AF GLOBAL

ANNUAL REPORT **2017**

CORPORATE PROFILE

Founded in 1973 and listed on the Singapore Exchange, AF Global Limited (AFGL) has since evolved and grown over four decades to focus on hospitality and investment holdings. Today, the Group has presence in Asia and the United Kingdom.

The Group's impressive portfolio of businesses include high-end hotels and resorts, serviced residences and real estate consultancy. With long-term stability as its goal, AFGL is relentless in its pursuit of good opportunities for growth, both in its core businesses and beyond.

In keeping with its commitment to deliver greater value and returns to its shareholders, business partners and employees, AFGL will continue to pursue favourable opportunities and establish strong partnerships.

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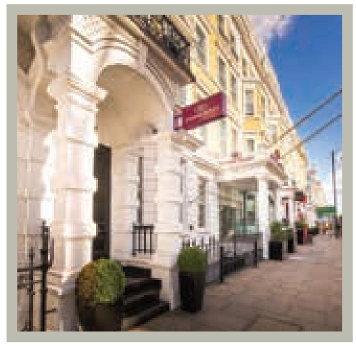
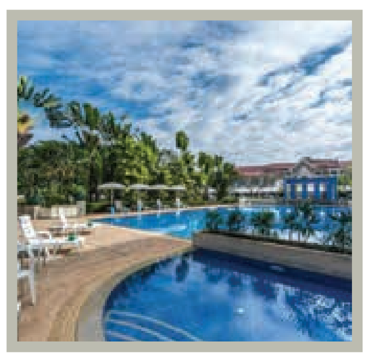

Crowne Plaza London Kensington


Gulou Square


ZONE X


Holiday Inn Resort Phuket


Rawai


Somerset Vientiane

NETWORK OF OPERATIONS

SINGAPORE

55 Ubi Avenue 1
#06-11 Ubi 55 Building
Singapore 408935
Tel : 6266 2222
Fax: 6263 2340

- AF Global Limited
- L.C. Hotels Pte Ltd
- L.C. Logistics Pte Ltd
- LCD (Vietnam) Pte Ltd
- LCD (Indochina) Pte Ltd
- LCD Property Pte Ltd
- LCD Property Management Pte Ltd
- Draycott Garden Pte Ltd
- Hillgate Investment Pte Ltd
- Bon 88 Investment Pte Ltd
- Bon (38) Investment Pte Ltd
- Rawai 88 Investment Pte Ltd
- Rawai (38) Investment Pte Ltd
- AF Global Investment Holding Pte Ltd
- AF Rawai Hotels Pte Ltd
- AF Phuket Hotels Pte Ltd

10 Collyer Quay
#08-01 Ocean Financial Centre
Singapore 049315
Tel : 6222 1333
Fax: 6224 5843

- Cheong Hock Chye & Co. (Pte) Ltd
- Knight Frank Pte Ltd
- Knight Frank Property Asset Management Pte Ltd
- KF Property Network Pte Ltd

1 Upper Aljunied Link
#08-05 Joo Seng Warehouse
Singapore 367901
Tel : 6848 6270
Fax: 6744 5723

- ZONE X Leisure Pte Ltd

PEOPLE'S REPUBLIC OF CHINA

Gulou Square
No. 6 Fengshang Road
Xuzhou 221007
Jiangsu Province
People's Republic of China
Tel/Fax: (86 516) 8390 5285

- Xuzhou YinJian LumChang Real Estate Development Co., Ltd
- Xuzhou RE Sales Co., Ltd

THAILAND

No. 29/1 Piya Place Langsuan Building
6th Floor, Unit 6A, Soi Langsuan
Ploenchit Road, Lumpini
Pathumwan, Bangkok 10330
Thailand
Tel : (66 2) 015 6200/1
Fax: (66 2) 015 6202

- AF Global (Thailand) Limited
- AF Global (Phuket) Limited
- HIRP (Thailand) Limited
- RP (Thailand) Limited
- RP Hotels (Thailand) Limited

52 Thaweewong Road
Tambol Patong
Amphoe Kathu
Phuket 83150
Thailand
Tel : (66 76) 370 200
Fax: (66 76) 349 999

- Holiday Inn Resort Phuket

100 Wiset Road
Tambol Rawai
Amphoe Muang Phuket
Phuket 83130
Thailand

- Phuket Rawai Beach Resort
  (Under Development)

UNITED KINGDOM

100 Cromwell Road
London SW7 4ER
United Kingdom
Tel : (44 207) 373 2222
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- L.C. (London) Ltd
- Crowne Plaza London Kensington

VIETNAM

12 Mac Dinh Chi Street
Da Kao Ward
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Vietnam
Tel : (84 8) 3822 1111
Fax: (84 8) 3822 8084

- Cityview Property Investment & Trading Limited
- Cityview Apartments and Commercial Centre

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Souphanouvong Avenue
Sikottabong District
P.O. Box 4793
Vientiane
Lao P.D.R.
Tel : (856 21) 250 888
Fax: (856 21) 250 777

- Gateway Enterprise Company Limited
- Somerset Vientiane

WEST MALAYSIA

Suite 107, KTC Avenue
No. 2 Jalan 2/114
Kuchai Business Centre
Off Jalan Kuchai Lane
58200 Kuala Lumpur
Malaysia
Tel : (60 3) 7981 4662
Fax: (60 3) 7980 8176

- LCD Management Sdn Bhd
- Corpus Five Sdn Bhd

HOTEL

CROWNE PLAZA LONDON KENSINGTON

Crowne Plaza London Kensington is a favourite amongst both business and leisure travellers due to its excellent location. Upmarket departmental stores and places of interest like Harrods, Hyde Park, Royal Albert Hall, and the Natural History Museum are just a few blocks away. This full service 163-room hotel boasts of an elegant and modern lobby, spacious guestrooms and an Asian-inspired all-day-dining restaurant, Umami. A beautifully landscaped garden located at the rear of the hotel provides the perfect venue for outdoor events and birthday parties.

The hotel also consistently receives high rankings on key review sites like TripAdvisor and Hotels.com.

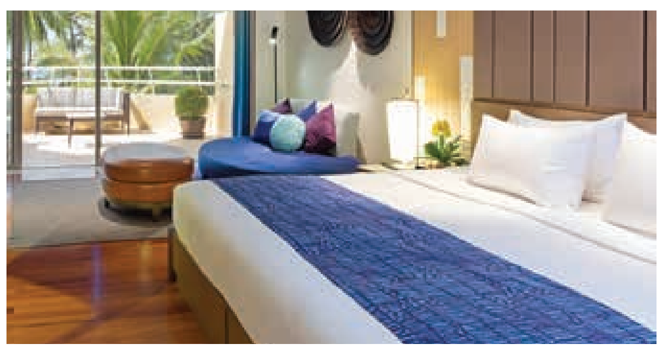
HOTEL

HOLIDAY INN RESORT PHUKET

Centrally located in the heart of Phuket's bustling Patong Beach, Holiday Inn Resort Phuket is within walking distance to a multitude of restaurants, bars and retail outlets. The property has a total of 398 guestrooms distributed between two distinct wings: a contemporary style family-friendly Main Wing, as well as a Thai-inspired Busakorn Wing. Guests can choose from a vast selection of meals from the dining options, ranging from authentic Thai cuisine at Charm Thai to exceptional steaks at Sam's Steaks and Grill which was awarded the coveted Travellers Choice Award in 2013 and 2016.

With its unique Family and Kids Suite accommodation, Kid's Club and Kid's swimming pool, the resort is recognised as one of the most family-friendly resorts in Patong. As such, the resort was voted into the Top 10 Family Resorts by Holiday with Kids Magazine readers for 3 consecutive years from 2015 to 2017.

On 23 July 2017, the Holiday Inn Resort Phuket celebrated its 30th anniversary. The General Manager hosted a day of celebrations culminating in a spectacular exhibition that showcased the resort at its finest. Mayor Chalermluck Kebsup and her family, senior management from the Government Pension Fund of Thailand, AF Global Limited, InterContinental Hotels Group, Phuket Vice-Governor Snith Sriwihok all graced the occasion as the guests of honour. Local suppliers with whom the resort has long standing relationships, members of staff both past and present and many repeating guests also partook in the festivities.



PHUKET RAWAI BEACH RESORT

Sitting where the former Evason Phuket Resort and Six Senses Spa used to be, the 180,000 square metre site will be redeveloped to house a five-star luxury beach resort. Guests will be able to enjoy breath-taking views of the glittering Andaman Sea from the hotel and the private use of an exclusive beach at Bon Island a 10-minute boat ride away. Highly accessible, the property is located 20 minutes away from Phuket Town and 50 minutes away from Phuket International Airport. Located at the southern tip of Phuket, the resort boasts of a well-enclosed bay and is positioned within a private and secluded area. It is just 10 minutes away from a famous landmark that offers the most spectacular sunset view in Phuket. It will be perfect for travellers looking for a relaxing and luxurious getaway on Phuket Island.

Artist's impression

SERVICED RESIDENCE

CITYVIEW APARTMENTS & COMMERCIAL CENTRE

Cityview Apartments and Commercial Centre is centrally located in District 1 of Ho Chi Minh City. As such, it is located close to many consulates, central and local government offices, banks, commercial and retail malls.

The property is a mixed development featuring a 12-storey main building and a six-storey new wing. There are 66 fully-furnished serviced apartments ranging from studio units to three-bedroom apartments, as well as 34 office units on the lower floors to cater to a wide range of business needs. Facilities include a gymnasium, minimart, laundry service and 24-hour security.

SOMERSET VIENTIANE

The 116-room Somerset Vientiane is strategically located within major commercial, diplomatic and shopping areas in the new business and residential Sikhottabong District. It is also a five-minute drive from the river-fronting Chanthabouli Business District and Wattay International Airport. In addition, being close to educational establishments such as the Vientiane International School, Australian International School, it is well suited for families.

Somerset Vientiane achieved TripAdvisor and Booking.com Guest Review Award 2017.

PROPERTY DEVELOPMENT

GULOU SQUARE
鼓楼广场

Gulou Square (鼓楼广场) is located in Gulou District within 1.5 kilometers from the city centre of Xuzhou. Xuzhou is the largest city of Northern Jiangsu as well as the most ancient city of the province in China. Xuzhou City is one of China's most well-known transportation hub, in which two most important high-speed rail lines, Beijing-Shanghai that runs in the North-South direction, and Lianyungang-Urumqi that goes from East to West, meet. Within Xuzhou, the Gulou District is one of five commercial and tourist districts, which have been identified as key enablers to promote the city's development.

Gulou Square is one of the landmark projects in the mature district of Gulou. It is a mixed-use development project with a built-up area of approximately 385,000 square metres. This development project comprises a residential development and a commercial zone. The location of Gulou Square is unparalleled as it is literally right beside the Xuzhou MRT Line 2, Jiu Long Hu Station (九龙湖站). The completion of the Line 2 would enhance the accessibility to the project and add premium to both the residential and commercial development of Gulou Square.

Gulou Jing Dian (鼓楼晶典), the residential development in Gulou Square, occupies a land area of 54,500 square metres. The project comprises nine high-rise and four low-rise blocks coupled with local retail facilities. The residential development offers a total of 1,206 luxurious one- to four- bedroom apartments and duplex villas. The second and final phase of the development had obtained TOP in end 2015. We have sold 1,200 units or about 99.5% of the apartments built.

The commercial zone lies adjacent to the residential development and occupies a land area of 23,400 square metres. It features a 23-storey hotel, a contemporary 23-storey Grade A office tower and a family theme shopping mall. Guests at the hotel will enjoy a panoramic view of the scenic Jiu Long Hu Park (九龙湖公园), an important green belt within the Gulou District. When completed, the spacious lifestyle mall provides "a place to go" for the neighbourhood and vicinity. The mall offers a one-stop shopping paradise with myriad of retail outlets, entertainment and dining options for a dynamic "retailtainment" experience. The company is focusing on the sale of the office units and leasing of the retail mall, which are currently under construction.

REAL ESTATE CONSULTANCY

Normanton Park, the largest en bloc deal closed by Knight Frank in 2017. With a size area of 61,409 square metres, the development was sold collectively for S$830.1 million.

KNIGHT FRANK SINGAPORE

Riding on the wave of Singapore's en bloc fever, 2017 was a stellar year for Knight Frank Singapore. The group clinched over S$1.8 billion in land and en bloc sales across a total of six properties namely One Tree Hill Gardens, Rio Casa, Normanton Park, Dunearn Court, Mayfair Gardens and Lodge 77.

Of the residential sales projects handled by the group, over S$168.2 million in sales was generated for The Nassim, a prestigious freehold condominium located in Singapore's prime District 10. Several marketing appointments were secured for new developments throughout Singapore and beyond; from Muse@Newton to Twin Vew at West Coast, the group was also appointed to market the residential component of Batam's largest integrated project – Oxley Convention City.

For international projects, Knight Frank Singapore sold close to half of the residential units up for sale for Maples Niseko, an apartment project located on the popular ski-slopes of Hirafu, Japan.

On the commercial front, the group transacted S$52 million in industrial property sales and represented several multinational companies looking to relocate into new and sizable office spaces of up to 60,000 square feet. Throughout the year, Knight Frank Singapore won appointments from the country's largest REITs players — Ascendas-Singbridge, CapitaLand Commercial Trust, CapitaLand Mall Trust — to provide valuation services for their portfolio of properties.

Established in 1940, Knight Frank Singapore is one of the country's leading real estate consultancy practices. The group offers a full suite of real estate services which includes auction, consultancy and research, local and overseas project marketing, property management, investment sales, retail marketing, sales and leasing of residential and commercial properties as well as valuation services.

The Knight Frank group of companies continues to strengthen its service offerings by investing in and nurturing capable real estate professionals.

LEISURE & ENTERTAINMENT

ZONE X

ZONE X, the Group's leisure and entertainment arm, provides different leisure and entertainment play facilities such as arcade machines, photo sticker machines, and interactive shooting games to cater to customers of all ages. The company also regularly organises tournaments for fans of popular racing (Wangan Midnight Five) and football (World Club Champion Football) arcade games.

CORPORATE SUSTAINABILITY

COMMITMENT TO OUR SHAREHOLDERS

At AFGL, we believe it is our responsibility to manage the company successfully on a sustainable long-term basis. We are committed to providing transparent, timely and accurate information through regular updates of the Group's performance and plans.

All corporate announcements and press releases are released timely on the Singapore Exchange's SGXNet and our annual report can be easily downloaded from our corporate website.

COMMITMENT TO THE ENVIRONMENT

Supporting Green Initiatives in collaboration with the Earth Day, AFGL has started since April 2016 to create greater awareness of Earth Day and sustainability concerns of the environment. The lights and the air-conditioning are turned off every Friday during lunch time to reduce energy consumption.

Environmental sustainability remains a core guiding principle in the conduct of our everyday business in our business units and hotels. Continuing efforts at our hotels sees each property replacing fittings and parts that will help reduce our carbon footprint during each maintenance cycle. Where applicable, environmentally friendly products are used in daily maintenance and cleaning works.

For example, LED lights that consume less energy than conventional light bulbs will progressively replace all traditional halogen lamps at our hotels. Air-conditioning units that are more efficient and consume less energy will also eventually replace all existing units. Rainwater runoff is collected and used for non-potable purposes like watering the plants in the premises of the hotels.

Although these efforts might seem small when undertaken individually, the Group believes that when taken together, these underscore our commitment to the environment as a responsible business.

COMMITMENT TO THE COMMUNITY

At AFGL, we believe in giving back to the communities that we conduct business in.

Over in Thailand, the Holiday Inn Resort Phuket held its Corporate Social Responsibility event on 6 September 2017. Every year the resort would select a local school to provide upgrades, scholarships, uniforms, painting mission, clean up service and conduct a fun-filled day of activities for the less well-off children.

This year, Ban Sai Nam Yen Patong school was selected. 120 scholarships were awarded and 735 school children received new uniforms, sport equipment and donations to help out with their expenses. The resort is proud to take the initiative to fulfil our Corporate Social Responsibility by giving back to a school in the local community as education is an important part of our community service. The community event links the resort with Phuket's people and show that the resort cares for their neighbourhood.

CORPORATE **SUSTAINABILITY**

COMMITMENT TO THE COMMUNITY

In London, our General Manager had organised a gala dinner on 18 July 2017 to raise funds to support the victims from the Grenfell Tower fire. The tragedy had claimed the lives of at least 79 people when the 27-storey block of flats went up in flames in North Kensington on 14 June 2017. A total of over £100,000 was raised towards the survivors of the tragedy.

In Laos, Somerset Vientiane had contributed part of the costs of the accommodation for a group of 6 students and a teacher from the Singapore National School of Performing Arts, to participate in exchange lessons on performing arts from 20 to 27 July 2017.

In Singapore, as part of Knight Frank Singapore's Corporate Social Responsibility efforts, around S$6,400 was raised for the elderly at Lee Ah Mooi Old Age Home. 40 Knight Frank staff also paid a visit to the home and spent an enjoyable afternoon with the old folks, playing bingo, singing karaoke and interacting with them over dinner.

SUSTAINABILITY REPORT

This is the first year we will prepare our Sustainability Report under the Singapore Exchange Securities Trading Limited's Listing Rules 711A/B. The full Sustainability Report will be published in due course on our corporate website at www.afgl.com.sg. An announcement will be promptly released as soon as the Sustainability Report is available.

CORPORATE DATA

DIRECTORS

Koh Wee Seng	*(Non-Executive Chairman)*
Chay Yue Kai	*(Chief Executive Officer)*
Periakaruppan Aravindan	*(Non-Executive Director)*
Woo Peng Kong	*(Lead Independent Director)*
Yeo Wee Kiong	*(Independent Director)*

AUDIT COMMITTEE

Woo Peng Kong *(Chairman)*
Periakaruppan Aravindan
Yeo Wee Kiong

NOMINATING COMMITTEE

Woo Peng Kong *(Chairman)*
Koh Wee Seng
Yeo Wee Kiong

REMUNERATION COMMITTEE

Yeo Wee Kiong *(Chairman)*
Periakaruppan Aravindan
Woo Peng Kong

COMPANY SECRETARY

Lim Swee Ann

COMPANY REGISTRATION NO.

197301118N

REGISTERED ADDRESS

55 Ubi Avenue 1
#07-11 Ubi 55 Building
Singapore 408935
Tel : 6266 2222
Fax : 6263 2340

REGISTRAR

Boardroom Corporate & Advisory
Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

AUDITOR

Ernst & Young LLP
Public Accountants and
Chartered Accountants Singapore
Engagement Partner: Tan Seng Choon
(effective from financial year ended 30 June 2013)

GROUP FINANCIAL HIGHLIGHTS

	12 months 31 December		
	2017 $'000	2016 $'000	% +/-
FOR THE YEAR:			
Revenue	55,741	54,237	+2.8
Profit			
Before taxation	13,912	9,294	+49.7
After taxation and non-controlling interests	8,333	4,824	+72.7

	31 December		
	2017 $'000	2016 $'000	% +/-
AT END OF THE YEAR:			
Shareholders' equity	295,605	260,901	+13.3
Total equity	358,347	316,040	+13.4
Total assets	496,744	441,751	+12.4
PER SHARE:			
Earnings before taxation (Note 1)	1.32¢	0.88¢	+50.0
Earnings after taxation and non-controlling interests (Note 1)	0.79¢	0.46¢	+71.7
Net asset value (Note 2)	$0.28	$0.25	+12.0
DIVIDEND:			
Interim Dividend (Note 3)	1.00¢	1.25¢	

Notes:

1. Earnings per share is computed based on the weighted average number of ordinary shares in issue (excluding treasury shares which have no voting rights) during the year.
2. Net asset value per share is computed by dividing the shareholders' equity by the number of ordinary shares in issue (excluding treasury shares which have no voting rights) at the end of the year.
3. Please refer to Note 31 of the Notes to the Financial Statements for the treatment of the dividends in the accounts.

FIVE-YEAR **FINANCIAL SUMMARY**

	12 months 31 December		12 months 31 December	18 months 31 December	12 months 30 June	12 months 30 June
	2017 $'000	**2016 $'000**	**2015* $'000**	**2015 $'000**	**2014 $'000**	**2013 $'000**
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME						
Revenue	55,741	54,237	54,576	81,194	55,499	57,770
Profit/(loss) before taxation	13,912	9,294	2,489	11,331	(9,088)	10,054
Taxation	(2,676)	(1,860)	(2,214)	(3,328)	(2,631)	(4,017)
Profit/(loss) after taxation	11,236	7,434	275	8,003	(11,719)	6,037
Non-controlling interests	(2,903)	(2,610)	(2,280)	(3,353)	(2,655)	(4,646)
Profit/(loss) attributable to shareholders	8,333	4,824	(2,005)	4,650	(14,374)	1,391

	31 December		31 December	31 December	30 June	30 June
	2017 $'000	**2016 $'000**	**2015* $'000**	**2015 $'000**	**2014 $'000**	**2013 $'000**
CONSOLIDATED BALANCE SHEET						
Property, plant and equipment	362,187	312,925	333,367	333,367	283,796	283,630
Investment property	–	–	–	–	8,936	9,280
Joint venture companies	86,000	86,005	85,056	85,056	74,018	75,014
Investment securities	4,825	5,061	5,061	5,061	5,061	5,061
Other non-current assets	1,961	1,912	1,752	1,752	1,834	1,892
Net current assets	6,613	8,442	7,099	7,099	22,636	32,565
Non-current liabilities	(103,239)	(98,305)	(92,457)	(92,457)	(63,679)	(62,569)
Net assets	358,347	316,040	339,878	339,878	332,602	344,873
Share capital	209,518	209,518	209,518	209,518	209,232	206,274
Treasury shares	–	–	–	–	(393)	(464)
Reserves	86,087	51,383	77,986	77,986	73,639	84,240
Shareholders' equity	295,605	260,901	287,504	287,504	282,478	290,050
Non-controlling interests	62,742	55,139	52,374	52,374	50,124	54,823
Total equity	358,347	316,040	339,878	339,878	332,602	344,873
RATIOS						
Profit/(loss) attributable to shareholders as a percentage of:						
Revenue	14.9%	8.9%	(3.7)%	5.7%	(25.9)%	2.4%
Average total equity	2.5%	1.5%	(0.6)%	1.4%	(4.2)%	0.4%
Per share:						
Earnings/(loss) before taxation (Note 1)	1.32¢	0.88¢	0.24¢	1.07¢	(0.88)¢	0.98¢
Earnings/(loss) after taxation and non-controlling interests (Note 1)	0.79¢	0.46¢	(0.19)¢	0.44¢	(1.38)¢	0.14¢
Net asset value (Note 2)	$0.28	$0.25	$0.27	$0.27	$0.27	$0.28
Dividends:						
Final Dividend (Note 3)	–	–	1.00¢	1.00¢	1.00¢	0.50¢
Interim Dividends (Note 3)	1.00¢	1.25¢	2.50¢	2.50¢	–	–
Special Dividend	–	–	–	–	–	0.15¢

* Unaudited and presented for comparison purposes.

Notes:

1. Earnings/(loss) per share is computed based on the weighted average number of ordinary shares in issue (excluding treasury shares which have no voting rights) during the year/period.
2. Net asset value per share is computed by dividing the shareholders' equity by the number of ordinary shares in issue (excluding treasury shares which have no voting rights) at the end of the year/period.
3. Please refer to Note 31 of the Notes to the Financial Statements for the treatment of the dividends in the accounts.

CHAIRMAN'S **STATEMENT**

OVERVIEW

On behalf of the Board of Directors (the "**Board**") of AF Global Limited (the "**Company**" and together with its subsidiaries, the "**Group**"), I am pleased to present our Company's Annual Report for the financial year ended 31 December 2017 ("**FY2017**").

2017 had seen most global economies surge, led by their capital markets. Equity markets soared, led by US indices with the US benchmark Dow index gaining 25% year-on-year and Singapore's benchmark STI index also rising 18.1% year-on-year, STI index's largest annual gain since 2012.

In 2017, the Singapore economy grew at 3.6%, higher than the 2.4% growth in 2016. Singapore's Ministry of Trade and Industry is forecasting GDP growth for 2018 to be between 1.5% to 3.5%.

DIVIDEND

In appreciation of our shareholders' continued support, our Company has declared and paid an interim dividend of 1.00 Singapore cent per ordinary share for FY2017.

HOTELS

Trading performance for FY2017 for our hotels, namely, Crowne Plaza London Kensington ("**CPLK**") and Holiday Inn Resort Phuket ("**HIRP**") improved year-on-year. CPLK returned higher revenue and profit, but profitability was mitigated by a weaker Sterling Pound. HIRP returned higher profit from higher room and F&B revenues coupled with a stronger Thai Baht.

SERVICED RESIDENCES

Both our Group's serviced residences turned in satisfactory performances and remained profitable. Cityview Apartments and Commercial Centre in Ho Chi Minh City enjoyed consistently good occupancies while Somerset Vientiane in Laos saw moderated pullback and trading due to a more subdued lodging market in Vientiane, Laos after an extraordinary year in 2016 due to the ASEAN Summit held in the city.

PROPERTY DEVELOPMENT

The development of our property at Gulou Square（鼓楼广场）made steady progress in FY2017.

Our marketing efforts have borne fruit with notable progress in the sale of our residential apartments, Gulou Jing Dian. To-date, we have achieved sales of 99.5% of the total 1,206 units of residential apartments. The commercial plot which comprises 2 towers and a podium have structurally topped out and the office tower units are ready for a soft launch.

Since 2015, the Chinese government has introduced a series of policies aimed at easing the property cooling measures. The Chinese government is also aiming to push through property tax legislation by 2019. Looking ahead, we are cautiously optimistic that the Xuzhou market will turn around.

REAL ESTATE CONSULTANCY

In Singapore, the property market sentiment remains positive. Our Knight Frank Singapore business is expected to benefit from the improved economic outlook and increased confidence in the real estate sector.

LEISURE

Revenue and profit for ZONE X were consistent with 2016. In a challenging competitive environment with rising rentals and changing consumer's tastes, ZONE X's outlets continued to remain profitable.

CHANGE TO THE BOARD

Mr Meelan Gurung resigned as an Independent Non-Executive Director with effect from 23 February 2018 to join Aspial Corporation Limited. We would like to thank Mr Meelan Gurung for his contribution and effort in guiding the Group thus far.

LOOKING AHEAD

While FY2017 had been a good year, economists and analysts remain cautious on the outlook for 2018. The Singapore government had flagged 2 key potential downside risks – concerns over protectionist sentiments and that the US economic recovery is in a relatively mature stage of the cycle. An increase in trade barriers could adversely affect global trade, with spillover effects on economic growth worldwide. Both interest rate and inflation have also been forecasted to rise in 2018.

In Thailand, our Group is making good progress on the development of the Rawai site with the appointment of architects and consultants as well as an international hotel operator.

NOTE OF APPRECIATION

I wish to thank the members of our Board for their valuable contributions and leadership. I believe that by leveraging on our diverse strengths, a promising future awaits.

On behalf of our Board, I would also like to thank our management team and staff for their continued dedication and support to our Group. We look forward to working together with you for the upcoming year. Lastly, I would also like to thank our shareholders for their faith and support in us. We aim to continue to exceed your expectations and drive further growth for our Group.

KOH WEE SENG
Non-Executive Chairman

20 March 2018

BOARD OF DIRECTORS

Mr Koh Wee Seng is the Chief Executive Officer and Executive Director of Aspial Corporation Limited, and the Non-Executive Chairman of Maxi-Cash Financial Services Corporation Ltd and World Class Global Limited. Mr Koh is responsible for the strategic planning overall management and business development of Aspial Group. He has successfully led Aspial Group's diversification into property business and financial service business.

Mr Koh holds a Bachelor degree in Business Administration from the National University of Singapore.

Mr Chay Yue Kai has over 30 years of working experience in both local and regional property development and investment businesses. He joined L.C. Development Ltd (the former name of AFGL) as Senior Manager and became an Executive Director of the property division in 2005. Mr Chay was with AFGL Group from October 2002 to January 2012. He was Managing Director of Guocoland China (Beijing and North China) from 2012 to 2013. From 2013 to 2014, he was Head of Real Estate Development of Straits Trading Company.

Mr Chay holds a Bachelor of Science (Honours) degree in Building from the University of Singapore (now known as the National University of Singapore).

Mr Periakaruppan Aravindan is the Deputy Chief Executive Officer and Executive Director of Fragrance Group Limited. The business of Fragrance Group Limited include property development, investment and management of hotel property. Mr Aravindan has over 17 years of experience in the property and hotel industry and has extensive experience in finance, accounting, secretarial and tax functions.

He is a Chartered Accountant and a non-practicing member of the Institute of Singapore Chartered Accountants. He is also a fellow of the Association of the Chartered Certified Accountants, United Kingdom. Mr Aravindan graduated with a Bachelor in Commerce and a Master in Business Administration (Finance) from the Madurai Kamaraj University.

Mr Woo Peng Kong has over 30 years of experience in the oil & gas and marine & offshore industries, holding diversified senior management roles as General Manager, Executive Director and Chief Executive Officer in engineering, sales & marketing, new business start-ups and joint ventures, with particular strength in business operations and financial management.

Mr Woo holds a Bachelor degree in Engineering (Mechanical) (First Class Honours) from the University of Singapore (now known as the National University of Singapore) and a Certified Diploma in Accounting and Finance from the Association of the Chartered Certified Accountants, United Kingdom.

Mr Yeo Wee Kiong who is retired, is a board member of Heliconia Management Pte Ltd, a wholly-owned fund management subsidiary of Temasek Holdings and a Director and Chairman in Ezyhealth group. He is also an ex-Director of a leading Singapore law firm. Prior to that, he was the managing partner of a law corporation which he founded. He was a former investment banker with a Singapore-based UK merchant bank and a senior industry officer with a government statutory board.

Mr Yeo holds a Bachelor degree in Engineering (Mechanical) (First Class Honours) and a Master in Business Administration from the then University of Singapore and the National University of Singapore respectively. He also graduated with an honours degree in law from the University College of London and is also a Barrister-at-Law of Lincoln's Inn for England and Wales.

CORPORATE **GOVERNANCE REPORT**

INTRODUCTION

The board of directors (the "**Board**" or the "**Directors**") of AF Global Limited (the "**Company**") recognised that a high standard of corporate governance ultimately promotes greater transparency, accountability, performance and integrity. The Company is committed to maintain sound corporate governance practices in accordance with the spirit and principles embodied in the Singapore Code of Corporate Governance 2012 (the "**Code**") to protect and enhance the interests and value of its shareholders.

This report sets out the Company's corporate governance practices and processes with specific reference to the Code for the financial year ended 31 December 2017 ("**FY2017**"). Unless otherwise stated, the Company confirms that it has adhered to the principles and guidelines of the Code, in all material respects, where relevant and practical.

I. BOARD MATTERS

THE BOARD'S CONDUCT OF AFFAIRS

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

The Board directs and leads the business affairs of the Company and its subsidiaries (collectively, the "**Group**") and is responsible for setting the Group's strategic objectives, provide the necessary leadership and guidance in the execution of the Group's plans and to ensure that sufficient financial and human resources are in place for the Group to meet its objectives. The Board works with the senior management team of the Company (the "**Management**") to achieve these goals set for the Group. To ensure smooth operations, facilitate decision making and ensure proper controls, the Board has, without abdicating its responsibility, delegated some of its powers to its specialised committees and the Management. The specialised committees and the Management remain accountable to the Board.

The Board also takes a proactive approach towards reviewing and monitoring the Management's performance and the Group's financial performance as well as continuously assessing and updating the Group's internal controls in order that the business and operational risks are properly managed, including safeguarding of shareholders' interests and the Group's assets. Sustainability issues are carefully considered by the Board in its business approach. In addition, the Board identifies key stakeholder groups and recognises that their perceptions affect the Company's reputation.

The Group has adopted internal guidelines for borrowings, acquisitions, disposals, investments and capital or operational expenditure. Apart from specific matters that require the Board's approval, including but not limited to share issues, dividend distribution and share buybacks, the Board also reviews and approves major transactions of the Group.

All Directors exercise reasonable diligence and independent judgment when making decisions and are obliged to act honestly and consider the interests of the Company at all times. In addition, the Board also sets the Group's corporate values and standards which include ethical standards and ensure that obligations to shareholders and others are understood and met.

The Board has, without abdicating its responsibility, delegated certain matters to specialised committees of the Board. The specialised committees comprise 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 effectively. The Board Committees function within clearly defined terms of reference and operating procedures. The effectiveness of the Board is also reviewed by the Board on an annual basis.

The Board meets at least four (4) times a year for regularly scheduled meetings, and as often as may be required to deal with ad hoc matters. Additionally, approvals from the Board and the Board Committees are also sought by circular resolutions. The Company's Constitution allows the Board and the Board Committees meetings to be held via telephone and video conferencing so as to enhance efficiency and allow for timely meetings.

CORPORATE **GOVERNANCE REPORT**

The details of the number of the Board and the Board Committees meetings held in FY2017 and the attendance of each Director at those meetings are set out below:

Name of Directors	Board		Audit Committee		Nominating Committee		Remuneration Committee	
	Number of Meetings held	Number of Meetings attended	Number of Meetings held	Number of Meetings attended	Number of Meetings held	Number of Meetings attended	Number of Meetings held	Number of Meetings attended
Koh Wee Seng	4	4	4	4*	4	4	2	2*
Chay Yue Kai	4	4	4	4*	4	4*	2	2*
Periakaruppan Aravindan	4	4	4	4	4	4*	2	2
Woo Peng Kong	4	4	4	4	4	4	2	2
Meelan Gurung#	4	4	4	4	4	4	2	2*
Yeo Wee Kiong	4	4	4	4	4	4*	2	2

* By invitation.

\# Resigned as an Independent Non-Executive Director on 23 February 2018.

In order to keep pace with the developments in the business, financial, regulatory and legal environments, the Company provides the Directors opportunities through various training programmes to equip themselves with adequate knowledge and training, at the Company's expense. New Directors are also formally informed, in writing, of their duties and obligations to the Company and under the law. They are also given an orientation on the Group's operations and strategic directions so as to familiarise them with the Group's businesses and corporate governance practices, and encourage effective participation in Board discussions. Directors will also receive regular updates during meetings on changes in the relevant laws and regulations, changing commercial risks and business conditions to enable them to make well-informed decisions.

BOARD COMPOSITION AND GUIDANCE

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

As at the date of this report, the Board comprises the following five (5) Directors, two (2) of whom are Non-Independent Non-Executive Directors and two (2) of whom are Independent Non-Executive Directors:

Executive Director
Chay Yue Kai — Executive Director and Chief Executive Officer ("**CEO**")

Non-Independent Non-Executive Directors
Koh Wee Seng — Non-Independent Non-Executive Chairman
Periakaruppan Aravindan — Non-Independent Non-Executive Director

Independent Non-Executive Directors
Woo Peng Kong — Lead Independent Director
Yeo Wee Kiong — Independent Non-Executive Director

The Board has concurred with the NC that, notwithstanding that the Independent Non-Executive Directors make up more than one-third but less than half of the Board, the Independent Non-Executive Directors provide a strong and independent element to the Board. This ensures that the Board is able to exercise judgment on the Group's affairs objectively. The NC and the Board are actively searching for suitable candidates to be appointed to the Board as an Independent Non-Executive Director.

CORPORATE **GOVERNANCE REPORT**

The Independent Non-Executive Directors have confirmed that none of them and their immediate family members have a relationship with the Company, its related corporations, its 10% shareholders of the Company or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of their independent business judgment with a view to the best interests of the Company.

The independence of the members of the Board is reviewed regularly by the NC in accordance with the Code's definition of what constitutes an independent director. The NC has carried out a review to assess the independence and contribution of the Independent Non-Executive Directors. The Board has concurred with the NC that the Independent Non-Executive Directors have continued to demonstrate strong independence in their judgment and the discharge of their responsibilities and have acted in the best interest of the Company.

Under the Code, the independence of any Director who has served on the Board beyond nine (9) years from the date of his first appointment is subject to particularly rigorous review. Currently, none of the Independent Non-Executive Directors have served on the Board for more than nine (9) years from the date of their first appointments.

The Board reviews its size on a regular basis to determine the productiveness and effectiveness of the Board's decision making, given the Group's size and business. The balance and diversity of skills, experience and knowledge of the Group's business are considered in the composition of the Board and the Board Committees. The Board also ensures that its members provide an appropriate mix of core competencies in business, finance, regulatory, legal and management experience and industry skills and knowledge. With their expertise in the respective fields, the Non-Executive Directors would constructively challenge and help develop proposals on the Group's strategy and review the performance of management in meeting agreed goals and objectives as well as monitor the reporting of performance.

Apart from regularly scheduled meetings, the Non-Executive Directors also hold informal discussions without the presence of the Management.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

The roles of the Chairman and the CEO are segregated to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making. The posts of the Non-Independent Non-Executive Chairman and the CEO are held by Koh Wee Seng and Chay Yue Kai respectively.

As the Non-Independent Non-Executive Chairman, Koh Wee Seng is responsible for, among others, leading the Board to ensure its effectiveness on all aspects of its role, setting the agenda and ensuring that adequate time is provided for discussion of all agenda items, in particular strategic issues, exercising control over the completeness, adequacy and timeliness of supply of information to the Board and promoting high standards of corporate governance. At Board meetings, he promotes a culture of openness and ensures that the Non-Executive Directors are able to communicate freely and contribute effectively. At shareholders' meetings, the Chairman plays an important role in promoting constructive dialogue between shareholders, the Board and the Management. He also plays a significant leadership role by providing clear oversight, advice and guidance to the Management.

Chay Yue Kai, who is an Executive Director and the CEO, has full executive responsibilities over the Group's business directions and operational decisions. Other than overseeing the general operations and business dealings in the day-to-day management of the Group, he plays a key role in business development and in expanding the Group's strategic alliances.

Where necessary, the Lead Independent Director, Woo Peng Kong, organises meetings among the Independent Non-Executive Directors without the presence of other Directors. The Lead Independent Director provides feedback to the Non-Independent Non-Executive Chairman after such meetings. As Lead Independent Director, Woo Peng Kong is available to shareholders where they have concerns and for which their previous contact through the normal channels has failed to resolve or is inappropriate.

CORPORATE **GOVERNANCE REPORT**

BOARD MEMBERSHIP

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

The Chairman of the NC, Woo Peng Kong, is the Lead Independent Director and an Independent Non-Executive Director who is neither a substantial shareholder nor directly associated with a substantial shareholder.

The NC comprises the following three (3) members, two (2) of whom, including the Chairman, are Independent Non-Executive Directors:

Woo Peng Kong	Chairman
Koh Wee Seng	Member
Yeo Wee Kiong	Member

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

(a) regularly review the structure, size, composition (including skills, knowledge, experience and diversity) of the Board with a view to facilitate effective decision making and make recommendation to the Board with regard to any changes;

(b) assist the Board on matters in relation to Board appointments and identification of new Directors (including search and nomination) who have the appropriate knowledge, experience and skills to contribute effectively to the Board;

(c) before recommending an appointee to the Board, the NC shall ask him to disclose any existing or expected future business interests that may lead to a conflict of interest. This disclosure is to be included in any recommendations to the Board;

(d) following the Board's confirmation, the NC will send the newly-appointed Director a formal appointment letter which clearly sets out his roles and responsibilities and Terms of Reference;

(e) recommend the membership of the Board Committees to the Board;

(f) recommend to the Board on the re-appointment of Directors, for re-election of Directors in accordance with the Company's Constitution at each annual general meeting having regard to the Director's contribution, commitment, range of expertise and performance;

(g) implement and adopt a formal assessment process and apply the process towards assessing the Board, the Board Committees and individual Director;

(h) assess the contribution by the Chairman and each individual Director to the effectiveness of the Board and the commitment of the individual to his respective role;

(i) review Board succession plans for Directors, in particular, for the Chairman and for the CEO;

(j) determine annually, and as and when circumstances require, through process and criteria whether or not a Director is independent;

(k) determine the maximum number of listed companies that a Director may be a board member and document the basis for setting this limit;

CORPORATE **GOVERNANCE REPORT**

(l) decide whether or not a director is able to and has been adequately carrying out his duties as a Director, taking into consideration the Director's number of listed company board representations and other principal commitments;

(m) determine whether or not a Director who has served more than nine (9) years in the Company is still considered independent and the justifications for such determination;

(n) strategise to roll out the succession plans of Independent Non-Executive Directors in phases;

(o) review and recommend training and professional development programs for the Board;

(p) report on its findings and recommendations after each NC meeting to the Board; and

(q) ensure compliance with the Code in respect of disclosure requirements in the Company's annual report.

The Company requires at least one-third of the Directors (being those who have been longest in office since the last re-election) to retire from office by rotation and every Director of the Company shall retire at least once in every three (3) years. A retiring Director shall be eligible for re-election. In recommending that a Director be nominated for re-election, the NC assesses each candidate's suitability for re-appointment prior to making its recommendation, carefully taking into consideration factors such as the Director's record of attendance and participation, his candour, performance and overall contribution to the Board and the Group as well as his ability to adequately carry out the duties expected while performing his roles in other companies or in other appointments. Chay Yue Kai and Woo Peng Kong will be seeking re-election as Directors pursuant to Article 99 of the Company's Constitution at the forthcoming Annual General Meeting ("**AGM**") of the Company. The NC has reviewed and is satisfied with their contribution and performance as Directors and has recommended their nomination for re-election.

The NC is responsible for determining annually, and as and when circumstances require, whether a Director is independent. Each Independent Non-Executive Director is required to complete and submit a checklist which has been drawn up based on the guidelines of the Code to confirm his independence annually. If an Independent Non-Executive Director no longer meets the criteria for independence due to a change in circumstances, he shall notify the NC immediately.

The Board has determined that no Director shall hold more than six (6) listed company board representations concurrently even if that Director has the capability of managing that many listed company board representations as the Board is of the view that more than six (6) concurrent listed company board representations will interfere with the Director's ability to devote sufficient time and attention to the affairs of the Company. Currently, no Director holds more than six (6) listed company board representations concurrently. All Directors are required to declare their board representations. Where a Director has multiple board representations, the NC assesses whether or not the Director is able to and has adequately carried out his duties as a Director of the Company. Taking into consideration each Director's number of listed company board representations and other principal commitments, the NC is satisfied that all the Directors have given sufficient time and attention to the affairs of the Company. In fact, the Directors share relevant experience from their involvement in such other appointments.

Currently, the Board does not have any alternate Director and did not appoint any alternate Directors for FY2017. The Board will avoid the appointment of alternate Directors, save for limited periods in exceptional cases such as when a Director has a medical emergency.

The NC selects and recommends new Directors for appointment after it 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 NC conducts an initial assessment to review the candidate's experience, core competency, industry knowledge and general ability to contribute to the Board's proceedings followed by interviewing short-listed candidates. The proposed candidate's independence, expertise background and right skills will be considered before the Board approves the appointment. Newly appointed Directors are required to submit themselves for re-election at the next AGM of the Company.

CORPORATE **GOVERNANCE REPORT**

Key information regarding the Directors, such as academic and professional qualifications, and directorships or chairmanships both present and those held over the preceding three (3) years in other listed companies, and other principal commitments are found on page 16 and pages 34 to 35 of this annual report respectively. In addition, information on shareholdings in the Company and its related companies held by Directors are found on page 37 of this annual report.

BOARD PERFORMANCE

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

The NC determines the criteria on which the Board's performance is to be evaluated and, subject to the approval of the Board, proposes objective performance criteria which allow comparison with industry peers and address how the Board has enhanced long-term shareholders' value. To evaluate the effectiveness of the Board as a whole and the Board Committees, the NC considers the adequacy and size of the Board and the Board Committees, the background, knowledge and experience of its members, the Board's and the Board Committees' access to information, the Board and the Board Committees processes and accountability, and communication with the Management. Individual evaluation is also carried out to assess whether each Director continues to contribute effectively and demonstrates commitment to his role and duties in the time and effort dedicated to the affairs and business of the Group. The Directors participated in the evaluation by providing feedback to the NC in the form of completing performance evaluation questionnaires. The assessment results are presented to the Non-Independent Non-Executive Chairman and follow-up action is taken, in consultation with the NC, to address any areas of improvement.

The evaluation process is carried out annually by the NC and the criteria for evaluation is reviewed each year for changes to be made where circumstances require. No external facilitator was used for the evaluation process for FY2017.

ACCESS TO INFORMATION

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

Apart from regular reports and updates relating to the operational and financial performance of the Group, timely board papers and related materials, background or explanatory notes are provided by the Management to the Directors prior to each Board or Board Committees meeting. Circular meetings are also accompanied by relevant and sufficient information for the Directors to make their decisions.

The Board also has separate and independent access to the Management and the Company Secretary at all times. The Company Secretary is responsible for ensuring that Board procedures are followed and that applicable rules and regulations are complied with, ensuring good information flows within the Board and its Board Committees and between Management and Non-Executive Directors under the direction of the Non-Independent Non-Executive Chairman, as well as advising the Board on corporate governance matters. The Company Secretary is always in attendance at all Board meetings, and facilitates orientation and assists with professional development, if required.

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

Subject to the approval of the Non-Independent Non-Executive Chairman, the Directors may, either individually or as a group, seek and obtain independent professional advice to assist them in furtherance of their duties, at the Company's expense.

CORPORATE **GOVERNANCE REPORT**

II. REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

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

The RC comprises the following three (3) members, two (2) of whom, including the Chairman, are Independent Non-Executive Directors and all of whom, including the Chairman, are Non-Executive Directors:

Yeo Wee Kiong	Chairman
Periakaruppan Aravindan	Member
Woo Peng Kong	Member

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

(a) review and recommend to the Board a framework of remuneration for each member of the Board and key management personnel, and the specific remuneration packages for each member of the Board and key management personnel. The review covers all aspects of remuneration including but not limited to Directors' fees, salaries, allowances, bonuses, options, share-based incentives and awards and benefits in kinds, wherever applicable;

(b) review the Group's obligations arising in the event of termination of the Executive Directors' and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous;

(c) implement and administer the Company's share-based incentive plan(s) and long-term incentive plan(s), including reviewing whether Executive Directors and key management personnel should be eligible for benefits under the incentive plan(s) and considering implementing schemes to encourage Non-Executive Directors to hold shares in the Company;

(d) consider the use of contractual provisions to allow the Company to reclaim incentive components of remuneration from Executive Directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Group;

(e) at its discretion, seek expert advice on remuneration matters and ensure that existing relationships, if any, between the Company and its appointed remuneration consultants will not affect the independence and objectivity of the remuneration consultants;

(f) report regularly to the Board on the exercise of its duties, identifying those matters which it considers require action or improvement, and making recommendations as to the necessary steps to be taken;

(g) report on its findings and recommendations after each RC meeting to the Board; and

(h) ensure proper disclosure of the Company's remuneration policies, level and mix of remuneration and the procedure for setting remuneration, in the Company's annual report.

CORPORATE **GOVERNANCE REPORT**

The RC ensures that a formal and transparent procedure is in place for determining the remuneration packages of individual Directors and key management personnel. All aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options, share-based incentives and awards and benefits in kinds are reviewed by the RC. The recommendations of the RC are submitted for endorsement by the entire Board.

An Executive Director who is not a member of the RC may attend meetings of the RC. None of the members of the RC or any Directors is involved in deciding his own remuneration package.

In reviewing the remuneration packages, the RC takes into account the current market circumstances and the need to attract and retain Directors who have experience and are of good standing. The RC has full authority to obtain expert advice on matters relating to remuneration should the need arise. No remuneration consultant was appointed by the RC in FY2017.

The contract of service of an Executive Director is for a fixed appointment period that does not exceed five (5) years and does not contain onerous removal clauses. The RC reviews the fairness and reasonable of termination clauses of the contract of service to ensure that the contract of service contains fair and reasonable clauses which are not overly generous with an aim to be fair and avoid rewarding poor performance. None of the Non-Executive Directors has a contract of service with the Company.

LEVEL AND MIX OF REMUNERATION

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

The remuneration of the Executive Director and key management personnel consist of a basic component, a variable component and other appropriate benefits in kind as set out as follows:

(a) Basic component

The basic component comprises basic salary, statutory employer's contributions to the Central Provident Fund and fixed allowances. It is set taking into consideration the role and responsibilities of the individual, the performance of the Group and the individual as well as market and employment conditions.

(b) Variable component

In awarding the variable component, namely, bonus, due consideration is given to the performance of the Group's business and the individual's performance and contribution. The RC is of the view that the remuneration policy aligns the interest of the individual with those of the shareholders, link rewards to the financial condition and performance of the Group, and promotes the long-term success of the Company. The remuneration policy also takes into account the risk policies of the Company, are symmetric with risk outcomes, and sensitive to time horizon of risks.

(c) Benefits in kind

The Group provides benefits consistent with market practice, such as medical and dental benefits and insurance coverage. The grant of such benefits will be dependent on the seniority and length of service of the individual; and the requirement of the job.

CORPORATE **GOVERNANCE REPORT**

Directors' fees are set in accordance with a remuneration framework based on the level of responsibility and scope of work. 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 would not be over-compensated to the extent that their independence is compromised. Executive Directors do not receive Directors' fees. Non-Executive Directors are paid Directors' fees annually, subject to approval at the AGM of the Company.

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

DISCLOSURE ON REMUNERATION

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

The Board has not included a separate annual remuneration report to shareholders on the remuneration of Directors and the key management personnel (who are not Directors or the CEO of the Company) in this annual report 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 Group.

Disclosure on Directors' Fees and Remuneration

A breakdown of the remuneration bands of each individual Director and the level and mix of the remuneration (in percentage terms) of each individual Director for FY2017 is as follows:

	Executive Director	**Salary (including CPF) %**	**Bonus, Profit Sharing %**	**Fee %**	**Other Benefits %**
$250,000 to below $500,000	Chay Yue Kai	68	32	–	–

	Non-Executive Directors	**Salary (including CPF) %**	**Bonus, Profit Sharing %**	**Fee[2] %**	**Other Benefits %**
Below $100,000	Koh Wee Seng	–	–	100	–
	Periakaruppan Aravindan	–	–	100	–
	Woo Peng Kong	–	–	100	–
	Yeo Wee Kiong	–	–	100	–
	Meelan Gurung[1]	–	–	100	–

Notes:

(1) Resigned as an Independent Non-Executive Director on 23 February 2018.

(2) Directors' fees for FY2017 are subject to shareholders' approval at the forthcoming AGM.

CORPORATE GOVERNANCE REPORT

The Board has decided not to disclose the remuneration details of the Directors due to confidentiality and sensitivity attached to remuneration matters, and it would not be in the best interest of the Company to disclose the exact details of the remuneration of the Directors.

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

A breakdown of the remuneration bands of the Group's key management personnel (who are not Directors or the CEO) and the level and mix of remuneration (in percentage terms) of the Group's key management personnel for FY2017 is as follows:

	Key Management Number of staff	Salary %	Bonus %	Other Benefits %
$100,000 to below $200,000	4	82	17	1

The remuneration of the Group's key management personnel (who are not Directors or the CEO) in aggregate was $629,000 for FY2017. We have disclosed the remuneration in bands of $100,000 but have not identified the key management personnel to maintain confidentiality and for commercially sensitive reasons.

There were no employees who were immediate family members of any of the Directors or the CEO whose remuneration exceeded $50,000 during FY2017.

There were no termination, retirement and post-employment benefits that may be granted to the Directors, the CEO and the key management personnel (who are not Directors or the CEO) for FY2017.

Given that remuneration matters are highly confidential and sensitive in nature, the Board is of the view that appropriate disclosures of information have been made although not to the full extent as recommended by the Code.

LCD SHARE OPTION SCHEME

The LCD Share Option Scheme (the "**Share Option Scheme**") was approved by shareholders of the Company on 25 October 2007 and is administered by the RC.

The duration of the Share Option Scheme was 10 years from the date that it was adopted. It had lapsed on 25 October 2017 and had since been discontinued.

The Company has not granted any further share options since the last grant in July 2013.

CORPORATE **GOVERNANCE REPORT**

III. ACCOUNTABILITY AND AUDIT

ACCOUNTABILITY

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

To enable the Directors to make a balanced and informed assessment of the Company's performance, position and prospects, and fulfil their duties properly, the Management provides financial and business reports to the Board on a regular and timely basis as well as such explanation and information as the Board may require from time to time. In presenting the annual financial statements and announcements of financial results, the Board ensures it has taken adequate steps to ensure compliance with legislative and regulatory requirements, including requirements under the Listing Manual of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"). The Board reviews and approves all quarterly and full year announcements of results and other price sensitive reports with an aim to provide shareholders with a balanced and understandable assessment of the Group's performance, financial position and prospects.

For FY2017, the Executive Director and the Management handling the Group's finance matters had provided written representations to the Board on the integrity of the interim financial statements covering the Company and its subsidiaries. Pursuant to Rule 705(5) of the Listing Manual of SGX-ST, the Board had provided a negative assurance confirmation that to the best of their knowledge, nothing has come to their attention which may render the interim financial statements to be false or misleading in any material aspect. In addition, the Directors and executive officers of the Company also signed a letter of undertaking pursuant to the Rule 720(1) of the Listing Manual of the SGX-ST.

RISK MANAGEMENT AND INTERNAL CONTROLS

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

Based on an enterprise risk management exercise carried out by an external consultant previously, key areas of risks covering financial, operational, compliance and strategic risks faced by the Group were assessed and prioritised. A risk profile determining suitable risk tolerance levels for each business segment covering different geographic locations was compiled and a consistent set of risk policies adopted to manage such risks on a more structured and systematic basis.

A risk management framework on the Group's ongoing process in identifying, assessing and reporting risks was also formalised and reviewed regularly. The Group's 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 internal controls in place are maintained by the Management throughout the year, and up to the date of this report provides 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 risks. The Board notes that no system of internal controls and risk management could provide absolute assurance against the occurrence of material errors, poor judgment in decision making, human error, losses, fraud or other irregularities.

CORPORATE **GOVERNANCE REPORT**

The Group's internal control systems operate as a safeguard by identifying and managing risks that are significant to the achievement of its business objectives. The risks are proactively identified and addressed. The ownership of these risks lies with the respective business and function heads with stewardship residing with the Board. The process of risk management has been integrated into the Group's business planning and monitoring process.

The Group's business and operational activities are regularly reviewed by the Management to identify areas of significant business risks. Appropriate measures are taken to assess, control and mitigate these risks.

Based on the risk management programmes, internal controls established and maintained by the Group, work performed by the internal and external auditors as well as reviews performed by the Management, the Board, with the concurrence of the AC, is of the opinion that the Group's internal controls, addressing financial, operational, compliance and information technology controls, and risk management were adequate and effective to meet the needs of the Group in its current business environment.

For FY2017, the Board has received assurance from the CEO and the Group Financial Controller by way of a representation letter:

(a) 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) regarding the effectiveness of the Group's risk management and internal control systems.

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

AUDIT COMMITTEE

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

The AC comprises the following three (3) members, two (2) of whom, including the Chairman, are Independent Non-Executive Directors and all of whom, including the Chairman, are Non-Executive Directors:

Woo Peng Kong	Chairman
Periakaruppan Aravindan	Member
Yeo Wee Kiong	Member

No former partner or director of the Company's existing auditing firm, Ernst & Young LLP is a member of the AC.

The Board is of the view that with their many years of relevant experience, the members of the AC, including the Chairman, have appropriate accounting or related financial management expertise or experience to discharge their responsibilities. Any changes to accounting standards and issues which have a direct impact on the financial statements would be raised by the external auditor, keeping the members of the AC abreast of such changes. The AC meets on a regular basis to carry out its duties of reviewing and assessing the financial reporting process, the system of internal controls, the management of risks and the audit process. The AC has explicit authority to investigate any matter within its terms of reference and has full access to and the co-operation of the Management. The AC also has direct and independent access to the internal and external auditors, full discretion to invite any Director or executive officer to attend its meetings, and reasonable resources to enable it to discharge its functions properly.

CORPORATE **GOVERNANCE REPORT**

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

(a) review the significant financial reporting issues and judgments to ensure the integrity of the financial statements and any announcements relating to the Group's financial performance;

(b) assess the adequacy and effectiveness of the Group's internal controls, including financial, operational, compliance and information technology controls, and risk management systems so as to be able to concur with the opinion of the Board as required under Rule 1207(10) of the Listing Manual of the SGX-ST on the adequacy of the internal controls, addressing financial, operational, and compliance risks;

(c) review with the Management and the Head of Internal Audit, the internal audit activities, staffing, skills and organisational structure of the internal audit function and assess the adequacy and effectiveness of the internal audit function at least annually;

(d) review and approve the internal audit's terms of reference and internal audit plan, and ensure that resources are allocated effectively for appropriate scope of coverage in coordination between internal and external auditors;

(e) review the external auditor's proposed audit plan, scope and approach including coordination of audit efforts with the internal auditor;

(f) review the scope and findings of external audit, and monitor and review the independence and objectivity of the external auditor;

(g) review the scope and findings of internal audit and the effectiveness of the internal audit function;

(h) review the nature and extent of non-audit services supplied by the external auditor to ensure that the external auditor's independence or objectivity is not impaired;

(i) review the fees and terms of engagement of the external auditor and make recommendations to the Board for approval;

(j) assess the external auditor's overall performance and make recommendations to the Board on the proposals to shareholders for approval on the selection, appointment, re-appointment and removal of the external auditor;

(k) review and assess the Group's overall risk management, including overseeing the current risk exposure and future risk strategy of the Group, and manage financial, operational and legal risks; and

(l) review of interested person transactions falling within the scope of the Listing Manual of the SGX-ST.

The AC has assessed the external auditor based on factors such as performance, adequacy of resources and experience of their audit engagement partner and auditing team assigned to the Group's audit, given the size and complexity of the Group.

CORPORATE **GOVERNANCE REPORT**

The AC meets with the Company's internal and external auditors at least annually without the presence of Management. The AC also reviews the external auditor's independence annually. The current external auditor is Ernst & Young LLP and the AC is satisfied that they have maintained their independence and the nature and extent of their non-audit services did not affect their objectivity. The AC has therefore recommended to the Board that Ernst & Young LLP be nominated for re-appointment as external auditor at the forthcoming AGM of the Company. The aggregate amount of external auditor's fees for FY2017 and a breakdown of the fees into audit and non-audit fees are set out on page 70 of this annual report.

The AC meetings are held on a quarterly basis. During the AC meeting at each half-year, the Head of Internal Audit reports the progress of internal audit and reviews with the AC the findings without the presence of management of the individual business units.

The Company has complied with Rules 712 and 715 of the Listing Manual of the SGX-ST in relation to the appointment of auditing firms.

KEY AUDIT MATTERS

Ernst & Young LLP, the external auditor, has highlighted two (2) key audit matters in its independent auditor's report for FY2017, found on pages 39 to 43 of this annual report. They were:

(a) Carrying value of land and buildings; and

(b) Accounting for investment in joint venture – Xuzhou YinJian LumChang Real Estate Development Co., Ltd.

- Revenue recognition; and
- Carrying value of unsold completed units in the residential development and office units under development in the commercial zone.

The AC has discussed these key audit matters with the external auditor during the AC's review and approval of their audit plan. Consequently, together with the AC's review of the work performed by the external auditor, the AC has considered the audit approach taken, work procedures carried out, evidence obtained and the assessments of the external auditor in respect of these key audit matters.

The AC has concurred with the above key audit matters identified and is satisfied that the Group's carrying value of land and buildings and accounting for investment in the joint venture are supported and appropriate.

WHISTLE-BLOWING POLICY

The AC oversees the Group's whistle-blowing policy which allows staff to raise concerns, in confidence, about possible improprieties in matters of financial reporting or other matters. The Company also accepts anonymous reports to ensure that independent investigations of such matters are carried out and that appropriate follow-up action is taken.

There have been no whistle-blowing incidents for FY2017.

CORPORATE **GOVERNANCE REPORT**

INTERESTED PERSON TRANSACTIONS

The Company has established a procedure for recording and reporting interested person transactions ("**IPTs**"). Particulars of IPTs entered into during FY2017 and disclosed in accordance with Rule 907 of the Listing Manual of SGX-ST are as follows:

Name of Interested Person	Aggregate value of all IPTs during FY2017 (excluding transactions less than $100,000 and transactions conducted under Shareholders' Mandate pursuant to Rule 920)	Aggregate value of all IPTs conducted under Shareholders' Mandate pursuant to Rule 920 (excluding transactions less than $100,000)
	$'000	**$'000**
Aspial Corporation Limited Group		
– Purchase of bond and interest over the 3-year term of the bond	4,660	NA
– Purchase of re-tap bond and interest over the 3-year term of the bond	1,172	NA
– Corporate service fee payable	360	NA
Koh Wee Seng, Director		
– Sale of bond	983	NA
Lim Kwee Hua, Associate of Director*		
– Sale of bond	492	NA
Total	7,667	NA

* Spouse of Koh Wee Seng, a Director of the Company

MATERIAL CONTRACTS

Save as disclosed in the section of "Interested Person Transactions" above, there were no material contracts or loans entered into by the Company or any of its subsidiaries involving the interests of any Director, the CEO or controlling shareholder of the Company, either still subsisting at the end of FY2017 or if not subsisting, were entered into during FY2017.

INTERNAL AUDIT

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

The Board believes in maintaining sound internal controls and systems to provide reasonable assurance against material financial losses or misstatements as well as to ensure the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, the compliance with applicable legislations, regulations and best practices, and the identification and containment of business risks.

CORPORATE **GOVERNANCE REPORT**

The Group has an internal audit function and the Head of Internal Audit reports directly to the Chairman of the AC and administratively to the CEO. The internal audit function has unfettered access to all documents, records, properties and personnel, including access to members of the AC at all times. The internal audit team adopts the International Standards for the Professional Practice of Internal Auditing laid down in the International Professional Practices Framework issued by The Institute of Internal Auditors and is staffed with persons with the relevant qualifications and experience.

The functions of internal audit include the reviewing and evaluation of the Group's internal controls covering financial, operational, compliance and information technology controls, and risk management. The internal audit function performs regular audits of the Group's individual business units including its overseas operations. It reports its findings to the AC and follows up with the management of the respective business units on remedial actions to be taken.

The AC annually reviews the adequacy and effectiveness of the internal audit function to ensure that the internal audit resources are adequate and that the internal audits are performed effectively.

IV. SHAREHOLDER RIGHTS AND RESPONSIBILITIES

SHAREHOLDER RIGHTS

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

COMMUNICATION WITH SHAREHOLDERS

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

CONDUCT OF SHAREHOLDER MEETINGS

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

The Company updates its shareholders primarily through the SGXNet. Quarterly and full year financial results are released within the prescribed periods and material and/or price-sensitive information are released promptly. The Company does not practice selective disclosure of material information. In the event that inadvertent disclosure is made to a selected group, the Company will make the same disclosure publicly to all shareholders as soon as practicable. The Company also maintains a corporate website through which shareholders are able to access information on the Group.

The Company welcomes shareholders' participation during the general meetings. Shareholders are able to engage the Board and Management on the Group's business strategies, activities and financial performance during the general meetings.

All registered shareholders are entitled to vote in accordance with established voting rules and procedures which are explained 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's Constitution places no limit on the number of proxies for corporations which provide nominee or custodial services so that shareholders who hold shares through such corporations can attend and participate in general meetings as proxies.

The Company's annual reports, and the notices of general meetings, setting out proposed resolutions on each substantially separate issue for seeking shareholders' approval separately, together with explanatory notes are sent directly to shareholders. These notices of general meetings are also posted on the SGXNet and published in the Business Times.

CORPORATE **GOVERNANCE REPORT**

After every general meeting, the Chairman and other members of the Board will engage in dialogue with shareholders, to gather views or inputs, and address shareholders' concerns.

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 Company's retained earnings, and other factors as the Board may deem appropriate.

Voting *in absentia* is allowed under the Company's Constitution but not implemented due to concerns as to the integrity of information transmitted through the available media and concerns over the authenticity of the identity of shareholders.

Separate resolutions on each distinct issue are tabled at general meetings and voting on each resolution by poll is carried out systematically with proper recording of votes cast and the resolution passed. "Bundling" of resolutions are done only where the resolutions are interdependent so as to form one significant proposal and only where there are reasons and material implications justifying the same.

The shareholder can provide feedback to the Company Secretary via the electronic mail address or registered address. General meetings provide an excellent opportunity for shareholders to query the Directors with regard to the Company and their recommendations. The Company also avails the Chairmen of the AC, NC and RC, the external auditor and the Company Secretary during the general meetings to address, or to assist the Directors in addressing, any relevant queries by the shareholders. In particular, the external auditor is present at general meetings to address shareholders' queries about the conduct of audit and the preparation and content of the auditors' report.

Minutes of general meetings recording substantial and relevant comments or queries from shareholders relating to the agenda of the meetings, and responses from the Board, external auditor, Company Secretary and the Management are prepared and are available to shareholders for inspection upon their request.

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 since 2013. Shareholders who are present in person or represented by proxies will be entitled to one vote for each share held. 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 percentages are announced to the audiences at the general meetings and released via SGXNet on the day of the meeting.

DEALINGS IN SECURITIES

The Company has adopted an internal compliance code whereby the Company, Directors and affected staff are prohibited from dealing in the Company's shares during the "black-out" periods which are as prescribed under the Listing Manual of the SGX-ST, that is, for a period of two (2) weeks before the announcement of its quarterly financial results and one (1) month before the announcement of its full year financial results. The Directors and affected staff are also not allowed to deal in the Company's shares prior to the announcement of material price-sensitive information of which they are in possession.

Each year, the Company plans the release of the announcements of its quarterly and full year results and sets out the "black-out" periods. The Company ensures that each of the Directors and affected staff is informed of the "black-out" periods. Notwithstanding that the Directors and affected staff are permitted to trade in the Company's shares during the permitted periods, the Company also specifically highlights in its policy that the Directors and affected staff should not deal in the Company's shares on short-term considerations during the permitted periods.

The Company provides regular updates to the Directors and key management personnel on the developments in insider trading regulations with particular focus on developments in local case law and changes in the regulatory framework, regularly highlighting the importance of safeguarding confidential information as well as the consequences of misusing insider information.

CORPORATE **GOVERNANCE REPORT**

BOARD OF DIRECTORS

MR KOH WEE SENG

Non-Independent Non-Executive Chairman

Date of first appointment as a Director : 12 March 2015
Date of last re-election as a Director : 27 April 2017
Length of service as a Director : 2 years 9 months
(as at 31 Dec 2017)

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:
- Aspial Corporation Limited
- Maxi-Cash Financial Services Corporation Ltd
- World Class Global Limited

Major Appointments (other than Directorship)
- Nil

Past Directorship in listed companies held over the preceding three years (from 1 Jan 2015 to 31 Dec 2017)
- Nil

MR CHAY YUE KAI

Executive Director and Chief Executive Officer

Date of first appointment as a Director : 2 April 2015

Date of last re-election as a Director : 28 April 2016

Length of service as a Director : 2 years 8 months
(as at 31 Dec 2017)

Board Committee(s) served on:
- Nil

Academic & professional Qualification(s):
- Bachelor of Science in Building (Honours), University of Singapore (now known as National University of Singapore)

Present Directorship in listed companies:
- Nil

Major Appointments (other than Directorship)
- Nil

Past Directorship in listed companies held over the preceding three years (from 1 Jan 2015 to 31 Dec 2017)
- Nil

MR PERIAKARUPPAN ARAVINDAN

Non-Independent Non-Executive Director

Date of first appointment as a Director : 12 March 2015

Date of last re-election as a Director : 27 April 2017

Length of service as a Director : 2 years 9 months
(as at 31 Dec 2017)

Board Committee(s) served on:
- Audit Committee (Member)
- Remuneration Committee (Member)

Academic & professional Qualification(s):
- Master of Business Administration (Finance), Madurai Kamaraj University
- Bachelor of Commerce, Madurai Kamaraj University
- Chartered Accountant and a non-practicing member, Institute of Singapore Chartered Accountants
- Fellow, Association of the Chartered Certified Accountants, United Kingdom

Present Directorship in listed companies:
- Fragrance Group Limited

Major Appointments (other than Directorship)
- Nil

Past Directorship in listed companies held over the preceding three years (from 1 Jan 2015 to 31 Dec 2017)
- Global Premium Hotels Limited (delisted from the Official List of the SGX-ST with effect from 5 June 2017)

MR WOO PENG KONG

Lead Independent Director

Date of first appointment as a Director : 2 April 2015

Date of last re-election as a Director : 28 April 2016

Length of service as a Director : 2 years 8 months
(as at 31 Dec 2017)

Board Committee(s) served on:
- Audit Committee (Chairman) *(with effect from 24 February 2018)*
- Nominating Committee (Chairman)
- Remuneration Committee (Member)

Academic & professional Qualification(s):
- Bachelor of Engineering (Mechanical) (First Class Honours), University of Singapore (now known as the National University of Singapore)
- Certified Diploma in Accounting and Finance, Association of the Chartered Certified Accountants, United Kingdom

Present Directorship in listed companies:
- Global Dragon Limited

Major Appointments (other than Directorship)
- Nil

Past Directorship in listed companies held over the preceding three years (from 1 Jan 2015 to 31 Dec 2017)
- Global Premium Hotels Limited (delisted from the Official List of the SGX-ST with effect from 5 June 2017)

CORPORATE **GOVERNANCE REPORT**

MR YEO WEE KIONG

Independent Non-Executive Director

Date of first appointment as a Director : 20 July 2016

Date of last re-election as a Director : Nil

Length of service as a Director (as at 31 Dec 2017) : 1 year 5 months

Board Committee(s) served on:
- Remuneration Committee (Chairman)
- Audit Committee (Member)
- Nominating Committee (Member) *(with effect from 24 February 2018)*

Academic & professional Qualification(s):
- Bachelor of Engineering (Mechanical) (First Class Honours), University of Singapore (now known as the National University of Singapore)
- Master of Business Administration, National University of Singapore
- Honours degree in law, University College of London
- Barrister-at-Law of Lincoln's Inn for England and Wales

Present Directorship in listed companies:
- Bonvests Holdings Limited

Major Appointments (other than Directorship)
- Nil

Past Directorship in listed companies held over the preceding three years (from 1 Jan 2015 to 31 Dec 2017)
- Raffles United Holdings Ltd

DIRECTORS' STATEMENT

The Directors present their statement to the members together with the audited consolidated financial statements of AF Global Limited (the "Company") and its subsidiary companies (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2017.

OPINION OF THE DIRECTORS

In the opinion of the Directors,

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

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

DIRECTORS

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

Koh Wee Seng
Chay Yue Kai
Periakaruppan Aravindan
Woo Peng Kong
Yeo Wee Kiong

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

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

DIRECTORS' STATEMENT

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The following Directors who held office at the end of the financial year had, according to the register of Directors' shareholdings kept under Section 164 of the Singapore Companies Act, Cap. 50, an interest in the shares of the Company and related corporation as stated below:

	Direct interest		Deemed interest	
Name of Director	**At 1 January 2017**	**At 31 December 2017**	**At 1 January 2017**	**At 31 December 2017**
AF Corporation Pte Ltd (Immediate and ultimate holding company) Ordinary shares				
Koh Wee Seng	–	–	5,000,000	5,000,000
AF Global Limited (The Company) Ordinary shares				
Koh Wee Seng	–	–	881,383,569	881,383,569
Periakaruppan Aravindan	100,000	100,000	–	–

There was no change in any of the abovementioned interests in the Company between the end of the financial year and 21 January 2018.

Aspial Corporation Limited ("Aspial"), a company listed on the Singapore Exchange Securities Trading Limited, holds 50% of the issued shares of AF Corporation Pte Ltd ("AF Corporation"). MLHS Holdings Pte Ltd ("MLHS") holds more than 50% of the issued shares of Aspial and in turn, Koh Wee Seng holds more than 20% of the issued shares of MLHS. By virtue of Section 7 of the Singapore Companies Act, Cap. 50, Koh Wee Seng is deemed to have an interest in the shares of the Company and its subsidiaries to the extent held by AF Corporation.

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

SHARE OPTIONS

The LCD Share Option Scheme (the "Scheme") approved by shareholders on 25 October 2007 had lapsed on 25 October 2017 and had since been discontinued.

No option was granted since the beginning of the financial year and no option was outstanding immediately prior to the expiry of the Scheme.

Details of options granted under the Scheme have been disclosed in previous Directors' Reports.

DIRECTORS' STATEMENT

AUDIT COMMITTEE

At the date of this statement, the Audit Committee comprises the following members:

Woo Peng Kong	(Chairman, Lead Independent Director)
Periakaruppan Aravindan	(Non-Executive Director)
Yeo Wee Kiong	(Independent Director)

The Audit Committee carries out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Cap. 50 including a review of the financial statements of the Company and of the Group for the financial year and the external auditor's report thereon. The Audit Committee has conducted an annual review of the non-audit services provided by the external auditor and is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditor. It has recommended to the Board of Directors that Ernst & Young LLP be nominated for re-appointment as external auditor at the forthcoming Annual General Meeting of the Company.

The functions performed by the Audit Committee are further elaborated under the Corporate Governance section of the Annual Report.

AUDITOR

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

On behalf of the Board of Directors,

KOH WEE SENG
Director

CHAY YUE KAI
Director

Singapore
20 March 2018

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF AF GLOBAL LIMITED
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of AF Global Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2017, the statements of changes in equity of the Group and the Company and the consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRS) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional 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 the matter is provided in that context.

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

(1) Carrying value of land and buildings

The Group's land and buildings (collectively, "properties") are carried at fair value. As at 31 December 2017, the carrying value of these properties amounted to $354,538,000.

The fair valuation of these properties is significant to our audit due to their magnitude and valuation complexity which is highly dependent on a range of estimates (amongst others, room rates, occupancy rates, growth rates and discount rates) used by the independent valuation specialists. Accordingly, we have identified this as a key audit matter.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF AF GLOBAL LIMITED
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key Audit Matters (Continued)

(1) Carrying value of land and buildings (Continued)

The Group uses independent valuation specialists to assist it in determining the individual fair value of the properties periodically. In responding to this area of focus, our procedures included the following:

- Considered the objectivity, independence and expertise of the independent valuation specialists;
- Discussed with the independent valuation specialists to obtain an understanding of the valuation methodology and assumptions, and assessed the appropriateness of the valuation techniques and inputs used;
- Assessed the appropriateness of the growth rates and discount rates provided by the independent valuation specialists in the estimation process, and the movements in fair value of the properties;
- Assessed the reasonableness of the estimates used by management and independent valuation specialists, including property related data such as average room rates, occupancy rates, operating expenses and recent sale transactions of comparable properties, if any; and
- Assessed the adequacy and appropriateness of disclosures in Note 9 *Property, Plant and Equipment* and Note 33 *Fair Value of Assets and Liabilities* to the financial statements relating to the assumptions, given the estimation uncertainty and sensitivity of the valuations.

(2) Accounting for investment in joint venture – Xuzhou YinJian LumChang Real Estate Development Co., Ltd ("XZYJLC")

The carrying value of the investment in XZYJLC is 12% of Group's total non-current assets as at 31 December 2017. The Group's results are affected by its share of results for its investment in XZYJLC, and any impairment of this investment. Amongst other factors, the XZYJLC results and carrying value of this investment are affected by:

(a) Revenue recognition

XZYJLC generates revenue by developing and selling residential and commercial units in a mixed development project ("Xuzhou development"). Total revenue generated from the sales of residential and retail units in the residential development for the financial year ended 31 December 2017 amounted to $44,569,000.

Management has established the revenue recognition criteria by taking into consideration the point when significant risks and rewards are transferred to the buyer and when full consideration has been received. Revenue recognised will have an impact on the Group's share of XZYJLC results, which constitutes 48% of the Group's profit for the year ended 31 December 2017. As such, we considered revenue recognition relating to this joint venture to be a key audit matter.

In relation to XZYJLC, we have performed additional procedures on revenue recognition which included the following:

- Performed test of controls over the revenue recognition (sales) process;
- Reviewed sales and purchase ("S&P") contracts to identify the point of transfer of significant risks and rewards;
- Tested the appropriateness of the timing of revenue recognition during the period based on the status of the S&P contracts;
- Traced to the receipts from buyers and handover/takeover certificates issued for units; and
- Sighted to certificate for approval of completion for both the residential and retail units from the relevant authority.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF AF GLOBAL LIMITED
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

(b) Carrying value of unsold completed units in the residential development and office units under development in the commercial zone

Expected selling price of the unsold completed units in the residential development and office units under development in the commercial zone may be lower than carrying cost after considering estimated costs to complete and selling costs, which could result in the potential write down of these inventories to their estimated net realisable value. The estimation of the net realisable value of these inventories require significant management judgment.

We have performed additional procedures to assess management's estimation of net realisable value and whether the said inventories are carried at lower of cost and net realisable value, which included the following:

– Tested cost of inventory in each category and assessed estimated net realisable value by making reference to selling prices after year end;

– Tested the completeness of estimated costs to complete by checking that unpaid contract sums for significant construction agreements and unpaid amounts per approved variation orders are included in the estimation of net realisable value;

– Reviewed selling prices below cost (if any) during the year and subsequent to year end for indicators of potential write down to net realisable value; and

– Compared selling prices of similar developments in the area to assess reasonableness of management's estimated selling price.

OTHER INFORMATION

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

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

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

RESPONSIBILITIES OF MANAGEMENT AND DIRECTORS FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRS, 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.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF AF GLOBAL LIMITED
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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 consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF AF GLOBAL LIMITED
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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 Tan Seng Choon.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

20 March 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

		Group	
	Note	2017 $'000	2016 $'000
Revenue	3	**55,741**	54,237
Cost of sales		**(28,685)**	(28,099)
Gross profit		**27,056**	26,138
Other operating income	4	**420**	4,264
Marketing expenses		**(2,219)**	(2,164)
Administrative expenses		**(11,564)**	(11,287)
Other operating expenses		**(6,604)**	(10,390)
Operating profit		**7,089**	6,561
Finance costs	5	**(2,194)**	(2,408)
Share of results of associated and joint venture companies		**9,017**	5,141
Profit before taxation	6	**13,912**	9,294
Taxation	7	**(2,676)**	(1,860)
Profit for the year		**11,236**	7,434
Other comprehensive income/(loss):			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation		**818**	(11,965)
Transfer from foreign currency translation reserve to profit or loss upon deregistration of a foreign subsidiary company		**(225)**	–
Fair value gain/(loss) on investment securities		**51**	(124)
Item that will not be reclassified to profit or loss:			
Surplus on revaluation of property, plant and equipment		**43,762**	5,786
		44,406	(6,303)
Total comprehensive income for the year		**55,642**	1,131
Profit for the year attributable to:			
Shareholders of the Company		**8,333**	4,824
Non-controlling interests		**2,903**	2,610
		11,236	7,434
Total comprehensive income for the year attributable to:			
Shareholders of the Company		**45,099**	(3,011)
Non-controlling interests		**10,543**	4,142
		55,642	1,131
Earnings per share (cents)	8		
– Basic		**0.79**	0.46
– Diluted		**0.79**	0.46

The accompanying notes form an integral part of the financial statements.

BALANCE SHEETS
AS AT 31 DECEMBER 2017

		Group		Company	
	Note	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Non-current assets					
Property, plant and equipment	9	**362,187**	312,925	**–**	–
Intangible assets		**44**	50	**–**	–
Subsidiary companies	10	**–**	–	**299,318**	292,583
Associated company	11	**1,569**	1,574	**–**	–
Joint venture companies	12	**86,000**	86,005	**–**	–
Investment securities	13	**4,825**	5,061	**–**	–
Deferred tax assets	14	**348**	288	**–**	–
		454,973	405,903	**299,318**	292,583
Current assets					
Asset held for sale	15	**6,672**	7,532	**–**	–
Investment securities	13	**7,538**	4,248	**–**	–
Inventories		**402**	476	**–**	–
Trade receivables	16	**1,464**	1,461	**–**	–
Other receivables	17	**650**	1,079	**164**	78
Prepayments		**617**	654	**8**	7
Cash and short-term deposits	25	**24,428**	20,398	**932**	1,038
		41,771	35,848	**1,104**	1,123
Current liabilities					
Provision		**47**	22	**–**	–
Trade payables	18	**2,872**	3,244	**–**	–
Other payables and accruals	19	**8,169**	7,660	**674**	1,950
Amounts due to subsidiary companies	20	**–**	–	**–**	2,991
Provision for taxation		**1,040**	564	**4**	4
Hire purchase creditors		**19**	19	**–**	–
Term loans	21	**12,455**	15,897	**8,850**	12,550
Dividend payable	31	**10,556**	–	**10,556**	–
		35,158	27,406	**20,084**	17,495
Net current assets/(liabilities)		**6,613**	8,442	**(18,980)**	(16,372)
Non-current liabilities					
Provision		**22**	47	**–**	–
Amount due to subsidiary companies	20	**–**	–	**56,876**	42,341
Hire purchase creditors		**47**	65	**–**	–
Term loans	21	**64,872**	67,978	**–**	–
Deferred tax liabilities	14	**38,298**	30,215	**–**	–
		103,239	98,305	**56,876**	42,341
Net assets		**358,347**	316,040	**223,462**	233,870
Equity attributable to shareholders of the Company					
Share capital	22	**209,518**	209,518	**209,518**	209,518
Reserves		**86,087**	51,383	**13,944**	24,352
		295,605	260,901	**223,462**	233,870
Non-controlling interests	23	**62,742**	55,139	**–**	–
Total equity		**358,347**	316,040	**223,462**	233,870

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Group	Attributable to shareholders of the Company				Non-controlling interests	Total equity
	Share capital $'000	Capital and other reserves (Note 24) $'000	Revenue reserve $'000	Total reserves $'000	$'000	$'000
2017						
As at 1 January 2017	**209,518**	**69,944**	**(18,561)**	**51,383**	**55,139**	**316,040**
Profit for the year	–	–	8,333	8,333	2,903	11,236
Other comprehensive income for the year, net of tax	–	36,766	–	36,766	7,640	44,406
Total comprehensive income for the year	–	36,766	8,333	45,099	10,543	55,642
Contributions by and distributions to shareholders of the Company						
Dividend payable	–	–	(10,556)	(10,556)	–	(10,556)
Total contributions by and distributions to shareholders of the Company	–	–	(10,556)	(10,556)	–	(10,556)
Others						
Dividends paid to a non-controlling interest	–	–	–	–	(2,940)	(2,940)
Increase in net assets of a joint venture company	–	–	186	186	–	186
Share of reserves of a joint venture company	–	(25)	–	(25)	–	(25)
Total others	–	(25)	186	161	(2,940)	(2,779)
As at 31 December 2017	**209,518**	**106,685**	**(20,598)**	**86,087**	**62,742**	**358,347**

STATEMENTS OF **CHANGES IN EQUITY**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Attributable to shareholders of the Company				Non-controlling interests	Total equity
Group	**Share capital $'000**	**Capital and other reserves (Note 24) $'000**	**Revenue reserve $'000**	**Total reserves $'000**	**$'000**	**$'000**
2016						
As at 1 January 2016	209,518	77,779	207	77,986	52,374	339,878
Profit for the year	–	–	4,824	4,824	2,610	7,434
Other comprehensive (loss)/income for the year, net of tax	–	(7,835)	–	(7,835)	1,532	(6,303)
Total comprehensive (loss)/income for the year	–	(7,835)	4,824	(3,011)	4,142	1,131
Contributions by and distributions to shareholders of the Company						
Dividends paid by the Company	–	–	(23,752)	(23,752)	–	(23,752)
Total contributions by and distributions to shareholders of the Company	–	–	(23,752)	(23,752)	–	(23,752)
Others						
Dividends paid to a non-controlling interest	–	–	–	–	(1,377)	(1,377)
Increase in net assets of a joint venture company	–	–	155	155	–	155
Share of reserves of a joint venture company	–	–	5	5	–	5
Total others	–	–	160	160	(1,377)	(1,217)
As at 31 December 2016	209,518	69,944	(18,561)	51,383	55,139	316,040

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Company	Share capital $'000	Revenue reserve $'000	Total equity $'000
2017			
As at 1 January 2017	**209,518**	**24,352**	**233,870**
Profit for the year, representing total comprehensive income for the year	**–**	**148**	**148**
Contributions by and distributions to shareholders of the Company			
Dividend payable	**–**	**(10,556)**	**(10,556)**
Total contributions by and distributions to shareholders of the Company	**–**	**(10,556)**	**(10,556)**
As at 31 December 2017	**209,518**	**13,944**	**233,462**
2016			
As at 1 January 2016	209,518	45,582	255,100
Profit for the year, representing total comprehensive income for the year	–	2,522	2,522
Contributions by and distributions to shareholders of the Company			
Dividends paid by the Company	–	(23,752)	(23,752)
Total contributions by and distributions to shareholders of the Company	–	(23,752)	(23,752)
As at 31 December 2016	209,518	24,352	233,870

The accompanying notes form an integral part of the financial statements.

CONSOLIDATED CASH FLOW STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Group	
	2017	2016
	$'000	$'000
Cash flows from operating activities:		
Profit before taxation	**13,912**	9,294
Adjustments for:		
Depreciation of property, plant and equipment	**6,814**	7,233
Gain on sale of property, plant and equipment	**–**	(11)
Property, plant and equipment written off	**5**	3,904
(Gain)/loss on sale of investment securities	**(26)**	9
Share of results of associated and joint venture companies	**(9,017)**	(5,141)
Amortisation of club memberships	**3**	3
Dividend income from investment securities	**(82)**	(127)
Interest income	**(709)**	(564)
Finance costs	**2,194**	2,408
Impairment loss on asset held for sale	**860**	1,020
Impairment loss on investment securities	**235**	–
Transfer from foreign currency translation reserve to profit or loss upon deregistration of a foreign subsidiary company	**(225)**	–
Unrealised foreign exchange differences	**382**	241
Operating profit before reinvestment in working capital	**14,346**	18,269
Decrease/(increase) in inventories	**73**	(68)
Decrease in receivables and prepayments	**499**	254
Increase in payables	**138**	99
Cash flows generated from operations	**15,056**	18,554
Interest received	**761**	542
Interest paid	**(2,260)**	(2,155)
Income taxes paid	**(2,080)**	(2,009)
Net cash flows from operating activities	**11,477**	14,932
Cash flows from investing activities:		
Dividends received	**2,797**	2,064
Proceeds from sale of property, plant and equipment	**13**	53
Purchase of property, plant and equipment	**(2,303)**	(1,212)
Purchase of investment securities	**(5,007)**	(3,480)
Proceeds from sale of investment securities	**1,968**	1,474
Proceeds from capital reduction of a joint venture company	**5,531**	–
Net cash flows generated from/(used in) investing activities	**2,999**	(1,101)

CONSOLIDATED **CASH FLOW STATEMENT**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Group	
	2017	**2016**
	$'000	**$'000**
Cash flows from financing activities:		
Proceeds from bank loans	**5,650**	74,366
Repayment of bank loans	**(12,761)**	(60,970)
Repayment of advances by an associated company	**–**	64
Fixed deposit discharged by a bank	**94**	–
Fixed deposit pledged with a bank	**(49)**	–
Repayment to hire purchase creditors	**(18)**	(16)
Dividends paid by the Company	**–**	(23,752)
Dividends paid to a non-controlling interest	**(2,940)**	(1,377)
Net cash flows used in financing activities	**(10,024)**	(11,685)
Net increase in cash and cash equivalents	**4,452**	2,146
Effects of exchange rate changes on cash and cash equivalents	**(377)**	(316)
Cash and cash equivalents at beginning of year	**20,304**	18,474
Cash and cash equivalents at end of year (Note 25)	**24,379**	20,304

The accompanying notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

1. CORPORATE INFORMATION

AF Global Limited (the "Company") is a limited liability company incorporated and domiciled in Singapore and listed on Singapore Exchange Securities Trading Limited ("SGX-ST").

The registered office of the Company is at 55 Ubi Avenue 1, #07-11 Ubi 55 Building, Singapore 408935 and the principal place of business is at 55 Ubi Avenue 1, #06-11 Ubi 55 Building, Singapore 408935.

The principal activities of the Company are investment holding and the provision of management services to its subsidiary companies. The subsidiary, associated and joint venture companies invest in properties, develop properties for sale, provide a full suite of real estate consultancy services and own and operate hotels, serviced residences and family entertainment centres.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

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

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

<u>Convergence with International Financial Reporting Standards</u>

The Accounting Standards Council announced on 29 May 2014 that Singapore incorporated companies listed on SGX-ST will apply a new financial reporting framework identical to the International Financial Reporting Standards ("SFRS(I)"). The Group will adopt the new financial reporting framework on 1 January 2018.

The Group has performed an assessment of the impact of adopting the new financial reporting framework. Other than the adoption of the new standards that are effective on 1 January 2018, the Group plans to elect the following relevant optional exemptions:

(a) Deemed cost exemption

The Group currently measures its freehold and leasehold land and buildings at fair value less accumulated depreciation. The Group plans to use the fair value of freehold and leasehold land and buildings as its deemed cost at the date of transition, and accordingly, reclassifying the amount standing in asset revaluation reserve to opening retained earnings.

(b) Foreign currency translation reserve

The Group expects to elect the option to deem cumulative translation differences for foreign operations to be zero by reclassifying amount standing in the foreign currency translation reserve at the date of transition to the opening retained earnings, and accordingly, the gain or loss that will be recognised on a subsequent disposal of the foreign operations will exclude cumulative translation differences that arose before the date of transition.

Other than the effects of the matters as described above, the Group expects that the adoption of the new framework will have no material impact on the financial statements in the period of initial application.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 *Changes in accounting policies*

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

2.3 *Standards issued but not yet effective*

The Group has not adopted the following SFRS(I) applicable to the Group that have been issued but are not yet effective:

Description	Effective for annual periods beginning on or after
SFRS(I) 9 *Financial Instruments*	1 January 2018
SFRS(I) 15 *Revenue from Contracts with Customers*	1 January 2018
SFRS(I) 1-40 *Transfers of Investment Property*	1 January 2018
SFRS(I) INT 22 *Foreign Currency Transactions and Advance Consideration*	1 January 2018
SFRS(I) 16 *Leases*	1 January 2019
SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to SFRS(I) 10 and SFRS(I) 1-28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Date to be determined

Except for SFRS(I) 9 and SFRS(I) 16, the Directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application.

SFRS(I) 9 Financial Instruments

SFRS(I) 9 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in SFRS(I) 9 are based on an expected credit loss model and replace the FRS 39 incurred loss model.

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

The Group has performed a preliminary assessment of the impact of adopting the new standard based on currently available information. This assessment may be subject to changes arising from ongoing analysis, until the Group adopts SFRS(I) 9 in 2018.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

(a) Classification and measurement

For the Group's available-for-sale unquoted debt securities, the Group will continue to hold the debt instrument to collect contractual cash flows and sell, and accordingly measured at fair value through other comprehensive income when it applies SFRS(I) 9.

The Group will elect to measure its currently held available-for-sale unquoted equity securities at fair value through other comprehensive income and is currently looking into obtaining appropriate valuation for this equity instrument. Any difference between the carrying amount and the fair value will be recognised in the opening retained earnings with the corresponding tax impact when the Group applies SFRS(I) 9.

(b) Impairment

SFRS(I) 9 requires the Group to record expected credit losses on all of its debt securities and trade receivables, either on a 12-month or lifetime basis. The credit risk of the Group's debt securities issued by the related parties is low and the Group plans to assume that the credit risk has not increased significantly since the initial recognition. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables.

SFRS(I) 15 Revenue from Contracts with Customers

Under SFRS(I) 15, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. Based on the existing sources and nature of revenue, the Group expects the adoption of SFRS(I) 15 will have no material impact on the financial statements in the period of initial application.

SFRS(I) 16 Leases

SFRS(I) 16 requires lessees to recognise most leases on balance sheets to reflect the rights to use the leased assets and the associated obligations for lease payments as well as the corresponding interest expense and depreciation charges. The standard includes two recognition exemption for lessees – leases of 'low value' assets and short-term leases. The new standard is effective for annual periods beginning on or after 1 January 2019.

The Group has performed a preliminary assessment of the impact of adopting the new standard based on the existing operating lease arrangements and expects that the adoption will result in increase in total assets and total liabilities, EBITDA and gearing ratio.

The Group plans to adopt the new standard when it becomes effective on 1 January 2019 and expects to apply the standard using the modified retrospective approach. The Group also expects the right-of-use assets recognised at the date of initial application to be equal to their lease liabilities.

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

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Significant accounting estimates and judgments

The preparation of the Company's and the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. However, 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.

Key sources of estimation uncertainty

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

(a) Revaluation of property, plant and equipment

The Group carries its property, plant and equipment at fair value with changes in fair values being recognised in other comprehensive income.

The fair values of property, plant and equipment are determined by independent valuation specialists or Directors using recognised valuation techniques. These techniques comprise discounted cash flow method and market comparable approach.

The determination of the fair values of property, plant and equipment requires the use of estimates such as future cash flow from the assets and discount rates applicable to those assets. These estimates are based on local market conditions existing at the end of the reporting period.

The carrying amounts, key assumptions used to determine the fair values of the property, plant and equipment and sensitivity analysis are further explained in Note 33(a).

(b) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their expected useful lives. Management estimated the useful lives of these property, plant and equipment are disclosed in Note 2.10. The carrying amount of the Group's property, plant and equipment at 31 December 2017 was $362,187,000 (2016: $312,925,000). Changes in the expected level of usage and technological advancements could impact the economic useful lives of these assets. As a result, future depreciation charges could be revised. A 5% difference in the expected useful lives of these assets from management's estimates would result in an approximately 2% (2016: 4%) variance in the Group's profit before taxation.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Judgments made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

(a) *Determination of control over investees*

As at 31 December 2017, the Group owns 41% of equity in HIRP (Thailand) Limited ("HIRP"). It has been assessed that the Group has management control over the financial and operating policies of HIRP due to its majority representation on the board of this company. Consequently, this company is consolidated as a subsidiary company of the Group.

As at 31 December 2017, the Group owns 55% of equity in each of Xuzhou YinJian LumChang Real Estate Development Co., Ltd and Xuzhou RE Sales Co., Ltd ("Xuzhou companies"). It has been assessed that the Group does not have control over the Xuzhou companies because their operations are jointly controlled by the Group and the joint venture partner in accordance with a joint venture agreement. Consequently, the Xuzhou companies are accounted for as joint venture companies of the Group.

As at 31 December 2017, the Group owns 55% of equity in Knight Frank Pte Ltd ("KFPL"). KFPL in turn owns 90% of equity in Knight Frank Property Asset Management Pte Ltd and 100% of equity in KF Property Network Pte Ltd (collectively, "KFPL and its subsidiaries"). It has been assessed that the Group does not have control over KFPL and its subsidiaries because their operations are jointly controlled by the Group and the joint venture partner in accordance with a shareholders' agreement. Consequently, KFPL and its subsidiaries are accounted for as joint venture companies of the Group.

(b) *Income taxes*

The Group has exposure to income taxes in numerous jurisdictions. 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 amounts of the Group's tax payable, deferred tax assets and liabilities at 31 December 2017 were $1,040,000 (2016: $564,000), $348,000 (2016: $288,000) and $38,298,000 (2016: $30,215,000) respectively.

(c) *Impairment of investments in subsidiary, associated and joint venture companies*

The Group and the Company assess at the end of each reporting period whether there is any indication that the investments in subsidiary, associated and joint venture companies may be impaired. Determining whether there are indicators of impairment require judgments. In making these judgments, the Group and the Company evaluate, among other factors, the performance of the subsidiary, associated and joint venture companies. The carrying amounts of investments in subsidiary, associated and joint venture companies at 31 December 2017 of the Group and the Company are disclosed in Notes 10, 11 and 12 respectively.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 *Foreign currency*

The Group's consolidated 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 subsidiary companies, 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 rates 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 determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign subsidiary companies which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss on disposal of the foreign operation.

(b) Consolidated financial statements

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

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

2.6 *Basis of consolidation and business combinations*

(A) Basis of consolidation

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

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

NOTES TO THE FINANCIAL STATEMENTS
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Subsidiary companies are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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

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

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

(B) Business combinations

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities and contingent 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 services are rendered.

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

In a business combination achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

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

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree, and the fair value of the Group's previously held equity interest in the acquiree, over the net fair values 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiary companies not attributable, directly or indirectly, to owners of the Company, and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated balance sheet, separately from equity attributable to owners of the Company.

Changes in the Company's ownership interest in a subsidiary company 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 company. 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.

2.8 Subsidiary companies

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

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

2.9 Associated and joint venture companies

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 net assets of the arrangement, the arrangement is a joint venture.

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

The Group accounts for its investments in associated and joint venture companies using the equity method from the date on which it becomes an associated or a joint venture company.

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

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

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

2.10 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The accounting policy for borrowing costs is set out in Note 2.17. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to initial recognition, property, plant and equipment other than land and buildings are measured at cost less accumulated depreciation and any accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. When a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Land and buildings are measured at fair value less accumulated depreciation and impairment losses recognised after the date of the revaluation. Fair value is determined from market-based evidence by Directors and supported by appraisals undertaken by independent valuation specialists where necessary. Valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the fair value of the land and buildings at the end of the reporting period.

When an asset is revalued, any increase in the carrying amount is recognised in other comprehensive income and accumulated in the asset revaluation reserve. However, the increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss. When an asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in profit or loss. However, the decrease is recognised in other comprehensive income and reversed from the asset revaluation reserve to the extent of any credit balance existing in the reserve in respect of that asset.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life. The whole of the revaluation surplus included in the asset revaluation reserve in respect of an asset is transferred directly to revenue reserve on retirement or disposal of the asset.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 *Property, plant and equipment* (Continued)

Freehold land has an unlimited useful life and therefore is not depreciated. Depreciation of an asset begins when it is available for use and is computed on a straight-line basis over the estimated useful life of the asset as follows:

	Useful lives
Buildings on freehold land	20 to 50 years
Building improvements	10 years
Leasehold land and buildings	32 to 40 years
Plant and machinery	1 to 10 years
Furniture, fittings and equipment	1 to 10 years
Motor vehicles	5 to 10 years

Capital work-in-progress included in property, plant and equipment are not depreciated as these assets are not yet available for use.

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

The residual value, useful life and depreciation method are reviewed on an annual basis 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. Any gain or loss arising on such derecognition is included in profit or loss in the year the item of property, plant and equipment is derecognised.

2.11 *Impairment of non-financial assets*

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2.12 Financial instruments

(a) *Financial assets*

Initial recognition and subsequent measurement

Financial assets are classified as either financial assets at fair value through profit or loss, loans and receivables, held to maturity investments or available-for-sale financial assets upon initial recognition, as appropriate. Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

(i) *Loans and receivables*

Cash and short-term deposits and trade and other receivables are classified as loans and receivables. These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognised at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

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

Available-for-sale financial assets are financial assets that are not classified in any of the other categories. Investment securities classified as available-for-sale financial assets are measured at fair value and gains and losses arising from changes in fair value are taken to the fair value adjustment reserve. Investment securities whose fair value cannot be measured reliably are measured at cost less impairment loss.

Derecognition

A financial asset is derecognised when the contractual rights to receive cash flows from the asset have expired, which usually coincides with receipt of payments for the asset. On derecognition, 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 subsequent measurement

Financial liabilities include trade payables, which are normally settled on a 30 to 90-day term, other payables, amounts due to subsidiary companies, interest-bearing loans and borrowings and dividend payable. 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.

Financial liabilities at amortised cost are initially recognised at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

2.12 Financial instruments (Continued)

(b) *Financial liabilities* (Continued)

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or has expired. 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 derecognition 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.

(c) *Offsetting of financial instruments*

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

2.13 Cash and cash equivalents

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

2.14 Impairment of financial assets

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

(a) *Financial assets carried at amortised cost*

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

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

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

(b) *Financial assets carried at cost*

If there is objective evidence that an impairment loss on financial assets carried at cost had been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

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

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

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

2.15 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:

- Food and beverage and general supplies – cost is determined on a weighted average or first-in first-out basis.

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.

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 estimated net realisable value.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Asset held for sale

An asset is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. Asset held for sale is measured at the lower of carrying amount and fair value less costs to sell. Any differences are recognised in profit or loss. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

2.17 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 as incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.18 Transfers between levels of the fair value hierarchy

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

2.19 Provisions

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

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

2.20 Employee benefits

(a) Defined contribution plans

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

(b) Employee leave entitlement

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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2.21 Leases

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

(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.

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. Contingent rents are charged as expenses in the periods in which they are incurred.

(b) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Operating lease receipts are recognised as an income in profit or loss on a straight-line basis over the lease term. The accounting policy for rental income is set out in Note 2.25(e). Contingent rents are recognised as revenue in the periods in which they are earned.

2.22 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 tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of each reporting period in the countries where the Group operates and generates taxable income.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 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 the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiary and associated companies and interests in joint venture companies, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiary and associated companies and interests in joint venture companies, where 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 assets 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 assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to 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 items recognised outside profit or loss are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity, and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

(c) Sales tax

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

- where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of sales tax included.

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

2.23 Segment reporting

For management reporting purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly reviews the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 30, including the factors used to identify the reportable segments and the basis of evaluating the segment performance.

2.24 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 where the liability 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 in the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Revenue

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

(a) *Revenue from hotel, serviced residence and family entertainment centre operations*

Room revenue from the rental of serviced residences, hotel rooms and other facilities is recognised when the service is rendered.

Food and beverage income is recognised upon sale.

Revenue from the rendering of services is recognised when the service is rendered.

(b) *Revenue from development properties for sale*

Revenue will be recognised upon the transfer of significant risks and rewards of ownership, which generally coincides with the time the development units are delivered to the purchasers. Revenue and profits are brought into the financial statements only in respect of sale agreements finalised.

(c) *Interest income*

Interest income is recognised using the effective interest method.

(d) *Dividend income*

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

(e) *Rental income*

Rental income is recognised on a straight-line basis over the lease terms of ongoing leases.

2.26 Earnings per share

Basic earnings per share from continuing operations is calculated by dividing profit from continuing operations, net of tax, attributable to shareholders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share is calculated by dividing profit from continuing operations, net of tax, attributable to shareholders of the Company by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the potential conversion of all the dilutive ordinary shares into ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

3. REVENUE

	Group	
	2017 $'000	2016 $'000
Revenue comprised the following:		
Room revenue	**38,862**	38,164
Revenue from food and beverage	**11,267**	10,529
Revenue from services rendered	**4,388**	4,369
Rental income	**820**	804
Dividend income from investment securities	**82**	127
Interest income	**322**	244
	55,741	54,237

4. OTHER OPERATING INCOME

Interest income from fixed deposits	**387**	320
Foreign currency gains	**–**	3,826
Gain on sale of investment securities	**26**	–
Gain on sale of property, plant and equipment, net	**–**	11
Rental income from asset held for sale	**–**	59
Others	**7**	48
	420	4,264

5. FINANCE COSTS

Interest on hire purchase	**3**	3
Interest on bank loans	**2,189**	2,403
Interest on loan from a non-controlling interest	**2**	2
	2,194	2,408

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

6. PROFIT BEFORE TAXATION

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

	Group	
	2017 **$'000**	**2016** **$'000**
Audit fees		
– Auditor of the Company	**193**	220
– Other auditors	**104**	93
Non-audit fees		
– Auditor of the Company	**3**	16
– Other auditors	**26**	22
Total audit and non-audit fees	**326**	351
Legal and professional fees	**391**	402
Utilities	**2,230**	2,270
Repairs and maintenance	**1,040**	1,016
Allowance for doubtful debts, net		
– Trade receivables	**–**	28
Loss on sale of investment securities	**–**	9
Property, plant and equipment written off	**5**	3,904
Amortisation of club memberships	**3**	3
Depreciation of property, plant and equipment	**6,814**	7,233
Impairment loss on asset held for sale	**860**	1,020
Impairment loss on investment securities	**235**	–
Foreign currency losses	**162**	–
Salaries and other short-term employee benefits (including executive directors)	**15,167**	14,611
Central Provident Fund and other defined contributions (including executive directors)	**1,099**	1,046
Inventories recognised as an expense in cost of sales	**4,563**	4,021
Directors' fees	**231**	221
Rental expenses	**1,361**	1,349
Property tax	**1,255**	1,220

Included in rental expenses were contingent rents of $112,000 (2016: $99,000).

7. TAXATION

The major components of income tax expense for the year ended 31 December were:

Current tax		
– Current year	**2,523**	1,960
– Benefits from previously unrecognised tax losses and temporary differences	**(65)**	(213)
– Under provision in respect of prior years	**112**	9
Deferred tax		
– Origination and reversal of temporary differences	**106**	117
– Benefits from previously unrecognised tax losses	**–**	(13)
Income tax expense recognised in profit or loss	**2,676**	1,860

NOTES TO THE FINANCIAL STATEMENTS
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As at 31 December 2017, certain subsidiary companies in the Group had unutilised tax losses and capital allowances of approximately $120,330,000 and $41,000 (2016: $120,205,000 and Nil) respectively which may be available for set off against future taxable profits of the respective companies in which the tax losses and capital allowances arose. The availability and utilisation of these tax losses and capital allowances are subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislations of the respective countries in which the companies operate. The tax losses of $6,791,000 (2016: $6,730,000) will expire within the next 5 years. No deferred tax asset was recognised due to uncertainty of its recoverability except as disclosed in Note 14.

A reconciliation between the tax expense and the product of accounting profit multiplied by the applicable tax rate for the year ended 31 December were as follows:

	Group	
	2017	**2016**
	$'000	**$'000**
Profit before taxation	**13,912**	9,294
Adjustment for:		
Share of results of associated and joint venture companies	**(9,017)**	(5,141)
	4,895	4,153
Tax at statutory rate of 17% (2016: 17%)	**832**	706
Tax effect on expenses not deductible in determining taxable profit	**1,668**	2,491
Tax effect on income not taxable in determining taxable profit	**(88)**	(1,487)
Tax effect on tax incentives	**(171)**	(53)
Under provision of tax in respect of prior years	**112**	9
Tax effect on different statutory tax rates of other countries	**256**	(187)
Tax effect on utilisation of previously unrecognised tax losses and temporary differences	**(65)**	(226)
Tax effect on net deferred tax assets not recognised	**126**	456
Withholding tax	**127**	63
Others, net	**(121)**	88
	2,676	1,860

8. EARNINGS PER SHARE

Profit attributable to shareholders of the Company	**8,333**	4,824
Number of shares ('000)		
Weighted average number of ordinary shares in issue for basic and diluted earnings per share	**1,055,639**	1,055,639
Earnings per share (cents)		
Basic	**0.79**	0.46
Diluted	**0.79**	0.46

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

9. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings $'000	Leasehold land and buildings $'000	Capital work-in-progress $'000	Plant and machinery $'000	Furniture, fittings and equipment $'000	Motor vehicles $'000	Total $'000
Group							
Cost and valuation							
At 1 January 2017							
Cost	–	–	42	17,253	35,153	426	52,874
Valuation	323,318	22,120	–	–	–	–	345,438
	323,318	22,120	42	17,253	35,153	426	398,312
Additions	571	–	697	427	608	–	2,303
Revaluation	49,514	1,882	–	–	–	–	51,396
Disposals	–	–	–	(301)	(107)	(2)	(410)
Write off	–	–	–	(35)	(479)	–	(514)
Elimination of accumulated depreciation upon revaluation	–	(2,140)	–	–	–	–	(2,140)
Currency realignment	4,637	(1,816)	6	(305)	(30)	(9)	2,483
At 31 December 2017	378,040	20,046	745	17,039	35,145	415	451,430
Representing –							
Cost	–	–	745	17,039	35,145	415	53,344
Valuation	378,040	20,046	–	–	–	–	398,086
	378,040	20,046	745	17,039	35,145	415	451,430
Accumulated depreciation							
At 1 January 2017	40,199	1,165	–	15,510	28,240	273	85,387
Charge for the year	2,740	1,103	–	627	2,305	39	6,814
Disposals	–	–	–	(301)	(94)	(2)	(397)
Write off	–	–	–	(35)	(474)	–	(509)
Elimination of accumulated depreciation upon revaluation	–	(2,140)	–	–	–	–	(2,140)
Currency realignment	609	(128)	–	(320)	(63)	(10)	88
At 31 December 2017	43,548	–	–	15,481	29,914	300	89,243
Net book value							
At 31 December 2017	334,492	20,046	745	1,558	5,231	115	362,187

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Freehold land and buildings $'000	Leasehold land and buildings $'000	Capital work-in-progress $'000	Plant and machinery $'000	Furniture, fittings and equipment $'000	Motor vehicles $'000	Total $'000
Group							
Cost and valuation							
At 1 January 2016							
Cost	–	–	46	16,478	37,295	463	54,282
Valuation	339,520	21,755	–	–	–	–	361,275
	339,520	21,755	46	16,478	37,295	463	415,557
Additions	86	–	41	511	601	76	1,315
Revaluation	4,858	–	–	–	–	–	4,858
Disposals	(141)	–	–	(13)	(519)	(120)	(793)
Write off	(3,850)	–	–	(4)	(347)	–	(4,201)
Reclassification	–	–	(46)	7	39	–	–
Currency realignment	(17,155)	365	1	274	(1,916)	7	(18,424)
At 31 December 2016	323,318	22,120	42	17,253	35,153	426	398,312
Representing –							
Cost	–	–	42	17,253	35,153	426	52,874
Valuation	323,318	22,120	–	–	–	–	345,438
	323,318	22,120	42	17,253	35,153	426	398,312
Accumulated depreciation							
At 1 January 2016	39,182	–	–	14,679	27,974	355	82,190
Charge for the year	3,106	1,127	–	616	2,351	33	7,233
Disposals	(141)	–	–	(6)	(484)	(120)	(751)
Write off	–	–	–	(4)	(293)	–	(297)
Currency realignment	(1,948)	38	–	225	(1,308)	5	(2,988)
At 31 December 2016	40,199	1,165	–	15,510	28,240	273	85,387
Net book value							
At 31 December 2016	283,119	20,955	42	1,743	6,913	153	312,925

The Group's cash outflow on acquisition of property, plant and equipment amounted to $2,303,000 (2016: $1,212,000). The Group's net book value of property, plant and equipment under hire purchase at the end of the reporting period amounted to $77,000 (2016: $104,000).

In the last financial year, changes were made to the master plan of the Group's hotel under redevelopment, Phuket Rawai Beach Resort. Hence, certain capitalised costs aggregated $3,810,000 in relation to the original design and concept were written off as they are no longer relevant and in line with the new plans. The property, plant and equipment written off was charged to profit or loss under other operating expenses.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Group's freehold and leasehold land and buildings consist of the following:

	Location	Description	Site area	Gross floor area	Tenure of land
(i)	Crowne Plaza London Kensington 100 Cromwell Road London United Kingdom	163-room hotel	3,426 sq.m.	8,800 sq.m.	Freehold
(ii)	Holiday Inn Resort Phuket 52 Thaweewong Road Tambol Patong Amphoe Kathu Phuket Thailand	398-room hotel	30,670 sq.m.	36,860 sq.m.	Freehold
(iii)	Somerset Vientiane Souphanouvong Avenue Sikottabong District Vientiane Lao People's Democratic Republic	116-unit serviced residence	11,946 sq.m.	13,619 sq.m.	40 years lease from 7 November 1994
(iv)	Cityview Apartments and Commercial Centre 12 Mac Dinh Chi Street Da Kao Ward District 1 Ho Chi Minh City Vietnam	66-unit serviced residence and office space	2,690 sq.m.	12,856 sq.m.	40 years lease from 1 March 1995
(v)	Phuket Rawai Beach Resort 100 Wiset Road Tambol Rawai Amphoe Muang Phuket Phuket Thailand	Resort hotel (under redevelopment and upgrading)	180,132 sq.m.	Not applicable	Freehold

The net written down value of the Group's freehold land and buildings included in property, plant and equipment that have been mortgaged to secure various loan facilities, as detailed in Note 21, amounted to $274,323,000 (2016: $229,399,000).

The fair values of the above land and buildings were determined by various independent valuation specialists or Directors in November/December 2017 (2016: November/December 2016) using valuation techniques and inputs as disclosed in Note 33(a).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

If the land and buildings were measured on historical cost basis, the carrying amounts would be:

	Group	
	2017	**2016**
	$'000	**$'000**
Freehold land and buildings	**152,037**	152,077
Leasehold land and buildings	**12,400**	14,332
	164,437	166,409

10. SUBSIDIARY COMPANIES

	Company	
	2017	**2016**
	$'000	**$'000**
Unquoted shares, at cost	**216,323**	216,323
Advances to subsidiary companies	**231,179**	224,444
Less: Allowance for impairment loss	**(148,184)**	(148,184)
	299,318	292,583

Movement in allowance for impairment loss:

Balance at beginning	**148,184**	145,892
Charge to profit or loss	**–**	2,292
Balance at end	**148,184**	148,184

Advances to subsidiary companies are quasi-equity loans which represent an extension of investments in the subsidiary companies. They are unsecured and interest free except for the amounts of $7,678,000 (2016: $4,751,000) which are interest bearing at 2.41% to 3.46% (2016: 1.86% to 3.74%) per annum during the year. It is repayable only when the cash flow of the subsidiary companies permit.

Impairment of $2,292,000 in the last financial year relates to the shortfall between the carrying amounts of the cost of investment and the estimated recoverable amounts of the subsidiary companies.

NOTES TO THE FINANCIAL STATEMENTS
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10. SUBSIDIARY COMPANIES (CONTINUED)

	Name of company	Country of incorporation and place of business	Principal activities	At cost 2017 $'000	At cost 2016 $'000	Percentage of equity held by the Group 2017 %	Percentage of equity held by the Group 2016 %
	Held by the Company						
	LCD Property Management Pte Ltd	Singapore	Property investment	**1,903**	1,903	**100**	100
	Draycott Garden Pte Ltd	Singapore	Investment holding	**1,000**	1,000	**100**	100
	Hillgate Investment Pte Ltd	Singapore	Investment holding	**1,200**	1,200	**100**	100
	L.C. Hotels Pte Ltd	Singapore	Investment holding and provision of management services	**162,651**	162,651	**100**	100
	LCD Property Pte Ltd	Singapore	Investment holding	**1,000**	1,000	**100**	100
	LCD (Indochina) Pte Ltd	Singapore	Investment holding	**100**	100	**100**	100
	LCD (Vietnam) Pte Ltd	Singapore	Investment holding	**800**	800	**80**	80
	ZONE X Leisure Pte Ltd	Singapore	Family entertainment business	**7,014**	7,014	**100**	100
	Cheong Hock Chye & Co. (Pte) Ltd	Singapore	Investment holding	**38,724**	38,724	**100**	100
	Bon 88 Investment Pte Ltd	Singapore	Investment holding	**100**	100	**100**	100
	Bon (38) Investment Pte Ltd	Singapore	Investment holding	**100**	100	**100**	100
	Rawai 88 Investment Pte Ltd	Singapore	Investment holding	**100**	100	**100**	100
	Rawai (38) Investment Pte Ltd	Singapore	Investment holding	**100**	100	**100**	100
	AF Global Investment Holding Pte Ltd	Singapore	Investment holding	**@**	@	**100**	100
④	LCD Management Sdn Bhd	Malaysia	Dormant	**1,531**	1,531	**100**	100
	Held through subsidiary companies						
	L.C. Logistics Pte Ltd	Singapore	Investment holding	**	**	**100**	100
	AF Phuket Hotels Pte Ltd	Singapore	Investment holding	**	**	**100**	100
	AF Rawai Hotels Pte Ltd	Singapore	Investment holding	**	**	**100**	100
④	Corpus Five Sdn Bhd	Malaysia	Dormant	**	**	**100**	100
②	L.C. (London) Ltd	United Kingdom	Hotel investment	**	**	**100**	100
③	AF Global (Phuket) Limited*	Thailand	Investment holding	**	**	**49**	49
③	HIRP (Thailand) Limited*^	Thailand	Hotel investment	**	**	**12.6**	12.6
③	RP (Thailand) Limited*	Thailand	Hotel investment	**	**	**49**	49
⑤	Phuket Island Property Fund	Thailand	Property fund	**–**	**	**–**	100

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Name of company	Country of incorporation and place of business	Principal activities	At cost 2017 $'000	At cost 2016 $'000	Percentage of equity held by the Group 2017 %	Percentage of equity held by the Group 2016 %
③	AF Global (Thailand) Limited*	Thailand	Investment holding	**	**	**49**	49
③	RP Hotels (Thailand) Limited	Thailand	Hotel investment	**	**	**100**	100
①	Gateway Enterprise Company Limited	Lao People's Democratic Republic	Serviced residence investment	**	**	**100**	100
①	Cityview Property Investment & Trading Limited	Vietnam	Serviced residence investment	**	**	**54.8**	54.8

@ The shareholding in this company is less than $1,000.

* Accounted for as a subsidiary company of the Group by virtue of the management control over financial and operating policies of the company.

** The shareholdings in these companies are held indirectly through subsidiary companies of the Company.

^ The Group holds a total equity interest of 41% (2016: 41%) in this company including those held through indirect interest.

All the companies are audited by Ernst & Young LLP, Singapore except for the following:

① Audited by member firms of Ernst & Young Global in the respective countries.

② Audited by Ferguson Maidment & Co., London, United Kingdom.

③ Audited by PricewaterhouseCoopers ABAS Ltd, Bangkok, Thailand.

④ Audited by LT Lim & Associates, Malaysia.

⑤ The company was deregistered on 31 May 2017.

In the engagement of auditing firms for the Company, its subsidiary companies and significant associated and joint venture companies, the Company has complied with Rules 712 and 715 of the Listing Manual of SGX-ST.

Interest in a subsidiary company with material non-controlling interest

The Group has the following subsidiary company with material non-controlling interest.

Name of company	Principal place of business	Proportion of accounting interest held by non-controlling interest %	Profit after tax allocated to non-controlling interest during the reporting period $'000	Accumulated non-controlling interest at the end of reporting period $'000	Dividends paid to non-controlling interest $'000
31 December 2017					
HIRP (Thailand) Limited	Thailand	**49**	**2,598**	**57,348**	**2,940**
31 December 2016					
HIRP (Thailand) Limited	Thailand	49	2,273	50,082	1,377

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10. SUBSIDIARY COMPANIES (CONTINUED)

Summarised financial information of a subsidiary company with material non-controlling interest

Summarised financial information and consolidation adjustments but before intercompany eliminations of the subsidiary company with material non-controlling interest was as follows:

	HIRP (Thailand) Limited	
	2017	**2016**
	$'000	**$'000**
Summarised balance sheet		
Current assets	**8,153**	7,871
Current liabilities	**(9,314)**	(8,508)
Net current liabilities	**(1,161)**	(637)
Non-current assets	**138,828**	121,817
Non-current liabilities	**(22,349)**	(20,646)
Net non-current assets	**116,479**	101,171
Net assets	**115,318**	100,534
Summarised statement of comprehensive income		
Revenue	**27,824**	26,504
Profit before tax	**5,559**	4,796
Income tax expense	**(1,127)**	(985)
Profit after tax, representing total comprehensive income for the year	**4,432**	3,811
Other summarised information		
Net cash flows from operating activities	**7,954**	7,632

NOTES TO THE FINANCIAL STATEMENTS

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11. ASSOCIATED COMPANY

The Group's and the Company's investment in an associated company is summarised below:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Lum Chang (Suzhou) Investments Pte Ltd	**1,569**	1,574	**–**	–

Name of company	**Country of incorporation and place of business**	**Principal activity**	**Percentage of equity held by the Group 2017**	**2016**
			%	**%**
Lum Chang (Suzhou) Investments Pte Ltd	Singapore	Investment holding	**49**	49

Audited by PricewaterhouseCoopers, Singapore.

The summarised financial information in respect of the above associated company, based on its financial statements prepared in accordance with FRS, and reconciliation with the carrying amount of the investment in the consolidated financial statements was as follows:

	2017	**2016**
	$'000	**$'000**
Summarised balance sheet		
Total assets	**3,204**	3,214
Total liabilities	**(621)**	(621)
Net assets	**2,583**	2,593
Proportion of the Group's ownership	**49%**	49%
Group's share of net assets	**1,266**	1,271
Advance to an associated company	**303**	303
Carrying amount of the investment	**1,569**	1,574
Information on the Group's and the Company's investment in an associated company was as follows:		
(Loss)/profit after tax, representing total comprehensive income for the year	**(10)**	129

Advance to an associated company represents an extension of investment in the associated company. It is unsecured and bore interest at 0.50% (2016: 0.50%) per annum during the year. Settlement is neither planned nor likely to occur in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

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12. JOINT VENTURE COMPANIES

The Group's material investments in joint venture companies are summarised below:

	Group	
	2017	**2016**
	$'000	**$'000**
Xuzhou YinJian LumChang Real Estate Development Co., Ltd ("XZYJLC")	**53,878**	54,840
Knight Frank Pte Ltd group ("KFG")	**30,923**	29,498
Others	**1,199**	1,667
	86,000	86,005

	Name of company	Country of incorporation and place of business	Principal activities	Percentage of equity held by the Group 2017 %	2016 %
	Held through subsidiary companies				
①	Xuzhou YinJian LumChang Real Estate Development Co., Ltd	People's Republic of China	Property development and investment	**55**	55
①	Xuzhou RE Sales Co., Ltd	People's Republic of China	Real estate agency	**55**	55
	Knight Frank Pte Ltd^	Singapore	Valuers, auctioneers, estate agents and property consultants	**55**	55
	Held through a joint venture company				
	Knight Frank Property Asset Management Pte Ltd^	Singapore	Management of real estate, mall, car park and real estate consultancy services	**49**	55
	KF Property Network Pte Ltd^	Singapore	Real estate agency	**55**	55

^ Collectively, the Knight Frank Pte Ltd group.

All the companies are audited by Ernst & Young LLP, Singapore except for the following:

① Audited by Talent Certified Public Accountants Co., Ltd, People's Republic of China.

The Group jointly controls the ventures with its partners under contractual agreements which require unanimous consent for all major decisions over the relevant activities.

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Summarised financial information in respect of the above joint venture companies, based on its financial statements prepared in accordance with FRS, and reconciliation with the carrying amount of the investment in the consolidated financial statements were as follows:

	XZYJLC		KFG	
	2017 $'000	**2016 $'000**	**2017 $'000**	**2016 $'000**
Summarised balance sheets				
Cash and short-term deposits	**19,416**	34,101	**28,705**	20,006
Other current assets	**94,763**	104,465	**19,174**	12,917
Current assets	**114,179**	138,566	**47,879**	32,923
Non-current assets	**20**	25	**11,641**	11,418
Total assets	**114,199**	138,591	**59,520**	44,341
Current financial liabilities (excluding trade, other payables and provisions)	**–**	18,218	**–**	–
Other current liabilities	**7,905**	8,930	**29,048**	17,628
Other non-current liabilities	**–**	–	**–**	1
Total liabilities	**7,905**	27,148	**29,048**	17,629
Net assets	**106,294**	111,443	**30,472**	26,712
Non-controlling interests	**–**	–	**(1,134)**	–
	106,294	111,443	**29,338**	26,712
Proportion of the Group's ownership	**55%**	55%	**55%**	55%
Group's share of net assets	**58,461**	61,294	**16,136**	14,692
Goodwill on acquisition	**–**	–	**9,810**	9,810
Other adjustments	**(4,583)**	(6,454)	**4,977**	4,996
Carrying amount of the investment	**53,878**	54,840	**30,923**	29,498

During the financial year, the Group received surplus capital through capital reduction from XZYJLC and dividend from KFG of $5,531,000 (2016: Nil) and $1,650,000 (2016: $1,375,000) respectively.

	XZYJLC		KFG	
	2017 $'000	**2016 $'000**	**2017 $'000**	**2016 $'000**
Summarised statements of comprehensive income				
Revenue	**44,569**	75,253	**86,184**	71,815
Interest income	**129**	172	**74**	29
Operating expenses	**(31,378)**	(70,408)	**(79,509)**	(67,088)
Depreciation and amortisation	**(7)**	(8)	**(702)**	(617)
Interest expense	**–**	–	**–**	(10)
Profit before tax	**13,313**	5,009	**6,047**	4,129
Income tax expense	**(3,470)**	(1,785)	**(606)**	(292)
Profit after tax, representing total comprehensive income for the year	**9,843**	3,224	**5,441**	3,837

Information on the Group's investment in a joint venture company that is not material was as follows:

	Group	
	2017 $'000	**2016 $'000**
Profit after tax, representing total comprehensive income for the year	**1,154**	2,205

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

13. INVESTMENT SECURITIES

	Group	
	2017	2016
	$'000	$'000
Non-current		
Available-for-sale unquoted equity investments, at cost	**4,825**	5,061
Current		
Available-for-sale quoted debt securities	**7,538**	4,248

The Group recognised an impairment loss of $235,000 (2016: Nil) during the financial year for unquoted equity securities carried at cost after taking into consideration the lower recoverable amount of this private equity investment.

14. DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

	Group			
	Balance sheet		Profit or loss	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Deferred tax assets arise as a result of:				
Provisions	**280**	213	**(67)**	(82)
Differences in depreciation for tax purposes	**68**	62	**(4)**	(62)
Tax losses	**–**	13	**13**	(13)
	348	288		
Unrecognised deferred tax assets are disclosed in Note 7.				
Deferred tax liabilities arise as a result of:				
Revaluation of assets				
– to asset revaluation reserve	**31,227**	23,377	**–**	–
– to revenue reserve	**5,007**	4,938	**–**	–
Provisions	**2,052**	1,865	**187**	383
Differences in depreciation for tax purposes	**12**	35	**(23)**	(122)
	38,298	30,215		
Deferred tax expense			**106**	104

At the end of the reporting period, no deferred tax liability had been recognised for taxes that would be payable on the undistributed earnings of a subsidiary company and a joint venture company as the Group had determined that the undistributed earnings of these companies would not be distributed in the foreseeable future. The temporary difference for which no deferred tax liability had been recognised was estimated to be $32,289,000 (2016: $13,967,000) and the related deferred tax liability amount was approximately $2,423,000 (2016: $1,397,000).

There are no income tax consequences attached to dividend to shareholders declared by the Company and recognised as a liability in the financial statements (Note 31).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

15. ASSET HELD FOR SALE

In December 2015, an apartment unit in London, United Kingdom, originally held as an investment property was classified as asset held for sale following the Group's decision to offload its non-core asset.

However, due to the occurrence of unforeseen events beyond the management's control during the initial one-year and subsequent periods, the sale did not take place amidst a slowdown of the property market in London. In response to the change in circumstances, the management had taken action to provide additional impairment loss of $860,000 (2016: $1,020,000) during the financial year to write down the carrying amount of the property to its fair value less costs to sell. The impairment loss was charged to profit or loss under other operating expenses.

The management remains committed to its plan to sell the property and the property is actively marketed at the price that is reflective of current market conditions.

The sale is expected to take place within the next 12 months.

16. TRADE RECEIVABLES

Trade receivables are non-interest bearing and are generally settled between 30 to 60 days' term. They are recognised at their original invoice amounts which represent their fair values at initial recognition.

At the end of the reporting period, the Group had trade receivables amounting to $282,000 (2016: $203,000) that were past due but not impaired. These receivables are unsecured and the analysis of their ageing was as follows:

	Group	
	2017	**2016**
	$'000	**$'000**
Trade receivables past due but not impaired:		
Up to 30 days	**212**	184
31 to 60 days	**56**	19
61 to 90 days	**2**	–
More than 90 days	**12**	–
	282	203

The Group had provided an allowance of Nil (2016: $28,000) for the impairment of trade receivables as follows:

Trade receivables that are impaired:		
Trade receivables – nominal amounts	**28**	28
Less: Allowance for doubtful debts	**(28)**	(28)
	–	–
Balance at beginning	**28**	–
Charge to profit or loss	**–**	28
Balance at end	**28**	28

Trade receivables that were individually determined to be impaired relate to debts that were long overdue. These receivables are not secured by any collateral or credit enhancements.

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17. OTHER RECEIVABLES

	Group		Company	
	2017 $'000	**2016 $'000**	**2017 $'000**	**2016 $'000**
Sundry deposits	**327**	337	**1**	1
Interest receivable	**5**	2	**3,550**	3,550
Amounts due from subsidiary companies	**–**	–	**86**	–
Others	**318**	740	**–**	–
Less: Allowance for impairment loss	**–**	–	**(3,473)**	(3,473)
	650	1,079	**164**	78
Movement in allowance for impairment loss:				
Balance at beginning and end	**–**	–	**3,473**	3,473

Interest receivable of the Company is receivable from a subsidiary company.

Amounts due from subsidiary companies are non-trade related, unsecured, non-interest bearing and are due for repayment in cash within the next twelve months.

18. TRADE PAYABLES

Trade payables are unsecured and non-interest bearing.

19. OTHER PAYABLES AND ACCRUALS

	Group 2017 $'000	Group 2016 $'000	Company 2017 $'000	Company 2016 $'000
Accrued expenses	**5,383**	4,912	**336**	276
Interest payable	**1,133**	1,141	**9**	1,037
Sundry creditors	**1,372**	1,022	**48**	52
Amount due to a related party	**281**	585	**281**	585
	8,169	7,660	**674**	1,950

Interest payable by the Company to its subsidiary company of $1,025,000 outstanding as at the end of the last financial year had been reclassified to amounts due to subsidiary companies under non-current liabilities.

Amount due to a related party is non-trade related, unsecured, non-interest bearing, repayable upon demand and is to be settled in cash.

Other payables and accruals are normally settled within six months.

20. AMOUNTS DUE TO SUBSIDIARY COMPANIES

Amounts due to subsidiary companies under current liabilities outstanding at the end of the last financial year are non-trade related, unsecured and non-interest bearing.

Amounts due to subsidiary companies under non-current liabilities are non-trade related, unsecured and non-interest bearing except for an amount of $42,341,000 (2016: $42,341,000) which bore interest at 2.57% to 3.09% (2016: 2.57% to 3.14%) per annum during the year. They are repayable only when the cash flow of the Company permits.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

21. TERM LOANS

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Repayable within 12 months	**12,455**	15,897	**8,850**	12,550
Repayable after 12 months	**64,872**	67,978	**–**	–
	77,327	83,875	**8,850**	12,550

Details of the Group's term loans were as follows:

(i) A revolving credit facility of $6,850,000 (2016: $9,750,000) secured by a pledge of shares of a company in the Group bore interest at 2.71% to 3.21% (2016: 2.62% to 3.39%) per annum during the year. It is repayable on demand.

(ii) Two revolving credit facilities totalling $2,000,000 (2016: $2,800,000) which are unsecured and bore interest at 2.65% to 3.50% (2016: 2.54% to 3.50%) per annum during the year. It is repayable on demand.

(iii) A term loan of $32,255,000 (2016: $33,520,000) and a revolving credit facility of $34,000,000 (2016: $34,000,000) secured by a mortgage on the freehold land and building owned by a company in the Group, a fixed and floating charge over all assets of a company in the Group and a corporate guarantee by the Company, bore interest at 2.34% to 2.60% (2016: 2.36%) and 2.32% to 2.97% (2016: 2.32% to 2.61%) per annum during the year respectively. They are repayable quarterly over 15 equal instalments of $440,000 with the remaining sum of $59,655,000 repayable in November 2021.

(iv) A term loan of $2,222,000 (2016: $3,805,000) secured by a mortgage on the freehold land and buildings owned by a company in the Group bore interest at 5.15% (2016: 5.15% to 5.40%) per annum during the year. It is repayable semi-annually with a minimum sum of $377,000 and a maximum sum of $1,025,000 from June 2018 to June 2019.

Revolving credit facilities of the Company have no fixed term of repayment and can be rolled over when due.

A reconciliation of liabilities from financing activities of the Group is as follows:

			Non-cash changes			
	2016	**Cash flows**	**Foreign exchange movement**	**Reclassification**	**Other movement**	**2017**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Term loans						
– current	15,897	(7,111)	11	3,594	64	**12,455**
– non-current	67,978	–	488	(3,594)	–	**64,872**
	83,875	(7,111)	499	–	64	**77,327**

The "other movement" column was in respect of amortisation of transaction costs capitalised.

NOTES TO THE FINANCIAL STATEMENTS

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22. SHARE CAPITAL

Ordinary shares of the Company:

	No. of shares		Share capital	
	2017	**2016**	**2017**	**2016**
	'000	**'000**	**$'000**	**$'000**
Balance at beginning and end	**1,055,639**	1,055,639	**209,518**	209,518

All issued ordinary shares are fully paid. There is no par value for these ordinary shares. Fully paid ordinary shares (except treasury shares) carry one vote per share without restriction and carry a right to dividends as and when declared by the Company.

23. NON-CONTROLLING INTERESTS

Included in non-controlling interests are advances amounting to $1,864,000 (2016: $1,864,000) from a non-controlling interest which are unsecured. The advances are not due for repayment within the next twelve months. The advances are non-interest bearing except for an advance of $96,000 (2016: $96,000) which is interest bearing at 2.41% to 2.92% (2016: 1.86% to 2.41%) per annum during the year.

24. CAPITAL AND OTHER RESERVES

(a) *Asset revaluation reserve*

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

	Group	
	2017	**2016**
	$'000	**$'000**
Balance at beginning	**98,782**	92,995
Surplus on revaluation of property, plant and equipment	**42,351**	4,858
Adjustments of deferred tax liabilities	**(5,914)**	929
Balance at end	**135,219**	98,782

(b) *Foreign currency translation reserve*

The foreign currency translation reserve is used to record 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. The exchange difference is transferred to profit or loss when the foreign operation is disposed.

Balance at beginning	**(28,922)**	(15,424)
Foreign currency translation gain/(loss)	**503**	(13,498)
Transfer to profit or loss upon deregistration of a foreign subsidiary company	**(225)**	–
Balance at end	**(28,644)**	(28,922)

NOTES TO THE **FINANCIAL STATEMENTS**
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(c) Legal reserve

Pursuant to the law of country of incorporation, two (2016: two) foreign subsidiary companies of the Group are required to set aside at least 5% of its profits arising from its operations at each distribution of dividend until the amount set aside is not less than 10% of its registered capital. The legal reserve is non-distributable.

	Group	
	2017	**2016**
	$'000	**$'000**
Balance at beginning and end	**30**	30

(d) Other reserves

Other reserves comprise fair value adjustment reserve which is used to record the cumulative net change in fair value of available-for-sale financial assets and share of reserves of a joint venture company.

Balance at beginning	**54**	178
Net gain/(loss) on fair value changes of available-for-sale financial assets	**51**	(124)
Share of reserves of a joint venture company	**(25)**	–
Balance at end	**80**	54

25. CASH AND SHORT-TERM DEPOSITS

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Cash and bank balances	**13,077**	11,708	**248**	610
Fixed deposits	**11,351**	8,690	**684**	428
	24,428	20,398	**932**	1,038

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprised the following amounts as at 31 December:

	Group	
	2017	**2016**
	$'000	**$'000**
Cash and short-term deposits	**24,428**	20,398
Less: Fixed deposit pledged	**(49)**	(94)
	24,379	20,304

The weighted average effective interest rate of the fixed deposits of the Group at the end of the financial year was 3.61% (2016: 3.97%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

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26. OPERATING LEASE COMMITMENTS

As lessee

The Group has entered into certain commercial leases for land, retail and office premises and office equipment with remaining non-cancellable lease terms of between 3 months to 17 years. The contracts of these leases provided for varying terms, renewal option, contingent rent and escalation clauses. Non-cancellable operating lease payments recognised in profit or loss during the year amounted to $1,319,000 (2016: $1,295,000). The Group is restricted from subleasing to third parties.

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

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Not later than 1 year	**778**	1,004	**6**	6
Later than 1 year but not later than 5 years	**781**	937	**–**	–
Later than 5 years	**1,443**	1,561	**–**	–
	3,002	3,502	**6**	6

As lessor

The Group has entered into commercial leases on its property portfolio. These non-cancellable leases have remaining lease terms of up to 4 years.

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

	Group	
	2017	**2016**
	$'000	**$'000**
Not later than 1 year	**1,291**	694
Later than 1 year but not later than 5 years	**286**	142
	1,577	836

27. CONTINGENT LIABILITY

The Company had provided a corporate guarantee to a bank for a term loan and revolving credit facility aggregating $66,416,000 (2016: $67,742,000) (Note 21) utilised by a subsidiary company.

28. CAPITAL COMMITMENTS

Commitments not provided for in the financial statements are in respect of:		
– property, plant and equipment	**4,875**	1,956
– investment commitment of an associated company	**5,075**	5,491
– capital commitments in relation to project development costs of a joint venture company	**22,551**	20,085

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

29. RELATED PARTY DISCLOSURES

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

(a) Sale and purchase of goods and services

	Group	
	2017	**2016**
	$'000	**$'000**
(i) A Director of the Company and his associate		
Sale of investment securities	**1,475**	–
(ii) Related parties		
Aspial Corporation Limited and its subsidiary company:		
Interest income received	**319**	120
Recharge of salary received	**97**	–
Purchase of investment securities	**(5,000)**	(3,000)
Corporate service fee payable	**(360)**	(546)

(b) Remuneration of key management personnel

	2017	2016
Salaries and other short-term employee benefits	**(961)**	(950)
Central Provident Fund contributions	**(74)**	(65)
Total remuneration paid to key management personnel	**(1,035)**	(1,015)

30. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on the nature of products and services provided. The reportable operating segments are as follows:

The property segment relates to project and property management, real estate consultancy services, investment in properties and development of properties for sale.

The hotel and serviced residence segment relates to ownership and operation of hotels and serviced residences.

The leisure and others segment relates mainly to ownership and operation of family entertainment centres and investment holding activities.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss of the operating segments, as shown in the table below.

Transfer prices between operating segments are based on contractual agreements.

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30. SEGMENT INFORMATION (CONTINUED)

	Property $'000	Hotel and serviced residence $'000	Leisure and others $'000	Consolidated $'000
2017				
Segment revenue				
Total segment sales	82	52,611	5,386	58,079
Inter-segment sales	–	–	(2,338)	(2,338)
Revenue	82	52,611	3,048	55,741
Segment results	(1,119)	8,524	(316)	7,089
Finance costs	–	(797)	(1,397)	(2,194)
Share of results of associated and joint venture companies	9,021	–	(4)	9,017
Profit/(loss) before taxation	7,902	7,727	(1,717)	13,912
Taxation	(100)	(2,551)	(25)	(2,676)
Profit/(loss) for the year	7,802	5,176	(1,742)	11,236
Segment assets	420	387,326	2,046	389,792
Asset held for sale	6,672	–	–	6,672
Investment in an associated company	–	–	1,569	1,569
Investment in joint venture companies	86,000	–	–	86,000
Investment securities	4,825	–	7,538	12,363
Deferred tax assets	–	237	111	348
Total assets	97,917	387,563	11,264	496,744
Segment liabilities	46	10,054	11,632	21,732
Term loans	–	68,477	8,850	77,327
Tax liabilities	47	39,275	16	39,338
Total liabilities	93	117,806	20,498	138,397
Other segment information:				
Capital expenditures	–	2,232	71	2,303
Depreciation of property, plant and equipment	–	6,673	141	6,814
Amortisation expenses	–	3	–	3
Interest income	6	380	323	709
Property, plant and equipment written off	–	5	–	5
Impairment loss on asset held for sale	860	–	–	860
Impairment loss on investment securities	235	–	–	235

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	Property $'000	Hotel and serviced residence $'000	Leisure and others $'000	Consolidated $'000
2016				
Segment revenue				
Total segment sales	127	51,200	4,293	55,620
Inter-segment sales	–	(30)	(1,353)	(1,383)
Revenue	127	51,170	2,940	54,237
Segment results	(995)	4,124	3,432	6,561
Finance costs	–	(1,555)	(853)	(2,408)
Share of results of associated and joint venture companies	5,078	–	63	5,141
Profit before taxation	4,083	2,569	2,642	9,294
Taxation	(34)	(1,936)	110	(1,860)
Profit for the year	4,049	633	2,752	7,434
Segment assets	461	334,386	2,196	337,043
Asset held for sale	7,532	–	–	7,532
Investment in an associated company	–	–	1,574	1,574
Investment in joint venture companies	86,005	–	–	86,005
Investment securities	5,061	–	4,248	9,309
Deferred tax assets	–	175	113	288
Total assets	99,059	334,561	8,131	441,751
Segment liabilities	95	9,690	1,272	11,057
Term loans	–	71,325	12,550	83,875
Tax liabilities	–	30,775	4	30,779
Total liabilities	95	111,790	13,826	125,711
Other segment information:				
Capital expenditures	–	1,181	134	1,315
Depreciation of property, plant and equipment	3	7,059	171	7,233
Amortisation expenses	–	3	–	3
Interest income	6	312	246	564
Property, plant and equipment written off	–	3,904	–	3,904
Impairment loss on asset held for sale	1,020	–	–	1,020

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30. SEGMENT INFORMATION (CONTINUED)

Geographical segments

The Group's geographical segments are based on the location of the Group's assets. Revenue disclosed in geographical segments are based on sales generated in that location.

	Revenue		Non-current assets	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Singapore	**3,129**	3,068	**32,868**	31,553
Thailand	**27,824**	26,504	**199,640**	175,627
Vietnam	**2,211**	2,251	**9,554**	9,491
Lao People's Democratic Republic	**2,829**	3,192	**11,110**	11,942
People's Republic of China	**–**	–	**55,077**	56,507
United Kingdom	**19,748**	19,222	**141,551**	115,434
	55,741	54,237	**449,800**	400,554

Non-current assets information presented above consists of property, plant and equipment, intangible assets, associated company and joint venture companies.

Information about major customers

There was no concentration of revenue derived from any one single customer for both years ended 31 December 2017 and 31 December 2016.

31. DIVIDENDS ON ORDINARY SHARES

	Group and Company	
	2017	**2016**
	$'000	**$'000**
Declared and paid during the year:		
Interim dividend for 2016 of 1.25 cents per share	**–**	13,196
Final dividend for 2015 of 1.00 cent per share	**–**	10,556
	–	23,752
Declared and recognised as a liability as at 31 December:		
Interim dividend for 2017 of 1.00 cent per share	**10,556**	–

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprised term loans, hire purchase contracts, and cash and short-term deposits which are used for the Group's operations. The Group has other financial assets and liabilities, such as, trade receivables and trade payables arising directly from its operations. It is not the Group's policy to engage in foreign exchange and/or derivatives speculation or trading.

NOTES TO THE FINANCIAL STATEMENTS
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The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, liquidity risk, credit risk and market risk. The Directors review and agree policies and procedures for managing these risks which are then executed by the management. The Audit Committee provides an independent oversight to the effectiveness of the risk management process. There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks. The Group's approach in managing each of these risks so as to minimise any potential material adverse effects from the exposures is summarised below.

(a) 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 exposures to market risk of changes in interest rates relate primarily to its long-term debt obligations.

The Group manages its exposure to interest rate risk by sourcing for the most favourable interest rates without increasing its foreign currency exposure. It maintains an efficient and optimal interest cost structure by borrowing at both fixed and floating rates, as far as possible, to balance its exposure to interest rate volatility.

Surplus funds of the Group are mainly placed in fixed deposits of varying maturities and interest rate terms with reputable financial institutions to generate some returns.

The table below illustrates the effect of a change of 100 basis points in interest rate at the end of the reporting period on the Group's profit before taxation assuming all other variables are held constant.

	Group	
	Increase by 100bp Increase/ (Decrease) $'000	**Decrease by 100bp Increase/ (Decrease) $'000**
31 December 2017		
Profit before taxation		
Fixed deposits	**114**	**(114)**
Term loans	**(773)**	**773**
	(659)	**659**
31 December 2016		
Profit before taxation		
Fixed deposits	87	(87)
Term loans	(839)	839
	(752)	752

The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

NOTES TO THE FINANCIAL STATEMENTS

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32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) *Foreign currency risk*

As the Group's operations are significantly overseas, the Group's balance sheet is affected by fluctuations in the exchange rates of the various foreign currencies. The Group's sales and costs of sales are largely denominated in the respective functional currencies of the Group entities. Foreign currency exchange rate movements on sales and purchases, assets and liabilities which arise from daily operations are hedged naturally by a matching sale, purchase or a matching asset, liability of the same currency and amount. The Group also manages its exposure to foreign exchange risk by borrowing, whenever necessary, in the currency of the country where it operates, as far as possible.

In relation to the Group's overseas investments in foreign subsidiary companies whose net assets are exposed to currency translation risk, the differences arising from such translation are captured under the foreign currency translation reserve. As these overseas investments are long-term in nature, there is no fixed or pre-determinable pattern of repatriation. Therefore, the exposure to such risk which is dependent on the fluctuations in exchange rates of the various currencies of these overseas investments cannot be anticipated. However, these translation differences in the reserve are reviewed and monitored on a regular basis.

The Group's financial assets and liabilities denominated in currencies other than the functional currencies of the Group entities were as follows:

	Group			
	Singapore Dollar $'000	**United States Dollar $'000**	**Thai Baht $'000**	**Others $'000**
2017				
Financial asset				
Cash and short-term deposits	**–**	**2,463**	**1,014**	**83**
Financial liabilities				
Other payables and accruals	**–**	**(105)**	**–**	**–**
Term loans	**(34,000)^**	**–**	**–**	**–**
Net (liabilities)/asset	**(34,000)**	**2,358**	**1,014**	**83**
2016				
Financial asset				
Cash and short-term deposits	–	2,188	174	85
Financial liabilities				
Other payables and accruals	–	(58)	–	–
Term loans	(34,000)^	–	–	–
Net (liabilities)/asset	(34,000)	2,130	174	85

^ The exposure to foreign currency risk was mitigated by a matching asset arising from an amount denominated in Singapore Dollar due by the Company to a subsidiary company (Note 20).

Sensitivity analysis

It is estimated that the impact of a one percentage point strengthening or weakening in foreign currencies against the respective functional currencies of the Group entities, with all other variables held constant, would be immaterial to the Group's profit before taxation.

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(c) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group actively manages its operating cash flows to ensure that it has sufficient funding for its working capital requirements. It also ensures the availability of funding through committed bank facilities for both standby lines as well as longer term project financing. In arranging for credit lines, the expected future revenue stream is closely monitored to time the maturity of the borrowings so as to ensure that repayment and refinancing can be met.

At the end of the reporting period, approximately 16% (2016: 19%) of the Group's loans and borrowings, including hire purchase creditors, will mature within one year based on the carrying amounts reflected in the financial statements.

The following table sets out the carrying amounts, by maturity, 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.

	2017				**2016**			
	Within 1 year $'000	**Over 1 to 5 years $'000**	**Over 5 years $'000**	**Total $'000**	**Within 1 year $'000**	**Over 1 to 5 years $'000**	**Over 5 years $'000**	**Total $'000**
Group								
Financial assets								
Investment securities	**7,538**	**–**	**4,825**	**12,363**	4,248	–	5,061	9,309
Trade and other receivables	**2,114**	**–**	**–**	**2,114**	2,540	–	–	2,540
Cash and short-term deposits	**24,428**	**–**	**–**	**24,428**	20,398	–	–	20,398
Total undiscounted financial assets	**34,080**	**–**	**4,825**	**38,905**	27,186	–	5,061	32,247
Financial liabilities								
Trade and other payables	**11,041**	**–**	**–**	**11,041**	10,904	–	–	10,904
Hire purchase creditors	**23**	**52**	**4**	**79**	23	65	12	100
Term loans	**14,497**	**69,541**	**–**	**84,038**	18,057	73,994	–	92,051
Dividend payable	**10,556**	**–**	**–**	**10,556**	–	–	–	–
Total undiscounted financial liabilities	**36,117**	**69,593**	**4**	**105,714**	28,984	74,059	12	103,055
Total net undiscounted financial (liabilities)/assets	**(2,037)**	**(69,593)**	**4,821**	**(66,809)**	(1,798)	(74,059)	5,049	(70,808)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) *Liquidity risk* (Continued)

	2017				2016			
	Within 1 year $'000	Over 1 to 5 years $'000	Over 5 years $'000	Total $'000	Within 1 year $'000	Over 1 to 5 years $'000	Over 5 years $'000	Total $'000
Company								
Financial assets								
Subsidiary companies	–	–	104,957	104,957	–	–	93,276	93,276
Other receivables	164	–	–	164	78	–	–	78
Cash and short-term deposits	932	–	–	932	1,038	–	–	1,038
Total undiscounted financial assets	1,096	–	104,957	106,053	1,116	–	93,276	94,392
Financial liabilities								
Other payables and accruals	674	–	–	674	1,950	–	–	1,950
Amounts due to subsidiary companies	1,210	48,246	–	49,456	4,079	46,579	–	50,658
Term loans	9,107	–	–	9,107	12,912	–	–	12,912
Dividend payable	10,556	–	–	10,556	–	–	–	–
Total undiscounted financial liabilities	21,547	48,246	–	69,793	18,941	46,579	–	65,520
Total net undiscounted financial (liabilities)/assets	(20,451)	(48,246)	104,957	36,260	(17,825)	(46,579)	93,276	28,872

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

Company								
Financial guarantee	1,801	64,615	–	66,416	1,776	65,966	–	67,742

(d) *Credit risk*

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty defaults on its obligations. The Group's and the Company's exposures to credit risk arise primarily from trade and other receivables. For other financial assets (including investment securities and cash and short-term deposits), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to in-house credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Exposure to credit risk

At the end of the reporting period, the Company's maximum exposure to credit risk is represented by a nominal amount of $66,416,000 (2016: $67,742,000) relating to a corporate guarantee provided by the Company to a bank for a term loan and revolving credit facility utilised by a subsidiary company.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the industry sector profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the end of the reporting period was as follows:

	Group			
	2017		2016	
	$'000	% of total	$'000	% of total
Hotel and serviced residence	**1,464**	**100**	1,461	100

As at the end of the reporting period, there was no significant concentration of credit risk from any one single customer within the Group or the Company for the financial years ended 31 December 2017 and 31 December 2016.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are due from creditworthy debtors with good payment record with the Group. Cash and short-term deposits and investment securities that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies 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 16.

(e) Market risk

Market 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). As the Group holds investments in debt securities, the fair value of the investments will fluctuate because of changes in market prices. Assuming all other variables are held constant, a 2% increase or decrease in the quoted market prices at the end of the reporting period will have minimal impact on the Group's other comprehensive income.

33. FAIR VALUE OF ASSETS AND LIABILITIES

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

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

33. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

(a) Assets and liabilities measured at fair values

The following table shows an analysis of the Group's assets and liabilities measured at fair value at the end of the reporting period:

	Quoted prices in active markets for identical instruments (Level 1) $'000	Significant other observable inputs (Level 2) $'000	Significant unobservable inputs (Level 3) $'000	Total $'000
2017				
Group				
Non-financial assets				
Property, plant and equipment (Note 9)	**–**	**–**	**354,538**	**354,538**
Asset held for sale (Note 15)	**–**	**6,672**	**–**	**6,672**
Financial asset				
Investment securities				
– Quoted debt securities (Note 13)	**7,538**	**–**	**–**	**7,538**
2016				
Group				
Non-financial assets				
Property, plant and equipment (Note 9)	–	–	304,074	304,074
Asset held for sale (Note 15)	–	7,532	–	7,532
Financial asset				
Investment securities				
– Quoted debt securities (Note 13)	4,248	–	–	4,248

Fair value hierarchy

There were no transfers between Level 1, Level 2 and Level 3 fair value measurements during the financial years ended 31 December 2017 and 31 December 2016.

Level 2 fair value measurements

The asset held for sale was stated at fair value less costs to sell of $6,672,000 (2016: $7,532,000). Impairment loss of $860,000 (2016: $1,020,000) was charged to profit or loss during the financial year. The fair value is determined from market-based evidence by Directors using the sales comparison approach.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Level 3 fair value measurements

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

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

Description	Fair value $'000	Valuation techniques	Unobservable inputs	Range
Recurring fair value measurements				
2017				
Property, plant and equipment	**294,370**	Income approach	Discounted rate	7.00% - 14.50% per annum
Property, plant and equipment	**60,168**	Market comparable approach	Yield adjustments based on management's assumptions*	5.00% - 31.00% per annum
2016				
Property, plant and equipment	250,354	Income approach	Discounted rate	7.50% - 11.50% per annum
Property, plant and equipment	53,720	Market comparable approach	Yield adjustments based on management's assumptions*	6.00% - 32.00% per annum

* The yield adjustments are made for any difference in the nature, location or condition of specific property.

Significant increase or decrease in discount rate would result in a significantly lower or higher fair value of the property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

33. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

(a) *Assets and liabilities measured at fair values* (Continued)

Level 3 fair value measurements (Continued)

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

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

	Fair value measurements using significant unobservable inputs (Level 3) $'000
Group	
Property, plant and equipment	
Balance at 1 January 2017	**304,074**
Additions	**571**
Depreciation	**(3,843)**
Surplus on revaluation	**51,396**
Currency realignment	**2,340**
Balance at 31 December 2017	**354,538**
Balance at 1 January 2016	322,093
Additions	86
Depreciation	(4,233)
Write off	(3,850)
Surplus on revaluation	4,858
Currency realignment	(14,880)
Balance at 31 December 2016	304,074

The Directors oversee the valuation process and are responsible for the Group's valuation policies and procedures.

For all significant valuations using valuation models and significant unobservable inputs, it is the Group's policy to engage independent valuation specialists to perform the valuation. The Directors are responsible for selecting and engaging independent valuation specialists that possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies and FRS 113 fair value measurement guidance.

For valuations performed by independent valuation specialists, the Directors review the appropriateness of the valuation methodologies and assumptions adopted. The Directors also evaluate the appropriateness and reliability of the inputs (including those developed internally by the Group) used in the valuations.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

Management has determined that the carrying amounts of cash and short-term deposits, trade and other receivables, trade and other payables, dividend payable, based on their notional amounts, reasonably approximate their fair values because they are short-term in nature. The carrying amounts of term loans and hire purchase reflect the corresponding fair values because they are repriced to or approximate the market interest rates near the end of the reporting period.

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

The fair value of financial assets and liabilities by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value at the end of the reporting period were as follows:

	2017		2016	
	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Group				
Financial asset				
Investment securities (Note 13)	**4,825**	*****	5,061	*
Company				
Financial asset				
Subsidiary companies	**104,957**	******	93,276	**

* Investment securities carried at cost

Available-for-sale unquoted equity investments represent ordinary shares in a Singapore and an overseas incorporated companies. As it is not practicable to determine the fair value of these investments with sufficient reliability, these investments are carried at cost in the financial statements. The Group does not intend to dispose of these investments in the foreseeable future.

** Subsidiary companies

Advances to subsidiary companies have no fixed repayment term and are repayable only when the cash flow of the respective subsidiary companies permit. Accordingly, fair values are not determinable as the timing of the repayment cannot be estimated reliably.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

34. CLASSIFICATION OF FINANCIAL INSTRUMENTS

	Loans and receivables $'000	Available for sale $'000	Non-financial assets $'000	Total $'000
2017				
Group				
Assets				
Non-current				
Property, plant and equipment	–	–	362,187	362,187
Intangible assets	–	–	44	44
Investment securities	–	4,825	–	4,825
Deferred tax assets	–	–	348	348
Current				
Asset held for sale	–	–	6,672	6,672
Investment securities	–	7,538	–	7,538
Inventories	–	–	402	402
Trade and other receivables	2,114	–	–	2,114
Prepayments	–	–	617	617
Cash and short-term deposits	24,428	–	–	24,428
	26,542	12,363	370,270	409,175

	Liabilities at amortised cost $'000	Non-financial liabilities $'000	Total $'000
2017			
Group			
Liabilities			
Current			
Provision	–	47	47
Trade and other payables	11,041	–	11,041
Provision for taxation	–	1,040	1,040
Hire purchase creditors	19	–	19
Term loans	12,455	–	12,455
Dividend payable	10,556	–	10,556
Non-current			
Provision	–	22	22
Hire purchase creditors	47	–	47
Term loans	64,872	–	64,872
Deferred tax liabilities	–	38,298	38,298
	98,990	39,407	138,397

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Loans and receivables $'000	Available for sale $'000	Non-financial assets $'000	Total $'000
2016				
Group				
Assets				
Non-current				
Property, plant and equipment	–	–	312,925	312,925
Intangible assets	–	–	50	50
Investment securities	–	5,061	–	5,061
Deferred tax assets	–	–	288	288
Current				
Asset held for sale	–	–	7,532	7,532
Investment securities	–	4,248	–	4,248
Inventories	–	–	476	476
Trade and other receivables	2,540	–	–	2,540
Prepayments	–	–	654	654
Cash and short-term deposits	20,398	–	–	20,398
	22,938	9,309	321,925	354,172

	Liabilities at amortised cost $'000	Non-financial liabilities $'000	Total $'000
2016			
Group			
Liabilities			
Current			
Provision	–	22	22
Trade and other payables	10,904	–	10,904
Provision for taxation	–	564	564
Hire purchase creditors	19	–	19
Term loans	15,897	–	15,897
Non-current			
Provision	–	47	47
Hire purchase creditors	65	–	65
Term loans	67,978	–	67,978
Deferred tax liabilities	–	30,215	30,215
	94,863	30,848	125,711

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

34. CLASSIFICATION OF FINANCIAL INSTRUMENTS (CONTINUED)

	Loans and receivables $'000	Non-financial assets $'000	Total $'000
2017			
Company			
Assets			
Non-current	104,957	–	104,957
Subsidiary companies			
Current			
Other receivables	164	–	164
Prepayments	–	8	8
Cash and short-term deposits	932	–	932
	106,053	8	106,061

	Liabilities at amortised cost $'000	Non-financial liabilities $'000	Total $'000
2017			
Company			
Liabilities			
Current			
Other payables and accruals	674	–	674
Provision for taxation	–	4	4
Term loans	8,850	–	8,850
Dividend payable	10,556	–	10,556
Non-current			
Amounts due to subsidiary companies	56,876	–	56,876
	76,956	4	76,960

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Loans and receivables $'000	Non-financial assets $'000	Total $'000
2016			
Company			
Assets			
Non-current			
Subsidiary companies	93,276	–	93,276
Current			
Other receivables	78	–	78
Prepayments	–	7	7
Cash and short-term deposits	1,038	–	1,038
	94,392	7	94,399

	Liabilities at amortised cost $'000	Non-financial liabilities $'000	Total $'000
2016			
Company			
Liabilities			
Current			
Other payables and accruals	1,950	–	1,950
Amounts due to subsidiary companies	2,991	–	2,991
Provision for taxation	–	4	4
Term loans	12,550	–	12,550
Non-current			
Amount due to a subsidiary company	42,341	–	42,341
	59,832	4	59,836

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

35. CAPITAL MANAGEMENT

Capital includes debt and equity items as disclosed in the table below.

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

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, obtain new borrowings or sell assets to reduce borrowings. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2017 and 31 December 2016.

As disclosed in Note 24, two (2016: two) foreign subsidiary companies of the Group are required to maintain a non-distributable statutory reserve by setting aside at least 5% of its profits arising from its operations at each distribution of dividend until the amount accumulated in the reserve is not less than 10% of its registered capital. This externally imposed capital requirement has been complied with by the said subsidiary companies for the financial years ended 31 December 2017 and 31 December 2016.

The Group will continue to be guided by prudent financial policies of which gearing is an important aspect. The Group's policy is to maintain a gearing ratio of not more than 0.75 times. Gearing ratio is calculated using net debt divided by total equity. Net debt includes term loans and hire purchase creditors less fixed deposits and cash and bank balances.

	Group	
	2017	**2016**
	$'000	**$'000**
Term loans (Note 21)	**77,327**	83,875
Hire purchase creditors	**66**	84
Less: Fixed deposits (Note 25)	**(11,351)**	(8,690)
Cash and bank balances (Note 25)	**(13,077)**	(11,708)
Net debt	**52,965**	63,561
Total equity	**358,347**	316,040
Gearing (times)	**0.15**	0.20

36. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the Directors on 20 March 2018.

STATISTICS OF **SHAREHOLDINGS**
AS AT 15 MARCH 2018

Number of issued and fully paid up shares of the Company *(excluding treasury shares and subsidiary holdings)* (the "**Shares**")	:	1,055,639,464 (with voting rights)
Class of Shares	:	Ordinary Shares
Voting Rights	:	One vote per Share

There are no treasury shares and subsidiary holdings held in the issued share capital of the Company.

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings			No. of Shareholders	%	No. of Shares	%(1)
1	–	99	160	2.81	5,268	0.00
100	–	1,000	756	13.28	444,265	0.04
1,001	–	10,000	2,380	41.81	12,451,435	1.18
10,001	–	1,000,000	2,379	41.80	95,879,369	9.08
1,000,001	and	above	17	0.30	946,859,127	89.70
			5,692	**100.00**	**1,055,639,464**	**100.00**

TWENTY LARGEST SHAREHOLDERS
as shown in the Register of Members and Depository Register

	Name	No. of Shares	%(1)
1.	DBS Nominees (Private) Limited	589,218,570	55.82
2.	AF Corporation Pte Ltd	304,968,586	28.89
3.	United Overseas Bank Nominees (Private) Limited	15,898,718	1.51
4.	Citibank Nominees Singapore Pte Ltd	7,534,656	0.71
5.	OCBC Nominees Singapore Private Limited	5,312,070	0.50
6.	Ko Lee Meng	4,754,000	0.45
7.	Morph Investments Ltd	2,631,400	0.25
8.	Maybank Kim Eng Securities Pte Ltd	2,532,350	0.24
9.	Kor Beng Shien	1,915,000	0.18
10.	Soh Eng Tai	1,910,000	0.18
11.	OCBC Securities Private Limited	1,840,004	0.17
12.	Estate of Thian Thin Khoon, Deceased	1,800,000	0.17
13.	Tam Kwok Wing	1,703,800	0.16
14.	Toh Kam Choy	1,337,000	0.13
15.	Phillip Securities Pte Ltd	1,231,412	0.12
16.	Raffles Nominees (Pte) Limited	1,174,261	0.11
17.	Quek Siew Suah	1,097,300	0.10
18.	Thian Yian Chiew	838,000	0.08
19.	Tan Chek Teck	796,000	0.08
20.	Teong Choon Hock	755,000	0.07
		949,248,127	**89.92**

STATISTICS OF **SHAREHOLDINGS**

AS AT 15 MARCH 2018

SUBSTANTIAL SHAREHOLDERS (INCLUDING DEEMED INTERESTS)

as shown in the Register of Substantial Shareholders

	Name	No. of Shares	%(1)
1.	AF Corporation Pte Ltd ("**AF Corporation**")	881,383,569	83.49
2.	Aspial Corporation Limited ("**Aspial**")	881,383,569(2)	83.49
3.	MLHS Holdings Pte Ltd ("**MLHS**")	881,383,569(3)	83.49
4.	Koh Wee Seng	881,383,569(3)	83.49
5.	Ko Lee Meng	886,137,569(3)	83.94
6.	Koh Lee Hwee	881,383,569(3)	83.49
7.	Fragrance Group Limited ("**Fragrance**")	881,383,569(4)	83.49
8.	Koh Wee Meng	881,383,569(5)	83.49

Based on information available to the Company as at 15 March 2018, approximately 16.05% of the Shares is held by the public and, therefore, Rule 723 of the Listing Manual of Singapore Exchange Securities Trading Limited is complied with.

Notes:

(1) Based on 1,055,639,464 Shares.

(2) Aspial holds not less than 20% of the issued shares of AF Corporation and is deemed to have an interest in the Shares in which AF Corporation has an interest.

(3) MLHS holds more than 50% of the issued shares of Aspial and is deemed to have an interest in the Shares in which Aspial has an interest. Koh Wee Seng, Ko Lee Meng and Koh Lee Hwee each holds not less than 20% of the issued shares of MLHS and are deemed to have an interest in the Shares in which MLHS has an interest.

(4) Fragrance holds not less than 20% of the issued shares of AF Corporation and is deemed to have an interest in the Shares in which AF Corporation has an interest.

(5) Koh Wee Meng holds more than 50% of the issued shares of Fragrance and is deemed to have an interest in the Shares in which Fragrance has an interest.

NOTICE OF **ANNUAL GENERAL MEETING**

AF Global Limited
Company Registration Number 197301118N
(Incorporated in the Republic of Singapore)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the **45th Annual General Meeting** of AF Global Limited (the "**Company**") will be held at **55 Ubi Avenue 1, #06-05 Ubi 55 Building, Singapore 408935** on **Friday, 27 April 2018** at **10.00 a.m.** to transact the following business:

AS ROUTINE BUSINESS:

1. To receive and adopt the audited financial statements for the financial year ended 31 December 2017, the Directors' statement and the external auditor's report thereon.
(Ordinary Resolution 1)

2. To approve the payment of Directors' fees of S$217,000 for the financial year ended 31 December 2017 (FY2016: S$203,960).
(Ordinary Resolution 2)

3. To re-elect the following Directors of the Company, each of whom will retire by rotation pursuant to Article 99 of the Constitution of the Company and who, being eligible, offer themselves for re-election:

   (a) Chay Yue Kai **(Ordinary Resolution 3(a))**

   (b) Woo Peng Kong **(Ordinary Resolution 3(b))**

   Note: Woo Peng Kong will, upon re-election as a Director of the Company, remain as the Lead Independent Director, the Chairman of the Audit and Nominating Committees and a member of the Remuneration Committee. Woo Peng Kong is considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.
   (See Explanatory Note 1)

4. To re-appoint Ernst & Young LLP as the external auditor of the Company and to authorise the Directors of the Company to fix their remuneration.
(Ordinary Resolution 4)

AS SPECIAL BUSINESS:

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

5. **Authority to allot and issue Shares and/or Instruments**

   "That pursuant to Section 161 of the Companies Act, Cap. 50 of Singapore (the "**Act**"), the Constitution of the Company and the Listing Manual of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"), authority be and is hereby given to the Directors of the Company to:

   (a) (i) allot and issue shares in the capital of the Company ("**Shares**") whether by way of rights, bonus or otherwise; and/or

NOTICE OF **ANNUAL GENERAL MEETING**

(ii) make or grant offers, agreements or options (collectively "**Instruments**" and each, an "**Instrument**") that might or would require Shares to be allotted and issued, including but not limited to the creation, allotment and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares,

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

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) allot and issue Shares in pursuance of any Instrument made or granted by the Directors of the Company while this Resolution was in force,

PROVIDED ALWAYS THAT:

(A) the aggregate number of Shares to be allotted and issued pursuant to this Resolution (including Shares to be allotted and issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50% of the total number of issued Shares excluding treasury shares and subsidiary holdings in the capital of the Company (as calculated in accordance with sub-paragraph (B) below), of which the aggregate number of Shares to be allotted and issued other than on a *pro rata* basis to shareholders of the Company (including Shares to be allotted and issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 20% of the total number of issued Shares excluding treasury shares and subsidiary holdings in the capital of the Company (as calculated in accordance with sub-paragraph (B) below);

(B) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be allotted and issued under sub-paragraph (A) above, the percentage of 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:

(I) new Shares arising from the conversion or exercise of any convertible securities;

(II) new Shares arising from the exercise of share options outstanding or subsisting at the time of the passing of this Resolution, provided the share options were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; and

(III) any subsequent bonus issue, consolidation or subdivision of Shares; and

(C) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Act, the Constitution of the Company and the Listing Manual of the SGX-ST (unless such compliance has been waived by the SGX-ST); and

(D) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier."

(See Explanatory Note 2)

(Ordinary Resolution 5)

NOTICE OF **ANNUAL GENERAL MEETING**

6. **Approval for the renewal of the Share Purchase Mandate**

"That:

(a) for the purposes of Sections 76C and 76E of the Companies Act, Cap. 50 of Singapore (the "**Act**"), the exercise by the Directors of the Company of all the powers of the Company to purchase or acquire issued and fully paid-up ordinary shares of the Company (the "**Ordinary Shares**") not exceeding in aggregate the Prescribed Limit (as defined below), at such price or prices as may be determined by the Directors of the Company from time to time up to the Maximum Price (as defined below), whether by way of:

(i) on-market purchases on the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") on which the Ordinary Shares may for the time being be listed and quoted ("**On-Market Share Purchases**"); and/or

(ii) off-market purchases (if effected otherwise than on the SGX-ST) in accordance with any equal access scheme(s) as may be determined or formulated by the Directors of the Company as they may consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Act ("**Off-Market Share Purchases**"),

and otherwise in accordance with all other laws and regulations and rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "**Share Purchase Mandate**");

(b) (unless varied or revoked by the Company in general meeting) the authority conferred on the Directors of the Company pursuant to the Share Purchase Mandate may be exercised by the Directors of the Company at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earlier of:

(i) the date on which the next Annual General Meeting of the Company is held or required by law to be held; or

(ii) the date on the purchases or acquisitions of Ordinary Shares pursuant to the Share Purchase Mandate are carried out to the full extent mandated;

(c) in this Resolution:

"**Prescribed Limit**" means the number of Ordinary Shares representing not more than 10% of the total number of Ordinary Shares as at the date of the passing of this Resolution excluding treasury shares and subsidiary holdings in the capital of the Company as at that date; and

"**Maximum Price**" in relation to an Ordinary Share to be purchased or acquired, means the purchase price (excluding brokerage, commission, applicable goods and services tax, stamp duties, clearance fees and other related expenses) not exceeding:

(i) in the case of an On-Market Share Purchase, 105% of the Average Closing Price of the Ordinary Share; and

(ii) in the case of an Off-Market Share Purchase, 120% of the Average Closing Price of the Ordinary Share;

NOTICE OF **ANNUAL GENERAL MEETING**

"**Average Closing Price**" means the average of the closing market prices of an Ordinary Share over the last five (5) Market Days (being a day on which the SGX-ST is open for securities trading) on which the Ordinary Shares are transacted on the SGX-ST immediately preceding the date of the On-Market Share Purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-Market Share Purchase, and deemed to be adjusted, in accordance with the rules of the SGX-ST, for any corporate action that occurs after the relevant five-day period; and

"**date of the making of the offer**" means the date on which the Company makes an offer for the purchase or acquisition of the Ordinary Shares from holders of Ordinary Shares, stating therein the relevant terms of the equal access scheme for effecting the Off-Market Purchase; and

(d) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they and/or he may consider expedient or necessary or in the interests of the Company to give effect to the transactions contemplated and/or authorised by this Resolution."

(See Explanatory Note 3)
(Ordinary Resolution 6)

8. **Any other business**

To transact any other business which may properly be transacted at an Annual General Meeting of the Company.

BY ORDER OF THE BOARD

LIM SWEE ANN
Company Secretary

Singapore
10 April 2018

NOTICE OF **ANNUAL GENERAL MEETING**

Notes to Notice of Annual General Meeting:

1. (a) A member of the Company who is not a Relevant Intermediary and entitled to attend and vote at the Annual General Meeting of the Company is entitled to appoint not more than two (2) proxies to attend and vote on his behalf. Where such member's Proxy Form appoints more than one (1) proxy, the appointments shall be invalid unless the number and class of shares in relation to which each proxy has been appointed is specified in the Proxy Form.

   (b) A member of the Company who is a Relevant Intermediary and entitled to attend and vote at the Annual General Meeting of the Company is entitled to appoint more than two (2) proxies to attend and vote, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's Proxy Form appoints more than one (1) proxy, the appointments shall be invalid unless the number and class of shares in relation to which each proxy has been appointed is specified in the Proxy Form.

   (c) "Relevant Intermediary" shall have the same meaning ascribed to it in Section 181 of the Companies Act, Cap. 50 of Singapore.

2. A proxy need not be a member of the Company.

3. The Proxy Form must be deposited at the registered office of the Company at **55 Ubi Avenue 1, #07-11 Ubi 55 Building, Singapore 408935** not less than **48 hours** before the time fixed for holding the Annual General Meeting of the Company.

4. Where the Proxy Form is executed by an individual, it must be executed under the hand of the individual or his attorney duly authorised. Where the Proxy Form is executed by a corporation, it must be executed either under its common seal or under the hand of any officer or attorney duly authorised.

Explanatory Notes to the Ordinary Resolutions:

1. Detailed information on these Directors can be found under the sections entitled 'Board of Directors' and 'Corporate Governance' in the Company's Annual Report 2017.

2. The Ordinary Resolution 5 proposed in item 5 above, if passed, will empower the Directors of the Company from the date of the passing of Ordinary Resolution 5 until the date 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 allot and issue Shares, make or grant Instrument convertible into Shares and to allot and issue Shares pursuant to such Instruments. The aggregate number of Shares (including Shares to be allotted and issued in pursuance of the Instruments made or granted pursuant to Ordinary Resolution 5) shall not exceed 50% of the total number of issued Shares excluding treasury shares and subsidiary holdings in the capital of the Company as at the date of the passing of Ordinary Resolution 5. For the allotment and issue of Shares other than on a *pro rata* basis to shareholders of the Company, the aggregate number Shares (including Shares to be allotted and issued in pursuance of the Instruments made or granted pursuant to Ordinary Resolution 5) shall not exceed 20% of the total number of issued Shares excluding treasury shares and subsidiary holdings in the capital of the Company as at the date of the passing of Ordinary Resolution 5. The authority conferred by Ordinary Resolution 5 will, unless varied or revoked by the Company in general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

3. The Ordinary Resolution 6 proposed in item 6 above relates to the renewal of the Share Purchase Mandate. Please refer to the Appendix to the Notice of Annual General Meeting dated 10 April 2018 for further details.

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Proxy Form for Annual General Meeting

AF Global Limited

Company Registration Number 197301118N
(Incorporated in the Republic of Singapore)

IMPORTANT:

1. A member of the Company who is a Relevant Intermediary and entitled to attend and vote at the Annual General Meeting of the Company is entitled to appoint more than two (2) proxies to attend and vote, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's Proxy Form appoints more than one (1) proxy, the appointments shall be invalid unless he specifies the number and class of shares in relation to which each proxy has been appointed shall be specified in the Proxy Form.
2. "Relevant Intermediary" shall have the same meaning ascribed to it in Section 181 of the Companies Act, Cap. 50 of Singapore.
3. For CPF/SRS investors who have used their CPF monies to buy AF Global Limited's shares, 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 investors should contact their CPF Approved Nominees if they have any queries regarding their appointment as proxies.
4. By submitting an instrument appointing a proxy(ies) and/or representative(s), a member accepts and agrees to the personal data privacy terms set out in this Proxy Form.

I/We ______________________________ NRIC/Passport/ Company Registration Number ______________________

of ____

being a member/members of **AF GLOBAL LIMITED** (the "**Company**") hereby appoint:

Name:	**NRIC/Passport Number**	**Proportion of Shareholdings**	
		Number of Shares	**%**
Address:			

and/or (delete as appropriate)

Name:	**NRIC/Passport Number**	**Proportion of Shareholdings**	
		Number of Shares	**%**
Address:			

or failing the person or both of the persons referred to above, the Chairman of the Annual General Meeting ("**AGM**") of the Company, as my/our proxy/proxies to attend and vote for me/us on my/our behalf at the AGM of the Company to be held at 55 Ubi Avenue 1, #06-05 Ubi 55 Building, Singapore 408935 on Friday, 27 April 2018 at 10.00 a.m. and at any adjournment thereof.

I/We direct my/our proxy/proxies to vote for or against the Ordinary Resolutions to be proposed at the AGM of the Company as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the AGM of the Company, the proxy/proxies may vote or abstain from voting at his/her discretion. The Ordinary Resolutions will be put to vote at the AGM of the Company by way of poll.

Ordinary Resolutions		**Number of Votes For***	**Number of Votes Against***
1.	To adopt the audited financial statements for the financial year ended 31 December 2017, the Directors' statement and the external auditor's report thereon		
2.	To approve the payment of Directors' fees of S$217,000 for the financial year ended 31 December 2017		
3(a).	To re-elect Chay Yue Kai who retires by rotation pursuant to Article 99 of the Constitution of the Company as a Director of the Company		
3(b).	To re-elect Woo Peng Kong who retires by rotation pursuant to Article 99 of the Constitution of the Company as a Director of the Company		
4.	To re-appoint Ernst & Young LLP as the external auditor of the Company and to authorise the Directors of the Company to fix their remuneration		
5.	To approve the authority to allot and issue Shares and/or Instruments		
6.	To approve the renewal of the Share Purchase Mandate		

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

Dated this __________ day of _________________ 2018

Total number of Shares in:	**No. of Shares**
(a) CDP Register	
(b) Register of Members	

____
Signature(s) of Member(s)
or Common Seal of Corporate Shareholder(s)

IMPORTANT: PLEASE READ NOTES OVERLEAF

IMPORTANT: PLEASE READ THE NOTES BELOW BEFORE COMPLETING THIS PROXY FORM

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 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, this Proxy Form shall be deemed to relate to all the shares held by you.

2. (a) A member of the Company who is not a Relevant Intermediary and entitled to attend and vote at the AGM of the Company is entitled to appoint not more than two (2) proxies to attend and vote on his behalf. Where such member's Proxy Form appoints more than one (1) proxy, the appointments shall be invalid unless the number and class of shares in relation to which each proxy has been appointed is specified in the Proxy Form.

   (b) A member of the Company who is a Relevant Intermediary and entitled to attend and vote at the AGM of the Company is entitled to appoint more than two (2) proxies to attend and vote, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's Proxy Form appoints more than one (1) proxy, the appointments shall be invalid unless the number and class of shares in relation to which each proxy has been appointed is specified in the Proxy Form.

   (c) "Relevant Intermediary" shall have the same meaning ascribed to it in Section 181 of the Companies Act, Cap. 50 of Singapore.

3. CPF/SRS investors whose names have been given by their CPF Approved Nominees to the Company or the Company's share registrar, as the case may be, pursuant to a blanket proxy form may attend and vote in person at the AGM of the Company. In the event that such CPF/SRS investors are unable to attend the AGM of the Company but would like to vote, they should inform their CPF Approved Nominees to appoint the Chairman of the AGM of the Company to act as their proxy, in which case they shall be precluded from attending the AGM of the Company.

4. A proxy need not be a member of the Company.

5. The Proxy Form must be deposited at the registered office of the Company at **55 Ubi Avenue 1, #07-11 Ubi 55 Building, Singapore 408935** not less than **48 hours** before the time fixed for holding the AGM of the Company.

6. Completion and return of this Proxy Form appointing a proxy or proxies shall not preclude a member of the Company from attending and voting at the AGM of the Company. Any appointment of a proxy or proxies shall be deemed to be revoked if a member of the Company attends the AGM of the Company in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the relevant Proxy Form, to the AGM of the Company.

7. Where the Proxy Form is executed by an individual, it must be executed under the hand of the individual or his attorney duly authorised. Where the Proxy Form is executed by a corporation, it must be executed either under its common seal or under the hand of any officer or attorney duly authorised.

8. Where this Proxy Form is executed under the hand of an attorney duly authorised, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with this Proxy Form, failing which this Proxy Form may be treated as invalid.

9. The Company shall be entitled to reject a Proxy Form which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the Proxy Form. In addition, in the case of shares entered in the Depository Register, the Company may reject a Proxy Form if the member of the Company, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time fixed for holding the AGM of the Company, as certified by the Central Depository (Pte) Limited to the Company. A Depositor shall not be regarded as a member of the Company entitled to attend the AGM of the Company and to speak and vote thereat unless his name appears on the Depository Register 72 hours before the time fixed for holding the AGM of the Company.

Personal data privacy:

By attending the AGM of the Company and/or any adjournment thereof and/or submitting this Proxy Form appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM of the Company and/or any adjournment thereof, a member of the Company (a) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing and administration by the Company (or its agents or service providers) of proxies and representatives appointed for the AGM of the Company (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM of the Company (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), and (b) 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 or service providers), 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 or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (c) 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.

AF GLOBAL LIMITED
(Registration no. 197301118N)
55 Ubi Avenue 1 #06-11 | Ubi 55 Building | Singapore 408935
Email: info@afgl.com.sg | www.afgl.com.sg