for its investment in AFG. The reconciliation with the carrying amount of the investment in the Group's consolidated financial statements is as follows:

Summarised statement of financial position

	AFC 2018 \$'000
Cash and cash equivalents	72
Other current assets	–
Current assets	72
Investment in subsidiary	245,352
Total assets	245,424
Other payables and provisions	170,653
Other current liabilities	20,000
Current liabilities	190,653
Other non-current liability	20,000
Total liabilities	210,653
Net assets	34,771
Purchase price adjustments not taken up in consolidated financial statements	(694)
Impairment of investment in subsidiary, reversed on consolidation	22,190
Adjusted net assets	56,267
Proportion of Group's ownership	50%
Group's share of net assets	28,133
Share of AFG reserves arising from previous interest directly held by the Company	813 [#]
Effects of adopting of SFRS(I) 1	(15,625)
Carrying amount of the investment	13,321

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

15. INVESTMENT IN JOINT VENTURES (CONTINUED)

Summarised statement of comprehensive income

	AFC 2018 \$'000
Administrative expenses	(16)
Other operating expenses	(6)
Finance costs	(1,079)
Share of results of subsidiary	774
Loss before tax	(327)
Income tax expense	–
Loss after tax	(327)
Other comprehensive loss	(2,234)
Total comprehensive loss	(2,561)

Subsequent to the AFC distribution, the investment in AFC is not material to the Group. Accordingly, we have not presented the reconciliation with the carrying amount of the investment in the Group's consolidated financial statements.

16. INVESTMENT IN JOINT OPERATIONS

The Group has a 50% (2018: 50%) equity interest in the ownership and voting rights in two joint operations, Bayfront Ventures Pte. Ltd. and Bayfront Realty Pte. Ltd. that are held through a subsidiary, World Class Land Pte. Ltd..

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

Details of the Group's material joint operations as are as follows:

Name of Company	Principal place of business	Principal activities	Proportion of ownership interest	
			2019 %	2018 %
<i>Held through a subsidiary</i>				
(a) Bayfront Ventures Pte. Ltd.	Singapore	Property development	50	50
(a) Bayfront Realty Pte. Ltd.	Singapore	Property development	50	50
(a) Audited by Ernst & Young LLP, Singapore				

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

17. INVESTMENT SECURITIES

Financial instruments as at 31 December 2019

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Current:				
At FVOCI				
– Debt securities (quoted)	9,579	3,452	425	–
At FVPL				
– Equity securities (quoted)	139	227	–	–
	9,718	3,679	425	–
Add:				
Non-current:				
At FVOCI				
– Debt securities (quoted)	3,440	45,629	–	500
– Equity securities (quoted)	3,396	47,454	–	–
– Equity securities (unquoted)	4,812	6,008	–	–
	11,648	99,091	–	500
At FVPL				
– Equity securities (quoted)	224	212	–	–
	11,872	99,303	–	500
Total investment securities measured at FVOCI and FVPL	21,590	102,982	425	500

Investments pledged as security

A floating charge has been placed on investment securities with a carrying value of \$16,778,000 (2018: \$96,974,000) as security for bank borrowings (Note 25).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

17. INVESTMENT SECURITIES (CONTINUED)

Financial instruments as at 31 December 2019 (Continued)

Investments in equity instruments designated at FVOCI

The fair value of each of the investments in equity instruments designated at FVOCI at the end of the reporting period is as follows:

	Group	
	2019 \$'000	2018 \$'000
At FVOCI		
– Equity securities (quoted)		
ARA Asset Management Limited	–	1,442
ESR-REIT	–	3,764
Frasers Property Treasury Pte. Ltd.	502	15,212
Lippo Malls Indonesia Retail Trust	2,894	6,891
Olam International Limited	–	3,185
Wing Tai Properties Finance Ltd.	–	10,865
Aramark Services Inc	–	721
GLL IHT Pte. Ltd.	–	237
Bank of East Asia Ltd.	–	2,621
HSBC Holdings plc	–	2,516
	<u>3,396</u>	<u>47,454</u>
At FVOCI		
– Equity securities (unquoted)		
True Stats Lab Pte. Ltd.	302	1,500
Trinity House UK Commercial Property Fund 1 IC (“THUK”)	4,495	4,495
Others	15	13
	<u>4,812</u>	<u>6,008</u>

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

The fair value at the date of derecognition amounted to \$46,783,000 (2018: \$75,288,000). The cumulative loss arising from the disposal amounted to \$1,797,000 (2018: \$1,843,000) and was transferred from fair value adjustment reserve to revenue reserves.

The Group recognised a dividend of GBP 175,000 (equivalent to \$304,000) (2018: GBP 177,000 (equivalent to \$320,000)) from THUK during the year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

18. INVENTORIES

	Group	
	2019 \$'000	2018 \$'000
Consolidated statement of financial position:		
Finished goods, at cost	106,248	96,915
Finished goods, at net realisable value	22,399	28,359
Raw materials, at cost	20,673	21,734
Packaging materials, at cost	372	405
Total inventories at lower of cost and net realisable value	149,692	147,413
Consolidated statement of comprehensive income:		
Inventories recognised as an expense in profit or loss	206,690	191,715
Inclusive of the following charge:		
Write-back of inventories	(400)	(29)

A floating charge has been placed on inventories with a carrying value of \$71,141,000 (2018: \$60,004,000) as security for bank borrowings (Note 25).

19. DEVELOPMENT PROPERTIES/PROPERTIES HELD FOR SALE

(a) Development properties

	Group	
	2019 \$'000	2018 \$'000
Land costs	141,520	184,756
Development charges	381,203	405,579
	522,723	590,335
Allowance for write-down of development properties	(1,502)	–
	521,221	590,335
Relating to development properties:		
– Located outside of Singapore	521,221	590,335

During the financial year ended 31 December 2019, borrowing costs amounting to \$28,573,000 (2018: \$36,463,000) arising from borrowings obtained specifically for the development properties were capitalised.

A weighted average interest capitalisation rate of 6.66% (2018: 5.92%) per annum was used, representing the actual borrowing cost of the loans used to finance the projects.

Development properties amounting to \$483,731,000 (2018: \$559,614,000) are pledged as security for bank borrowings (Note 25).

Development properties amounting to \$Nil, \$Nil and \$51,950,000 (2018: \$51,066,000, \$13,235,000 and \$1,796,000) were transferred to properties held for sale, investment properties and property, plant and equipment respectively during the financial year ended 31 December 2019.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

(a) Development properties (Continued)

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

Location	Description and use	Land area (in square metres)	Estimated gross floor area (in square metres)	Tenure	Stage of completion/development
WCL-Southbank (VIC) Pty. Ltd.					
Australia 108 68-82 Southbank Boulevard, Southbank, Melbourne, Victoria, Australia	Residential	2,642	138,282	Freehold	Construction works commenced in November 2015. Expected completion for the last phase: 2020
WCL-Central Park (QLD) Pty. Ltd.					
Nova City 81-83 Spence Street and 112-114 Bunda Street, Cairns, Queensland, Australia	Mixed use development	25,874	115,510	Freehold	Planning and designing
WCL (CNS) CBD Pty. Ltd.					
17 Hartley Street and 6 Kenny Street, Cairns, Queensland, Australia	Mixed use development	16,351	88,295	Freehold	Planning and designing
WCL (QLD) Margaret St Pty. Ltd.					
240 Margaret Street, Brisbane, Queensland, Australia	Residential	1,715	61,252	Freehold	Planning and designing
WCL (QLD) Albert St Pty. Ltd.					
30 Albert Street and 131A Margaret Street, Brisbane, Queensland, Australia	Residential	2,007	76,301	Freehold	Planning and designing

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

(a) Development properties (Continued)

Location	Description and use	Land area (in square metres)	Estimated gross floor area (in square metres)	Tenure	Stage of completion/development
World Class Land (Georgetown) Sdn. Bhd.					
240, 242, 244, 246, 248, 250, 252 & 254 Jalan Dato Kramat and 1, 3, 5, 7, 9, 9A & 9B Lebuhi Melaka, Penang, Malaysia	Mixed use development	2,067	12,037	Freehold	Planning and designing
57, 59, 61, 63 & 65 Jalan Tan Sri Teh Ewe Lim and 1, 3, 5, 7, 9 & 11 Lorong Juru, Penang, Malaysia	Commercial	859	1,478	Freehold	Planning and designing
WCL (Magazine) Sdn. Bhd.					
Lots 18, 479, 480 & 10026 Seksyen 11W, Bandar Georgetown, Daerah Timur Laut and 119 Lebuhi Noordin, Penang, Malaysia	Mixed use development	2,966	17,496	Freehold	Planning and designing
WCL (Macallum) Sdn. Bhd.					
1, 3, 5 & 7 Lebuhi Macallum and 170, 172, 174, 176, 178, 180, 182, 184, 186, 188, 190, 192, 194 & 196 Jalan C.Y. Choy, Penang, Malaysia	Mixed use development	2,703	15,651	Freehold	Planning and designing
4, 6, 8, 10, 12, 14, 16 & 18 Lebuhi Katz, Penang, Malaysia	Mixed use development	1,470	7,415	Freehold	Planning and designing

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

(b) Properties held for sale

	Group	
	2019 \$'000	2018 \$'000
At cost		
At 1 January	76,135	22,313
Transferred from development properties	1,161	51,066
Properties sold during the year	(13,062)	–
Enhancement works incurred	33	2,662
Exchange differences	(30)	94
At 31 December	64,237	76,135

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

Location	Description and use	Land area (in square metres)	Estimated gross floor area (in square metres)	Tenure	Unexpired lease term
Bayfront Realty Pte. Ltd.					
Urban Vista Lot 10765A MK27 at Tanah Merah Kechil Link	Commercial	113	113	Leasehold	93 years
Bayfront Ventures Pte. Ltd.					
CityGate 371 Beach Road Singapore^	Residential/ commercial units	7,269	3,212 ^(a)	Leasehold	95 years
World Class Land (Georgetown) Sdn. Bhd.					
Ropewalk Piazza 134, 136, 138, 140, 142, 144, 146, 148, 150, 152, 154 & 156 Jalan Pintal Tali, Penang, Malaysia	Commercial	1,085	1,712	Freehold	–
Bahari Parade 69, 71, 73, 75, 77, 79 & 81 Jalan Sri Bahari, Penang, Malaysia	Commercial	846	1,102	Freehold	–
128, 128A, 128B, 128C, 128D, 128E, 128F and 128G Jalan Transfer, Penang, Malaysia	Commercial	487	776	Freehold	–
2, 4, 6, 8 & 10 Jalan Hutton, Penang, Malaysia	Commercial	568	897	Freehold	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

(b) Properties held for sale (Continued)

Location	Description and use	Land area (in square metres)	Estimated gross floor area (in square metres)	Tenure	Unexpired lease term
WCL (Magazine) Sdn. Bhd.					
237, 239, 241 & 243 Jalan Magazine and 2-G, 2-H & 2-I Jalan Gurdwara, Penang, Malaysia	Commercial	646	979	Freehold	–
WCL (Macallum) Sdn. Bhd.					
Macallum Central 51, 53, 55, 57, 59, 61, 63, 65, 67 & 69 Lebuhr Macallum Penang, Malaysia	Commercial	694	1,152	Freehold	–

(a) Pertains to the gross floor area of units available for sale, whilst the land area represents the area covered by the CityGate development.

(b) Pertains to the gross floor area of units available for sale, whilst the land area represents the area covered by the AVANT development.

As at 31 December 2019, properties held for sale with a carrying value of \$55,851,000 (2018: \$24,401,000) are pledged as security for bank borrowings (Note 25).

20. TRADE AND OTHER RECEIVABLES

Note	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Trade and other receivables (current)				
Trade receivables	318,895	318,945	–	–
Other debtors	8,342	2,867	7,766	2,021
Deposits	4,056	4,417	60	181
	<u>331,293</u>	<u>326,229</u>	<u>7,826</u>	<u>2,202</u>
Trade and other receivables (non-current)				
Trade receivables	–	3,517	–	–
Unquoted debt securities at FVPL	9,430	9,625	–	–
Deposits	4,852	3,544	–	–
	<u>14,282</u>	<u>16,686</u>	<u>–</u>	<u>–</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

20. TRADE AND OTHER RECEIVABLES (CONTINUED)

	Note	Group		Company	
		2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Total trade and other receivables (current and non-current)		345,575	342,915	7,826	2,202
Add:					
Due from subsidiaries (non-trade)		–	–	27,434	211,712
Due from associates (non-trade)		1,278	276	385	–
Due from a joint venture (non-trade)		1	86,099	1	86,093
Cash and bank balances	23	146,194	59,020	337	164
Less:					
Unquoted debt securities at FVPL		(9,430)	(9,625)	–	–
Total financial assets at amortised cost		<u>483,618</u>	<u>478,685</u>	<u>35,983</u>	<u>300,171</u>

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

Pawnshop loans are loans to customers extended under the pawnbroking business, which are interest-bearing, ranging between 1.0% to 1.5% for the first month and 1.5% for the subsequent 6 months (2018: 1.0% to 1.5% for the first month and 1.5% for the subsequent 6 months). The quantum of loans granted to customers is based on a fraction of the value of the collaterals pledged to the Group.

Secured lending receivables are measured at amortised cost using the effective interest rate method which are interest-bearing ranging between 5.0% to 22.5% (2018: interest-bearing ranging between 5.0% to 22.5%) per annum and are secured by way of collateralised real estate held by the investment trustee, and have remaining maturities ranging between 1 to 6 months (2018: 6 to 18 months).

Included in non-current financial assets held at FVPL is an amount of \$9,430,000 (2018: \$9,625,000), extended through a fund which extends interest-bearing loans to borrowers and provided a return of approximately 9% (2018: 11%) per annum for the financial year ended 31 December 2019. This financial asset is secured by way of collateralised real estate held by the fund and has a remaining maturity of 17 months (2018: 29 months), with an option by the fund to extend the maturity by a further 12 months.

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

A floating charge has been placed on trade and other receivables with a carrying value of \$288,134,000 (2018: \$268,456,000) as security for bank borrowings (Note 25).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

20. TRADE AND OTHER RECEIVABLES (CONTINUED)

Trade and other receivables denominated in foreign currencies are as follows:

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
United States Dollar	405	299	–	–
Australian Dollar	26,034	52,134	–	–
Euro	10,143	–	–	–

Expected credit losses

The movement in allowance for expected credit losses of trade receivables are as follows:

	Group	
	2019 \$'000	2018 \$'000
Movement in allowance accounts:		
At 1 January	760	790
Charge for the year	4,155	5,017
Written-back	–	(26)
Written-off	(4,155)	(5,021)
At 31 December	760	760

Receivables that are past due

The Group has no receivables that are past due as at 31 December 2019 and 2018.

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

The amounts due from/(to) subsidiaries, associates and joint ventures are unsecured, receivable/repayable on demand and are to be settled in cash. These amounts are non-interest bearing except for amounts due from subsidiaries of \$11,091,000 (2018: \$190,923,000) which bear interest ranging from 3.33% to 6.67% (2018: 4.38% to 6.67%) per annum and amount due to a subsidiary of \$6,420,000 (2018: 177,463,000) which bear interest ranging from 5.05% to 6.44% (2018: 6.37% to 7.12%) per annum.

22. DERIVATIVES

	Group 31 December 2019	
	\$'000 Contract notional amount	\$'000
	Assets	Liabilities
Forward currency contracts	299,947	–
Add:		
Trade receivables held at FVPL (Note 20)	9,430	–
Equity securities (quoted) (Note 17)	363	–
Total financial assets at FVPL	11,826	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

22. DERIVATIVES (CONTINUED)

		Group 31 December 2018	
	\$'000 Contract notional amount	\$'000	\$'000
		Assets	Liabilities
Forward currency contracts	148,223	2,537	–
Add:			
Trade receivables held at FVPL (Note 20)		9,625	–
Equity securities (quoted) (Note 17)		439	–
Total financial assets at FVPL		12,601	–

As at 31 December 2019, the Group entered into foreign currency forward contracts mainly in Australian Dollar and Euro, maturing within the next 12 months to reduce its exposure to foreign currency risks on Australian Dollar and Euro receivables.

23. CASH AND BANK BALANCES

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Cash at banks and on hand	132,997	59,020	337	164
Restricted cash	13,197	–	–	–
	146,194	59,020	337	164

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

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

	Group	
	2019 \$'000	2018 \$'000
United States Dollar	577	81
Australian Dollar	436	2,202
British Pound	172	218
Euro	194	102

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise the following:

	Group	
	2019 \$'000	2018 \$'000
Cash held under "Project Account (Amendment) Rules – 1997"	–	6,647
Cash at banks and on hand	146,194	52,373
Cash and cash equivalents	146,194	59,020

A floating charge has been placed on cash and bank balances with a carrying value of \$14,256,000 (2018: \$17,343,000) as security for bank borrowings (Note 25).

An amount of \$13,197,000 (2018: \$Nil) in restricted cash relates to reserve accounts held in escrow by third parties which will only be released upon repayment of the loan, interest and related development expenditures.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

23. CASH AND BANK BALANCES (CONTINUED)

Cash and cash equivalents (Continued)

Purchasers' deposit monies of AUD 38,717,000 (equivalent to approximately \$36,567,000) (2018: AUD 67,436,000 (equivalent to approximately \$64,833,000)) pertaining to the development projects for which sale has commenced are placed in escrow held by a third party. In addition, purchasers' deposits in the form of bankers' guarantees of AUD 7,219,000 (equivalent to approximately \$6,813,000) (2018: AUD 8,537,000 (equivalent to approximately \$8,208,000)) pertaining to the development projects for which sale has commenced are placed in escrow held by a third party. These balances are not included as assets of the Group as at 31 December 2019 and 2018. The Group will only have access to these funds upon completion and handover of the development projects to the purchasers.

24. TRADE AND OTHER PAYABLES

Note	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Current:				
Trade payables	7,878	5,812	–	–
Other payables	13,872	8,770	381	374
Accrued operating expenses				
– payroll related	13,135	13,311	4,418	1,192
– property development	9,599	16,799	–	–
– others	20,407	19,367	1,730	1,748
Deferred revenue	19	82	–	–
Deposits received	2,951	1,578	3	3
Withholding tax payable	202	1,910	–	–
Dividend payable	11,514	6,258	9,688	4,841
	<u>79,577</u>	<u>73,887</u>	<u>16,220</u>	<u>8,158</u>
Non-current:				
Other payables				
– amount due to non-controlling shareholders of a subsidiary	5,830	3,047	–	–
– others	109	74	–	–
	<u>5,939</u>	<u>3,121</u>	<u>–</u>	<u>–</u>
Total trade and other payables (current and non-current)	85,516	77,008	16,220	8,158
Add:				
Due to subsidiaries (non-trade)	–	–	53,296	185,665
Due to an associate (non-trade)	1,508	2,028	–	–
Due to a joint venture	–	25	–	–
Interest-bearing loans and borrowings	25 591,427	566,001	–	–
Lease liabilities	27(b) 98,140	–	–	–
Term notes and bonds	26 499,982	587,872	–	83,000
Less:				
Accrued operating expenses				
– payroll related	(1,610)	(1,548)	(178)	(206)
Deferred revenue	(19)	(82)	–	–
Withholding tax payable	(202)	(1,910)	–	–
Total financial liabilities carried at amortised cost	<u>1,274,742</u>	<u>1,229,394</u>	<u>69,338</u>	<u>276,617</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

24. TRADE AND OTHER PAYABLES (CONTINUED)

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

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

Trade and other payables denominated in foreign currencies are as follows:

	Group	
	2019 \$'000	2018 \$'000
United States Dollar	3,139	2,536
Hong Kong Dollar	1,093	602
Australian Dollar	188	417

25. INTEREST-BEARING LOANS AND BORROWINGS

	Note	Group		Company	
		2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Secured borrowings					
<i>Current</i>					
Obligation under finance lease		–	169	–	–
Bank borrowings		245,851	289,741	–	–
Term loans		240,585	171,745	–	–
		486,436	461,655	–	–
<i>Non-current</i>					
Obligation under finance lease		–	391	–	–
Term loans		104,991	103,955	–	–
		591,427	566,001	–	–
Add:					
Term notes and bonds	26	499,982	587,872	–	83,000
Total loans and borrowings		1,091,409	1,153,873	–	83,000

(a) Details of securities granted for the secured borrowings are as follows:*Subsidiaries/Joint operations*

Interest-bearing loans and borrowings comprise bank borrowings of \$306,892,000 (2018: \$328,536,000) and term loans of \$284,535,000 (2018: \$236,905,000).

- (i) Bank borrowings of \$214,975,000 (2018: \$203,491,000) are secured by way of a fixed and floating charge on all assets of certain subsidiaries and corporate guarantees by the Company and/or subsidiaries.
- (ii) Revolving loans of \$30,876,000 (2018: \$86,250,000) bear interest ranging from 2.34% to 3.63% (2018: 1.73% to 3.56%) per annum and are secured by way of a fixed and floating charge on all assets of certain subsidiaries or corporate guarantees by the Company and/or subsidiaries. These loans are repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

25. INTEREST-BEARING LOANS AND BORROWINGS (CONTINUED)

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

Subsidiaries/Joint operations (Continued)

- (iii) Term loans of \$62,271,000 (2018: \$51,336,000) bear interest ranging from 1.58% to 4.94% (2018: 1.58% to 4.64%) per annum and are secured by way of legal mortgage over the leasehold properties. These loans are repayable in 2032 to 2041.
- (iv) Term loans of \$184,000 (2018: \$284,000) bear interest at 1.70% per annum (2018: 1.70%) and are secured by way of corporate guarantees by the associate.
- (v) Term loans of \$3,421,000 (2018: \$3,016,000) bear interest ranging from 2.00% to 2.35% per annum (2018: 2.00% to 2.35%) and are secured by way of charge on trade receivables and inventories.
- (vi) Term loans and revolving loans of \$279,507,000 (2018: \$220,818,000) bear interest ranging from 2.34% to 8.25% (2018: 2.20% to 6.39%) per annum and are secured by way of:
 - legal mortgages over subsidiaries' property, plant and equipment (Note 10), development properties (Note 19(a)), properties held for sale (Note 19(b)) and investment properties (Note 11);
 - legal assignments of subsidiaries' interest under the Sale and Purchase agreements and tenancy agreements in respect of the development properties or investment properties units therein which includes the assignment of all the sale and rental proceeds;
 - legal assignments of subsidiaries' interest in the Project Account and Rental Account, and a charge over such sales proceeds and rentals and all sums in credit in such accounts; and
 - corporate guarantees by the Company and/or subsidiaries.

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

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

(b) Maturity of borrowings

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

	Group	
	2019 \$'000	2018 \$'000
Years after end of reporting period:		
After one year but within two years	10,853	30,503
After two years but within five years	34,991	24,693
After five years	59,147	49,150
	<u>104,991</u>	<u>104,346</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

26. TERM NOTES AND BONDS

Date issued	Interest rate %	Maturity dates	Aggregate principal amount outstanding			
			Group		Company	
			2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Current						
12 June 2014 ⁽¹⁾	5.05	12 June 2019	–	37,750	–	38,000
3 July 2014 ⁽¹⁾	5.05	12 June 2019	–	45,000	–	45,000
28 August 2015 ⁽²⁾	5.25	28 August 2020	148,201	–	–	–
1 April 2016 ⁽³⁾	5.30	1 April 2020	184,281	–	–	–
27 April 2017 ⁽⁴⁾	5.50	27 April 2020	5,500	–	–	–
9 October 2017 ⁽⁴⁾	5.50	27 April 2020	20,000	–	–	–
			<u>357,982</u>	<u>82,750</u>	<u>–</u>	<u>83,000</u>
Non-current						
28 August 2015 ⁽²⁾	5.25	28 August 2020	–	148,716	–	–
1 April 2016 ⁽³⁾	5.30	1 April 2020	–	194,906	–	–
27 April 2017 ⁽⁴⁾	5.50	27 April 2020	–	49,000	–	–
9 October 2017 ⁽⁴⁾	5.50	27 April 2020	–	20,000	–	–
19 April 2018 ⁽⁵⁾	5.90	19 April 2021	47,500	47,500	–	–
11 October 2018 ⁽⁵⁾	6.25	11 October 2021	45,000	45,000	–	–
22 July 2019 ⁽⁴⁾⁽⁶⁾	6.35	22 July 2022	49,500	–	–	–
			<u>142,000</u>	<u>505,122</u>	<u>–</u>	<u>–</u>
Total term notes and bonds			<u>499,982</u>	<u>587,872</u>	<u>–</u>	<u>83,000</u>

Notes:

- (1) During the financial year ended 31 December 2014, unsecured term notes were issued by the Group and the Company under the Multicurrency Debt Issuance Programme (“**MDI Programme**”). During the financial year ended 31 December 2018, unsecured term notes amounting to \$34,250,000 issued under the MDI Programme were purchased and cancelled by the Group and the Company. On 27 November 2018, \$51,000,000 unsecured term notes were redeemed by the Group and the Company. As at 31 December 2018, \$250,000 term notes had been purchased and held by a subsidiary of the Company. During the financial year ended 31 December 2019, unsecured term notes amounting to \$20,250,000 were purchased and cancelled by the Group and the Company. On 12 June 2019, \$62,750,000 unsecured term notes issued under the MDI Programme were redeemed by the Group and the Company. Under the MDI Programme, the Group and the Company may issue both multicurrency medium term notes and perpetual securities. As at 31 December 2019 and 2018, no perpetual securities have been issued.
- (2) During the financial year ended 31 December 2015, unsecured bonds issued by a subsidiary of the Company amounted to \$150,000,000. As at 31 December 2019, \$1,799,000 (2018: \$1,284,000) bonds had been purchased and held by the Company and subsidiaries of the Company.
- (3) During the financial year ended 31 December 2016, unsecured bonds issued by a subsidiary of the Company amounted to \$200,000,000. During the financial year ended 31 December 2019, unsecured bonds amounting to \$10,000,000 were purchased and cancelled by the subsidiary of the Company. As at 31 December 2019, \$5,719,000 (2018: \$4,094,000) bonds had been purchased and held by the Company and subsidiaries of the Company.
- (4) During the financial year ended 31 December 2017, unsecured term notes issued by a subsidiary of the Company under the Multicurrency Medium Term Note Programme (“**MTN Programme**”) amounted to \$70,000,000. On 1 July 2019, the subsidiary issued a Notice of Tender and Exchange Offer Exercise to note holders on the Series 001 notes. Upon completion of the Tender Offer, \$14,000,000 principal amount of its existing notes were offered for sale and accepted by the subsidiary. \$26,500,000 principal amount of existing notes were offered for exchange for Series 002 New Notes. As at 31 December 2019, \$4,000,000 (2018: \$1,000,000) term notes had been purchased and held by the subsidiary of the Company. Following the cancellation of Tender offered notes and the purchase of term notes, the aggregate outstanding existing notes is \$25,500,000.
- (5) During the financial year ended 31 December 2018, unsecured term notes issued by a subsidiary of the Company under the MDI Programme amounted to \$100,000,000. As at 31 December 2019, \$7,500,000 (2018: \$7,500,000) term notes had been purchased and held by a subsidiary of the Company.
- (6) A subsidiary of the Company issued \$50,000,000 6.35% term notes due 2022 on 22 July 2019. As at 31 December 2019, \$500,000 term notes had been purchased and held by a subsidiary of the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

26. TERM NOTES AND BONDS (CONTINUED)

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

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

	2018	Net cash flows from financing activities	Non-cash changes			2019
			Loss on purchase and cancellation of term notes and bonds			
			Foreign exchange movement	of term notes and bonds	Amortisation of premium on term notes	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Trade and other payables – premium on term notes	73	–	–	–	(57)	16
Term notes and bonds	587,872	(87,893)	–	3	–	499,982
Interest-bearing loans and borrowings	566,001	28,522	(3,096)	–	–	591,427
Total	1,153,946	(59,371)	(3,096)	3	(57)	1,091,425

	2017	Net cash flows from financing activities	Changes arising from obtaining control of a subsidiary	Non-cash changes			2018
				Gain on purchase and cancellation of term notes and bonds			
				Foreign exchange movement	of term notes and bonds	Amortisation of premium on term notes	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Trade and other payables – premium on term notes	128	–	–	–	–	(55)	73
Term notes and bonds	639,500	(51,561)	–	–	(67)	–	587,872
Interest-bearing loans and borrowings	845,058	(264,779)	4,688	(18,966)	–	–	566,001
Total	1,484,686	(316,340)	4,688	(18,966)	(67)	(55)	1,153,946

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

27. LEASES

Group as a lessee

The Group has lease contracts for land, leased properties, motor vehicles, machinery, tools & equipment, security equipment & office equipment and computer software. Leased properties generally have lease terms between 2 and 10 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets and some contracts require the Group to maintain certain financial ratios. There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

The Group also has certain leases of leased properties and motor vehicles with lease terms of 12 months or less and leases of vehicles with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

(a) Carrying amounts of right-of-use assets

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

Group	Land \$'000	Leased properties \$'000	Motor vehicles \$'000	Machinery, tools & equipment \$'000	Security equipment & office equipment \$'000	Computer software \$'000	Total \$'000
Cost:							
At 1 January 2019	7,819	50,371	53	897	59	135	59,334
Additions	–	57,948	162	410	–	–	58,520
Transferred (to)/from property, plant and equipment	(191)	–	163	379	–	–	351
Exchange difference	–	(115)	(1)	(42)	(2)	(4)	(164)
At 31 December 2019	7,628	108,204	377	1,644	57	131	118,041
Accumulated depreciation:							
At 1 January 2019	–	–	–	–	–	–	–
Depreciation	17	20,518	82	418	14	31	21,080
Exchange difference	–	(5)	(1)	(5)	–*	–*	(11)
At 31 December 2019	17	20,513	81	413	14	31	21,069
Net carrying amount:							
At 31 December 2019	7,611	87,691	296	1,231	43	100	96,972

* Less than \$1,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

27. LEASES (CONTINUED)

Group as a lessee (Continued)

(b) Lease liabilities

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	2019 \$'000
As at 1 January	59,802
Additions	58,520
Accretion of interest (Note 6)	2,073
Interest expenses reclassified to property, plant and equipment	282
Payments	(22,374)
Exchange difference	(163)
As at 31 December	<u>98,140</u>
Current portion	22,591
Non-current portion	<u>75,549</u>
	<u>98,140</u>

The maturity analysis of lease liabilities is disclosed in Note 35(a).

(c) Amounts recognised in profit or loss

The following are the amounts recognised in profit or loss:

	2019 \$'000
Depreciation of right-of-use assets	21,080
Interest expense on lease liabilities	2,073
Expense relating to short-term leases and leases of low-value assets (included in other operating expenses) (Note 8)	6,330
Variable lease payments (included in other operating expenses) (Note 8)	474
Total amount recognised in profit or loss	<u>29,957</u>

(d) Total cash outflow

The Group had total cash outflows for leases amounting to \$29,178,000 in 2019.

(e) Extension options

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised (Note 3.1).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

27. LEASES (CONTINUED)

Group as a lessor

The Group has entered into commercial property leases on its leasehold building and standing property at the development site acquired for development properties. The non-cancellable leases on its standing property have remaining lease terms of less than 8 years.

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

	Group	
	2019 \$'000	2018 \$'000
Not later than one year	1,465	1,873
Later than one year but not later than five years	2,136	1,443
Later than five years	205	371
	<u>3,806</u>	<u>3,687</u>

28. INCOME TAX EXPENSE

(a) Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2019 and 2018 are:

	Group	
	2019 \$'000	2018 \$'000
<i>Consolidated statement of comprehensive income</i>		
<i>Current income tax</i>		
– Current income taxation	18,910	13,284
– (Over)/under provision in respect of previous years	(7,381)	418
– Withholding tax	873	741
	<u>12,402</u>	<u>14,443</u>
<i>Deferred income tax</i>		
– Origination and reversal of temporary differences	(363)	11,198
– Benefits from previously unrecognised tax losses	–	(6,320)
– (Over)/under provision in respect of previous years	(194)	128
	<u>(557)</u>	<u>5,006</u>
Income tax expense recognised in profit or loss	<u>11,845</u>	<u>19,449</u>
<i>Deferred tax credit related to other comprehensive income</i>		
– Net gain/(loss) on fair value changes on equity instruments	929	(524)
– Net gain on fair value changes on debt instruments	170	755
	<u>1,099</u>	<u>231</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

28. INCOME TAX EXPENSE (CONTINUED)

(b) Relationship between tax expense and profit before tax

The reconciliation between tax expense and the product of profit before tax multiplied by the applicable corporate tax rate for the years ended 31 December 2019 and 2018 are as follows:

	2019 \$'000	2018 \$'000
Profit before tax	30,405	56,555
Tax at the domestic rates applicable to profits in the countries where the Group operates	7,200	15,724
Adjustments:		
– Non-deductible expenses	3,768	12,540
– Income not subject to taxation	72	(5,053)
– Deferred tax assets not recognised	1,136	2,473
– Effect of partial tax exemption and tax relief	(638)	(912)
– (Over)/under provision in respect of previous years	(509)	546
– Benefits from previously unrecognised tax losses	(560)	(6,320)
– Share of results of associates and a joint venture	212	75
– Prior year deferred tax asset over recognised	152	–
– Unutilised tax losses	221	–
– Disposal of equity instruments carried at FVOCI, which are not recycled to profit or loss	(59)	(313)
– Withholding tax	873	741
– Others	(23)	(52)
Income tax expense recognised in profit or loss	11,845	19,449

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

(c) Deferred income tax

	Group	
	2019 \$'000	2018 \$'000
Balance at 1 January	12,274	5,276
Tax charged to profit or loss	421	5,006
Tax charged to other comprehensive income	1,099	231
Deferred tax liability recorded on business combination	–	1,763
Translation difference	(228)	(2)
Balance at 31 December	13,566	12,274

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

28. INCOME TAX EXPENSE (CONTINUED)

(c) Deferred income tax (Continued)

Deferred income tax relates to the following:

Deferred tax liabilities, net

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Differences in depreciation for tax purposes	517	307	–	–
Business combination	–	1,763	–	–
Attributable profits from development properties	–	1,874	–	–
Uncompleted project expenses	10,734	15,885	–	–
Revaluations to fair value:				
– Investment properties	4,220	4,778	–	–
Provisions	1,328	(278)	–	–
Unutilised tax losses	(2)	(8,460)	–	–
Others	(50)	(65)	–	–
	<u>16,747</u>	<u>15,804</u>	<u>–</u>	<u>–</u>

Deferred tax assets, net

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Differences in depreciation for tax purposes	(327)	(316)	71	1
Unremitted foreign interest income, net	(54)	132	–	–
Provisions	(355)	(580)	(65)	(35)
Unutilised tax losses	(2,132)	(722)	(1,013)	(53)
Revaluations to fair value:				
– Debt and equity securities held at FVOCI	(216)	(1,395)	–	–
Unutilised capital allowance	(21)	(654)	–	–
Allowance for doubtful receivables	(88)	(88)	–	–
Others	12	93	(32)	–
	<u>(3,181)</u>	<u>(3,530)</u>	<u>(1,039)</u>	<u>(87)</u>

At the end of the reporting period, the Group has unutilised tax losses and unabsorbed capital allowances of approximately \$62,261,000 (2018: \$61,223,000) and \$7,466,000 (2018: \$6,912,000) that are available for offset against future taxable profits of the Group, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these balances is subject to the agreement of the tax authorities and compliance with the relevant provisions of the tax legislation of the respective countries in which the companies operate.

Tax consequences of proposed dividends

There are no income tax consequences attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 30).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

29. SHARE CAPITAL, TREASURY SHARES AND OTHER RESERVES

(a) Share capital

	Group and Company			
	2019		2018	
	No. of shares '000	\$'000	No. of shares '000	\$'000
Issued and fully paid ordinary shares At 1 January and 31 December	1,945,896	226,930	1,945,896	226,930

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

(b) Treasury shares

	Group and Company			
	2019		2018	
	No. of shares '000	\$'000	No. of shares '000	\$'000
At 1 January	9,405	2,589	9,405	2,589
Treasury shares reissued pursuant to Aspiat Performance Share Plan ⁽¹⁾	(1,086)	(299)	–	–
Balance at 31 December	8,319	2,290	9,405	2,589

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

Note:

(1) On 29 August 2019 and 10 October 2019, the Company transferred 321,222 and 764,706 treasury shares respectively to eligible employees under the Aspiat Performance Share Plan.

(c) Other reserves

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Gain on reissuance of treasury shares	1,302	1,413	1,302	1,413
Premium on dilution of interests in subsidiary	13,384	13,384	–	–
Foreign currency translation reserve	(10,505)	(15,496)	–	–
Premium paid on acquisition of non-controlling interests	(13,642)	(13,642)	–	–
Fair value adjustment reserve	(8,861)	(14,158)	–	–
Change in ownership interest in subsidiary without a change in control	700	723	–	–
	(17,622)	(27,776)	1,302	1,413

Gain on reissuance of treasury shares

This represents the gain arising from the purchase, sale, issue or cancellation of treasury shares. No dividend may be paid, and no other distribution (whether in cash or otherwise) of the Company's assets (including any distribution of assets to members on a winding up) may be made in respect of this reserve.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

(c) Other reserves (Continued)

Premium on dilution of interests in subsidiary

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

Premium paid on acquisition of non-controlling interests

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

Foreign currency translation reserve

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

Fair value adjustment reserve

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

30. DIVIDENDS

	Group \$'000
<i>Dividends on ordinary shares declared and payable/paid during the year:</i>	
<u>Financial year ended 31 December 2019</u>	
– Final exempt (one-tier) dividend for FY2018: 0.25 cent per share on 1,936,491,176 shares	4,841
– Interim exempt (one-tier) dividend for FY2019: 0.38 cent per share on 1,937,577,104 shares	7,363
– Interim exempt (one-tier) dividend for FY2019: 0.12 cent per share on 1,937,577,104 shares	2,325
	14,529
<u>Financial year ended 31 December 2018</u>	
– Final exempt (one-tier) dividend for FY2017: 0.25 cent per share on 1,936,491,176 shares	4,841
– Interim exempt (one-tier) dividend for FY2018: 0.25 cent per share on 1,936,491,176 shares	4,841
– Interim exempt (one-tier) dividend for FY2018: 0.25 cent per share on 1,936,491,176 shares	4,841
	14,523
<u>Proposed but not recognised as a liability as at 31 December:</u>	
Dividends on ordinary shares, subject to shareholders' approval at AGM:	
– Final exempt (one-tier) dividend for FY2019: 0.25 cent per share on 1,937,577,104 shares	4,844
– Final exempt (one-tier) dividend for FY2018: 0.25 cent per share on 1,936,491,176 shares	–
	4,841
	4,844

	Group 2019 \$'000	2018 \$'000
	4,844	–
	–	4,841
	4,844	4,841

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

31. RELATED PARTY TRANSACTIONS

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

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

	Group	
	2019 \$'000	2018 \$'000
Goods purchased from an affiliated company	451	138
Rental paid/payable to a director-related company	608	608
Rental received from an associate	168	114
Purchase of goods from an associate	4,038	4,190
Marketing income received from an associate	–	102
Marketing income paid to an associate	78	193
Management fee received from a subsidiary of a joint venture	–	360
Management fee received from an associate	360	–
Interest receivable from an associate	–	18
Sales of goods to an associate	5,501	5,777
Sale of properties to a director-related company	3,714	–

(b) Compensation of key management personnel

	Group	
	2019 \$'000	2018 \$'000
Short-term employee benefits	6,182	7,819
Central Provident Fund contributions	152	123
Share-based payments	130	–
Total compensation paid to key management personnel	6,464	7,942
<i>Comprise amounts paid to:</i>		
Directors of the Company	2,170	3,241
Directors of the subsidiaries	1,830	3,277
Other key management personnel	2,464	1,424
	6,464	7,942

32. COMMITMENTS

(a) Capital commitments

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

	Group	
	2019 \$'000	2018 \$'000
Capital commitments in respect of property development expenditure	57,154	139,451
Capital commitments in respect of property, plant and equipment	22,515	20,879
	79,669	160,330

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

32. COMMITMENTS (CONTINUED)

(b) Operating lease commitments – As lessee

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

Operating lease payments recognised as an expense in the consolidated statement of comprehensive income for the financial year ended 31 December 2018 amounted to \$30,166,000.

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

	Group 2018 \$'000
Not later than one year	21,580
Later than one year but not later than five years	17,860
Later than five years	12,817
	52,257

As disclosed in Note 2.2, the Group has adopted SFRS(I) 16 on 1 January 2019. These lease payments have been recognised as right-of-use assets and lease liabilities on the statement of financial position as at 31 December 2019, except for short-term and low-value leases.

33. CONTINGENCIES

Guarantees

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

- It has guaranteed its interest in its share of the bank loans of joint operations and joint venture amounting to \$10,180,000 (2018: \$10,000,000).
- It has guaranteed part of the loans and borrowings of the associates to a maximum amount of \$14,134,000 (2018: \$15,800,000), of which it is severally liable for in the event of default by the associates.
- It has guaranteed the obligations of a subsidiary for bonds amounting to total principal amount of \$340,000,000 (2018: \$350,000,000).
- It has guaranteed the obligations of a subsidiary for notes amounting to total principal amount of \$100,000,000 (2018: \$100,000,000).

The Company has provided corporate guarantees to banks for an aggregate of \$113,045,000 (2018: \$157,623,000) in respect of bank borrowings drawn down by certain subsidiaries, joint operations and associates (Note 25).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

34. SEGMENT INFORMATION

Business segments

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

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

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

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

Allocation basis and transfer pricing

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

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

Capital expenditure comprises additions to property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

34. SEGMENT INFORMATION (CONTINUED)

	Jewellery \$'000	Real estate \$'000	Financial service \$'000	Others \$'000	Elimination \$'000	Group \$'000	Note
2019							
Revenue	136,924	210,882	212,840	–	(404)	560,242	
Inter-segment revenue	2,840	–	5,639	558	(9,037)	–	A
Results							
Segment results	1,319	23,563	31,035	26,742	(33,990)	48,669	
Unallocated expenses	–	–	–	–	–	(266)	
Share of results of a joint venture	(226)	–	(226)	12,193	452	12,193	
Share of results of associates	1,287	(1,247)	–	–	–	40	
Interest income	4	2,403	425	36,366	(35,161)	4,037	
Finance costs	(2,771)	(9,179)	(13,295)	(40,575)	31,552	(34,268)	
(Loss)/profit before tax from operations	(387)	15,540	17,939	34,726	–	30,405	
Segment assets	176,568	873,605	514,971	799,049	(768,031)	1,596,162	B
Investment in joint ventures	6,415	–	6,415	75	(12,830)	75	
Investment in associates	10,977	8,387	–	104,706	–	124,070	
Unallocated assets	–	–	–	–	–	3,181	
Total assets	193,960	881,992	521,386	903,830	–	1,723,488	
Segment liabilities	150,001	676,606	379,168	602,613	(531,815)	1,276,573	C
Unallocated liabilities	–	–	–	–	–	36,467	
Total liabilities	–	–	–	–	–	1,313,040	
Capital expenditure	4,165	236	2,152	22,934	–	29,487	
Depreciation and amortisation	15,484	212	11,555	925	17	28,193	
Other significant non-cash expenses	347	6,774	839	3,000	–	10,960	D

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

34. SEGMENT INFORMATION (CONTINUED)

	Jewellery \$'000	Real estate \$'000	Financial service \$'000	Others \$'000	Elimination \$'000	Group \$'000	Note
2018							
Revenue	126,162	574,213	198,076	–	–	898,451	
Inter-segment revenue	9,657	–	5,575	958	(16,190)	–	A
Results							
Segment results	(3,146)	55,278	20,387	21,013	(19,338)	74,194	
Unallocated expenses	–	–	–	–	–	(226)	
Share of results of a joint venture	(141)	–	(141)	(427)	282	(427)	
Share of results of associates	920	(283)	–	–	–	637	
Interest income	20	4,902	2,842	45,044	(39,097)	13,711	
Finance costs	(1,891)	(3,469)	(11,022)	(49,111)	34,159	(31,334)	
(Loss)/profit before tax from operations	(4,238)	56,428	12,066	16,519	–	56,555	
Segment assets	132,550	844,362	459,991	1,129,443	(932,995)	1,633,351	B
Investment in joint ventures	–	–	–	13,346	–	13,346	
Investment in associates	9,689	9,635	–	–	–	19,324	
Unallocated assets	–	–	–	–	–	3,530	
Total assets	142,239	853,997	459,991	1,142,789	–	1,669,551	
Segment liabilities	96,858	629,684	317,285	892,435	(703,328)	1,232,934	C
Unallocated liabilities	–	–	–	–	–	30,054	
Total liabilities	–	–	–	–	–	1,262,988	
Capital expenditure	3,699	384	9,169	5,860	–	19,112	
Depreciation and amortisation	3,373	154	2,116	867	37	6,547	
Other significant non-cash expenses	907	(145)	(945)	207	–	24	D

Notes

A Inter-segment revenues are eliminated on consolidation.

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

	2019 \$'000	2018 \$'000
Inter-segment assets	780,861	932,995

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

34. SEGMENT INFORMATION (CONTINUED)

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

	2019 \$'000	2018 \$'000
Inter-segment liabilities	531,815	703,328

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

	2019 \$'000	2018 \$'000
Property, plant and equipment written-off	980	818
Net fair value loss on investment properties	3,341	1,303
Impairment loss on investment in an associate	–	31
Impairment loss/ (reversal of impairment) on investment securities, net	1,959	(2,774)
Interest receivable written-off	11	81
Write-back of inventories	(400)	(29)
Allowance for write-down of development properties	1,502	–
Allowance for doubtful receivables, net	209	564
Fair value loss on investment securities	77	2,895
Impairment loss on intangible assets	99	1,773
Impairment loss on property, plant and equipment	4,156	–
Net fair value gain on derivatives	(974)	(2,537)
Gain on bargain purchase on acquisition of subsidiary	–	(1,144)
Net gain on remeasuring previously held equity interest in associate to fair value on business combination	–	(957)
	10,960	24

Geographical information

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

	Revenue		Non-current assets	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Singapore	316,386	428,094	243,390	139,781
Australia	212,965	451,121	5,994	670
Malaysia	79	–	78,263	27,425
Hong Kong	775	507	2,200	182
Germany	28,729	18,729	8,896	5,864
Ireland	1,308	–	–	–
	560,242	898,451	338,743	173,922

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

(a) Liquidity risk

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

Analysis of financial instruments by remaining contractual maturities

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

	1 year or less \$'000	1 to 5 years \$'000	Over 5 years \$'000	Total \$'000
31 December 2019				
Group				
Financial assets:				
Investment securities	9,718	7,935	3,937	21,590
Trade and other receivables	332,075	14,283	—	346,358
Due from associates (non-trade)	1,278	—	—	1,278
Due from a joint venture (non-trade)	1	—	—	1
Derivative financial instruments	2,033	—	—	2,033
Cash and bank balances	146,194	—	—	146,194
Total undiscounted financial assets	491,299	22,218	3,937	517,454
Financial liabilities:				
Trade and other payables	71,741	5,939	—	77,680
Due to an associate (non-trade)	1,508	—	—	1,508
Interest-bearing loans and borrowings	507,084	60,711	66,762	634,557
Term notes and bonds	374,741	149,893	—	524,634
Lease liabilities	24,795	62,134	15,004	101,933
Total undiscounted financial liabilities	979,869	278,677	81,766	1,340,312
Total net undiscounted financial liabilities	(488,570)	(256,459)	(77,829)	(822,858)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Liquidity risk (Continued)

Analysis of financial instruments by remaining contractual maturities (Continued)

	1 year or less \$'000	1 to 5 years \$'000	Over 5 years \$'000	Total \$'000
31 December 2018				
Group				
Financial assets:				
Investment securities	3,679	50,124	49,179	102,982
Trade and other receivables	337,140	17,824	–	354,964
Due from associates (non-trade)	276	–	–	276
Due from a joint venture (non-trade)	86,099	–	–	86,099
Cash and bank balances	59,020	–	–	59,020
Total undiscounted financial assets	486,214	67,948	49,179	603,341
Financial liabilities:				
Trade and other payables	63,810	3,292	–	67,102
Due to an associate (non-trade)	2,028	–	–	2,028
Due to a joint venture	25	–	–	25
Interest-bearing loans and borrowings	481,130	66,963	67,556	615,649
Term notes and bonds	111,564	523,386	–	634,950
Total undiscounted financial liabilities	658,557	593,641	67,556	1,319,754
Total net undiscounted financial liabilities	(172,343)	(525,693)	(18,377)	(716,413)
		1 year or less \$'000	1 to 5 years \$'000	Total \$'000
31 December 2019				
Company				
Financial assets:				
Trade and other receivables		7,826	–	7,826
Due from subsidiaries (non-trade)		27,434	–	27,434
Cash and bank balances		337	–	337
Total undiscounted financial assets		35,597	–	35,597
Financial liabilities:				
Trade and other payables		16,171	–	16,171
Due to subsidiaries (non-trade)		53,296	–	53,296
Total undiscounted financial liabilities		69,467	–	69,467
Total net undiscounted financial assets		(33,870)	–	(33,870)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Liquidity risk (Continued)

Analysis of financial instruments by remaining contractual maturities (Continued)

	1 year or less \$'000	1 to 5 years \$'000	Total \$'000
31 December 2018			
Company			
Financial assets:			
Investment securities	–	500	500
Trade and other receivables	2,202	–	2,202
Due from subsidiaries (non-trade)	211,712	–	211,712
Due from a joint venture (non-trade)	86,093	–	86,093
Cash and bank balances	164	–	164
Total undiscounted financial assets	300,171	500	300,671
Financial liabilities:			
Trade and other payables	8,132	–	8,132
Due to subsidiaries (non-trade)	185,665	–	185,665
Term notes	84,860	–	84,860
Total undiscounted financial liabilities	278,657	–	278,657
Total net undiscounted financial assets	21,514	500	22,014

(b) Interest rate risk

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

The Group's policy is to manage interest cost by using a mix of fixed and floating rate debts. At the end of the reporting period, term notes and bonds of \$499,982,000 (2018: \$587,872,000) and bank borrowings of \$591,427,000 (2018: \$566,001,000) are at fixed rates of interest.

Sensitivity analysis for interest rate risk

For the Group's financial service business, at the end of the reporting period, if SGD interest rates had been 50 (2018: 50) basis points lower/higher with all other variables held constant, the Group's profit net of tax would have been \$137,000 (2018: \$54,000) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate term loans.

For the real estate business, at the end of the reporting period, if Malaysia Ringgit ("MYR") and Australian Dollar ("AUD") interest rates had been 100 (2018: 100) basis points lower/higher with all other variables held constant, the Group's development properties would have been \$248,000 (2018: \$335,000) and \$885,000 (2018: \$1,368,000) lower/higher respectively, arising mainly as a result of lower/higher capitalised borrowing cost on floating rate loans and borrowings. If at the end of the reporting period, SGD interest rates had been 100 (2018: 100) basis points lower/higher with all other variables held constant, the Group's profit net of tax would have been \$610,000 (2018: \$388,000), higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings.

For the Group's other businesses, at the end of the reporting period, if SGD interest rates had been 50 (2018: 50) basis points lower/higher with all other variables held constant, the Group's profit net of tax would have been \$151,000 (2018: \$159,000) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Foreign currency risk

The jewellery business has transactional currency exposures arising from purchases that are denominated in a currency other than the respective functional currencies of the Group entities, primarily SGD and EURO ("EUR"). The foreign currencies in which these transactions are denominated are mainly United States Dollars ("USD"), Hong Kong Dollars ("HKD"), Japanese Yen ("JPY") and EUR. Approximately 32% (2018: 47%) of the jewellery business purchases are denominated in foreign currencies. Trade payable balances at the end of the reporting period have similar exposures.

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

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

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

The Group is also exposed to currency translation risk arising from its net investments in foreign operations, including Malaysia and Australia. As disclosed in Note 22, the Group entered into forward currency contracts during the financial year for reducing its exposure to foreign currency risks on Australian Dollar. The Group's net investments in Malaysia are not hedged as currency positions in MYR are considered to be long-term in nature.

Sensitivity analysis for foreign currency risk

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

	Profit before tax 2019 \$'000 (lower)/higher	Profit before tax 2018 \$'000 (lower)/higher
USD – strengthened 5% (2018: 5%)	(108)	(108)
– weakened 5% (2018: 5%)	108	108
HKD – strengthened 5% (2018: 5%)	(54)	(30)
– weakened 5% (2018: 5%)	54	30
MYR – strengthened 5% (2018: 5%)	6,416	5,789
– weakened 5% (2018: 5%)	(6,416)	(5,789)
AUD – strengthened 5% (2018: 5%)	7,005	6,694
– weakened 5% (2018: 5%)	(7,005)	(6,694)

(d) Credit risk

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

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Credit risk (Continued)

The Group considers “low risk” to be an investment grade credit rating with at least one major rating agency. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition. The Group considers available reasonable and supportive forwarding-looking information which includes the following indicators:

- External credit rating;
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower’s ability to meet its obligations;
- Actual or expected significant changes in the operating results of the borrower;
- Significant increases in credit risk on other financial instruments of the same borrower;
- Significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements; and
- Significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrower in the group and changes in the operating results of the borrower.

The Group determined that its financial assets are credit-impaired when:

- There is significant difficulty of the issuer or the borrower;
- A breach of contract, such as a default or past due event;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; and
- There is a disappearance of an active market for that financial asset because of financial difficulty.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where loans and receivables have been written off, the Group continues to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

The following are classes of financial assets that are exposed to credit risk:

Trade receivables from the Group’s financial service business

(i) *Secured lending receivables*

Secured lending receivables are secured by way of collateralised real estate held by the investment trustee. Although the collateral does not influence whether the financial instrument has a low credit risk, the expected cash flows in the assessment of net lifetime expected credit losses will include cash flows from the sale of collateral held.

(ii) *Pawnshop loans*

Pawnshop loans are collateralised whereby the quantum of loans granted to customers is based on a fraction of the value of the collaterals pledged to the Group. Although the collateral does not influence whether the financial instrument has a low credit risk, the expected cash flows in the assessment of net lifetime expected credit losses will include cash flows from the sale of collateral held.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Credit risk (Continued)

Trade receivables from the Group's financial service business (Continued)

(iii) Pawnshop loans and interest receivables on pawnshop loans expected credit losses

The Group uses a provision matrix to estimate the allowance for ECLs on pawnshop loans and interest receivables on pawnshop loans. The key inputs of the Group's ECLs model are the probability of default and loss given default. The Group has estimated the probability of default being the forfeiture of the customers' pledges based on historical non-redemption data of its pawnshop outlets. The Group has estimated the loss exposure at default after considering the expected realisable value of the customers' pledges.

Significant judgment and estimation is involved in using the historical non-redemption data to derive the probability of default as the pawnshop loans age as well as considering any forward-looking economic information.

Trade receivables from the Group's jewellery and real estate businesses, and contract assets

The Group applies a simplified approach in calculating ECLs relating to the trade receivables from the Group's jewellery and real estate businesses, and contract assets. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

Quoted debt instruments

For those quoted debt instruments that are assessed to be of low credit risk and externally rated, the Group applied the low credit operational simplification and determined that no significant increase in credit risk has occurred. There is no significant impact arising from estimation of loss allowance based on a 12-month probability of default and loss given default, which would result in impairment losses to be recognised in profit or loss.

For those quoted debt instruments that are assessed to be of high credit risk and externally rated, the Group applies the lifetime ECLs approach and records impairment losses to profit or loss.

For debt instruments at FVOCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the external credit rating of the debt instrument.

Amounts due from a joint venture

The Group uses the general approach and estimates the 12-month expected credit losses when there is no indication of significant deterioration in credit risk based on the financial performance of its related entities. When a significant increase in credit risk has occurred, the Group estimates the lifetime ECLs for such financial assets.

Amounts due from subsidiaries and joint ventures

The Company uses the general approach and estimates the 12-month expected credit losses when there is no indication of significant deterioration in credit risk based on the financial performance of its related entities. When a significant increase in credit risk has occurred, the Company estimates the lifetime ECLs for such financial assets.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Credit risk (Continued)

The loss allowance provision as at 31 December 2019 reconciles to the opening loss allowance for that provision as follows:

	Group		Company Amounts due from subsidiaries and joint ventures at amortised cost	
	Trade receivables at amortised cost \$'000	Debt securities at FVOCI \$'000	Amounts due from joint ventures at amortised cost \$'000	Amounts due from subsidiaries and joint ventures at amortised cost \$'000
As at 1 January 2019	760	624	24	1,053
Loss allowance measured at:				
Lifetime ECLs				
– Credit risk has increased significantly since initial recognition	4,155	1,006	–	–
– Written-back	–	–	–	(12)
– Written-off	(4,155)	(245)	–	–
As at 31 December 2019	760	1,385	24	1,041

	Group		Company Amounts due from subsidiaries and joint ventures at amortised cost	
	Trade receivables at amortised cost \$'000	Debt securities at FVOCI \$'000	Amounts due from joint ventures at amortised cost \$'000	Amounts due from subsidiaries and joint ventures at amortised cost \$'000
As at 1 January 2018	790	10,920	24	4,929
Loss allowance measured at:				
Lifetime ECLs				
– Credit risk has increased significantly since initial recognition	5,017	262	–	–
– Net reversal of ECLs upon settlement via share conversion	–	(3,036)	–	–
– Written-back	(26)	–	–	(3,876)
– Written-off	(5,021)	(7,522)	–	–
As at 31 December 2018	760	624	24	1,053

Excessive risk concentration

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Credit risk (Continued)

Excessive risk concentration (Continued)

In order to avoid excessive concentration of risk, the Group focuses on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly. As at 31 December 2019 and 2018, there was no significant concentration of credit risk.

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

Financial assets that neither past due nor impaired

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

Financial assets that are either past due or impaired

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

(e) Market price risk

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

Sensitivity analysis for market price risk

At the end of the reporting period, if the quoted market price of the debt securities held at FVOCI had been 2% (2018: 2%) higher/lower with all other variables held constant, the Group's other comprehensive income would have been \$260,000 (2018: \$982,000) higher/lower, arising as a result of an increase/decrease in the fair value of debt securities classified as FVOCI.

At the end of the reporting period, if the quoted market price of the equity securities held at FVOCI and FVPL had been 2% (2018: 2%) higher/lower with all other variables held constant, the Group's other comprehensive income and net profit before tax would have been \$68,000 (2018: \$949,000) and \$7,000 (2018: \$9,000) higher/lower respectively, arising as a result of an increase/decrease in the fair value of equity securities classified as FVOCI and FVPL respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

36. FAIR VALUE OF ASSETS AND LIABILITIES

(a) Fair value hierarchy

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

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

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

Level 3 – Unobservable inputs for the asset or liability.

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

(b) Assets measured at fair value

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

	Group 2019			
	Quoted prices in active markets for identical assets (Level 1) \$'000	Significant observable inputs other than quoted prices (Level 2) \$'000	Significant unobservable inputs (Level 3) \$'000	Total \$'000
Assets measured at fair value				
Financial assets				
<u>At FVOCI</u>				
Debt securities (quoted) (Note 17)	13,019	–	–	13,019
Equity securities (quoted) (Note 17)	3,396	–	–	3,396
Equity securities (unquoted) (Note 17)	–	–	4,797	4,797
<u>At FVPL</u>				
Debt securities (unquoted) (Note 20)	–	–	9,430	9,430
Equity securities (quoted) (Note 17)	363	–	–	363
Derivatives (Note 22)	–	2,033	–	2,033
	<u>16,778</u>	<u>2,033</u>	<u>14,227</u>	<u>33,038</u>
Assets measured at fair value				
Non-financial assets				
<u>Investment properties</u>				
Singapore (Note 11)	–	–	44,070	44,070
Malaysia (Note 11)	–	–	16,725	16,725
	<u>–</u>	<u>–</u>	<u>60,795</u>	<u>60,795</u>

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

36. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)**(b) Assets measured at fair value (Continued)**

	Group 2018			
	Quoted prices in active markets for identical assets (Level 1) \$'000	Significant observable inputs other than quoted prices (Level 2) \$'000	Significant unobservable inputs (Level 3) \$'000	Total \$'000
Assets measured at fair value				
Financial assets				
<u>At FVOCI</u>				
Debt securities (quoted) (Note 17)	49,081	—	—	49,081
Equity securities (quoted) (Note 17)	47,454	—	—	47,454
Equity securities (unquoted) (Note 17)	—	—	5,995	5,995
<u>At FVPL</u>				
Debt securities (unquoted) (Note 20)	—	—	9,625	9,625
Equity securities (quoted) (Note 17)	439	—	—	439
Derivatives (Note 22)	—	2,537	—	2,537
	<u>96,974</u>	<u>2,537</u>	<u>15,620</u>	<u>115,131</u>
Assets measured at fair value				
Non-financial assets				
<u>Investment properties</u>				
Singapore (Note 11)	—	—	47,350	47,350
Malaysia (Note 11)	—	—	25,173	25,173
	<u>—</u>	<u>—</u>	<u>72,523</u>	<u>72,523</u>

(c) Level 2 fair value measurements

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

Derivatives

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

36. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

(d) Level 3 fair value measurements (Continued)

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

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

Description	Fair value at 31 December 2019 \$'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs \$
Recurring fair value measurements				
Investment securities:				
Equity securities (unquoted) (Note 17)	302	Net asset value	Note 1	Not applicable
Equity securities (unquoted) (Note 17)	4,495	Net asset value	Note 1	Not applicable
Investment properties:				
Singapore	44,070	Market comparison approach	Price per square feet	881 – 4,646
Malaysia	16,725	Market comparison approach	Price per square feet	292 – 428
Trade receivables:				
Unquoted debt securities at FVPL (Note 20)	9,430	Net asset valuation	Note 1	Not applicable
Description	Fair value at 31 December 2018 \$'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs \$
Recurring fair value measurements				
Investment securities:				
Equity securities (unquoted) (Note 17)	1,500	Discounted cash flow	Cost of equity	9.0% to 10.5%
Equity securities (unquoted) (Note 17)	4,495	Net asset value	Note 1	Not applicable
Investment properties:				
Singapore	47,350	Market comparison approach	Price per square feet	881 – 4,646
Malaysia	25,173	Market comparison approach	Price per square feet	284 – 738
Trade receivables:				
Unquoted debt securities at FVPL (Note 20)	9,625	Net asset valuation	Note 1	Not applicable

For unquoted equity securities with carrying value of \$Nil (2018: \$1,500,000), a significant decrease/(increase) in the cost of equity would result in a significantly higher/(lower) fair value measurement.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

36. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)**(d) Level 3 fair value measurements (Continued)****(i) Information about significant unobservable inputs used in Level 3 fair value measurements (Continued)****Note 1 – Unquoted equity securities at FVOCI and unquoted debt securities at FVPL**

Where the underlying investment is in a fund, valuation of the fund is performed on a periodic basis by an independent professional investment manager. The investment manager provides management with periodic investment reports, distribution statements, half yearly unaudited financial statements and annual audited accounts, audited by a reputable auditor.

The valuation of the investment by the fund in debt instruments, secured by real estate, is the responsibility of the investment manager. The net asset valuation, provided on a periodic basis, is the value that approved transfers will be based on. The valuation, which is based on the reported net asset value of the fund (comprising mainly monetary assets), is not publicly available as it is provided by the investment manager to the investors of the fund.

Where the underlying investment is in equity shares of an entity, management relies on half yearly unaudited financial statements and annual audited accounts, audited by a reputable auditor, for the determination of fair value. The underlying assets and liabilities are mainly short-term in nature, hence management has determined that the carrying value approximates fair value.

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

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

	Fair value measurements using significant unobservable inputs (Level 3)				Total \$'000
	Unquoted equity securities at FVOCI	Unquoted debt securities at FVPL	Investment properties Singapore	Investment properties Malaysia	
	\$'000	\$'000	\$'000	\$'000	
Group 2019					
Opening balance	5,995	9,625	47,350	25,173	88,143
Transfer to development properties	–	–	–	(8,364)	(8,364)
Net loss on fair value adjustments of investment properties, representing total gains or losses for the year included in profit or loss	–	–	(3,280)	(61)	(3,341)
Impairment loss on unquoted equity securities at FVOCI, representing total gains or losses for the year included in profit or loss	(1,198)	–	–	–	(1,198)
Exchange differences	–	(195)	–	(23)	(218)
Closing balance	4,797	9,430	44,070	16,725	75,022

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

36. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

(d) Level 3 fair value measurements (Continued)

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

	Fair value measurements using significant unobservable inputs (Level 3)				
	Unquoted equity securities at FVOCI	Unquoted debt securities at FVPL	Investment properties		Total
	\$'000	\$'000	Singapore \$'000	Malaysia \$'000	\$'000
Group 2018					
Opening balance	4,495	10,364	48,730	11,836	75,425
Purchase	1,500	224	—	—	1,724
Transfer from development properties	—	—	—	13,235	13,235
Net (loss)/gain on fair value adjustments of investment properties, representing total gains or losses for the year included in profit or loss	—	—	(1,380)	77	(1,303)
Exchange differences	—	(963)	—	25	(938)
Closing balance	5,995	9,625	47,350	25,173	88,143

(iii) Valuation policies and procedures

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

For all significant financial reporting valuations using valuation models and significant unobservable inputs, it is the Group's policy to engage external valuation experts who possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies and SFRS(I) 13 Fair Value Measurement guidance to perform the valuation.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

36. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)**(e) Assets and liabilities not carried at fair value but for which fair value is disclosed**

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

	Quoted prices in active markets for identical assets (Level 1) \$'000	Significant unobservable inputs (Level 3) \$'000	Fair value Total \$'000	Carrying amount \$'000
Group 2019				
Assets:				
<i>Non-current:</i>				
Other receivables	—	4,639	4,639	4,853
Liabilities:				
<i>Current:</i>				
Term notes	25,633	—	25,633	25,500
Bonds	326,938	—	326,938	332,482
<i>Non-current:</i>				
Term notes	136,006	—	136,006	142,000
Other payables	—	5,537	5,537	5,830
Group 2018				
Assets:				
<i>Non-current:</i>				
Trade receivables	—	3,515	3,515	3,517
Other receivables	—	3,376	3,376	3,544
Liabilities:				
<i>Current:</i>				
Term notes	73,571	—	73,571	82,750
<i>Non-current:</i>				
Term notes	159,202	—	159,202	161,500
Bonds	335,902	—	335,902	343,622
Other payables	—	2,964	2,964	3,121

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

36. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

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

	Quoted prices in active markets for identical assets (Level 1) \$'000	Significant unobservable inputs (Level 3) \$'000	Fair value Total \$'000	Carrying amount \$'000
Company 2019				
Assets:				
<i>Non-current:</i>				
Investment in quoted subsidiaries	197,120	–	197,120	180,204
Investment in a quoted associate	66,104	–	66,104	80,936
Company 2018				
Assets:				
<i>Non-current:</i>				
Investment in quoted subsidiaries	231,581	–	231,581	180,204
<i>Current:</i>				
Term notes	73,793	–	73,793	83,000

Determination of fair value

Trade and other receivables/Other payables

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

Term notes

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

Bonds

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

36. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

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

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

Group	Carrying amount		Fair value	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Financial assets:				
<i>Non-current:</i>				
Trade receivables	–	3,517	–	3,515
Other receivables	4,853	3,544	4,639	3,376
Financial liabilities:				
<i>Current:</i>				
Term notes and bonds	357,982	82,750	32,571	73,571
<i>Non-current:</i>				
Other payables	5,830	3,121	5,537	2,964
Term notes and bonds	142,000	505,122	136,006	495,104
Company				
Financial liabilities:				
<i>Current:</i>				
Term notes and bonds	–	83,000	–	73,793

* Investment in unquoted equity shares carried at cost

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

37. CAPITAL MANAGEMENT

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or procedures during the years ended 31 December 2019 and 31 December 2018.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, interest-bearing loans and borrowings, term notes and bonds, trade and other payables, lease liabilities, less cash and bank balances. The gearing ratios for the jewellery segment, real estate segment and financial service segment are 69% (2018: 45%), 54% (2018: 56%) and 72% (2018: 68%) respectively. The table below shows the capital and net debt for the Group.

	Note	2019 \$'000	2018 \$'000
Interest-bearing loans and borrowings	25	591,427	566,001
Term notes and bonds	26	499,982	587,872
Trade and other payables	24	85,516	77,008
Lease liabilities	27(b)	98,140	–
Less: Cash and bank balances	23	(146,194)	(59,020)
Net debt		1,128,871	1,171,861
Equity attributable to owners of the Company		312,723	305,900
Capital and net debt		1,441,594	1,477,761
Gearing ratio		78%	79%

38. EVENTS OCCURRING AFTER THE REPORTING PERIOD

Disposal of Goldheart Bullion Pte. Ltd. ("GB")

On 1 January 2020, the Group's subsidiary, Aspiat International Pte. Ltd., disposed 19% equity interest (equivalent to 285,000 shares) in GB to its associate, Silver Bullion Pte. Ltd..

COVID-19 Outbreak

With widespread concerns about the ongoing COVID-19 outbreak, the Group currently anticipates some negative impact on travel demand which may affect the financial performance of Group's hospitality business and expects consumer sentiments in its retail business to be affected and remain weak in the near term. However, the financial service business is expected to remain fairly stable as it is in a relatively recession-proof sector. While the estimate of the financial impact cannot be reasonably determined at this juncture in view of, inter alia, the portfolio and geographical spread of the business of the Group, the duration and severity of the COVID-19 outbreak and the level of government support for our business in the countries we operate, we will use this opportunity to enhance our operational effectiveness and efficiency so as to be well-poised for the impending recovery.

39. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 December 2019 were authorised for issue in accordance with a resolution of the directors on 27 March 2020.

STATISTICS OF SHAREHOLDINGS

AS AT 16 MARCH 2020

NO. OF ISSUE SHARES (EXCLUDING TREASURY SHARES AND SUBSIDIARY HOLDINGS)	:	1,937,577,104
NUMBER/PERCENTAGE OF TREASURY SHARES	:	8,319,215 (0.43%)
NUMBER OF SUBSIDIARY HOLDINGS HELD	:	NIL
CLASS OF SHARES	:	ORDINARY SHARES
VOTING RIGHTS (EXCLUDING TREASURY SHARES AND SUBSIDIARY HOLDINGS)	:	ONE VOTE PER SHARE

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	116	6.57	4,784	0.00
100 – 1,000	112	6.35	65,254	0.00
1,001 – 10,000	373	21.15	1,681,960	0.09
10,001 – 1,000,000	1,128	63.95	75,744,785	3.91
1,000,001 & ABOVE	35	1.98	1,860,080,321	96.00
TOTAL	1,764	100.00	1,937,577,104	100.00

TOP TWENTY SHAREHOLDERS AS AT 16 MARCH 2020		NO. OF SHARES	%
1	MLHS HOLDINGS PTE LTD	1,137,825,087	58.72
2	CITIBANK NOMINEES SINGAPORE PTE LTD	181,338,553	9.36
3	UNITED OVERSEAS BANK NOMINEES PTE LTD	118,392,449	6.11
4	HSBC (SINGAPORE) NOMINEES PTE LTD	82,981,909	4.28
5	SING INVESTMENTS & FINANCE NOMINEES (PTE) LTD	60,800,983	3.14
6	PHILLIP SECURITIES PTE LTD	57,773,928	2.98
7	HONG LEONG FINANCE NOMINEES PTE LTD	31,642,020	1.63
8	MAYBANK KIM ENG SECURITIES PTE. LTD	30,520,824	1.58
9	KO LEE MENG	22,642,785	1.17
10	NG SHENG TIONG	19,174,484	0.99
11	TAN SU KIOK	13,000,000	0.67
12	TAN BOY TEE	11,845,526	0.61
13	DBS NOMINEES PTE LTD	11,731,505	0.61
14	CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	11,147,547	0.57
15	LIM SENG KUAN	10,342,099	0.53
16	RAFFLES NOMINEES (PTE) LIMITED	8,647,544	0.45
17	KOH WEE SENG	7,936,797	0.41
18	UOB KAY HIAN PTE LTD	6,918,216	0.36
19	TAN SU KIOK OR SIA LI WEI JOLIE (SHE LIWEI JOLIE)	4,433,497	0.23
20	CHEOK ENG SOON (SHI YONGSHUN)	3,901,030	0.20
		1,832,996,783	94.60

STATISTICS OF SHAREHOLDINGS

AS AT 16 MARCH 2020

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

10.12% of the Company's shares are held in the hands of the public. Accordingly, the Company has complied with Rule 723 of the Listing Manual SGX-ST.

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

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

Notes:

- (1) Mr Koh Wee Seng's direct interest derived from 7,936,797 shares held in his own name and 365,526,560 shares held in the name of nominee accounts. The deemed interest derived from 1,137,825,087 shares held by MLHS Holdings Pte. Ltd. and 5,082,091 shares held by his spouse.
- (2) Ms Koh Lee Hwee's direct interest derived from 2,000 shares held in her own name and 30,888,888 shares held in the name of nominee accounts. The deemed interest derived from 1,137,825,087 shares held by MLHS Holdings Pte. Ltd. and 19,174,484 shares held by her spouse.
- (3) Ms Ko Lee Meng's direct interest derived from 22,642,785 shares held in her own name and 10,997,080 shares held in the name of nominee account. The deemed interest derived from 1,137,825,087 shares held by MLHS Holdings Pte. Ltd. and 1,154,887 shares held by her spouse.

ADDITIONAL INFORMATION ON DIRECTORS NOMINATED FOR RE-ELECTION – APPENDIX 7.4.1

Pursuant to Rule 720(6) of the Listing Manual of the Singapore Exchange Securities Trading Limited, the information as set out in Appendix 7.4.1 relating to Ms Ko Lee Meng and Mr Wong Soon Yum, being the Directors who are retiring in accordance with the Company's Constitution at the forthcoming AGM, is set out below:

Name of Directors	Ko Lee Meng	Wong Soon Yum
Date of first appointment as a Director	01 May 1987	27 May 1999
Date of last re-appointment/re-election as a Director	26 April 2017	26 April 2017
Age	58	75
Country of principal residence	Singapore	Singapore
The Board's comments on the re-election	The re-election of Ms Ko as the Non-Executive and Non-Independent Director of the Company was recommended by the NC and the Board has accepted the recommendation, after taking into consideration her qualifications, expertise, past experiences and overall contribution since she was appointed as a Director of the Company.	The re-election of Mr Wong as the Independent Director of the Company was recommended by the NC and the Board has accepted the recommendation, after taking into consideration his qualifications, expertise, past experiences and overall contribution since he was appointed as a Director of the Company.
Whether appointment is executive, and if so, the area of responsibility	No	No
Job Title	– Audit Committee (member), – Remuneration Committee (member)	– Audit Committee (Chairman) – Nominating Committee (member) – Remuneration Committee (member)
Professional qualifications	– Bachelor of Arts, National University of Singapore	– Professional Diploma in Accountancy, Singapore Polytechnic; Executive Programme, Stanford-National University of Singapore
Shareholding interest in the Company and its subsidiaries	<u>The Company</u> – Direct Interest – 33,639,865 shares – Indirect Interest – 1,138,979,974 shares <u>Subsidiaries of the Group – Maxi-Cash Financial Services Corporation Ltd.</u> – Direct Interest – 2,813,326 shares – Indirect Interest – 728,765,805 shares <u>WCL (QLD) Margaret St Pty Ltd</u> – Direct Interest – 1,275,000 shares – Indirect Interest – 16,575,000 shares	Nil

ADDITIONAL INFORMATION ON DIRECTORS NOMINATED FOR RE-ELECTION – APPENDIX 7.4.1

Name of Directors	Ko Lee Meng	Wong Soon Yum
Any relationship (including immediate family relationships) with any existing Director, existing executive officer, the Company and/or substantial shareholder of the Company or of any of its principal subsidiaries	Mr Koh Wee Seng, Ms Ko Lee Meng and Ms Koh Lee Hwee are siblings.	No
Conflict of interest (including any competing business)	No	No
Other principal commitments (including directorships) – Present	– Aspial Corporation Limited – Aspial International Pte. Ltd. – Aspial Investment Holding Pte. Ltd. – Aspial Treasury Pte. Ltd. – Aspial-Lee Hwa Jewellery Pte. Ltd. – Aspial-Lee Hwa Jewellery Singapore Pte. Ltd. – BU2 Services Pte. Ltd. – Gold Purple Pte. Ltd. – Goldheart Jewelry Pte. Ltd. – Maxi-Cash Financial Services Corporation Ltd. – Aspial Property Investment Pte. Ltd. – Maxi Financial Pte. Ltd. – Maxi-Cash (Central 2) Pte. Ltd. – Maxi-Cash (Central) Pte. Ltd. – Maxi-Cash (Clementi) Pte. Ltd. – Maxi-Cash (East 2) Pte. Ltd. – Maxi-Cash (East) Pte. Ltd. – Maxi-Cash (North East) Pte. Ltd. – Maxi-Cash (North East 2) Pte. Ltd. – Maxi-Cash (North) Pte. Ltd. – Maxi-Cash (West) Pte. Ltd. – Maxi-Cash Assets Pte. Ltd. – Maxi-Cash Capital Management Pte. Ltd. – Maxi-Cash Capital Pte. Ltd. – Maxi-Cash Group Pte. Ltd. – Maxi-Cash International Pte. Ltd. – Maxi-Cash Investment Holding Pte. Ltd. – Maxi-Cash Jewellery Group Pte. Ltd. – Maxi-Cash Property Pte. Ltd. – Maxi-Cash Retail Pte. Ltd. – Maxi-Cash Ventures Pte. Ltd. – World Class Land Pte. Ltd. – Dynamic Project Management Services Pte. Ltd. – World Class Property Pte. Ltd. – World Class Investments Pte. Ltd. – Advance Property Pte. Ltd. – Headway Construction Pte. Ltd. – World Class Property (Telok Kurau) Pte. Ltd.	Nil

ADDITIONAL INFORMATION ON DIRECTORS NOMINATED FOR RE-ELECTION – APPENDIX 7.4.1

Name of Directors	Ko Lee Meng	Wong Soon Yum
	– World Class Developments Pte. Ltd. – World Class Developments (Bedok) Pte. Ltd. – World Class Developments (Central) Pte. Ltd. – World Class Developments (City Central) Pte. Ltd. – World Class Developments (North) Pte. Ltd. – MLHS Holdings Pte. Ltd. – GP Hotel Equity Pte. Ltd. – GP Hotel Capital Pte. Ltd. – GP Hotel Assets Pte. Ltd. – GP Hotel Heritage Pte. Ltd. – GP Hotel Ventures Pte. Ltd. – GP Hotel Investment Pte. Ltd. – GP Hotel Management Pte. Ltd. – Global Premium Hotels Limited – LuxeSTYLE (Malaysia) Sdn. Bhd. – Maxi-Cash (Australia) Pty. Ltd. – Maxi-Cash Melbourne (VIC) Pty. Ltd. – LuxeSTYLE (Australia) Pty. Ltd.	
Other principal commitments (including directorships) – Past, for the last 5 years	– Parc Sovereign Hotel Management Pte. Ltd. – GP Hotel Properties Pte. Ltd. – AF Corporation Pte. Ltd. – World Class Global Limited – World Class Capital Pte. Ltd. – World Class Capital (LN) Pte. Ltd. – World Class Property (North) Pte. Ltd. – World Class Property (Central) Pte. Ltd. – World Class Property (Dunearn) Pte. Ltd. – World Class Property (Eastcoast) Pte. Ltd. – Belgium-Singapore Diamond Corporation Pte. Ltd. – Gold N Gems Pte. Ltd. – Singapore International Jewellery Pte. Ltd. – Maxi Cash (Malaysia) Sdn. Bhd. – Maxi Cash (Penang) Sdn. Bhd. – Maxi Cash (Southern) Sdn. Bhd. – Max Cash (George Town) Sdn. Bhd. – Maxi Cash (S1) Sdn. Bhd.	Nil

ADDITIONAL INFORMATION ON DIRECTORS NOMINATED FOR RE-ELECTION – APPENDIX 7.4.1

Name of Directors	Ko Lee Meng	Wong Soon Yum
Working experience and occupation(s) during the past 10 years	October 2015 to present: Global Premium Hotels Limited – Executive Director, Deputy Chairman and Chief Executive Officer May 1987 to October 2015: Aspial Corporation Limited – Executive Director October 2015 to present: Aspial Corporation Limited – Non-executive Director July 2008 to present: Maxi-Cash Financial Services Corporation Ltd. – Non-Executive Director	Nil
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the Company	Yes	Yes
Disclosure on the following matters concerning the Director:		
a. Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No
b. Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
c. Whether there is any unsatisfied judgment against him?	No	No

ADDITIONAL INFORMATION ON DIRECTORS NOMINATED FOR RE-ELECTION – APPENDIX 7.4.1

Name of Directors	Ko Lee Meng	Wong Soon Yum
d. Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No
e. Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No
f. Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
g. Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
h. Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
i. Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No

ADDITIONAL INFORMATION ON DIRECTORS NOMINATED FOR RE-ELECTION – APPENDIX 7.4.1

Name of Directors	Ko Lee Meng	Wong Soon Yum
j. Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:		
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,	No	No
in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?		
k. Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No
Disclosure applicable to the appointment of Director only.		
Any prior experience as a director of a listed company? If yes, please provide details of prior experience. If no, please provide details of any training undertaken in the roles and responsibilities of a director of a listed company.	This relates to re-appointment of Director.	This relates to re-appointment of Director.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Aspial Corporation Limited (the “**Company**”) will be held at Aspial One, 55 Ubi Avenue 3, #01-01, Singapore 408864 on Monday, 27 April 2020 at 3.00 p.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors’ Statement and the Audited Financial Statements of the Company for the financial year ended 31 December 2019 together with the Independent Auditors’ Report thereon.

(Resolution 1)

2. To declare a final dividend of 0.25 Singapore cent per ordinary share (tax-exempt one-tier) for the financial year ended 31 December 2019 (2018: 0.25 Singapore cent per ordinary share (tax-exempt one-tier)).

(Resolution 2)

3. To re-elect the following Directors of the Company, retiring pursuant to Regulation 104 of the Company’s Constitution:

Ms Ko Lee Meng
Mr Wong Soon Yum

(Resolution 3)

(Resolution 4)

Ms Ko Lee Meng will, upon re-election as a Director of the Company, remain as a Non-Executive Director, a member of the Audit and the Remuneration Committees respectively, and will be considered non-independent pursuant to Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited (“SGX-ST”).

Mr Wong Soon Yum will, upon re-election as a Director of the Company, remain as the Lead Independent Director, the Chairman of the Audit Committee and a member of the Nominating and the Remuneration Committees respectively, and will be considered independent pursuant to Rule 704(8) of the Listing Manual of the SGX-ST.

Detailed information on each of the abovementioned Directors of the Company as required pursuant to Rule 720(6) of the Listing Manual of the SGX-ST is on page 150 to page 155 of the annual report.

4. To approve the payment of Directors’ fees of S\$266,000 for the financial year ended 31 December 2019 (2018: S\$226,000).

(Resolution 5)

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

(Resolution 6)

6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

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

7. **Authority to issue new shares**

That pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore (the “**Companies Act**”) and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”), the Directors of the Company be authorised and empowered to:

- (a) (i) allot and issue shares in 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) options, warrants, debentures or other Instruments convertible into Shares,

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

NOTICE OF ANNUAL GENERAL MEETING

- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force,

provided that:

- (1) the aggregate number of Shares (including Shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares to be issued other than on a pro-rata basis to shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:
 - (a) new Shares arising from the conversion or exercise of any convertible securities;
 - (b) new Shares arising from exercising share options or vesting of share awards; and
 - (c) any subsequent bonus issue, consolidation or subdivision of Shares;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST), all applicable legal requirements under the Companies Act, and otherwise the Constitution of the Company; and
- (4) unless revoked or varied by the Company in a general meeting, such authority shall continue to be in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is earlier.
[See Explanatory Note (i)]

(Resolution 7)

8. **Renewal of Share Purchase Mandate**

That for the purposes of Sections 76C and 76E of the Companies Act, Chapter 50, the Directors of the Company be and are hereby authorised to make purchases or otherwise acquire issued shares in the capital of the Company from time to time (whether by way of market purchases or off-market purchases on an equal access scheme) of up to ten per centum (10%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as ascertained as at the date of Annual General Meeting of the Company) at the price of up to but not exceeding the Maximum Price as defined in Appendix 1 to the Annual Report to shareholders ("**Appendix 1**"), in accordance with the "Guidelines on Share Purchases" set out in the Appendix 1 and this mandate shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is earlier.
[See Explanatory Note (ii)]

(Resolution 8)

NOTICE OF ANNUAL GENERAL MEETING

9. Authority to issue shares under the Aspial Performance Share Plan

That pursuant to Section 161 of the Companies Act, Chapter 50, the Directors of the Company be and are authorised to grant awards in accordance with the provisions of the Aspial Performance Share Plan (the “**Plan**”) and to allot and issue from time to time such number of fully-paid up shares as may be required to be allotted and issued pursuant to the vesting of the awards under the Plan, provided that the aggregate number of shares to be allotted and issued pursuant to the Plan on any date, when added to the number of new shares issued and issuable in respect of (a) all awards granted thereunder; and (b) all options or awards granted under any other share schemes of the Company then in force, shall not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (iii)]

(Resolution 9)

10. Authority to issue shares under the Aspial Corporation Limited Scrip Dividend Scheme

That pursuant to Section 161 of the Companies Act, Chapter 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Directors of the Company be authorised and empowered to issue such number of shares in the Company as may be required to be issued pursuant to the Aspial Corporation Limited Scrip Dividend Scheme from time to time in accordance with the “Terms and Conditions of the Scrip Dividend Scheme” set out in pages 17 to 22 of the Circular to Shareholders dated 21 December 2011 and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (iv)]

(Resolution 10)

By Order of the Board

Lim Swee Ann
Company Secretary
Singapore, 9 April 2020



NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

- (i) The Ordinary Resolution 7, if passed, will empower the Directors of the Company, effective until the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by law to be held, or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue Shares, make or grant Instruments convertible into Shares and to issue Shares pursuant to such Instruments, up to a number not exceeding, in total, fifty per centum (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to twenty per centum (20%) may be issued other than on a pro-rata basis to shareholders.

For determining the aggregate number of Shares that may be issued, the total number of issued shares (excluding treasury shares and subsidiary holdings) will be calculated based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new Shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards and any subsequent bonus issue, consolidation or subdivision of Shares.

- (ii) The Ordinary Resolution 8, if passed, will empower the Directors of the Company effective until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier, to repurchase ordinary shares of the Company by way of market purchases or off-market purchases of up to ten per centum (10%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the Maximum Price as defined in Appendix 1. The rationale for, the authority and limitation on, the sources of funds to be used for the purchase or acquisition including the amount of financing and the financial effects of the purchase or acquisition of ordinary shares by the Company pursuant to the Share Purchase Mandate on the audited consolidated financial statements of the Company and its Subsidiaries for the financial year ended 31 December 2019 are set out in greater detail in Appendix 1.
- (iii) The Ordinary Resolution 9, if passed, will empower the Directors of the Company, effective until the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to grant awards under the Plan in accordance with the provisions of the Plan and to issue from time to time such number of fully-paid up shares as may be required to be allotted and issued pursuant to the vesting of the awards under the Plan subject to the maximum number of shares prescribed under the terms and conditions of the Plan. The aggregate number of shares which may be issued pursuant to the Plan is limited to fifteen per centum (15%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) of the Company from time to time.
- (iv) The Ordinary Resolution 10, if passed, will empower the Directors of the Company, effective until the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by law to be held or when such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares in the Company from time to time pursuant to the Aspiat Corporation Limited Scrip Dividend Scheme.

Notes:

- A member who is not a relevant intermediary, is entitled to appoint one (1) or two (2) proxies to attend and vote at the Annual General Meeting.
 - A member who is a relevant intermediary, is entitled to appoint more than two (2) proxies to attend and vote at the Annual General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member.

"Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50.
- A proxy need not be a Member of the Company.
- The instrument appointing a proxy or proxies must be deposited at the Registered Office of the Company at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 not less than seventy-two (72) hours before the time appointed for holding the Annual General Meeting.
- A Depositor's name must appear on the Depository Register maintained by The Central Depository (Pte) Limited as at seventy-two (72) hours before the time fixed for holding the Annual General Meeting in order for the Depositor to be entitled to attend and vote at the Annual General Meeting.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting ("AGM") and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

NOTICE OF ANNUAL GENERAL MEETING

MEASURES TO MINIMISE RISKS OF COMMUNITY SPREAD OF COVID-19

In view of the COVID-19 situation, the following steps will be taken for shareholders and others who will be attending the AGM of the Company in order to minimise the risk of COVID-19 community spread:

- (1) All persons attending the AGM of the Company will be required to undergo a temperature check and sign a health declaration form to provide the travel history on whether during the last 14 days he/she have been travelling to any of the COVID-19 affected countries, regions or areas identified by the Ministry of Health of Singapore's ("MOH") travel advisories as places to avoid travelling, prior the date of the AGM of the Company (i.e. commencing from and including Monday, 13 April 2020). The health declaration form will be also be used for the purpose of contact tracing, if required.
- (2) Any person who has recent travel history to the affected countries listed by MOH or has been in contact with a suspected or confirmed COVID-19 patient, irrespective of nationality, during the said 14 days period will not be permitted to attend the AGM of the Company.
- (3) Any person who has fever or exhibits flu-like symptoms will not be permitted to attend the AGM of the Company.
- (4) There will be no food served at the AGM of the Company.

Shareholders who are feeling unwell on the date of the AGM of the Company are advised not to attend the AGM of the Company. Shareholders are also advised to arrive at the venue of the AGM of the Company earlier given that the above-mentioned measures may cause delay in the registration process.

In view of the COVID-19 situation, we wish to advise shareholders that it is not essential for you to attend the AGM of the Company in person. Shareholders should refrain from attending the AGM of the Company under the present circumstances as long as the DORSCON level remains at Orange, or higher.

To vote on any or all of the resolutions at the AGM of the Company, you are encouraged to send in your votes in advance by proxy. You may appoint the Chairman of the AGM of the Company as your proxy. The proxy form is attached to the Notice of AGM.

As the COVID-19 situation continues to evolve, the Company will closely monitor the situation and reserves the right to take further measures in accordance to the guidelines issued by MOH. This includes cancelling the AGM, as appropriate, up to the day of the AGM of the Company in order to minimise any risk to shareholders and others attending the AGM of the Company. The Company seeks the understanding and cooperation of all shareholders to minimise the risk of community spread of the COVID-19.

The Company, the Group, their officers and employees shall have no liability whatsoever to shareholders, their proxies, corporate representatives or any other party arising out of or in connection with any of them being infected or suspected of being infected with COVID-19 or suffering any losses arising out of or in connection with attendance at the AGM of the Company and/or the Company taking precautionary measures at the Company's discretion in response to the COVID-19 pandemic.



ASPIAL CORPORATION LIMITED

(Company Registration No.: 197001030G)

(Incorporated in the Republic of Singapore)

IMPORTANT:

1. A relevant intermediary may appoint more than two (2) proxies to attend and vote the Annual General Meeting (please see Note 4 for the definition of "relevant intermediary").
2. For investor who holds shares under Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investor") (as may be applicable), this Proxy Form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS Investor should contact their respective CPF Agent Banks/SRS Operators if they have any queries regarding their appointment as proxies.

PROXY FORM

(Please see notes overleaf before completing this Form)

*I/We, _____ (Name) _____ (NRIC/Passport No.)
 of _____ (Address)
 being a *member/members of Aspiat Corporation Limited (the "**Company**"), hereby appoint:

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

*and/or (delete as appropriate)

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

or failing the person, or either or both of the persons, referred to above, the Chairman of the Annual General Meeting (the "**Meeting**") as my/our* proxy/proxies* to vote for me/us* on my/our* behalf at the Meeting of the Company to be held on Monday, 27 April 2020 at 3.00 p.m. and at any adjournment thereof. I/We* direct my/our* proxy/proxies* to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies* will vote or abstain from voting at his/her/their* discretion, as he/she/they* will on any other matter arising at the Meeting and at any adjournment thereof.

All resolutions put to the vote at the Meeting shall be decided by way of poll.

No.	Resolutions relating to:	Number of Votes For ⁽¹⁾	Number of Votes Against ⁽¹⁾	Number of Votes Abstain ⁽¹⁾
1	Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2019 together with the Independent Auditors' Report thereon			
2	Payment of proposed final dividend (tax-exempt one-tier)			
3	Re-election of Ms Ko Lee Meng as a Director			
4	Re-election of Mr Wong Soon Yum as a Director			
5	Approval of Directors' fees amounting to S\$266,000			
6	Re-appointment of Messrs Ernst & Young LLP as Auditors			
7	Authority to issue new shares			
8	Renewal of Share Purchase Mandate			
9	Authority to issue shares under the Aspiat Performance Share Plan			
10	Authority to issue shares under the Aspiat Corporation Limited Scrip Dividend Scheme			

(1) If you wish to exercise all your votes "For" or "Against" or "Abstain", please indicate with a "X" within the box provided. Alternatively, please indicate the number of votes "For" or "Against" or "Abstain" for each resolution within the box provided.

Dated this _____ day of April, 2020

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

 Signature of Shareholder(s)
 or, Common Seal of Corporate Shareholder

* Delete where inapplicable



Notes:

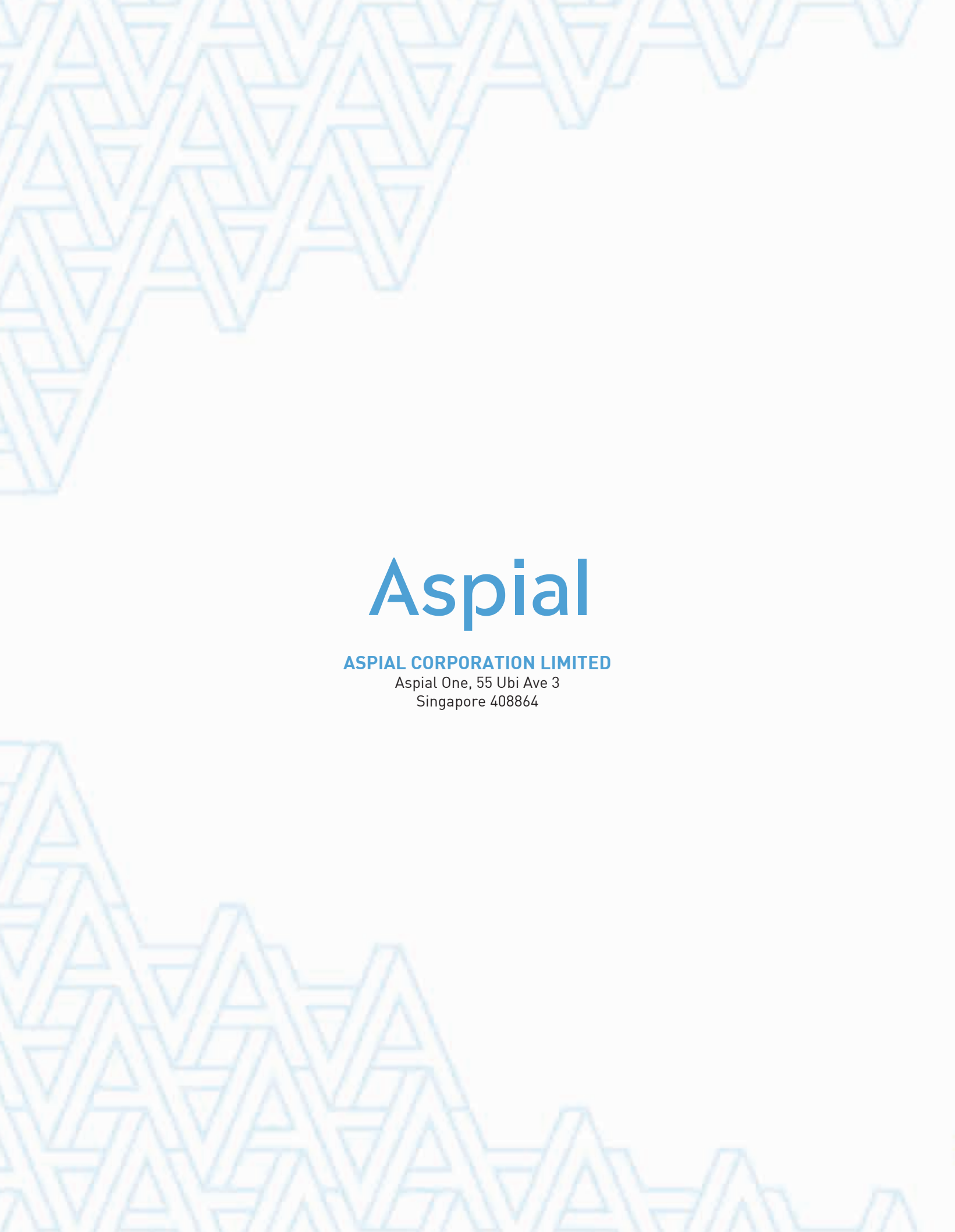
1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act (Cap. 289)), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one (1) or two (2) proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
3. Where a member appoints two (2) proxies, if the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy is not indicated, the first proxy will be representing 100% and the second proxy will be deemed as alternate.
4. A member who is a relevant intermediary entitled to attend the meeting and vote is entitled to appoint more than two (2) proxies to attend and vote instead of the member, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where such member appoints more than two (2) proxies, the appointments shall be invalid unless the member specifies the number of Shares in relation to which each proxy has been appointed.
"Relevant intermediary" means:
 - (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
 - (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or
 - (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Central Provident Fund Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
5. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.
6. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 not less than seventy-two (72) hours before the time appointed for the Meeting.
7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his/her attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act (Cap. 50) of Singapore.

PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 9 April 2020.

General:

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



Aspial

ASPIAL CORPORATION LIMITED

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Singapore 408864