AF GLOBAL

ANNUAL REPORT 2019

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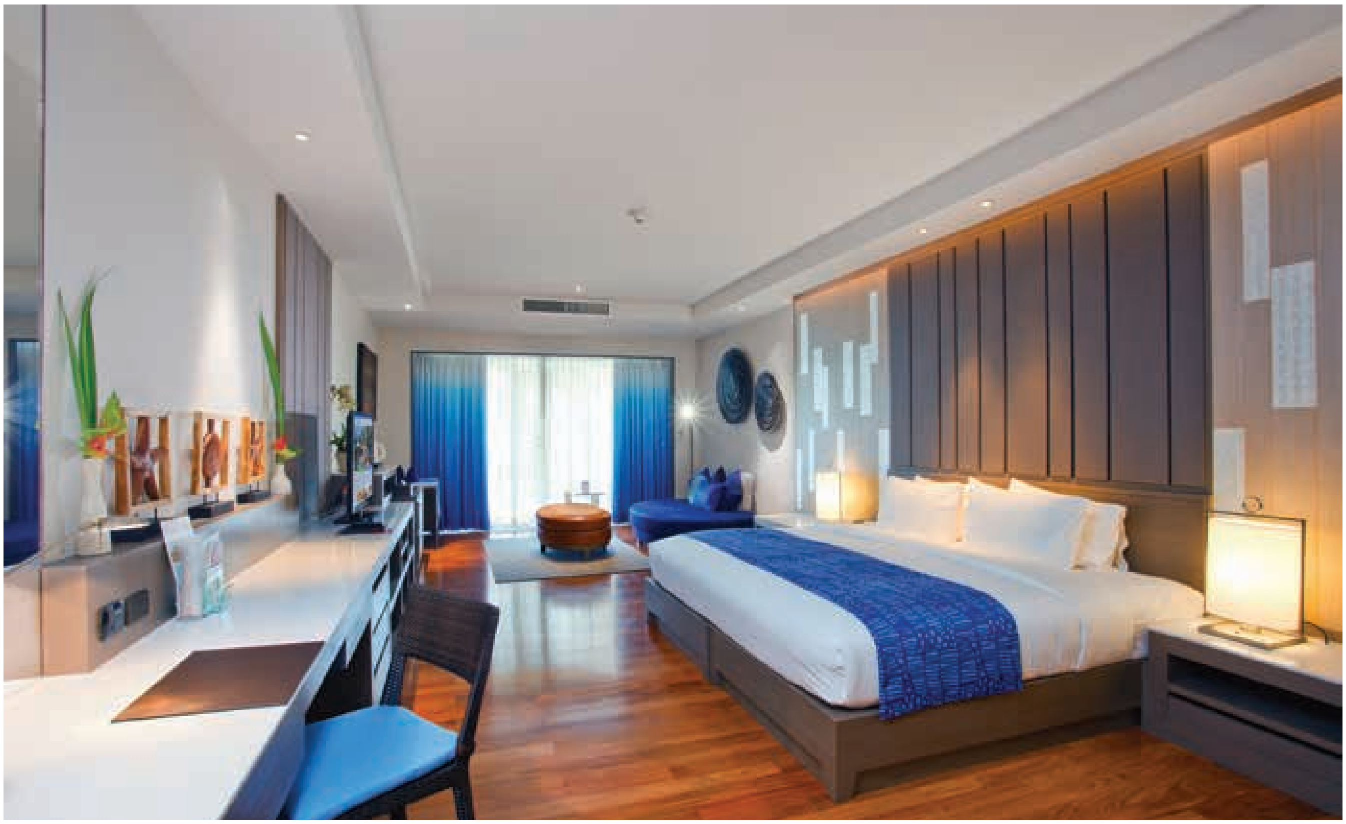
CORPORATE



FINANCIAL

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 2019 ("**FY2019**").

FY2019 was a challenging year for the global economy. Deepening trade frictions and geopolitical tensions weighed on global growth, which at 2.3% was the slowest in a decade. With a synchronised slowdown taking hold across the globe, many central banks eased interest rates to buttress their economies.

The Singapore economy expanded by 0.7%, slower than the 3.4% growth recorded in FY2018. Taking into account the global and domestic economic situation amidst the coronavirus disease ("**COVID-19**") pandemic, Singapore's Ministry of Trade and Industry had forecasted GDP growth for the financial year ending 31 December 2020 ("**FY2020**") to be between "-0.5%" to "1.5%"[(1)], with GDP growth expected to come in around 0.5%, the mid-point of the forecast range.

DIVIDEND

In appreciation of our shareholders' continued support, our Company had declared and paid a Special Dividend of 5.5 Singapore cents per ordinary share on 28 May 2019 and declared another Special Dividend of 1.0 Singapore cent per ordinary share on 5 November 2019 for FY2019. A total dividend of 6.5 Singapore cents per ordinary share was declared for FY2019.

HOTEL

In FY2019, the results of Holiday Inn Resort Phuket ("**HIRP**") was affected by the refurbishment programme undertaken for the Busakorn Wing of HIRP which comprises 104 studios and 36 villas. The refurbishment was completed in November 2019.

The Group had also completed the disposal of Crowne Plaza London Kensington hotel on 11 April 2019. This allowed the Group to realise an estimated gain on disposal of S$20.4 million.

With the COVID-19 pandemic and the expected demand shock, HIRP had put in place comprehensive strategies in incremental phases. The focus would be on cost-savings, with each phase containing increased measures for different lowered-occupancy scenarios. These measures include shutting down entire floors of the Hotel to reduce utilities, trimming payroll costs, halting capital expenditure and related costs, including but not limited to negotiating for reduced rates with supplies.

SERVICED RESIDENCE

Both our Group's serviced residences remained profitable. Cityview Apartments and Commercial Centre in Ho Chi Minh City, Vietnam and Somerset Vientiane in Vientiane, Laos, had consistently good occupancies in FY2019.

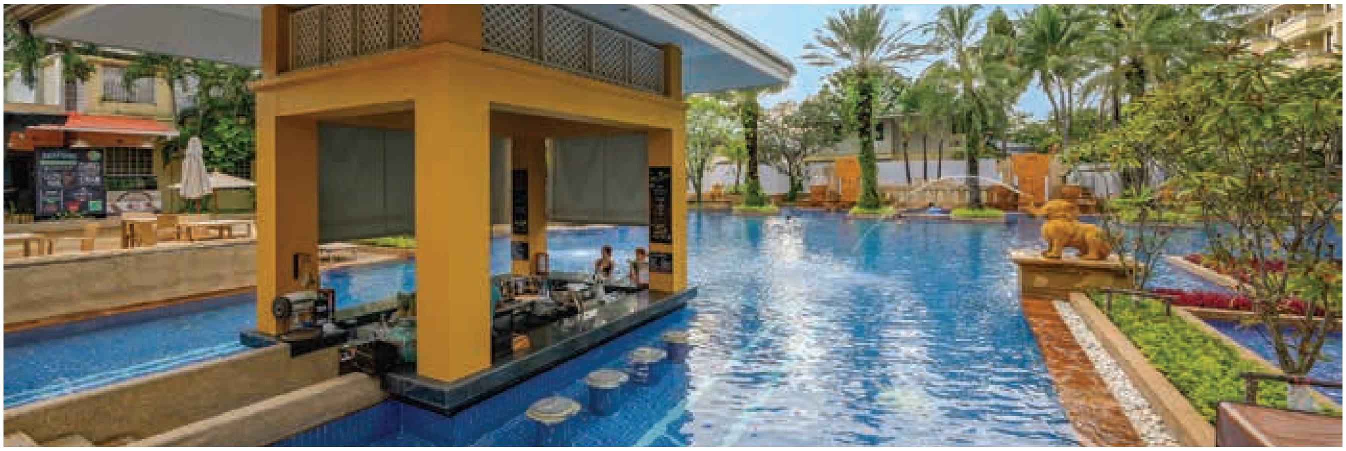
We are monitoring the impact of COVID-19 on the serviced residences and are putting in place cost saving measures in phases as the situation in each geographical location develops.

PROPERTY DEVELOPMENT

GULOU SQUARE

The Company had previously announced that the Group is engaged in court proceedings in the People's Republic of China involving a dispute with the Group's local Chinese joint venture partner. These court proceedings are still ongoing. We are presently in advanced negotiations with the local joint venture partner regarding a possible disposal of our entire shareholdings in the joint venture company to them. We will update the shareholders through further announcements as and when there are any further material developments.

CHAIRMAN'S STATEMENT



REAL ESTATE CONSULTANCY

The knock-on effects from COVID-19 is expected to affect property transaction volumes as buyers put their plans on hold. Many businesses previously considering expanding and relocating their offices are now re-evaluating their real estate, business continuity plans and workplace strategies. Such uncertainties would impact the business of Knight Frank Singapore.

CORPORATE INFORMATION

On the corporate front, AF Corporation Pte Ltd ("**AFC**") (a joint venture of Aspial Corporation Limited ("**Aspial**") and Fragrance Group Limited ("**Fragrance**")), which was previously the Company's immediate and ultimate holding company, had on 20 December 2019 completed a distribution in specie (the "**AFC Distribution**") to distribute substantially all of the 881,383,569 ordinary shares (the "**AF Global Shares**") in the capital of the Company held by AFC to Aspial and Fragrance in proportion to their shareholdings in AFC.

Subsequent to the distribution of AFC Distribution, Fragrance had on 2 March 2020 obtained approval from its shareholders to distribution in specie (the "**Fragrance Distribution**") to distribute substantially all of the 440,691,784 AF Global Shares that it had receive from the AFC Distribution to the shareholders of Fragrance. On 17 March 2020, Fragrance ceased to be a substantial shareholder of the Company as a result of the Fragrance Distribution.

LOOKING AHEAD

Going forward we expect the outlook to be challenging, given continued macroeconomic and geopolitical headwinds. At the time of writing, the unfolding of the COVID-19 pandemic situation is also creating a significant degree of uncertainty. In light of the constantly evolving COVID-19 pandemic, which has spread to more than 200 countries, impacting global travel plans, we remain vigilant over potential issues that may arise and will work to ensure the wellbeing of our guests and employees are taken care of, as well as put in place measures to minimise impact of the COVID-19 pandemic to our business and operations. Over the longer-term, we remain positive on the Thailand market and believe that we will be able to overcome this temporary challenge.

We must stay focused on our strategies of managing our resources effectively, increasing our asset utilisations, exploring new markets and identifying yield accretive asset acquisitions.

NOTE OF APPRECIATION

Our success in FY2019 would not have been possible without the support and contributions of many. I would like to express my sincere gratitude to my fellow members of the Board for their insights, diverse perspectives and active participation in Board discussions.

On behalf of the Board, I would also like to thank our management team and staff for their continued commitment and dedication to our Group. We look forward to your continued strong contributions in the upcoming year. Lastly, my heartfelt appreciation goes to our shareholders for their unwavering faith and support in us. We aim to continue to exceed your expectations and further the growth of our Group.

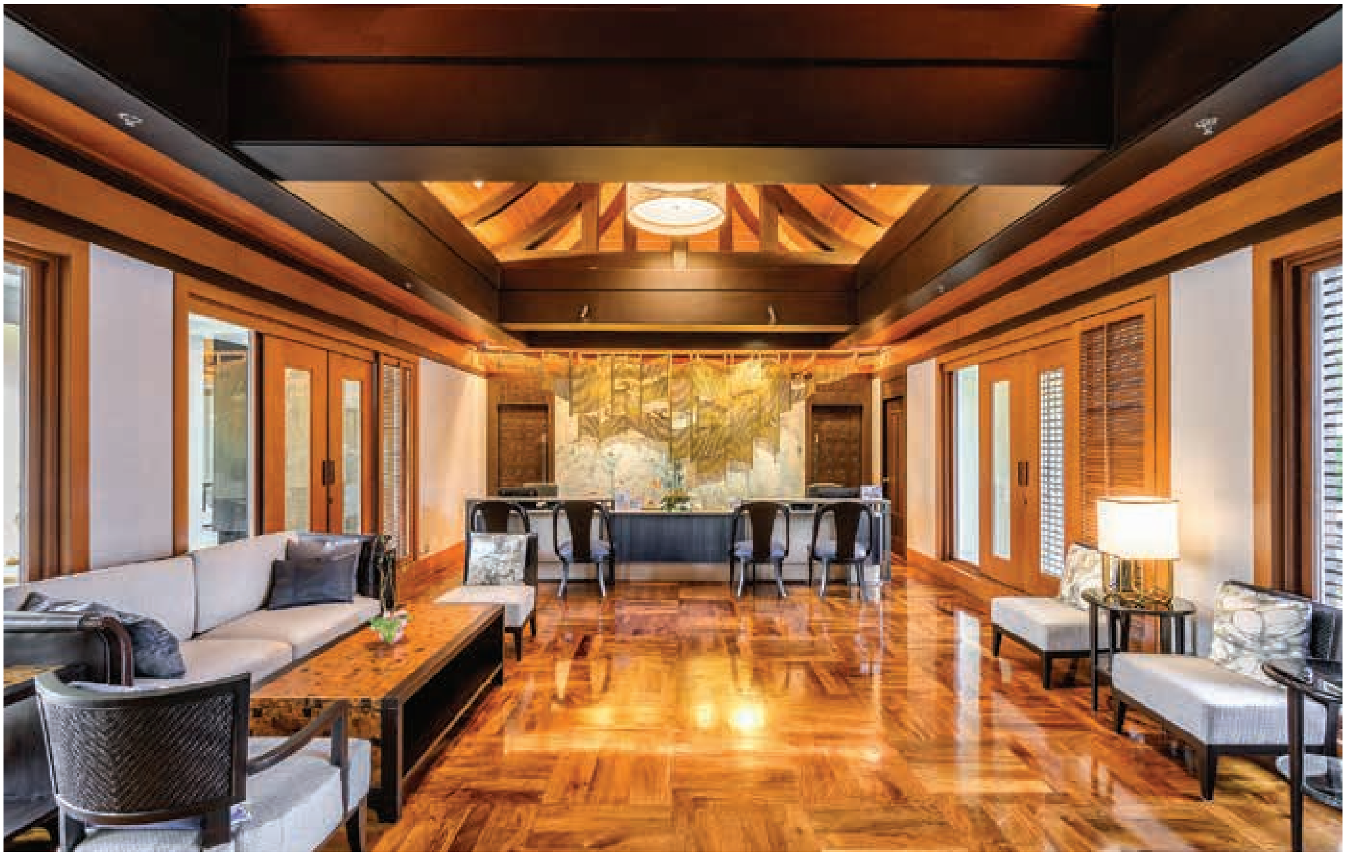
KOH WEE SENG
Non-Executive Chairman

25 March 2020

(1) The Ministry of Trade and Industry had on 26 March 2020 further downgraded the forecast range to "-4.0% to -1.0%". The wider forecasted range is to account for heightened uncertainties in the global economy, given the unprecedented nature of the COVID-19 outbreak, including the public health measures taken in many countries to contain the outbreak.

HOTEL

HOLIDAY INN RESORT PHUKET

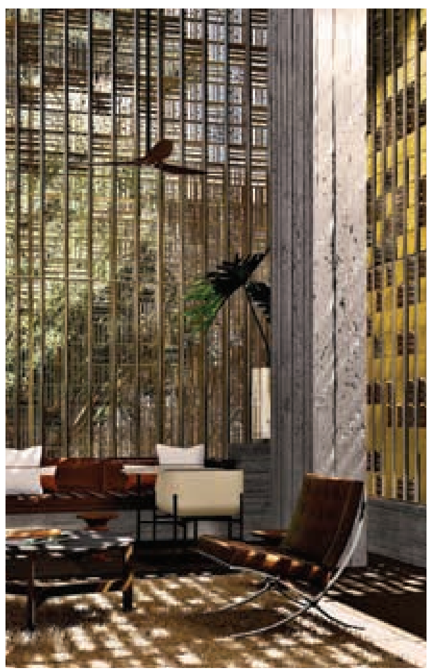


Centrally located in the heart of Phuket's bustling Patong Beach, Holiday Inn Resort Phuket is within walking distance to a multitude of restaurants, bars and retail outlets. The property has a total of 398 guestrooms distributed between two distinct wings: a contemporary style family-friendly Main Wing, as well as a Thai-inspired Busakorn Wing. The newly renovated Busakorn Wing offers a fabulous resort within a resort experience. The beautifully appointed Studio Rooms and Villas meld heritage-inspired décor but with Modern Thai elegance. The resort is well-known for its excellent breakfast buffet and offering cuisine of great value in the resort's four restaurants. 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 5 consecutive years from 2015 to 2019.

HOTEL

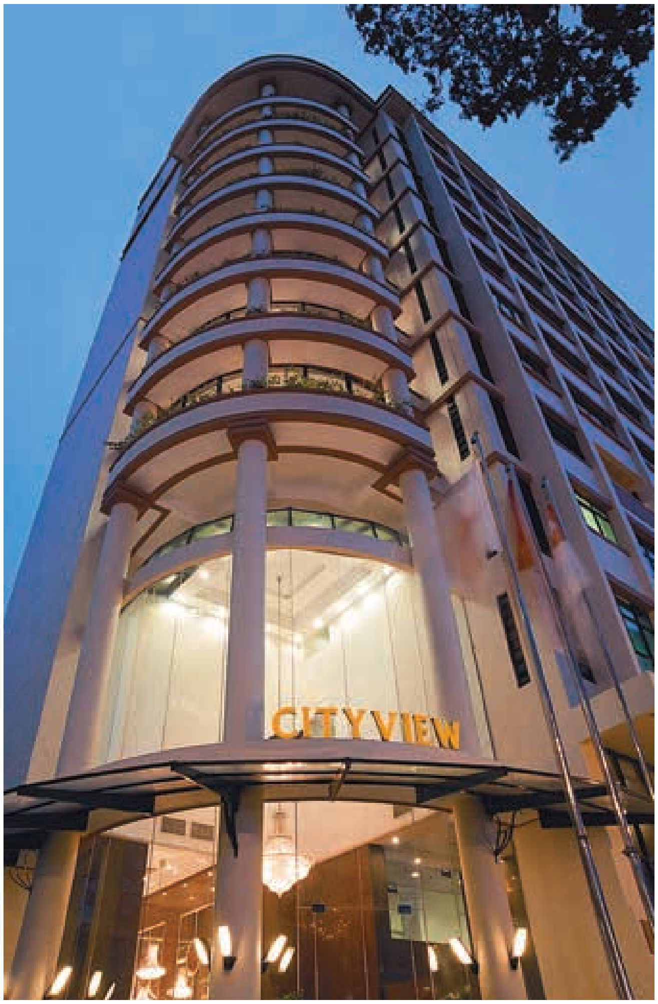
PHUKET RAWAI BEACH RESORT (Under Development)

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 Promthep Cape, a famous landmark that offers the most spectacular sunset view on the island. It will be perfect for travellers looking for a relaxing and luxurious getaway on Phuket Island.



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 twelve 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.

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 hubs, 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.

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 retail mall had obtained TOP and the Company is currently focusing on the sales of the office units and leasing of retail mall.

REAL ESTATE CONSULTANCY

KNIGHT FRANK SINGAPORE

Amidst winds of change, Knight Frank continues to hold its position as the leading real estate advisory in Singapore. The group valued properties with a combined asset value of approximately $90 billion in 2019, across key clientele such as CapitaLand, CDL, Far East Organisation and Mapletree.

The Auction service line continues to dominate the industry with its 26% market share, the largest among six auction houses.

Moving abroad, Knight Frank's International Project Marketing team ranks first amongst three joint marketing agencies, in the sale of Citadines Berawa Beach Bali. In the local luxury residential segment, Knight Frank brokered nearly $347 million in capital value across 21 prime properties, each transacting above $5 million.

Gaining strong ground despite being in its infancy is the Fit-Out Project Management team, which led the relocation of over 55,000 sq ft of workspace for Australian energy and chemicals consultancy, WorleyParsons, to many accolades. The team also provided workplace consultancy services for both of Nestle's Singapore and Malaysia offices, covering over 237,000 sq ft of space.

The group further undertook special projects via its Consultancy arm, securing the commemorative Founders' Memorial project with Gardens by the Bay and the National Heritage Board, in addition to ongoing advisory for the Sentosa-Brani Master Plan at the Greater Southern Waterfront.

Established during the pre-war era in 1940, Knight Frank Singapore is to date, the first and only international real estate consultancy in Singapore that had its humble origins as a local SME. The company is the oldest auction house locally and a pioneer of professional real estate consultancy, valuation and land advisory services in Singapore. The group has since expanded to provide a full suite of real estate services to include project marketing expertise in local and international developments, property management, investment sales, research capabilities, retail marketing, and the sales and lease of residential and commercial properties.

The local business is served by 1,200 professionals and technical staff, and is part of Knight Frank's global network of 19,000 professionals, in the largest privately-owned real estate practice in the world.

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

CORPORATE SUSTAINABILITY

COMMITMENT TO OUR SHAREHOLDERS

At AF Global Limited ("**AFGL**"), we believe it is our responsibility to manage the Group on a sustainable long-term basis. We are committed to provide transparent, timely and accurate information through regular updates of the Group's performance and plans.

All corporate announcements and press releases are published timely on the Singapore Exchange's SGXNet and our Annual Report can be easily downloaded from our corporate website.

COMMITMENT TO THE ENVIRONMENT

Environmental sustainability remains a core guiding principle in our conduct of our everyday business in our business units and hotels. Continuing efforts at our hotels where fittings and parts which help reduce our carbon footprint are placed and maintained. Where applicable, environmentally friendly supplies are also used in our daily cleaning works.

In the newly renovated Busakorn Wing at the Holiday Inn Resort Phuket, bulk-sized bathroom amenities have replaced the high-wastage miniature bottles, and more efficient air-conditioning systems have also been installed. We have stopped providing plastic straws in all restaurants and are available only upon request. All water provided in rooms for guests at the Resort are now contained in reusable glass bottles instead of single-use plastic ones in a bid to greatly reduce plastic waste.

The Group believes that when these efforts are undertaken in its entirety, it underscores 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 annual Corporate Social Responsibility event on Thailand's National Children's Day. This year the Resort had selected 6 local schools, namely, Baan Ket Ho School, Baan Karon School, Baan Pa Krong Cheep School, Baan Pa Yang School, Baan Koh Klang School, Baan Koh Nok School, to donate sports equipment, toys, shoes, books, and snacks.

Led by the General Manager, the Resort also participated in True Hospitality for Good 2019 for the 2nd year, which was organised by the InterContinental Hotels Group (IHG) Southern Thailand Cluster. Our staff was engaged in activities with

CORPORATE SUSTAINABILITY

the children from Ban Kalim School, handing out snacks, participating in beach cleaning and garage sale, and improving the landscape of the schoolhouse in Ban Prujampa School as well.

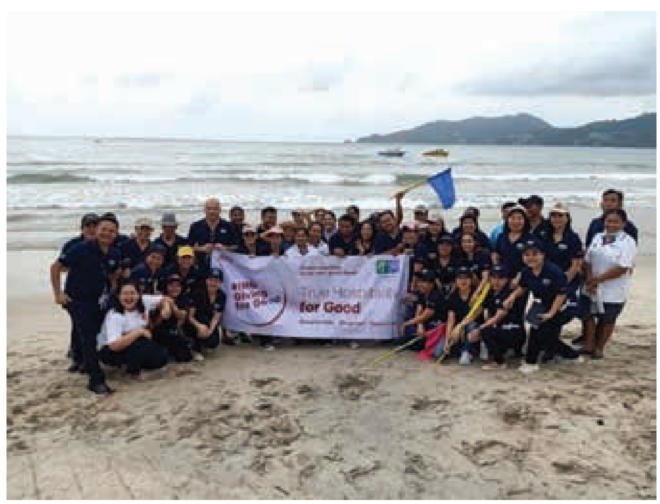
In Laos, Somerset Vientiane had raised 1,583,500 LAK from the collection from guests for the Ministry of Health Center of Medical Rehabilitation. The property had also donated 1,000,000 LAK to the Ministry of Sports and Education for the Children's Day celebration.

Back home in Singapore, as part of its efforts to give back to the community, Knight Frank connected with the Migrant Workers' Centre and held an appreciation dinner in October for over 100 migrant workers. A significant but oft-neglected part of the workforce, the effort was to honour the migrant workers who have been the literal hands that continue to contribute to the building of our nation.

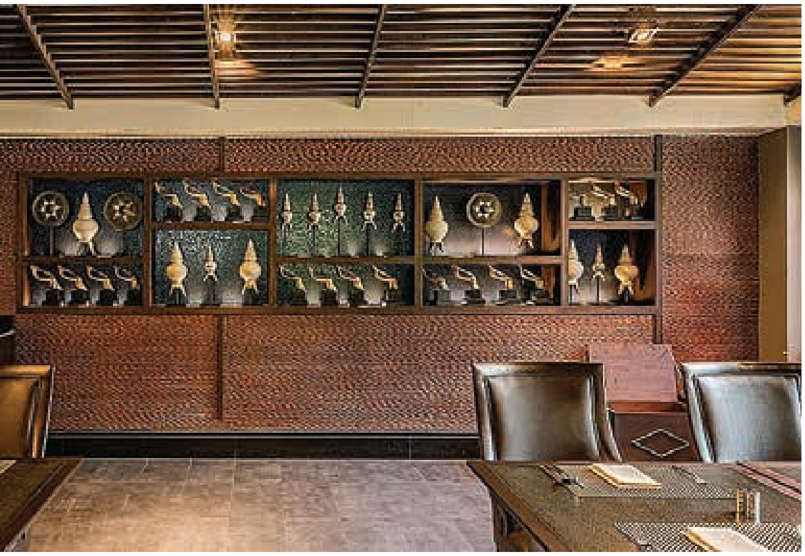
SUSTAINABILITY REPORT

The 2019 Sustainability Report will be available in due course on our corporate website at www.afgl.com.sg.

An announcement will be promptly released when the Sustainability Report is posted and available on the Singapore Exchange's website.



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)*
Ong Tuen Suan *(Independent Director)*

AUDIT COMMITTEE
Woo Peng Kong *(Chairman)*
Periakaruppan Aravindan
Yeo Wee Kiong
Ong Tuen Suan

NOMINATING COMMITTEE
Ong Tuen Suan *(Chairman)*
Koh Wee Seng
Woo Peng Kong

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

COMPANY SECRETARY
Lim Swee Ann

COMPANY REGISTRATION NO.
197301118N

REGISTERED ADDRESS
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Singapore 408864
Tel: 6266 2222
Fax: 6263 2340

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

AUDITOR
Ernst & Young LLP
Public Accountants and Chartered Accountants Singapore
Engagement Partner: Max Loh Khum Whai
(effective from financial year ended 31 December 2018)

NETWORK OF OPERATIONS

SINGAPORE

Aspial One
55 Ubi Avenue 3 #04-01
Singapore 408864
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

PEOPLE'S REPUBLIC OF CHINA

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People's Republic of China
Tel/Fax : (86 516) 8390 5285

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

Room 602-16, No.32 Tieling Road
Yangpu District, Shanghai 200092
People's Republic of China
Tel/Fax : (86 516) 6216 7916

- AF (Shanghai) Business Consulting Co., Ltd

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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

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Fax : (44 207) 831 2833

- AF Global (London) Ltd

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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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Sikottabong District
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Vientiane
Lao P.D.R.
Tel : (856 21) 250 888
Fax : (856 21) 250 777

- Gateway Enterprise Company Limited
- Somerset Vientiane

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Off Jalan Kuchai Lane
58200 Kuala Lumpur
Malaysia
Tel : (60 3) 7981 4662
Fax : (60 3) 7980 8176

- LCD Management Sdn Bhd

GROUP FINANCIAL HIGHLIGHTS

	12 months 31 December		
	2019 $'000	2018 $'000	% +/-
FOR THE YEAR :			
Revenue from continuing operations	28,266	33,890	-16.6
Profit before taxation from continuing operations	816	3,835	-78.7
Profit after taxation and non-controlling interests			
– continuing operations	(1,701)	(1,064)	+59.9
– discontinued operation	20,651	1,990	+937.7
	18,950	926	+1,946.4

	31 December		
	2019 $'000	2018 $'000	% +/-
AT END OF THE YEAR :			
Shareholders' equity	241,857	294,525	-17.9
Total equity	310,159	359,568	-13.7
Total assets	369,270	490,402	-24.7
PER SHARE :			
Earnings before taxation from continuing operations (Note 1)	0.08¢	0.36¢	-77.8
Earnings after taxation and non-controlling interests (Note 1)	1.80¢	0.09¢	+1,900.0
Net asset value (Note 2)	$0.23	$0.28	-17.9
DIVIDENDS PAID AND PROPOSED :			
Final Dividend (Note 3)	–	0.50¢	
Special Dividends (Note 3)	6.50¢	0.75¢	

Notes :
1. Earnings per share is computed based on the weighted average number of ordinary shares in issue during the year.
2. Net asset value per share is computed by dividing the shareholders' equity by the number of ordinary shares in issue at the end of the year.
3. Please refer to Note 33 of the Notes to the Financial Statements for the treatment of dividends in the accounts.

FIVE-YEAR FINANCIAL SUMMARY

	12 months 31 December		12 months 31 December	12 months 31 December	12 months 31 December	18 months 31 December
	2019 $'000	2018 $'000	2017 (Restated) $'000	2016^ $'000	2015*^ $'000	2015^ $'000
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME						
Continuing operations						
Revenue	28,266	33,890	35,994	35,015	34,238	50,212
Profit before taxation from continuing operations	816	3,835	11,157	7,405	395	7,256
Taxation	(1,186)	(2,065)	(2,026)	(1,747)	(1,638)	(2,277)
(Loss)/profit from continuing operations, net of tax	(370)	1,770	9,131	5,658	(1,243)	4,979
Non-controlling interests	(1,331)	(2,834)	(2,903)	(2,610)	(2,280)	(3,353)
(Loss)/profit from continuing operations, net of tax attributable to shareholders	(1,701)	(1,064)	6,228	3,048	(3,523)	1,626
Discontinued operation						
Profit from discontinued operation, net of tax	20,651	1,990	1,726	1,776	1,518	3,024
Profit/(loss) attributable to shareholders	18,950	926	7,954	4,824	(2,005)	4,650

	31 December		31 December	31 December	31 December	31 December
	2019 $'000	2018 $'000	2017 (Restated) $'000	2016^ $'000	2015*^ $'000	2015^ $'000
CONSOLIDATED BALANCE SHEET						
Property, plant and equipment	247,301	226,402	362,187	312,925	333,367	333,367
Right-of-use assets	1,002	–	–	–	–	–
Joint venture companies	32,494	84,295	86,000	86,005	85,056	85,056
Investment securities	4,054	3,991	4,825	5,061	5,061	5,061
Other non-current assets	453	1,936	1,961	1,912	1,752	1,752
Net current assets	59,093	69,667	6,613	8,442	7,099	7,099
Non-current liabilities	(34,238)	(26,723)	(103,239)	(98,305)	(92,457)	(92,457)
Net assets	310,159	359,568	358,347	316,040	339,878	339,878
Share capital	209,518	209,518	209,518	209,518	209,518	209,518
Reserves	32,339	510	86,087	51,383	77,986	77,986
Reserves of assets classified as held for sale	–	84,497	–	–	–	–
Shareholders' equity	241,857	294,525	295,605	260,901	287,504	287,504
Non-controlling interests	68,302	65,043	62,742	55,139	52,374	52,374
Total equity	310,159	359,568	358,347	316,040	339,878	339,878
RATIOS						
(Loss)/profit from continuing operations, net of tax attributable to shareholders as a percentage of :						
Revenue from continuing operations	(6.0)%	(3.1)%	17.3%	8.7%	(10.3)%	3.2%
Profit/(loss) attributable to shareholders as a percentage of :						
Average total equity	5.7%	0.3%	2.4%	1.5%	(0.6)%	1.4%
Per share :						
Earnings before taxation from continuing operations (Note 1)	0.08¢	0.36¢	1.06¢	0.70¢	0.04¢	0.69¢
Earnings/(loss) after taxation and non-controlling interests (Note 1)	1.80¢	0.09¢	0.75¢	0.46¢	(0.19)¢	0.44¢
Net asset value (Note 2)	$0.23	$0.28	$0.28	$0.25	$0.27	$0.27
Dividends paid and proposed :						
Final Dividend (Note 3)	–	0.50¢	–	–	1.00¢	1.00¢
Interim Dividends (Note 3)	–	–	1.00¢	1.25¢	2.50¢	2.50¢
Special Dividends (Note 3)	6.50¢	0.75¢	–	–	–	–

* Unaudited and presented for comparison purposes.

^ Certain comparative figures have been reclassified to be in line with current financial year presentation.

Notes :

1. Earnings/(loss) per share is computed based on the weighted average number of ordinary shares in issue 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 at the end of the year/period.
3. Please refer to Note 33 of the Notes to the Financial Statements for the treatment of dividends in the accounts.

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 includes property development, investment and management of hotel properties. Mr Aravindan has over 19 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 (Private) Limited 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 firm 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.

Mr Ong Tuen Suan joined Neptune Orient Lines Limited ("NOL"), a company which was previously listed on the SGX-ST in 1991 as an Accountant and progressively took on various finance and commercial leadership postitions within NOL over a 23-year career with NOL, he was based in Singapore, the United Arab Emirates and the United States of America, covering finance, compliance and control, finance planning and analysis, as well as commercial and operational activities. His last appointment in NOL was as the regional Financial Officer for the Americas and was responsible for, among others, the financial reporting compliance and control, investment and divestment management and special projects support activities for the operations in the Americas. Mr Ong left NOL in 2015 and is currently managing a consultancy practice covering management advisory services primarily for small and medium-sized enterprises in Singapore.

Mr Ong holds Bachelor of Economics from Monash University and is a Fellow of CPA Australia.

CORPORATE GOVERNANCE REPORT

INTRODUCTION

The board of directors (the "**Board**" or the "**Directors**") of AF Global Limited (the "**Company**") recognises 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 2018 (the "**Code**") to protect and enhance the interests and value of its shareholders.

On 6 August 2018, the Monetary Authority of Singapore (MAS) issued the revised Code and accompanying Practice Guidance. The Code will apply to annual reports covering financial years commencing from 1 January 2019. The Company has reviewed the corporate practices it has in place to comply with the Code. 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 2019 ("**FY2019**"). The Company confirms that it has adhered to the principles of the Code and unless otherwise stated, the provisions of each principle in all material respects, where relevant and practical. Appropriate explanations have been included for identified variations from the provisions of the Code and how the existing practices adopted are consistent with the intent, aim and philosophy of the relevant principles of the Code.

I. BOARD MATTERS

THE BOARD'S CONDUCT OF AFFAIRS

Principle 1: The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.

The Board directs and leads the business affairs of the Company and its subsidiaries (collectively, the "**Group**") and is responsible for setting the 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 which are clearly communicated to the Management in writing, 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. All Directors act objectively in the best interests of the Company. Directors who face conflicts of interest have recused themselves from discussions and decisions involving the relevant issues of conflict. 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 put in place a code of conduct and ethics, setting an appropriate tone-from-the-top and the desired organisation culture, to ensure proper accountability within the Group.

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 (which sets out, among others, the composition, authories and duties of each Board Committee) and operating procedures. The effectiveness of the Board is also reviewed by the Board on an annual basis.

CORPORATE GOVERNANCE REPORT

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. Each Director attends and actively participates in Board and Board Committee meetings. 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 by means of telephone conferencing, video conferencing, audio visual or other similar communications equipment so as to enhance efficiency and allow for timely meetings. All Directors (particularly Directors who have multiple board representations) have confirmed that they are able to devote sufficient time and attention to the affairs of the Company.

The details of the number of the Board, the Board Committees and general meetings held in FY2019 and the attendance of each Director at those meetings are set out below:

	Board		Audit Committee		Nominating Committee		Remuneration Committee		General Meetings	
Name of Directors	**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**	**Number of Meetings held**	**Number of Meetings attended**
Koh Wee Seng	4	4	4	4*	1	1	1	1*	1	1
Chay Yue Kai	4	4	4	4*	1	1*	1	1*	1	1
Periakaruppan Aravindan	4	3	4	3	1	1*	1	1	1	1
Woo Peng Kong	4	4	4	4	1	1	1	1	1	1
Yeo Wee Kiong	4	3	4	3	1	1*	1	1	1	–
Ong Tuen Suan	4	4	4	4	1	1	1	1*	1	1

* By invitation.

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 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. All Directors are familiar with the Group's businesses as well as their duties as a Director of the Company (including their roles as Executive Directors, Non-Independent, Non-Executive Directors and Independent Non-Executive Directors, as the case may be).

To enable the Directors to make a balanced and informed assessment of the Group's performance, position and prospects, and fulfil their duties properly, Management provides management accounts, 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. Board papers and related materials, background or explanatory notes are provided 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. 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. The aforementioned information provided by the Management is complete, adequate and timely in order to enable the Directors to make informed decisions and discharge their duties and responsibilities.

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, facilitates orientation and assists with professional development, if required.

CORPORATE GOVERNANCE REPORT

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.

BOARD COMPOSITION AND GUIDANCE

Principle 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.

As at the date of this report, the Board comprises the following six (6) Directors, two (2) of whom are Non-Independent Non-Executive Directors and three (3) 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
Ong Tuen Suan	Independent Non-Executive Director

The Independent Non-Executive Directors make up half of the Board and provide a strong and independent element to the Board. Although the current composition of the Board does not meet the standard set out in the provision of the Code, the Board is of the view that it is able to exercise judgment on the Group's affairs as decisions are made collectively after due discussions and delliberation by the Board. In addition, Non-Executive Directors which form a majority of the Board provides appropriate checks on Management.

The Independent Non-Executive Directors have confirmed that (a) they are independent in conduct, character and judgment, and they do not have a relationship with the Company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of their independent business judgment in the best interests of the Company; (b) they are not being employed by the Company or any of its related corporations for the current or any of the past three financial years; and (c) they do not have an immediate family member (being a spouse, child, adopted child, step-child, sibling and parent) who is, or has been in any of the past three financial years, employed by the Company or any of its related corporations and whose remuneration is determined by the RC.

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, gender, age and knowledge of the Group's business are considered in the composition of the Board and the Board Committees. Although the Group does not have a formal board diversity policy, the Board ensures that its members provide an appropriate mix of core competencies in business, finance, regulatory, legal and management experience and industry skills and knowledge. The Board is aware that board diversity offers differing opinions and considerations, fosters constructive debates essential in the decision-making process.

CORPORATE GOVERNANCE REPORT

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. In addition, the Lead Independent Director organises meetings among Independent Non-Executive Directors without the presence of Management. Matters discussed at meetings of the Non-Executive Directors (comprising Non-Independent Non-Executive Directors and Independent Non-Executive Directors) and meetings of the Independent Non-Executive Directors are thereafter raised at Board meetings and considered by the Board as a whole.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Principle 3: There is a clear division of responsibilities between the leadership of the Board and Management and no one individual has unfettered powers of decision-making.

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, takes the lead in situations where the Non-Independent and Non-Executive Chairman is conflicted. As Lead Independent Director, he is available to shareholders when they have concerns and for which their previous contact through the normal channels has failed to resolve or is inappropriate.

BOARD MEMBERSHIP

Principle 4: The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

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

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

Ong Tuen Suan	Chairman
Koh Wee Seng	Member
Woo Peng Kong	Member

CORPORATE GOVERNANCE REPORT

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) recommends 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 criteria for evaluating the Board, the Board Committees and individual Directors;

(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 succession plans for Directors, in particular, the appointment and/or replacement of the Chairman, the CEO and key management personnel;

(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;

(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) accessing the effectiveness of the Board as a whole, and Board Committees and the contribution of each individual Director to the effectiveness of the Board;

(o) recommending to the Board the development of a performance framework and deciding how the performance of the Board may be evaluated and proposing objective performance criteria. The Chairman of the NC should act on the results of the performance evaluation, recommend areas that need improvement;

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

(q) review and recommend training and professional development programs for the Board and its Directors;

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

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

CORPORATE GOVERNANCE 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. Koh Wee Seng and Chay Yue Kai will be seeking re-election as Directors pursuant to Regulation 89 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 details of the Directors seeking for re-election are found on pages 35 to 40 of this annual report.

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 Independent Non-Executive Directors have confirmed that (a) they, their immediate family members, or an organisation which they, or their immediate family members are a substantial shareholder, partner (with 5% or more stake), executive officer or director in, have no relationships including business relationships with the Company or any of its related corporations; (b) they do not have any direct association with a substantial shareholder of the Company (direct association means accustomed or under an obligation, whether formal or informal, to act in accordance to the directions, instructions or wishes of the substantial shareholder in the corporate affairs of the Company), in the current and immediate past financial year; and (c) they or their immediate family members, or a company that they and/or their immediate family members are a substantial shareholder in, have not provided to or received from the Company or its subsidiaries any significant payments or material services, other than their service as a Director of the Company and Directors' fees received for their service as a Director of the Company.

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 FY2019. 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. The NC also ensures new Directors are aware of their duties and obligations. Newly appointed Directors are required to submit themselves for re-election at the next AGM of the Company.

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 15 and pages 32 to 34 of this annual report respectively. In addition, information on shareholdings in the Company and its related companies held by Directors are found on pages 41 and 116 of this annual report.

CORPORATE GOVERNANCE REPORT

BOARD PERFORMANCE

Principle 5: The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors

The NC determines the criteria on which the performance of the Board, each Board Committee and each individual Director is to be evaluated and, subject to the approval from the Board, proposes objective performance criteria which allow for comparisons with industry peers and address how the Board has enhanced long-term shareholders' value as well as the process for the evaluation of the effectiveness of the Board as a whole, the effectiveness of each Board Committee, the contribution by the Chairman to the Board, and the contribution of each individual Director to the Board. 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 FY2019.

II. REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

Principle 6: The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is 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) ensuring the remuneration of the Non-Executive Director is appropriate to the level of contribution, taking into account factors such as effort, time spent, and responsibilities;

(d) 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;

(e) ensuring the contractual terms and any termination payments are fair to the individual and the Company;

CORPORATE GOVERNANCE REPORT

(f) 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;

(g) 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;

(h) 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;

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

(j) 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.

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 FY2019.

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 reasonableness 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 7: ***The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.***

The remuneration of the Executive Director and key management personnel consist of a basic component, a variable component and other appropriate benefits in kind set below. A significant and appropriate proportion of the remuneration of the Executive Director and the key management personnel (who are not Directors or the CEO) is a variable component so as to link rewards to the performance of the Group's businesses and the individual's performance and contribution.

(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. Performance is assessed by the achievement of key performance indicators which would include measurable financial targets and meaningful non-financial targets. 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.

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(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.

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. The RC is of the view that the current remuneration packages and/or Directors' fees are appropriate to attract, retain and motivate the Directors to provide good stewardship of the Company and key management personnel (who are not Directors or the CEO) to successfully manage the Company in the long-term.

DISCLOSURE ON REMUNERATION

Principle 8: The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

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 FY2019 is as follows:

	Name of Directors	Salary (including CPF) %	Bonus, Profit Sharing %	Fee %	Other Benefits %
$250,000 to below $500,000	Chay Yue Kai	61	39	–	–
Below $100,000	Koh Wee Seng	–	–	100	–
	Periakaruppan Aravindan	–	–	100	–
	Woo Peng Kong	–	–	100	–
	Yeo Wee Kiong	–	–	100	–
	Ong Tuen Suan	–	–	100	–

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 FY2019 is as follows:

	Number of Key Management Personnel	Salary %	Bonus %	Other Benefits %
$100,000 to below $200,000	3	75	25	–

CORPORATE GOVERNANCE REPORT

For FY2019, the Group only had three key management personnel (who are not Directors or the CEO).

The remuneration of the Group's key management personnel (who are not Directors or the CEO) in aggregate was $538,000 for FY2019. We have disclosed the remuneration in narrower 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 are substantial shareholders of the Company, or are immediate family members of a Director, the CEO or a substantial shareholder of the Company, and whose remuneration exceeds $50,000 during FY2019.

Save for the remuneration and the Directors' fees disclosed above, there were no other forms of remuneration or other payments and benefits paid by the Company and its subsidiaries, including 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 FY2019.

The Company does not have any employee share scheme currently in force.

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.

III. ACCOUNTABILITY AND AUDIT

RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 9: The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls to safeguard the interests of the company and its shareholders.

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 adequacy and effectiveness of the Group's material internal controls, including financial, operational, compliance and 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.

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.

CORPORATE GOVERNANCE REPORT

The CEO and the Group Financial Controller have received assurance from the business and function heads within the Group by way of representation letters 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 for FY2019.

In reliance on the said representation letters, the CEO and the Group Financial Controller have provided an assurance to the Board by way of a representation letter 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.

Concurrently, the CEO and other key management personnel have received assurance from the business and function heads within the Group by way of representation letters regarding the adequacy and effectiveness of the Group's risk management and internal controls systems for FY2019. In reliance on the said representation letters, the CEO and other key management personnel have also provided assurances to the Board by way of representation letters regarding the adequacy and effectiveness of the Group's risk management and internal controls systems for FY2019.

For FY2019, 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.

AUDIT COMMITTEE

Principle 10: The Board has an Audit Committee which discharges its duties objectively.

The AC comprises the following four (4) members, three (3) 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
Ong Tuen Suan	Member

The AC does not comprise former partners of the Company's existing auditing firm, Ernst & Young LLP. No member of the AC was a former partner of Ernst & Young LLP within a period of two years commencing on the date of his ceasing to be a partner of Ernst & Young LLP, if applicable and no member of the AC has any financial interest in Ernst & Young LLP.

The Board is of the view that with their many years of relevant experience, the members of the AC, including the Chairman, have recent, relevant and 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.

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 material 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 and effectiveness of the material internal controls, including financial, operational, compliance and information technology controls, and risk management systems;

CORPORATE GOVERNANCE REPORT

(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;

(l) review the assurance from the CEO and the Group Financial Controller on the financial records and financial statements;

(m) assess the adequacy and effectiveness of the external audit;

(n) reviewing the Group's whistle-blowing policy and arrangements for staff to raise concerns, in confidence, about possible improprieties in financial reporting or other matters to be independently investigated and appropriately followed up on;

(o) review of interested person transactions falling within the scope of the Listing Manual of the SGX-ST; and

(p) review related party transactions of the Group.

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.

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 FY2019 and a breakdown of the fees into audit and non-audit fees are set out on page 71 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.

CORPORATE GOVERNANCE REPORT

KEY AUDIT MATTERS

Ernst & Young LLP, the external auditor, has highlighted two (2) key audit matters in its independent auditor's report for FY2019, found on pages 43 to 47 of this annual report. They were:

(1) Carrying value of land and buildings; and

(2) Accounting for non-current asset held for sale investment in Xuzhou YinJian LumChang Real Estate Development Co., Ltd ("**XZYJLC**").

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 values of land and buildings and the accounting for non-current asset held for sale investment in XZYJLC 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 FY2019.

INTERESTED PERSON TRANSACTIONS

The Company has established a procedure for recording and reporting interested person transactions ("**IPTs**"). Particulars of IPTs entered into during FY2019 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 FY2019 (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	2,378	N/A
Exchange of bond and interest over 3-year term of bond	599	N/A
Corporate service fee payable	360	N/A
Total	3,337	N/A

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 FY2019 or if not subsisting, were entered into during FY2019.

CORPORATE GOVERNANCE REPORT

INTERNAL AUDIT

The Group has an internal audit function and the Head of Internal Audit reports directly to the Chairman of the AC. The AC decides on the appointment, termination and remuneration of the Head of Internal Audit. The personnel who carry out the internal audit function has unfettered access to all documents, records, properties and personnel, including access to members of the AC at all times as well as appropriate standing within the Company. 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. The AC is of the view that the internal audit function is independent, effective and adequately resourced.

IV. SHAREHOLDER RIGHTS AND ENGAGEMENT

SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS

Principle 11: The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

ENGAGEMENT WITH SHAREHOLDERS

Principle 12: The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meeting and other dialogues to allow shareholders 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 have the opportunity to participate effectively in general meetings and 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. Rules governing general meetings are also 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 uses website publications as the form of electronic communication with shareholders for permitted documents which may include annual reports, circulars and letters. Physical copies of forms or acceptance letters and request forms for annual reports/circulars that shareholders may be required to complete, as well as 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 declared a Final tax-exempt (one-tier) Dividend of 0.5 Singapore cent per ordinary share for the financial year ended 31 December 2018 ("**FY2018**") and this was communicated to, and approved by shareholders at the FY2018 annual general meeting held on 25 April 2019. In addition, a Special tax-exempt (one-tier) Dividend of 5.5 Singapore cents per ordinary share was declared and paid in FY2019, whilst the payment date for another Special tax-exempt (one-tier) Dividend of 1.0 Singapore cent per ordinary share that was declared in FY2019, has yet to be announced.

Although the Company does not have a formal dividend policy, it is committed to declaring future dividends. The form, frequency and amount of future dividends will depend on (a) the Company's earnings, including retained earnings; (b) the Group's cash flow; (c) the Group's general business and financial positions; (d) the Group's working capital requirements; (e) the Group's actual and projected financial performance; (f) the Group's expansion plans and projected capital expenditure; and (g) other factors which the Directors may deem appropriate.

Shareholders should note that the foregoing statements are merely statements of the Board's present intention and do not constitute a legally binding commitment by the Company in respect of the declaration and/or payment of dividends in the future. There is no assurance that dividends will be declared and/or paid in the future or as to the timing of any dividends that are to be paid in the future. No inference should or can be made from any of the foregoing statements as to our actual future profitability or ability to pay dividends.

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 substantially 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 and linked so as to form one significant proposal and only where there are reasons and material implications justifying the same.

Although the Group does not have a formal investor relations policy, the Group communicates with shareholders by providing timely updates of all material developments that may impact the Group, and changes in the Group or its business which may materially affect the price or value of the Company's shares.

In addition, each 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 will be published on its corporate website as soon as practicable.

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.

CORPORATE GOVERNANCE REPORT

V. MANAGING STAKEHOLDER RELATIONSHIPS

ENGAGEMENT WITH STAKEHOLDERS

Principle 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.

The Group has in place arrangements to identify and engage with its material stakeholder groups including managing its relationships with such groups. Certain efforts and focus areas of the Group are described on pages 9 to 10 of this annual report with more details provided in the Group's annual sustainability report. To facilitate communication, the Company maintains a corporate website through which, stakeholders are able to access information about the Group and where contact details such as the Company's email address and telephone number can be found.

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 : 4 years 9 months
(as at 31 December 2019)

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

Experience: 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. Also responsible for the strategic planning overall management and business development of Aspial Corporation Limited and its subsidiaries.

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 January 2017 to 31 December 2019)
– 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 : 27 April 2018
Length of service as a Director : 4 years 8 months
(as at 31 December 2019)

Board Committee(s) served on:
– Nil

Experience: Over 30 years of working experience in both local and regional property development and investment businesses. Joined L.C. Development Ltd (the former name of the Company) as Senior Manager and became an Executive Director of the property division in 2005. Was with the Company from October 2002 to January 2012 and the Managing Director of Guocoland China (Beijing and North China) from 2012 to 2013. From 2013 to 2014, he was the Head of Real Estate Development of Straits Trading Company.

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 January 2017 to 31 December 2019)
– Nil

CORPORATE GOVERNANCE REPORT

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 : 25 April 2019
Length of service as a Director : 4 years 9 months
(as at 31 December 2019)

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

Experience: Deputy Chief Executive Officer and Executive Director of Fragrance Group Limited. The business of Fragrance Group Limited includes property development, investment and management of hotel properties. Over 19 years of experience in the property and hotel industry and has extensive experience in finance, accounting, secretarial and tax functions.

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 January 2017 to 31 December 2019)
- 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 : 27 April 2018
Length of service as a Director : 4 years 8 months
(as at 31 December 2019)

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

Experience: Over 30 years of experience in the oil & gas and marine & offshore industries, holding c-suite roles in engineering, sales & marketing, new business start-ups and joint ventures, with particular strength in business operations and financial management.

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 January 2017 to 31 December 2019)
- 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 : 25 April 2019
Length of service as a Director : 3 years 5 months
(as at 31 December 2019)

Board Committee(s) served on:
– Remuneration Committee (Chairman)
– Audit Committee (Member)

Experience: Retired. Currently a board member of Heliconia Management Pte Ltd, a wholly-owned fund management subsidiary of Temasek Holdings (Private) Limited and a Director and Chairman in Ezyhealth Holdings Pte Ltd. An ex-Director of a leading Singapore law firm and was the Managing Partner of a law firm which he founded. Former Investment Banker with a Singapore-based UK merchant bank and a Senior Industry Officer with a government statutory board.

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
– SUTL Enterprise Limited

Major Appointments (other than Directorship)
– Nil

Past Directorship in listed companies held over the preceding three years (from 1 January 2017 to 31 December 2019)
– Raffles United Holdings Ltd

MR ONG TUEN SUAN
Independent Non-Executive Director

Date of first appointment as a Director : 8 May 2018
Date of last re-election as a Director : 25 April 2019
Length of service as a Director : 1 year 7 months
(as at 31 December 2019)

Board Committee(s) served on:
– Nominating Committee (Chairman)
– Audit Committee (Member)

Experience: Joined Neptune Orient Lines Limited ("NOL"), a company which was previously listed on the SGX-ST in 1991 as an Accountant and progressively took on various finance and commercial leadership positions within NOL over a 23-year career with NOL, he was based in Singapore, the United Arab Emirates and the United States of America, covering finance, compliance and control, finance planning and analysis, as well as commercial and operational activities. His last appointment in NOL as the Regional Financial Officer for the Americas, and was responsible for, among others, the financial reporting compliance and control, investment and divestment management and special projects support activities for the operations in the Americas. Left NOL in 2015 and is currently managing a consultancy practice covering management advisory services primarily for small and medium-sized enterprises in Singapore

Academic & Professional Qualification(s):
– Bachelor of Economics, Monash University
– Fellow of CPA Australia

Present Directorship in listed companies:
– World Class Global Limited

Major Appointments (other than Directorship)
– Nil

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

CORPORATE GOVERNANCE REPORT

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION PURSUANT TO RULE 720(6) OF THE LISTING MANUAL OF THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED

	MR KOH WEE SENG Non-Independent Non-Executive Director	**MR CHAY YUE KAI** Executive Director
Date of Appointment	21 March 2015	2 April 2015
Date of last re-appointment (if applicable)	27 April 2017	27 April 2018
Name of person	Mr Koh Wee Seng	Mr Chay Yue Kai
Age	52	65
Country of principal residence	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The re-election of Mr Koh Wee Seng as Non-Independent Non-Executive Director of the Company was recommended by the Nominating Committee and approved by the Board, after taking into consideration of Mr Koh Wee Seng's contributions, performance, expertise and past experiences.	The re-election of Mr Chay Yue Kai as an Executive Director of the Company was recommended by the Nominating Committee and approved by the Board, after taking into consideration of Mr Chay Yue Kai's contributions, performance, expertise and past experiences.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive	Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Non-Independent Non-Executive Chairman	Executive Director
Professional qualifications	Please see page 32 of the Annual Report.	Please see page 32 of the Annual Report.
Working experience and occupation(s) during the past 10 years	1989 to current date: Group Chief Executive Officer Aspial Corporation Limited 2008 to current date: Chairman and Non-Executive Director Maxi-Cash Financial Services Corporation Ltd 2013 to current date: Non-Executive Chairman World Class Global Limited	2012 to 2013: Managing Director Guocoland China (Beijing and China) 2013 to 2014: Head of Real Estate Development Straits Trading Company
Shareholding interest in the listed issuer and its subsidiaries	<u>AF Global Limited</u> Direct Interest – 8,629,075 ordinary shares Deemed Interest – 441,857,365 ordinary shares	No
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	No	No
Conflict of interest (including any competing business)	No	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes

CORPORATE GOVERNANCE REPORT

	MR KOH WEE SENG	MR CHAY YUE KAI
Other Principal Commitments[1] Including Directorships		
Past (for the last 5 years)	AWMF Investment Corporation Bayfront Land Pte Ltd Belgium-Singapore Diamond Corporation Pte Ltd Corpus Five Sdn Bhd Gold N Gems Pte Ltd L.C. (London) Ltd WCL-King (VIC) Pty Ltd World Class Capital (LN) Pte Ltd World Class Capital Pte Ltd World Class Property (Central) Pte Ltd World Class Property (Dunearn) Pte Ltd World Class Property (Eastcoast) Pte Ltd World Class Property (North) Pte Ltd Zone X Leisure Pte Ltd	Corpus Five Sdn Bhd L.C. (London) Ltd Zone X Leisure Pte Ltd
Present	8G Investment Pte Ltd Advance Property Pte Ltd AF Corporation Pte Ltd AF Global Investment Holding Pte Ltd AF Global Limited* AF Phuket Hotels Pte Ltd AF Rawai Hotels Pte Ltd Aspial Capital (Ubi) Pte Ltd Aspial Capital Investment Pte Ltd Aspial Corporate Services Pte Ltd Aspial Corporation Limited* Aspial International Pte Ltd Aspial Investment Holding Pte Ltd Aspial-Lee Hwa Jewellery Singapore Pte Ltd Aspial Property Investment Pte Ltd Aspial Treasury Pte Ltd Aspial-Lee Hwa Jewellery Pte Ltd Band Of Brothers Pte Ltd Bayfront Realty Pte Ltd Bayfront Ventures Pte Ltd Bon (38) Investment Pte Ltd Bon 88 Investment Pte Ltd BU2 Services Pte Ltd Cheong Hock Chye & Co. (Pte) Ltd City Gate Shopping Mall Management Pte Ltd Draycott Garden Pte Ltd Dynamic Project Management Services Pte Ltd Gold Purple Pte Ltd Goldheart Jewelry Pte Ltd Headway Construction Pte Ltd Hillgate Investment Pte Ltd Kensington Land Pte Ltd Kensington Village Pte Ltd Knight Frank Asia Pacific Pte Ltd Knight Frank Pte Ltd L.C. Hotels Pte Ltd L.C. Logistics Pte Ltd LCD (Indochina) Pte Ltd LCD (Vietnam) Pte Ltd	AF Global Limited* AF Global Investment Holding Pte Ltd AF Phuket Hotels Pte Ltd AF Rawai Hotels Pte Ltd Bon (38) Investment Pte Ltd Bon 88 Investment Pte Ltd Cheong Hock Chye & Co. (Pte) Ltd Draycott Garden Pte Ltd Hillgate Investment Pte Ltd Knight Frank Pte Ltd L.C. Hotels Pte Ltd L.C. Logistics Pte Ltd LCD (Indochina) Pte Ltd LCD (Vietnam) Pte Ltd LCD Property Management Pte Ltd LCD Property Pte Ltd Rawai (38) Investment Pte Ltd Rawai 88 Investment Pte Ltd AF (Shanghai) Business Consulting Co., Ltd AF Global (London) Ltd AF Global (Phuket) Limited AF Global (Thailand) Limited Cityview Property Investment & Trading Limited Gateway Enterprise Company Limited HIRP (Thailand) Limited LCD Management Sdn Bhd RP (Thailand) Limited RP Hotels (Thailand) Limited Xuzhou RE Sales Co., Ltd Xuzhou YinJian LumChang Real Estate Development Co., Ltd Leather ETC Pte Ltd * *Public listed company on SGX-ST*

[1] "Principal Commitments" has the same meaning as defined in the Code.

CORPORATE GOVERNANCE REPORT

	MR KOH WEE SENG	MR CHAY YUE KAI
	LCD Property Pte Ltd LCD Property Management Pte Ltd Maxi Financial Pte Ltd Maxi-Cash (Central 2) Pte Ltd Maxi-Cash (Central) Pte Ltd Maxi-Cash (Clementi) Pte Ltd Maxi-Cash (East 2) Pte Ltd Maxi-Cash (East) Pte Ltd Maxi-Cash (North East 2) Pte Ltd Maxi-Cash (North East) Pte Ltd Maxi-Cash (North) Pte Ltd Maxi-Cash (West) Pte Ltd Maxi-Cash Assets Pte Ltd Maxi-Cash Capital Management Pte Ltd Maxi-Cash Capital Pte Ltd Maxi-Cash Financial Services Corporation Ltd* Maxi-Cash Group Pte Ltd Maxi-Cash International Pte Ltd Maxi-Cash Investment Holding Pte Ltd Maxi-Cash Jewellery Group Pte Ltd Maxi-Cash Property Pte Ltd Maxi-Cash Retail Pte Ltd Maxi-Cash Ventures Pte Ltd MLHS Holdings Pte Ltd Niessing Group Pte Ltd Rawai (38) Investment Pte Ltd Rawai 88 Investment Pte Ltd World Class Developments (Bedok) Pte Ltd World Class Developments (Central) Pte Ltd World Class Developments (City Central) Pte Ltd World Class Developments (North) Pte Ltd World Class Developments Pte Ltd World Class Global Limited* World Class Investments Pte Ltd World Class Land Pte Ltd World Class Property (Telok Kurau) Pte Ltd World Class Property Pte Ltd 8G Investment Australia Pty Ltd ACL International Services Sdn Bhd AF Global (London) Ltd AF Global (Phuket) Limited AF Global (Thailand) Limited Cityview Property Investment & Trading Limited Dynamic Ideas Pty Ltd Eight G Capital (Malaysia) Sdn Bhd Eight G Capital (Penang) Sdn Bhd Eight G Capital (Ropewalk) Sdn Bhd Gateway Enterprise Company Limited HIRP (Thailand) Limited LCD Management Sdn Bhd LuxeSTYLE (Australia) Pty Ltd	

CORPORATE GOVERNANCE REPORT

	MR KOH WEE SENG	MR CHAY YUE KAI
	LuxeSTYLE (Malaysia) Sdn Bhd Max Cash (George Town) Sdn Bhd Maxi Cash (KL1) Sdn Bhd Maxi Cash (KL2) Sdn Bhd Maxi Cash (Malaysia) Sdn Bhd Maxi Cash (Penang) Sdn Bhd Maxi Cash (S1) Sdn Bhd Maxi Cash (S2) Sdn Bhd Maxi Cash (S3) Sdn Bhd Maxi Cash (Southern) Sdn Bhd Maxi-Cash (Australia) Pty Ltd Maxi-Cash (HKI) Co. Ltd Maxi-Cash (Hong Kong) Co. Ltd Maxi-Cash Melbourne (VIC) Pty Ltd Maxi-Cash Retail (HKI) Co. Ltd Niessing (Australia) Pty Ltd Niessing (Hong Kong) Limited Penang Parade Hotels Sdn Bhd PHC Hotels Sdn Bhd RP (Thailand) Limited RP Hotels (Thailand) Limited SBD 102 Pty Ltd WCL (Bertam L) Sdn Bhd WCL (Bertam R) Sdn Bhd WCL (CNS) CBD Pty Ltd WCL (Macallum) Sdn Bhd WCL (Magazine) Sdn Bhd WCL (Noordin St) Sdn Bhd WCL (QLD) Albert St Pty Ltd WCL (QLD) Holdings Pty Ltd WCL (QLD) Margaret St Pty Ltd WCL-A Beckett (VIC) Pty Ltd WCL-Cairns (QLD) Pty Ltd WCL-Central Park (QLD) Pty Ltd WCL-Southbank (VIC) Pty Ltd World Class Land (Australia) Pty Ltd World Class Land (Georgetown) Holdings Sdn Bhd World Class Land (Georgetown) Sdn Bhd World Class Land (Malaysia) Sdn Bhd World Class Land (Penang) Sdn Bhd Xuzhou RE Sales Co., Ltd Xuzhou YinJian LumChang Real Estate Development Co., Ltd * *Public listed company on SGX-ST*	
Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.		
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No

CORPORATE GOVERNANCE REPORT

	MR KOH WEE SENG	MR CHAY YUE KAI
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
(c) Whether there is any unsatisfied judgment against him?	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No

CORPORATE GOVERNANCE REPORT

	MR KOH WEE SENG	MR CHAY YUE KAI
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:–		
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,	No	No
in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?		
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No
Disclosure applicable to the appointment of Director only.		
Any prior experience as a director of an issuer listed on the Exchange? If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.	This relates to re-appointment of Director	This relates to re-appointment of Director
Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	N/A	N/A

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 2019.

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 2019 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and

(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
Ong Tuen Suan

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' 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 ordinary shares of the Company as stated below:

	Direct interest		Deemed interest	
Name of Director	**At 1 January 2019**	**At 31 December 2019**	**At 1 January 2019**	**At 31 December 2019**
Koh Wee Seng	–	–	881,383,569	440,691,785
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 2020.

Aspial Corporation Limited ("Aspial"), a company listed on the Singapore Exchange Securities Trading Limited, holds 41.75% of the issued shares of the Company. MLHS Holdings Pte Ltd ("MLHS") holds more than 50% of the issued shares of Aspial. 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 Aspial.

Except as disclosed in this statement, no Director who held office at the end of the financial year had an interest in the shares 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.

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)
Ong Tuen Suan	(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 each 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
25 March 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AF GLOBAL LIMITED

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of 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 2019, 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 Singapore Financial Reporting Standards (International) ("SFRS(I)") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional 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 stated at fair value. As at 31 December 2019, the carrying value of these properties amounted to $247,301,000 and accounted for 67% of the Group's total assets.

The fair valuation of these properties is significant to our audit due to their magnitude and the involvement of significant judgments in the fair valuation assessment. The assessments were performed by management and in the case of Phuket Rawai Beach Resort, an independent valuation specialist, and are highly dependent on a range of key assumptions and estimates that require significant judgment, including but not limited to forecasted net income, growth rates, discount rates and indicative value of comparable properties. 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 2019

Key Audit Matters (Continued)

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

Our audit procedures in relation to valuation of the properties included:

– Considered the competence, capabilities and objectivity of the independent valuation specialist and management involved in the assessment;

– Discussed with the independent valuation specialist and management to obtain an understanding of the valuation methodologies, key assumptions and estimates adopted;

– Assessed the appropriateness of the valuation methodologies, key assumptions and estimates adopted by the independent valuation specialist and management with the assistance of our internal valuation specialist;

– Assessed the reasonableness of the key estimates used by the independent valuation specialist and management by comparing to historical budgets and actual performance relating to average room and occupancy rates, industry data and prices from recent sale transactions of comparable properties where available; and

– Assessed the adequacy of disclosures in Note 10 Property, Plant and Equipment and Note 35 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 non-current asset held for sale investment in Xuzhou YinJian LumChang Real Estate Development Co., Ltd ("XZYJLC")

The Group has a 55% equity stake in a joint venture, XZYJLC, that is engaged in property development in the People's Republic of China. As of 31 December 2019, the Group has classified the investment in XZYJLC as non-current asset held for sale. The carrying value of XZYJLC as at 31 December 2019 amounted to $50,627,000, representing 14% of the Group's total assets.

As stated in Note 29 of the financial statements, there are currently disputes and litigation under court proceedings between the Group and the joint investor that affect XZYJLC. The Group has obtained an interim asset freeze order extension from the local court in respect of certain bank accounts and saleable assets of XZYJLC. Due to the ongoing disputes and litigation, the Group engaged in negotiations to sell its 55% equity stake in XZYJLC to the joint investor at a consideration above the carrying amount of the investment.

Management has assessed that the investment in XZYJLC met the criteria for non-current asset held for sale classification under SFRS(I) 5 *Non-current Assets Held for Sale and Discontinued Operations* as the carrying amount of the investment will be recovered primarily through a sale transaction rather than through continuing involvement in the joint venture's operations. Accordingly, the Group ceased equity accounting for XZYJLC on 1 October 2019 and measured the investment classified as non-current asset held for sale at the lower of its carrying amount and fair value less costs to sell.

Management has assessed that the recoverable amount of the Group's investment in XZYJLC as at 1 October 2019 and 31 December 2019 exceeds its carrying amount and no impairment loss has been recorded. Management has assessed the recoverable amount based on the consideration under negotiation and estimable costs to sell of the investment for the purposes of determining whether any impairment loss needs to be recorded. When classifying assets as held for sale, management makes judgments and estimates, including assessing whether the transaction is highly probable to occur within twelve months from period end and assessment of impairment of the asset. Due to the inherent uncertainty involved in classification and valuation of the investment as non-current asset held for sale, 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 2019

Our audit procedures in relation to the classification and impairment assessment of the non-current asset held for sale investment included, amongst others:

– Reviewed legal representations and litigation documents from the Group's external legal counsel and management to update our understanding of the facts and circumstances of the ongoing shareholders dispute and the potential implications to XZYJLC and the Group;

– Assessed the appropriateness of management's assumptions and judgments made behind their classification of the investment in XZYJLC as non-current asset held for sale against the criteria for classification within SFRS(I) 5 *Non-current Assets Held for Sale and Discontinued Operations*, including whether the sale is highly probable to occur within twelve months from 31 December 2019;

– Evaluated management's considerations of the likelihood of the sale to occur within twelve months from 31 December 2019, and considered the progress, commitment and active interest from both parties to finalise the sale transaction within this time frame, including the review of draft agreements;

– Agreed the carrying amount of the investment at the date of cessation of equity accounting on 1 October 2019 to underlying accounting records;

– Obtained an understanding of management's basis and considerations in assessing the recoverable amount of the investment in XZYJLC;

– Assessed the reasonableness of management's key assumptions used in their estimation of the recoverable amount of the investment, including;

    • Consideration under negotiation – reviewed minutes of meetings with the joint investor and the local government authorities and draft agreements;

    • Key assumptions based on the costs to sell – evaluated the reasonableness of the costs to sell by assessing it against relevant tax rates and verifying the estimated costs to quotations from the external legal counsel and financial institutions; and

– Assessed the adequacy of disclosures in Note 13 Joint venture companies, Note 16 Non-current assets classified as held for sale and Note 29 Contingent liabilities.

OTHER INFORMATION

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

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

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

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF AF GLOBAL LIMITED

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

RESPONSIBILITIES OF MANAGEMENT AND DIRECTORS FOR THE FINANCIAL STATEMENTS

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

As part of an audit in accordance with the SSAs, we exercise professional 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.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF AF GLOBAL LIMITED

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

25 March 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Group 2019 $'000	Group 2018 $'000
Continuing operations			
Revenue	3	**28,266**	33,890
Cost of sales		**(14,502)**	(16,313)
Gross profit		**13,764**	17,577
Other operating income	4	**1,188**	1,047
Marketing expenses		**(1,361)**	(1,090)
Administrative expenses		**(8,677)**	(8,762)
Other operating expenses		**(6,142)**	(7,417)
Operating (loss)/profit		**(1,228)**	1,355
Finance costs	5	**(987)**	(1,860)
Share of results of associated and joint venture companies		**3,031**	4,340
Profit before taxation from continuing operations	6	**816**	3,835
Taxation	7	**(1,186)**	(2,065)
(Loss)/profit from continuing operations, net of tax		**(370)**	1,770
Discontinued operation			
Profit from discontinued operation, net of tax	8	**20,651**	1,990
Profit for the year		**20,281**	3,760
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation		**13,287**	(1,743)
Fair value loss on investment securities		**(152)**	–
Items that will not be reclassified to profit or loss:			
Fair value gain/(loss) on investment securities		**160**	(1,104)
Surplus on revaluation of property, plant and equipment		**788**	1,587
		14,083	(1,260)
Total comprehensive income for the year		**34,364**	2,500
Profit for the year attributable to:			
Shareholders of the Company			
Loss from continuing operations, net of tax		**(1,701)**	(1,064)
Profit from discontinued operation, net of tax		**20,651**	1,990
		18,950	926
Non-controlling interests		**1,331**	2,834
		20,281	3,760
Total comprehensive income for the year attributable to:			
Shareholders of the Company			
Profit from continuing operations, net of tax		**5,379**	1,052
Profit/(loss) from discontinued operation, net of tax		**23,376**	(2,802)
		28,755	(1,750)
Non-controlling interests		**5,609**	4,250
		34,364	2,500
Loss per share from continuing operations (cents)	9(a)		
– Basic		**(0.16)**	(0.10)
– Diluted		**(0.16)**	(0.10)
Earnings per share (cents)	9(b)		
– Basic		**1.80**	0.09
– Diluted		**1.80**	0.09

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

BALANCE SHEETS

AS AT 31 DECEMBER 2019

	Note	Group 2019 $'000	Group 2018 $'000	Company 2019 $'000	Company 2018 $'000
Non-current assets					
Property, plant and equipment	10	**247,301**	226,402	**–**	–
Intangible assets		**39**	42	**–**	–
Right-of-use assets	28	**1,002**	–	**–**	–
Subsidiary companies	11	**–**	–	**292,682**	296,530
Associated company	12	**–**	1,600	**–**	–
Joint venture companies	13	**32,494**	84,295	**–**	–
Investment securities	14	**4,054**	3,991	**–**	–
Deferred tax assets	15	**414**	294	**–**	–
		285,304	316,624	**292,682**	296,530
Current assets					
Investment securities	14	**7,649**	6,281	**–**	–
Inventories		**224**	259	**–**	–
Trade receivables	17	**779**	709	**–**	–
Other receivables	18	**800**	541	**126**	100
Prepayments		**253**	320	**4**	7
Amounts due from subsidiary companies	19	**–**	–	**7,507**	2,375
Cash and short-term deposits	27	**23,634**	19,511	**497**	194
		33,339	27,621	**8,134**	2,676
Assets classified as held for sale	8, 16	**50,627**	146,157	**–**	–
		83,966	173,778	**8,134**	2,676
Current liabilities					
Trade payables	20	**2,467**	2,324	**–**	–
Other payables and accruals	21	**8,024**	7,676	**832**	1,186
Provision for taxation		**446**	757	**28**	5
Lease liabilities	28	**76**	–	**–**	–
Loans and borrowings	23	**3,304**	48,636	**1,500**	48,250
Dividend payable	33	**10,556**	–	**10,556**	–
		24,873	59,393	**12,916**	49,441
Liabilities directly associated with assets classified as held for sale	8	**–**	44,718	**–**	–
		24,873	104,111	**12,916**	49,441
Net current assets/(liabilities)		**59,093**	69,667	**(4,782)**	(46,765)
Non-current liabilities					
Amount due to a subsidiary company	22	**–**	–	**22,999**	22,999
Lease liabilities	28	**973**	–	**–**	–
Loans and borrowings	23	**4,805**	–	**–**	–
Deferred tax liabilities	15	**28,460**	26,723	**–**	–
		34,238	26,723	**22,999**	22,999
Net assets		**310,159**	359,568	**264,901**	226,766
Equity attributable to shareholders of the Company					
Share capital	24	**209,518**	209,518	**209,518**	209,518
Reserves		**32,339**	510	**55,383**	17,248
Reserves of assets classified as held for sale	8	**–**	84,497	**–**	–
		241,857	294,525	**264,901**	226,766
Non-controlling interests	25	**68,302**	65,043	**–**	–
Total equity		**310,159**	359,568	**264,901**	226,766

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Group	Attributable to shareholders of the Company					Non-controlling interests	Total equity
	Share capital $'000	Capital and other reserves (Note 26) $'000	Revenue reserve $'000	Reserves of assets classified as held for sale (Note 8) $'000	Total reserves $'000	$'000	$'000
2019							
As at 1 January 2019	209,518	48,813	(48,303)	84,497	85,007	65,043	359,568
Profit for the year	–	–	18,950	–	18,950	1,331	20,281
Other comprehensive income for the year, net of tax	–	7,080	–	2,725	9,805	4,278	14,083
Total comprehensive income for the year	–	7,080	18,950	2,725	28,755	5,609	34,364
Contributions by and distributions to shareholders of the Company							
Dividends paid (Note 33)	–	–	(71,256)	–	(71,256)	–	(71,256)
Dividend payable (Note 33)	–	–	(10,556)	–	(10,556)	–	(10,556)
Total contributions by and distributions to shareholders of the Company	–	–	(81,812)	–	(81,812)	–	(81,812)
Others							
Dividends paid to non-controlling interests	–	–	–	–	–	(2,196)	(2,196)
Repayment of loans from a non-controlling interest	–	–	–	–	–	(154)	(154)
Sale of interest in a subsidiary company	–	–	87,222	(87,222)	–	–	–
Increase in net assets of a joint venture company	–	–	371	–	371	–	371
Share of reserves of a joint venture company	–	12	6	–	18	–	18
Total others	–	12	87,599	(87,222)	389	(2,350)	(1,961)
As at 31 December 2019	209,518	55,905	(23,566)	–	32,339	68,302	310,159
2018							
As at 1 January 2018							
– as previously reported	209,518	106,685	(20,598)	–	86,087	62,742	358,347
– Effect of adopting SFRS(I) 1	–	29,301	(29,301)	–	–	–	–
– Effect of adopting SFRS(I) 9	–	–	175	–	175	–	175
– as restated	209,518	135,986	(49,724)	–	86,262	62,742	358,522
Profit for the year	–	–	926	–	926	2,834	3,760
Other comprehensive income for the year, net of tax	–	(2,676)	–	–	(2,676)	1,416	(1,260)
Total comprehensive income for the year	–	(2,676)	926	–	(1,750)	4,250	2,500
Others							
Dividends paid to a non-controlling interest	–	–	–	–	–	(1,949)	(1,949)
Increase in net assets of a joint venture company	–	–	495	–	495	–	495
Reserves of assets classified as held for sale	–	(84,497)	–	84,497	–	–	–
Total others	–	(84,497)	495	84,497	495	(1,949)	(1,454)
As at 31 December 2018	209,518	48,813	(48,303)	84,497	85,007	65,043	359,568

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Company	Share capital $'000	Revenue reserve $'000	Total equity $'000
2019			
As at 1 January 2019	**209,518**	**17,248**	**226,766**
Profit for the year, representing total comprehensive income for the year	**–**	**119,947**	**119,947**
Contributions by and distributions to shareholders of the Company			
Dividends paid (Note 33)	**–**	**(71,256)**	**(71,256)**
Dividend payable (Note 33)	**–**	**(10,556)**	**(10,556)**
Total contributions by and distributions to shareholders of the Company	**–**	**(81,812)**	**(81,812)**
As at 31 December 2019	**209,518**	**55,383**	**264,901**
2018			
As at 1 January 2018	209,518	13,944	223,462
Profit for the year, representing total comprehensive income for the year	–	3,304	3,304
As at 31 December 2018	209,518	17,248	226,766

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

CONSOLIDATED CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Group	
	2019 $'000	2018 $'000
Cash flows from operating activities:		
Profit before taxation from continuing operations	**816**	3,835
Profit before taxation from discontinued operation	**20,664**	2,543
Profit before taxation, total	**21,480**	6,378
Adjustments for:		
Depreciation of property, plant and equipment	**3,791**	6,726
Depreciation of right-of-use assets	**116**	–
(Gain)/loss on sale of property, plant and equipment	**(21)**	5
Property, plant and equipment written off	**77**	26
Loss on sale of investment securities	**6**	20
Gain on sale of interests in subsidiary companies	**(20,402)**	(454)
Gain on sale of interest in an associated company	**(32)**	–
Loss on sale of non-current asset classified as held for sale	**819**	–
Share of results of associated and joint venture companies	**(3,031)**	(4,340)
Amortisation of club memberships	**3**	3
Dividend income from investment securities	**–**	(73)
Interest income	**(981)**	(742)
Finance costs	**1,317**	2,568
Impairment loss on non-current asset classified as held for sale	**–**	762
Unrealised foreign exchange differences	**(837)**	(138)
Operating profit before reinvestment in working capital	**2,305**	10,741
Decrease/(increase) in inventories	**40**	(71)
Decrease/(increase) in receivables and prepayments	**199**	(99)
Increase in payables	**134**	2,002
Cash flows generated from operations	**2,678**	12,573
Interest received	**939**	759
Interest paid	**(1,152)**	(2,545)
Income taxes paid	**(1,596)**	(2,482)
Net cash flows from operating activities	**869**	8,305
Cash flows from investing activities:		
Dividends received	**3,300**	4,473
Proceeds from sale of property, plant and equipment	**27**	3
Purchase of property, plant and equipment	**(9,805)**	(3,830)
Purchase of investment securities	**(2,497)**	(2,996)
Proceeds from sale of investment securities	**1,001**	4,231
Net cash inflow from sale of non-current asset classified as held for sale	**5,091**	–
Net cash inflow from sale of interests in subsidiary companies	**113,668**	728
Proceeds from sale of interest in an associated company	**1,389**	–
Net cash flows generated from investing activities	**112,174**	2,609
Cash flows from financing activities:		
Proceeds from bank loans	**18,963**	9,150
Repayment of bank loans	**(60,090)**	(7,426)
Advance from former immediate and ultimate holding company	**2,000**	–
Repayment of advance from former immediate and ultimate holding company	**(2,000)**	–
Repayment of loans from a non-controlling interest	**(154)**	–
Repayment of advances by an associated company	**240**	62
Repayment of lease liabilities	**(156)**	–
Fixed deposit pledged with a bank	**(11,845)**	–
Fixed deposit discharged by a bank	**11,845**	–
Repayment to hire purchase creditors	**–**	(10)
Dividends paid by the Company	**(71,256)**	(10,556)
Dividends paid to non-controlling interests	**(2,196)**	(1,949)
Net cash flows used in financing activities	**(114,649)**	(10,729)
Net (decrease)/increase in cash and cash equivalents	**(1,606)**	185
Effects of exchange rate changes on cash and cash equivalents	**611**	16
Cash and cash equivalents at beginning of year	**24,580**	24,379
Cash and cash equivalents at end of year (Note 27)	**23,585**	24,580

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

1. CORPORATE INFORMATION

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"). On 20 December 2019, AF Corporation Pte Ltd ceased to be the immediate and ultimate holding company through a distribution in specie of its shares in the capital of the Company to its shareholders.

The registered office and the principal place of business of the Company is at Aspial One, 55 Ubi Avenue 3, #04-01, Singapore 408864.

The principal activities of the Company are investment holding and the provision of management services to its subsidiary companies. The subsidiary 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 and serviced residences.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

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.

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Group has adopted the following SFRS(I) and Interpretations ("SFRS(I) INT") relevant to the Group's operations which are effective for annual periods beginning on 1 January 2019:

- SFRS(I) 16 *Leases*
- SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*
- Amendments to SFRS(I) 9 *Prepayment Features with Negative Compensation*
- Amendments to SFRS(I) 1-28 *Long-term Interests in Associates and Joint Ventures*
- Annual Improvements to SFRS(I)s 2015 – 2017 Cycle

Except for SFRS(I) 16, the adoption of the other standards above did not result in any significant impact on the financial performance or financial position of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies (Continued)

SFRS(I) 16 Leases

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

The Group adopted this standard using the modified retrospective method on 1 January 2019. Under this method, the Group measures the right-of-use asset at an amount equal to the lease liability, adjusted for any related prepaid and accrued lease payments recognised before the date of initial application. The Group also elected the following practical expedients:

- not to reassess whether a contract is, or contains a lease at the date of initial application and to apply this standard to all contracts that were previously identified as leases applying SFRS(I) 1-17 and SFRS(I) INT 4 at the date of initial application
- to apply the short-term lease exemption to leases for which the lease term ends within twelve months of the date of initial application
- to apply the exemption not to recognise leases of low-value assets
- to apply a single discount rate to a portfolio of leases with reasonably similar characteristics

The effect of adopting this standard at 1 January 2019 was as follows:

	Group
	$'000
Assets	
Right-of-use assets	1,119
Liabilities	
Lease liabilities	1,119

The reconciliation of lease liabilities recognised at 1 January 2019 to the operating lease commitments as of 31 December 2018 was as follows:

Operating lease commitments at 31 December 2018	2,043
Less: Commitment relating to a short-term lease	(30)
Less: Commitment relating to leases of low-value assets	(10)
	2,003
Weighted average incremental borrowing rate as at 1 January 2019	7.8%
Lease liabilities at 1 January 2019	1,119

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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**
Amendment to References to Conceptual Framework in SFRS(I) Standards	1 January 2020
Amendments to SFRS(I) 3 *Definition of a Business*	1 January 2020
Amendments to SFRS(I) 1-1 and SFRS(I) 1-8 *Definition of Material*	1 January 2020
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

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

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 the discounted cash flow method and the 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 35(a).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Significant accounting estimates and judgments (Continued)

Key sources of estimation uncertainty (Continued)

(b) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their expected useful lives. Management's estimate of 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 2019 was $247,301,000 (2018: $226,402,000). 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 a variance in the Group's profit before taxation of approximately 23% (2018: 5%).

(c) Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease. Therefore, it uses the incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group would have to pay, which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs when available and is required to make certain entity-specific estimates.

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 2019, 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 2019, the Group owns 55% of equity in Xuzhou RE Sales Co., Ltd ("XZRES"). It has been assessed that the Group does not have control over XZRES because their operations are jointly controlled by the Group and the joint venture partner in accordance with a joint venture agreement. Consequently, XZRES is accounted for as a joint venture company of the Group.

As at 31 December 2019, the Group owns 55% of equity in Knight Frank Pte Ltd ("KFPL"). KFPL in turn owns 89% 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

(b) *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 2019 of the Group and the Company are disclosed in Notes 11, 12 and 13 respectively.

(c) *Non-current asset classified as held for sale*

On 1 October 2019, the Group reclassified its 55% equity interest in Xuzhou YinJian LumChang Real Estate Development Co., Ltd ("XZYJLC") as an asset held for sale. The Directors considered the investment in XZYJLC to meet the criteria to be classified as held for sale at that date for the following reasons:

- XZYJLC is available for immediate sale and in its current condition
- The actions to complete the sale were initiated and it is expected that the sale will be completed within twelve months from the date of initial classification
- Negotiations for sale to the joint venture partner are at an advanced stage as at reporting date

The Group has assessed that the fair value less costs to sell is expected to exceed the carrying amount of the investment. The carrying amount of this non-current asset classified as held for sale is disclosed in Note 16.

(d) *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 2019 were $446,000 (2018: $757,000), $414,000 (2018: $294,000) and $28,460,000 (2018: $26,723,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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.

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.

(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 SFRS(I).

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 balance sheet, 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 results 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.

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 venture 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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 2.16. 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.

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	4 to 10 years
Furniture, fittings and equipment	4 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

2.12 Financial instruments

(a) Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

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

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

Subsequent measurement

Investments in debt instruments

Debt instruments comprise cash and short-term deposits, trade and other receivables, amounts due from subsidiary companies and quoted debt securities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Depending on the Group's business model for managing the asset and the cash flow characteristics of the asset, subsequent measurement of debt instruments are as follows:

(i) *Amortised cost*

Cash and short-term deposits, trade and other receivables and amounts due from subsidiary companies that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Such assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, as well as through the amortisation process.

(ii) *Fair value through other comprehensive income*

Quoted debt securities that are held for collection of contractual cash flows and for sale, and where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

Investments in equity securities

The Group had elected to recognise subsequent changes in fair value of unquoted equity securities not held for trading in other comprehensive income. Dividends from such investments are recognised in profit or loss when the Group's right to receive payments is established.

Derecognition

A financial asset is derecognised when the contractual rights to receive cash flows from the asset have expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income for debt instruments is recognised in profit or loss.

(b) *Financial liabilities*

Initial recognition and measurement

Financial liabilities include trade and other payables, amount due to a subsidiary company, lease liabilities, 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.

Subsequent measurement

After initial recognition, financial liabilities are 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.

Derecognition

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 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

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

For quoted debt and unquoted equity securities at fair value through other comprehensive income, the Group applies the low credit risk simplification. At the end of each reporting period, the Group evaluates whether these securities are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of these securities. In addition, the Group considers that there has been a significant increase in credit risk when the contractual payments are more than 30 days past due.

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

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.

2.16 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2.17 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.

2.18 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.

2.19 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.

2.20 Leases

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

Before 1 January 2019

(a) As lessee

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

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 *Leases* (Continued)

On and after 1 January 2019

(a) *As lessee*

The Group recognises right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets are recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. For new leases, the Group recognises right-of-use assets at the commencement date of the lease.

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

	Useful lives
Leasehold land	16 years
Office premises	3 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. The accounting policy for impairment of non-financial assets is set out in Note 2.11.

Lease liabilities are measured at the present value of the lease payments that are not paid at the date of initial application or commencement, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. The Group determines its incremental borrowing rate by obtaining interest rates from various external sources and makes certain adjustments to reflect the terms of the lease and the type of the asset leased.

The amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. The carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term or a change in the lease payments.

For short-term leases and leases of low-value assets, the Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(b) *As lessor*

The accounting policy applicable to the Group as lessor remains unchanged on adoption of SFRS(I) 16.

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

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amounts and fair value less costs to sell.

The criteria for held for sale classification 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 plan to sell and the sale is expected to be completed within one year from the date of the classification.

Property, plant and equipment once classified as held for sale are not depreciated.

Assets and liabilities of disposal group classified as held for sale are presented separately as current items in the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of or is classified as held for sale when such a component represents a separate major line of business or geographical area of operations or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations.

Discontinued operations are excluded from the results of continuing operations and are presented as profit or loss after tax from discontinued operations in profit or loss.

Additional disclosures are provided in Notes 8 and 16.

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.

(b) *Deferred tax*

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

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

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

- in respect of taxable temporary differences associated with investments in 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 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 *Taxes* (Continued)

(b) *Deferred tax* (Continued)

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.

(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 32, 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 2019

2.25 Revenue

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer.

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

(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 is calculated by dividing profit, 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, 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 2019

3. REVENUE

	Group					
	Hotel and serviced residence		Leisure and others		Total	
Segments	**2019 $'000**	**2018 $'000**	**2019 $'000**	**2018 $'000**	**2019 $'000**	**2018 $'000**
Primary geographical markets						
Singapore	**–**	–	**400**	1,548	**400**	1,548
Thailand	**22,960**	27,359	**–**	–	**22,960**	27,359
Vietnam	**2,192**	2,127	**–**	–	**2,192**	2,127
Lao People's Democratic Republic	**2,714**	2,856	**–**	–	**2,714**	2,856
	27,866	32,342	**400**	1,548	**28,266**	33,890
Major product or service lines						
Room revenue	**19,626**	22,825	**–**	–	**19,626**	22,825
Revenue from food and beverage	**6,438**	7,751	**–**	–	**6,438**	7,751
Revenue from services rendered	**853**	933	**–**	1,226	**853**	2,159
Rental income	**949**	833	**–**	–	**949**	833
Dividend income from investment securities	**–**	–	**–**	73	**–**	73
Interest income	**–**	–	**400**	249	**400**	249
	27,866	32,342	**400**	1,548	**28,266**	33,890
Timing of transfer of goods or services						
At a point in time	**26,917**	31,509	**400**	1,548	**27,317**	33,057
Over time	**949**	833	**–**	–	**949**	833
	27,866	32,342	**400**	1,548	**28,266**	33,890

No revenue was derived from the property segment for the financial years ended 31 December 2019 and 31 December 2018.

4. OTHER OPERATING INCOME

	Group	
	2019 $'000	**2018 $'000**
Interest income from fixed deposits	**574**	480
Foreign currency gains	**515**	91
Gain on sale of property, plant and equipment	**21**	–
Gain on sale of interest in an associated company	**32**	–
Gain on sale of interest in a subsidiary company	**–**	454
Others	**46**	22
	1,188	1,047

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

5. FINANCE COSTS

	Group	
	2019 $'000	2018 $'000
Interest on bank loans	**889**	1,855
Interest on lease liabilities	**87**	–
Interest on advance from former immediate and ultimate holding company	**8**	–
Interest on loan from a non-controlling interest	**3**	3
Interest on hire purchase	**–**	2
	987	1,860

6. PROFIT BEFORE TAXATION FROM CONTINUING OPERATIONS

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

Audit fees		
– Auditor of the Company	**211**	200
– Other auditors	**78**	75
Non-audit fees		
– Auditor of the Company	**32**	33
– Other auditors	**3**	–
Total audit and non-audit fees	**324**	308
Legal and professional fees	**1,232**	2,634
Impairment loss on trade receivables	**4**	23
Utilities	**1,826**	1,807
Repairs and maintenance	**600**	531
Loss on sale of investment securities	**6**	20
Loss on sale of property, plant and equipment	**–**	5
Loss on sale of non-current asset classified as held for sale	**819**	–
Property, plant and equipment written off	**51**	26
Amortisation of club memberships	**3**	3
Depreciation of property, plant and equipment	**3,791**	4,043
Depreciation of right-of-use assets	**116**	–
Impairment loss on non-current asset classified as held for sale	**–**	762
Salaries and other short-term employee benefits (including executive director)	**10,842**	10,335
Central Provident Fund and other defined contributions (including executive director)	**596**	637
Inventories recognised as an expense in cost of sales	**2,645**	3,114
Directors' fees	**230**	224
Rental expenses	**82**	677
Property tax	**187**	178

No contingent rent (2018: $53,000) is included in rental expenses.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

7. TAXATION

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

	Group	
	2019 **$'000**	**2018** **$'000**
Continuing operations:		
Current tax		
– Current year	**988**	1,666
– Benefits from previously unrecognised tax losses	**–**	(11)
– Over provision in respect of prior year	**–**	(5)
Deferred tax		
– Origination and reversal of temporary differences	**228**	415
– Over provision in respect of prior year	**(30)**	–
	1,186	2,065
Income tax attributable to discontinued operation (Note 8)	**13**	553
Income tax expense recognised in profit or loss	**1,199**	2,618

As at 31 December 2019, certain subsidiary companies in the Group had unutilised tax losses of approximately $119,221,000 (2018: $119,350,000) which may be available for set off against future taxable profits of the respective companies in which the tax losses arose. The availability and utilisation of these tax losses 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 $6,043,000 (2018: $6,158,000) will expire within the next 5 years. No deferred tax asset was recognised due to uncertainty of its recoverability except as disclosed in Note 15.

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

	2019	2018
Profit before taxation from continuing operations	**816**	3,835
Profit before taxation from discontinued operation (Note 8)	**20,664**	2,543
	21,480	6,378
Adjustment for:		
Share of results of associated and joint venture companies	**(3,031)**	(4,340)
	18,449	2,038
Tax at statutory rate of 17% (2018: 17%)	**3,136**	346
Tax effect on expenses not deductible in determining taxable profit	**1,619**	2,092
Tax effect on income not taxable in determining taxable profit	**(3,542)**	(286)
Tax effect on tax incentives	**(141)**	(108)
Over provision of tax in respect of prior years	**–**	(5)
Tax effect on different statutory tax rates of other countries	**73**	298
Tax effect on utilisation of previously unrecognised tax losses and temporary differences	**(112)**	97
Tax effect on net deferred tax assets not recognised	**118**	118
Withholding tax	**41**	45
Others, net	**7**	21
	1,199	2,618

The expenses not deductible in determining taxable profit comprised mainly expenses disallowed for investment holding companies and depreciation of property, plant and equipment.

The income not taxable in determining taxable profit comprised mainly capital gain from disposal of the Group's entire equity interest in L.C. (London) Ltd, as detailed in Note 8.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

8. DISCONTINUED OPERATION AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 14 December 2018, L.C. Hotels Pte Ltd, a wholly-owned subsidiary of the Company, entered into a share sale and purchase agreement to sell the entire issued paid-up ordinary shares in the capital of L.C. (London) Ltd ("LCL"). At 31 December 2018, LCL was classified as a disposal group held for sale and as a discontinued operation. The assets and liabilities related to LCL have been presented in the balance sheet as "Assets classified as held for sale" and "Liabilities directly associated with assets classified as held for sale" respectively, and its results were presented separately in profit or loss as "Profit from discontinued operation, net of tax". The sale was completed on 11 April 2019.

The financial results and cash flow information of discontinued operation were as follows:

	2019 $'000	2018 $'000
Revenue	**4,259**	21,204
Cost of sales	**(2,303)**	(12,412)
Gross profit	**1,956**	8,792
Other operating income	**56**	128
Marketing expenses	**(264)**	(1,208)
Administrative expenses	**(627)**	(2,871)
Other operating expenses	**(529)**	(1,590)
Operating profit	**592**	3,251
Finance costs	**(330)**	(708)
Gain on sale of discontinued operation	**20,402**	–
Profit before taxation	**20,664**	2,543
Taxation	**(13)**	(553)
Profit for the year	**20,651**	1,990
Net cash flows from operating activities	**19**	3,343
Net cash flows from/(used in) investing activities	**113,630**	(599)
Net cash flows used in financing activities	**(737)**	(1,928)
Net increase in cash and cash equivalents	**112,912**	816

Earnings per share from discontinued operation (cents) were as follows:

Basic	**1.96**	0.19
Diluted	**1.96**	0.19

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8. DISCONTINUED OPERATION AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (CONTINUED)

The effects of disposal on the financial position of the Group were as follows:

	2019 $'000
Property, plant and equipment	138,141
Inventories	73
Trade receivables	321
Other receivables	109
Prepayments	137
Cash and short-term deposits	4,495
Total assets	143,276
Trade payables	1,058
Other payables and accruals	1,738
Loans and borrowings	29,877
Deferred tax liabilities	12,785
Total liabilities	45,458
Net assets derecognised	97,818
Consideration received	119,310
Less: Transaction costs incurred	(1,147)
Less: Cash and short-term deposits disposed of	(4,495)
Net cash inflow from investing activities	113,668
Consideration received	119,310
Less: Net assets derecognised	(97,818)
Less: Transaction costs incurred	(1,147)
Add: Realisation of foreign currency translation reserve to profit or loss	57
Gain on sale of interest in a subsidiary company	20,402

The major classes of assets and liabilities of LCL classified as held for sale and the related reserves as at 31 December 2018 were as follows:

	2018 $'000
Assets classified as held for sale:	
Property, plant and equipment	134,132
Inventories	62
Trade receivables	637
Other receivables	21
Prepayments	277
Cash and short-term deposits	5,118
	140,247
Liabilities directly associated with assets classified as held for sale:	
Trade payables	347
Other payables and accruals	2,465
Provision for taxation	172
Loans and borrowings (current)	1,692
Loans and borrowings (non-current)	27,638
Deferred tax liabilities	12,404
	44,718
Net assets	95,529
Reserves of assets classified as held for sale:	
Asset revaluation reserve	87,222
Foreign currency translation reserve	(2,725)
	84,497

Non-current assets classified as held for sale are disclosed in Note 16.

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9. EARNINGS PER SHARE

	Group	
	2019 **$'000**	**2018** **$'000**
(a) Loss per share from continuing operations		
Loss from continuing operations attributable to shareholders of the Company	**(1,701)**	(1,064)
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
Loss per share from continuing operations (cents)		
Basic	**(0.16)**	(0.10)
Diluted	**(0.16)**	(0.10)
(b) Earnings per share		
Profit attributable to shareholders of the Company	**18,950**	926
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	**1.80**	0.09
Diluted	**1.80**	0.09

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10. 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 2019							
Cost	–	–	3,036	12,852	20,382	343	36,613
Valuation	228,678	19,968	–	–	–	–	248,646
	228,678	19,968	3,036	12,852	20,382	343	285,259
Additions	99	–	1,503	1,845	6,320	–	9,767
Revaluation	627	–	–	–	–	–	627
Disposals	(75)	–	–	(407)	(859)	–	(1,341)
Write off	(530)	–	–	(327)	(5,111)	–	(5,968)
Reclassification	–	–	(193)	41	152	–	–
Currency realignment	16,354	(611)	253	508	963	10	17,477
At 31 December 2019	245,153	19,357	4,599	14,512	21,847	353	305,821
Representing –							
Cost	–	–	4,599	14,512	21,847	353	41,311
Valuation	245,153	19,357	–	–	–	–	264,510
	245,153	19,357	4,599	14,512	21,847	353	305,821
Accumulated depreciation							
At 1 January 2019	27,498	1,176	–	11,380	18,505	298	58,857
Charge for the year	1,191	1,160	–	559	868	13	3,791
Disposals	(75)	–	–	(407)	(853)	–	(1,335)
Write off	(530)	–	–	(312)	(5,075)	–	(5,917)
Currency realignment	2,044	(57)	–	382	748	7	3,124
At 31 December 2019	30,128	2,279	–	11,602	14,193	318	58,520
Net carrying amount							
At 31 December 2019	215,025	17,078	4,599	2,910	7,654	35	247,301

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	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 2018							
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
Additions	72	–	2,533	515	710	–	3,830
Revaluation	2,091	–	–	–	–	–	2,091
Disposals	(14)	–	–	(48)	(184)	–	(246)
Write off	–	–	–	(48)	(162)	–	(210)
Attributable to disposal group (Note 8)	(150,778)	–	(258)	–	(13,812)	–	(164,848)
Disposal of a subsidiary company	–	–	–	(4,776)	(1,107)	(76)	(5,959)
Currency realignment	(733)	(78)	16	170	(208)	4	(829)
At 31 December 2018	228,678	19,968	3,036	12,852	20,382	343	285,259
Representing –							
Cost	–	–	3,036	12,852	20,382	343	36,613
Valuation	228,678	19,968	–	–	–	–	248,646
	228,678	19,968	3,036	12,852	20,382	343	285,259
Accumulated depreciation							
At 1 January 2018	43,548	–	–	15,481	29,914	300	89,243
Charge for the year	2,757	1,174	–	565	2,205	25	6,726
Disposals	(14)	–	–	(40)	(184)	–	(238)
Write off	–	–	–	(47)	(137)	–	(184)
Attributable to disposal group (Note 8)	(18,689)	–	–	–	(12,027)	–	(30,716)
Disposal of a subsidiary company	–	–	–	(4,716)	(1,087)	(30)	(5,833)
Currency realignment	(104)	2	–	137	(179)	3	(141)
At 31 December 2018	27,498	1,176	–	11,380	18,505	298	58,857
Net carrying amount							
At 31 December 2018	201,180	18,792	3,036	1,472	1,877	45	226,402

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Group's cash outflow on acquisition of property, plant and equipment, including discontinued operation prior to disposal, amounted to $9,805,000 (2018: $3,830,000).

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

	Location	Description	Site area	Gross floor area	Tenure of land
(i)	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
(ii)	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
(iii)	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
(iv)	Phuket Rawai Beach Resort 100 Wiset Road Tambol Rawai Amphoe Muang Phuket Phuket Thailand	Resort hotel (under development)	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 23, amounted to $146,735,000 (2018: $137,641,000).

The fair values of the above land and buildings were determined by an independent valuation specialist or Directors in December 2019 and December 2018 using valuation techniques and inputs as disclosed in Note 35(a).

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

	Group	
	2019 **$'000**	**2018** **$'000**
Freehold land	**91,297**	85,022
Buildings on freehold land	**15,387**	15,847
Leasehold land	**984**	1,061
Buildings on leasehold land	**9,517**	10,533
	117,185	112,463

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11. SUBSIDIARY COMPANIES

	Company	
	2019	**2018**
	$'000	**$'000**
Unquoted shares, at cost	**209,309**	209,309
Advances to subsidiary companies	**226,388**	230,236
Less: Allowance for impairment loss	**(143,015)**	(143,015)
	292,682	296,530
Movement in allowance for impairment loss:		
Balance at beginning	**143,015**	148,184
Writeback of allowance	**–**	(5,169)
Balance at end	**143,015**	143,015

Advances to subsidiary companies represent an extension of investments in the subsidiary companies. They are unsecured and interest free except for an amount of $7,426,000 (2018: $6,873,000) which is interest bearing at 3.63% to 4.70% (2018: 2.92% to 4.49%) per annum during the year. They are repayable only when the cash flow of the subsidiary companies permit.

In the last financial year, the Company wrote back impairment loss of $5,169,000 in respect of the disposal of a subsidiary company, ZONE X Leisure Pte Ltd.

Disposal of a subsidiary company

On 28 June 2018, the Company disposed of its wholly-owned subsidiary company, ZONE X Leisure Pte Ltd. The effects of disposal on the financial position of the Group were as follows:

	2018
	$'000
Property, plant and equipment	126
Deferred tax assets	53
Inventories	93
Other receivables	350
Prepayments	28
Cash and short-term deposits	203
Total assets	853
Provision	69
Other payables and accruals	308
Hire purchase creditors	57
Total liabilities	434
Net assets derecognised	419
Consideration received	931
Less: Cash and short-term deposits disposed of	(203)
Net cash inflow from investing activities	728
Consideration received	931
Less: Net assets derecognised	(419)
Less: Transaction costs incurred	(58)
Gain on sale of interest in a subsidiary company	454

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

11. SUBSIDIARY COMPANIES (CONTINUED)

	Name of company	Country of incorporation and place of business	Principal activities	At cost 2019 $'000	At cost 2018 $'000	Percentage of equity held by the Group 2019 %	Percentage of equity held by the Group 2018 %
	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
	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
③	LCD Management Sdn Bhd	Malaysia	Dormant	**1,531**	1,531	**100**	100

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	Name of company	Country of incorporation and place of business	Principal activities	At cost 2019 $'000	At cost 2018 $'000	Percentage of equity held by the Group 2019 %	Percentage of equity held by the Group 2018 %
	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	L.C. (London) Ltd	United Kingdom	Hotel investment	–	**	–	100
②	AF Global (Phuket) Limited*	Thailand	Investment holding	**	**	**49**	49
②	HIRP (Thailand) Limited*^	Thailand	Hotel investment	**	**	**12.6**	12.6
②	RP (Thailand) Limited*	Thailand	Property investment	**	**	**49**	49
②	AF Global (Thailand) Limited*	Thailand	Investment holding	**	**	**49**	49
②	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
⑤	AF (Shanghai) Business Consulting Co., Ltd	People's Republic of China	Business Consulting	**	–	**100**	–
⑥	AF Global (London) Ltd	United Kingdom	Property investment	**#**	#	**100**	100

@ The shareholding in this company is less than $1,000.
* Accounted for as a subsidiary company of the Group by virtue of 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% (2018: 41%) in this company including those held through indirect interest.
\# The shareholding in this company is less than $1,000 and is held indirectly through a subsidiary company of the Company.

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 PricewaterhouseCoopers ABAS Ltd, Bangkok, Thailand.
③ This company is undergoing voluntary liquidation.
④ This company was disposed of on 11 April 2019.
⑤ This company was incorporated on 20 November 2019. The appointment of auditor is in progress.
⑥ This company is not required to be audited by law of country of incorporation.

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.

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11. SUBSIDIARY COMPANIES (CONTINUED)

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
2019					
HIRP (Thailand) Limited	Thailand	**49**	**944**	**62,633**	**1,956**
2018					
HIRP (Thailand) Limited	Thailand	49	2,512	59,309	1,949

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	
	2019 $'000	**2018 $'000**
Summarised balance sheet		
Current assets	**8,105**	8,691
Current liabilities	**(9,911)**	(7,427)
Net current (liabilities)/assets	**(1,806)**	1,264
Non-current assets	**156,919**	140,567
Non-current liabilities	**(28,853)**	(22,484)
Net non-current assets	**128,066**	118,083
Net assets	**126,260**	119,347
Summarised statement of comprehensive income		
Revenue	**22,960**	27,359
Profit before tax	**1,504**	5,342
Income tax expense	**(296)**	(1,074)
Profit after tax, representing total comprehensive income for the year	**1,208**	4,268
Other summarised information		
Net cash flows from operating activities	**3,192**	6,453

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12. ASSOCIATED COMPANY

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

	Group		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Lum Chang (Suzhou) Investments Pte Ltd	–	1,600	–	–

Name of company	Country of incorporation and place of business	Principal activity	Percentage of equity held by the Group 2019 %	2018 %
Lum Chang (Suzhou) Investments Pte Ltd	Singapore	Investment holding	–	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 SFRS(I), and reconciliation with the carrying amount of the investment in the consolidated financial statements were as follows:

	2018 $'000
Summarised balance sheet	
Total assets	3,267
Total liabilities	(494)
Net assets	2,773
Proportion of the Group's ownership	49%
Group's share of net assets	1,359
Advance to associated company	241
Carrying amount of the investment	1,600

Information on the Group's and the Company's investment in associated company was as follows:

Profit after tax, representing total comprehensive income for the year	191

Advance to associated company represents an extension of investment in the associated company. It is unsecured and bore interest at 0.50% (2018: 0.50%) per annum during the year. The advance was repaid in full by the associated company during the year.

On 27 June 2019, the Company disposed of its 49% equity interest in Lum Chang (Suzhou) Investments Pte Ltd for a cash consideration of $1,389,000. The carrying amount of the Company's investment in its associated company upon disposal was $1,357,000 and the Company recognised a gain on disposal of $32,000.

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13. JOINT VENTURE COMPANIES

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

	Group	
	2019 **$'000**	**2018** **$'000**
Xuzhou YinJian LumChang Real Estate Development Co., Ltd ("XZYJLC")	–	51,458
Knight Frank Pte Ltd group ("KF group")	**31,178**	31,441
Others	**1,316**	1,396
	32,494	84,295

	Name of company	Country of incorporation and place of business	Principal activities	Percentage of equity held by the Group 2019 %	2018 %
	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**	49
	KF Property Network Pte Ltd^	Singapore	Real estate agency	**55**	55

* The investment in this joint venture company was reclassified to assets classified as held for sale on 1 October 2019.
^ 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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The summarised financial information in respect of KF group, based on its financial statements prepared in accordance with SFRS(I), and reconciliation with the carrying amount of the investment in the consolidated financial statements were as follows:

	2019 $'000	2018 $'000
Summarised balance sheet		
Cash and short-term deposits	**23,915**	27,530
Other current assets	**17,781**	18,910
Current assets	**41,696**	46,440
Non-current assets	**22,226**	13,257
Total assets	**63,922**	59,697
Current financial liabilities (excluding trade, other payables and provisions)	**1,084**	–
Other current liabilities	**23,132**	28,065
Non-current financial liabilities	**8,375**	–
Total liabilities	**32,591**	28,065
Net assets	**31,331**	31,632
Non-controlling interests	**(1,463)**	(1,317)
	29,868	30,315
Proportion of the Group's ownership	**55%**	55%
Group's share of net assets	**16,428**	16,673
Goodwill on acquisition	**9,810**	9,810
Other adjustments	**4,940**	4,958
Carrying amount of the investment	**31,178**	31,441
Summarised statement of comprehensive income		
Revenue	**87,428**	109,794
Interest income	**169**	111
Operating expenses	**(79,367)**	(99,282)
Depreciation and amortisation	**(2,134)**	(622)
Interest expense	**(384)**	–
Profit before tax	**5,712**	10,001
Income tax expense	**(999)**	(1,601)
Profit after tax, representing total comprehensive income for the year	**4,713**	8,400

During the year, the Group received dividend of $3,300,000 (2018: $4,400,000) from KF group.

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13. JOINT VENTURE COMPANIES (CONTINUED)

The dispute with the joint venture partner of XZYJLC continued to be under court proceedings during the year. However, the negotiations with the joint venture partner for the disposal of the Group's 55% equity interest in the company commenced in early October 2019 and are ongoing. The Group has been committed to the sale. The carrying amount of the Group's investment in this joint venture company will be recovered principally through a sale rather than continuing use. The sale is expected to take place within the next twelve months. Hence, the investment in this joint venture company is classified as an asset classified as held for sale with effect from 1 October 2019.

The summarised financial information in respect of XZYJLC, based on its financial statements prepared in accordance with SFRS(I), and reconciliation with the carrying amount of the investment in the consolidated financial statements were as follows:

	2018 $'000
Summarised balance sheet	
Cash and short-term deposits	2,798
Other current assets	122,859
Current assets	125,657
Non-current assets	13
Total assets	125,670
Other current liabilities, representing total liabilities	32,110
Net assets	93,560
Proportion of the Group's ownership	55%
Group's share of net assets, representing carrying amount of the investment	51,458
Summarised statement of comprehensive income	
Revenue	11,303
Interest income	32
Operating expenses	(9,453)
Depreciation and amortisation	(5)
Profit before tax	1,877
Income tax expense	(2,965)
Loss after tax, representing total comprehensive income for the year	(1,088)

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

	Group	
	2019 $'000	**2018 $'000**
(Loss)/profit after tax, representing total comprehensive income for the year	**(81)**	443

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14. INVESTMENT SECURITIES

At fair value through other comprehensive income:

	Group	
	2019 $'000	2018 $'000
Non-current		
Unquoted equity securities	**4,054**	3,991
Current		
Quoted debt securities	**7,649**	6,281

The Group received a dividend from its investment in unquoted equity securities of $73,000 in the last financial year.

At the end of the reporting period, the fair value of the unquoted equity securities increased by S$63,000 (2018: decreased by $1,009,000) with the corresponding adjustment to fair value adjustment reserve.

15. DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

	Group			
	Balance sheet		Profit or loss	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Deferred tax assets arise as a result of:				
Provisions	**414**	294	**(68)**	(20)
Differences in depreciation for tax purposes	**–**	–	**–**	21
	414	294		

Unrecognised deferred tax assets are disclosed in Note 7.

	Balance sheet 2019 $'000	Balance sheet 2018 $'000	Profit or loss 2019 $'000	Profit or loss 2018 $'000
Deferred tax liabilities arise as a result of:				
Revaluation of assets				
– to asset revaluation reserve	**24,312**	22,932	**–**	–
– to revenue reserve	**1,344**	1,254	**–**	–
Provisions	**2,804**	2,537	**266**	426
Differences in depreciation for tax purposes	**–**	–	**–**	(12)
	28,460	26,723		
Deferred tax expense			**198**	415

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 $20,192,000 (2018: $28,650,000) and the related deferred tax liability amount was approximately $2,019,000 (2018: $2,319,000).

There are no income tax consequences (2018: Nil) attached to dividend to shareholders declared by the Company and recognised as a liability in the financial statements (Note 33).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

16. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

As at 31 December 2018, the Group classified an investment property amounting to $5,910,000 in respect of the apartment unit in the United Kingdom as asset held for sale. The sale was completed on 11 October 2019 at a loss of $819,000 (2018: impairment loss of $762,000).

On 1 October 2019, the Group classified its investment in Xuzhou YinJian LumChang Real Estate Development Co., Ltd, a joint venture company as disclosed in Note 13, at carrying amount of $50,627,000 as asset held for sale. The negotiations with the joint venture partner for the disposal of the Group's 55% equity interest in the company are ongoing. The sale is expected to take place within the next twelve months.

17. 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.

The Group had trade receivables amounting to $6,000 (2018: $125,000) that were past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their ageing was as follows:

	Group	
	2019 **$'000**	**2018** **$'000**
Trade receivables past due but not impaired:		
Up to 30 days	**5**	52
31 to 60 days	**1**	52
61 to 90 days	**–**	21
	6	125

The Group had provided an allowance for expected credit losses of $4,000 (2018: $23,000) for the impairment of trade receivables as follows:

Trade receivables that are impaired:		
Trade receivables – nominal amounts	**4**	53
Less: Allowance for impairment	**(4)**	(53)
	–	–
Balance at beginning	**53**	28
Charge to profit or loss	**4**	23
Bad debts written off against provision	**(55)**	–
Currency realignment	**2**	2
Balance at end	**4**	53

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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18. OTHER RECEIVABLES

	Group		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Sundry deposits	**47**	41	**–**	–
Interest receivable	**5**	7	**3,599**	3,573
Others	**748**	493	**–**	–
Less: Allowance for impairment loss	**–**	–	**(3,473)**	(3,473)
	800	541	**126**	100
Movement in allowance for impairment loss:				
Balance at beginning and end	**–**	–	**3,473**	3,473

Interest receivable of the Company is in relation to the interest receivable from subsidiary companies.

Allowance for impairment loss of $3,473,000 (2018: $3,473,000) was in respect of interest receivable from a subsidiary company.

19. AMOUNTS DUE FROM SUBSIDIARY COMPANIES

Amounts due from subsidiary companies under current assets are non-trade related, unsecured and non-interest bearing. They are repayable in cash within the next twelve months. During the year, a subsidiary company had repaid an amount of $1,736,000 outstanding as at 31 December 2018 which was interest bearing at 3.97% to 4.07% (2018: 3.61% to 3.76%) per annum during the year.

20. TRADE PAYABLES

Trade payables are unsecured, non-interest bearing and normally settled between 30 to 90 days' term.

21. OTHER PAYABLES AND ACCRUALS

Accrued expenses	**4,658**	4,562	**346**	320
Interest payable	**1,100**	1,112	**–**	16
Sundry creditors	**548**	522	**101**	77
Amount due to a related party	**385**	773	**385**	773
Accrued development costs	**1,333**	707	**–**	–
	8,024	7,676	**832**	1,186

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

Other payables and accruals are normally settled within six months.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

22. AMOUNT DUE TO A SUBSIDIARY COMPANY

Amount due to a subsidiary company under non-current liabilities is non-trade related, unsecured and non-interest bearing. It is repayable only when the cash flow of the Company permits.

23. LOANS AND BORROWINGS

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Repayable within 12 months	**3,304**	48,636	**1,500**	48,250
Repayable after 12 months	**4,805**	–	**–**	–
	8,109	48,636	**1,500**	48,250

Details of the Group's loans and borrowings were as follows:

(i) The Group had drawn down a new term loan of $6,609,000 which bore interest at 3.60% per annum during the year. It was secured by a mortgage on the freehold land and buildings owned by a subsidiary company. It is repayable in 7 equal semi-annual instalments of $902,000 from June 2020 to June 2023 with the remaining sum of $295,000 repayable in December 2023.

(ii) Two revolving credit facilities totalling $1,500,000 (2018: $4,250,000) which are unsecured and bore interest at 3.46% to 5.02% (2018: 2.99% to 4.87%) per annum during the year. It is repayable on demand.

(iii) A revolving credit facility outstanding as at 31 December 2018 of $10,000,000 secured by a pledge of shares of a subsidiary company which bore interest at 3.76% to 3.97% (2018: 3.00% to 3.90%) per annum was repaid during the year.

(iv) A revolving credit facility outstanding as at 31 December 2018 of $34,000,000 secured by a mortgage on the freehold land and buildings owned by disposal group and a fixed and floating charge over all assets of disposal group which bore interest at 3.72% to 3.82% (2018: 2.59% to 3.80%) per annum was repaid during the year following the sale of disposal group.

(v) A term loan outstanding as at 31 December 2018 of $386,000 secured by a mortgage on the freehold land and buildings owned by a subsidiary company which bore interest at 5.15% (2018: 5.15%) per annum was repaid during the year.

The revolving credit facilities of the Company of $1,500,000 (2018: $14,250,000) have no fixed repayment terms. They can be rolled over when due.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

	2018 $'000	Cash flows $'000	Non-cash changes: Foreign exchange movement $'000	Non-cash changes: Reclassification $'000	Non-cash changes: Reclassified as part of disposal group $'000	Non-cash changes: Other movement $'000	2019 $'000
Loans and borrowings							
– current	**48,636**	**(45,391)**	**59**	**–**	**–**	**–**	**3,304**
– non-current	**–**	**4,698**	**107**	**–**	**–**	**–**	**4,805**
	48,636	**(40,693)**	**166**	**–**	**–**	**–**	**8,109**

	2017 $'000	Cash flows $'000	Non-cash changes: Foreign exchange movement $'000	Non-cash changes: Reclassification $'000	Non-cash changes: Reclassified as part of disposal group $'000	Non-cash changes: Other movement $'000	2018 $'000
Loans and borrowings							
– current	12,455	1,724	(69)	36,177	(1,692)	41	48,636
– non-current	64,872	–	(1,057)	(36,177)	(27,638)	–	–
	77,327	1,724	(1,126)	–	(29,330)	41	48,636

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

24. SHARE CAPITAL

Ordinary shares of the Company:

	No. of shares 2019 '000	No. of shares 2018 '000	Share capital 2019 $'000	Share capital 2018 $'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.

25. NON-CONTROLLING INTERESTS

Included in non-controlling interests are advances amounting to $1,710,000 (2018: $1,864,000) from a non-controlling interest which are unsecured. The advances are not due for repayment within the next twelve months. During the year, the Group had partially repaid the advances amounting to $154,000 of which $96,000 (2018: $96,000) was interest bearing at 3.68% to 4.19% (2018: 2.92% to 4.11%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

26. 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	
	2019	**2018**
	$'000	**$'000**
Balance at beginning	**49,575**	135,219
Surplus on revaluation of property, plant and equipment	**627**	2,091
Adjustments of deferred tax liabilities	**107**	(513)
Reclassified to reserves of assets classified as held for sale (Note 8)	**–**	(87,222)
Balance at end	**50,309**	49,575

(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	**232**	657
Foreign currency translation gain/(loss)	**6,338**	(3,150)
Reclassified to reserves of assets classified as held for sale (Note 8)	**–**	2,725
Balance at end	**6,570**	232

(c) *Legal reserve*

Pursuant to the laws of the country of incorporation, two (2018: 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.

Balance at beginning and end	**30**	30

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

(d) *Other reserves*

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

	Group	
	2019	**2018**
	$'000	**$'000**
Balance at beginning	**(1,024)**	80
Net gain/(loss) on fair value changes of financial assets	**8**	(1,104)
Share of reserves of a joint venture company	**12**	–
Balance at end	**(1,004)**	(1,024)

27. CASH AND SHORT-TERM DEPOSITS

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Cash and bank balances	**9,838**	8,661	**295**	194
Fixed deposits	**13,796**	10,850	**202**	–
	23,634	19,511	**497**	194

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprised the following:

	Group	
	2019	**2018**
	$'000	**$'000**
Cash and short-term deposits		
– Continuing operations	**23,634**	19,511
– Disposal group (Note 8)	**–**	5,118
	23,634	24,629
Less: Fixed deposit pledged	**(49)**	(49)
	23,585	24,580

The weighted average effective interest rate of the fixed deposits of the Group at the end of the year was 3.94% (2018: 4.86%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

28. LEASES

As lessee

The Group has lease contracts for land and office premises. These leases have remaining non-cancellable lease terms of between 3 to 16 years from the date of initial application of SFRS(I) 16 with renewal option. The Group is restricted from subleasing to third parties. The Group also has leases of office premises which is short-term and office equipment which is of low-value. The Group applies the short-term lease and leases of low-value assets recognition exemptions for these leases.

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

	Group		
	Leasehold land $'000	**Office premises $'000**	**Total $'000**
2019			
As at 1 January 2019	**961**	**158**	**1,119**
Depreciation expense	**(60)**	**(56)**	**(116)**
Currency realignment	**(12)**	**11**	**(1)**
Balance at end	**889**	**113**	**1,002**

Set out below were the carrying amounts of lease liabilities and the movements during the year:

	Group
	2019 $'000
As at 1 January 2019	**1,119**
Accretion of interest	**87**
Payments	**(156)**
Currency realignment	**(1)**
Balance at end	**1,049**
Current	**76**
Non-current	**973**

The maturity analysis of lease liabilities are disclosed in Note 34.

Amounts recognised in profit or loss:

Depreciation expense of right-of-use assets	**116**
Interest expense on lease liabilities	**87**
Expenses relating to a short-term lease and leases of low-value assets (included in rental expenses)	**71**
Total amount recognised in profit or loss	**274**

Operating lease payments recognised in profit or loss in the last financial year amounted to $660,000.

Total cash outflow of the Group for leases during the year was $156,000.

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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 were as follows:

	Group	
	2019	**2018**
	$'000	**$'000**
Not later than 1 year	**1,183**	1,171
Later than 1 year but not later than 5 years	**224**	176
	1,407	1,347

29. CONTINGENT LIABILITIES

The Group's contingent liabilities at 31 December 2019 were as follows:

(a) The claims against the Company and its senior executive by the joint venture partner of XZYJLC in the last financial year alleging damage caused purportedly by the Group in notifying the hotel management company, which the joint venture partner had proposed for the hotel under construction, that the board of directors of the joint venture company had not approved of the joint venture company to enter into the Letter of Intent ("LOI") for hotel management agreement with the hotel management company.

On our end, the Group found certain payments made by XZYJLC to local contractors which had bypassed the usual payment procedures and, the unauthorised signing of the LOI as well as the appointment of a senior management personnel by the joint venture partner were in breach of the joint venture agreement. The Group had appointed Chinese lawyers to act in this matter including making counterclaim actions and the matter is currently being heard in the Chinese courts.

The Group did not make any provision for damages as the litigation is still under court proceedings since the end of the last financial year and the Group believes that the claims cannot be substantiated.

(b) A corporate guarantee provided by the Company to a bank for a banking facility granted to a subsidiary company for an amount of Sterling Pound 13,500,000 or $23,842,000 (2018: Sterling Pound 13,500,000 or $23,383,000), of which no amount has been utilised by the subsidiary company at the end of reporting period.

(c) A corporate guarantee provided by the Company to a bank for a banking facility granted to a subsidiary company for an amount of $1,116,000 (2018: Nil), of which no amount has been utilised by the subsidiary company at the end of reporting period.

30. CAPITAL COMMITMENTS

Commitments not provided for in the financial statements are in respect of:		
– property, plant and equipment	**2,332**	3,634
– investment commitment of an associated company	**–**	5,179
– capital commitments in relation to project development costs of a joint venture company	**–**	15,080

NOTES TO THE FINANCIAL STATEMENTS

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31. 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:

	Group	
	2019 **$'000**	**2018** **$'000**
(a) Sale and purchase of goods and services		
Related parties		
AF Corporation Pte Ltd (former immediate and ultimate holding company):		
Interest expense paid	**(8)**	–
Aspial Corporation Limited and its subsidiary companies:		
Interest income received	**400**	248
Purchase of investment securities	**(2,500)**	(3,000)
Corporate service fee payable	**(360)**	(360)
(b) Remuneration of key management personnel		
Salaries and other short-term employee benefits	**(963)**	(1,000)
Central Provident Fund contributions	**(60)**	(71)
Total remuneration paid to key management personnel	**(1,023)**	(1,071)

32. 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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	Continuing operations				Discontinued operation and disposal group held for sale	
	Property $'000	Hotel and serviced residence $'000	Leisure and others $'000	Subtotal $'000	Hotel and serviced residence $'000	Consolidated $'000
2019						
Segment revenue						
Total segment sales	–	27,866	120,806	148,672	4,259	152,931
Inter-segment sales	–	–	(120,406)	(120,406)	–	(120,406)
Revenue	–	27,866	400	28,266	4,259	32,525
Segment results	(1,943)	1,620	(905)	(1,228)	20,994	19,766
Finance costs	–	(119)	(868)	(987)	(330)	(1,317)
Share of results of associated and joint venture companies	3,033	–	(2)	3,031	–	3,031
Profit/(loss) before taxation	1,090	1,501	(1,775)	816	20,664	21,480
Taxation	4	(1,151)	(39)	(1,186)	(13)	(1,199)
Profit/(loss) for the year	1,094	350	(1,814)	(370)	20,651	20,281
Segment assets	472	272,989	571	274,032	–	274,032
Assets classified as held for sale	50,627	–	–	50,627	–	50,627
Investment in joint venture companies	32,494	–	–	32,494	–	32,494
Investment securities	–	–	11,703	11,703	–	11,703
Deferred tax assets	–	373	41	414	–	414
Total assets	83,593	273,362	12,315	369,270	–	369,270
Segment liabilities	563	10,131	11,402	22,096	–	22,096
Loans and borrowings	–	6,609	1,500	8,109	–	8,109
Tax liabilities	53	28,814	39	28,906	–	28,906
Total liabilities	616	45,554	12,941	59,111	–	59,111
Other segment information:						
Capital expenditures	–	9,767	–	9,767	38	9,805
Depreciation of property, plant and equipment	–	3,791	–	3,791	–	3,791
Depreciation of right-of-use assets	–	116	–	116	–	116
Amortisation expenses	–	3	–	3	–	3
Interest income	6	565	404	975	6	981
Property, plant and equipment written off	–	51	–	51	26	77

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32. SEGMENT INFORMATION (CONTINUED)

	Continuing operations				Discontinued operation and disposal group held for sale	
	Property $'000	Hotel and serviced residence $'000	Leisure and others $'000	Subtotal $'000	Hotel and serviced residence $'000	Consolidated $'000
2018						
Segment revenue						
Total segment sales	–	32,342	6,842	39,184	21,204	60,388
Inter-segment sales	–	–	(5,294)	(5,294)	–	(5,294)
Revenue	–	32,342	1,548	33,890	21,204	55,094
Segment results	(3,252)	5,160	(553)	1,355	3,251	4,606
Finance costs	–	(97)	(1,763)	(1,860)	(708)	(2,568)
Share of results of associated and joint venture companies	4,247	–	93	4,340	–	4,340
Profit/(loss) before taxation	995	5,063	(2,223)	3,835	2,543	6,378
Taxation	(12)	(1,997)	(56)	(2,065)	(553)	(2,618)
Profit/(loss) for the year	983	3,066	(2,279)	1,770	1,990	3,760
Segment assets	465	246,562	757	247,784	–	247,784
Assets classified as held for sale	5,910	–	–	5,910	140,247	146,157
Investment in an associated company	–	–	1,600	1,600	–	1,600
Investment in joint venture companies	84,295	–	–	84,295	–	84,295
Investment securities	–	–	10,272	10,272	–	10,272
Deferred tax assets	–	284	10	294	–	294
Total assets	90,670	246,846	12,639	350,155	140,247	490,402
Segment liabilities	721	8,081	1,198	10,000	2,812	12,812
Loans and borrowings	–	386	48,250	48,636	29,330	77,966
Tax liabilities	57	27,413	10	27,480	12,576	40,056
Total liabilities	778	35,880	49,458	86,116	44,718	130,834
Other segment information:						
Capital expenditures	–	3,187	44	3,231	599	3,830
Depreciation of property, plant and equipment	–	3,999	44	4,043	2,683	6,726
Amortisation expenses	–	3	–	3	–	3
Interest income	6	473	250	729	13	742
Property, plant and equipment written off	–	26	–	26	–	26
Impairment loss on non-current asset classified as held for sale	762	–	–	762	–	762

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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	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Singapore	**400**	1,548	**31,296**	33,206
Thailand	**22,960**	27,359	**229,831**	206,986
Vietnam	**2,192**	2,127	**8,334**	8,991
Lao People's Democratic Republic	**2,714**	2,856	**10,059**	10,303
People's Republic of China	**–**	–	**1,316**	52,853
United Kingdom	**4,259**	21,204	**–**	–
Discontinued operation	**(4,259)**	(21,204)	**–**	–
	28,266	33,890	**280,836**	312,339

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

Information about major customers

There was no concentration of revenue derived from any one single customer for the years ended 31 December 2019 and 31 December 2018.

33. DIVIDENDS

	Group and Company	
	2019	**2018**
	$'000	**$'000**
Declared and paid during the year		
Dividends on ordinary shares:		
Special dividend for 2018 of 0.75 cent per share	**7,918**	–
Final dividend for 2018 of 0.50 cent per share	**5,278**	–
Special dividend for 2019 of 5.50 cents per share	**58,060**	–
	71,256	–
Declared and recognised as a liability as at 31 December		
Dividend on ordinary shares:		
Special dividend for 2019 of 1.00 cent per share	**10,556**	–
Proposed but not recognised as a liability as at 31 December		
Dividends on ordinary shares, subject to shareholders' approval at the Annual General Meeting:		
Special dividend for 2018 of 0.75 cent per share	**–**	7,918
Final dividend for 2018 of 0.50 cent per share	**–**	5,278
	–	13,196

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34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprised loans and borrowings 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.

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 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**
2019		
Profit before taxation		
Fixed deposits	**138**	**(138)**
Loans and borrowings	**(81)**	**81**
	57	**(57)**
2018		
Profit before taxation		
Fixed deposits	109	(109)
Loans and borrowings	(486)	486
	(377)	377

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

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(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**
2019				
Financial asset				
Cash and short-term deposits	**–**	**2,099**	**656**	**197**
Financial liabilities				
Other payables and accruals	**(372)**	**(91)**	**–**	**(470)**
Lease liabilities	**–**	**(933)**	**–**	**–**
Net financial (liabilities)/assets	**(372)**	**1,075**	**656**	**(273)**
2018				
Financial asset				
Cash and short-term deposits	–	1,652	1,156	118
Financial liability				
Other payables and accruals	(562)	(122)	–	(622)
Net financial (liabilities)/assets	(562)	1,530	1,156	(504)

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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34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(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, 41% (2018: 100%) of the Group's loans and borrowings 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.

	2019				2018			
	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	**7,649**	**–**	**4,054**	**11,703**	6,281	–	3,991	10,272
Trade and other receivables	**1,579**	**–**	**–**	**1,579**	1,250	–	–	1,250
Cash and short-term deposits	**23,634**	**–**	**–**	**23,634**	19,511	–	–	19,511
Total undiscounted financial assets	**32,862**	**–**	**4,054**	**36,916**	27,042	–	3,991	31,033
Financial liabilities								
Trade and other payables	**10,491**	**–**	**–**	**10,491**	10,000	–	–	10,000
Lease liabilities	**231**	**660**	**945**	**1,836**	–	–	–	–
Loans and borrowings	**3,585**	**5,765**	**–**	**9,350**	49,463	–	–	49,463
Dividend payable	**10,556**	**–**	**–**	**10,556**	–	–	–	–
Total undiscounted financial liabilities	**24,863**	**6,425**	**945**	**32,233**	59,463	–	–	59,463
Total net undiscounted financial assets/ (liabilities)	**7,999**	**(6,425)**	**3,109**	**4,683**	(32,421)	–	3,991	(28,430)

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	2019				2018			
	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	**–**	**–**	**98,485**	**98,485**	–	–	104,065	104,065
Other receivables	**126**	**–**	**–**	**126**	100	–	–	100
Amounts due from subsidiary companies	**7,507**	**–**	**–**	**7,507**	2,375	–	–	2,375
Cash and short-term deposits	**497**	**–**	**–**	**497**	194	–	–	194
Total undiscounted financial assets	**8,130**	**–**	**98,485**	**106,615**	2,669	–	104,065	106,734
Financial liabilities								
Other payables and accruals	**832**	**–**	**–**	**832**	1,186	–	–	1,186
Amount due to a subsidiary company	**–**	**–**	**22,999**	**22,999**	–	–	22,999	22,999
Loans and borrowings	**1,560**	**–**	**–**	**1,560**	49,068	–	–	49,068
Dividend payable	**10,556**	**–**	**–**	**10,556**	–	–	–	–
Total undiscounted financial liabilities	**12,948**	**–**	**22,999**	**35,947**	50,254	–	22,999	73,253
Total net undiscounted financial (liabilities)/ assets	**(4,818)**	**–**	**75,486**	**70,668**	(47,585)	–	81,066	33,481

(d) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. 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.

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

The Group has determined the default event on a financial asset to be when the counterparty fails to make contractual payments, within 90 days when they fall due, which are derived based on the Group's historical information.

NOTES TO THE FINANCIAL STATEMENTS

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34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) ***Credit risk*** (Continued)

To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset at the end of the reporting period with the risk of default as at the date of initial recognition. The Group considers available reasonable and supportive forward-looking information which includes the following indicators:

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

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making contractual payment.

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

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

The Group categorises a receivable for potential write-off when a debtor fails to make contractual payments more than 90 days past due. Financial assets are written off when there is no reasonable expectation of recovery. Where receivables have been written off, the Group continues to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

The following are credit risk management practices, quantitative and qualitative information on expected credit losses for each class of financial assets.

(i) Trade and other receivables at amortised cost

The Group uses a provision matrix to measure the lifetime expected credit loss allowance for trade and other receivables. In measuring the expected credit losses, trade and other receivables are grouped based on days past due. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjusts to reflect current and forward-looking macroeconomic data.

The Group had assessed that the lifetime expected credit loss of trade and other receivables as disclosed in Notes 17 and 18 is not significant.

(ii) Quoted debt and unquoted equity securities at fair value through other comprehensive income

The Group uses three categories of internal credit risk ratings for this group of financial assets which reflect their credit risk and how the loss provision is determined for each of those categories. These internal credit risk ratings are determined through incorporating both qualitative and quantitative information that builds on information from external credit rating agencies, supplemented with information specific to the counterparty and other external information that could affect the counterparty's behaviour.

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The Group computed the expected credit loss for this group of financial assets using the probability of default approach. In calculating the expected credit loss rates, the Group considers implied probability of default from external rating agencies where available and historical loss rates for each category of counterparty, and adjusts for forward-looking macroeconomic data.

A summary of the Group's internal grading category in the computation of the Group's expected credit loss model for these securities is as follows:

Category	Definition of category	Basis for recognition of expected credit loss provision
Grade I	Counterparty with low risk of default and a strong capacity to meet contractual cash flows.	12-month expected credit losses
Grade II	Amount is > 30 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime expected credit losses
Grade III	Amount is > 90 days past due or there is evidence indicating the asset is credit-impaired.	Lifetime expected credit losses

There are no significant changes to estimation techniques or assumptions made during the reporting period.

As at 31 December 2019, the gross carrying amounts of quoted debt and unquoted equity securities were $7,649,000 (2018: $6,281,000) and $4,054,000 (2018: $3,991,000) respectively. There is no loss allowance (2018: Nil) provided as the expected credit loss is not significant.

Exposure to credit risk

The Group has no significant exposure to credit risk at the end of the reporting period and the last financial year.

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			
	2019		2018	
	$'000	% of total	$'000	% of total
Hotel and serviced residence	**779**	**100**	709	100

There was no significant concentration of credit risk from any one single customer within the Group or the Company.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) ***Credit risk*** (Continued)

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 17.

(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.

35. 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 at the same level of the fair value hierarchy as the lowest input that is significant to the entire measurement.

(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
2019				
Group				
Non-financial asset				
Property, plant and equipment (Note 10)	–	–	232,103	232,103
Financial assets				
Investment securities (Note 14)				
– Unquoted equity securities	–	–	4,054	4,054
– Quoted debt securities	7,649	–	–	7,649

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	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
2018				
Group				
Non-financial assets				
Property, plant and equipment (Note 10)	–	–	219,972	219,972
Assets classified as held for sale				
– Non-current assets classified as held for sale (Note 16)	–	5,910	–	5,910
– Disposal group classified as held for sale (Note 8)	–	–	95,529	95,529
Financial assets				
Investment securities (Note 14)				
– Unquoted equity securities	–	–	3,991	3,991
– Quoted debt securities	6,281	–	–	6,281

Fair value hierarchy

There were no transfers between Level 1, Level 2 and Level 3 fair value measurements.

Level 2 fair value measurements

The non-current asset classified as held for sale at the end of the last financial year was stated at fair value less costs to sell of $5,910,000. Impairment loss of $762,000 was charged to profit or loss in the last financial year. The fair value is determined from market-based evidence by Directors based on comparable market transactions. The Group had disposed of this investment property at a loss of $819,000 during the year.

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35. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

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

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				
2019				
Property, plant and equipment	**163,812**	Income approach	Discounted rate	10.00%-10.50% per annum
Property, plant and equipment	**68,291**	Market comparable approach	Yield adjustments based on management's assumptions*	5.00%-47.00% per annum
Unquoted equity securities	**4,054**	Market comparison technique	Adjusted market multiple	0.80-2.90 Price-to-book value ratio and 15.52-95.57 Price-to-earnings ratio
2018				
Property, plant and equipment	156,434	Income approach	Discounted rate	10.00%-10.50% per annum
Property, plant and equipment	63,538	Market comparable approach	Yield adjustments based on management's assumptions*	5.00%-47.00% per annum
Unquoted equity securities	3,991	Market comparison technique	Adjusted market multiple	0.86-1.88 Price-to-book value ratio and 8.46-45.61 Price-to-earnings ratio

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

A significant decrease (increase) in the discount rate would result in a significantly higher (lower) fair value of the property, plant and equipment.

A significant increase (decrease) in the adjusted market multiple would result in a significantly higher (lower) fair value of the unquoted equity securities.

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(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 2019	**219,972**
Additions	**99**
Depreciation	**(2,351)**
Surplus on revaluation	**627**
Currency realignment	**13,756**
Balance at 31 December 2019	**232,103**
Balance at 1 January 2018	354,538
Additions	72
Depreciation	(3,931)
Surplus on revaluation	2,091
Disposal group classified as held for sale	(132,089)
Currency realignment	(709)
Balance at 31 December 2018	219,972

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 SFRS(I) 13 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.

(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 loans and borrowings and lease liabilities reflect the corresponding fair values because they are repriced to or approximate the market interest rates near the end of the reporting period.

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35. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

(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*

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.

It is also not practicable to determine the fair value of the amounts due from or to subsidiary companies with sufficient reliability since they have no fixed repayment term and are repayable only when the cash flow of these subsidiary companies or Company permit. Accordingly, these amounts are carried at cost.

36. CLASSIFICATION OF FINANCIAL INSTRUMENTS

	Assets at amortised cost $'000	Fair value through other comprehensive income $'000	Non-financial assets $'000	Total $'000
2019				
Group				
Assets				
Non-current				
Property, plant and equipment	–	–	247,301	247,301
Right-of-use assets	–	–	1,002	1,002
Intangible assets	–	–	39	39
Investment securities	–	4,054	–	4,054
Deferred tax assets	–	–	414	414
Current				
Investment securities	–	7,649	–	7,649
Inventories	–	–	224	224
Trade and other receivables	1,579	–	–	1,579
Prepayments	–	–	253	253
Cash and short-term deposits	23,634	–	–	23,634
Assets classified as held for sale	–	–	50,627	50,627
	25,213	11,703	299,860	336,776

	Liabilities at amortised cost $'000	Non-financial liabilities $'000	Total $'000
2019			
Group			
Liabilities			
Current			
Trade and other payables	10,491	–	10,491
Provision for taxation	–	446	446
Lease liabilities	76	–	76
Loans and borrowings	3,304	–	3,304
Dividend payable	10,556	–	10,556
Non-current			
Lease liabilities	973	–	973
Loans and borrowings	4,805	–	4,805
Deferred tax liabilities	–	28,460	28,460
	30,205	28,906	59,111

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	Assets at amortised cost $'000	Fair value through other comprehensive income $'000	Non-financial assets $'000	Total $'000
2018				
Group				
Assets				
Non-current				
Property, plant and equipment	–	–	226,402	226,402
Intangible assets	–	–	42	42
Investment securities	–	3,991	–	3,991
Deferred tax assets	–	–	294	294
Current				
Investment securities	–	6,281	–	6,281
Inventories	–	–	259	259
Trade and other receivables	1,250	–	–	1,250
Prepayments	–	–	320	320
Cash and short-term deposits	19,511	–	–	19,511
Assets classified as held for sale	–	–	146,157	146,157
	20,761	10,272	373,474	404,507

	Liabilities at amortised cost $'000	Non-financial liabilities $'000	Total $'000
2018			
Group			
Liabilities			
Current			
Trade and other payables	10,000	–	10,000
Provision for taxation	–	757	757
Loans and borrowings	48,636	–	48,636
Liabilities directly associated with assets classified as held for sale	–	44,718	44,718
Non-current			
Deferred tax liabilities	–	26,723	26,723
	58,636	72,198	130,834

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36. CLASSIFICATION OF FINANCIAL INSTRUMENTS (CONTINUED)

	Assets at amortised cost $'000	Non-financial assets $'000	Total $'000
2019			
Company			
Assets			
Non-current			
Subsidiary companies	98,485	–	98,485
Current			
Other receivables	126	–	126
Prepayments	–	4	4
Amounts due from subsidiary companies	7,507	–	7,507
Cash and short-term deposits	497	–	497
	106,615	4	106,619

	Liabilities at amortised cost $'000	Non-financial liabilities $'000	Total $'000
2019			
Company			
Liabilities			
Current			
Other payables and accruals	832	–	832
Provision for taxation	–	28	28
Loans and borrowings	1,500	–	1,500
Dividend payable	10,556	–	10,556
Non-current			
Amount due to a subsidiary company	22,999	–	22,999
	35,887	28	35,915

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	Assets at amortised cost $'000	Non-financial assets $'000	Total $'000
2018			
Company			
Assets			
Non-current			
Subsidiary companies	104,065	–	104,065
Current			
Other receivables	100	–	100
Prepayments	–	7	7
Amounts due from subsidiary companies	2,375	–	2,375
Cash and short-term deposits	194	–	194
	106,734	7	106,741

	Liabilities at amortised cost $'000	Non-financial liabilities $'000	Total $'000
2018			
Company			
Liabilities			
Current			
Other payables and accruals	1,186	–	1,186
Provision for taxation	–	5	5
Loans and borrowings	48,250	–	48,250
Non-current			
Amount due to a subsidiary company	22,999	–	22,999
	72,435	5	72,440

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37. 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 2019 and 31 December 2018.

As disclosed in Note 26, two (2018: two) foreign subsidiary companies of the Group are required to maintain a non-distributable statutory reserve by setting aside at least 5% of their 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 2019 and 31 December 2018.

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 loans and borrowings and lease liabilities less fixed deposits and cash and bank balances.

	Group	
	2019 $'000	**2018 $'000**
Loans and borrowings (Note 23)	**8,109**	48,636
Lease liabilities (Note 28)	**1,049**	–
Less: Fixed deposits (Note 27)	**(13,796)**	(10,850)
Less: Cash and bank balances (Note 27)	**(9,838)**	(8,661)
Net (cash)/debt	**(14,476)**	29,125
Total equity	**310,159**	359,568
Gearing ratio (times)	**N/A**	0.08

N/A: Not applicable.

38. SUBSEQUENT EVENT

At the date of these financial statements, the outbreak of pandemic Coronavirus Disease (COVID-19) and the measures taken to contain the spread of COVID-19 had affected the global economic activities as well as the financial performance of the companies.

The financial performance of the Group's hospitality asset in Phuket will be affected by the travel restrictions in Thailand. The serviced residences and office space of the Group located in Vietnam and Lao People's Democratic Republic which are mainly leased out under rental contracts are expected to be less affected. The Group envisages the outbreak of COVID-19 to have an impact on the Singapore's property market and the contributions from the Group's joint venture companies. The values of the Group's assets measured based on quoted prices and unobservable inputs will be affected as a result of the volatility in prices and key assumptions used to determine the fair value.

In view of the uncertainty amid the COVID-19 outbreak, the extent of the impact on the Group's financial performance cannot be reasonably determined at this juncture.

39. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements for the year ended 31 December 2019 were authorised for issue in accordance with a resolution of the Directors on 25 March 2020.

STATISTICS OF SHAREHOLDINGS

AS AT 23 MARCH 2020

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

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings			No. of Shareholders	%	No. of Shares	%[1]
1	–	99	218	2.62	7,866	0.00
100	–	1,000	1,309	15.73	748,111	0.07
1,001	–	10,000	4,030	48.42	17,917,256	1.70
10,001	–	1,000,000	2,736	32.88	114,097,261	10.81
1,000,001	and	above	29	0.35	922,868,970	87.42
			8,322	**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 Noninees (Private) Limited	322,146,882	30.52
2.	Koh Wee Meng	209,132,500	19.81
3.	Aspial Corporation Limited	152,484,293	14.44
4.	Sing Investment & Finance Nominees (Pte) Ltd	75,647,892	7.17
5.	Citibank Nominees Singapore Pte Ltd	33,396,845	3.16
6.	Lim Wan Looi	24,245,000	2.30
7.	Hong Leong Finance Nominees Pte Ltd	22,985,456	2.18
8.	United Overseas Bank Nominees (Private) Limited	18,941,421	1.79
9.	Maybank Kim Eng Securities Pte Ltd	9,327,904	0.88
10.	OCBC Nominees Singapore Private Limited	5,763,989	0.55
11.	Phillip Securities Pte Ltd	5,445,650	0.52
12.	Ko Lee Meng	4,761,280	0.45
13.	Fragrance Group Limited	4,307,851	0.41
14.	CGS-CIMB Securities (Singapore) Pte Ltd	3,404,177	0.32
15.	Tan Su Kiok or Sia Li Wei Jolie (She Liwei Jolie)	3,322,930	0.31
16.	Jimmy Lee Peng Siew	3,218,280	0.30
17.	Morph Investments Ltd	2,709,600	0.26
18.	UOB Kay Hian Private Limited	2,484,842	0.24
19.	Kor Beng Shien	2,388,000	0.23
20.	Tan Su Lan @ Tan Soo Lung	2,290,988	0.22
		908,405,780	**86.06**

STATISTICS OF SHAREHOLDINGS

AS AT 23 MARCH 2020

SUBSTANTIAL SHAREHOLDERS (INCLUDING DEEMED INTERESTS)
as shown in the Register of Substantial Shareholders

	Name	No. of Shares	%[1]
1.	Aspial Corporation Limited ("**Aspial**")	440,691,785	41.75
2.	MLHS Holdings Pte Ltd ("**MLHS**")	440,691,785[2]	41.75
3.	Koh Wee Seng	450,486,440[2]	42.68
4.	Ko Lee Meng	445,453,065[2]	42.20
5.	Koh Lee Hwee	440,873,785[2]	41.76
6.	Koh Wee Meng	330,371,088[3]	31.29

Based on information available to the Company as at 23 March 2020, approximately 20.75% of the issued ordinary shares of the Company 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) 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.

*(3) Koh Wee Meng is deemed interested in the 4,363,588 Shares held by Fragrance Group Limited ("**FGL**") by virtue of him holding more than 50% shareholdings in FGL pursuant to Section 7 of the Singapore Companies Act, Cap. 50.*

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