

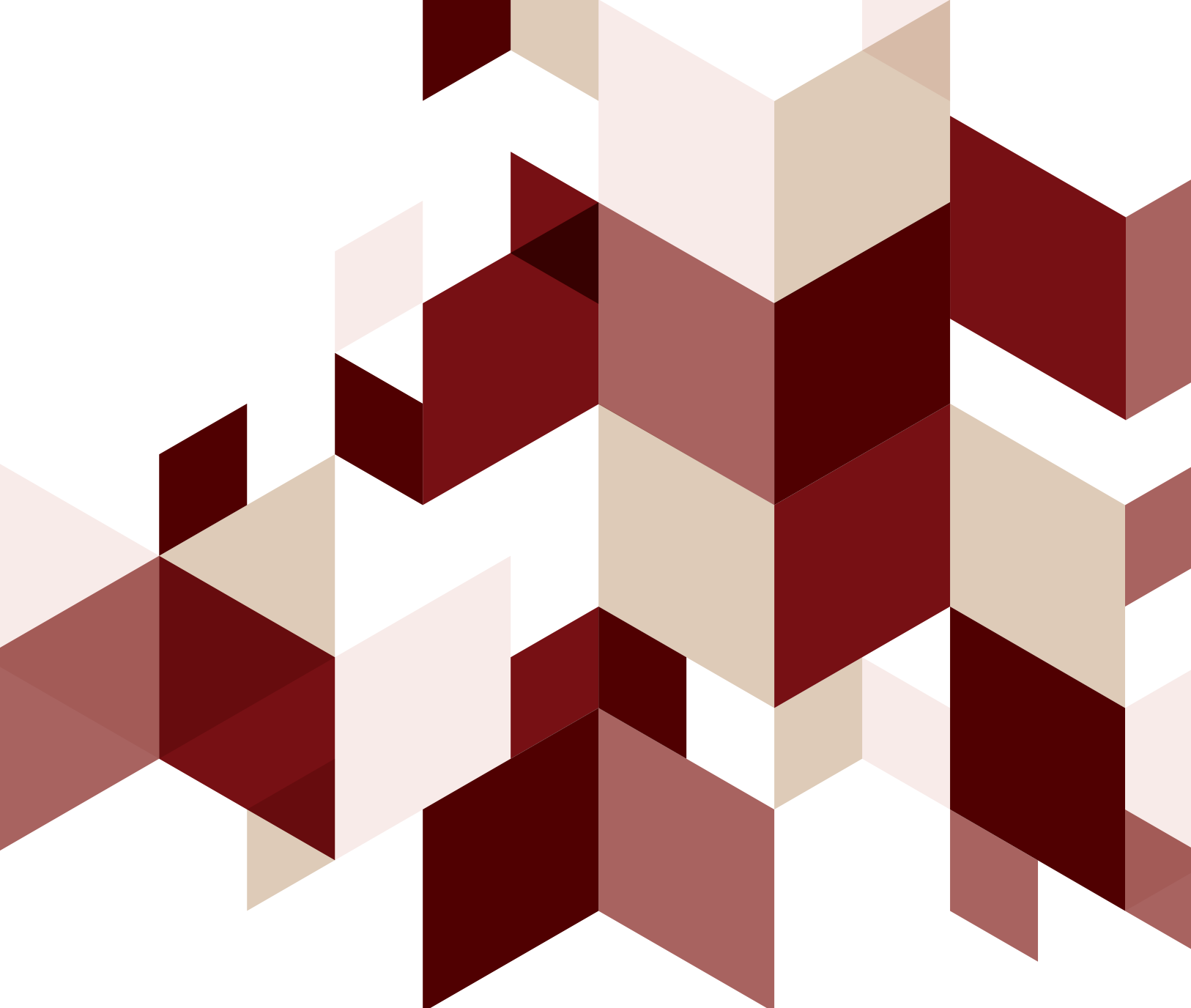


**STRAITS
TRADING**

ESTABLISHED 1887

A MEMBER OF THE TECITY GROUP

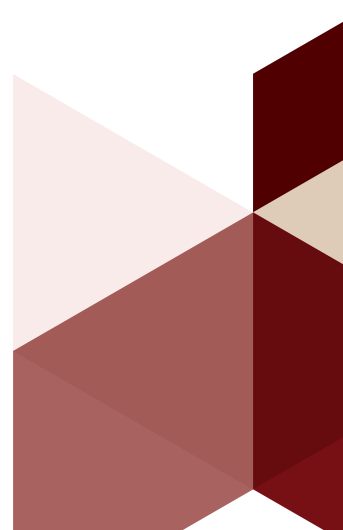
**ANNUAL
REPORT
2016**



CORPORATE PROFILE

Incorporated in 1887, The Straits Trading Company Limited (“Straits Trading”) is an investment company with stakes in real estate, hospitality, resources and investments that span the Asia Pacific region. It owns an 89.5% stake in Straits Real Estate Pte. Ltd., a co-investment vehicle that seeks out real estate related investments & opportunities globally. It also owns a 20.1% stake in SGX-listed ARA Asset Management Limited, one of the largest real estate fund managers in the region and has a 30% interest in Far East Hospitality Holdings Pte. Ltd., one of the largest hospitality operators in Asia Pacific. Straits Trading also engages in tin mining and smelting through its 54.8% owned subsidiary, Malaysia Smelting Corporation Berhad, that is dual listed on Bursa Malaysia and SGX-ST.

The graphic image features an abstract form of blocks, which serve as an extension of the past Annual Report concepts, to showcase how Straits Trading has successfully completed its transformation by building on platforms of growth.





CONTENTS


- 02** Chairman's Statement
- 08** Board of Directors
Personnel
- 12** – Key Management Personnel
- 12** – Senior Executive Teams in
Straits Trading and its Subsidiaries
- Year in Review
- 16** – Group Financial Highlights
- 18** – Real Estate
- 23** – Hospitality
- 24** – Resources
- 28** Sustainability Report
- 39** Corporate Information
- 40** Financial Report and Other Information

CHAIRMAN'S STATEMENT

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2016 has been an eventful year for the Group as we continue to make strides in our financial performance and portfolio.
//

CHEW GEK KHIM PJG
Executive Chairman
The Straits Trading Company Limited





Dear Shareholders,

On behalf of the Board of Directors ("Board"), it is my pleasure to present to you the Annual Report of The Straits Trading Company Limited ("Straits Trading" or "the Group") for the financial year ended 31 December 2016 ("FY2016").

2016 has been an eventful year for the Group as we continue to make strides in our financial performance and portfolio.

Straits Trading's real estate segment delivered PATNCI of S\$52.7 million, more than 12 times the figure in FY2015. This result stands as testimony that our real estate ecosystem is working, and we can expect this engine to continue to run. The performance of our hospitality segment is stable despite the challenging market conditions. On the resources front, Malaysia Smelting Corporation Berhad ("MSC") is making significant changes to optimise efficiency and strengthen its resilience as one of the leading integrated producers of tin metal.

At a time when the business environment is especially difficult, this result proves that a key performance determinant for Straits Trading is astute capital allocation based on an assessment of the risk and reward for each business, and asset viewed against the prevailing economic environment. We are confident that our other business engines will produce satisfactory returns for the Group.

Supported by improvements across all our business engines, the Group's net profit in FY2016 increased significantly to S\$67.3 million from S\$8.5 million in FY2015.

We have declared a higher interim dividend of 6 cents per share for FY2016 and will continue to work towards a sustainable dividend policy, as our businesses begin to generate stable income streams.

**Straits Real Estate Pte. Ltd.
("Straits Real Estate")**

One of the key engines of the Group's real estate ecosystem is Straits Real Estate, our 89.5%-held investment vehicle that pursues real estate opportunities globally.

Key Assets Acquisition and Realisation

Straits Real Estate realised its first investment since its inception with the sale of 114 William Street for A\$161.5 million (approximately S\$171.8 million) in November 2016, achieving an IRR of 24.6% and an equity multiple of 1.39x. After acquiring the asset in August 2015, the team enhanced it, increased its occupancy and yield, and extended its Weighted Average Lease Expiry ("WALE") before selling the property at a profit.

This transaction demonstrates our strategy of identifying quality assets, executing value-added strategies and the ability to realise an opportune exit. Straits Real Estate will recycle the proceeds from this divestment and pursue other opportunities.

CHAIRMAN'S STATEMENT

In 2016, Straits Real Estate executed its plan to acquire residential assets in Greater Osaka and Greater Tokyo to capture the demand for good quality affordable rental housing at convenient city centre locations. It acquired three freehold apartment buildings ("Luxe Properties") comprising 396 units in Central Osaka for JPY6.2 billion (approximately S\$77.2 million), and added another 120 apartment units to the portfolio in January 2017 with Splendid Namba II.

More detailed information on developments in Straits Real Estate can be found on page 18.

For more information on Straits Real Estate, please visit www.straitsrealestate.com.

ARA Asset Management Limited ("ARA")

The Group has a 20.1% stake in ARA which has assets under management ("AUM") of S\$35.6 billion.

The privatisation of ARA announced in November 2016 is a major development for the Group. Straits Trading is part of the consortium making the offer, and the transaction will involve Straits Trading transferring its shares in ARA to the offeror in exchange for a 20.95% stake in the business and S\$48.2 million in cash proceeds. As at 23 March 2017, the shareholders have voted in favour of the privatisation and ARA will be delisted from the SGX-ST.

With this, we are glad to welcome on board two new partners, Warburg Pincus and AVIC Trust, who, given their access to capital and assets, will be invaluable in supporting ARA's growth. The Group will continue to participate in ARA's unique growth proposition and create value as a shareholder post-privatisation.

For more information on ARA, please visit www.ara-asia.com.

Far East Hospitality Holdings Pte. Ltd. ("Far East Hospitality")

Far East Hospitality, our 30%-owned associate, has a combined portfolio of over 13,600 rooms under management across 90 hotels and serviced residences spanning eight countries. Far East Hospitality is a large and scalable hospitality platform that Straits Trading will look to capitalise on.

For more information on Far East Hospitality, please visit www.stayfareast.com.sg.

Suntec Real Estate Investment Trust ("Suntec REIT")

Our shareholding in Suntec REIT, which is managed by ARA Trust Management (Suntec) Limited, a wholly-owned subsidiary of ARA, continues to strengthen our real estate ecosystem. This investment also provides a regular dividend income stream for Straits Trading.

For more information on Suntec REIT, please visit www.suntecreit.com.

Malaysia Smelting Corporation Berhad ("MSC")

It has been a busy year for MSC, as evidenced by the acquisition of a production facility ("Klang Facility") in Klang, Malaysia in addition to its initiatives to optimise efficiency throughout the MSC group. The Klang Facility is intended to be more comprehensive and efficient compared to the existing facility, adopting a more advanced manufacturing technology.

For more information on MSC, please visit www.msmelt.com.

SUSTAINABILITY

As property owners and asset managers, we recognise our duty to deliver stable returns to our investors and shareholders in a sustainable manner and we have taken a proactive stance to mitigate environmental and social risks. The full report on our activities can be found on pages 28 to 36.

LOOKING AHEAD

The macroeconomic and geopolitical outlook is increasingly unpredictable, and with it, the business climate is poised to get more challenging. Being able to manage risks and make informed decisions will hence be critical towards success.

2017 marked the 130th year of Straits Trading. The Group has undergone several business cycles over the years and cultivated a disciplined approach in making investments, nurturing them, and recycling capital. We are encouraged by our performance in FY2016, which supports our thesis of capital recycling and we seek to build on this for FY2017.

We would like to thank you, our valued shareholders, for your confidence and support. We also want to thank our fellow Directors for their continued guidance, and fellow employees at Straits Trading and its subsidiaries, for their hard work, dedication and commitment.

CHEW GEK KHIM PJG

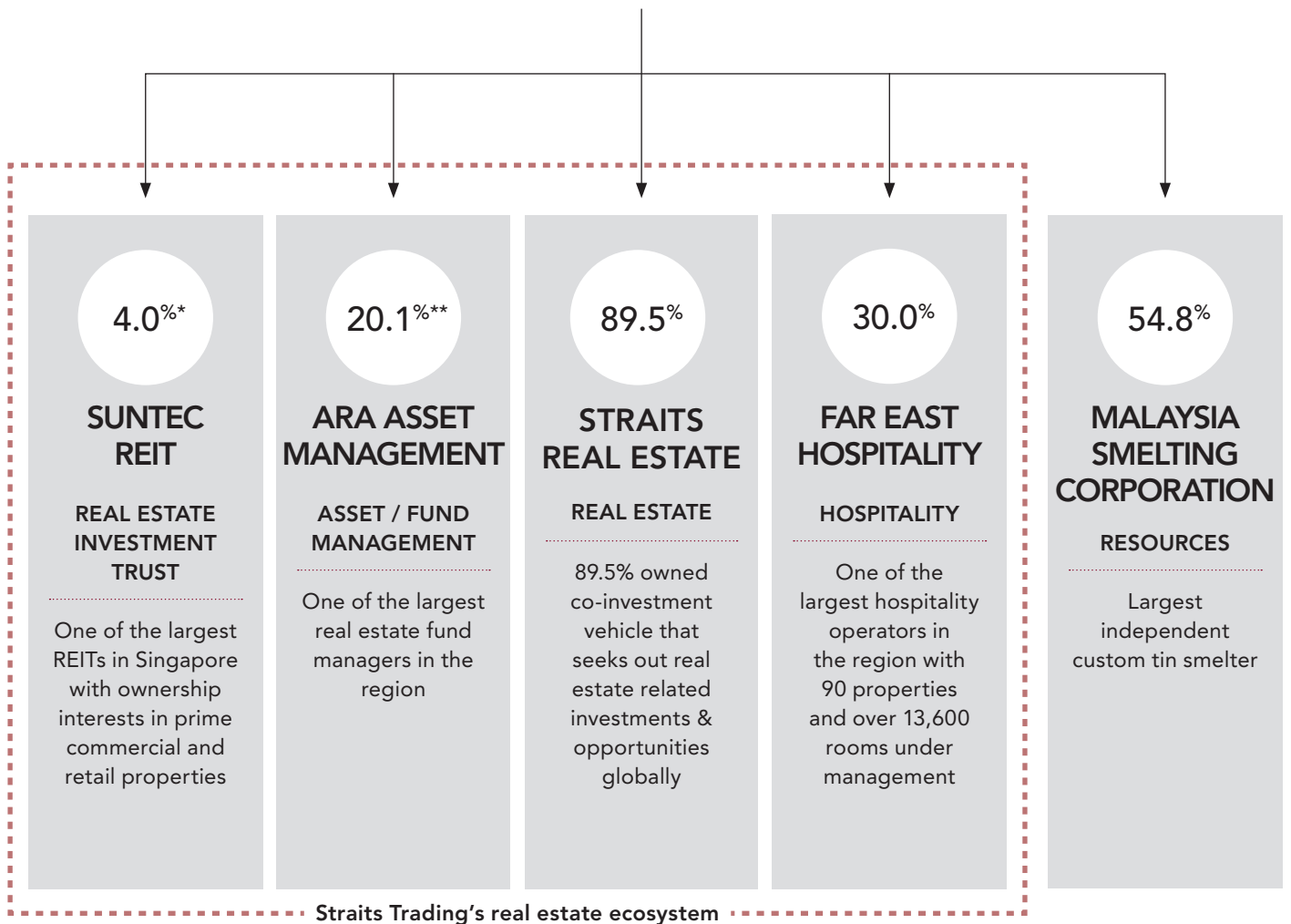
Executive Chairman
27 March 2017

STRAITS TRADING GROUP

Since the takeover in 2008, Straits Trading has been transformed into a major player in real estate, hospitality and resources, with investments that span the Asia Pacific region.

**STRAITS
TRADING**
ESTABLISHED 1887

A MEMBER OF THE TECITY GROUP



New investments that complement these platforms

Leverage on these platforms and make appropriate future investments to develop engines of growth

* 11.7% aggregate interest in Suntec REIT held by Tecity Group of companies

** Correct as at 27 March 2017



DELIVERING

ON OUR COMMITMENTS TO
OUR STAKEHOLDERS

BOARD OF DIRECTORS



CHEW GEK KHIM PJG, 55

Executive Chairman

Date first appointed: 20 March 2008

Date last re-elected: 30 April 2015

Ms Chew Gek Khim is a lawyer by training. She has been Chairman of The Straits Trading Company Limited since 24 April 2008, first as Non-Executive and Non-Independent Chairman and then as Executive Chairman since 1 November 2009.

Ms Chew is also Executive Chairman of Tecity Group, which she joined in 1987. She is Chairman of Malaysia Smelting Corporation Berhad and ARA Trust Management (Suntec) Limited, Deputy Chairman of ARA Asset Management Limited, and sits on the Board of Singapore Exchange Limited.

Ms Chew is also Deputy Chairman of Tan Chin Tuan Foundation in Singapore and Chairman of Tan Sri Tan Foundation in Malaysia. She is a Member of the Securities Industry Council of Singapore, the SSO Council and Board of Governors of S. Rajaratnam School of International Studies. She was the chairman of the National Environment Agency Board of Singapore from 2008 to 2015. Ms Chew was also previously a director of CapitaLand Retail China Trust (formerly CapitaRetail China Trust Management Limited) and a board member of the Singapore Totalisator Board.

Ms Chew graduated from the National University of Singapore in 1984. She was awarded the *Chevalier de l'Ordre National du Mérite* in 2010, the Singapore Businessman of the Year 2014 in 2015, and the Meritorious Service Medal at the National Day Award in 2016.



CHEW GEK HIANG, 53

Non-Independent and Non-Executive Director

Date first appointed: 30 April 2008

Date last re-elected: 30 April 2014

Ms Chew Gek Hiang, an accountant by training, has been with the Tecity Group, the parent company of The Straits Trading Company Limited, since 1991. As Executive Director and Head of Finance, she is actively involved in the investment activities of the Tecity Group and is responsible for its securities trading portfolio. She also oversees the human resource and administrative functions in the Tecity Group.

Currently serving on the advisory panel of the GST Review Board, Ms Chew is also a Council Member of Tan Chin Tuan Foundation in Singapore and Tan Sri Tan Foundation in Malaysia. She is also President of Noah's Ark CARES (Companion Animal Rescue and Education Society), a non-profit animal welfare charity which champions responsible pet ownership and active sterilisation and microchipping of stray dogs and cats in Singapore.

After her graduation from the National University of Singapore in 1986, Ms Chew worked with Ernst & Whinney in Singapore for a year. She then joined Ernst & Young (London) in 1987 to pursue chartered accountancy, and was admitted to the Institute of Chartered Accountants in England and Wales in October 1990.



GOH KAY YONG DAVID, 55

Non-Independent and Non-Executive Director

Date first appointed: 30 April 2008

Date last re-elected: 29 April 2016

Mr Goh Kay Yong David is the Chief Investment Officer and Chief Strategist of the Tecity Group, the parent company of The Straits Trading Company Limited.

Mr Goh started his investment career as an Investment Analyst with Great Eastern Life in 1986, and taught at the Nanyang Technological University (“NTU”), Singapore in the Bachelor of Business Financial Analyst programme in 1991. After joining Tecity Group in 1997, he remained from 1997 to 2003, as Adjunct Associate Professor of Finance at NTU. Mr Goh also serves as Director of Stewardship Equity Pte Ltd, Commonwealth Capital Pte Ltd and NPE Print Communications Pte Ltd.

Mr Goh holds a Bachelor of Arts (Hons) degree in Economics from York University, Canada; a Master of Science in Management (System Dynamics, Finance and Strategy) from Massachusetts Institute of Technology’s Sloan School of Management, and is a CFA Charter holder.



YAP CHEE KEONG, 56

Non-Independent and Non-Executive Director

Date first appointed: 7 May 2009

Date last re-elected: 30 April 2015

Mr Yap Chee Keong is a Non-Independent and Non-Executive Director of The Straits Trading Company Limited.

Mr Yap is an Independent Non-Executive Director of Sembcorp Industries Ltd, Olam International Limited, MediaCorp Pte Ltd, Citibank Singapore Limited and Certis CISCO Security Pte Ltd. He is also a Non-Independent Non-Executive Director of ARA Asset Management Limited and Malaysia Smelting Corporation Berhad.

Mr Yap was the chairman of CityNet Infrastructure Management Pte Ltd (the trustee manager of NetLink Trust), the lead independent director of Tiger Airways Holdings Limited and an independent non-executive director of InterOil Corporation, CapitaMalls Asia Limited and Hup Soon Global Limited. He was also a board member of the Accounting & Corporate Regulatory Authority and a member of the Public Accountants Oversight Committee.

He holds a Bachelor of Accountancy from the National University of Singapore and is a Fellow of the Institute of Singapore Chartered Accountants, CPA Australia and the Singapore Institute of Directors.



BOARD OF DIRECTORS



THAM KUI SENG, 59

Independent and Non-Executive Director
Date first appointed: 1 October 2009
Date last re-elected: 30 April 2015

Mr Tham Kui Seng is an Independent and Non-Executive Director of The Straits Trading Company Limited.

Mr Tham is a Non-Executive Director of Global Logistic Properties Limited, Sembcorp Industries Ltd, Banyan Tree Holdings Limited and Avanda Investment Management Pte. Ltd. He is also a Member of the Board of Singapore Land Authority.

Mr Tham was the former chief corporate officer of CapitalLand Limited overseeing the corporate services functions of the real estate group from 2002 to 2008. He was previously a director of Raffles Medical Group Ltd and member of the board of The Housing and Development Board.

Mr Tham graduated from the University of Oxford with a Bachelor of Arts (First Class Honours) in Engineering Science.



TAN TIONG CHENG, 66

Independent and Non-Executive Director
Date first appointed: 1 July 2013
Date last re-elected: 29 April 2016

Mr Tan Tiong Cheng was appointed as an Independent and Non-Executive Director of The Straits Trading Company Limited on 1 July 2013.

Mr Tan is currently the Advisor to Knight Frank Pte Ltd and President of Knight Frank Asia Pacific Pte Ltd. He was the Executive Chairman of Knight Frank Pte Ltd's Group of Companies until 31 March 2017. He has an extensive and in-depth knowledge of real estate for more than 40 years. He is an Independent and Non-Executive Director of UOL Group Limited and a Member of its Audit Committee. Mr Tan is also an Independent Director, Chairman of the Remuneration Committee and a Member of the Audit Committee of Heeton Holdings Limited.

A Colombo Plan Scholar, Mr Tan graduated top of his class with a Diploma in Urban Valuation from the University of Auckland, New Zealand. A Licensed Appraiser, he is also a Fellow Member of the Singapore Institute of Valuers and Surveyors, and the Association of Property and Facilities Management, an Associate Member of the New Zealand Institute of Valuers and a Senior Member of The Property Institute of New Zealand. He served as a member of the Valuation Review Board until 30 April 2016.



GARY HILTON WEISS, 63

Independent and Non-Executive Director
Date first appointed: 1 June 2014
Date last re-elected: 30 April 2015

Dr Gary Hilton Weiss was appointed as an Independent and Non-Executive Director of The Straits Trading Company Limited on 1 June 2014.

Dr Weiss is currently the Executive Director of Ariadne Australia Limited, a diversified investment company with investments in a variety of sectors, including insurance and financial services. The Chairman of Ridley Corporation Ltd and Estia Health Ltd, Dr Weiss is also a Non-Executive Director of Premier Investments Ltd, Pro-Pac Packaging Ltd, Tag Pacific Ltd and Thorney Opportunities Ltd.

Dr Weiss is also a Commissioner of the Australian Rugby League Commission.

He was the former chairman of Coats Plc, a former executive director of Whitlam, Turnbull & Co and Guinness Peat Group plc and sat on the board of Westfield Holdings Limited and a number of other public companies. Dr Weiss has also been involved in managing large businesses with operations in many regions including Europe, China and India and is familiar with investments across a wide range of industries, corporate finance and private equity type deals.

Dr Weiss holds an LLB (Hons) and LLM from Victoria University of Wellington and a Doctor of the Science of Law (JSD) from Cornell University. He was admitted as a Barrister and Solicitor of the Supreme Court of New Zealand, a Barrister and Solicitor of the Supreme Court of Victoria and as a Solicitor of the Supreme Court of New South Wales.



CHIA CHEE MING, TIMOTHY, 67

Independent and Non-Executive Director
Lead Independent Director
Date first appointed: 27 February 2015
Date last re-elected: 30 April 2015

Mr Chia Chee Ming, Timothy was appointed as an Independent and Non-Executive Director and Lead Independent Director of the Company on 27 February 2015.

Mr Chia is Chairman of Hup Soon Global Corporation Private Limited. He sits on the boards of several other private and public companies, including Banyan Tree Holdings Ltd, Fraser and Neave Limited, Singapore Power Limited, Vertex Venture Holdings Ltd, Ceylon Guardian Investment Trust PLC, Ceylon Investment PLC and Malaysia Smelting Corporation Berhad. He is a Member of the Board of Trustees of the Singapore Management University, an Advisory Council Member of the ASEAN Business Club and a Member of the Advisory Board of the Asian Civilisations Museum.

Mr Chia graduated with a Bachelor of Science cum laude, majoring in Management from Farleigh Dickinson University in the United States of America.



PERSONNEL

In line with its transformation into an investment company, Straits Trading has adopted a more streamlined corporate structure with executive staff manning only key corporate functions. The operational management of its individual portfolio companies now rests with the chief executives of the respective businesses, supported by their individual management teams.

Maintaining a leaner executive headcount at Straits Trading while concentrating management of the businesses within the operating entities will not only facilitate faster decision-making and better responsiveness to market developments, but also leverage off the repertoire of operational expertise of the executive teams at the different portfolio businesses.

KEY MANAGEMENT PERSONNEL

CHEW GEK KHIM PJG
Executive Chairman

Please refer to page 8 for profile.

YEO SOCK KOON MAGGIE
Chief Financial Officer



Ms Maggie Yeo joined the Company as Finance Director on 8 September 2014. She was appointed Chief Financial Officer in July 2015. As Chief Financial Officer, she has overall responsibility for the Company's finance functions, including financial reporting, corporate finance, treasury, tax, budget management, risk management and capital management of Straits Trading and its group of companies. She plays a key

role in working with senior management to develop, monitor and evaluate overall corporate strategy.

Ms Yeo has more than 20 years of working experience in the finance and accounting sectors. Prior to joining The Straits Trading Company Limited, she was the Senior Vice President for Reporting and Analytics Centre of Excellence in Sembcorp Industries Limited, the Chief Financial Officer in UMS Holdings Ltd and Director for Group Accounting Services in NOL. She was actively involved in mergers and acquisitions, financial and management reporting, budgeting and forecasting, shared services setup, tax, treasury as well as corporate governance and risk-management matters.

Ms Yeo graduated from the National University of Singapore with a Bachelor of Accountancy degree. She is a graduate of Institute of Chartered Secretaries and Administrators.

SENIOR EXECUTIVE TEAMS IN STRAITS TRADING AND ITS SUBSIDIARIES

THE STRAITS TRADING COMPANY LIMITED



- 1. ALLEN TAN**
Vice President
Portfolio Management
- 2. JAMES KWIE**
Vice President
Portfolio Management
- 3. LOW YEW JOO**
Vice President
Portfolio Management
- 4. ALDRIC TAN**
Company Secretary
- 5. TOH CHEE LENG**
Vice President
Human Resource & Administration
- 6. STEVEN ANG**
Vice President
Information Technology
- 7. WONG WAI YEE**
Vice President
Corporate Communications
- 8. TAN HWEI YEE**
Vice President
Special Projects

STRAITS REAL ESTATE PTE. LTD.



- 1. DESMOND TANG**
Chief Executive Officer
- 2. ANDY LIM**
Director
Business Development
& Operations
- 3. GOH YAH HUAY**
Director
Finance
- 4. PAUL YI**
Chief Investment Officer
- 5. ADELINE FONG**
Director
Asset Management

SRE CAPITAL PTE. LTD.



- 1. STEPHEN FINCH**
Chief Executive Officer
- 2. MANISH BHARGAVA**
Director
Research & Trading

MALAYSIA SMELTING CORPORATION BERHAD



- 1. DATO' DR IR PATRICK YONG MIAN THONG**
Chief Executive Officer
- 2. YAP FOOK PING**
Group Chief Financial Officer
- 3. RAVEENTIRAN KRISHNAN**
Group Chief Operating Officer, Smelting
- 4. RICHARD THIBAUT**
Group Chief Operating Officer, Mining/Senior General Manager,
Rahman Hydraulic Tin Sdn Bhd
- 5. AU SOON YONG**
Finance Director
- 6. MADZLAN ZAM**
Head, Resources & Investments
- 7. ZAHARUDDIN ZAINAL**
General Manager, Commercial
- 8. YOON CHOON KONG**
Group General Manager, Internal Audit





DELIVERING

ROBUST PERFORMANCES THROUGH
GROWTH PLATFORMS

YEAR IN REVIEW

▶ GROUP FINANCIAL HIGHLIGHTS

	2016 \$'000	2015 \$'000	2014 \$'000	2013 \$'000	2012 \$'000
Total revenue	513,475	539,949	764,756	802,757	1,159,137
Earnings/(Loss) before interest and tax	114,358	26,590	55,126	120,458	(67,588)
Profit/(Loss) before tax	94,938	10,876	25,378	93,297	(95,031)
Profit/(Loss) attributable to owners of the Company	67,291	8,549	18,586	119,495	(55,236)
Shareholders' funds	1,364,508	1,297,164	1,354,997	1,316,585	1,136,035
PER SHARE					
Earnings/(Loss) per share (cents)	16.5	2.1	4.6	30.4	(16.9)
Dividend per share (cents)	6.0	4.0	4.0	54.0 ^(a)	4.0
Net asset value per share (\$)	3.34	3.18	3.32	3.23	3.49
FINANCIAL RATIOS					
Return on equity (%)	5.1	0.6	1.4	9.7	(4.8)
Net gearing (%)	22.5	22.8	Net Cash	11.5	45.5

Note:

(a) This includes the special interim dividend of 50 cents per share paid on 20 September 2013.

	2016 \$'000	2015 \$'000	2014 \$'000	2013 \$'000	2012 \$'000
BALANCE SHEET					
Total non-current assets	1,532,282	1,429,336	1,173,516	1,399,611	1,695,923
Total current assets	672,333	656,145	818,587	541,247	462,455
TOTAL ASSETS	2,204,615	2,085,481	1,992,103	1,940,858	2,158,378
Equity attributable to owners of the Company	1,364,508	1,297,164	1,354,997	1,316,585	1,136,035
Non-controlling interests	94,240	73,049	50,901	35,658	35,043
TOTAL EQUITY	1,458,748	1,370,213	1,405,898	1,352,243	1,171,078
Total non-current liabilities	201,725	386,051	253,744	309,617	636,812
Total current liabilities	544,142	329,217	332,461	278,998	350,488
TOTAL LIABILITIES	745,867	715,268	586,205	588,615	987,300
TOTAL EQUITY AND LIABILITIES	2,204,615	2,085,481	1,992,103	1,940,858	2,158,378



YEAR IN REVIEW

REAL ESTATE

STRAITS REAL ESTATE PTE. LTD. ("STRAITS REAL ESTATE")

OVERVIEW

Straits Real Estate, Straits Trading's majority owned real estate investment arm, has started to deliver on the results it was set up for. During the year, the unit successfully harvested a handsome capital gain from its investment in 114 William Street in Melbourne. It also booked healthy income from its Japanese investments.

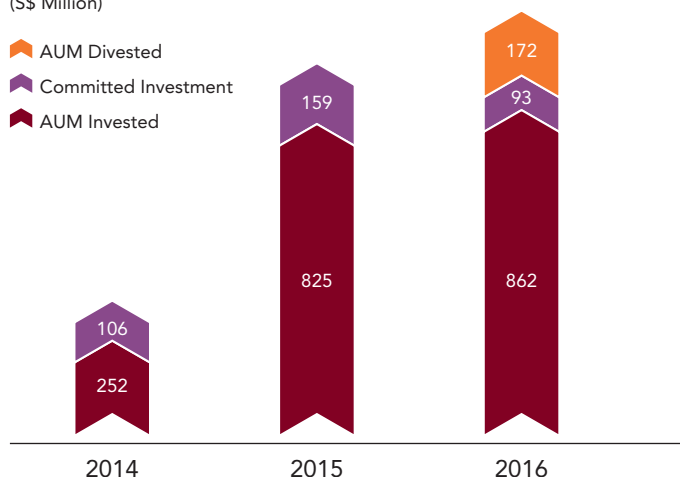
Straits Real Estate is organised as a real estate investment company, primarily making financial investments in direct real estate, real estate funds, and real estate operating platforms. Its core competence lies in its ability in risk pricing, and correspondingly finding the most efficient use for its capital on a risk-adjusted basis. Straits Real Estate is not restricted to any one geographical market or property sector. It is also not constrained by the usual need for real estate companies and developers to build in-house operational expertise. Rather, it seeks to create shareholders value by allocating its capital into an array of real estate opportunities, each with different risk profiles, and offering different level of expected returns. This is usually done by partnering with local real estate companies or professionals who are experts in their markets and fields. The Straits Real Estate management team, which comprises highly experienced real estate private equity personnel, is well adapted to execute these strategies.

Real estate markets across regions are presenting new and interesting investment opportunities. These opportunities are often the results of prolonged dislocation between space and capital markets, or evolved from accelerated changes in demographic patterns, geo-political situations, as well as distortions to traditional real estate uses brought about by wider internet uses. Straits Real Estate expect to continue taking advantage of such opportunities, in doing so, delivering the returns that it has proven it is capable of producing in its short period of operation.

From its inception in late 2013, Straits Real Estate's AUM has grown from S\$358 million at end 2014, to S\$1.13 billion at end 2016; of which S\$172 million was successfully divested. It has demonstrated its ability to allocate and deploy its capital effectively, as well as its discipline to divest in timely manners.

(S\$ Million)

▲ AUM Divested
▲ Committed Investment
▲ AUM Invested



Profitability and returns wise, Straits Real Estate delivered after-tax profit of S\$41.4 million in 2016, achieving return on invested capital and return on equity of 6.9% and 12.5%, respectively. The strong performance was achieved through a combination of income from its various investments in Australia, Malaysia and Japan, fair value gains, as well as the successful disposal of the office building at 114 William Street in Melbourne. While the nature of Straits Real Estate's business model means that its profit will always be lumpy, this is expected to smooth out when operation stabilises. 2016 marks the first significant Straits Real Estate contribution to the profit of Straits Trading. This performance is highly repeatable and sustainable. The Straits Real Estate management team has the experience and track record to continue delivering the results, and is confident that it will contribute meaningfully to Straits Trading going forward.

DIRECT REAL ESTATE INVESTMENTS

Residential Portfolio, Osaka

Straits Real Estate owns a portfolio of four freehold residential projects in Osaka, Japan, comprising a total of 516 apartments. These are typically small apartments with floor area of 25 to 30 square meters, rented to young workers from out of town or small families with no children. While Japan has seen flat population growth for years now, its urban population has continued to register steady annual expansion. This urbanisation process is largely economic driven, as the key Japanese cities offer better job prospects. The mid-end apartments that Straits Real Estate owns are well-placed

to benefit from this continuing trend. Occupancy at the apartments consistently average above 90%.

The building age of the portfolio is relatively low, being no more than 5 years. Each of the projects is located near a train or subway station, providing the accessibility that is important to the typical tenant of such apartments. Because of its sustained high occupancy, the apartments offer a steady income stream to Straits Real Estate.



Osaka Residential Apartments

114 William Street, Melbourne

Straits Real Estate divested its investment in the property known as 114 William Street in the last quarter of 2016.

The divestment yielded a before-tax profit of A\$21.7 million, realised over an investment period of just over one year. That was made possible by a very focused approach to asset management, implementing an asset enhancement plan to update the building quickly, removing the vacancies with an aggressive leasing program that mark-to-market the asset's passing rent within a very short period of time, as well as to improve the property's WALE³ significantly.

The success of these actions turned the asset into an investment grade building that ticks the boxes for core real estate investors, cumulating in its divestment late in the year.

Straits Real Estate takes a long term view of its investments, but will opportunistically consider exit options when they present themselves. Amongst other considerations, the

3 Weighted Average Lease Expiry

Straits Real Estate business model places tremendous emphasis on capital efficiency; and will always seek to deploy or redeploy its capital into the best returning investment opportunities available.

悦地 My Place Mall, Chongqing

悦地 My Place is a 80,000 square meters shopping mall located in the Nan'An District of Chongqing, China. Renovation and fit-out of the mall was completed in December 2016, with a soft-opening following immediately after. Key tenants in the mall include CGV Cinema from South Korea, Terminal One Adventure from Taiwan, Maan Coffee, Zara, Yuyuto Child Theme Entertainment, and the Singapore education group Genius R Us.

悦地 My Place is positioned to cater primarily to the middle-income families of Nan'An District, as well as shoppers from neighbouring districts in Chongqing. The mall will be a convenient food and entertainment destination given its location on the ChaYuan subway station.



悦地 My Place Mall, Chongqing

The best-performing city in China in terms of GDP growth in 2016, Chongqing's economy expanded 10.7% in the year, which is higher than China's national GDP growth of 6.7% for the same period. Chongqing's GDP per capita has also risen remarkably, benefiting from favourable policies such as China's "Go West" campaign and One-Belt-One-Road initiatives. According to the Development Research Center of China's State Council, Chongqing's economy is also one of the most competitive amongst provinces and municipalities, moving from a number 15 ranking in 2015 to current number 11.

YEAR IN REVIEW

► REAL ESTATE

Its location makes Chongqing a pivotal point that connects inland and coastal China to reach international markets. The municipality is also at the forefront of China's State-Owned Enterprise ("SOE") and debt reforms, delivering relatively successful results on the central government's call for economic restructuring. The comparatively buoyant macro-environment in Chongqing is well expected to benefit local retail sales.

FUND INVESTMENTS

Greater Tokyo Office Fund

The Greater Tokyo Office Fund ("GTOF"), which is managed by Savills Investment Management, focuses on acquiring office buildings in Tokyo and other locations in the metropolitan Tokyo area. Such buildings are usually purchased from distressed owners, giving the fund an entry cost advantage for each asset that it acquires.



Properties held by Greater Tokyo Office Fund

The fund currently holds four properties, including Takanawa Muse Building in the Shinagawa area, Kirin Yokohama Building in Yokohama City, the Bright East Shibaura Building in the Tokyo Bay area, and the Omori Park Building in the Ota area.

SRE Capital Commitment (Dec 2016) – JPY7.2 billion
SRE Contributed Capital (Dec 2016) – JPY5.57 billion

ARA Summit Development Fund I

The ARA Summit Development Fund I ("SDF1") co-invests in development projects in Australia and South East Asia. The fund may invest by participating as an equity partner with a local developer, or as a mezzanine loan lender to the project.

SDF1 currently has two investments in Australia. The first is a mixed use development named York & George in Sydney, in which SDF1 is a mezzanine loan lender. The second is a residential development project named Victoria One located in Melbourne, with which the fund is an indirect-mezzanine lender through a structured instrument.

SRE Capital Commitment (Dec 2016) – US\$80.0 million
SRE Contributed Capital (Dec 2016) – US\$29.4 million

ARA Harmony Fund III

The ARA Harmony Fund III owns a portfolio of five commercial properties in Malaysia. The income generating properties include the Ipoh Parade Mall in Perak, the Klang Parade Mall and Citta Mall in Selangor, 1 Mont Kiara Mall and Office Tower in Kuala Lumpur, and AEON Bandaraya in Malacca.

SRE Capital Commitment (Dec 2016) – S\$72.8 million
SRE Contributed Capital (Dec 2016) – S\$70.2 million

ARA ASSET MANAGEMENT LIMITED ("ARA")

ARA, a 20.1%-owned associate of Straits Trading, is one of the largest real estate fund managers in the region. ARA manages listed REITs in Singapore, Hong Kong and Malaysia and also invests in and manages private real estate funds in the Asia Pacific region. Its real estate portfolio spans the office, retail, logistics/industrial, hospitality and residential sectors. ARA also offers real estate management services, which complements its fund management business.

In 2016, ARA's total AUM grew 19.4% from S\$29.8 billion (as at December 2015) to S\$35.6 billion (as at December 2016). As a result, the recurrent management fees increased 8% from S\$129.6 million in FY2015 to S\$140.6 million in FY2016. Its net profit grew 13.6% year-on-year ("y-o-y") to S\$88.6 million and adjusted net profit⁴ grew 9.5% y-o-y to S\$78.9 million.

The significant growth in AUM was underpinned by new investments and capital under various private funds. Following substantial deployment of the US\$300 million capital from the California Public Employees' Retirement System ("CalPERS") in July 2016, ARA China Investment Partners, LLC ("CIP") obtained additional capital commitment of approximately US\$500 million, further enlarging the total capital of the fund to more than US\$1.3 billion to date. The Peninsula Investment Partners, L.P. ("PIP") has also completed its acquisition of two Australian office properties worth around S\$285 million in the second quarter of 2016.

In October 2016, ARA established ARA Harmony VI to invest in Century Link, a newly completed premium-grade

⁴ Adjusted for (i) acquisition, divestment and performance fees; (ii) gain/loss on fair valuation/disposal of financial assets; (iii) gain/loss on disposal of investments; (iv) impairment on available-for-sale financial assets; (v) performance-based bonuses; and (vi) any other income/expense deemed non-recurrent.

commercial property located in the heart of Lujiazui Finance and Trade Zone in Pudong New District, Shanghai, China, with a property valuation of RMB20 billion. The fund is anchored by an established insurer and has an initial term of 10 years with provision for extension. Property management for Century Link will also be carried out by ARA's real estate management services arm, APM.

On 4 November 2016, Suntec REIT and PIP jointly completed the acquisition of a 50% interest in the Southgate complex in Melbourne for A\$289 million.

On 8 November 2016, Straits Trading announced its participation in a consortium privatising ARA. The consortium members include JL Investment Group ("JLIG"), Cheung Kong Property Holdings Limited ("CKPH") and affiliates of Warburg Pincus LLC ("Warburg Pincus") and AVIC Trust Co. Ltd ("AVIC Trust").

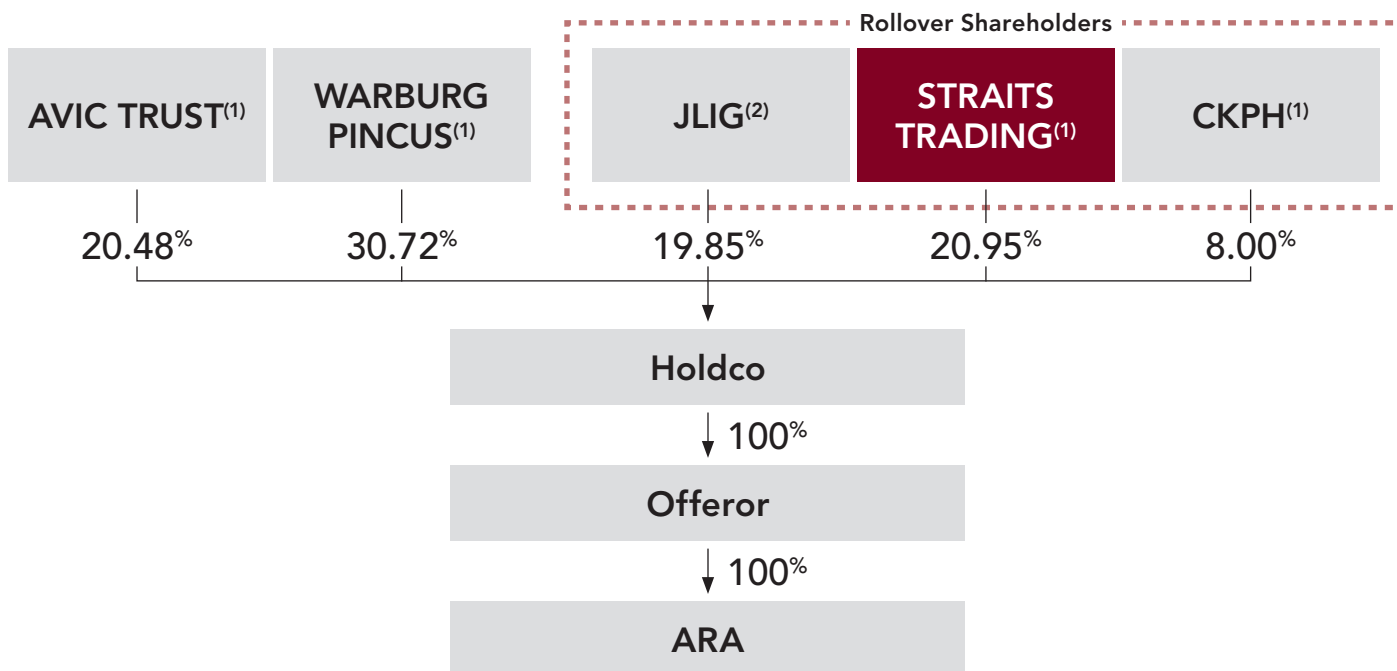
The privatisation will be effected by way of a scheme of arrangement ("Scheme"), with Athena Investment Company (Cayman) Limited, an entity indirectly owned by affiliates of Warburg Pincus and AVIC Trust, as the offeror ("Offeror"). Once the Scheme is effective, the Offeror will acquire all the shares of ARA, other than those held by Straits Trading, JLIG and CKPH, at a price of S\$1.78 per share in cash. The

transaction will involve Straits Trading transferring its shares in ARA to the Offeror in exchange for 20.95% of the holding company of the Offeror ("Holdco") and S\$48.2 million in cash proceeds.

Through this transaction, ARA secured the long-term commitment of two new strategic partners, Warburg Pincus and AVIC Trust. The privatised ARA will be able to gain superior access to capital for growth given Warburg Pincus' track record in the private equity business, and its global network of business and investor relationships. AVIC Trust is able to provide ARA with access to Chinese capital markets given its unique distribution capability and business opportunities in China.

AVIC Trust has also undertaken to purchase a 4% stake in Suntec REIT units from ARA and/or the Group at S\$1.71 per unit (subject to regulatory approval). If Straits Trading chooses to participate in the sale, it will be able to redeploy the capital freed up.

ARA remains an integral part of the Group's real estate ecosystem. ARA's business network and platforms, and expertise in real estate funds management and property management have resulted in benefits to and will continue to present synergistic opportunities for Straits Trading.



Note(s):

(1) Affiliates of AVIC Trust, Warburg Pincus, Straits Trading and Cheung Kong Property

(2) JLIG is an entity wholly-owned by Mr Lim Hwee Chiang, John



YEAR IN REVIEW

► REAL ESTATE

SRE CAPITAL PTE. LTD. ("SRE CAPITAL")

SRE Capital is the asset management company set up by the Group in 2014 to form and manage funds invested in public-listed real estate and infrastructure related securities in Asia Pacific. SRE Capital launched its first fund, the SRE Asian Asset Income Fund ("SAAIF"), in April 2015.

In February 2017, SRE Capital was appointed as Investment Advisor by Nikko Asset Management Asia Limited for the NikkoAM-StraitsTrading Asia ex Japan REIT Exchange Traded Fund ("ETF") which we believe attests to the experience of the team. The ETF will be listed on the Singapore Exchange on 29 March 2017.

SRE ASIAN ASSET INCOME FUND ("SAAIF")

SRE Capital launched its first fund, the SAAIF on 1 April 2015, for high net worth individuals, families and other sophisticated investors. The strategy of the SAAIF is to achieve high yield and low volatility. The fund predominantly invests in Real Estate Investment Trusts ("REITs") in Singapore, Hong Kong, Japan and Australia. It also aims to provide moderate capital growth over the long-term that is consistent with the price appreciation of core commercial real estate in Asia Pacific.

NIKKOAM-STRAITSTRADING ASIA EX JAPAN REIT ETF

On 27 February 2017, the Monetary Authority of Singapore granted approval for the listing of the ETF.

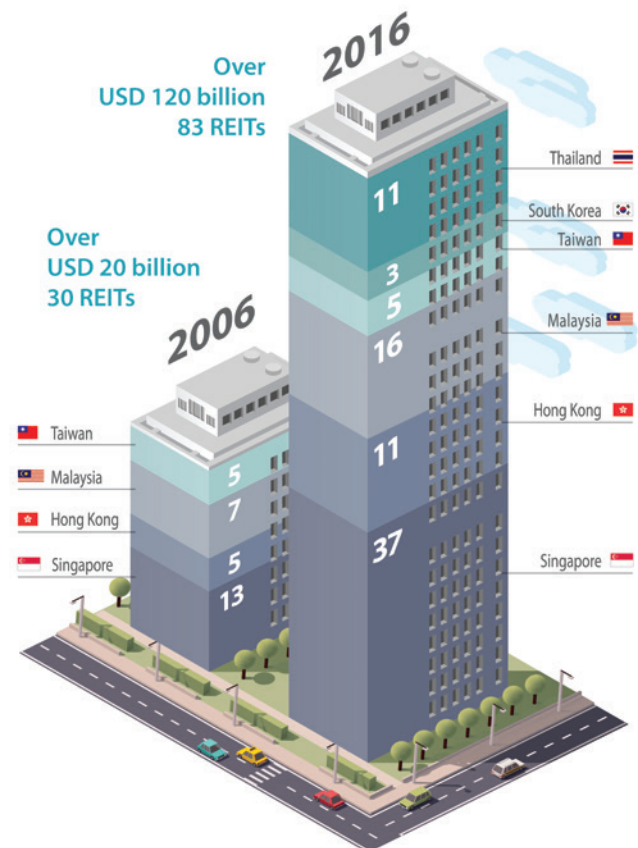
The ETF is benchmarked to the FTSE EPRA/NAREIT Asia ex Japan Net Total Return REIT Index (the "Index") and will track the performance of large-cap, well-managed REITs in the region outside Japan, Australia and New Zealand. For more information, please visit www.nikkoam.com.sg/etf/asia-ex-japan-reit.

SRE Capital's participation in the ETF comes with several strategic and commercial benefits. In particular, SRE Capital seeks to leverage upon the strong growth of ETFs to mobilise capital for Asian REITs. SRE Capital also stands to gain long term recurring income based upon fund raising success of the ETF.

ASIAN REITS AS A VALUABLE INVESTMENT SECTOR

SRE Capital believes that Asian REITs remain an attractive investment. REITs in Asia are one of the fastest growing asset classes, offering exposure to dependable income from high quality commercial real estate. Furthermore, investors get to enjoy the capital appreciation arising from the growth of the region.

Growth of Asia REITs by Market Capitalisation and Numbers



Source: Bloomberg, Nikko AM. Data as of end 21 December 2016.

YEAR IN REVIEW

HOSPITALITY



Oasia Hotel Downtown



Oasia Suites Kuala Lumpur



Oasia Residence, Singapore

FAR EAST HOSPITALITY HOLDINGS PTE LTD ("FAR EAST HOSPITALITY")

Far East Hospitality, Straits Trading's 30%-owned joint venture with Far East Orchard Limited, is an international hospitality owner and operator managing 13,600 rooms across 90 hotels and serviced residences. Far East Hospitality, through its subsidiary, entered into a 50-50 joint venture with Toga Group in Australia to establish Toga Far East Hotels ("TFE Hotels").

Far East Hospitality operates a diverse portfolio of 10 unique and complementary brands, including Oasia, Quincy, Rendezvous, Village, Far East Collection, Adina Apartment Hotels, Medina Serviced Apartments, Travelodge Hotels, Vibe Hotels and TFE Hotels Collection. During the course of the year, Far East Hospitality commenced management of Oasia Hotel Downtown, Oasia Residence, Singapore and Oasia Suites Kuala Lumpur. The sale of Vibe Hotel Sydney by TFE Hotels also contributed positively to this segment.

For FY2016, Straits Trading's hospitality segment recorded a profit of S\$4.3 million, S\$2.2 million higher than FY2015.

OUTLOOK

Despite seeing a 7.7% growth in international visitor arrivals into Singapore in 2016, visitor days only increased 2.2%¹. On the other hand, the number of hotel rooms in Singapore increased 4.3% y-o-y. High supply of new rooms coming into the market coupled with declining average length of stay resulted in weaker performance for the portfolio. The outlook for the hospitality segment in Singapore is expected to remain challenging with increase in supply of hotel rooms and lower demand for corporate travel given macroeconomic challenges.

In Australia, outlook for the hospitality industry remains positive, supported by strong growth in tourism demand. The pace of growth is expected to vary amongst the different states that the Group operates in, with capital cities such as Sydney and Melbourne experiencing faster growth, whilst Perth and Brisbane experience a weaker market amid an increase in supply of hotel rooms and slowdown in demand.

Far East Hospitality aims to grow its business by increasing the number of management contracts, acquiring strategic assets and divesting properties to recycle capital for redeployment towards higher yielding growth opportunities. This is a scalable hospitality platform that Straits Trading will look to capitalise on when there are opportunities in the hospitality sector.

1 Source: Singapore Tourism Board

YEAR IN REVIEW

RESOURCES



Rahman Hydraulic open pit tin mine

MALAYSIA SMELTING CORPORATION BERHAD ("MSC")

Straits Trading's 54.8%-owned resources subsidiary, Malaysia Smelting Corporation Berhad ("MSC" together with its subsidiaries, "MSC Group") is the world's second largest supplier of refined tin.

As you will recall, 2015 was a challenging year for the tin players as the tin price environment was relatively weak. However, the recovery of tin price since January 2016 has benefited MSC Group, which resulted in MSC Group recording better financial performance in 2016.

FINANCIAL PERFORMANCE

MSC Group registered a significantly higher pre-tax profit of RM49.5 million for the year ended 31 December 2016, compared with a pre-tax profit of RM3.2 million in 2015. This was largely attributed to higher tin prices, coupled with an appreciating USD against the Ringgit. After deducting income tax expenses, MSC Group reported a net profit of RM34.3 million in FY2016. Revenue remained relatively unchanged at approximately RM1.5 billion for the full year.

CORE OPERATIONS

MSC Group's core operations, comprising the international tin smelting operation at Butterworth and tin mining operation at Rahman Hydraulic Tin ("RHT") which operates a hard-rock open-pit tin mine in the State of Perak achieved a commendable performance in 2016.

International Smelting Operation

The international smelting operation achieved a turnaround and recorded a pre-tax profit of RM19.4 million in 2016 from a pre-tax loss of RM5.5 million in 2015. This was mainly attributed to higher tin prices and lower losses from foreign exchange.

In 2016, MSC produced approximately 26,800 tonnes of tin metal and maintained its position as the second largest supplier of tin metal in the world. The intake of tin concentrates for smelting was not significantly different as compared to the amount received in 2015.

Rahman Hydraulic Tin ("RHT")

RHT maintains its position as the largest producer of tin-in-concentrates in Malaysia in 2016.

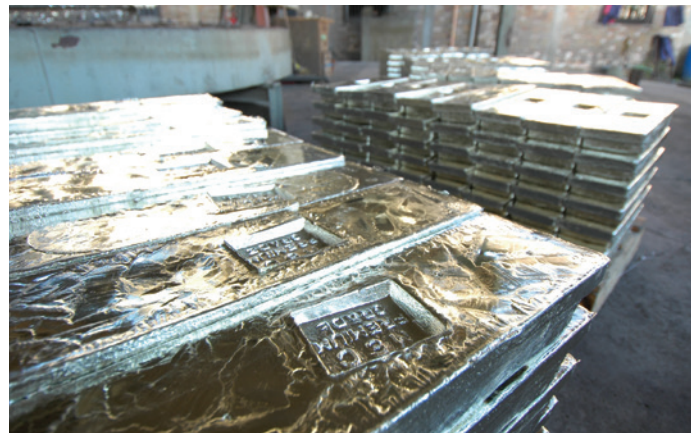
All processing plants at the mine operated at close to full capacity throughout the year treating ore material mined from the open-pit operation. RHT's production volume of approximately 2,200 tonnes of tin-in-concentrates in 2016 was marginally higher than the volume produced in 2015.

RHT's profit before tax increased by 184% from RM14.2 million in 2015 to RM40.3 million in 2016. This was mainly due to higher sales quantity and higher tin prices of tin metal recorded in 2016.

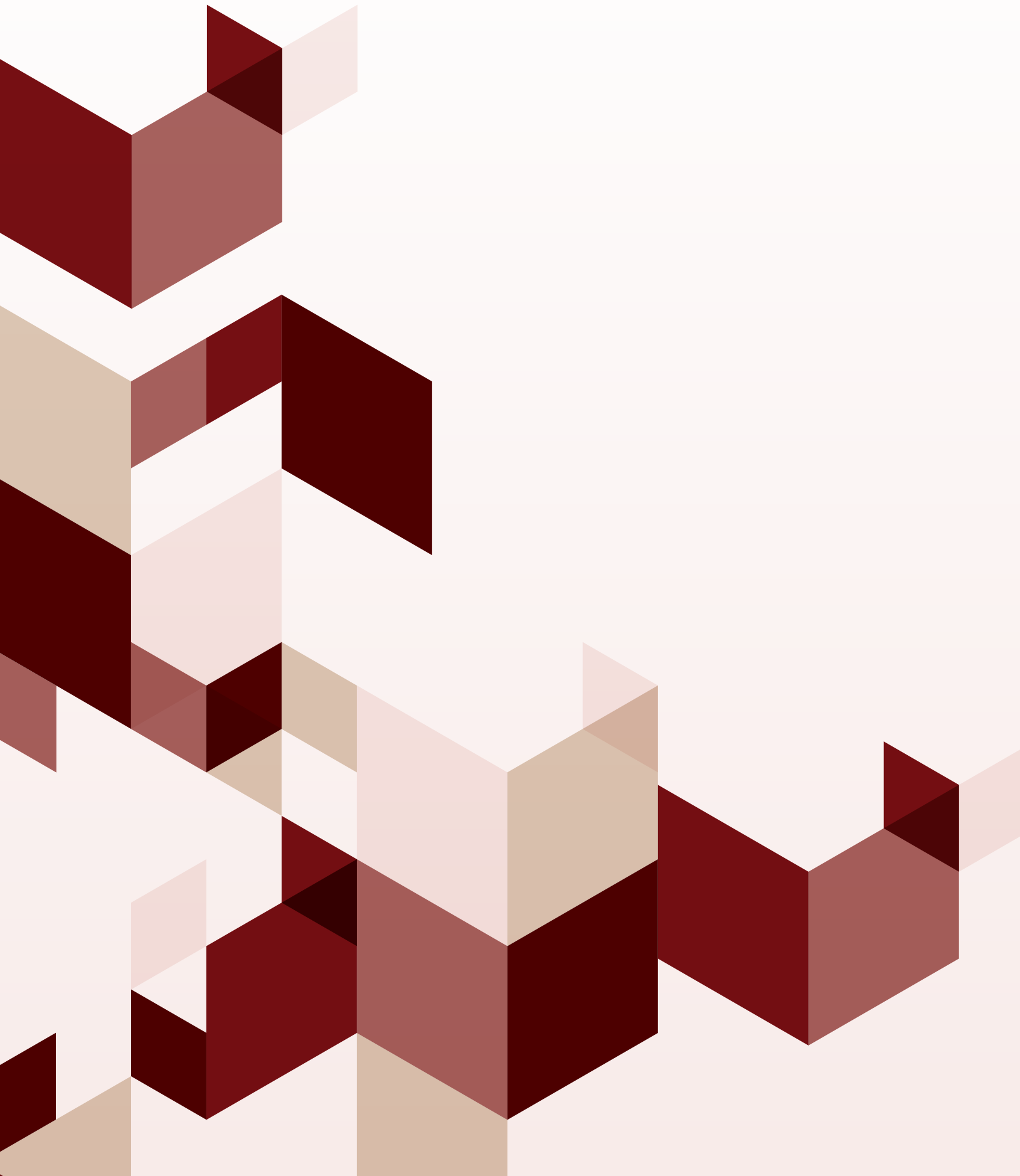
OUTLOOK

Global commodity prices and currencies are expected to remain volatile in 2017. The recent removal of China's 10% duty on exports of refined tin for 2017 is a new development, of which its effects on global tin industry remain unknown for the time being. MSC Group will continue to monitor its potential impact, if any, on the global tin industry.

Despite a turnaround in 2016, MSC Group will practise prudence to ensure that its core operations are resilient to market volatility. Improvement in operational efficiency and cost rationalisation remain the focal point in 2017 to buffer MSC Group against the changes in global macro economy.



Newly smelted tin ingots ready for delivery





DELIVERING

MOMENTUM AND GROWING
GREATER VALUE FOR THE FUTURE

SUSTAINABILITY REPORT

ABOUT THIS REPORT

Driven by our belief in the value that sustainable management can bring to us, we are delighted to present our sustainability report. This report is a result of a strategic exercise to determine what areas of sustainability are important to us and where we can add value to society. We are proud to state that this report early adopts a number of the SGX sustainability reporting requirements as well as draws reference from the Global Reporting Initiatives (“GRI”) Standards.

Scope of this report

This report covers the activities and Environmental, Social and Governance (“ESG”) performance of Straits Trading with a focus on Straits Real Estate, our largest investment platform. Our corporate governance and human capital related policies and data refer to Straits Trading and Straits Real Estate. Another of our key subsidiaries, MSC, is currently undergoing its own sustainability reporting process; the results of which we plan to include in our group annual report for the financial year ending 31 December 2017.

WHAT SUSTAINABILITY MEANS TO US

Mission Statement

At Straits Trading, we believe that a sustainable business is dependent on economic vitality, social equity and environmental well-being. We do not see these goals as mutually exclusive, but inextricably linked. As business leaders, we are committed to developing sustainable business practices that meet the needs of the present without compromising the welfare of future generations.

Our mission is to deliver stable returns. Sustainability to us is about looking ahead and managing our responsibilities towards our shareholders and other stakeholders. This means managing the various business risks and opportunities that come our way, including those relating to ESG trends.

Defining the Content of this Report

The business activities of Straits Trading and Straits Real Estate focus on investments in real estate and real estate funds. We place priority on the interests and fair treatment of our investors and shareholders and we have taken these activities and values into consideration when conducting our materiality assessment. We began the process by identifying the various direct and indirect ESG impacts of our activities. We also carefully considered where Straits Trading and Straits Real

Estate have control and influence over the various ESG impacts of these activities in order to identify opportunities for us to most effectively manage those impacts.

We believe that where we have the most control is in three areas:

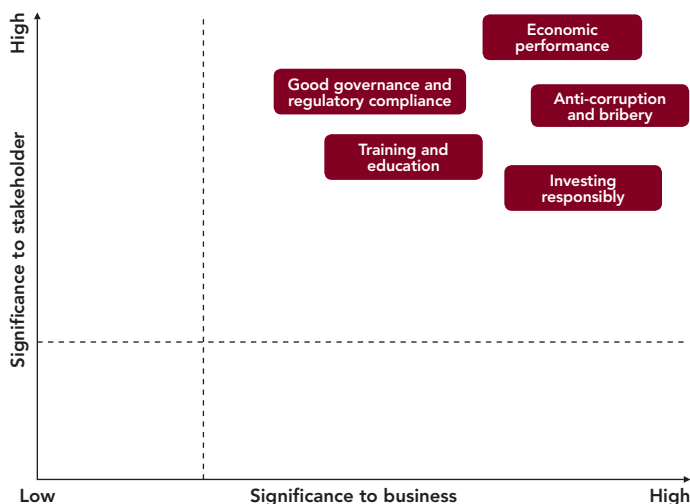
- Investing in a responsible manner
- Practising good compliance
- Engaging and developing our staff

In addition, we acknowledge that our position as provider of capital gives us a certain influence with our business partners. As an investor in different funds, we do not have direct control over how the fund managers invest our capital or how the asset managers manage our properties. Nonetheless, we aim to select managers that operate in a responsible manner and engage with them regularly to create and increase awareness.

These conclusions formed a basis for our ESG materiality assessment.

Materiality Assessment

In order to determine what ESG factors are most relevant to us we conducted a materiality assessment involving key internal stakeholders. Straits Trading and Straits Real Estate Management considered a number of ESG factors, drawing guidance from GRI Standards disclosures as well as the GRI Financial Services sector supplement. After assessing ESG related business risks and opportunities and ESG related issues in the financial services sector, we identified 5 ESG factors that we believe to be most material to us this year. Our 5 most material factors are illustrated in the materiality matrix below.



Stakeholder Engagement

We believe that our stakeholders, both internal and external, influence numerous aspects of the business and it is important for us to integrate their views when determining our material ESG factors. We engage with our external stakeholders on

a regular basis, such as conducting road shows to better enhance communication with shareholders and investors. We used the insights gained from these interactions to determine what ESG factors would be most material to them.

Key Stakeholders	Stakeholder Engagement Methods	Material Factors
Employees	<ul style="list-style-type: none"> Employee intranet Employee Handbook Regular email communication Quarterly departmental get-togethers 	<ul style="list-style-type: none"> Economic performance Good governance and regulatory compliance Anti-corruption and bribery Training and education Investing responsibly
Government/Regulations	<ul style="list-style-type: none"> Regulation update seminars and briefings 	
Business Partners/Third Party Service Providers	<ul style="list-style-type: none"> Regular management meetings 	
Investors/Shareholders	<ul style="list-style-type: none"> Annual General Meeting Annual Report Company website Road shows/Analyst briefings 	

Managing ESG Issues

The Board at Straits Trading has an important role to play in guiding the direction of sustainability, just as it does in guiding any other strategic direction. Sustainability oversight is embedded into the role of the Board. Whilst providing oversight, the Board has delegated their day-to-day sustainability responsibility to the Audit and Risk Committee. Our Audit and Risk Committee members have a diverse range of complementary experience and skills. This diversity is key to effectively guiding sustainability within Straits Trading. Please see our corporate governance disclosures for details on the Board and its Board Committees. The role of this Committee is to:

- Oversee the sustainability strategy and policy, material ESG factors and performance targets
- Determine and review the sustainability reporting framework
- Report to the Board regularly on sustainability activities

INVESTING IN A RESPONSIBLE MANNER

As one of the oldest public-listed companies in Singapore, Straits Trading is a reputable and trusted investment company with stakes in real estate, hospitality, resources and investments in the Asia Pacific region. As investors, we understand that the value of our investments can be affected by market conditions, corporate decisions, political changes or currency fluctuations, to name a few well recognised investment risks. As responsible investors, we are aware that ESG matters can enhance and compound those common risks. We believe that to continue to deliver sustainable returns to our shareholders in the long-term, we must holistically integrate ESG matters, as well as traditional concerns in our investment decisions. We have been including ESG considerations as part of our investment criteria for many years, and will continue to do so in the future.

Investment Criteria

Sustainability risks of an investment should be assessed at the acquisition stage. For us, this means assessing the risks in both the funds into which we invest and selecting the right business partners to manage our properties. Our due diligence process ensures that we, and our shareholders, capitalise on the opportunities presented and mitigate the risks by managing these acquisitions responsibly.



SUSTAINABILITY REPORT

Our investment team appoints advisers to assist us in this due diligence process and they are selected on the basis of their market experience and track record. In addition, we have a number of policies in place that ensure the robustness and completeness of our due diligence process. These policies include the Financial Authority Limits ("FAL"), the SRE Operations Handbook, the Straits Trading Compliance Manual, the Straits Trading Treasury Policy and the SRE Asian Asset Income Fund ("SAAIF") Risk Manual. Our risk assessments include several levels of screening of investments, as well as procedures for monitoring various investment risks and exit strategies. The risks that we assess to operate as responsible investors include:

- Monitoring for fraudulent and illegal activities
- Emergency planning for business continuity
- Know your customer checks, which also include anti-money laundering assessments

Additionally, we carefully assess the concentration risk and exposure of our investments and focus on Singapore, Malaysia, Japan, Australia, China and Hong Kong. We continue to have comfort that Australia and Japan are two of the most advanced locations when it comes to sustainability and environmental awareness.

We plan to strengthen the assessment of sustainability characteristics of our investments in the future.

FAL – Financial Authority Limits, formalised in May 2015.

The Financial Authority Limits ("FAL") Policy is the mechanism through which the Board or its delegate approves transactions and financial commitments within the Group.

The FAL covers the authorisation limits of Investment Activities including Investment Portfolio Management, Financing and Debt Management, Foreign Exchange and Interest Rate Risk Management, Capital Expenditure and Operating Expenditure.

The objectives of FAL are to define the authorisation limits of the Group's activities and ensure that all staff of the Group are clear on the limits of their authority, and are aware of the process for getting approval for financial commitments.

The FAL is applicable to Straits Trading and all unlisted subsidiaries of the Group. Straits Real Estate also has its own FAL to govern its authorisation matrix.

Active Investments

Our responsibility does not end upon acquisition. We continue to be involved in ensuring the sustainable performance of our investments through the life of those investments.

Management of Our Assets

As owners and landlords, we do not always have direct control on aspects of the operational management of the buildings, including energy, water and waste management, health and safety of staff, tenants and visitors or compliance with management and tenant regulations. However, we do recognise that we can influence these matters through careful selection of our third party service providers and working closely with our property managers and tenants. We set out our procedure for selecting third party service providers as well as our leasing contracts in our Operations Handbook and we ensure we follow this procedure each time.

Specifically, we encourage our property managers to manage our properties in an eco-efficient manner from day-to-day maintenance to larger scale refurbishments.

At 悦地 My Place mall in Chongqing, Straits Real Estate is both the owner and mall manager and we are proud to say that we have commenced a number of environmental initiatives at this location. We are also proud to have been involved in improving the sustainability performance of 114 William Street during our holding period, increasing its NABERs rating from 1.5 to 2.5 stars. NABERs is an Australian Environmental ratings system for buildings. It covers four areas: energy, water, waste and indoor environment. In addition, we have various features at our Klang Parade and Ipoh Parade that improve their sustainability performances. Please see details in our case studies on pages 31 to 33. We intend to deepen our sustainability engagement on all our properties and investments where opportunities allow us to do so. To identify these opportunities, we have engaged energy consultants to study our malls' energy consumption for Klang Parade, Ipoh Parade and 1 Mont Kiara. Their assessments will be completed by March 2017.

In the future, we plan to continue to encourage our third party service providers to increase their focus on their own sustainability performance by engaging them regularly in this subject and exchanging knowledge.

悦地 My Place Mall (Chongqing)

悦地 My Place Mall is a 6-storey retail mall located in ChaYuan, Chongqing. The building was acquired on a bare-shell basis, with only building superstructure works completed. In line with our commitment to sustainability, Straits Real Estate carried out a number of sustainability related asset enhancement activities over nine months.



悦地 My Place



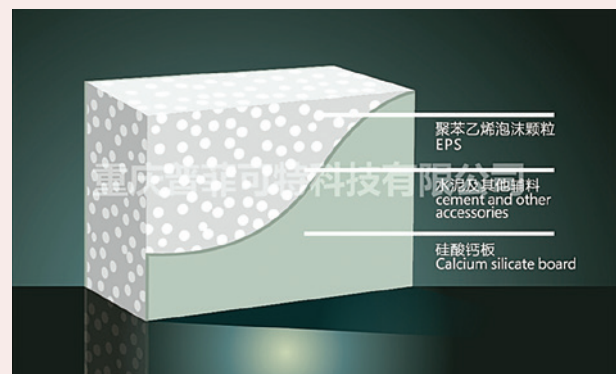
Interior of 悦地 My Place



Greenwall at Entrances of 悦地 My Place

Sustainability related asset enhancement activities include:

- Addition of a low E glass curtain wall at selected parts of the façade, to minimise solar radiation and reduce amount of heat conduction.
- Replacement of traditional light steel plasterboard or blockworks with an energy-saving lightweight composite material for the inter-unit partition walls. This material consists of calcium silicate board, polystyrene expandable particles, lightweight Portland cement, expanded perlite powder, vegetable fibre and other additives. The pre-fabricated material is highly recommended by the Chongqing local design institute, as it reduces heat conduction, and can also be easily demolished and re-instated. The ability to recycle the inter-partition walls is highly beneficial, as it provides flexibility to re-configure unit sizes according to future needs of tenants, with minimal wastage.
- Introduction of 4 panels of greenwalls at the entrances, with a cumulative surface area of about 150 sqm. The greenwalls are constructed with in-built water and UV lighting systems for ease of maintenance.
- Use of energy-efficient LED lighting throughout the mall.
- Implementation of sensors for the sanitary wares in the bathrooms and lighting control at the back-of-house staircases.
- Introduction of variable frequency pumps on air-conditioning and building management systems to reduce energy consumption during off-peak hours.



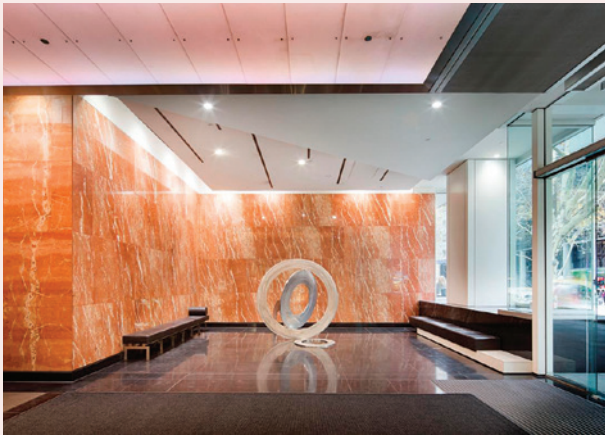
Perfect Lightweight Composite Wall Panel

SUSTAINABILITY REPORT

114 William Street

114 William Street is a Grade-B office building located in Melbourne CBD. The asset was acquired in August 2015 and successfully divested in November 2016.

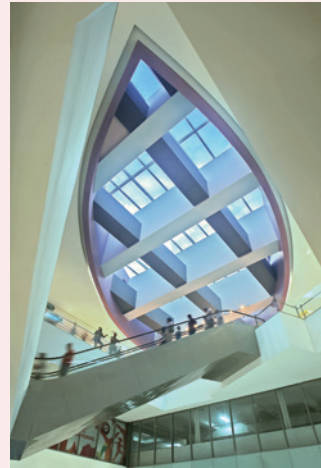
During Straits Real Estate's holding period, an asset enhancement programme was implemented to upgrade the mechanical and electrical equipment and the common areas. Individual lift lobbies and washroom areas were upgraded when the opportunity was available, and the ground floor lobby was also upgraded to house a greenwall. The enhancement programme was well received by existing and prospective tenants. The NABERS rating was increased from 1.5 to 2.5 stars, thus enhancing the property's appeal to institutional investors who are concerned about green standards.



Lobby before enhancement works



Lobby after enhancement works



Skylight at Klang Parade



Klang Parade's Improved Washroom

Sustainability Features at Klang Parade:

- Use of only water fittings that have the highest Water Efficiency Labelling and Standards (WELs) ratings.
- Re-use of the existing building shell which reduces the need for additional, new construction materials.
- Natural lighting from the newly added atriums and skylights minimises dependence on artificial light, which decreases Klang Parade's energy demands.
- Extensive use of LED light fixtures, which saved up to 80% of energy compared to other lighting options.
- Exhaust vents at the top floor near the new skylights remove warm air in an effort to decrease air conditioning loads.
- New glass panels along the exterior façade and skylights are of low-emissivity.
- Low Volatile Organic Compounds (VOCs) paint used throughout the mall which minimises health risks.
- Aluminium composite panels used are low maintenance.
- The mall features tropical landscaping, shaded and open seating, and water features. The café zone is also a unique and people-friendly way to connect to its surrounding commercial community.



LED screen with Ipoh Parade's logo Skylight at Ipoh Parade's Main Court

Sustainability Features at Ipoh Parade:

- Replacement of mechanical and electrical equipment (e.g. with new SEDA approved chillers, which in turn allowed us to be the recipient of a government grant) improved operational efficiency.
- Use of only water fittings that have achieved the highest Water Efficiency Labelling and Standards (WELs) ratings.
- LED Screen consumes only 12 watts psm vs. conventional LED, which consumes 600 watts psm.
- Low VOCs paint used throughout the mall which minimises health risks.
- Aluminium composite panels used are low maintenance.
- Traffic analysis undertaken to optimise traffic control.
- Tight air control measures taken to minimise dust and odour.
- Tightened pest control.
- Health and safety committee was set up to monitor refurbishment works.
- Energy saving escalators.

Associations and Collaborations

As we continue along our sustainability journey, we plan to continue to work with others in the investment and real estate spaces both in Singapore and globally, to advance the conversation on responsible investing. Straits Real Estate is a member of Real Estate Developers' Association of Singapore (REDAS) and employees of the Group and its subsidiaries and associates are already involved in associations such as Singapore Institute of Directors (SID), the China Real Estate Chamber of Commerce and the Malaysia Shopping Malls Association. We intend to deepen and strengthen these relationships, as well as to explore other areas where we can be involved over the next year.

PRACTISING GOOD COMPLIANCE

Compliance with relevant laws and regulations is not just a legal requirement for Straits Trading, but also a duty to our investors and other stakeholders. We recognise that ensuring compliance requires management and regular monitoring. Therefore, we continue to implement our Board Assurance Framework, which identifies, mitigates and manages significant risks, including compliance related risks.

We also have a robust internal audit process with several levels of controls, under the responsibility of the Audit and Risk Committee. We regularly review the adequacy and effectiveness of the Group's internal controls in relation to the significant risks, including financial, operational, compliance and information technology controls, and risk management systems. Please see the Report on Corporate Governance for details.

Anti-corruption and Bribery

Anti-corruption is part of Straits Trading's culture, both to add to our practice of being a good corporate citizen, and because we understand the grave consequence on the Group's reputation and business operations. We have developed and regularly review our Employee Handbook which covers work ethics when dealing with matters that may give rise to conflict of interest. The Employee Handbook is made available to all our employees. This document covers procedures for mitigating as well as dealing with corruption and bribery incidents, including our Whistleblower Policy. This policy establishes procedures and guidance for the receipt and treatment of verbal or written complaints received by the Group regarding accounting, internal controls, fraud and unethical business practices or conduct, whether submitted by employees or third parties. Additionally, Straits Trading provides an update to the Audit and Risk Committee every quarter on its whistleblowing results.

SUSTAINABILITY REPORT

Headcount			Nature of Employment		Gender	
Singapore	China	Total	Permanent	Contract	Male	Female
54	34	88	49	39	47	41

Straits Trading is pleased to say that there has been no incident of breaches of anti-corruption laws over the 12 months of this reporting period. We target zero breaches once more in the coming period.

Compliance with Relevant Local Laws and Regulations

As part of the financial sector, our business activities are subject to numerous laws and regulations from regulators covering our business conduct, use of our products and services and environmental regulation in all locations of operation. Our Employee Handbook covers our internal rules and policies which aims to govern the actions and behaviours of our employees, including work ethics and employee conduct, such as how to manage compliance with regulations and conflicts of interest.

In addition, we comply with the Personal Data Protection Act ("PDPA"). We have a PDPA compliance manual and PDPA policy to ensure that employees understand what they need to do to comply with this legislation. We also request that all employees, consultants and suppliers complete the relevant PDPA consent form.

ENGAGING AND DEVELOPING OUR STAFF

At Straits Trading we believe in cultivating an inclusive workplace with a strong emphasis on staff engagement, talent development, career advancement and skills training, while caring for the physical and emotional well-being of our employees. We aim to continuously fine-tune our people management practices to ensure the long-term success and well-being of our staff and businesses.

We provide all our employees with an Employee Handbook that provides them with all the information they need, including working hours, remuneration, leave and benefits. We review our Employee Handbook regularly to keep it up to date so that employees are always clear on our policies. We also ensure that our employees understand and buy in to our values by including our work ethics as stipulated in the Employee Handbook.

To ensure that our employees' concerns and issues are always heard and addressed, we list our grievance process in the Employee Handbook. This process is in place because the Company recognises the value and importance of employees having the opportunity to voice their questions, complaints

or grievances, and holding discussions to resolve any misunderstanding in preserving harmonious relations.

Our People

We understand that the success of our Company rests upon the quality and dedication of our staff. Straits Trading and Straits Real Estate and its related entities, have a staff strength of 88, with 54 in Singapore and 34 in China, as of 31 December 2016.

Our employees are quite evenly split between male and female as well as both permanent and contract. A substantial portion of the organisation's work is performed by our direct employees although we do occasionally engage advisers, consultants and contractors for advisory or ad hoc projects. The majority of our contract staff are in China.

We are proud to institute a strict equal opportunities and non-discrimination policy, as we believe every employee has a right to be judged upon merit only and to be free from harassment or discrimination in their place of work.

Training and Education

Employees are encouraged to attend relevant training courses to improve themselves. Yearly budgets are provided for training and development programmes. All employees will review gaps in their skillsets with their relevant superiors as well as their training and development needs. Relevant and suitable courses will be sourced for employees.

Discussions are held between managers and employees to define long-term objectives. Employees are given assignments and skill-building opportunities to expand their work scope and achieve their long-term goals. We groom our employees so that they can grow with the Group and be promoted to take on bigger roles and assume greater responsibilities.

We support employees taking up training on soft skills, technical skills and updating of industry practices and regulations as well as relevant professional courses such as ACCA and CFA, where course fees and examination fees are sponsored by the Company. Employees are also given study leave and examination leave. We target to continue to provide a diverse and relevant training schedule for our employees.

Rewarding Performance

At Straits Trading we prioritise employee development and encourage improvements in their performance. All employees are given annual performance appraisals and their performance is reviewed on a one-on-one basis with their superiors. Performance bonuses are awarded for individual performance and contributions. We also conduct regular benchmarking exercises to provide competitive remuneration packages and benefits.

Engaging Employees

We keep employees informed of the latest news, policies, and happenings via internal emails, intranet and town hall meetings. Our well-established group-wide intranet platform allows employees to access human resource policies, forms, and templates and to share news and information. They can also participate in polls and surveys and a forum to share their thoughts and provide feedback. Quarterly bonding sessions are also organised on a departmental basis.

CORPORATE SOCIAL RESPONSIBILITY

Straits Trading is committed to being a socially responsible organisation and has been contributing towards educational and social causes as far back as the early 1900s. In tandem with its financial growth and prosperity, the Company had also fostered a culture of giving back to the community in various ways, such as gifting the clock and chimes for the Victoria Memorial Hall in 1905 and setting up the Straits Trading-Howe Yoon Chong Bursary Fund at the National University of Singapore Department of Economics in 2008 to support financially needy university students. Today, we support projects and causes that are sustainable, with definable social outcomes. We also participate in activities that facilitate active engagement and interaction and which deliver a rich and meaningful experience to our volunteers and beneficiaries alike.



The clock tower as seen in 2010 before Victoria Memorial Hall was closed for an extensive two and half year renovation.



Norman Ip, then President and CEO of Straits Trading & Mrs Howe Yoon Chong presenting a cheque of S\$250,000 to representatives of the National University of Singapore's Faculty of Arts and Social Sciences on 28 December 2007. The funds were used to set up the Straits Trading – Howe Yoon Chong Bursary Fund to support financially needy university students.

SUSTAINABILITY REPORT

SGX Bull Charge Charity Run 2016

On 18 November 2016, a group of more than 20 volunteers from Straits Trading, SRE Capital, Tecity Management and Tan Chin Tuan Foundation took part once again in the annual SGX Bull Charge Charity Run 2016. The SGX Bull Charge brings together partners from the financial community and SGX-listed companies for a charity run in support of the needs of underprivileged children and families, persons with disabilities, and the elderly. The run was part of charity drive to raise money for four charities, namely, the Asian Women’s Welfare

Association (AWWA), Autism Association of Singapore (AAS), Fei Yue Community Services (FYCS) and Shared Services for Charities (SSC).

Starting off from the Marina Bay Floating Platform, the run covered a 5 km picturesque route around the financial district that went past structural landmarks such as The Esplanade, Marina Bay Financial Centre, Marina Bay Sands and Gardens by the Bay, before looping back to end at the Floating Platform.



GRI INDEX

GRI STANDARDS		DETAILS/NOTES/PAGE NO.
General Disclosure		
Organisational profile		
102-1	Name of the organisation	AR, Page 39
102-2	Activities, brands, products, and services	AR, Pages 2–5 and 18–24
102-3	Location of headquarter	AR, Page 39
102-4	Location of operations	AR, Pages 18–24
102-5	Ownership and legal form	AR, Page 170
102-6	Markets served	AR, Pages 2–5 and 18–24
102-7	Scale of the organisation	Our People, Page 34 AR, Pages 8–13
102-8	Information on employees and other workers	See “Our People”, Page 34 We do not have any significant variations in employment numbers.
102-9	Supply chain	Supply chain is minimal and not significant to report on

GRI STANDARDS		DETAILS/NOTES/PAGE NO.
General Disclosure		
Organisational profile		
102-10	Significant changes to organisation and its supply chain	AR, Pages 2–5 and 18–24
102-11	Precautionary principle or approach	Straits Trading do not specifically address the principles of the Precautionary approach
102-12	External initiatives	None
102-13	Membership of associations	Associations and Collaborations, Page 33
Strategy		
102-14	Statement from senior decision-maker	AR, Pages 2–5
Ethics and integrity		
102-16	Values, principles, standards, and norms of behaviour	Mission Statement, Page 28
102-18	Governance structure	Managing ESG issues, Page 29
102-40	List of stakeholder groups	Stakeholder Engagement, Page 29
102-41	Collective bargaining agreements	N.A.
102-42	Identifying and selecting stakeholders	We engage all stakeholders that have a direct influence on our business or upon whom our business has a direct impact on a regular basis
102-43	Approach to stakeholder engagement	Stakeholder Engagement, Page 29
102-44	Key topics and concerns raised	Stakeholder Engagement, Page 29
102-45	Entities included in the consolidated financial statements	AR, Page 56
102-46	Defining report content and topic boundaries	Materiality Assessment, Page 28
102-47	List of material topics	Materiality Assessment, Page 28
102-48	Restatements of information	None
102-49	Changes in reporting	About this report, Page 28
102-50	Reporting period	1 January - 31 December 2016
102-51	Date of most recent report	N.A.
102-52	Reporting cycle	Annual
102-53	Contact point for questions regarding the report	Wai Yee Wong Vice President, Corporate Communications The Straits Trading Company Limited
102-54	Claims of reporting in accordance with GRI Standards	This report is prepared in reference to the GRI Standards
102-55	GRI content index	
102-56	External assurance	We have not sought external assurance on this report but we may do so in the future



GRI INDEX

GRI STANDARDS		DETAILS/NOTES/PAGE NO.
Management Approach		
103-1	Explanation of the material topic and its boundary	<ul style="list-style-type: none"> – Practising Good Compliance, Anti-corruption and Bribery, Page 33 – Practising Good Compliance, Compliance with Relevant Local Laws and Regulations, Page 34 – Engaging and Developing our staff, Training and Education, Page 34 – Engaging and Developing our staff, Our People, Page 34 – Investing in a Responsible Manner, Investment Criteria, Page 29 – Investing in a Responsible Manner, Active Investments, Page 30
103-2	The management approach and its components	<ul style="list-style-type: none"> – Practising Good Compliance, Anti-corruption and Bribery, Page 33 – Practising Good Compliance, Compliance with Relevant Local Laws and Regulations, Page 34 – Engaging and Developing our staff, Training and Education, Page 34 – Engaging and Developing our staff, Our People, Page 34 – Investing in a Responsible Manner, Investment Criteria, Page 29 – Investing in a Responsible Manner, Active Investments, Page 30
103-3	Evaluation of the management approach	<ul style="list-style-type: none"> – Practising Good Compliance, Anti-corruption and Bribery, Page 33 – Practising Good Compliance, Compliance with relevant local laws and regulations, Page 34 – Engaging and Developing our staff, Training and Education, Page 34 – Engaging and Developing our staff, Our People, Page 34 – Investing in a Responsible Manner, Investment Criteria, Page 29 – Investing in a Responsible Manner, Active Investments, Page 30

MATERIAL FACTORS AND PERFORMANCE DATA

GRI STANDARDS		DETAILS/NOTES/PAGE NO.
Economic Performance		
201-1	Direct economic value generated and distributed	Please refer to disclosures in the annual report
Anti-corruption and Bribery		
205-3	Confirmed incidents of corruption and actions taken	Practising Good Compliance, Anti-corruption and Bribery, Page 33
Environmental Compliance		
307-1	Non-compliance with environmental laws and regulations	Practising Good Compliance, Compliance with Relevant Local Laws and Regulations, Page 34
Training and Education		
404-3	Percentage of employees receiving regular performance and career development reviews	Engaging and Developing our staff, Training and Education, Page 34
Socioeconomic Compliance		
419-1	Non-compliance with laws and regulations in the social and economic area	Practising Good Compliance, Compliance with Relevant Local Laws and Regulations, Page 34
Active Ownership		
G4-FS11	Percentage of assets subject to positive and negative environmental or social screening	Investing in a Responsible Manner, Active Investments, Page 30

CORPORATE INFORMATION

THE STRAITS TRADING COMPANY LIMITED AND ITS SUBSIDIARIES

BOARD OF DIRECTORS

Ms Chew Gek Khim PJG
Executive Chairman

Ms Chew Gek Hiang
Non-Independent and
Non-Executive Director

Mr Goh Kay Yong David
Non-Independent and
Non-Executive Director

Mr Yap Chee Keong
Non-Independent and
Non-Executive Director

Mr Tham Kui Seng
Independent and
Non-Executive Director

Mr Tan Tiong Cheng
Independent and
Non-Executive Director

Dr Gary Hilton Weiss
Independent and
Non-Executive Director

Mr Chia Chee Ming, Timothy
Lead Independent Director

KEY MANAGEMENT PERSONNEL

Ms Chew Gek Khim PJG
Executive Chairman

Ms Yeo Sock Koon
Chief Financial Officer

COMPANY SECRETARY

Mr Aldric Tan Jee Wei

REGISTERED OFFICE

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Guoco Tower
Singapore 078881

CORPORATE OFFICES

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Fax : (60) 3 2693 7542

SHARE REGISTRARS

Tricor Barbinder Share
Registration Services
(A division of Tricor Singapore Pte. Ltd.)
80 Robinson Road #02-00
Singapore 068898

AUDITORS

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

Partner-in-charge:

Mr Tan Seng Choon
(Appointed with effect from financial year
ended 31 December 2015)

PRINCIPAL BANKERS

Agricultural Bank of China Limited
CIMB Bank Berhad
Credit Suisse AG
DBS Bank Ltd
The Hongkong and Shanghai Banking
Corporation Limited
Malayan Banking Berhad
Oversea-Chinese Banking
Corporation Limited
Standard Chartered Bank
UBS AG
United Overseas Bank Limited





FINANCIAL REPORT AND OTHER INFORMATION

- 41** Report on Corporate Governance
- 51** Directors' Statement
- 54** Independent Auditor's Report
- 59** Consolidated Income Statement
- 60** Consolidated Statement of
Comprehensive Income
- 61** Balance Sheets
- 63** Consolidated Statement of
Changes in Equity
- 65** Consolidated Cash Flow Statement
- 67** Notes to the Financial Statements
- 169** Additional Information Required
Under The Mainboard Rules of the
Singapore Exchange Securities
Trading Limited
- 170** Shareholdings Information
- 172** Notice of Annual General Meeting
Proxy Form

REPORT ON CORPORATE GOVERNANCE

The Straits Trading Company Limited (the “**Company**”) is committed to high standards of corporate governance. This report describes the Company’s corporate governance policies and practices during the financial year ended 31 December 2016 (“**FY2016**”) with specific reference to the Code of Corporate Governance 2012 (the “**Code**”).

THE BOARD’S CONDUCT OF AFFAIRS *(Principle 1)*

The Board provides policy direction and entrepreneurial leadership, approves the development and implementation of corporate strategies, and ensures that the necessary financial and human resources are in place for the Company to meet its objectives. In addition, the Board establishes a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders’ interests and the Company’s assets.

The Board also sets the Company’s values and standards, and ensures that its obligations to all stakeholders are met and understood. While the Board remains responsible for providing oversight in the preparation and presentation of the financial statements, it has delegated to the Management the task of ensuring that the financial statements are drawn up and presented in compliance with the relevant provisions of the Singapore Companies Act, Chapter 50 and the Singapore Financial Reporting Standards.

The Board has appointed the Executive Chairman to oversee the Management, and the Lead Independent Director to ensure continued good governance. Supported by the Board committees, namely the Audit and Risk Committee (“**ARC**”), Remuneration Committee (“**RC**”) and Nominating Committee (“**NC**”), the Board also approves the appointment of Board members, key business initiatives, major investments and funding decisions, and interested person transactions. The Company has in place the Financial Authority Limit Policy (“**FAL**”) which was approved by the Board as the mechanism through which the Board or its delegate approves transactions and financial commitments within the Company and its subsidiaries (the “**Group**”). It is the responsibility of the Management to ensure that transactions presented to the Board for approval have satisfied all other Group policies and procedures. The FAL covers the authorisation limits of the Group’s activities such as investment activities, financing and debt management, foreign exchange and interest rate risk management, and capital and operating expenditure.

For the Company’s various projects, the Board has from time to time delegated authority to certain ad-hoc committees of the Board comprising two or more Directors, to provide detailed supervision and strategic oversight of such projects. Such ad-hoc Board committees provide strategic direction to the Management in the conduct of the projects.



REPORT ON CORPORATE GOVERNANCE

The Board met seven times in FY2016. Meetings by means of a conference telephone or similar communication equipment are permitted in the Company's Constitution. The Directors' attendance at the Board and the various Board committees' meetings during FY2016 are as follows:

Name of Director	Board	Remuneration Committee	Nominating Committee	Audit and Risk Committee
Number of meetings held	7	1	1	5
Attendance				
Ms Chew Gek Khim	7		1	
Mr Razman bin Ariffin ¹	1	1		1
Mrs Elizabeth Sam ²	2			
Ms Chew Gek Hiang	7	1		5
Mr Goh Kay Yong David	7			
Mr Yap Chee Keong	7			4
Mr Tham Kui Seng ³	7	1	1	
Mr Tan Tiong Cheng ⁴	6			5
Dr Gary Hilton Weiss ⁵	7			5
Mr Chia Chee Ming, Timothy ⁶	5		1	3

Legend:

- ¹ Resigned as Director on 18 March 2016.
- ² Retired as Director after the conclusion of the Company's annual general meeting on 29 April 2016.
- ³ Appointed Chairman of the Remuneration Committee with effect from 18 March 2016.
- ⁴ Appointed member of the Remuneration Committee with effect from 18 March 2016.
- ⁵ Appointed Chairman of the Audit and Risk Committee with effect from 18 March 2016.
- ⁶ Appointed member of the Audit and Risk Committee with effect from 18 March 2016.

Apart from the seven Board meetings of the Directors, the Board, together with the Management, also met the board and management of Malaysia Smelting Corporation Berhad in FY2016 to review the Group's longer term strategy and direction. The Board also visited the tin mine and smelting plant in Malaysia to better understand the tin mining and smelting operations.

The Company provides newly appointed Directors with information packs to familiarise them with the Company's business and governance guidelines. In addition, new Directors were inducted to the Company's business through orientation and/or briefing sessions.

REPORT ON CORPORATE GOVERNANCE

BOARD COMPOSITION AND GUIDANCE *(Principle 2)*

At the beginning of FY2016, there were 10 Directors on the Board. With the resignation of Mr Razman bin Ariffin and retirement of Mrs Elizabeth Sam, the Board comprised eight Directors, seven of whom were non-executive. For FY2016, four out of the eight Directors were independent. The Board, in concurrence with the NC, was of the view that, taking into account the Company's scope of operations and its business requirements, the current size of the Board is appropriate. The Board considers an independent Director to be one who has no relationship with the Company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement with a view to the best interests of the Company.

The Directors provided objective and independent judgement to the decision making of the Board. The non-executive Directors of the Company participated constructively and reviewed the Group's operations, budgets and strategies. They also assessed the effectiveness of the Board's processes and activities in meeting set objectives and corporate governance standards.

The Board as a group has the core competencies, such as accounting or finance, business or management experience, legal and industry knowledge, and strategic planning experience. Key information on the Directors are set out in pages 8 to 11.

EXECUTIVE CHAIRMAN *(Principle 3)*

The Board is led by Ms Chew Gek Khim as the Executive Chairman. Ms Chew assumed the Chair on 24 April 2008 and was appointed Executive Chairman on 1 November 2009.

As Chairman of the Board, Ms Chew's duties include leading the Board, setting the Board agenda and ensuring that all Directors receive sufficient relevant information (both financial and non-financial) to enable them to participate and contribute effectively in Board discussions and decisions. She aims to promote openness and constructive relations between the Board members, and between the Board and the Management, and ensures effective communication with shareholders. Ms Chew also advocates high standards of corporate governance.

As the Executive Chairman, Ms Chew takes on executive oversight of the Management of the business segments. The Management is responsible for the daily management of the businesses and implementation of the Board's policies and decisions as well as ensuring compliance with the corporate governance policies of the Company as these relate to the respective business segments. The Management reports to the Board and is managed through the strategies adopted and monitored through the key performance indicators set for them.

LEAD INDEPENDENT DIRECTOR *(Principle 3)*

In line with the recommendations set out in the Code, the Company has appointed a Lead Independent Director. Mr Chia Chee Ming, Timothy was appointed as an Independent Non-Executive Director and the Lead Independent Director on 27 February 2015.

The Lead Independent Director's role includes being available to shareholders to address any of their concerns and acting as the principal liaison between the independent Directors, and the Executive Chairman on critical issues.



REPORT ON CORPORATE GOVERNANCE

BOARD MEMBERSHIP *(Principle 4)*

The Company has an NC comprising three Directors, the majority of whom, including the NC Chairman, are independent. The NC is chaired by Mr Chia Chee Ming, Timothy. The other members of the NC are Ms Chew Gek Khim and Mr Tham Kui Seng.

The Company has adopted a formal and transparent process for the appointment of new Directors through the NC which reviews the background of and conducts interviews with all candidates and makes recommendations accordingly to the Board for approval.

The functions of the NC include the evaluation of the Board's effectiveness, each Director's contributions and independence, as well as making recommendations on the appointment and re-nomination of Directors for the Board. The role and functions of the NC are set out in its Terms of Reference.

The NC reviews and assesses the independence of the Directors at least once a year. The Directors are required to submit declarations of independence annually and report to the Company immediately on any changes to their external appointments, interest in shares and other relevant information. For FY2016, the Board, having taken into account the views of the NC, considered Mr Tham Kui Seng, Mr Tan Tiong Cheng, Dr Gary Hilton Weiss and Mr Chia Chee Ming, Timothy to be independent.

During FY2016, the Directors are updated on the relevant changes in financial reporting standards, regulatory requirements and governance practices. The Directors also participated in appropriate courses and discussion forums.

As the Directors have given sufficient time and effort to the Company's matters, notwithstanding their multiple directorships and appointments, the Board was of the view that there was no necessity to regulate the maximum number of listed company board representations that the Directors may hold.

BOARD PERFORMANCE *(Principle 5)*

The Company has in place a process to assess the Board's effectiveness as a whole. The evaluation is carried out annually with each Director making his assessment by providing feedback to the NC through a Board assessment questionnaire.

In evaluating the performance of the individual Directors and the Board, the NC considers, amongst others, the Directors' attendance, contribution and participation at the Board and Board committee meetings, Directors' individual evaluations and the overall effectiveness of the Board.

ACCESS TO INFORMATION *(Principle 6)*

Information is important to the Board's understanding of the Group's businesses and essential to preparing the Board members for effective meetings. Where required, the Management supplements the meeting papers with presentations on active operations and strategic issues to provide the Directors with a better understanding of the Group's operations. Management is invited to attend the meetings to answer enquiries from the Directors. The Directors have access to Board and Board committees' papers through a secure web-based portal.

The Directors have separate and independent access to the Management and the services of the Company Secretary, who is responsible for ensuring that Board procedures are followed and applicable rules and regulations are complied with. The Company Secretary also assists the Chairman by ensuring good information flows within the Board and its committees, and between the Management and the non-executive Directors. The Company Secretary attends all Board and Board committees' meetings and his appointment or removal is subject to the Board's approval.

In the furtherance of their duties and if the Management's explanations are not satisfactory, the Directors may seek independent professional advice at the Company's expense.

REPORT ON CORPORATE GOVERNANCE

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES (Principle 7)

LEVEL AND MIX OF REMUNERATION (Principle 8)

The Board has an RC comprising three non-executive Directors, the majority of whom, including the RC Chairman, are independent. The RC was chaired by Mr Razman bin Ariffin until 18 March 2016 when he resigned as a Director. Ms Chew Gek Hiang and Mr Tham Kui Seng were the other two members. Following the resignation of Mr Razman bin Ariffin, the Board appointed Mr Tham Kui Seng and Mr Tan Tiong Cheng as the Chairman and member of the RC respectively on 18 March 2016.

The functions of the RC include the recommendation of a framework of remuneration for the Board and key management personnel, and the recommendation of specific remuneration packages for the Executive Chairman and key management personnel for the Board's approval. The role and functions of the RC are set out in the Terms of Reference of the RC.

The Company has adopted a performance-based approach to compensation where employees' remuneration is linked to individual and corporate performances. The RC sees the importance of a market competitive remuneration strategy to attract, retain and motivate employees to high performance that creates value for the shareholders. Remuneration is determined according to the following general components: salary, contractual bonus and performance bonus. Presently, the Company does not have any share-based incentive scheme.

Taking into account the performance of the Group and the responsibilities and performance of the Directors, Directors' fees (for the Board and the various Board committees) were set in accordance with a remuneration framework comprising responsibility fees and attendance fees. The Executive Chairman does not receive any Director's fees. Non-executive Directors are paid Director's fees, subject to approval at the annual general meeting. The non-executive Directors have no service contracts. No individual Director fixes his or her own remuneration.

DISCLOSURE ON REMUNERATION (Principle 9)

The summary remuneration table for the Directors of the Company in all capacities for FY2016 is as follows:

Name of Director	Salary	Bonus	Benefits in kind	Directors' fees	Total
S\$1,250,001 – S\$1,500,000					
Ms Chew Gek Khim	67%	33%	–	–	100%
S\$250,000 and below					
Mr Razman bin Ariffin	–	–	–	100%	100%
Mrs Elizabeth Sam	–	–	–	100%	100%
Ms Chew Gek Hiang	–	–	–	100%	100%
Mr Goh Kay Yong David	–	–	–	100%	100%
Mr Yap Chee Keong	–	–	–	100%	100%
Mr Tham Kui Seng	–	–	–	100%	100%
Mr Tan Tiong Cheng	–	–	–	100%	100%
Dr Gary Hilton Weiss	–	–	–	100%	100%
Mr Chia Chee Ming, Timothy	–	–	–	100%	100%

There are no employees of the Group who are immediate family members of a Director, and whose remuneration exceeds S\$50,000 a year.



REPORT ON CORPORATE GOVERNANCE

The summary remuneration table for the key management personnel (who are not Directors) in bands of S\$250,000 for FY2016 is as follows:

Name of Key Management Personnel	Salary	Bonus	Benefits in kind	Total
S\$250,001 – S\$500,000				
Ms Yeo Sock Koon	70%	23%	7%	100%

Based on the current organisation and reporting structure of the Group, it is more appropriate for one executive, who is not a Director of the Company, to be identified as the Group's top key management personnel instead of five as required under the Code. The names and profiles of the key management personnel of the Group are stated on page 12.

Given the sensitive nature of employee remuneration, as well as possible pressures from both within and outside the Group upon disclosing such information, the Board has decided that the detailed disclosure of each Director's and key management personnel's remuneration is not in the interests of the Company.

ACCOUNTABILITY (Principle 10)

In presenting the annual financial statements and quarterly announcements to shareholders, it is the aim of the Board to provide shareholders with a balanced and detailed analysis, explanations and assessment of the Company's and the Group's performance, financial position and prospects.

The Management currently provides the Board with balanced and understandable accounts of the Company's performance, financial position and business prospects on a monthly basis.

AUDIT AND RISK COMMITTEE (Principle 12)

For FY2016, the ARC comprised five non-executive Directors, the majority of whom were independent. Mr Razman bin Ariffin chaired the ARC until his resignation on 18 March 2016. The other members of the ARC were Ms Chew Gek Hiang, Mr Yap Chee Keong, Mr Tan Tiong Cheng and Dr Gary Hilton Weiss. Following Mr Razman bin Ariffin's resignation, the Board appointed Dr Gary Hilton Weiss and Mr Chia Chee Ming, Timothy as the Chairman and member of the ARC respectively on 18 March 2016.

All members of the ARC are financially literate and have accounting or related financial management expertise or experience.

The role of the ARC is documented in the Terms of Reference approved by the Board. The Terms of Reference defines the purpose, authority and responsibilities of the ARC. The duties of the ARC include:

- reviewing annually the external audit scope, audit plans and relevant processes, and the results of the external audit work with regard to the adequacy, cost effectiveness, and appropriateness of the accounting and financial controls of the Company;
- making recommendations to the Board on the appointment and re-appointment of the external auditor, and reviewing the terms of engagement of the external auditor, including their compensation, performance evaluation and independence;
- reviewing the adequacy and effectiveness of the Company's internal accounting controls and the financial reporting process;
- reviewing the significant accounting and reporting principles, practices and procedures applied by the Company in preparing its financial statements;

REPORT ON CORPORATE GOVERNANCE

- reviewing interested person transactions from time to time to determine if they are carried out on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders;
- reviewing annually and as may be necessary from time to time, the internal audit scope, internal audit plans, relevant processes and the focus on risk; and
- reviewing and evaluating annually the adequacy and effectiveness of the Company's risk management and internal control systems, including financial, operational, compliance and information technology controls and processes for assessing significant risks or exposures and the procedures Management has taken to monitor, control and minimise such risks or exposures to the Company.

The ARC has the power to conduct or authorise investigations into any matters within its scope of responsibilities. The Board is updated by the ARC Chairman on the significant issues discussed at the ARC meetings.

In performing its functions, the ARC reviews the overall scope of both internal and external audits and the assistance given by the Company's officers to the internal and external auditors. The ARC also meets with the internal and external auditors on a quarterly basis to review their findings and effectiveness.

To assist the discharging of its functions, the ARC is provided with adequate resources, has full access to and co-operation of the Management and the internal auditors, and has full discretion to invite any Director or executive officer to attend its meetings. All major findings and recommendations are brought to the attention of the Board of Directors.

The ARC reviews interested person transactions to ensure that they are carried out on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders. The ARC also reviews the consolidated financial statements and the auditors' report, as well as related announcements to shareholders and the Singapore Exchange Securities Trading Limited ("SGX-ST") before submission to the Board.

The ARC has reviewed and is satisfied that the independence and objectivity of the external auditors have not been compromised by the provision of non-audit services. Accordingly, it has recommended to the Board the nomination of the external auditors, Ernst & Young LLP, for re-appointment at the forthcoming Annual General Meeting to be held on 27 April 2017. In FY2016, the ARC met twice with the external auditors and once with the internal auditors without the presence of the Management.

The details of the remuneration paid to the external auditors for FY2016 are as follows:

	S\$'000
Audit fees paid/payable to:	
– Auditors of the Company	438
– Overseas affiliates of the auditors of the Company	305
Non-audit fees paid/payable to:	
– Auditors of the Company	84
– Overseas affiliates of the auditors of the Company	44

The ARC, having reviewed the nature and quantum of the non-audit fees, was satisfied that the independence of the external auditors had not been compromised by the provision of the non-audit services.

In appointing the audit firms for the Group, the ARC is satisfied that the Company has complied with the Listing Rules 712, 715 and 716.



REPORT ON CORPORATE GOVERNANCE

Key Audit Matters

The external auditors have set out the key audit matters in respect of FY2016 in the Independent Auditor's Report on pages 54 to 58 of the Annual Report. The ARC concurs with the basis and conclusions included in the Independent Auditor's Report with respect to the key audit matters.

Whistleblower Policy

In line with Guideline 12.7 of the Code, the Company has a whistle-blowing procedure in place for employees to raise, in confidence, possible improprieties in matters of financial reporting or other matters. The policy, available on the Company's intranet, aims to foster a workplace conducive to open communication regarding the Company's business practices and to protect the employees from unlawful retaliation and discrimination for the proper disclosing or reporting of illegal or unethical conduct in good faith.

Complaints may be made to the designated officers by telephone, email or under confidential mail. All cases reported will be investigated objectively and thoroughly and appropriate action will be taken where warranted. A summary of the reports received, investigation results and subsequent actions taken are reported to the ARC on a quarterly basis. Under certain circumstances, the ARC will be informed of any complaint, as soon as practicable.

RISK MANAGEMENT AND INTERNAL CONTROLS *(Principle 11)*

The Board recognises that it is responsible for risk governance and ensuring that the Management maintains a sound system of risk management and internal controls to safeguard shareholders' investments and the Group's assets. The Board appreciates that risk management is an on-going process in which the Management continuously participate to evaluate, monitor and report to the Board and ARC on significant risks.

The ARC under its Terms of Reference as delegated by the Board, has the responsibility to oversee the Group's risk management framework and policies.

The Group has engaged KPMG Services Pte. Ltd. to develop and implement a Board Assurance Framework which includes an enterprise risk management framework to identify the significant risks facing each major business segment, the potential impact and likelihood of those risks occurring, the control effectiveness and action plans taken to mitigate those risks. The Group has also developed a risk governance structure, which provides details on the roles and responsibilities for the Board and Management in risk monitoring, escalation, mitigation and reporting.

The Group has established key risks indicators with tolerance limits to monitor movements in its significant risks and to proactively manage them within acceptable levels. These key risk indicators have been reviewed and approved by the Board and they are also monitored on a quarterly basis.

The internal auditors regularly review all significant controls, policies and procedures and highlight all significant matters to the Management and the ARC.

During FY2016, the Board and ARC reviewed the adequacy and effectiveness of the Group's internal controls in relation to the significant risks, including financial, operational, compliance and information technology controls, and risk management systems. Based on the work performed by the external and internal auditors, Management's representations and Board enquiries and discussions, the Board is assured that the Group's risk management and internal controls systems are adequate and effective. In addition, the Board has received assurance from the Executive Chairman and Chief Financial Officer that the financial records have been properly maintained and properly drawn up in accordance with the Companies Act and Singapore Financial Reporting Standards and are not false or misleading in any material aspect, and give a true and fair view of the Group's operations and finances and that the Group's risk management and internal control systems are effective.

REPORT ON CORPORATE GOVERNANCE

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, and reviews performed by and assurance from the Executive Chairman and Chief Financial Officer, the internal auditors, the ARC and the Board, the Board, with the concurrence of the ARC, is of the opinion that the Group's system of risk management and internal controls, addressing financial, operational, compliance and information technology risks, were adequate and effective as at 31 December 2016.

However, the Board is also aware that such a system can only provide reasonable, but not absolute, assurance that the Group will not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives. The Board also notes that no system of internal controls and risk management can provide a complete assurance against human error, poor judgement in decision making, losses, fraud or other irregularities.

INTERNAL AUDIT *(Principle 13)*

The Company's internal audit function has been outsourced to KPMG Services Pte. Ltd. The internal auditor's primary line of reporting is to the Chairman of the ARC. All internal audit reports are submitted to the ARC for consideration, with copies of those reports extended to senior management. In order to ensure timely and adequate closure of internal audit findings, the status of implementation of the actions as agreed by senior management is tracked and discussed with the ARC.

In carrying out its duties, the internal auditors have adopted the Standards for Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

For FY2016, the ARC reviewed and approved the annual internal audit plans and ensured that the internal audit functions were adequately resourced. The internal auditors have unrestricted direct access to the ARC and unfettered access to documents, records, properties and personnel within the Group to carry out its duties effectively.

COMMUNICATION WITH SHAREHOLDERS *(Principle 15)*

The Company takes a serious view of maintaining full and adequate disclosure, in a timely manner, of material events and matters concerning its businesses through SGXNET announcements, press releases, circulars to shareholders and Annual Reports.

In addition, shareholders and the public can access information pertaining to the Company's businesses, media releases and other corporate information via its website. The Company's Corporate Communications department also facilitate effective and unbiased communications with shareholders, analysts, fund managers and the media. The Company's website provides the contact details for investors to submit their feedback and queries.

The Company endeavours to provide as much and as prompt information as is possible to its shareholders, taking into account the legal and regulatory framework governing the release of material and price-sensitive information. The Company releases all price-sensitive information through SGXNET.

At the Company's annual general meeting in 2016, a presentation on the Company's business was made to the shareholders. These presentation slides were also uploaded on SGX-ST through SGXNET and the Company's website. Shareholders are encouraged to ask questions both about the resolutions being proposed and about the Group's operations in general. The Constitution of the Company permit a member of the Company to appoint not more than two proxies to attend and vote instead of the member. As there is still a major concern on the security of information transmitted over the Internet, the Board has decided that it is not appropriate, for the time being, to amend its Constitution to allow for in absentia voting methods.



REPORT ON CORPORATE GOVERNANCE

The Company ensures that separate resolutions are proposed at general meetings on each distinct issue. The external auditors, the chairpersons of the various Board committees and where necessary, the legal advisers are present to assist the Directors in addressing any relevant queries by shareholders.

To enhance participation by shareholders, the Company puts all resolutions at general meetings to vote by poll and announces the detailed results showing the number of votes cast for and against each resolution and the respective percentages. The polling results are also announced on SGX-ST and the Company's website.

DEALINGS IN SECURITIES

The Group has issued internal guidelines on dealings in the securities of the Company to the Directors and employees of the Company and its subsidiaries, advising them, amongst others, not to deal in the securities of the Company on short-term considerations. On a quarterly basis, the Directors and employees are advised of the prohibitions in dealings in the securities of the Company during the period commencing two weeks before the announcement of the Group's quarterly financial statements, and one month before the Group's full year financial statements, and ending on the respective announcement dates, and while they are in possession of material price-sensitive information which is generally not available.

DIRECTORS' STATEMENT

The Directors have pleasure in submitting their statement to the members together with the audited financial statements of The Straits Trading Company Limited (the "Company") and consolidated financial statements of the Group for the year ended 31 December 2016.

OPINION OF THE DIRECTORS

In the opinion of the Directors,

- (i) the accompanying balance sheets, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement together with notes thereto 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 2016 and the financial performance, changes in equity and cash flows of the Group 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.

DIRECTORATE

The Directors in office at the date of this report are:

Ms Chew Gek Khim (Executive Chairman)
Ms Chew Gek Hiang
Mr Goh Kay Yong David
Mr Yap Chee Keong
Mr Tham Kui Seng
Mr Tan Tiong Cheng
Dr Gary Hilton Weiss
Mr Chia Chee Ming, Timothy

Ms Chew Gek Hiang, Mr Yap Chee Keong and Dr Gary Hilton Weiss retire pursuant to Article 99 of the Constitution and being eligible, offer themselves for re-election.

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

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



DIRECTORS' STATEMENT

DIRECTORS' INTEREST IN SHARES AND DEBENTURES

According to the register kept under Section 164 of the Companies Act, Chapter 50, the Directors who held office at the end of the financial year had an interest in the shares of the Company and its related corporation as stated below:

Company

(Issued ordinary shares)	Shareholdings in the names of Directors		Shareholdings in which Directors are deemed to have an interest	
	1.1.2016	31.12.2016	1.1.2016	31.12.2016
Ms Chew Gek Khim	41,200	41,200	–	–
Ms Chew Gek Hiang	23,000	23,000	–	–
Mr Chia Chee Ming, Timothy	3,900	3,900	–	–

Subsidiary

Malaysia Smelting Corporation Berhad

(ordinary shares of RM1 each)	Shareholdings in the names of Directors		Shareholdings in which Directors are deemed to have an interest	
	1.1.2016	31.12.2016	1.1.2016	31.12.2016
Ms Chew Gek Khim	400,000	400,000	–	–

There was no change in any of the above-mentioned interests between the end of the financial year and 21 January 2017.

Except as disclosed above, no Director who held office at the end of the financial year had an interest in any 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' CONTRACTUAL BENEFITS

Except as disclosed in the financial statements, since the end of the previous financial year, no Director has received or become entitled to receive benefits by reason of a contract made by the Company or a related corporation with the Director, or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

OPTIONS

During the financial year, no option to take up unissued shares of the Company or any corporation in the Group was granted.

No shares have been issued during the financial year by virtue of the exercise of an option to take up unissued shares of the Company or any corporation in the Group.

At the end of the financial year, there were no unissued shares of the Company or any corporation in the Group under option.

DIRECTORS' STATEMENT

AUDIT AND RISK COMMITTEE

The Audit and Risk Committee performs the functions specified in Section 201B(5) of the Companies Act, Chapter 50. The Audit and Risk Committee reviews the overall scope of both internal and external audits and the assistance given by the Company's officers to the auditors. It meets the Company's internal and external auditors to discuss the results of their respective examinations and the internal auditors' evaluation of the Company's system of internal accounting and financial controls. The Audit and Risk Committee reviews interested person transactions to ensure that they are carried out on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders. The Audit and Risk Committee also reviews the consolidated financial statements and the auditor's report, as well as announcements to shareholders and the Singapore Exchange Securities Trading Limited before submission to the Board. During the financial year, the Audit and Risk Committee met twice with the external auditors and once with the internal auditors, without the presence of the Management. The Audit and Risk Committee annually reviews the independence of the external auditor and recommends to the Board, the external auditor to be appointed. Further details on the Audit and Risk Committee are disclosed in the Report on Corporate Governance.

AUDITOR

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

On behalf of the Board

Chew Gek Khim PJG
Director

Gary Hilton Weiss
Director

Singapore
27 March 2017



INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
TO THE MEMBERS OF THE STRAITS TRADING COMPANY LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of The Straits Trading Company Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2016, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2016 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
TO THE MEMBERS OF THE STRAITS TRADING COMPANY LIMITED

Key Audit Matters (cont'd)

1. FAIR VALUE OF INVESTMENT PROPERTIES, LAND AND BUILDINGS

At 31 December 2016, the Group's investment properties, land and buildings are carried at \$554.3 million and \$27.4 million respectively, representing 38.0% of the Group's total non-current assets and 39.9% of equity in aggregate.

The Group carries its investment properties, land and buildings at their fair values based on independent external valuations. The valuation process is considered a key audit matter because it involves significant judgement in determining the appropriate valuation methodology to be used and in estimating the underlying assumptions to be applied. The valuations are highly sensitive to changes in the key assumptions applied, particularly those relating to capitalisation, discount and terminal yield rates, and price per square foot.

As part of our audit procedures, we considered the objectivity, independence and expertise of the external appraisers engaged by management and inquired the external appraisers on their valuation techniques. We have reviewed the valuation reports obtained from the external appraisers and considered the appropriateness of the valuation model, property related data, including estimates used by management and the external appraisers. We considered the reasonableness of the assumptions and estimates based on the current property market outlook and macroeconomic developments and corroborated inputs used in the estimates such as rental value, vacancy rates and maintenance status against our understanding of the tenancy profile and performance of the respective properties.

We reviewed the sufficiency and appropriateness of the disclosures of the properties included in notes 15, 16, 40(a)(iv) and 41 in light of the current circumstances.

2. IMPAIRMENT TESTING FOR GOODWILL

At 31 December 2016, the Group's goodwill arising from the acquisition of Malaysia Smelting Corporation Berhad ("MSC") is carried at \$17.3 million representing 1.1% of the Group's total non-current assets and 1.2% of equity. Based on the latest annual impairment testing, the estimated recoverable amount is in excess of the carrying value. Accordingly, management is satisfied that no goodwill impairment is required as at 31 December 2016.

Management has determined the recoverable amount of MSC based on its fair value less cost to sell which is calculated using its listed share price on the Bursa Malaysia Securities Berhad adjusted for a control premium. We have identified this as a key audit matter because the determination of the control premium requires significant management judgement as the control premium is affected by expected future market and economic conditions.

In our audit of the goodwill impairment assessment, we engaged our internal valuation specialist to support us in assessing the reasonableness of the control premium applied in the impairment assessment. Amongst other audit procedures, this includes cross-checking the control premium applied to the mean control premium in historical acquisitions of targets in Malaysia. Furthermore, we assessed the sensitivity of the recoverable amount to changes in the control premium.

We reviewed the adequacy of the note disclosures to provide sufficient insight concerning those key assumptions underlying the valuation to which the outcome of the impairment test is most sensitive. The note on goodwill and related disclosures are included in notes 17(a) and 40(a)(i) to the financial statements.



INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
TO THE MEMBERS OF THE STRAITS TRADING COMPANY LIMITED

Key Audit Matters (cont'd)

3. PROVISION FOR MINE RESTORATION COSTS

As disclosed in note 30 to the financial statements, the Group recorded a provision for mine restoration costs of \$8.6 million in respect of restoration and rehabilitation obligations of its subsidiary as at 31 December 2016 based on consultation with an expert in mine rehabilitation. The provision for mine restoration costs is significant to our audit because significant judgement and estimation are required in determining the intended method of restoration and rehabilitation pending approval of the mine rehabilitation plan by the authorities, the future estimated expenditure and the discount rate used to discount these future expenditure to net present value.

In addressing this area of focus, we considered the objectivity, independence and expertise of the mine rehabilitation expert engaged by the subsidiary. We obtained an understanding of the intended method of restoration and rehabilitation. We also obtained an understanding of the methodology adopted by the expert in estimating the restoration and rehabilitation obligations and assessed whether such methodology is consistent with those commonly used in the industry. We considered management's assessment on the adequacy of the provision for mine restoration costs. In addition, we assessed whether the discount rate used to determine the net present value of the restoration and rehabilitation obligations reflects current market assessments of the time value of money and the risks specific to the liability.

We also reviewed the adequacy of the note disclosure about the significant judgement and estimation involved in determining the provision. The note disclosures on the provision for mine restoration costs are included in notes 30 and 40(a)(vii).

Other information

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

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

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

Responsibilities of Management and Directors for the Financial Statements

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

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

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

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
TO THE MEMBERS OF THE STRAITS TRADING COMPANY LIMITED

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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



INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
TO THE MEMBERS OF THE STRAITS TRADING COMPANY LIMITED

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

The engagement partner on the audit resulting in this independent auditor's report is Tan Seng Choon.

Ernst & Young LLP

Public Accountants and
Chartered Accountants
Singapore
27 March 2017

CONSOLIDATED INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	2016 \$'000	2015 \$'000
Revenue			
Tin mining and smelting revenue		495,165	528,493
Property revenue	4	18,310	11,456
Total revenue		513,475	539,949
Other items of income/(loss)			
Dividend income	5	24,684	25,407
Interest income	6	12,740	10,485
Fair value changes in investment properties	16	932	(4,819)
Other income/(loss)	7	32,832	(19,937)
		584,663	551,085
Other items of expense			
Employee benefits expense	8	(31,088)	(26,613)
Depreciation expense	15	(4,063)	(3,187)
Amortisation expense	17	(644)	(687)
Impairment losses	9	(226)	(294)
Costs of tin mining and smelting		(447,000)	(481,112)
Finance costs	10	(19,420)	(15,714)
Other expenses	11	(32,264)	(41,077)
Total expenses		(534,705)	(568,684)
Share of results of associates and joint ventures		44,980	28,475
Profit before tax	12	94,938	10,876
Income tax expense	13	(16,359)	(3,391)
Profit after tax		78,579	7,485
Profit/(Loss) attributable to:			
Owners of the Company		67,291	8,549
Non-controlling interests		11,288	(1,064)
		78,579	7,485
Earnings per share (cents per share)			
	14		
Basic		16.5	2.1
Diluted		16.5	2.1

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



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	2016 \$'000	2015 \$'000
Profit after tax	78,579	7,485
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Net fair value changes in equity securities carried at fair value through other comprehensive income ("FVOCI")	12,805	–
Share of net fair value changes in equity securities carried at FVOCI of associates	3,420	–
Net revaluation surplus on property, plant and equipment	925	1,460
Share of revaluation surplus on property, plant and equipment of associates	8,399	6,750
	25,549	8,210
Items that may be reclassified subsequently to profit or loss:		
Net fair value changes in available-for-sale investment securities	–	(42,319)
Net fair value changes in cash flow hedges	1,733	(812)
Currency translation reserve	(10,882)	(15,296)
Share of reserves of associates and joint ventures	(194)	(9,573)
Realisation of foreign currency translation reserve to profit or loss	2,295	–
	(7,048)	(68,000)
Other comprehensive income after tax for the year	18,501	(59,790)
Total comprehensive income for the year	97,080	(52,305)
Attributable to:		
Owners of the Company	85,677	(44,162)
Non-controlling interests	11,403	(8,143)
Total comprehensive income for the year	97,080	(52,305)

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

BALANCE SHEETS

AS AT 31 DECEMBER 2016

	Note	Group		Company	
		2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Assets					
Non-current assets					
Property, plant and equipment	15	52,737	34,434	143	174
Investment properties	16	554,337	606,010	32,314	32,371
Goodwill	17(a)	17,298	17,604	–	–
Other intangible assets	17(b)	7,100	6,655	–	–
Subsidiaries	18	–	–	125,237	125,237
Associates and joint ventures	19	639,379	558,616	2,708	2,708
Deferred tax assets	20	3,731	1,599	–	–
Other non-current receivables	21	–	1,855	–	–
Derivative financial instruments	23	551	–	–	–
Investment securities	22(a)	256,179	201,576	–	–
Other non-current assets	24	970	987	–	–
Total non-current assets		1,532,282	1,429,336	160,402	160,490
Current assets					
Assets classified as held for sale	25	17,464	17,771	17,464	17,771
Development properties for sale		66	70	–	–
Inventories	26	119,554	88,820	–	–
Income tax receivables		3,611	3,526	–	–
Prepayments and accrued income		2,409	1,854	15	1
Trade related prepayments		13,685	34,180	–	–
Trade receivables	21	37,565	19,335	50	30
Other receivables	21	74,027	72,782	837,184	866,233
Marketable securities	22(b)	112,548	178,282	–	–
Derivative financial instruments	23	313	200	–	–
Cash and cash equivalents	27	291,091	239,325	99,374	105,579
Total current assets		672,333	656,145	954,087	989,614
Total assets		2,204,615	2,085,481	1,114,489	1,150,104

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



BALANCE SHEETS

AS AT 31 DECEMBER 2016

	Note	Group		Company	
		2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Equity and liabilities					
Equity					
Share capital	28	568,968	568,968	568,968	568,968
Retained earnings	29	832,222	782,253	73,372	86,250
Other reserves	29	(36,682)	(54,057)	(19,404)	(18,079)
Equity attributable to owners of the Company		1,364,508	1,297,164	622,936	637,139
Non-controlling interests		94,240	73,049	–	–
Total equity		1,458,748	1,370,213	622,936	637,139
Non-current liabilities					
Provisions	30	8,644	5,923	–	–
Deferred tax liabilities	20	5,672	5,654	2,751	2,806
Borrowings	31	185,770	373,985	–	–
Derivative financial instruments	23	374	24	–	–
Other non-current liabilities	32	1,265	465	–	–
Total non-current liabilities		201,725	386,051	2,751	2,806
Current liabilities					
Provisions	30	3,116	22,756	–	19,585
Income tax payable		13,426	2,083	75	442
Trade and other payables	33	92,445	122,962	488,727	490,132
Borrowings	31	434,041	177,682	–	–
Derivative financial instruments	23	1,114	3,734	–	–
Total current liabilities		544,142	329,217	488,802	510,159
Total liabilities		745,867	715,268	491,553	512,965
Total equity and liabilities		2,204,615	2,085,481	1,114,489	1,150,104

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Total equity \$'000	Equity attributable to owners of the Company \$'000	Share capital \$'000	Retained earnings \$'000	AFS reserve \$'000	FVOCI reserve \$'000	Hedging reserve \$'000	Revaluation reserve \$'000	Translation reserve \$'000	Non-controlling interests \$'000
Opening balance at 1 January 2016 (As previously stated)	1,370,213	1,297,164	568,968	782,253	(23,922)	–	(1,811)	15,578	(43,902)	73,049
Effect of adoption of FRS 109	(3,409)	(1,859)	–	(1,286)	23,922	(24,495)	–	–	–	(1,550)
Opening balance at 1 January 2016 (As restated)	1,366,804	1,295,305	568,968	780,967	–	(24,495)	(1,811)	15,578	(43,902)	71,499
Total comprehensive income for the year	97,080	85,677	–	67,291	–	14,317	1,139	8,904	(5,974)	11,403
Contributions by and distributions to owners										
Dividend on ordinary shares (note 34)	(16,324)	(16,324)	–	(16,324)	–	–	–	–	–	–
Dividend to non-controlling interests	(1,643)	–	–	–	–	–	–	–	–	(1,643)
Contribution of capital by non-controlling interests	12,831	–	–	–	–	–	–	–	–	12,831
Total contributions by and distributions to owners	(5,136)	(16,324)	–	(16,324)	–	–	–	–	–	11,188
Changes in ownership interests in subsidiaries										
Dilution of ownership interests in subsidiaries that do not result in a loss of control	–	(150)	–	(150)	–	–	–	–	–	150
Total changes in ownership interests in subsidiaries	–	(150)	–	(150)	–	–	–	–	–	150
Total transactions with owners in their capacity as owners	(5,136)	(16,474)	–	(16,474)	–	–	–	–	–	11,338
Others										
Share of associate's realisation of revaluation reserve	–	–	–	438	–	–	–	(438)	–	–
Total others	–	–	–	438	–	–	–	(438)	–	–
Closing balance at 31 December 2016	1,458,748	1,364,508	568,968	832,222	–	(10,178)	(672)	24,044	(49,876)	94,240

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



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Total equity \$'000	Equity attributable to owners of the Company \$'000	Share capital \$'000	Retained earnings \$'000	AFS reserve \$'000	Hedging reserve \$'000	Revaluation reserve \$'000	Translation reserve \$'000	Reserve of disposal group classified as held for sale \$'000	Non- controlling interests \$'000
Opening balance at 1 January 2015	1,405,898	1,354,997	568,968	787,375	19,102	(1,367)	8,034	(27,365)	250	50,901
Total comprehensive income for the year	(52,305)	(44,162)	-	8,549	(43,024)	(444)	7,544	(16,491)	(296)	(8,143)
Contributions by and distributions to owners										
Dividend on ordinary shares (note 34)	(16,324)	(16,324)	-	(16,324)	-	-	-	-	-	-
Dividend to non- controlling interests	(61)	-	-	-	-	-	-	-	-	(61)
Unclaimed dividends written back	2,660	2,660	-	2,660	-	-	-	-	-	-
Contribution of capital by non-controlling interests	30,345	-	-	-	-	-	-	-	-	30,345
Total contributions by and distributions to owners	16,620	(13,664)	-	(13,664)	-	-	-	-	-	30,284
Changes in ownership interests in subsidiaries										
Dilution of ownership interests in subsidiaries that do not result in a loss of control	-	(7)	-	(7)	-	-	-	-	-	7
Total changes in ownership interests in subsidiaries	-	(7)	-	(7)	-	-	-	-	-	7
Total transactions with owners in their capacity as owners	16,620	(13,671)	-	(13,671)	-	-	-	-	-	30,291
Others										
Reserve attributable to disposal group classified as held for sale	-	-	-	-	-	-	-	(46)	46	-
Total others	-	-	-	-	-	-	-	(46)	46	-
Closing balance at 31 December 2015	1,370,213	1,297,164	568,968	782,253	(23,922)	(1,811)	15,578	(43,902)	-	73,049

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

CONSOLIDATED CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	2016 \$'000	2015 \$'000
Cash flows from operating activities		
Profit before tax	94,938	10,876
<u>Adjustments</u>		
Depreciation of property, plant and equipment	4,063	3,187
Amortisation of intangible assets	644	687
Dividend income	(24,684)	(25,407)
Interest income	(12,740)	(10,485)
Finance costs	19,420	15,714
Currency realignment	993	11,379
Fair value changes in investment properties and financial assets	(5,831)	20,413
Net gain on disposal of property, plant and equipment, investment properties, subsidiaries, associates and joint ventures	(25,466)	(770)
(Reversal of write down)/write down of inventories	(5,855)	4,698
Impairment losses of investments, property, plant and equipment	226	294
(Write back of provision)/provision for liabilities	(2,171)	2,444
Impairment of receivables	3,176	819
Share of results of associates and joint ventures	(44,980)	(28,475)
Operating cash flows before changes in working capital	1,733	5,374
Decrease in development properties for sale	–	156
Increase in inventories	(26,414)	(9,946)
Decrease/(Increase) in marketable securities	70,445	(114,608)
Increase in trade and other receivables	(3,424)	(18,559)
(Decrease)/Increase in trade and other payables	(23,953)	36,347
Cash flows from/(used in) operations	18,387	(101,236)
Income taxes paid	(7,961)	(5,809)
Payment of finance costs	(18,164)	(15,705)
Interest received	2,965	9,457
Dividend income from marketable securities	13,278	15,400
Net cash flows from/(used in) operating activities	8,505	(97,893)

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



CONSOLIDATED CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	2016 \$'000	2015 \$'000
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment and investment properties	174,927	43,046
Cost incurred on property, plant and equipment	(18,703)	(4,990)
Cost incurred on investment properties	(114,595)	(197,994)
Investment in associates	(55,902)	(114,983)
Purchase of investment securities	(31,199)	(38,924)
Payment for deferred mine exploration and evaluation expenditure and mine properties	(1,217)	(678)
Net cash inflow from sale of subsidiaries	–	53,030
Dividend income from investment securities, associates and joint ventures	23,003	20,379
Currency realignment	1,684	154
Net cash flows used in investing activities	(22,002)	(240,960)
Cash flows from financing activities		
Dividends paid to shareholders (note 34)	(16,324)	(16,324)
Dividend paid to non-controlling shareholders of subsidiaries	(1,443)	–
Drawdown of short-term borrowings	34,865	17,599
Drawdown of long-term borrowings	117,154	152,294
Repayment of long-term borrowings	(81,748)	(69,086)
Net proceeds from issuance of shares by subsidiaries to non-controlling shareholders	12,831	30,345
Currency realignment	457	(15,522)
Net cash flows from financing activities	65,792	99,306
Net increase/(decrease) in cash and cash equivalents	52,295	(239,547)
Effect of exchange rate changes on cash and cash equivalents	(529)	(5,800)
Cash and cash equivalents, beginning balance	239,325	484,672
Cash and cash equivalents, ending balance (note 27)	291,091	239,325

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

1. CORPORATE INFORMATION

The financial statements of The Straits Trading Company Limited (the "Company") for the year ended 31 December 2016 were authorised for issue in accordance with a resolution of the Directors on 27 March 2017.

The Straits Trading Company Limited is a limited liability company incorporated and domiciled in Singapore. The registered office of the Company is located at 1 Wallich Street #15-01, Guoco Tower, Singapore 078881. The Company is listed on the Singapore Exchange Securities Trading Limited.

The immediate holding company is The Cairns Pte. Ltd. and the ultimate holding company is Tan Chin Tuan Pte. Ltd.. Both companies are incorporated in Singapore.

The principal activity of the Company is that of an investment company. The principal activities of the subsidiaries are disclosed in note 44 to the financial statements.

The consolidated financial statements relate to the Company and its subsidiaries (referred to as the "Group") and the Group's interests in associates and joint ventures.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

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

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

The financial statements are presented in Singapore dollars (SGD or \$) and all values are rounded to the nearest thousand (\$'000) except when otherwise indicated.

2.2 CHANGES IN ACCOUNTING POLICIES

Except for the early adoption of FRS 109 Financial Instruments discussed below, the accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2016.

Certain new FRSs have been published that are mandatory for accounting periods beginning on or after 1 January 2016:

FRS 114 Regulatory Deferral Accounts

Amendments to FRS 27 Equity Method in Separate Financial Statements

Amendments to FRS 16 and FRS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

Amendments to FRS 16 and FRS 41 Agriculture: Bearer Plants

Amendments to FRS 111 Accounting for Acquisitions of Interests in Joint Operations

Improvements to FRSs (November 2014)

Amendments to FRS 1 Disclosure Initiative

Amendments to FRS 110, FRS 112 and FRS 28 Investment Entities: Applying the Consolidation Exception



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

2.2 CHANGES IN ACCOUNTING POLICIES (CONT'D)

The adoption of these standards did not have any significant financial impact on the financial performance or position of the Group and the Company.

FRS 109 Financial Instruments

On 1 January 2016, the Group has elected to early adopt FRS 109 to better reflect the Group's strategy on its financial assets. The changes in accounting policies have been applied retrospectively. The Group has elected not to restate the comparative periods in the year of initial adoption as permitted under FRS 109 transitional provision. The Group has chosen to continue to apply the existing hedge accounting requirements in FRS 39 as its policy choice on initial adoption of FRS 109.

Classification and measurement

FRS 109 requires debt instruments to be classified either at amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). Classification under FRS 109 for debt instruments depends on the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest ("SPPI"). An entity's business model is how an entity manages its financial assets in order to generate cash flows and create value for the entity either from collecting contractual cash flows, selling financial assets or both. If a debt instrument is held to collect contractual cash flows, it is classified as amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held both to collect the assets' contractual cash flows and to sell the assets are classified as FVOCI. Under the new model, FVTPL is the residual category – financial assets should therefore be classified as FVTPL if they do not meet the criteria of FVOCI or amortised cost. Regardless of the business model assessment, an entity can elect to classify a financial asset at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency.

The Group holds its currently held-to-maturity debt instruments to collect contractual cash flows, and accordingly measures them at amortised cost under FRS 109. There is no significant impact arising from measurement of these instruments under FRS 109.

FRS 109 requires all equity instruments to be carried at fair value through profit or loss, unless an entity chooses, on an instrument-by-instrument basis on initial recognition, to present fair value changes in other comprehensive income.

For equity securities, the Group continues to measure its held-for-trading equity securities at fair value through profit or loss (FVTPL). There is no significant impact arising from these changes. The Group elects to measure its quoted equity securities previously accounted for as available-for-sale at fair value through other comprehensive income.

Derivatives and hybrid contracts with financial asset hosts where contractual cash flows are not solely payments of principal and interest are required to be classified at fair value through profit or loss.

Impairment

FRS 109 requires the Group to record expected credit losses on all of its financial assets measured at amortised cost or FVOCI, lease receivable and financial guarantee. The Group previously recorded impairment based on the incurred loss model when there is objective evidence that a financial asset is impaired.

Transition

The changes in accounting policies have been applied retrospectively. The Group has elected not to adjust the comparative information as permitted under FRS 109 transitional provision. The impact arising from FRS 109 adoption were included in the opening retained earnings at the date of initial application, 1 January 2016.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

2.2 CHANGES IN ACCOUNTING POLICIES (CONT'D)

FRS 109 Financial Instruments (cont'd)

The effects of early adoption to opening retained earnings on the financial statements are as follows:

	Group 1 January 2016 \$'000
Opening retained earnings (as previously stated)	782,253
Reclassification of impairment for available-for-sale equity instruments	755
Impairment loss for receivables	(2,041)
Total adjustment to retained earnings from adoption of FRS 109	(1,286)
Opening retained earnings (as restated)	780,967

On 1 January 2016, the Group has assessed which business model apply to the financial assets held by Group at the date of initial application of FRS 109 and has classified its financial instruments into the appropriate FRS 109 categories. The main effects resulting from this reclassification are as follows:

	Group			
	FRS 39 carrying amount as at 31 December 2015 \$'000	Reclassif- ications \$'000	Remeasure- ments \$'000	FRS 109 carrying amount as at 1 January 2016 \$'000
Other non-current receivables	1,855	-	(1,855)	-
Trade and other receivables	92,117	-	(1,886)	90,231
Deferred tax liabilities	5,654	(332)	-	5,322
Retained earnings	782,253	755	(2,041)	780,967
AFS reserve	(23,922)	23,922	-	-
FVOCI reserve	-	(24,495)	-	(24,495)
Non-controlling interests	73,049	150	(1,700)	71,499
Fair value through profit or loss balances, quoted bonds	23,367	(23,367)	-	-

The initial application of FRS 109 does not have any reclassification effect to the Company's financial statements.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

2.2 CHANGES IN ACCOUNTING POLICIES (CONT'D)

FRS 109 Financial Instruments (cont'd)

The qualitative information regarding the reclassification between categories of financial instruments at the date of initial application of FRS 109 is as follows:

Reclassification of quoted equity securities from available-for-sale to fair value through other comprehensive income

The Group has elected to measure its quoted equity securities at fair value through other comprehensive income. Impairment losses previously recognised in profit or loss were reversed and recognised in opening retained earnings on 1 January 2016.

The following table summarises the reclassification and measurement effects to the Group's and the Company's financial statements as at 1 January 2016:

	Group				
	Measurement category		Carrying amount		Differences
	FRS 39 \$'000	FRS 109 \$'000	FRS 39 \$'000	FRS 109 \$'000	
Non-current financial assets					
<u>Associates and joint ventures</u>					
– Shareholder loans	Loans and receivables	Amortised cost	71,910	71,910	–
<u>Other non-current receivables</u>					
– Amount due from a joint venture	Loans and receivables	Amortised cost	1,855	–	1,855
<u>Investment securities</u>					
– Available-for-sale equity securities	Available-for-sale	FVOCI	162,055	162,055	–
– Held-to-maturity financial assets	Held-to-maturity	Amortised cost	39,521	39,521	–
Current financial assets					
Trade and other receivables	Loans and receivables	Amortised cost	92,117	90,231	1,886
<u>Marketable securities</u>					
– Held-for-trading equity securities	FVTPL	FVTPL	154,915	154,915	–
– Held-for-trading quoted bonds	FVTPL	Amortised cost	23,367	23,367	–
Derivative financial instruments	FVTPL	FVTPL	200	200	–
Cash and cash equivalents	Loans and receivables	Amortised cost	239,325	239,325	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

2.2 CHANGES IN ACCOUNTING POLICIES (CONT'D)

FRS 109 Financial Instruments (cont'd)

	Measurement category		Company		Differences \$'000
	FRS 39 \$'000	FRS 109 \$'000	FRS 39 \$'000	FRS 109 \$'000	
	Current financial assets				
Trade and other receivables	Loans and receivables	Amortised cost	866,263	866,263	–
Cash and cash equivalents	Loans and receivables	Amortised cost	105,579	105,579	–

Financial liabilities

There are no material changes in the classification and measurement of financial liabilities for the Group and Company.

Impairment

The Group and Company have the following types of financial assets subject to FRS 109 expected credit loss (“ECL”) model:

- (i) Trade receivables
- (ii) Debt instruments measured at amortised cost
- (iii) Loans to or amounts due from subsidiaries, associates, joint ventures and fellow subsidiaries carried at amortised cost
- (iv) Other receivables at amortised cost

The Group was required to revise its impairment methodology under FRS 109 for each of these classes of assets.

(i) Trade receivables

Trade receivables are considered to be low risk. The loss allowance is determined at an amount equal to 12-month ECL.

(ii) Debt instruments measured at amortised cost

Quoted and unquoted debt instruments measured at amortised cost are considered as low risk, and thus the loss allowance is determined at an amount equal to 12-month ECL.

(iii) Loans to or amounts due from subsidiaries, associates, joint ventures and fellow subsidiaries carried at amortised cost

Loans to or amounts due from subsidiaries, associates, joint ventures and fellow subsidiaries carried at amortised cost are considered as assets with no significant increase in credit risk at transition and hence the loss allowance is determined at an amount equal to 12-month ECL.

(iv) Other receivables at amortised cost

Other receivables at amortised cost are considered as assets with no significant increase in credit risk at transition and hence the loss allowance is determined at an amount equal to 12-month ECL.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

2.2 CHANGES IN ACCOUNTING POLICIES (CONT'D)

FRS 109 Financial Instruments (cont'd)

Impairment (cont'd)

The reconciliation for loss allowances are as follow:

	Trade receivables \$'000	Other receivables \$'000	Amount due from a joint venture \$'000	Total \$'000
Closing loss allowance at 31 December 2015 (based on FRS 39)	126	912	559	1,597
Amount restated through opening retained earnings	–	1,886	1,855	3,741
Opening loss allowance at 1 January 2016 (based on FRS 109)	126	2,798	2,414	5,338

There is no loss allowances effect to the Company's financial statements.

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

<u>Description</u>	<u>Effective for annual periods beginning on or after</u>
Amendments to FRS 7 Disclosure Initiative	1 January 2017
Amendments to FRS 12 Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Improvements to FRSs (December 2016)	
(a) Amendments to FRS 112 Disclosure of interests in other entities	1 January 2017
(b) Amendments to FRS 28 Investments in associates and joint ventures	1 January 2018
Amendments to FRS 40 Transfers of Investment Property	1 January 2018
Amendments to FRS 102 Classification and Measurement of Share-based Payment Transactions	1 January 2018
INT FRS 122 Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to FRS 104 Applying FRS 109 Financial Instruments with FRS 104 Insurance Contracts	1 January 2018
FRS 115 Revenue from Contracts with Customers	1 January 2018
Amendments to FRS 115 Clarifications to FRS 115 Revenue from Contracts with Customers	1 January 2018
FRS 116 Leases	1 January 2019
Amendments to FRS 110 & FRS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Date to be determined

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONT'D)

The Directors expect that the adoption of the standards and amendments above will have no material impact on the financial statements in the period of initial application, except as discussed below:

Convergence with International Financial Reporting Standards ("IFRS")

On 29 May 2014, the Accounting Standards Council announced that all Singapore incorporated companies listed on the Singapore Exchange will be required to apply a new financial reporting framework that is identical to the International Financial Reporting Standards (IFRS) in 2018 ("SG-IFRS").

IFRS 1, First-time Adoption of IFRS, provides transitional reliefs in the form of mandatory exceptions to, and optional exemptions from retrospective application.

The Group is currently performing a detailed analysis of the available policy choices, transitional optional exemptions and transitional mandatory exceptions under SG-IFRS 1.

FRS 115 Revenue from Contracts with Customers

FRS 115 establishes a five-step model to account for revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under FRS. On initial adoption, a full retrospective application is required. The new standard is effective for annual periods beginning on or after 1 January 2018. Early adoption is permitted.

The Group is currently in the process of reviewing its contracts with customers and assessing the quantitative impact on the financial statements.

FRS 116 Leases

FRS 116 requires lessees to recognise most leases on balance sheets to reflect the rights to use the leased assets and the associated obligations for lease payments as well as the corresponding interest expense and depreciation charges. The standard includes two recognition exemption for lessees – leases of 'low value' assets and short-term leases. The new standard is effective for annual periods beginning on or after 1 January 2019.

The Group has performed a preliminary assessment of the new standard on its existing operating lease arrangements as a lessee, in particular, on its rented office premises.

Based on the preliminary assessment, the Group expects these operating leases to be recognised as right of use assets with corresponding lease liabilities under the new standard. The Group is currently assessing the quantitative impact on the financial statements.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

2.4 BASIS OF CONSOLIDATION AND BUSINESS COMBINATIONS

(a) Basis of consolidation

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

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

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

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

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

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

(b) Business combinations and goodwill

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

2.4 BASIS OF CONSOLIDATION AND BUSINESS COMBINATIONS (CONT'D)

(b) Business combinations and goodwill (cont'd)

Goodwill

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

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

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

2.5 TRANSACTIONS WITH NON-CONTROLLING INTERESTS

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

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

2.6 FOREIGN CURRENCY

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

(a) Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

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



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

2.6 FOREIGN CURRENCY (CONT'D)

(b) Consolidated financial statements

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

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

2.7 SUBSIDIARIES

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

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

2.8 JOINT VENTURES AND ASSOCIATES

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

2.8 JOINT VENTURES AND ASSOCIATES (CONT'D)

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

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

Net assets of the associates and joint ventures are included in the consolidated financial statements under the equity method based on their latest audited financial statements. Where their financial periods do not end on 31 December, management accounts to 31 December are used. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

2.9 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 2.20. 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 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. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the 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. 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.

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

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The revaluation surplus included in the asset revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

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



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

2.10 DEPRECIATION AND RESIDUAL VALUES

In the tin mining subsidiary, plant and equipment used in mining are depreciated using the unit-of-production method based on economically recoverable ore reserves and resources over the estimated useful lives of the assets. Changes in the estimated economically recoverable ore reserves and resources and useful lives of plant and equipment are accounted for on a prospective basis from the beginning of the year in which the change arises.

Depreciation for the remaining assets of the Group is provided on the straight-line method to write off the cost or valuation of relevant assets to their residual values, if any, over their estimated useful lives or life of the mine where appropriate, whichever is shorter. Freehold land has an unlimited useful life and therefore is not depreciated. The estimated useful lives for these remaining assets are as follows:

Leasehold land	–	remaining lease term of 7 to 96 years
Buildings	–	8 to 40 years or the unexpired lease period or life of the mine, whichever is shorter
Plant, equipment and vehicles	–	3 to 40 years
Furniture	–	3 to 10 years
Mine restoration	–	Life of mine

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 value may not be recoverable.

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

2.11 INVESTMENT PROPERTIES

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

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

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

For properties that are being redeveloped for continued future use as investment properties, they are stated at fair values and the associated redevelopment expenditures are stated at cost until redevelopment is completed.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

2.12 INTANGIBLE ASSETS

Intangible assets acquired separately are measured initially at cost. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

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

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

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

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

(a) Mining rights

Mining rights acquired are stated at their fair values as at the date of acquisition. Following initial recognition, mining rights are carried at cost less accumulated amortisation and impairment losses, if any. Mining rights are amortised based on the unit-of-production method so as to write off the mining rights in proportion to the depletion of the estimated economically recoverable ore reserves and resources. Changes in the estimated economically recoverable ore reserves and resources are accounted for on a prospective basis from the beginning of the year in which the change arises. The amortisation period and the amortisation method are reviewed at least at each financial year-end.

(b) Deferred mine exploration and evaluation expenditure

Exploration and evaluation activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

Exploration and evaluation activity includes:

- Researching and analysing historical exploration data
- Gathering exploration data through geophysical studies
- Exploratory drilling and sampling
- Determining and examining the volume and grade of the resource
- Surveying transportation and infrastructure requirements
- Conducting market and finance studies



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

2.12 INTANGIBLE ASSETS (CONT'D)

(b) Deferred mine exploration and evaluation expenditure (cont'd)

Licence costs paid in connection with a right to explore in an existing exploration area are capitalised and amortised based on the unit-of-production method.

Mine exploration and evaluation expenditures incurred for a new area of interest are accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits a reasonable assessment of the existence of economically recoverable ore reserves and resources. These costs also include directly attributable employee remuneration, materials used and overhead costs.

Once an economically mineable resource for an area of interest is established and development is sanctioned, such exploration and evaluation expenditure is transferred to mine properties. No amortisation is charged during the exploration and evaluation phase.

A review is carried out annually on the carrying amount of deferred mine exploration and evaluation expenditure to determine whether there is any indication of impairment. Any impairment loss is recognised as an expense in profit or loss.

(c) Mine properties

Mine properties are stated at cost less accumulated amortisation and accumulated impairment losses, if any.

All expenditures incurred in connection with development activities in respect of each mine property, which includes all activities conducted in the preparation of economically recoverable ore reserves and resources until commercial production are accumulated in respect of each mine property. Exploration and evaluation expenditure is also transferred to mine properties once the work completed to date for the area supports the future development of the property and such development received appropriate approvals. These costs are only deferred to the extent that they are expected to be recouped through the successful development of the area.

Waste removal (stripping) costs incurred during the production phase of a surface mine (production stripping costs) are only capitalised to mine property expenditure when all the following criteria are met:-

- a. It is probable that the future economic benefits (improved access to an ore body) associated with the stripping activity will flow to the entity;
- b. The entity can identify the component of an ore body for which access has been improved; and
- c. The costs relating to the improved access to that component can be measured reliably.

Expenditure for a mine property which is considered to provide minimal benefit to future periods is recognised as an expense in profit or loss.

When production for a mine property commences, the accumulated cost for the mine property is amortised based on the unit-of-production method so as to write off the expenditure in proportion to the depletion of the estimated economically recoverable ore reserves and resources. Changes in the estimated economically recoverable ore reserves and resources are accounted for on a prospective basis from the beginning of the year in which the changes arise.

A review is carried out annually on the carrying amount of a mine property to determine whether there is any indication of impairment. Any impairment loss is recognised as an expense in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

2.12 INTANGIBLE ASSETS (CONT'D)

(d) Mine restoration expenditure

Restoration expenditure incurred during the production phase of operations is recognised in profit or loss as part of the cost of production of the mine property concerned.

Significant mine restoration expenditure to be incurred subsequent to the cessation of production of each mine property is provided based on the present value of the estimated expenditure to be incurred.

(e) Club memberships

Club memberships acquired separately are amortised on a straight-line basis over their finite useful lives.

2.13 FINANCIAL INSTRUMENTS

(a) Financial assets

(i) Initial recognition and measurement

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

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

(ii) Subsequent measurement

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset.

Debt instruments measured at amortised cost

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



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

2.13 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial assets (cont'd)

(ii) Subsequent measurement (cont'd)

Equity instruments

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

Equity securities that are held-for-trading are classified as financial assets at fair value through profit or loss. Changes in fair value of financial assets at fair value through profit or loss are recognised in profit or loss.

Changes in fair value of financial assets at FVOCI are recognised in OCI.

Derivatives

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

(iii) Impairment

The Group assesses on a forward looking basis the expected credit losses ("ECL") associated with its debt instrument assets carried at amortised cost and FVOCI.

For trade receivables only, the Group measures the loss allowance at an amount equal to the lifetime expected credit losses.

(iv) Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received for financial instrument is recognised in profit or loss.

(b) Financial liabilities

(i) Initial recognition and measurement

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

All financial liabilities are recognised initially at fair value plus, in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

2.13 FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial liabilities (cont'd)

(ii) Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

(iii) Derecognition

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

2.14 FINANCIAL GUARANTEE

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

Financial guarantees are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are measured at the higher of the amount of the loss allowance determined in accordance with the impairment model under FRS 109 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

2.15 BASE INVENTORY

Base inventory is the base recirculating inventory in the smelting process.

2.16 NON-CURRENT ASSETS HELD FOR SALE

Non-current assets and disposal group classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal group are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. A component of the Group is classified as a "discontinued operation" when the criteria to be classified as held for sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations.

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



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

2.17 INVENTORIES

Inventories are stated at the lower of cost and net realisable value.

Cost of trading inventory of refined tin metal is determined on a first-in first-out basis. Cost of inventories of tin-in-concentrates and tin-in-process which have matching sales contract for refined tin metal from tin smelting operations, are stated at the value of such contract less allowance for conversion. This value is consistent with cost, as it is the practice of tin smelting operations of the subsidiary to buy tin-in-concentrates and sell refined tin metal on a back to back price basis.

Absorption costing is used in the mining operations to assign costs to tin inventories using the weighted average cost method which includes both variable and fixed overhead cost components.

Cost of other inventories comprising stores, spares, fuels, coal and saleable by-products is determined on the weighted average cost method. Production cost is not allocated to by-products as it is not material.

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

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

2.18 CASH AND CASH EQUIVALENTS

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

2.19 IMPAIRMENT OF NON-FINANCIAL ASSETS

An assessment is made at each reporting date to determine whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the estimated recoverable amount of that asset is determined.

Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses of continuing operations are recognised in the 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.

Calculation of 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. If the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs to. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

2.19 IMPAIRMENT OF NON-FINANCIAL ASSETS (CONT'D)

Calculation of recoverable amount (cont'd)

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

Reversal of impairment

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

2.20 BORROWING COSTS

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

2.21 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 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.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

2.22 EMPLOYEE BENEFITS

(a) Defined contribution plan

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

(b) Employee leave entitlement

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

(c) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. Termination benefits are recognised when commitment is demonstrated to either terminate the employment of current employees according to a detailed plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits is based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the reporting date are discounted to present value.

2.23 LEASES

(a) Where the group is the lessee

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item are classified as operating leases. Operating lease payments (net of any incentives received from the lessor) are recognised as an expense in profit or loss on a straight-line basis over the lease term. Contingent rents, if any, are recognised as expenses in profit or loss in the periods in which they are incurred.

(b) Where the group is the lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases.

Assets leased out under operating leases are included in property, plant and equipment, investment properties and completed development properties for sale.

Rental income from operating leases (net of any incentives given to lessees) is recognised in profit or loss on a straight-line basis over the lease term.

Initial direct costs incurred by the Group in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense in profit or loss over the lease term on the same bases as the rental income.

Contingent rents are recognised as income in profit or loss in the periods in which they are earned.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

2.24 INCOME RECOGNITION

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding discounts, rebates, taxes or duties. The Group assesses its revenue arrangements to determine if it is acting as principal or agent.

Interest income is recognised as interest accrues (using the effective interest method) unless collectibility is in doubt.

Revenue from sale and delivery of refined tin metal and by-products is recognised upon transfer of significant risks and rewards of ownership to the buyer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Revenue from tin warrant and other service charges are recognised upon performance of services.

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

Profits from sale of marketable securities are recognised upon conclusion of the contract for sale.

Profits from sale of completed properties are recognised when the significant risks and rewards of ownership of the properties have been transferred to the buyer.

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

2.25 TAXES

(a) Current income tax

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

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



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

2.25 TAXES (CONT'D)

(b) Deferred tax

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

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

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

2.25 TAXES (CONT'D)

(c) Goods and services tax

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

- Where the goods and services tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the goods and services 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 goods and services tax included.

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

2.26 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING

Initial recognition and subsequent measurement

The Group has chosen to continue to apply the existing hedge accounting requirements in FRS 39 as its policy choice on initial adoption of FRS 109.

The Group uses derivative financial instruments such as forward currency contracts, interest rate swaps and forward commodity contracts, to manage their foreign currency risks, interest rate risks and commodity price risks respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment
- Hedges of a net investment in a foreign operation



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

2.26 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING (CONT'D)

Initial recognition and subsequent measurement (cont'd)

At the inception of a hedge relationship, the Group formally designate and document the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedge accounting will be discontinued in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing within a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree or replace their original counterparty with a new one). Any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measure of hedge effectiveness with retrospective application.

Hedges that meet the strict criteria for hedge accounting are accounted for as described below:

(a) Fair value hedges

The change in the fair value of a hedging derivative is recognised in profit or loss. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in profit or loss.

For fair value hedges relating to items carried at amortised cost, any adjustment to carrying value is amortised through profit or loss over the remaining term of the hedge using the effective interest rate method. Effective interest rate amortisation may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedge item is derecognised, the unamortised fair value is recognised immediately in profit or loss.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss.

(b) Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the hedging reserve, while any ineffective portion is recognised immediately in profit or loss.

The Group uses forward currency contracts as hedges of its exposure to foreign currency risk in forecasted transactions and firm commitments, as well as forward commodity contracts for its exposure to volatility in the commodity prices. The ineffective portion relating to foreign currency contracts and the ineffective portion relating to commodity contracts is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

2.26 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING (CONT'D)

(b) Cash flow hedges (cont'd)

Amounts recognised as other comprehensive income are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged interest income or interest expense is recognised or when a forecast sale or purchase occurs. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognised in equity is transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

(c) Hedges of a net investment

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised as other comprehensive income while any gains or losses relating to the ineffective portion are recognised in profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to profit or loss.

2.27 CONTINGENCIES

A contingent liability is:

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

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

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



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Judgements made by management in the application of accounting policies that have a significant effect on the financial statements and in arriving at estimates with a significant risk of material adjustment in the following year are discussed in note 40.

4. PROPERTY REVENUE

	Group	
	2016	2015
	\$'000	\$'000
Rental and related income	18,310	10,349
Sale of development properties	–	1,107
	18,310	11,456

5. DIVIDEND INCOME

	Group	
	2016	2015
	\$'000	\$'000
Dividend income from:		
– Held-for-trading marketable securities at FVTPL	14,335	15,400
– Investment securities at FVOCI	10,349	–
– Available-for-sale investment securities	–	10,007
	24,684	25,407

6. INTEREST INCOME

	Group	
	2016	2015
	\$'000	\$'000
Interest income from:		
– Financial assets at amortised cost	8,936	–
– Deposits at amortised cost	1,903	3,253
– Amounts due from associates at amortised cost	1,387	2,618
– Receivables at amortised cost	514	707
– Held-to-maturity financial assets	–	3,408
– Others	–	499
	12,740	10,485

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

7. OTHER INCOME/(LOSS)

	Group	
	2016	2015
	\$'000	\$'000
Net gain on disposal of investment properties	23,887	–
Write back of provision (note 30)	2,195	–
Net gain on partial disposal of a joint venture (note 19.2)	1,727	–
Net loss on disposal of equity securities at FVTPL	(3,261)	(10,880)
Net (loss)/gain on disposal of derivatives at FVTPL	(2,183)	1,602
Fair value changes in financial assets:		
– Held-for-trading equity securities at FVTPL	4,710	(15,048)
– Derivatives at FVTPL	366	(195)
– Ineffective portion of derivatives designated as hedging instruments in cash flow hedge	(177)	(351)
Net gain on sale of assets/disposal group classified as held for sale	–	1,495
Other operating income	5,568	3,440
	32,832	(19,937)

8. EMPLOYEE BENEFITS EXPENSE

	Group	
	2016	2015
	\$'000	\$'000
Wages, salaries and other allowances	28,765	24,478
Defined contribution plans	2,323	2,135
	31,088	26,613

9. IMPAIRMENT LOSSES

	Group	
	2016	2015
	\$'000	\$'000
Impairment of a joint venture (note 19.2)	246	192
Reversal of revaluation deficit on property	(20)	(7)
Impairment of available-for-sale investment securities	–	109
	226	294



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

10. FINANCE COSTS

	Group	
	2016	2015
	\$'000	\$'000
Interest on bank loans carried at amortised cost	17,484	13,855
Fees incurred for credit facilities carried at amortised cost	1,087	1,104
Interest on loan from a non-controlling shareholder of a subsidiary, carried at amortised cost	610	627
Discount adjustment on provision (note 30)	239	128
	19,420	15,714

11. OTHER EXPENSES

	Group	
	2016	2015
	\$'000	\$'000
Administrative expenses	5,780	5,183
Property related management fees	5,103	4,181
Impairment of doubtful receivables, net of reversal (note 21)	3,176	1,266
Upkeep and maintenance expenses of properties	2,735	1,422
Marketing and distribution expenses	2,478	1,417
Operating lease expenses	2,302	1,779
Property related taxes	2,302	1,221
Professional fees	2,275	2,344
Exchange losses	2,153	18,576
Brokerage fees	911	1,193
Other expenses	3,049	2,495
	32,264	41,077

12. PROFIT BEFORE TAX

Profit before tax is stated after charging the following:

	Group	
	2016	2015
	\$'000	\$'000
Audit fees paid/payable:		
(a) Auditors of the Company	438	406
(b) Overseas affiliates of the auditors of the Company	305	250
(c) Other auditors	29	10
Non-audit fees paid/payable:		
(a) Auditors of the Company	84	122
(b) Overseas affiliates of the auditors of the Company	44	63
(c) Other auditors	504	361
	1,404	1,212
(Gain)/Loss on disposal of property, plant and equipment	(19)	16
Property, plant and equipment written off	24	31

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

13. INCOME TAX EXPENSE

(a) Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2016 and 2015 are:

	Group	
	2016	2015
	\$'000	\$'000
(i) Consolidated income statement:		
<i>Income tax</i>		
– Current income tax	19,704	5,932
– Under/(Over) provision in respect of prior years	485	(1,948)
– Benefits from previously unrecognised tax losses and unutilised capital allowances	(565)	(451)
	19,624	3,533
<i>Deferred tax</i>		
– Originating and reversal of temporary differences	(1,584)	254
– Over provision in respect of prior years	(1,681)	(396)
	(note 20)	(142)
	(3,265)	(142)
Income tax expense recognised in profit or loss *	16,359	3,391
(ii) Statement of comprehensive income:		
<i>Deferred tax related to other comprehensive income</i>		
– Net change on revaluation of property, plant and equipment	72	209
– Net change in hedging reserve for derivatives designated as hedging instruments in cash flow hedges	571	(246)
– Net change in available-for-sale investment securities	–	(183)
– Net change in investment securities at FVOCI	838	–
	1,481	(220)

* In 2015, income tax expenses included reversal of income tax provision and deferred tax liabilities of \$1.9 million and \$1.2 million respectively relating to discontinued operations that were no longer required.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

13. INCOME TAX EXPENSE (CONT'D)

(b) Relationship between tax expense and accounting profit/(loss)

The reconciliation between tax expense and the product of accounting profit/(loss) multiplied by the applicable statutory tax rate for the years ended 31 December 2016 and 2015 are as follows:

	Group	
	2016 \$'000	2015 \$'000
Profit before tax	94,938	10,876
Less: Share of results of associates and joint ventures *	(44,980)	(28,475)
	49,958	(17,599)
Tax at statutory rate of 17% (2015: 17%)	8,493	(2,992)
Effect of different tax rates in other countries	4,285	548
Under/(Over) provision in respect of prior years	485	(1,948)
Over provision of deferred tax in respect of prior years	(1,681)	(396)
Expenses/Losses not claimable	7,857	7,659
Income not subject to tax	(3,839)	(144)
Effect of partial tax exemption	(469)	(478)
Deferred tax assets not recognised	51	-
Utilisation of previously unrecognised tax losses and unutilised capital allowances	(565)	(451)
Withholding tax expenses	1,690	1,728
Others	52	(135)
	16,359	3,391

* These are presented net of tax in profit or loss.

Taxation for other jurisdictions are calculated at the rates prevailing in the respective jurisdictions. During the current financial year, the income tax rate applicable to foreign subsidiaries are as follows:

	2016	2015
Malaysia	24%	25%
Australia	30%	30%
China	25%	25%

14. EARNINGS PER SHARE (CENTS)

The calculations of basic and diluted earnings per share are based on the profit attributable to owners of the Company of \$67,291,000 (2015: \$8,549,000) and on 408,095,772 ordinary shares in issue.

There are no dilutive potential shares of the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

15. PROPERTY, PLANT AND EQUIPMENT

	Freehold land \$'000	Leasehold land \$'000	Buildings \$'000	Plant, equipment, vehicles and furniture \$'000	Capital work-in- progress \$'000	Mine restoration \$'000	Total \$'000
	At valuation						
Group							
At cost or valuation							
At 1 January 2016	9,039	266	7,199	34,538	292	5,471	56,805
Additions	–	7,978	2,532	8,011	790	2,590	21,901
Disposals	–	–	–	(1,887)	–	–	(1,887)
Transfer	–	–	–	560	(560)	–	–
Revaluation surplus, net	871	–	145	–	–	–	1,016
Elimination of accumulated depreciation on revaluation	–	(27)	(281)	–	–	–	(308)
Exchange adjustment	(149)	(5)	(123)	(563)	(10)	(95)	(945)
At 31 December 2016	9,761	8,212	9,472	40,659	512	7,966	76,582
Accumulated depreciation							
At 1 January 2016	–	–	–	21,357	–	1,014	22,371
Depreciation charge for the year	–	27	289	3,047	–	700	4,063
Disposals	–	–	–	(1,833)	–	–	(1,833)
Elimination of accumulated depreciation on revaluation	–	(27)	(281)	–	–	–	(308)
Exchange adjustment	–	–	(8)	(405)	–	(35)	(448)
At 31 December 2016	–	–	–	22,166	–	1,679	23,845
Net carrying amount							
At 31 December 2016	9,761	8,212	9,472	18,493	512	6,287	52,737



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

15. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Freehold land \$'000	Leasehold land \$'000	Buildings \$'000	Plant, equipment, vehicles and furniture \$'000	Capital work-in- progress \$'000	Mine restoration \$'000	Total \$'000
	At valuation						
Group							
At cost or valuation							
At 1 January 2015	9,362	318	7,632	36,261	1,567	3,532	58,672
Additions	-	-	3	453	1,798	2,411	4,665
Disposals	-	-	-	(643)	-	-	(643)
Transfer	-	-	-	2,835	(2,835)	-	-
Revaluation surplus, net	900	-	802	-	-	-	1,702
Sale of a subsidiary (note 18)	-	-	-	(98)	-	-	(98)
Elimination of accumulated depreciation on revaluation	-	(11)	(239)	-	-	-	(250)
Exchange adjustment	(1,223)	(41)	(999)	(4,270)	(238)	(472)	(7,243)
At 31 December 2015	9,039	266	7,199	34,538	292	5,471	56,805
Accumulated depreciation							
At 1 January 2015	-	-	-	22,138	-	797	22,935
Depreciation charge for the year	-	12	257	2,574	-	344	3,187
Disposals	-	-	-	(570)	-	-	(570)
Sale of a subsidiary (note 18)	-	-	-	(26)	-	-	(26)
Elimination of accumulated depreciation on revaluation	-	(11)	(239)	-	-	-	(250)
Exchange adjustment	-	(1)	(18)	(2,759)	-	(127)	(2,905)
At 31 December 2015	-	-	-	21,357	-	1,014	22,371
Net carrying amount							
At 31 December 2015	9,039	266	7,199	13,181	292	4,457	34,434

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

15. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Freehold land \$'000	Buildings \$'000	Plant, equipment, vehicles and furniture \$'000	Total \$'000
	At valuation			
Company				
At cost or valuation				
At 1 January 2016	29	95	223	347
Additions	–	–	1	1
Revaluation deficit	–	(1)	–	(1)
Elimination of accumulated depreciation on revaluation	–	(12)	–	(12)
Exchange adjustment	–	(1)	(5)	(6)
At 31 December 2016	29	81	219	329
Accumulated depreciation				
At 1 January 2016	–	–	173	173
Depreciation charge for the year	–	12	17	29
Elimination of accumulated depreciation on revaluation	–	(12)	–	(12)
Exchange adjustment	–	–	(4)	(4)
At 31 December 2016	–	–	186	186
Net carrying amount				
At 31 December 2016	29	81	33	143



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

15. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Freehold land \$'000	Buildings \$'000	Plant, equipment, vehicles and furniture \$'000	Total \$'000
	At valuation			
Company				
At cost or valuation				
At 1 January 2015	32	136	256	424
Revaluation surplus/(deficit)	1	(9)	–	(8)
Elimination of accumulated depreciation on revaluation	–	(14)	–	(14)
Exchange adjustment	(4)	(18)	(33)	(55)
At 31 December 2015	29	95	223	347
Accumulated depreciation				
At 1 January 2015	–	–	180	180
Depreciation charge for the year	–	14	18	32
Elimination of accumulated depreciation on revaluation	–	(14)	–	(14)
Exchange adjustment	–	–	(25)	(25)
At 31 December 2015	–	–	173	173
Net carrying amount				
At 31 December 2015	29	95	50	174

- (a) Land and buildings are stated at fair value, which have been determined based on valuations at the end of the reporting period. Valuations are performed by accredited independent valuers with recent experience in the location and category of the properties being valued. Details of valuation techniques and inputs used are disclosed in note 41D.
- (b) If the land and buildings stated at valuation are included in the financial statements using the cost model, the net carrying amounts would be:

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Freehold land	4,429	4,507	1	1
Leasehold land	8,212	266	–	–
Buildings	6,607	4,383	–	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

15. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(c) Details of properties included in property, plant and equipment as at 31 December 2016 are as follows:

Description of properties	Tenure	Unexpired lease term (year)	Existing use	Professional valuers	Valuation method
Malaysia					
Wavertree Bungalow at Jalan Lady Maxwell, 49000 Bukit Fraser, Pahang	Leasehold	7	Holiday bungalow	C H Williams Talhar & Wong Sdn Bhd	Comparison method
Lot 448, Mukim of Sabai, District of Bentong, Pahang Darul Makmur	Freehold		Agricultural	Jones Lang Wootton	Comparison method
No. 27 Jalan Pantai, 12000 Butterworth:					
(i) Offices and factory buildings at Lot 142 – 187 and 362	Freehold		Office and factory	Knight Frank Malaysia Sdn Bhd	Comparison method and depreciated replacement cost method
(ii) Carpark shed at Lot 268	Leasehold	12	Carpark shed	Knight Frank Malaysia Sdn Bhd	Comparison method and depreciated replacement cost method
(iii) Seabed leases with main wharf at PT 686	Leasehold	53	Main wharf	Knight Frank Malaysia Sdn Bhd	Comparison method and depreciated replacement cost method
Offices at unit No. B-15-6, B-15-7, B-15-11, Megan Avenue II, 12 Jalan Yap Kwan Seng, 50450 Kuala Lumpur	Freehold		Office	Knight Frank Malaysia Sdn Bhd	Comparison method
80 units of flats at Taman Desa Palma, Alma, 14000 Bukit Mertajam	Freehold		Residential	Knight Frank Malaysia Sdn Bhd	Comparison method



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

15. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(c) Details of properties included in property, plant and equipment as at 31 December 2016 are as follows (cont'd):

Description of properties	Tenure	Unexpired lease term (year)	Existing use	Professional valuers	Valuation method
Malaysia (cont'd)					
Mukim Belukar Semang and Mukim Pengkalan Hulu, Daerah Hulu Perak:					
(i) Land and buildings at Lot 344 and 348	Freehold		Dam and residential	Knight Frank Malaysia Sdn Bhd	Comparison method and depreciated replacement cost method
(ii) Land at Lot 1886	Freehold		Agricultural	Knight Frank Malaysia Sdn Bhd	Comparison method and depreciated replacement cost method
(iii) Land and buildings at PT 4338, 3934, 725, 726, 727, 55502, 55503, 55504, Lot 2071, 4522 and 4523	Leasehold	up to 96	Dam, residential and power station	Knight Frank Malaysia Sdn Bhd	Comparison method and depreciated replacement cost method
(iv) 3 units of terrace houses at PT 1705, 1706 and 1707	Leasehold	92	Residential	Knight Frank Malaysia Sdn Bhd	Comparison method
(v) 2 units of single-storey semi-detached house at PT 5022 and 5026	Freehold		Residential	Knight Frank Malaysia Sdn Bhd	Comparison method
Lot 6, 8 & 9 Jalan Perigi Nanas 6/1 Pulau Indah Industrial Park, West Port, 42920 Port Klang Selangor	Leasehold	80	Office and factory	Knight Frank Malaysia Sdn Bhd	Comparison method

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

16. INVESTMENT PROPERTIES

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Balance sheets:				
At fair value:				
Balance as at 1 January	606,010	399,763	32,371	53,135
Fair value changes recognised in profit or loss	932	(4,819)	499	4,188
Acquisition of properties	106,020	216,777	–	–
Reclassify from non-current assets	–	74,491	–	–
Disposal of a subsidiary (note 18)	–	(53,778)	–	–
Attributable to disposal group classified as held for sale (note 25)	–	(17,771)	–	(17,771)
Disposal during the year	(150,934)	–	–	–
Exchange adjustment	(7,691)	(8,653)	(556)	(7,181)
Balance as at 31 December	554,337	606,010	32,314	32,371

	Group	
	2016 \$'000	2015 \$'000
Income statement:		
Rental income from investment properties		
– Minimum lease payments	18,202	10,301
Direct operating expenses (including repairs and maintenance) arising from:		
– Rental generating properties	(11,089)	(5,474)
– Non-rental generating properties	(236)	(9)
	(11,325)	(5,483)

- (a) Except as disclosed in note 16(c), the Group has no restrictions on the realisability of its investment properties.
- (b) Investment properties are stated at fair value. Valuations of investment properties have been determined based on valuations at the end of the reporting period. Valuations are performed by accredited independent valuers with recent experience in the location and category of the properties being valued. Details of valuation techniques and inputs used are disclosed in note 41D.
- (c) Certain investment properties are mortgaged to secure bank facilities (note 31).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

16. INVESTMENT PROPERTIES (CONT'D)

(d) Details of investment properties as at 31 December 2016 are as follows:

Description of properties	Tenure	Unexpired lease term (year)	Site area sq.m.	Net floor area sq.m.	Existing use	Professional valuers	Valuation method
Singapore							
9 residential units at Gallop Green condominium	Freehold		–	3,300 (strata)	Residential	Savills Valuation And Professional Services (S) Pte Ltd	Comparison method
6A/8/8A/10/12 at Cable Road	Freehold		7,432	4,327 (gross)	Residential	Savills Valuation And Professional Services (S) Pte Ltd	Comparison method
10/10A/10B at Nathan Road	Freehold		4,548	2,083 (gross)	Residential	Savills Valuation And Professional Services (S) Pte Ltd	Comparison method
China							
Retail Mall at No. 186 Tongjiang Avenue, Nan'an District, Chongqing	Leasehold	34	24,652	35,301 (gross)	Retail	Jones Lang LaSalle Ltd	Income capitalisation/ Discounted cash flow/ Cost method

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

16. INVESTMENT PROPERTIES (CONT'D)

(d) Details of investment properties as at 31 December 2016 are as follows (cont'd):

Description of properties	Tenure	Unexpired lease term (year)	Site area sq.m.	Net floor area sq.m.	Existing use	Professional valuers	Valuation method
Japan							
Residential building at 5-6 and another tract, Kujominami 2-chome, Nishi-ku, Osaka-shi, Osaka-fu	Freehold		697	1,958	Residential	Cushman & Wakefield K.K	Income capitalisation method
Residential building at 6-5 and another tract, Nishimiyahara 1-chome, Yodogawa-ku, Osaka-shi, Osaka-fu	Freehold		1,944	5,736	Residential	Cushman & Wakefield K.K	Income capitalisation method
Residential building at 45-13 and 2 other tracts, Sangenyahigashi 1-chome, Taisyoku, Osaka-shi, Osaka-fu	Freehold		1,098	2,825	Residential	Cushman & Wakefield K.K	Income capitalisation method



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

16. INVESTMENT PROPERTIES (CONT'D)

(d) Details of investment properties as at 31 December 2016 are as follows (cont'd):

Description of properties	Tenure	Unexpired lease term (year)	Site area sq.m.	Net floor area sq.m.	Existing use	Professional valuers	Valuation method
Malaysia							
A parcel of residential land Lot No. 11260, Mukim of Hulu Kinta, District of Kinta, Perak	999 years Leasehold	878	11,255	–	Residential	C H Williams Talhar & Wong Sdn Bhd	Comparison method
A parcel of residential land, Lot No. 34612 Town of Ipoh(S), District of Kinta, Perak	999 years Leasehold	877	12,892	–	Residential	C H Williams Talhar & Wong Sdn Bhd	Comparison method
Parcels of commercial land, Lot Nos. 1105 to 1110, 2122 and 2123 Town of Seremban, District of Seremban, Negeri Sembilan	Freehold		3,826	–	Retail	C H Williams Talhar & Wong Sdn Bhd	Comparison method
Lot Nos. 197 and 199, Section 4 Town of Butterworth, Pulau Pinang	Freehold		7,949	–	Retail	C H Williams Talhar & Wong Sdn Bhd	Comparison/ investment method
Lot Nos. 2569 and 2626, Section 4 Town of Butterworth, Pulau Pinang	Freehold		6,535	–	Carpark	C H Williams Talhar & Wong Sdn Bhd	Comparison/ investment method

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

16. INVESTMENT PROPERTIES (CONT'D)

(d) Details of investment properties as at 31 December 2016 are as follows (cont'd):

Description of properties	Tenure	Unexpired lease term (year)	Site area sq.m.	Net floor area sq.m.	Existing use	Professional valuers	Valuation method
Malaysia (cont'd)							
Lot Nos. 2499, 189, 190 and 270, Section 4 Town of Butterworth, Pulau Pinang; accommodating 6 residential units, a single-storey bungalow with 2 annex buildings, a single-storey club house and 1½ storey squash court and vacant plots	Freehold with two minor leasehold plots	10 and 14	37,196	2,921 (gross)	Residential/ Retail/ Carpark	C H Williams Talhar & Wong Sdn Bhd	Comparison/ investment method
Lot Nos. 195, 2502 and 2570, Section 4 Town of Butterworth, Pulau Pinang; accommodating a 3-storey club house with a guard house, three single-storey bungalows with/ without annex building and vacant plots	Freehold		55,928	3,513 (gross)	Office/ Residential/ Club house/ Storage yard/ Car showroom	C H Williams Talhar & Wong Sdn Bhd	Comparison/ investment method
8 units of 3-storey shophouses, No. 4819 to 4826 Jalan Pantai, Taman Selat, 12000 Butterworth, Pulau Pinang	Freehold		1,322	2,587	Commercial	C H Williams Talhar & Wong Sdn Bhd	Comparison method



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

17. GOODWILL/OTHER INTANGIBLE ASSETS

- (a) Goodwill arising on consolidation

	Group	
	2016	2015
	\$'000	\$'000
At cost		
At 1 January	17,604	20,247
Exchange adjustment	(306)	(2,643)
At 31 December	17,298	17,604

The carrying amount of goodwill is allocated to resources segment.

- (i) The recoverable amount of the resource subsidiary in Malaysia is determined based on its fair value less cost to sell. In prior years, this was determined based on value in use.

The subsidiary is listed on the Main Market of the Bursa Malaysia Securities Berhad ("Bursa Malaysia") and is secondarily listed on the Singapore Exchange Securities Trading Limited. The fair value is based on the closing market price traded at Bursa Malaysia adjusted for a control premium. For goodwill impairment review, management also reviews other economic factors and market conditions to assess whether the recoverable amount as determined using this method is sustainable.

Based on the last traded price on 31 December 2016, the fair value of the investment in MSC is in excess of the carrying value. As such, no impairment is required.

- (ii) Sensitivity to changes in assumptions

With regard to the assessment of fair value less cost to sell for the recoverable amount of the resource subsidiary in Malaysia, management believes that no reasonably possible changes in any of the above key assumptions would cause the carrying amount of goodwill to materially exceed its recoverable amount.

- (b) Other intangible assets

	Group	
	2016	2015
	\$'000	\$'000
(i) Mining rights	2,039	2,367
Corporate club memberships	202	215
	2,241	2,582
(ii) Deferred mine exploration and evaluation expenditure	2,973	1,935
Mine properties	1,886	2,138
	4,859	4,073
	7,100	6,655

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

17. GOODWILL/OTHER INTANGIBLE ASSETS (CONT'D)

(b) (i) Mining rights and corporate club memberships

	Mining rights \$'000	Corporate club memberships \$'000	Total \$'000
Group			
At cost			
At 1 January 2016	3,915	291	4,206
Exchange adjustment	(68)	(5)	(73)
At 31 December 2016	3,847	286	4,133
Accumulated amortisation			
At 1 January 2016	1,548	76	1,624
Amortisation charge for the year	294	10	304
Exchange adjustment	(34)	(2)	(36)
At 31 December 2016	1,808	84	1,892
Net carrying amount	2,039	202	2,241
At cost			
At 1 January 2015	4,499	336	4,835
Exchange adjustment	(584)	(45)	(629)
At 31 December 2015	3,915	291	4,206
Accumulated amortisation			
At 1 January 2015	1,441	79	1,520
Amortisation charge for the year	315	10	325
Exchange adjustment	(208)	(13)	(221)
At 31 December 2015	1,548	76	1,624
Net carrying amount	2,367	215	2,582



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

17. GOODWILL/OTHER INTANGIBLE ASSETS (CONT'D)

- (b) (ii) Deferred mine exploration and evaluation expenditure and mine properties

	Deferred mine exploration and evaluation expenditure \$'000	Mine properties \$'000	Total \$'000
Group			
At 1 January 2016	1,935	2,138	4,073
Additions	1,104	113	1,217
Amortisation charge for the year	–	(340)	(340)
Exchange adjustment	(66)	(25)	(91)
At 31 December 2016	2,973	1,886	4,859
At 1 January 2015	1,500	2,835	4,335
Additions	672	6	678
Written off to profit or loss	(2)	–	(2)
Amortisation charge for the year	–	(362)	(362)
Exchange adjustment	(235)	(341)	(576)
At 31 December 2015	1,935	2,138	4,073

The deferred mine exploration and evaluation expenditures and mine properties are incurred on several areas of interest. The costs are only carried forward to the extent that they are expected to be recovered through the successful development of the areas or where activities in the areas have yet to reach a stage that permits a reasonable assessment of the existence of the economically recoverable ore reserves and resources.

The remaining amortisation periods are as follows:

	Group Number of years	
	2016	2015
Mining rights	6	7
Corporate club memberships	4 to 70	5 to 71
Mine properties	6	7

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

18. SUBSIDIARIES

	Company	
	2016 \$'000	2015 \$'000
Quoted shares, at cost	25,402	25,402
Unquoted shares, at cost	57,058	57,058
Redeemable preference shares, at cost	48,900	48,900
	131,360	131,360
Impairment losses	(6,123)	(6,123)
	125,237	125,237

Details of subsidiaries are included in note 44.

Incorporation of subsidiaries

During the financial year, through the Company's 89.5% indirectly-owned subsidiary, Straits Real Estate Pte. Ltd. ("Straits Real Estate"), the following subsidiaries were incorporated:

- (i) Through SRE Venture 9 Pte. Ltd., Straits Real Estate (Beijing) Business Consulting Co.,Ltd. with a paid-up capital of RMB1,300,000 and registered capital of RMB9,000,000; and
- (ii) SRE Venture 10 Pte. Ltd. ("SRE Venture 10") with 1 ordinary share at the price of \$1 per share. During the financial year, SRE Venture 10 incorporated two subsidiaries, SRE Japan 1 Pte. Ltd. ("SRE Japan 1") and SRE Japan 2 Pte. Ltd., each with 1 ordinary share at the price of \$1 per share. SRE Japan 1 incorporated two other subsidiaries, SRE Luxe 1 Pte. Ltd. ("SRE Luxe 1") and SRE Luxe 2 Pte. Ltd. ("SRE Luxe 2") each with 1 ordinary share at the price of \$1 per share.

During the financial year, SRE Luxe 1 acquired one specified share of JHT TMK, a Japanese *tokutei mokuteki kaisha* incorporated in 2015. At the date of acquisition, JHT TMK has a capital amount of JPY10,000 divided into four specified shares, all of which have been fully paid up.

Subsequently, SRE Luxe 1 and SRE Luxe 2 (through its branch in Japan), subscribed for 4,990 preferred shares at subscription amount of JPY1,147,700,000 and 5,010 preferred shares at subscription amount of JPY1,152,300,000 in JHT TMK respectively.

In 2015, through the Company's 89.5% indirectly-owned subsidiary, Straits Real Estate Pte. Ltd., the following subsidiaries were incorporated:

- (i) SRE Venture 6 Pte. Ltd. ("SRE Venture 6") with 1 ordinary share at the price of \$1 per share and subsequently enlarged its share capital to \$10,100,000. In 2015, SRE Asian Asset Income Fund ("SAAIF") was incorporated, with 1 share of par value US\$1 and subsequently enlarged its share capital to \$132,788,000. At 31 December 2015, SRE Venture 6 owned 98.3% in SAAIF;

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

18. SUBSIDIARIES (CONT'D)

- (ii) SRE Venture 7 Pte. Ltd. with 1 ordinary share at the price of \$1 per share and subsequently increased its share capital to \$1,500,000; and
- (iii) SRE Venture 8 Pte. Ltd. ("SRE Venture 8") with 1 ordinary share at the price of \$1 per share. In 2015, SRE Venture 8 incorporated a subsidiary, SRE Australia 1 Pte. Ltd. ("SRE Australia 1"), with 1 ordinary share at the price of \$1 per share. SRE Australia 1 incorporated a subsidiary, SRE Investment 1 (Australia) Pty Ltd ("SRE Investment 1"), with 1 ordinary share at the price of \$1 and subsequently enlarged its share capital to A\$57,717,000. At 31 December 2015, SRE Australia 1 owned 98.0% in SRE Investment 1.

In 2014, Chongqing Xinchuang Mall Management Co., Ltd ("CXMM") acquired a retail mall in Chongqing, China (the "Acquisition"). As part of the Acquisition, SRE China 1 Pte. Ltd. ("SRE China") was given the option to sell the entire shareholdings in CXMM to the seller of the retail mall should the retail mall fail to generate a certain internal rate of return over the investments contributed by SRE China for the Acquisition, within an agreed time frame. The effect of the option is not expected to be material to the financial statements.

Capital injection by a subsidiary

During the financial year, the Group increased its contribution in Straits Real Estate to \$333,540,000 (2015: \$272,850,000) increasing Straits Real Estate's share capital to \$372,780,000 (2015: \$304,950,000).

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

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

Name of subsidiary	Principal place of business	Proportion of ownership interest held by non-controlling interest		Profit/(loss) allocated to NCI during the reporting period		Accumulated NCI at the end of reporting period	
		2016	2015	2016	2015	2016	2015
				\$'000	\$'000	\$'000	\$'000
Malaysia Smelting Corporation Berhad	Malaysia	45%	45%	6,530	(783)	45,631	40,391
Straits Real Estate Pte. Ltd.	Singapore	11%	11%	4,758	(281)	48,609	32,658

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

18. SUBSIDIARIES (CONT'D)

Summarised financial information about subsidiaries with material NCI

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

Summarised balance sheets

	Malaysia Smelting Corporation Berhad		Straits Real Estate Pte. Ltd.	
	As at 31 December 2016 \$'000	As at 31 December 2015 \$'000	As at 31 December 2016 \$'000	As at 31 December 2015 \$'000
Current				
Assets	178,059	192,114	247,506	212,721
Liabilities	(140,169)	(181,137)	(273,042)	(298,925)
Net current assets/(liabilities)	37,890	10,977	(25,536)	(86,204)
Non-current				
Assets	95,652	91,661	583,905	526,052
Liabilities	(25,797)	(6,362)	(171,678)	(156,029)
Net non-current assets	69,855	85,299	412,227	370,023
Net assets	107,745	96,276	386,691	283,819

Summarised statements of comprehensive income

	Malaysia Smelting Corporation Berhad		Straits Real Estate Pte. Ltd.	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Revenue	495,165	528,493	12,566	3,698
Profit before tax	17,603	1,023	51,342	17
Income tax expense	(5,206)	(2,752)	(9,898)	(2,735)
Profit/(Loss) after tax	12,397	(1,729)	41,444	(2,718)
Other comprehensive income	2,665	(7,193)	(260)	(31,537)
Total comprehensive income	15,062	(8,922)	41,184	(34,255)

Other summarised information

	Malaysia Smelting Corporation Berhad		Straits Real Estate Pte. Ltd.	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Net cash flows from/(used in) operations	18,261	(8,167)	(12,071)	(55,969)
Net cash flows used in investing activities	(17,068)	(5,904)	(7,532)	(314,574)
Net cash flows (used in)/from financing activities	(17,872)	17,725	71,826	407,049

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

18. SUBSIDIARIES (CONT'D)

Analysis of sale of a subsidiary:

Sale in 2015

The sale of all the shares in Atbara Holdings Private Limited, a wholly owned subsidiary of the Company, to Haiyi Holdings Pte. Ltd. was completed on 22 April 2015.

The sale had the following effects on the financial position of the Group as at 31 December 2015:

	\$'000
Assets:	
Property, plant and equipment (note 15)	72
Investment properties (note 16)	53,778
Trade and other receivables, including prepayments	43
Cash and cash equivalents	71
	<u>53,964</u>
Liabilities:	
Trade and other payables	(194)
Net assets disposed	53,770
Cash consideration, net of expenses	53,062
Loss on sale recognised in profit or loss of the Group	(708)
Cash and cash equivalents of the subsidiary disposed	71
Net cash inflow	<u>52,991</u>

19. ASSOCIATES AND JOINT VENTURES

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Associates	636,283	538,911	2,708	2,708
Joint ventures	3,096	19,705	–	–
	<u>639,379</u>	<u>558,616</u>	<u>2,708</u>	<u>2,708</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

19. ASSOCIATES AND JOINT VENTURES (CONT'D)

19.1 ASSOCIATES

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Quoted shares, at cost	323,855	323,855	–	–
Share of post-acquisition reserves	26,899	15,541	–	–
	350,754	339,396	–	–
Unquoted shares, at cost	183,608	127,706	2,708	2,708
Shareholder loans (d)	71,910	71,910	–	–
Share of post-acquisition reserves	39,417	6,783	–	–
Exchange adjustment	(4,423)	(1,901)	–	–
	290,512	204,498	2,708	2,708
Impairment losses	(4,983)	(4,983)	–	–
	285,529	199,515	2,708	2,708
	636,283	538,911	2,708	2,708
Market value of quoted shares	341,822	235,566	–	–

- (a) Details of associates are included in note 44.
- (b) In 2015, the Group subscribed to 30.6 million of new shares ("Rights Shares") in ARA Asset Management Limited ("ARA") at an issue price of \$1 each. The Group's 20.1% holding in ARA remains unchanged after subscription of the Rights Shares. The shares in ARA, excluding the Rights Shares, are mortgaged to secure bank facilities (note 31).
- (c) In 2015, the Group acquired a 47.5% stake in the Greater Tokyo Office Fund (Jersey) L.P. ("GTOF") and 40% stake in ARA Harmony Fund III, L.P. ("H3") at an aggregate cost of \$84.4 million. Following GTOF's increase in its fund's size during the year, the Group's stake has been diluted to 45.2% at 31 December 2016.
- (d) This relates to the Group's shareholder loans to Far East Hospitality Holdings Pte. Ltd. ("FEHH"), a 30/70 joint venture with Far East Orchard Limited. The shareholder loans to FEHH are unsecured and non-interest bearing. The loans are not expected to be repaid within one year.
- (e) Movement in the allowance account:

	Group	
	2016 \$'000	2015 \$'000
At 1 January and 31 December	(4,983)	(4,983)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

19. ASSOCIATES AND JOINT VENTURES (CONT'D)

19.1 ASSOCIATES (CONT'D)

(f) Aggregate information about the Group's associates that are not individually material are as follows:

	Group	
	2016	2015
	\$'000	\$'000
Profit after tax	709	704
Other comprehensive income	251	–
Total comprehensive income	960	704

(g) The summarised financial information in respect of ARA, FEHH, GTOF and H3, based on their financial statements and a reconciliation with the carrying amount of the investments in the consolidated financial statements are as follows:

Summarised balance sheets

	ARA	FEHH	GTOF	H3
	\$'000	\$'000	\$'000	\$'000
As at 31 December 2016				
Current assets	205,002	71,553	98,598	24,313
Non-current assets	556,210	612,170	205,621	611,530
Total assets	761,212	683,723	304,219	635,843
Current liabilities	(88,991)	(295,518)	(18,587)	(69,201)
Non-current liabilities	(82,747)	(282,864)	(112,560)	(358,432)
Total liabilities	(171,738)	(578,382)	(131,147)	(427,633)
Net assets	589,474	105,341	173,072	208,210
Non-controlling interests	(7,052)	–	–	–
	582,422	105,341	173,072	208,210

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

19. ASSOCIATES AND JOINT VENTURES (CONT'D)

19.1 ASSOCIATES (CONT'D)

Summarised balance sheets (cont'd)

	ARA \$'000	FEHH \$'000	GTOF \$'000	H3 \$'000
As at 31 December 2015				
Current assets	158,078	61,614	10,654	33,243
Non-current assets	423,015	575,269	95,831	584,007
Total assets	581,093	636,883	106,485	617,250
Current liabilities	(37,420)	(297,567)	(11,269)	(105,363)
Non-current liabilities	(16,065)	(276,823)	(58,734)	(332,763)
Total liabilities	(53,485)	(574,390)	(70,003)	(438,126)
Net assets	527,608	62,493	36,482	179,124
Non-controlling interests	(7,295)	–	–	–
	520,313	62,493	36,482	179,124

Summarised statements of comprehensive income

	ARA \$'000	FEHH \$'000	GTOF \$'000	H3 \$'000
2016				
Revenue	176,831	127,488	8,482	46,695
Profit after tax	92,117	11,749	16,526	43,852
Other comprehensive income	24,114	31,099	–	(5,994)
Total comprehensive income	116,231	42,848	16,526	37,858
Dividends received from the associates during the year	10,024	–	–	2,627
2015				
Revenue	156,027	149,285	1,523	18,696
Profit after tax	81,353	8,235	4,752	23,874
Other comprehensive income	(7,425)	15,366	–	(16,636)
Total comprehensive income	73,928	23,601	4,752	7,238
Dividends received from the associates during the year	8,495	–	–	1,423

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

19. ASSOCIATES AND JOINT VENTURES (CONT'D)

19.1 ASSOCIATES (CONT'D)

Reconciliation of the summarised financial information presented above to the carrying amount of the Group's interest in associates:

	ARA \$'000	FEHH \$'000	GTOF \$'000	H3 \$'000
Net assets at 31 December 2016	582,422	105,341	173,072	208,210
Interest in associates	20.1%	30%	45.17%	40%
Group's share of net assets	117,067	31,602	78,177	83,284
Goodwill on acquisition	127,232	-	-	-
Intangible assets	106,008	10,441	-	-
Other adjustments	447	-	-	-
Carrying value of the Group's interest in associates	350,754	42,043	78,177	83,284
Net assets at 31 December 2015	520,313	62,493	36,482	179,124
Interest in associates	20.1%	30%	47.5%	40%
Group's share of net assets	104,583	18,748	17,329	71,650
Goodwill on acquisition	127,232	-	-	-
Intangible assets	107,258	10,534	-	-
Other adjustments	323	-	-	-
Carrying value of the Group's interest in associates	339,396	29,282	17,329	71,650

19.2 JOINT VENTURES

	Group	
	2016 \$'000	2015 \$'000
Unquoted shares, at cost	3,868	18,714
Share of post-acquisition reserves	9,077	10,430
Exchange adjustment	(7,488)	(7,324)
	5,457	21,820
Impairment losses	(2,361)	(2,115)
	3,096	19,705

- (a) Details of joint ventures are included in note 44.
- (b) During the financial year, KM Resources, Inc. ("KMR") completed a share buy-back exercise. This is accounted for as partial disposal of the Group's investment in KMR. The share buy-back exercise did not result in any change in the Group's equity interests in KMR.
- (c) Impairment assessment

An impairment loss of \$246,000 (2015: \$192,000) was recognised in profit or loss of the Group in respect of the Group's investment in KMR due to shortfall of recoverable amount over carrying amount of investment. The recoverable amount was derived based on management's estimate of fair value less costs to sell.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

19. ASSOCIATES AND JOINT VENTURES (CONT'D)

19.2 JOINT VENTURES (CONT'D)

(d) Movement in the allowance account:

	Group	
	2016	2015
	\$'000	\$'000
At 1 January	(2,115)	(1,923)
Impairment for the year (note 9)	(246)	(192)
At 31 December	<u>(2,361)</u>	<u>(2,115)</u>

(e) The Group has not recognised losses relating to Africa Smelting Corporation Sprl ("ASC") where its share of losses exceeds the Group's interest in the joint venture.

The Group's unrecognised share of losses at the reporting date are as follows:

	Group	
	2016	2015
	\$'000	\$'000
Share of (losses)/profit:		
Current year	(375)	14
Cumulative	<u>(540)</u>	<u>(165)</u>

The Group has no obligation in respect of these losses.

(f) The summarised financial information in respect of KMR Group, based on its financial statements and a reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

Summarised balance sheet

	2016	2015
	\$'000	\$'000
Cash and cash equivalents	10,907	11,638
Other current assets	332	52,670
Current assets	<u>11,239</u>	<u>64,308</u>
Non-current assets	6,787	8,900
Total assets	<u>18,026</u>	<u>73,208</u>
Trade, other payables and provisions, representing total current liabilities	674	1,141
Trade, other payables and provisions	275	794
Non-current liabilities (excluding trade, other payables and provisions)	135	31
Total non-current liabilities	410	825
Total liabilities	<u>1,084</u>	<u>1,966</u>
Net assets	<u>16,942</u>	<u>71,242</u>



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

19. ASSOCIATES AND JOINT VENTURES (CONT'D)

19.2 JOINT VENTURES (CONT'D)

Summarised statement of comprehensive income

	2016 \$'000	2015 \$'000
Revenue	3	11
Depreciation and amortisation expenses	–	(5)
Interest income	56	49
Loss before tax	(2,463)	(306)
Income tax expense	–	–
Loss after tax	(2,463)	(306)
Other comprehensive income	(12,044)	14,296
Total comprehensive income	(14,507)	13,990

Reconciliation of the summarised financial information presented above to the carrying amount of the Group's interest in KMR Group:

	2016 \$'000	2015 \$'000
Net assets at 31 December	16,942	71,242
Interest in joint venture	30%	30%
	5,083	21,373
Cumulative impairment and exchange adjustment	(1,987)	(1,771)
Carrying value of the Group's interest in joint venture	3,096	19,602

20. DEFERRED TAX ASSETS AND LIABILITIES

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Deferred tax assets	3,731	1,599	–	–
Deferred tax liabilities	(5,672)	(5,654)	(2,751)	(2,806)
	(1,941)	(4,055)	(2,751)	(2,806)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

20. DEFERRED TAX ASSETS AND LIABILITIES (CONT'D)

	Group				Company	
	Consolidated balance sheet		Consolidated income statement		Balance sheet	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Provisions	1,525	36	(1,534)	1,160	-	-
Unutilised tax losses	2,099	1,175	(941)	(1,314)	-	-
Fair value changes on forward currency contracts, forward commodity contracts and interest rate swap contracts	208	794	23	(80)	-	-
Revaluation of property, plant and equipment	(745)	(693)	-	-	(42)	(45)
Difference in depreciation	(1,194)	(1,796)	(597)	722	(631)	(672)
Fair value changes on investment properties	(1,794)	(2,280)	(462)	382	(2,078)	(2,089)
Fair value changes on available-for- sale investment securities	-	(41)	-	-	-	-
Fair value changes on investment securities at FVOCI	(528)	-	-	-	-	-
Unremitted foreign income and profits	(978)	(880)	96	(1,450)	-	-
Others	(534)	(370)	150	438	-	-
	(1,941)	(4,055)	(3,265)	(142)	(2,751)	(2,806)
Deferred tax credit (note 13)						

As at 31 December 2016, certain subsidiaries have unutilised tax losses amounting to \$4,846,000 (2015: \$5,679,000) available for set off against future taxable income, subject to the provisions of the Income Tax Act and agreement by the relevant authorities, for which deferred tax assets have not been recognised.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

21. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Current:				
Trade receivables	40,180	18,052	39	22
Amounts due from associates	341	1,409	11	8
Amounts due from related parties	227	–	–	–
Impairment of doubtful receivables	(3,183)	(126)	–	–
	37,565	19,335	50	30
<u>Other receivables</u>				
Deposits	1,085	557	35	41
Non-trade receivables	9,235	6,333	41	159
Amounts due from subsidiaries	–	–	837,310	866,317
Amounts due from associates	66,965	66,785	82	–
Amount due from a joint venture	19	19	–	–
	77,304	73,694	837,468	866,517
Impairment of doubtful receivables	(3,277)	(912)	(284)	(284)
	74,027	72,782	837,184	866,233
Trade and other receivables (current)	111,592	92,117	837,234	866,263
Non-Current:				
Amount due from a joint venture	2,372	2,414	–	–
Impairment of doubtful receivables	(2,372)	(559)	–	–
	–	1,855	–	–
Total trade and other receivables (current and non-current)	111,592	93,972	837,234	866,263
Add: Cash and cash equivalents (note 27)	291,091	239,325	99,374	105,579
Unquoted financial assets at amortised cost (note 22 (a))	80,624	39,521	–	–
Quoted financial assets at amortised cost (note 22 (b))	14,874	–	–	–
Shareholder loans (note 19.1)	71,910	71,910	–	–
Total financial assets at amortised cost	570,091	444,728	936,608	971,842

Trade receivables

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

The amounts due from related parties are unsecured, non-interest bearing and repayable on demand.

In 2015, trade receivables arising from export sales amounting to \$4,366,000 were arranged to be settled via letters of credits issued by reputable banks in countries where customers are based.

Amounts due from subsidiaries

The amounts due from subsidiaries are non-trade related, unsecured, non-interest bearing and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

21. TRADE AND OTHER RECEIVABLES (CONT'D)

Amounts due from associates

The current amount due from associates under trade receivables is unsecured, non-interest bearing and subject to the Group's normal credit terms which range from cash term to 90 days.

The current amounts due from associates under other receivables are non-trade related, unsecured and repayable on demand.

No interest is charged except for amounts receivable of \$66,348,000 from Far East Hospitality Holdings Pte. Ltd. which bear interest at 2.0% per annum.

Amounts due from a joint venture

The non-current other receivable is due from Africa Smelting Corporation Sprl. Based on the impairment assessment carried out by the management, the amount due from a joint venture had been fully impaired as at 31 December 2016.

Trade and other receivables denominated in foreign currencies other than the functional currencies of the respective Group entities are mainly as follows:

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
United States Dollar	11,864	17,891	-	-

The aged analysis of trade and other receivables is as follows:

	Group					
	2016 \$'000			2015 \$'000		
	Gross	Impairment losses	Net	Gross	Impairment losses	Net
• Not past due	114,080	(2,511)	111,569	92,488	(559)	91,929
• Past due:						
Less than 30 days	3	-	3	18	-	18
30 to 60 days	10	-	10	662	-	662
61 to 90 days	3	-	3	1,147	-	1,147
91 to 120 days	-	-	-	53	-	53
More than 120 days	6,328	(6,321)	7	1,201	(1,038)	163
	6,344	(6,321)	23	3,081	(1,038)	2,043
Total	120,424	(8,832)	111,592	95,569	(1,597)	93,972

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

21. TRADE AND OTHER RECEIVABLES (CONT'D)

The aged analysis of trade and other receivables is as follows (cont'd):

	2016 \$'000			Company 2015 \$'000		
	Gross	Impairment losses	Net	Gross	Impairment losses	Net
• Not past due	837,501	(284)	837,217	866,527	(284)	866,243
• Past due:						
Less than 30 days	1	–	1	1	–	1
30 to 60 days	8	–	8	6	–	6
61 to 90 days	3	–	3	8	–	8
91 to 120 days	–	–	–	3	–	3
More than 120 days	5	–	5	2	–	2
	17	–	17	20	–	20
Total	837,518	(284)	837,234	866,547	(284)	866,263

Trade receivables that are individually determined to be impaired at the end of the reporting period relate to debtors that are in significant financial difficulties and have defaulted on payments.

Trade and other receivables that are impaired at the reporting date and the movement of allowance accounts used to record the impairment are as follows:

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Trade and other receivables – nominal amounts	8,832	3,452	289	288
Less: Allowance for impairment	(8,832)	(1,597)	(284)	(284)
	–	1,855	5	4

Movement in the allowance accounts:

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
At 1 January	(1,597)	(8,721)	(284)	(284)
Effect of adoption of FRS 109	(3,741)	–	–	–
Impairment for the year (note 11)	(3,176)	(1,277)	–	–
Amounts written off	–	7,290	–	–
Reversal of impairment (note 11)	–	11	–	–
Exchange adjustment	(318)	1,100	–	–
At 31 December	(8,832)	(1,597)	(284)	(284)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

22. INVESTMENT SECURITIES/MARKETABLE SECURITIES

(a) Investment Securities

	Group	
	2016	2015
	\$'000	\$'000
At fair value through other comprehensive income		
– quoted, equity securities	175,555	162,055
Total financial assets at fair value through other comprehensive income	175,555	162,055
At amortised cost		
– unquoted	80,624	39,521
	256,179	201,576

Information on the Group's investment/marketable securities by country can be found in note 38(e).

The Group holds shares quoted in Singapore and Canada. Please refer to note 38(e) for information on equity price risk.

The financial assets at amortised cost are:

- (i) investment in a mezzanine financing amounting to A\$35.0 million with a coupon rate of 14.25% per annum and matures in August 2018.
- (ii) secured debenture notes amounting to A\$15.0 million with a coupon rate of 16.5% per annum and matures in July 2018.
- (iii) credit linked notes amounting to \$16.2 million with a fixed interest rate of 3.98% per annum and matures in November 2018.

Certain investment securities are pledged to secure bank facilities (note 31).

(b) Marketable securities

	Group	
	2016	2015
	\$'000	\$'000
At fair value through profit or loss		
– quoted, at fair value	97,674	178,282
At amortised cost		
– quoted bonds	14,874	–
	112,548	178,282

Certain marketable securities are pledged to secure bank facilities (note 31).



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

23. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments included in the balance sheet as at 31 December are as follows:

	Group			
	Assets 2016 \$'000	Liabilities 2016 \$'000	Assets 2015 \$'000	Liabilities 2015 \$'000
Forward currency contracts	568	1,201	1	1,807
Forward commodity contracts	–	–	–	1,514
Contract for differences	296	187	199	413
Interest rate swap contracts	–	100	–	24
	864	1,488	200	3,758
Current	313	1,114	200	3,734
Non-current	551	374	–	24

These represent the fair values of the following financial instruments:

- (a) forward currency contracts are entered into for the purpose of managing foreign exchange risk. The fair value changes of these contracts are recognised in other comprehensive income and accumulated in equity under hedging reserve to the extent that the hedges are effective. These contracts mature between January 2017 to September 2019.
- (b) forward commodity contracts are entered into for the purpose of managing commodity price risk. The fair value changes of these contracts are recognised in other comprehensive income and accumulated in equity under hedging reserve to the extent that the hedges are effective.
- (c) contract for differences (“CFDs”) represent agreements that obligate two parties to exchange cash flows at specified intervals based upon or calculated by reference to changes in specified prices or rates for a specified amount of an underlying asset or otherwise deemed notional amount. The payment flows are usually netted against each other, with the difference being paid by one party to the other. Therefore amounts required for the future satisfaction of the CFDs may be greater or less than the amount recorded. The ultimate gain or loss depends upon the prices at which the underlying financial instruments of the CFDs is valued at the CFDs’ settlement date and is recognised in profit or loss.
- (d) the interest rate swap contracts are entered into for the purpose of managing interest rate risk. The fair value changes of these contracts are recognised in other comprehensive income and accumulated in equity under hedging reserve to the extent that the hedges are effective.

Further details of the derivative financial instruments in items (a) to (d) are disclosed in note 39 to the financial statements.

24. OTHER NON-CURRENT ASSETS

	Group	
	2016 \$'000	2015 \$'000
Base inventory	970	987

Base inventory is used in the smelting process. It is stated at lower of estimated recoverable amount and cost.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

25. NON-CURRENT ASSET HELD FOR SALE

The Straits Trading Building at No. 2 Lebuh Pasar Besar, Kuala Lumpur was accounted as asset held for sale at 31 December 2015 following a committed plan to sell the building.

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Asset:				
Investment properties (note 16)	17,464	17,771	17,464	17,771

26. INVENTORIES

	Group	
	2016 \$'000	2015 \$'000
Balance sheet:		
At lower of cost or net realisable value:		
Inventories of:		
– Tin-in-concentrates	22,690	18,992
– Tin-in-process	76,381	50,238
– Refined tin metal	13,908	13,361
Other inventories (stores, spares, fuels, coal and saleable by-products)	6,575	6,229
	119,554	88,820
Income statement:		
Inventories recognised as an expense in cost of sales	447,000	481,112
Inclusive of the following charge: (Reversal of write down)/write down of inventories	(5,855)	4,698

27. CASH AND CASH EQUIVALENTS

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Cash at banks and in hand	94,128	61,976	9,366	23,256
Short-term deposits	196,963	177,349	90,008	82,323
	291,091	239,325	99,374	105,579

Cash at banks earn interest at floating rates based on daily bank deposit rates. Short-term deposits are placed for varying periods depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. The weighted average effective interest rates as at 31 December 2016 for the Group and the Company were 1.4% (2015: 1.5%) per annum and 1.5% (2015: 1.2%) per annum respectively.

Certain cash balances are pledged to secure bank facilities (note 31).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

27. CASH AND CASH EQUIVALENTS (CONT'D)

Cash and cash equivalents denominated in foreign currencies other than the functional currencies of the respective Group entities are mainly as follows:

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Australian Dollar	2,306	1,844	1,408	1,393
United States Dollar	12,687	4,591	–	–
Singapore Dollar	12,896	20,954	–	–
Japanese Yen	8,460	548	–	–

28. SHARE CAPITAL

	Group and Company			
	2016 Number of shares	Share capital \$'000	2015 Number of shares	Share capital \$'000
Ordinary shares issued and fully paid: At 1 January and 31 December	408,095,772	568,968	408,095,772	568,968

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

29. RESERVES

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Retained earnings ^(a)	832,222	782,253	73,372	86,250
AFS reserve ^(b)	–	(23,922)	–	–
FVOCI reserve ^(c)	(10,178)	–	–	–
Hedging reserve ^(d)	(672)	(1,811)	–	–
Revaluation reserve ^(e)	24,044	15,578	203	202
Translation reserve ^(f)	(49,876)	(43,902)	(19,607)	(18,281)
Other reserves	(36,682)	(54,057)	(19,404)	(18,079)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

29. RESERVES (CONT'D)

(a) Retained earnings

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
At 31 December (as previously stated)	782,253	787,375	86,250	89,069
Effect of adoption of FRS 109	(1,286)	–	–	–
At 1 January	780,967	787,375	86,250	89,069
Net changes in the reserve	51,255	(5,122)	(12,878)	(2,819)
At 31 December	832,222	782,253	73,372	86,250
Net changes in the reserve:				
– Profit for the year	67,291	8,549	3,446	10,845
– Dividend on ordinary shares (note 34)	(16,324)	(16,324)	(16,324)	(16,324)
– Dilution of ownership interests in subsidiaries that do not result in a loss of control	(150)	(7)	–	–
– Unclaimed dividends written back	–	2,660	–	2,660
– Realisation of share of associate's revaluation reserve upon disposal	438	–	–	–
	51,255	(5,122)	(12,878)	(2,819)

(b) AFS reserve

AFS reserve records the cumulative fair value changes of available-for-sale financial assets until they are derecognised or impaired. The movements in the AFS reserve are as follows:

	Group	
	2016 \$'000	2015 \$'000
At 31 December (as previously stated)	(23,922)	19,102
Effect of adoption of FRS 109	23,922	–
At 1 January	–	19,102
Net changes in the reserve	–	(43,024)
At 31 December	–	(23,922)
Net changes in the reserve:		
– Net fair value changes during the year	–	(39,107)
– Share of reserve of associates	–	(3,917)
	–	(43,024)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

29. RESERVES (CONT'D)

(c) FVOCI reserve

FVOCI reserve records the cumulative fair value changes of FVOCI financial assets until they are derecognised. The movements in the FVOCI reserve are as follows:

	Group	
	2016	2015
	\$'000	\$'000
At 31 December (as previously stated)	–	–
Effect of adoption of FRS 109	(24,495)	–
At 1 January	(24,495)	–
Net changes in the reserve	14,317	–
At 31 December	(10,178)	–
Net changes in the reserve:		
– Net fair value changes during the year	10,897	–
– Share of reserve of associates	3,420	–
	14,317	–

(d) Hedging reserve

Hedging reserve records the portion of the fair value changes on derivative financial instruments designated as hedging instruments in cash flow hedges that is determined to be an effective hedge. The movements in the hedging reserve are as follows:

	Group	
	2016	2015
	\$'000	\$'000
At 1 January	(1,811)	(1,367)
Net changes in the reserve	1,139	(444)
At 31 December	(672)	(1,811)
Net changes in the reserve:		
– Net fair value changes during the year	996	(480)
– Recognised in profit or loss:		
– Ineffective cash flow hedge	(74)	28
– Share of reserve of associates	217	8
	1,139	(444)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

29. RESERVES (CONT'D)

(e) Revaluation reserve

Revaluation reserve is used to record increases in the fair value of land and buildings and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in equity. The movements in the revaluation reserve are as follows:

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
At 1 January	15,578	8,034	202	208
Net changes in the reserve	8,466	7,544	1	(6)
At 31 December	24,044	15,578	203	202
Net changes in the reserve:				
– Surplus on revaluation of land and buildings	505	794	1	(6)
– Realisation of share of associate's revaluation reserve	(438)	–	–	–
– Share of reserve of an associate	8,399	6,750	–	–
	8,466	7,544	1	(6)

(f) Translation reserve

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 and Company's presentation currency. It is also used to record the effect of exchange differences arising from monetary items which form part of the Group's net investments in foreign operations. The movements in the translation reserve are as follows:

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
At 1 January	(43,902)	(27,365)	(18,281)	(8,382)
Net effect of exchange adjustments	(5,974)	(16,537)	(1,326)	(9,899)
At 31 December	(49,876)	(43,902)	(19,607)	(18,281)
Net effect of exchange adjustments:				
– Translation of foreign operations	(8,530)	(7,568)	(1,326)	(9,899)
– Net investments in foreign operations	672	(3,259)	–	–
– Attributable to disposal group classified as held for sale	–	(46)	–	–
– Transfer to profit or loss on disposal of associates and joint ventures	2,295	–	–	–
– Share of reserve of associates	(411)	(5,664)	–	–
	(5,974)	(16,537)	(1,326)	(9,899)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

30. PROVISIONS

	Provision for mine restoration \$'000	Provision for income support \$'000	Provision for repairs \$'000	Provision for financial guarantee \$'000	Total \$'000
GROUP					
At 1 January 2016	5,923	–	19,585	3,171	28,679
Provision/(reversal) made during the year	2,590	–	(2,195)	–	395
Discount adjustment on provision (note 10)	239	–	–	–	239
Provision utilised	–	–	(17,659)	–	(17,659)
Exchange adjustment	(108)	–	269	(55)	106
At 31 December 2016	8,644	–	–	3,116	11,760
Non-current	8,644	–	–	–	8,644
Current	–	–	–	3,116	3,116
	8,644	–	–	3,116	11,760
At 1 January 2015	3,916	683	23,477	3,974	32,050
Provision/(reversal) made during the year	2,411	(360)	–	–	2,051
Discount adjustment on provision (note 10)	128	–	–	–	128
Provision utilised	–	(323)	(2,337)	–	(2,660)
Exchange adjustment	(532)	–	(1,555)	(803)	(2,890)
At 31 December 2015	5,923	–	19,585	3,171	28,679
Non-current	5,923	–	–	–	5,923
Current	–	–	19,585	3,171	22,756
	5,923	–	19,585	3,171	28,679

The Group's tin mining activity is conducted principally through its subsidiary, Rahman Hydraulic Tin Sdn. Bhd. ("RHT"). RHT is obliged to restore and rehabilitate the mine subsequent to the cessation of production. Mine restoration costs will be incurred subsequent to the cessation of production of the mine property. The provision for mine restoration costs is based on the present value of the estimated cash outflows to be incurred to restore and rehabilitate the mine. In prior years, the main features of original mine rehabilitation plan were to allow the open pit to be naturally filled up with water and encapsulate the mine tailings areas with a clay layer. The Group has engaged a South Korean consultant specialising in mine rehabilitation to carry out an assessment on the mine rehabilitation plan. Based on the assessment, the consultant has proposed a modification of the original mine rehabilitation plan to include revegetation of soil, pumping and ponding of mine pit and lime dosing. During the financial year ended 31 December 2016, the change of mine rehabilitation method has resulted in an increase in provision for mine restoration costs due to an increase in the estimated cash outflows to be incurred to restore and rehabilitate the mine. The South Korean consultant is of the view that the revised mine rehabilitation plan will address the practicality, safety and environmental concerns of Malaysian authorities and has a high probability of being approved by the Malaysian authorities.

The provision for repairs recorded by the Company relates to provisions made for contractual obligations arising from discontinued operations, which has been settled during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

31. BORROWINGS

	Group	
	2016	2015
	\$'000	\$'000
Non-current		
Secured bank loans	169,509	373,985
Unsecured bank loans	16,261	–
	185,770	373,985
Current		
Secured bank loans	340,518	48,663
Unsecured bank loans	93,523	129,019
	434,041	177,682
Total borrowings	619,811	551,667

Interest rates and maturity of loans

	Group	
	2016	2015
	% per annum	% per annum
Floating rate loans	1.3 to 5.8	1.1 to 6.4
Fixed rate loans	0.8 to 4.0	0.8 to 2.2

	Group	
	2016	2015
	\$'000	\$'000
Not later than 1 year	434,041	177,682
Later than 1 year but not later than 5 years	88,029	317,153
More than 5 years	97,741	56,832
	619,811	551,667

Secured

The secured bank loans are collateralised by the following assets:

	Group	
	2016	2015
	\$'000	\$'000
Investment properties (note 16(c))	464,140	290,459
Associate (note 19.1(b))	318,023	308,378
Investment securities (note 22(a))	140,953	128,432
Marketable securities (note 22(b))	27,516	57,373
Cash and cash equivalents (note 27)	72,589	20,430
	1,023,221	805,072

The interest rates of the bank loans are repriced at intervals of 1 month to 12 months (2015: 3 months to 12 months).



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

32. OTHER NON-CURRENT LIABILITIES

	Group	
	2016 \$'000	2015 \$'000
Unrealised profit on sale of properties to associates	173	214
Other liabilities	1,092	251
	1,265	465

33. TRADE AND OTHER PAYABLES

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Current:				
Trade payables	36,163	49,739	84	176
Advance receipts and billings	584	274	12	12
Amounts due to associates	202	91	–	–
	36,949	50,104	96	188
Other payables				
Amounts due to subsidiaries	–	–	486,105	487,382
Amounts due to non-controlling shareholders of subsidiaries	21,359	21,609	–	–
Accrual for balance payment of property and other charges	28,885	33,584	2,165	2,218
Other deposits	1,451	1,433	361	344
Amounts due to associates	3,801	570	–	–
Amount due to a joint venture	–	15,662	–	–
	55,496	72,858	488,631	489,944
Trade and other payables	92,445	122,962	488,727	490,132
Trade and other payables	92,445	122,962	488,727	490,132
Less: Advance receipts and billings	(584)	(274)	(12)	(12)
	91,861	122,688	488,715	490,120
Add: Other non-current liabilities (note 32)	1,092	251	–	–
Loans and borrowings (note 31)	619,811	551,667	–	–
Total financial liabilities carried at amortised cost	712,764	674,606	488,715	490,120

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

33. TRADE AND OTHER PAYABLES (CONT'D)

Trade payables

The Group's normal trade credit ranges from cash payment to 90-day terms.

Amounts due to subsidiaries

The amounts payable to subsidiaries are non-trade related, unsecured, non-interest bearing and repayable on demand.

Amounts due to non-controlling shareholders of subsidiaries

The amounts due to non-controlling shareholders of subsidiaries are:

- (a) share of funding to the Group's 89.5% owned subsidiary, Straits Real Estate Pte. Ltd.. The amounts are unsecured, bear interest at 2.8% per annum and repayable on demand.
- (b) dividend declared by a subsidiary during the year and paid in the following year.

Amounts due to associates

The amounts payable to associates are non-trade related, non-interest bearing and repayable on demand.

Amount due to a joint venture

For 2015, the amount payable to a joint venture was non-trade related, non-interest bearing and repayable on demand.

Trade and other payables denominated in foreign currencies other than the functional currencies of the respective Group entities are mainly as follows:

	Group	
	2016	2015
	\$'000	\$'000
United States Dollar	22,333	33,084
Australian Dollar	20,491	14,895
Japanese Yen	9,028	21,564
Hongkong Dollar	609	7,344



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

34. DIVIDENDS

	Group and Company	
	2016	2015
	\$'000	\$'000
Declared and paid during the year:		
<i>Dividends on ordinary shares:</i>		
• 2015 Interim dividend paid in 2016: 4 cents per share tax exempt (one-tier tax) (2014 Interim dividend paid in 2015: 4 cents per share tax exempt (one-tier tax))	16,324	16,324
Declared but not recognised as a liability as at 31 December:		
<i>Dividends on ordinary shares:</i>		
• Interim dividend for 2016: 6 cents per share tax exempt (one-tier tax) (Interim dividend for 2015: 4 cents per share tax exempt (one-tier tax))	24,486	16,324

There is no taxation consequence arising from the dividends declared by the Company.

35. CAPITAL COMMITMENTS

Capital commitments not provided for in the financial statements are analysed as follows:

	Group	
	2016	2015
	\$'000	\$'000
Property, plant and equipment	9,503	500
Associates	22,717	72,013
Investment properties	2,309	24,162
	34,529	96,675

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

36. COMMITMENTS

(a) Operating lease commitments for lessor

The Group and Company have entered into property lease agreements on their investment properties. These non-cancellable leases have remaining non-cancellable lease terms of up to 17 years. Contingent lease receipts are subject to the revenue exceeding certain levels stated in the respective agreements. Certain property lease agreements have renewal options; and restrict any assignment and subletting of the lease properties.

There were no contingent lease receipts recognised in profit or loss in 2016 and 2015.

Future minimum lease receivable under non-cancellable operating leases are as follows:

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Not later than 1 year	6,639	10,906	1,501	1,446
Later than 1 year but not later than 5 years	7,386	13,673	772	737
Later than five years	6,725	1,093	–	–
	20,750	25,672	2,273	2,183

(b) Operating lease commitments for lessee

The Group has entered into operating lease agreements for properties and office equipment. These non-cancellable operating leases have remaining non-cancellable lease terms of up to 5 years. Contingent rents are payable subject to the related revenue exceeding certain levels stated in the respective agreements. Certain property lease agreements have renewal options. The lessee shall not assign, mortgage or charge the lease property without prior consent of the landlord. There is no restriction imposed by lease arrangements, such as those concerning dividends and additional debt.

Operating lease payments recognised in profit or loss are as follows:

	Group	
	2016 \$'000	2015 \$'000
Minimum lease payments	2,302	1,779

Future minimum lease payable under non-cancellable operating leases are as follows:

	Group	
	2016 \$'000	2015 \$'000
Not later than 1 year	1,116	1,757
Later than 1 year but not later than 5 years	4,565	305
	5,681	2,062

(c) Other commitments

The Company has committed to provide continuing financial support to certain subsidiaries to enable their continuing operations.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

37. RELATED PARTY DISCLOSURES

- (a) Sale and purchase of goods and services

In addition to related party information disclosed elsewhere in the financial statements, significant transactions with related parties on terms agreed between the parties are as follows:

	Group	
	2016	2015
	\$'000	\$'000
<hr/>		
<i>Associates/joint ventures</i>		
Sales of goods	16,877	17,383
Interest income	1,387	1,291
Receiving of services	3,097	3,850
<i>Other related parties</i>		
Office leases	95	–

Please refer to notes 21 and 33 for information on amounts due from/to subsidiaries, associates and joint ventures.

- (b) Key management personnel compensation

The key management personnel compensation are as follows:

	Group	
	2016	2015
	\$'000	\$'000
<hr/>		
Directors' fees	815	908
Short-term employee benefits	1,724	1,479
Defined contribution plans	33	39
	<hr/>	<hr/>
	2,572	2,426

38. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks. Apart from those risks generated from operations such as extending credits and cash flow management, other risks include the effects of changes in debt and equity market prices, foreign currency exchange rates, interest rates and commodity prices.

The Group's management monitors its financial position closely with an objective to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments, where appropriate, for its risk management activities.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

38. FINANCIAL RISK MANAGEMENT (CONT'D)

The policies for managing these risks are summarised below.

(a) Foreign exchange risk

The Group operates mainly in Asia Pacific and has exposure to foreign exchange risk as a result of sales or purchase transactions that are denominated in a currency other than the functional currencies of the respective Group entities. These foreign exchange risk exposures are mainly in United States Dollar, Australian Dollar, Singapore Dollar and Japanese Yen. The Group uses forward currency contracts to manage these exposures where appropriate. The Group also uses loans in foreign currency to hedge its exposure to foreign exchange risk on investments in foreign operations where appropriate.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit after tax and equity to a reasonably possible change in the exchange rates of the United States Dollar, Australian Dollar, Singapore Dollar and Japanese Yen against the functional currencies of the respective Group entities, with all other variables held constant.

		Group			
		2016		2015	
		Profit after tax	Equity	Profit after tax	Equity
		\$'000	\$'000	\$'000	\$'000
United States Dollar	strengthened 5% (2015: 5%)	(2,402)	(1,569)	(2,766)	(1,794)
	weakened 5% (2015: 5%)	2,132	2,411	1,194	1,792
Australian Dollar	strengthened 5% (2015: 5%)	1,921	–	792	–
	weakened 5% (2015: 5%)	(1,921)	–	(792)	–
Singapore Dollar	strengthened 5% (2015: 5%)	470	(837)	764	(837)
	weakened 5% (2015: 5%)	(470)	837	(764)	837
Japanese Yen	strengthened 5% (2015: 5%)	195	2,022	35	144
	weakened 5% (2015: 5%)	(195)	(2,022)	(35)	(144)

At the end of the reporting period, approximately:

- (i) 12% (2015: 22%) of the Group's trade and other receivables as well as 56% (2015: 63%) of the Group's trade and other payables are denominated in foreign currencies other than the functional currencies of the respective Group entities, mainly in United States Dollar, Japanese Yen, Australian Dollar and Hong Kong Dollar.
- (ii) 13% (2015: 12%) of the Group's cash and cash equivalents are denominated in foreign currencies other than the functional currencies of the respective Group entities, mainly in Singapore Dollar, United States Dollar, Japanese Yen and Australian Dollar.
- (iii) 17% (2015: 8%) of the Group's borrowings are denominated in foreign currencies other than the functional currencies of the respective Group entities, mainly in Singapore Dollar, United States Dollar, Japanese Yen and Australian Dollar.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

38. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to market risk for changes in interest rates relates primarily to its cash deposits and debt obligations.

The Group's policy is to manage its interest cost using a combination of fixed and floating rate debts and also derivative financial instruments such as interest rate swaps and cross currency swaps to hedge interest rate risks.

Surplus funds are placed with reputable banks to generate interest income for the Group.

The table below demonstrates the sensitivity to a reasonably possible change in interest rates with all other variables held constant, of the Group's profit after tax through the impact on interest income from bank deposits and interest expense on floating rate borrowings:

	Group Increase/ decrease in basis point	Effect on profit after tax \$'000
<hr/>		
31 December 2016		
– Singapore Dollar	+25	165
	–25	(165)
– Malaysian Ringgit	+25	(120)
	–25	120
– Chinese Renminbi	+25	(155)
	–25	155
<hr/>		
31 December 2015		
– Singapore Dollar	+25	244
	–25	(244)
– Malaysian Ringgit	+25	(154)
	–25	154
– Chinese Renminbi	+25	(107)
	–25	107
<hr/>		

At the end of the reporting period, for the increase/decrease in the various basis points on interest rates for the various currencies, the effects associated with such changes on the Group's profit after tax are as illustrated above.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

38. FINANCIAL RISK MANAGEMENT (CONT'D)

(c) 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, cash and bank balances and derivatives), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

Credit risks, or the risks of counterparties defaulting are controlled by the application of credit approvals, limit and monitoring procedures. Credit risks are minimised and monitored by limiting the Group's and the Company's associations to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis via Group management reporting procedures. The Group and the Company place the cash deposits with reputable banks and financial institutions.

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

The Group and the Company have 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, based on the Group's and Company's historical information.

The Group's debt securities at amortised cost have low risk of default. To assess whether there is a significant increase in credit risk, the Group and the Company compare the risk of a default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition. The Group and the Company consider available reasonable and supportive forward-looking information which include 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 debtor's ability to meet its obligations
- Actual or expected significant changes in the operating results of the debtor
- Significant increases in credit risk on other financial instruments of the same debtor
- Significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- Significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtors in the group and changes in the operating results of the debtor.

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



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

38. FINANCIAL RISK MANAGEMENT (CONT'D)

(c) Credit risk (cont'd)

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

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

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

The following are credit risk management practices and quantitative and qualitative information about amounts arising from expected credit losses for trade and other receivables:

- The Group and the Company provide for 12-month expected credit losses for all trade and other receivables (excluding deposits and GST input tax). The 12-month expected credit losses have taken into consideration historical loss rate statistics for debts with similar credit profile and the country risk of the debtors.
- For receivables which are lower risk, the probability of default ("PD") is minimal.
- For receivables which are higher risk, the PD rates ranging from 2.5% to 50% are applied if a receivable is more than 90 days to 360 days.
- During the financial year, the Group and the Company did not make any write-offs of trade and other receivables. The Group and the Company do not expect to receive future cash flows from and no recoveries from collection of cash flows previously written off.

The Group's debt securities at amortised cost have low risk of default and a strong capacity to meet contractual cash flows. Hence the loss allowance is determined at an amount equal to 12-month ECL.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

38. FINANCIAL RISK MANAGEMENT (CONT'D)

(c) Credit risk (cont'd)

The loss allowance provision as at 31 December 2016 reconciles to the opening loss allowance for that provision as follows:

	Group			Company
	Trade receivables \$'000	Other receivables \$'000	Other non-current receivables \$'000	Other receivables \$'000
Closing allowance as at 31 December 2015 (based on FRS 39)	126	912	559	284
Restatements to opening retained earnings	–	1,886	1,855	–
As at 1 January 2016 (Restated)	126	2,798	2,414	284
ECL allowance	3,035	141	–	–
Exchange adjustments	22	338	(42)	–
As at 31 December 2016	3,183	3,277	2,372	284

Financial assets that are neither past due nor impaired

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

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country profile of its trade and other receivables on an on-going basis. The credit risk concentration profile of the Group's trade and other receivables at the end of the reporting period is as follows:

	Group				Company			
	2016		2015		2016		2015	
	\$'000	% of total	\$'000	% of total	\$'000	% of total	\$'000	% of total
<i>By country:</i>								
Singapore	68,618	62	69,113	73	813,756	97	842,516	97
United Kingdom	27,045	24	1,089	1	–	–	–	–
Malaysia	5,616	5	6,779	7	23,478	3	23,747	3
China, including Hong Kong and Taiwan	3,492	3	1,027	1	–	–	–	–
Germany	1,948	2	2,350	3	–	–	–	–
Japan	1,105	1	1,364	2	–	–	–	–
Australia	904	1	3,103	3	–	–	–	–
South Africa	281	–	2,684	3	–	–	–	–
Other countries	2,583	2	6,463	7	–	–	–	–
	111,592	100	93,972	100	837,234	100	866,263	100

Approximately 60% (2015: 71%) of the Group's trade and other receivables were due from an associate located in Singapore.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

38. FINANCIAL RISK MANAGEMENT (CONT'D)

(d) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting their financial obligations due to shortage of funds. The Group manages its asset and debt maturity profile, operating cash flows and the availability of funding so as to ensure that all financing, repayment and funding needs are met in a timely and cost-effective manner. Procedures have been established to monitor and control liquidity on a daily basis by adopting a cash flow management approach.

The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available.

The following summarises the maturity profile of the Group's and Company's financial assets and liabilities used for managing liquidity risk at the end of the reporting period based on contractual undiscounted repayment obligations, including estimated interest payments:

	2016 \$'000				2015 \$'000			
	1 year or less	1 to 5 years	Over 5 years	Total	1 year or less	1 to 5 years	Over 5 years	Total
Group								
Financial assets:								
Marketable securities	112,548	–	–	112,548	178,282	–	–	178,282
Trade and other receivables	112,715	–	–	112,715	93,240	–	1,855	95,095
Derivatives	313	551	–	864	200	–	–	200
Cash and cash equivalents	291,091	–	–	291,091	239,325	–	–	239,325
Total undiscounted financial assets	516,667	551	–	517,218	511,047	–	1,855	512,902
Financial liabilities:								
Trade and other payables	91,861	–	–	91,861	122,688	–	–	122,688
Other non-current liabilities	–	884	208	1,092	–	251	–	251
Loans and borrowings	438,685	97,905	115,549	652,139	187,135	338,066	59,430	584,631
Derivatives	1,114	374	–	1,488	3,734	24	–	3,758
Total undiscounted financial liabilities	531,660	99,163	115,757	746,580	313,557	338,341	59,430	711,328
Total net undiscounted financial assets/(liabilities)	(14,993)	(98,612)	(115,757)	(229,362)	197,490	(338,341)	(57,575)	(198,426)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

38. FINANCIAL RISK MANAGEMENT (CONT'D)

(d) Liquidity risk (cont'd)

	2016 \$'000				2015 \$'000			
	1 year or less	1 to 5 years	Over 5 years	Total	1 year or less	1 to 5 years	Over 5 years	Total
Company								
Financial assets:								
Trade and other receivables	837,234	–	–	837,234	866,263	–	–	866,263
Cash and cash equivalents	99,374	–	–	99,374	105,579	–	–	105,579
Total undiscounted financial assets	936,608	–	–	936,608	971,842	–	–	971,842
Financial liabilities:								
Trade and other payables	488,715	–	–	488,715	490,120	–	–	490,120
Total undiscounted financial liabilities	488,715	–	–	488,715	490,120	–	–	490,120
Total net undiscounted financial assets	447,893	–	–	447,893	481,722	–	–	481,722

Investment securities and shareholder loans to an associate held for strategic purpose are excluded from the tables above.

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

	2016 \$'000				2015 \$'000			
	1 year or less	1 to 5 years	Over 5 years	Total	1 year or less	1 to 5 years	Over 5 years	Total
Group								
Financial guarantees	3,450	3,368	–	6,818	3,145	–	–	3,145
Company								
Financial guarantees	300,000	–	–	300,000	–	300,000	–	300,000



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

38. FINANCIAL RISK MANAGEMENT (CONT'D)

(e) Equity price risk

Changes in the market value of investment securities can affect the net income and financial position of the Group. The Group diversifies its investments by business sector and by country. It manages the risk of unfavourable changes by prudent review of the investments before investing and continuous monitoring of their performance and risk profiles.

The investment securities that are subject to equity price risk are classified as either FVTPL or FVOCI financial assets.

At the end of the reporting period, the Group's equity portfolio classified as FVTPL consists of shares of companies in Singapore of 54% (2015: 61%), Australia 22% (2015: 9%), China, Hong Kong 10% (2015: 9%) and 14% (2015: 21%) in other countries. If the equity prices had been 5% higher/lower with all other variables held constant, the Group's profit after tax would have been \$4,707,000 (2015: \$8,818,000) higher/lower, arising as a result of higher/lower fair value changes.

At the end of the reporting period, 96% (2015: 97%) of the Group's equity portfolio classified as FVOCI consists of shares of companies in Singapore and 4% (2015: 3%) in Canada. If the Singapore and Canada equity prices had been 5% higher/lower with all other variables held constant, the Group's other comprehensive income or FVOCI reserve in equity would have been \$7,963,000 (2015: \$7,421,000) higher/lower, arising as a result of higher/lower fair value changes.

(f) Commodity price risk

Commodity price risk is the risk of financial loss resulting from movements in the price of the Group's commodity inputs and outputs. The Group is exposed to commodity price risk on revenue for sales of tin as well as production cost for fuel consumed in the operations.

The commodity price risk on revenue for sales of tin is managed through contractual arrangements with customers and forward commodity contracts. At the reporting date, there was no such contract outstanding.

The commodity price risk on production cost for fuel is managed through forward commodity contracts. The terms of the forward commodity contracts have been negotiated to match the terms of the commitments. There were no highly probable transactions for which hedge accounting had previously been used, which are no longer expected to occur. At the reporting date, there was no such contract outstanding. The ineffectiveness arising from the cash flow hedge resulted in a fair value loss of \$226,000 recognised in profit or loss in the previous financial year. The cash flow hedges of certain contracts were assessed to be highly effective and a net unrealised loss of \$1,288,000 with a deferred tax credit of \$309,000 relating to the hedging instruments was included in other comprehensive income in the previous financial year.

The following table demonstrates the sensitivity to a reasonably possible change in the commodity price, with all other variables held constant, of the Group's profit or loss net of tax and equity at the reporting date:

		Increase/ (Decrease) in profit net of tax		Increase/ (Decrease) in equity	
		2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Fuel price	increased by 5%	-	(13)	-	64
	decreased by 5%	-	23	-	(64)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

38. FINANCIAL RISK MANAGEMENT (CONT'D)

(g) Capital management

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

The Group's objective is to provide a reasonable return to shareholders by investing into businesses that commensurate with the level of risks. This also takes into account synergies with other operations and activities, the availability of management and other resources, and the fit of the activities with the Group's longer strategic objectives.

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the various core businesses. The Group allocates the amount of capital in proportion to risk, manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristic of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, sell assets or increase borrowings. The Group monitors the return of capital, which is defined as total shareholders' equity (excluding non-controlling interests), gearing ratio, which is defined as borrowings net of cash over total equity and the level of dividends to shareholders. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2016 and 31 December 2015.

The Group seeks to maintain a balance between the higher returns that might be possible with higher level of borrowings and the advantages and security afforded by a sound capital position.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirement.

	Group	
	2016	2015
	\$'000	\$'000
Share capital	568,968	568,968
Retained earnings	832,222	782,253
Other reserves	(36,682)	(54,057)
Equity attributable to owners of the Company	1,364,508	1,297,164
Non-controlling interests	94,240	73,049
Total equity	1,458,748	1,370,213
Net borrowings	328,720	312,342
Gearing ratio	22.5%	22.8%



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

39. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

(a) Derivative financial instruments

The Group has the following derivative financial instruments at balance sheet date:

At 31 December 2016:

	Notional Amount		Fair Value	
	Asset \$'000	Liability \$'000	Asset \$'000	Liability \$'000
Forward currency contracts	9,977	58,425	568	1,201
Contract for differences	4,585	3,839	296	187
Interest rate swap contracts	–	20,876	–	100
	14,562	83,140	864	1,488

At 31 December 2015:

	Notional Amount		Fair Value	
	Asset \$'000	Liability \$'000	Asset \$'000	Liability \$'000
Forward currency contracts	648	49,965	1	1,807
Forward commodity contracts	–	3,249	–	1,514
Contract for differences	9,258	8,993	199	413
Interest rate swap contracts	–	100,327	–	24
	9,906	162,534	200	3,758

Please refer to note 23 for detailed information relating to the risk being hedged.

(b) Hedge of net investments in foreign operations

To hedge the Group's exposure to foreign currency risk on the investments in Japanese Yen:

- (i) A loan of Japanese Yen 4.7 billion (2015: Yen 1.23 billion) has been designated as a hedge against the net investment denominated in Japanese Yen. Gain or loss on the retranslation of the borrowing is taken to the exchange translation reserve to offset any exchange differences on the translation of the net foreign investment. The loan is included in borrowings (note 31).
- (ii) A foreign currency forward contract of Japanese Yen has been designated as a hedge against the net investment denominated in Japanese Yen. Fair value gain or loss on the foreign currency forward contract is taken to the exchange translation reserve to offset any exchange differences on the translation of the net foreign investment. The foreign currency forward contract is included in derivative financial instruments (note 23).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

40. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

(a) 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 are reflected in the assumptions when they occur.

(i) *Impairment of goodwill*

The Group determines whether goodwill is impaired at least on an annual basis. The recoverable amount of the cash-generating unit is determined based on fair value less cost to sell which include a control premium adjustment. Management also reviews other economic factors and market conditions to assess whether the recoverable amount as determined using this method is sustainable. Changes in the market value of the cash-generating unit could affect the recoverable amount. The carrying amount of goodwill at 31 December 2016 was \$17,298,000 (2015: \$17,604,000).

(ii) *Depreciation of property, plant and equipment*

Property, plant and equipment are depreciated using the appropriate basis as outlined in note 2.10 over the estimated useful lives of these assets. The carrying amount of the Group's property, plant and equipment at 31 December 2016 was \$52,737,000 (2015: \$34,434,000).

The cost of plant and machinery for tin smelting and refining is depreciated on a straight-line basis over the assets' useful lives. Management estimates the useful lives of these plant and machinery to be within 10 to 40 years. These are common life experiences applied in such industry. Changes in the expected level of usage could impact the economic useful lives and the residual values of these assets, therefore future depreciation charge could be revised.

In the tin mining subsidiaries, plant and equipment used in mining are depreciated using the unit-of-production method based on economically recoverable ore reserves and resources over the estimated useful lives of the assets. Changes in estimated economically recoverable ore reserves and resources and useful lives of plant and equipment are accounted for on a prospective basis from the beginning of the year in which the changes arise. Changes in the estimated economically recoverable ore reserves and resources and the expected level of usage could impact the economic useful lives and the residual values of these assets, therefore future depreciation charge could be revised.

The carrying amount of property, plant and equipment related to the subsidiary in resources business amounts to \$50,252,000 (2015: \$32,810,000).



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

(a) Estimation uncertainty (cont'd)

(iii) *Amortisation and impairment of mining rights, deferred mine exploration and evaluation expenditures and mine properties*

These require estimates and assumptions on the quantity of economically recoverable ore reserves and resources, expected future costs and expenses to produce the metal or minerals, effective interest rates, expected future prices used in the impairment test for mining rights, deferred mine exploration and evaluation expenditures and mine properties. The estimate of the quantity of economically recoverable ore reserves and resources are also used for the amortisation of mining rights and mine properties. Actual outcomes could differ from these estimates and assumptions.

	Group	
	2016	2015
	\$'000	\$'000
<u>Deferred mine exploration and evaluation expenditure</u>	<u>2,973</u>	1,935
<u>Mine properties</u>	<u>1,886</u>	2,138
<u>Mining rights</u>	<u>2,039</u>	2,367

(iv) *Revaluation of properties*

The Group carries its properties at fair value. Changes in fair values of investment properties are recognised in profit or loss and changes in fair values of the other properties are recognised in other comprehensive income respectively.

The fair values of properties are determined by independent real estate valuation experts using recognised valuation techniques. These techniques comprise comparison method, investment method, income capitalisation method/discounted cash flow method and depreciated replacement cost method.

The determination of the fair values of the properties require the use of estimates such as:

- sales of similar properties that have been transacted in the open market with adjustment made for differences in factors that affect value;
- an estimate of the current market value of the land, plus the current gross replacement of improvements, less allowances for physical deterioration, obsolescence and optimisation;
- capitalisation of net rental income taking into consideration such as vacancy rates and rental growth rates; and
- estimation of net income stream over a period and discounting the net income stream; taking into consideration a range of assumptions such as terminal yield rate, discount rate, years purchase multiplier and rental growth.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

(a) Estimation uncertainty (cont'd)

(v) *Impairment loss on investments in associates, joint ventures and unquoted investment*

MSC has associates, joint ventures and unquoted investment which are principally involved in exploration, mining and processing of various minerals and metals. The impairment assessment of the Group's investment in an associate, Guilin Hinwei Tin Co Ltd. ("Guilin"), a joint venture, KM Resources, Inc. and its unquoted investment in TMR Ltd. ("TMR") are based on estimated fair value less costs to sell. These require estimates and assumptions on the net assets, future prospect or expected commencement date for commercial production. Actual outcomes could differ from these estimates and assumptions. The carrying values of Guilin and TMR had been fully impaired.

(vi) *Inventories*

Inventories are stated at the lower of cost and net realisable value. Significant management judgement and in certain circumstances estimate on the physical stock quantity are required to determine their cost and net realisable value.

Inventories are written down when events or changes in circumstances indicate that the carrying amounts may not be recoverable. Where actual amount differ from the original estimates, the differences will impact the carrying amount of inventories.

(vii) *Provision for mine restoration costs*

Provision for mine restoration costs is provided based on the present value of the estimated future expenditure to be incurred subsequent to the cessation of production. Significant management judgement and estimation are required in determining the future expenditure, the cessation date of production and the discount rate. The mine restoration plan was submitted by a subsidiary to the relevant authorities during the year ended 31 December 2013. The carrying amount of provision for mine restoration costs disclosed in note 30 is based on modifications proposed by the consultant appointed during the year ended 31 December 2015. As the mine restoration plan is still pending approval from the relevant authorities, the final amount cannot be determined at this juncture. Where expectations from the relevant authorities differ from the plan submitted or actual amount differs from the original estimates, the differences may significantly impact the carrying amount of provision for mine restoration costs.

(viii) *Economically recoverable ore reserves and resources*

Economically recoverable ore reserves and resources are estimates of the amount of ore that can be economically and legally recoverable from the mine properties. The Group estimates its ore reserves and resources based on information compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the ore body, and requires complex geological judgements to interpret the data. The estimation of recoverable reserves and resources is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements, and production costs along with geological assumptions and judgements made in estimating the size and grade of the ore body. Changes in the reserve or resource estimates may impact the carrying value of investments in associates and joint ventures, unquoted investment, mining rights, deferred exploration and evaluation expenditures, mine properties, property, plant and equipment, goodwill, provision for mine restoration costs, recognition of deferred tax assets, deferred tax liabilities and tax recoverable, depreciation and amortisation charges.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

(b) Judgements

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

(i) Income taxes

The Group has exposure to income taxes in various jurisdictions. Significant judgement 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 are as follows:

	Group	
	2016	2015
	\$'000	\$'000
Income tax receivables	3,611	3,526
Income tax payable	13,426	2,083
Deferred tax assets	3,731	1,599
Deferred tax liabilities	5,672	5,654

(ii) Impairment of financial assets

The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

For details of the key assumptions and inputs used, see Note 38(c).

41. FAIR VALUE OF ASSETS AND LIABILITIES

A. Fair value hierarchy

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

Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and

Level 3 – Unobservable inputs for the asset or liability.

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

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

41. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

B. Assets and liabilities measured at fair value

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

	Group 2016 \$'000			Total
	Fair value measurement at the end of the reporting period using			
	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	
Non-financial assets:				
Land and buildings (note 15)	–	–	27,445	27,445
Investment properties (note 16)	–	–	554,337	554,337
Non-current assets held for sale (note 25)	–	–	17,464	17,464
Non-financial assets as at 31 December 2016	–	–	599,246	599,246
Financial assets:				
<u>Financial assets at FVTPL (note 22)</u>				
Equity securities				
Quoted equity securities	97,674	–	–	97,674
<u>Financial assets at FVOCI (note 22)</u>				
Equity securities				
Quoted equity securities	175,555	–	–	175,555
<u>Derivatives (note 23)</u>				
Forward currency contracts	–	568	–	568
Contract for differences	–	296	–	296
Financial assets as at 31 December 2016	273,229	864	–	274,093
Financial liabilities:				
<u>Derivatives (note 23)</u>				
Forward currency contracts	–	1,201	–	1,201
Contracts for difference	–	187	–	187
Interest rate swap contracts	–	100	–	100
Total derivatives	–	1,488	–	1,488
Financial liabilities as at 31 December 2016	–	1,488	–	1,488



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

41. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

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

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

	Group 2015 \$'000			Total
	Fair value measurement at the end of the reporting period using			
	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	
Non-financial assets:				
Land and buildings (note 15)	–	–	16,504	16,504
Investment properties (note 16)	–	–	606,010	606,010
Non-current assets held for sale (note 25)	–	–	17,771	17,771
Non-financial assets as at 31 December 2015	–	–	640,285	640,285
Financial assets:				
<u>Held-for-trading financial assets (note 22)</u>				
Equity securities				
Quoted equity securities	154,915	–	–	154,915
Quoted bonds	23,367	–	–	23,367
<u>Available-for-sale financial assets (note 22)</u>				
Equity securities				
Quoted equity securities	162,055	–	–	162,055
<u>Derivatives (note 23)</u>				
Forward currency contracts	–	1	–	1
Contract for differences	–	199	–	199
Financial assets as at 31 December 2015	340,337	200	–	340,537
Financial liabilities:				
<u>Derivatives (note 23)</u>				
Forward currency contracts	–	1,807	–	1,807
Forward commodity contracts	–	1,514	–	1,514
Contracts for difference	–	413	–	413
Interest rate swap contracts	–	24	–	24
Total derivatives	–	3,758	–	3,758
Financial liabilities as at 31 December 2015	–	3,758	–	3,758

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

41. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

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

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

	Company 2016 \$'000			Total
	Fair value measurement at the end of the reporting period using			
	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	
Non-financial assets:				
Land and buildings (note 15)	–	–	110	110
Investment properties (note 16)	–	–	32,314	32,314
Non-current assets held for sale (note 25)	–	–	17,464	17,464
Non-financial assets as at 31 December 2016	–	–	49,888	49,888

	Company 2015 \$'000			Total
	Fair value measurement at the end of the reporting period using			
	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	
Non-financial assets:				
Land and buildings (note 15)	–	–	124	124
Investment properties (note 16)	–	–	32,371	32,371
Non-current assets held for sale (note 25)	–	–	17,771	17,771
Non-financial assets as at 31 December 2015	–	–	50,266	50,266



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

41. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

C. Level 2 fair value measurements

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

Derivatives (note 23): Forward currency contracts, forward commodity contracts, interest rate swap contracts and contract for differences are valued using a valuation technique with market observable inputs. These contracts are valued by financial institutions.

D. 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	Valuation techniques	Key unobservable inputs	Inter-relationships between key unobservable inputs and fair value measurement
Recurring fair value measurements			
Land and buildings in Malaysia	Comparison method and depreciated replacement cost method	– Comparable price: \$153 to \$2,611 per square meter (2015: \$163 to \$2,650 per square meter)	The estimated fair value increases with higher comparable price
Investment properties in Singapore, Malaysia, Australia*, China and Japan	Income capitalisation method	– Capitalisation rate: 3.0% to 4% (2015: 3.75% to 6.5%)	The estimated fair value varies inversely against the capitalisation rate
		– Rental rate: \$10.40 to \$45.80 per square meter (2015: \$9.80 to \$52.20 per square meter)	The estimated fair value increases with higher rental rate
		– Net rental growth rate: 5% to 8.8% (2015: 3.72%)	The estimated fair value increases with higher net rental growth rate

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

41. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

D. Level 3 fair value measurements (cont'd)

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

Description	Valuation techniques	Key unobservable inputs	Inter-relationships between key unobservable inputs and fair value measurement
Recurring fair value measurements			
Investment properties in Singapore, Malaysia, Australia*, China and Japan	Discounted cashflow method	– Discount rate: 4.4% to 8.5% (2015: 8% to 9%)	The estimated fair value varies inversely against the discount rate
		– Terminal yield rate: 4.5% to 4.9% (2015: 4.75% to 6.63%)	The estimated fair value varies inversely against the terminal yield rate
		– Net rental growth rate: 5% to 8.8% (2015: 3.72%)	The estimated fair value increases with higher net rental growth rate
	Direct comparison method	– Comparable price: \$40 to \$18,800 per square meter (2015: \$60 to \$18,600 per square meter)	The estimated fair value increases with higher comparable price
		Investment method	– Discount rate: 7%
			– Years purchase multiplier: 6.5%
Asset held for sale	Direct comparison method	– Comparable price: \$1,040 to \$3,340 per square meter (2015: \$1,060 to \$3,260 per square meter)	The estimated fair value increases with higher comparable price

* The property in Australia has been disposed during the year.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

41. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

D. Level 3 fair value measurements (cont'd)

(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):

	Group 2016 \$'000		
	Fair value measurement using significant unobservable inputs (Level 3)		
	Land and buildings	Investment properties	Non- current assets held for sale
At 1 January	16,504	606,010	17,771
Total gains for the year	1,016	932	–
Depreciation	(316)	–	–
Additions	10,510	106,020	–
Disposal	–	(150,934)	–
Exchange adjustment	(269)	(7,691)	(307)
At 31 December	27,445	554,337	17,464

Total gains or losses for the period included in

Other comprehensive income:

– Net surplus on revaluation of land and buildings	1,016	–	–
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	Group 2015 \$'000		
	Fair value measurement using significant unobservable inputs (Level 3)		
	Land and buildings	Investment properties	Non- current assets held for sale
At 1 January	17,312	399,763	42,317
Total gains or losses for the year	1,702	(4,819)	–
Depreciation	(269)	–	–
Additions	3	216,777	–
Disposal	–	–	(42,317)
Reclassification	–	(17,771)	17,771
Sale of a subsidiary	–	(53,778)	–
Reclassify from non-current assets	–	74,491	–
Exchange adjustment	(2,244)	(8,653)	–
At 31 December	16,504	606,010	17,771

Total gains or losses for the period included in

Other comprehensive income:

– Net surplus on revaluation of land and buildings	1,702	–	–
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

41. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

D. Level 3 fair value measurements (cont'd)

(iii) Valuation policies and procedures

It is the Group's policy to engage external valuation experts to perform the valuation. The management is responsible for selecting and engaging valuation experts that possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies, and FRS 113 Fair Value Measurement guidance.

The Group revalues its properties and the valuation techniques used are as follows:

- (a) Comparison method that considers the sales of similar properties that have been transacted in the open market with adjustment made for differences in factors that affect value.
- (b) Depreciated replacement cost method that is based on an estimate of the current market value of the land, plus the current gross replacement of improvements, less allowances for physical deterioration, obsolescence and optimisation.
- (c) The income capitalisation method that is based on the capitalisation of net rental income taking into consideration such as vacancy rates, rental growth rates to arrive at the capital value. The net rental income is derived after deducting expenses and property related taxes from the gross rent.
- (d) The discounted cash flow method that involves the estimation of net income stream over a period and discounting the net income stream; taking into consideration a range of assumptions such as terminal yield rate, discount rate and rental growth.
- (e) The investment method that is based on the determination of the net annual income by deducting the annual outgoings from the gross annual income and capitalising the net income by a suitable rate of return consistent with the type and quality of investment to arrive at the market value.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

41. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

E. Assets and liabilities not carried at fair value but for which fair value is disclosed

The following tables show an analysis of the assets and liabilities not measured at fair value at 31 December 2016 but for which fair value is disclosed:

	Fair value measurements at the end of the reporting period using			Total	Carrying Amount
	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)		
Group 2016 \$'000					
Assets					
Associates	341,822	–	–	341,822	350,754
Liabilities					
Fixed rate bank loans	–	–	343,905	343,905	342,311

	Fair value measurements at the end of the reporting period using			Total	Carrying Amount
	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)		
Group 2015 \$'000					
Assets					
Associates	235,566	–	–	235,566	339,396
Liabilities					
Fixed rate bank loans	–	–	232,375	232,375	233,869

Determination of fair value

Associates

The fair value as disclosed in the table above is the price on the last trading day in the Singapore Exchange Securities Trading Limited ("SGX-ST").

Fixed rate bank loans

The fair value as disclosed in the table above is estimated based on the present value of future cash flows, discounted at the market rate of interest for similar types of lending or borrowings at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

42. EVENTS AFTER THE REPORTING PERIOD

- (a) The Group is part of a consortium which has proposed the privatisation and delisting of ARA Asset Management Limited (“ARA”) from the SGX-ST via a Scheme of Arrangement (“Scheme”). On completion of the transaction, the Group will receive cash of approximately \$48.2 million and own 20.95% stake in ARA. The Group will continue to account for its investment in ARA as an associate using the equity-accounting method.

As at 9 February 2017, ARA has obtained all the regulatory approvals for its privatisation. Following the approval of the Scheme by ARA shareholders at the meeting held on 23 March 2017, ARA will be submitting its application to the Court for the Scheme to be sanctioned. The expected date of Court hearing of the application to sanction the Scheme is 31 March 2017.

- (b) On 31 January 2017, an indirect subsidiary of the Company acquired two Singapore incorporated companies, Nikko AM Japan Property I-I Pte. Ltd. (now known as SRE Luxe 3 Pte. Ltd.) and Nikko AM Japan Property I-II Pte. Ltd. (now known as SRE Luxe 4 Pte. Ltd.) which own 100% trust beneficiary interest in a freehold 14 storey rental residential property in Osaka, Japan. The consideration paid is approximately \$11.6 million and these two companies are now subsidiaries of the Group.
- (c) On 28 February 2017, an indirect subsidiary of the Company has entered into subscription agreement to subscribe for units in the NikkoAM-Straits Trading Asia ex Japan REIT ETF (“Fund”). The Group, together with Nikko Asset Management Asia Limited (“Nikko”) will provide a combined seed capital of \$42.6 million. The Fund will be listed and traded on the SGX-ST on 29 March 2017. Other 3rd party investors may subscribe to the IPO through designated brokerage houses. On the same day, an indirect subsidiary of the Company, SRE Capital Pte. Ltd. has been appointed as Nikko’s investment adviser for the provision of certain investment advisory services in relation to the Fund.

43. SEGMENT INFORMATION

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment chief executives responsible for the performance of the respective segments under their charge. All operating segments’ operating results are reviewed regularly by the Group’s Executive Chairman to make decisions about resources to be allocated to the segment and assess its performance, for which discrete financial information is available.

The four reportable operating segments are as follows:

- (a) The Resources’ principal activities are in the smelting of tin concentrates and tin bearing materials, the production of various grades of refined tin metal and the sale and delivery of refined tin metal and by-products, as well as investments in other metals and mineral resources.
- (b) The Real Estate segment comprises property investment, sales and leasing, property development, as well as property and real estate fund management. This includes the Group’s 20.1% stake in ARA Asset Management Limited and 89.5% stake in Straits Real Estate Pte. Ltd.
- (c) The Hospitality business includes hotel ownership and hotel management under Far East Hospitality Holdings Pte. Ltd. (“FEHH”), the Group’s 30% associate and investment in Far East Hospitality Trust.
- (d) The segment for Others comprises Group-level corporate and treasury services.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

43. SEGMENT INFORMATION (CONT'D)

Management monitors the operating results of each business unit separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on net profit, as explained in the table below.

Transactions between operating segments are based on terms agreed between the parties.

2016 Operating segments

	Resources \$'000	Real Estate \$'000	Hospitality \$'000	Others \$'000	Elimination \$'000	Consolidated \$'000
Revenue						
External revenue	495,165	18,310	–	–	–	513,475
Inter-segment revenue	–	256	–	–	(256)	–
Total revenue	495,165	18,566	–	–	(256)	513,475
Segment results						
Operating profit	22,439	39,897	1,044	5,292	–	68,672
Fair value changes in investment properties	–	932	–	–	–	932
Impairment losses	(226)	–	–	–	–	(226)
Finance costs	(4,234)	(15,144)	–	(42)	–	(19,420)
Share of results of associates and joint ventures	(475)	42,023	3,432	–	–	44,980
Profit before tax	17,504	67,708	4,476	5,250	–	94,938
Income tax expense	(5,276)	(10,202)	(226)	(655)	–	(16,359)
Profit after tax	12,228	57,506	4,250	4,595	–	78,579
Profit attributable to:						
Owners of the Company	5,698	52,748	4,250	4,595	–	67,291
Non-controlling interests	6,530	4,758	–	–	–	11,288
	12,228	57,506	4,250	4,595	–	78,579
Segment Assets						
Segment Assets	273,716	1,596,524	188,601	145,774	–	2,204,615
Segment Liabilities						
Segment Liabilities	166,019	574,802	–	5,046	–	745,867
Other information:						
Dividend income	–	22,031	591	2,062	–	24,684
Interest income	1,170	9,468	1,331	771	–	12,740
Depreciation	3,083	973	–	7	–	4,063
Amortisation	644	–	–	–	–	644
Other material non-cash items:						
Impairment of associates and joint venture	246	–	–	–	–	246
Reversal of revaluation deficit on property	(20)	–	–	–	–	(20)
Associates and joint ventures	11,168	514,258	113,953	–	–	639,379
Additions to non-current assets	21,230	107,908	–	–	–	129,138

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

43. SEGMENT INFORMATION (CONT'D)

2015 Operating segments

	Resources \$'000	Real Estate \$'000	Hospitality \$'000	Others \$'000	Elimination \$'000	Consolidated \$'000
Revenue						
External revenue	528,493	11,456	–	–	–	539,949
Inter-segment revenue	–	457	–	–	(457)	–
Total revenue	528,493	11,913	–	–	(457)	539,949
Segment results						
Operating profit	5,247	(3,154)	(63)	1,198	–	3,228
Fair value changes in investment properties	–	(4,819)	–	–	–	(4,819)
Impairment losses	(294)	–	–	–	–	(294)
Finance costs	(5,356)	(10,258)	–	(100)	–	(15,714)
Share of results of associates and joint ventures	600	25,575	2,300	–	–	28,475
Profit before tax	197	7,344	2,237	1,098	–	10,876
Income tax (expense)/credit	(2,801)	(3,398)	(225)	3,033	–	(3,391)
Profit/(loss) after tax	(2,604)	3,946	2,012	4,131	–	7,485
Profit/(loss) attributable to:						
Owners of the Company	(1,821)	4,227	2,012	4,131	–	8,549
Non-controlling interests	(783)	(281)	–	–	–	(1,064)
	(2,604)	3,946	2,012	4,131	–	7,485
Segment Assets						
Segment Assets	283,780	1,472,869	177,053	151,779	–	2,085,481
Segment Liabilities						
Segment Liabilities	187,723	500,120	–	27,425	–	715,268
Other information:						
Dividend income	–	23,757	636	1,014	–	25,407
Interest income	1,698	4,248	1,327	3,212	–	10,485
Depreciation	2,637	543	–	7	–	3,187
Amortisation	687	–	–	–	–	687
Other material non-cash items:						
Impairment of associates and joint venture	192	–	–	–	–	192
Impairment of available-for-sale investment securities	109	–	–	–	–	109
Reversal of revaluation deficit on property	(7)	–	–	–	–	(7)
Associates and joint ventures	26,875	430,446	101,295	–	–	558,616
Additions to non-current assets	5,061	217,059	–	–	–	222,120



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

43. SEGMENT INFORMATION (CONT'D)

Geographical information

Revenues attributable to geographic areas are based on the location for which the revenue is earned or where the business is transacted. Geographical assets are based on the location or operation of the Group's assets.

2016 Geographical information

	Singapore \$'000	Malaysia \$'000	Australia \$'000	Others \$'000	Consolidated \$'000
Segment revenue					
Revenue from external parties	4,078	497,031	9,571	2,795	513,475
Non-current assets	280,597	109,608	–	242,237	632,442

2015 Geographical information

	Singapore \$'000	Malaysia \$'000	Australia \$'000	Others \$'000	Consolidated \$'000
Segment revenue					
Revenue from external parties	5,062	531,589	3,298	–	539,949
Non-current assets	283,079	92,152	136,000	154,459	665,690

Non-current assets information presented above consists of property, plant and equipment, investment properties, goodwill, other intangible assets and other non-current assets as presented in the consolidated balance sheet.

Information about major customers

Revenue from one major customer amount to \$79,136,000 (2015: two major customers amounted to \$176,832,000), arising from sales by the Resources segment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

44. SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

	Country of Incorporation	Business	Effective Shareholding		
			2016 %	2015 %	
Subsidiaries					
Held by the Company:					
Baxterley Holdings Private Limited	Singapore	Investment	100	100	
Bushey Park Private Limited	Singapore	Investment	100	100	
Malayan Tin Smelting Company Sendirian Berhad [∅]	Malaysia	Investment	100	100	
Malaysia Smelting Corporation Berhad ⁽¹⁾	Malaysia	Tin mining & smelting	28	28	(a)
STC Capital Pte. Ltd.	Singapore	Investment	100	100	
STC International Private Limited	Singapore	Dormant	100	100	
STC Realty (Butterworth) Sendirian Berhad ⁽¹⁾	Malaysia	Property	100	100	
Straits Developments Private Limited	Singapore	Property	100	100	
Straits Equities Holdings (One) Pte. Ltd.	Singapore	Investment	100	100	
Straits Equities Holdings (Two) Pte. Ltd.	Singapore	Investment	100	100	
Straits Investment Holdings Pte. Ltd.	Singapore	Investment	100	100	
Straits Media Private Limited [∅]	Singapore	Media advertising	100	100	
Straits Trading Amalgamated Resources Private Limited	Singapore	Investment	100	100	
Sword Investments Private Limited	Singapore	Investment	100	100	
Sword Private Limited	Singapore	Investment	100	100	
STC Management Holdings Limited ⁽⁹⁾	British Virgin Islands ("BVI")	Investment	100	–	
Held through subsidiaries:					
STC International Holdings Pte. Ltd.	Singapore	Investment	100	100	
STC International (Australia) Pty Ltd ⁽¹⁾	Australia	Investment	100	100	
STC International Properties Pte. Ltd. [∅]	Singapore	Property	100	100	
Straits Trading Amalgamated Resources Sendirian Berhad ⁽¹⁾	Malaysia	Investment	100	100	
Sword Properties Pty Ltd ⁽¹⁾	Australia	Trustee company	100	100	
Straits Real Estate Pte. Ltd.	Singapore	Property	89	89	
Straits Real Estate (Management) Pte. Ltd.	Singapore	Support management	89	89	
SRE Venture 1 Pte. Ltd.	Singapore	Investment	89	89	
SRE Venture 2 Pte. Ltd.	Singapore	Investment	89	89	
SRE Venture 3 Pte. Ltd.	Singapore	Investment	89	89	
SRE Venture 4 Pte. Ltd.	Singapore	Investment	89	89	
SRE Venture 5 Pte. Ltd.	Singapore	Investment	89	89	
SRE China 1 Pte. Ltd.	Singapore	Investment	89	89	
SRE Capital Pte. Ltd.	Singapore	Investment	89	89	
ARA Summit Development Fund I, L.P. ⁽²⁾	Cayman Islands	Investment	89	89	(b)
SDF R.E. Holdings Limited ⁽⁹⁾	BVI	Investment	89	89	(c)



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

44. SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (CONT'D)

	Country of Incorporation	Business	Effective Shareholding		
			2016 %	2015 %	
Subsidiaries					
Held through subsidiaries:					
SDF R.E. Services Limited ⁽⁹⁾	BVI	Investment	89	89	(c)
SDF Canberra Investments Limited ⁽⁹⁾	BVI	Investment	89	89	(c)
SDF R.E. Holdings II Limited ⁽⁹⁾	BVI	Investment	89	89	(c)
SDF Canberra Investments II Limited ⁽⁹⁾	BVI	Investment	89	89	(c)
Chongqing Xinchuang Mall Management Co., Ltd. ⁽¹⁾	People's Republic of China	Real estate investment & management	89	89	
SRE Venture 6 Pte. Ltd.	Singapore	Investment	89	89	
SRE Asian Asset Income Fund ⁽¹⁾	Cayman Islands	Investment	84	88	(d)
SRE Venture 7 Pte. Ltd.	Singapore	Investment	89	89	
SRE Venture 8 Pte. Ltd.	Singapore	Investment	89	89	
SRE Australia 1 Pte. Ltd.	Singapore	Investment	89	89	
SRE Investment 1 (Australia) Pty Ltd ⁽¹⁾	Australia	Property	88	88	
SRE Venture 9 Pte. Ltd.	Singapore	Investment	89	89	
Straits Real Estate (Beijing) Business Consulting Co., Ltd ⁽⁸⁾	People's Republic of China	Consulting	89	–	
SRE Venture 10 Pte. Ltd.	Singapore	Investment	89	–	
SRE Japan 1 Pte. Ltd.	Singapore	Investment	89	–	
SRE Luxe 1 Pte. Ltd.	Singapore	Investment	89	–	
SRE Luxe 2 Pte. Ltd.	Singapore	Investment	89	–	
SRE JHT TMK ⁽¹⁾	Japan	Property	89	–	
SRE Japan 2 Pte. Ltd.	Singapore	Investment	89	–	
Sword Unit Trust ⁽¹⁾	Australia	Property trust	100	100	
STC International Investment Holdings Pte. Ltd.	Singapore	Hotels & resorts management	100	100	
SL Tin Sdn. Bhd. ^{(6) B}	Malaysia	Tin mining	44	44	
Malaysia Smelting Corporation (Warehousing) Sdn. Bhd. ^{(1) B}	Malaysia	Tin warehousing	55	55	
MSC Properties Sdn. Bhd. ^{(1) B}	Malaysia	Property holding and rental	55	55	
Rahman Hydraulic Tin Sdn. Bhd. ^{(1) B}	Malaysia	Tin mining	55	55	
Straits Resource Management Private Limited ^B	Singapore	Investment holding	55	55	
M Smelt (C) Sdn. Bhd. ^{(1) B}	Malaysia	Smelting of non-ferrous metals	55	–	(e)
PT SRM Indonesia ^{(7) B}	Indonesia	Dormant	54	54	
Tertius Development Pte. Ltd.	Singapore	Property	100	100	

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

44. SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (CONT'D)

	Country of Incorporation	Business	Effective Shareholding		
			2016 %	2015 %	
Subsidiaries					
Held through subsidiaries:					
STC Property Management Services Sdn. Bhd. (formerly known as Straits Trading Factory Sdn. Bhd.) ⁽¹⁾	Malaysia	Property	100	–	
Associates					
Held by the Company:					
Johan Kekal Sendirian Berhad [Ⓞ] (Accounting year ended 31 December)	Malaysia	Property development	45	45	
Taiko-Straits Developments Sdn. Bhd. ⁽¹⁾ (Accounting year ended 30 June)	Malaysia	Property development	30	30	
Associates					
Held through subsidiaries:					
Guilin Hinwei Tin Co Ltd. ^{β +} (Accounting year ended 31 December)	People's Republic of China	Dormant	19	19	
Redring Solder (M) Sdn. Bhd. ^{(1) β} (Accounting year ended 31 December)	Malaysia	Manufacture and sale of solder products	22	22	
ARA Asset Management Limited ⁽²⁾ (Accounting year ended 31 December)	Bermuda	Asset/Fund management	20	20	(f)
Far East Hospitality Holdings Pte. Ltd. ⁽⁴⁾ (Accounting year ended 31 December)	Singapore	Owner, operator and manager of hospitality properties	30	30	
ARA Harmony Fund III, L.P. (Accounting year ended 31 December) ⁽²⁾	Cayman Islands	Investment	36	36	(g)
Greater Tokyo Office Fund (Jersey) L.P. (Accounting year ended 31 December) ⁽³⁾	Jersey	Investment	40	42	(h)
Joint Ventures					
Held through subsidiaries:					
Coastal Coffees Pty Ltd (Accounting year ended 30 June)	Australia	Restaurant	–	50	(i)
KM Resources, Inc. ^{(1) β} (Accounting year ended 31 December)	Labuan, Malaysia	Investment holding	16	16	(j)
Africa Smelting Corporation Sprl ^{(5) β} (Accounting year ended 31 December)	Democratic Republic of Congo	Tin smelting	22	22	(k)



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

44. SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (CONT'D)

The subsidiaries are audited by Ernst & Young LLP, Singapore unless stated otherwise.

- ⁽¹⁾ Audited by overseas affiliates of Ernst & Young LLP.
- ⁽²⁾ Audited by KPMG LLP, Singapore.
- ⁽³⁾ Audited by overseas affiliates of KPMG LLP.
- ⁽⁴⁾ Audited by PricewaterhouseCoopers LLP, Singapore.
- ⁽⁵⁾ Audited by overseas affiliates of PricewaterhouseCoopers LLP.
- ⁽⁶⁾ Audited by AT Konsortium.
- ⁽⁷⁾ Audited by Herman Dody Tanumihardja & Rekan.
- ⁽⁸⁾ Audited by SBA Stone Forest.
- ⁽⁹⁾ Not required to be audited by law of country of incorporation.
- [♠] Subsidiaries/Associates/Joint Ventures of a listed subsidiary.
- [⊖] Voluntary liquidation in progress and no audit is required for 2016.
- ⁺ Audit is not required for this company.

Note:

- (a) Malaysia Smelting Corporation Berhad ("MSC") is listed on the Main Market of the Bursa Malaysia Securities Berhad and is secondarily listed on the SGX-ST. The Company's combined interest in MSC held jointly with other subsidiaries and an associate is 55% (2015: 55%).
- (b) ARA Summit Development Fund I, L.P. targets investment opportunities primarily in Australia and South East Asia. SRE Venture 1 Pte. Ltd. is currently the sole investor of this fund.
- (c) These are subsidiaries of ARA Summit Development Fund I, L.P..
- (d) The investment activities of SRE Asian Asset Income Fund is managed by SRE Capital Pte. Ltd..
- (e) M Smelt (C) Sdn. Bhd. has not yet commenced its production during the financial year.
- (f) ARA Asset Management Limited ("ARA") is incorporated as an exempted company with limited liability in Bermuda. The principal place of business is Singapore. ARA is listed on the SGX-ST.
- (g) ARA Harmony Fund III, L.P. holds a portfolio of income generating retail properties in Malaysia.
- (h) Greater Tokyo Office Fund (Jersey) L.P. focuses on acquiring office assets in the Greater Tokyo area, which may include Tokyo, Kanagawa, Saitama and Chiba prefectures and selected regional cities outside of Greater Tokyo.
- (i) This joint venture was sold in 2016.
- (j) The subsidiaries of KMR Resources, Inc. in the Philippines have ceased the mining and processing operations due to depletion of mineral resources.
- (k) This joint venture is currently dormant.

ADDITIONAL INFORMATION REQUIRED UNDER THE MAINBOARD RULES OF THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ("SGX-ST")

INTERESTED PERSON TRANSACTIONS

(Rules 907 and 1207(17))

Interested person transactions entered into during the financial year ended 31 December 2016 are as follows:

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
Consultants Services (Private) Limited	\$2,151,674	Not applicable

The Company does not have a general mandate from shareholders in relation to interested person transactions pursuant to Rule 920 of SGX-ST's Mainboard Rules.

MATERIAL CONTRACTS

(Rule 1207(8))

No material contract involving the interests of any Director or controlling shareholder of the Company has been entered into by the Company or any of its subsidiaries since the end of the previous financial year and no such contract subsisted at the end of the financial year ended 31 December 2016.



SHAREHOLDINGS INFORMATION

(AS AT 15 MARCH 2017)

VOTING RIGHTS

Shareholders' voting rights are set out in Article 72 of the Company's Constitution:

On a show of hands, every member present in person or by proxy shall have one vote and upon a poll, every member present in person or by proxy shall have one vote for every share which he holds.

Issued Ordinary Shares ("Shares") and Shareholders

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	231	5.09	8,575	0.00
100 – 1,000	1,138	25.09	648,705	0.16
1,001 – 10,000	2,522	55.60	9,887,920	2.42
10,001 – 1,000,000	638	14.07	27,913,407	6.84
1,000,001 and above	7	0.15	369,637,165	90.58
Total	4,536	100.00	408,095,772	100.00

TWENTY LARGEST SHAREHOLDERS

Registered Shareholders	No. of Shares	%
1. THE CAIRNS PTE. LTD.	265,840,552	65.14
2. CITIBANK NOMINEES SINGAPORE PTE LTD	46,856,339	11.48
3. BNP PARIBAS SECURITIES SERVICES	22,410,738	5.49
4. UNITED OVERSEAS BANK NOMINEES PTE LTD	17,759,396	4.35
5. DBS NOMINEES PTE LTD	11,337,124	2.78
6. DBSN SERVICES PTE LTD	3,159,768	0.77
7. UOB KAY HIAN PTE LTD	2,273,248	0.56
8. RAFFLES NOMINEES (PTE) LTD	875,063	0.21
9. LOKE WAN YAT REALTY SDN BHD	846,000	0.21
10. UOB NOMINEES (2006) PTE LTD	591,608	0.14
11. OCBC SECURITIES PRIVATE LTD	590,001	0.14
12. MAYBANK NOMINEES (SINGAPORE) PTE LTD	580,204	0.14
13. HSBC (SINGAPORE) NOMINEES PTE LTD	457,024	0.11
14. LOKE YUEN KIN RUBY MRS TAN KIA MENG	448,601	0.11
15. CHOO MEILEEN	414,432	0.10
16. PHILLIP SECURITIES PTE LTD	407,104	0.10
17. AU YONG AH NGOH	396,984	0.10
18. OCBC NOMINEES SINGAPORE PTE LTD	367,600	0.09
19. KUEK SIAW KIA @ QUEK SHIEW POH	360,900	0.09
20. TEO SOO CHUAN (PTE) LTD	345,300	0.08
	376,317,986	92.19

SHAREHOLDINGS INFORMATION

(AS AT 15 MARCH 2017)

SUBSTANTIAL SHAREHOLDERS

Name of Substantial Shareholder	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
The Cairns Pte. Ltd.	285,840,552	70.04	–	–
Tan Chin Tuan Pte. Ltd. ¹	–	–	285,840,552	70.04
Raffles Investments Limited ¹	–	–	285,840,552	70.04
Siong Lim Private Limited ¹	–	–	285,840,552	70.04
Tecity Pte. Ltd. ¹	–	–	285,840,552	70.04
Aequitas Pte. Ltd. ¹	–	–	285,840,552	70.04
Kambau Pte. Ltd. ¹	–	–	285,840,552	70.04
Grange Investment Holdings Private Limited ¹	–	–	285,840,552	70.04
Dr Tan Kheng Lian ¹	4,860	n/m	285,840,552	70.04
Franklin Resources, Inc. ²	–	–	29,296,400	7.18
Franklin Templeton Institutional, LLC ²	–	–	29,296,400	7.18
Aberdeen Asset Management PLC ³	–	–	22,685,011	5.56
Aberdeen Asset Management Asia Limited ³	–	–	22,685,011	5.56

Notes:

n/m: not meaningful

- Each of Raffles Investments Limited (“Raffles”), Siong Lim Private Limited (“Siong Lim”) and Tecity Pte. Ltd. (“Tecity”) holds not less than 20 per cent. of the voting rights of The Cairns Pte. Ltd. (“Cairns”). By virtue of this, each of Raffles, Siong Lim and Tecity, has a deemed interest in the Company’s shares held by Cairns. Aequitas Pte. Ltd. (“Aequitas”) holds more than 50 per cent. of the voting rights of Raffles. By virtue of this, Aequitas has a deemed interest in the Company’s shares held by Cairns. Kambau Pte. Ltd. (“Kambau”) holds not less than 20 per cent. of the voting rights of Aequitas. By virtue of this, Kambau has a deemed interest in the Company’s shares held by Cairns. Grange Investment Holdings Private Limited (“Grange”) holds more than 50% of the voting rights of Kambau. By virtue of this, Grange has a deemed interest in the Company’s shares held by Cairns. Tan Chin Tuan Pte. Ltd. holds more than 50% of the voting rights in Grange. By virtue of this, Tan Chin Tuan Pte. Ltd. has a deemed interest in the Company’s shares held by Cairns. Dr Tan Kheng Lian holds more than 50 per cent. of the voting rights of Tecity. By virtue of this, Dr Tan Kheng Lian has a deemed interest in the Company’s shares held by Cairns.
- Franklin Resources, Inc’s deemed interest arises from the shares of the Company held by the funds and managed accounts that are managed by investment advisers which are directly or indirectly owned by Franklin Resources, Inc. Franklin Templeton Institutional, LLC is a wholly-owned subsidiary of Franklin Resources, Inc.
- Aberdeen Asset Management PLC is the parent company of Aberdeen Asset Management Asia Limited. Aberdeen Asset Management Asia Limited acts as an investment manager for various clients/funds and has the power to exercise, or control the exercise of, a right to vote attached to the shares and has the power to dispose of, or control the disposal of, the shares. The registered holder(s) of the shares is the client’s or fund’s custodian.

PERCENTAGE OF SHAREHOLDING HELD BY THE PUBLIC

Based on information available to the Company as at 15 March 2017, approximately 13.82% of the Shares of the Company were held by the public and thus, Rule 723 of the Mainboard Rules of the Singapore Exchange Securities Trading Limited has been complied with.



NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of members of The Straits Trading Company Limited (the “**Company**”) will be held at Meeting Rooms 303 and 304, Level 3, Suntec Singapore Convention & Exhibition Centre, 1 Raffles Boulevard, Suntec City, Singapore 039593 on Thursday, 27 April 2017 at 11.00 a.m. for the following business:

1. To receive and adopt the Financial Statements for the year ended 31 December 2016, the Directors’ Statement and the Independent Auditor’s Report thereon
2. To re-elect the following Directors who are retiring by rotation in accordance with Article 99 of the Company’s Constitution and who, being eligible, offer themselves for re-election:
 - (a) Ms Chew Gek Hiang
 - (b) Mr Yap Chee Keong
 - (c) Dr Gary Hilton Weiss

Note: Ms Chew Gek Hiang, if re-elected, will continue as a member of the Audit and Risk Committee and Remuneration Committee and will be considered as a non-independent and non-executive Director. Mr Yap Chee Keong, if re-elected, will continue as a member of the Audit and Risk Committee and will be considered as a non-independent and non-executive Director. Dr Gary Hilton Weiss, if re-elected, will continue as chairman of the Audit and Risk Committee and will be considered as an independent Director.

3. To approve the payment of Directors’ fees of S\$814,889 for the year ended 31 December 2016 (2015: S\$908,179)
4. To re-appoint Ernst & Young LLP as the Company’s Auditors and to authorise the Board to fix their remuneration
5. As Special Business:

To consider and, if thought fit, to pass, with or without modifications, the following resolution as an Ordinary Resolution:

“That authority be and is hereby given to the Directors of the Company to:

- (a) (i) issue shares in the capital of the Company (“**shares**”) whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, “**Instruments**”) that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,

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

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

NOTICE OF ANNUAL GENERAL MEETING

provided that:

- (1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50% of the total number of issued shares (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro-rata basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed 20% of the total number of issued shares (as calculated in accordance with sub-paragraph (2) below);
 - (2) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited ("SGX-ST")) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the percentage of issued shares shall be based on the total number of issued shares at the time this Resolution is passed, after adjusting for:
 - (i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and
 - (ii) any subsequent bonus issue, consolidation or subdivision of shares;
 - (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and
 - (4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier."
6. To transact any other ordinary business of the Company

By Order of the Board

Aldric Tan Jee Wei
Secretary

Singapore
10 April 2017



Notes:

A member of the Company is entitled to appoint a proxy to attend the meeting and vote in his stead. A proxy need not be a member of the Company. Proxy forms must be deposited at the Company's registered office not less than 48 hours before the time for holding the meeting or any adjournment thereof.

ADDITIONAL INFORMATION RELATING TO NOTICE OF ANNUAL GENERAL MEETING:

The Ordinary Resolution in item 5 above, if passed, will renew the authority for the Directors, effective until the next Annual General Meeting, to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such instruments, up to a limit of 50% of the total number of issued shares in the capital of the Company, of which up to 20% for issues other than on a *pro-rata* basis, calculated as described in the Resolution.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

PROXY FORM

THE STRAITS TRADING COMPANY LIMITED

(A member of The Tecity Group)

(Company Registration No.: 188700008D)

Incorporated in Singapore

IMPORTANT:

1. For investors who have used their CPF monies to buy THE STRAITS TRADING COMPANY LIMITED shares, this Annual Report is sent to them at the request of their CPF Approved Nominees solely **FOR INFORMATION ONLY**.

2. This Proxy Form is not valid for use by CPF Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We, _____ (Name)

of _____

(Address) being a member/members of THE STRAITS TRADING COMPANY LIMITED hereby appoint:

Name	Address	NRIC/ Passport Number	Proportion of Shareholdings (%)

and/or (delete as appropriate)

Name	Address	NRIC/ Passport Number	Proportion of Shareholdings (%)

or failing him/her/them, the Chairman of the Annual General Meeting, as my/our proxy/proxies to vote for me/us on my/our behalf, at the Annual General Meeting of the Company, to be held at Meeting Rooms 303 and 304, Level 3, Suntec Singapore Convention & Exhibition Centre, 1 Raffles Boulevard, Suntec City, Singapore 039593, on Thursday, 27 April 2017 at 11.00 a.m., and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the Annual General Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/her/their discretion, as he/she/they will on any other matter arising at the Annual General Meeting.

No.	Resolutions	For	Against
1.	To receive and adopt the Financial Statements, Directors' Statement and Independent Auditor's Report thereon		
2.	To re-elect Directors retiring under Article 99 of the Constitution:		
	(a) Ms Chew Gek Hiang		
	(b) Mr Yap Chee Keong		
	(c) Dr Gary Hilton Weiss		
3.	To approve payment of Directors' fees		
4.	To re-appoint Ernst & Young LLP as the Company's Auditor		
5.	To authorise the Directors to issue shares pursuant to Section 161 of the Companies Act, Chapter 50		
6.	Any other business		

Dated this _____ day of April, 2017.

Total Number of Shares	
------------------------	--

Signature(s) of Member(s)/Common Seal

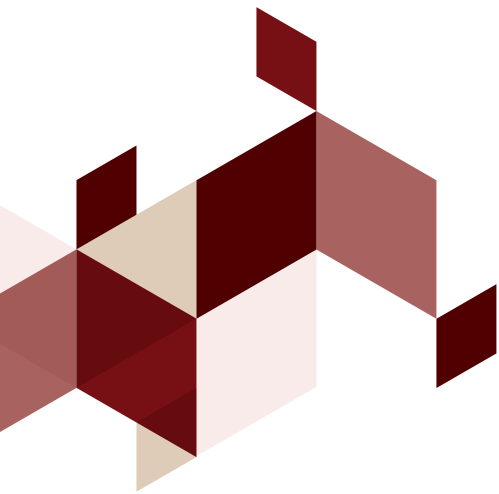
Important: Please read notes overleaf

Notes:

1. A member (other than a Relevant Intermediary) entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote on his behalf. A proxy need not be a member of the Company. Where a member appoints more than one proxy, he shall specify the proportion of his shareholding to be represented by each proxy. If no such proportion or number is specified, the first named proxy may be treated as representing 100% of the shareholding and any second-named proxy as an alternate to the first named.
2. A member who is a Relevant Intermediary entitled to attend and vote at the Annual General Meeting is entitled to appoint one or more proxies to attend and vote in his stead but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two proxies, the number and class of shares to be represented by each proxy must be stated.
"Relevant Intermediary" means:
 - (a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
 - (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore and who holds shares in that capacity; or
 - (c) the Central Provident Fund Board ("**CPF Board**") established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the CPF Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
3. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or duly authorised officer.
4. A corporation which is a member of the Company may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting in accordance with the Constitution of the Company and Section 179 of the Companies Act, Chapter 50 of Singapore.
5. The instrument appointing a proxy or proxies, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be deposited at the office of the Company's Share Registrar at 80 Robinson Road #11-02 Singapore 068898 not less than 48 hours before the time appointed for the Annual General Meeting. The sending of this form of proxy by a member does not preclude him from attending and voting in person at the Annual General Meeting if he finds that he is able to do so. In such event, the relevant instrument of proxy will be deemed to be revoked and the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Annual General Meeting.
6. A member of the Company should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert that number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members of the Company, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member of the Company.
7. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of members of the Company whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register 72 hours before the time appointed for the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.
8. A Depositor shall not be regarded as a member of the Company entitled to attend the Annual General Meeting and to speak and vote thereat unless his name appears on the Depository Register 72 hours before the time appointed for the Annual General Meeting.
9. An investor who buys shares using CPF monies ("**CPF Investor**") and/or SRS monies ("**SRS Investor**"), as may be applicable, may attend and cast his vote(s) at the Annual General Meeting in person. CPF and SRS Investors who are unable to attend the Annual General Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Annual General Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Annual General Meeting.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.



THE STRAITS TRADING COMPANY LIMITED

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