

SUSTAINABLE GROWTH

CORPORATE PROFILE

The Straits Trading Company Limited

Incorporated in 1887, The Straits Trading Company Limited has stakes in real estate, hospitality, resources and investments that span the Asia Pacific region. It owns an 89.5% stake in Straits Real Estate, a co-investment vehicle that seeks out real estate related investments & opportunities globally. It also owns a 20.95% stake in ARA Asset Management Limited, a premier global integrated real assets fund manager, and has a 30% interest in Far East Hospitality Holdings, a premier hospitality assets owner and operator. Straits Trading also engages in tin mining and smelting through its 54.8%-owned subsidiary, Malaysia Smelting Corporation Berhad, which is dual listed on Bursa Malaysia and SGX-ST.

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1887 - 1890



- Founders James Sword and Herman Muhlinghaus incorporated The Straits Trading Company Limited on 8 November 1887 with an initial capital of \$150,000 to smelt tin ore.
- Straits Trading opened its first large smelting plant at Pulau Brani, Singapore, to replace its smelter in Perak, and moved its head office from Kuala Lumpur to Singapore.

1960 - 1980s

- Tan Sri (Dr) Tan Chin Tuan became the Chairman of Straits Trading in 1965 and led it into its golden era by diversifying its investments and establishing a network of worldwide businesses that laid the foundation for a globalised future.
- Malaysia Smelting Corporation Berhad (“MSC”) took over the smelting business; and became an associated company of Straits Trading after listing on Bursa Malaysia.



1900 - 1930s



No. 5 'Atbara' – Forest Conservation Interpretive Centre

No. 7 'Inverturret' - Natural History Art Gallery

* All photos to be credited to National Parks Board

- Straits Trading acquired a site in Butterworth, Penang, for a second smelting plant which officially began operations in 1902.
- Straits Trading became the largest tin smelting company in the world, smelting two-thirds of Malaysia’s tin, which accounted for more than half the world’s supply.
- In 1903, No. 5 Gallop Road (*Atbara*) and its surrounding lands were sold to Charles MacArthur, one of the chairmen of Straits Trading, who then built No. 7 Gallop Road (*Inverturret*).
- In 1923, Straits Trading bought colonial houses *Atbara* and *Inverturret* located at 5 and 7 Gallop Road, then leased them to the French government for its embassy and ambassador’s residence from 1939 to 1999.



1997 - Early 2000s

- Straits Trading began its hospitality business when Rendezvous Hotels International Private Limited took over management of the Observation City Hotel in Perth, Australia.
- MSC expanded into upstream exploration and tin mining, and acquired Rahman Hydraulic Tin Sdn Bhd, the largest and one of Malaysia's oldest tin mining companies.



2008

Tecity Group acquired a majority stake in Straits Trading through a takeover in 2008.

2009 - 2012

- Straits Trading kicked off transformation of investments into businesses of enhanced value and built on new platforms of growth.
- Adopted strategy to redeploy capital to higher-yielding assets and began divesting its low-yielding residential properties.
- MSC divested non-tin assets to refocus on core tin business and completed its secondary listing on the Singapore Exchange.

3 PLATFORMS OF GROWTH



REAL ESTATE



HOSPITALITY



RESOURCES



2013 - 2018



45 St Georges Terrace, Perth



320 Pitt Street, Sydney

- Straits Trading unlocked \$508.8 million in cash proceeds from the sale of its 40.66% stake in WBL Corporation Limited.
- Set up own real estate ecosystem through a stake in ARA Asset Management Limited (“ARA”); co-established Straits Real Estate (“SRE”) with Mr John Lim.
- Formed Far East Hospitality Holdings (“FEHH”), a joint venture with Far East Orchard Limited.
- Sold Straits Trading Building for \$450.0 million.
- SRE made its maiden acquisition of a retail development in Chongqing, China, for RMB668.4 million; also acquired a 47.5% stake in Cordea Savills’ Greater Tokyo Office Fund for JPY4.9 billion; and committed \$72.8 million to ARA Harmony Fund III.
- SRE harvested its first investment with the sale of 114 William Street in Melbourne, Australia at an IRR of 24.6%.
- MSC acquired a production facility in Klang, Malaysia.
- ARA is privatised and accelerated its expansion.
- SRE grew asset portfolio in the region through the aggregation of residential properties in Japan, and bought two office assets located in prime business districts in Sydney and Perth, Australia.
- SRE partnered Savills Investment Management Japan with a committed capital of JPY8.0 billion to acquire office and other assets; also entered into a joint venture with Commercial & General to tap opportunities in the logistics industry in Australia.
- Straits Trading signed a memorandum of understanding with MSC to explore options to unlock the value of the freehold land in Butterworth, Penang.

WHERE WE STAND NOW
AS AT 31 DECEMBER 2018



TOTAL DIVERSIFIED PORTFOLIO OF
39 properties



RESIDENTIAL
10 freehold properties
1,016 residential units
across Japan



OFFICE
2 assets in
Australia located
in prime locations



LOGISTICS
5 assets in Australia
Aggregate NLA > 93,000 sqm
Development area > 20.2 ha

\$317m

PRIME LEGACY
ASSETS

4

STRATEGIC FUND
INVESTMENTS

\$2.5b

TOTAL ASSETS

\$3.60

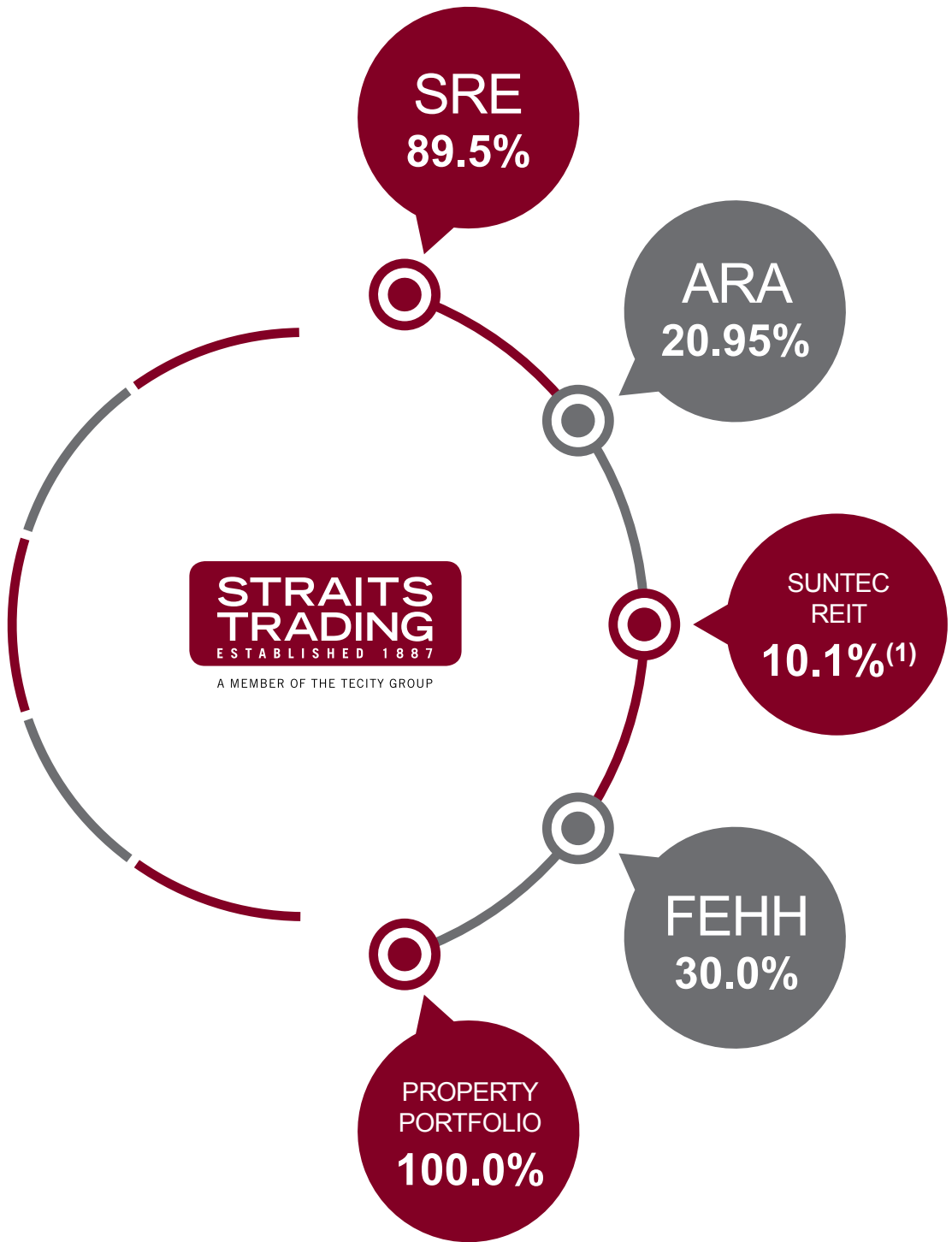
NAV PER SHARE

6¢

DIVIDEND PER
SHARE

NLA: Net Lettable Area | NAV: Net Asset Value

STRAITS TRADING'S REAL ESTATE ECOSYSTEM



✔ Enhanced deal flow ✔ Arbitrage opportunities ✔ Ideas exchange ✔ Access to property value chain

(1) Aggregate interest in Suntec REIT including deemed interest through ARA group companies

SRE

\$1.4 billion AUM

Direct real estate investments
Other real estate opportunities⁽²⁾
Investment securities

ARA

\$80.1 billion Gross AUM

Private fund management
REIT management
Real estate management services
Infrastructure

SUNTEC REIT

\$9.9 billion AUM

Prime commercial and retail portfolio in Singapore and
Australia central business districts

FEHH

94 hotels and over 14,700 keys

Hotel ownership and management services

PROPERTY PORTFOLIO

\$317 million property value

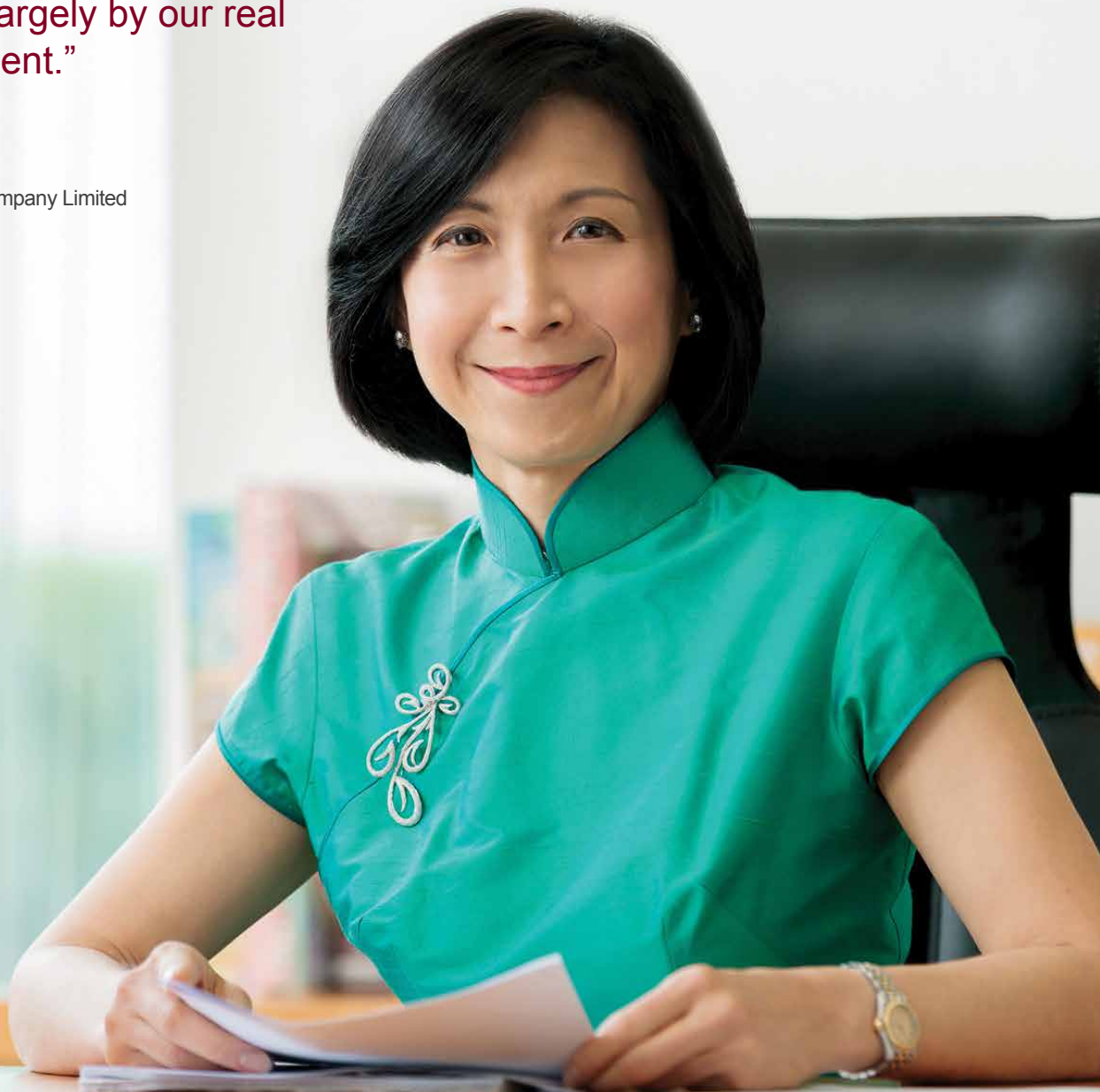
Legacy investment properties in Singapore and
Malaysia to monetise and redeploy capital

(2) Including investments in development projects, special situations, mezzanine deals etc

CHAIRMAN'S STATEMENT

“Straits Trading’s net profit attributable to shareholders rose 54.5% to \$71.7 million in FY2018, the highest achieved by the Group since 2014. This was driven largely by our real estate segment.”

CHEW GEK KHIM PJC
Executive Chairman
The Straits Trading Company Limited



Dear Shareholders,

On behalf of the Board of Directors, 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 2018 (“**FY2018**”).

PLATFORMS BEARING FRUITS

2018 marks the 10th year since the takeover of Straits Trading by the Tecity Group. Over the last decade, we have worked tirelessly to transform and grow our sustainable business platforms. We have reallocated capital to invest in these platforms, nurtured them with steadfast execution and grown them to much success.

The past financial year has been a challenging one with the ongoing China-US trade war; a change in Malaysia’s political landscape, a new technological arms race and populist movements in many countries.

Against this backdrop, I am happy to announce that Straits Trading Group’s net profit attributable to shareholders increased 54.5% to \$71.7 million - a much improved financial performance from FY2017.

The real estate segment was the biggest profit driver for us. It is largely supported by contributions from our subsidiary Straits Real Estate and our 20.95% associate company ARA. The segment’s net attributable profit increased by 54.0% year-on-year to \$69.2 million.

With this improved results, we are pleased to declare an interim dividend of 6 cents per share for FY2018. As our businesses begin to generate stable income streams, we will endeavour to deliver sustainable dividend payout to our shareholders.

Straits Real Estate Pte. Ltd. (“Straits Real Estate”)

Our 89.5%-owned Straits Real Estate is a fast-growing key engine within the Group’s real estate ecosystem. Capitalising on its proven ability of identifying mispriced opportunities and decisive execution, Straits Real Estate has made progress towards its goal and significantly grown its foothold in Japan and Australia during the year. Straits Real Estate recorded profit after tax of \$40.2 million for FY2018.

Key assets acquisitions and divestments

In Japan, Straits Real Estate continues to aggregate income-producing residential assets and has amassed a portfolio of 10 properties with over 1,016 units in the Greater Tokyo and Greater Osaka areas. Encouraged by steady earnings and robust rental demand in the two metropolitan areas, we are looking to allocate more capital into this asset class.

The Greater Tokyo Office Fund (“**GTOF**”) was fully divested in FY2018 at attractive returns. As the Japan office sector fundamentals remain compelling, Straits Real Estate has invested into Japan Value Fund II, the

follow-on fund to GTOF that adopts a similar strategy.

Over in Australia, Straits Real Estate continues to seek assets with immediate cash flow and value-adding opportunities. In September, Straits Real Estate entered into a joint venture with Commercial & General (“**C&G**”), a well-established Australian property development and investment management firm, to capitalise on opportunities in Australia’s vibrant logistics segment. This marks Straits Real Estate’s maiden investment in an operating platform in Australia, underscoring its commitment to grow its Australia portfolio.

More detailed information on developments in Straits Real Estate can be found on pages 20 to 23.

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

ARA Asset Management Holdings Pte Ltd (“ARA”)

Our 20.95%-owned associate company, ARA, is a premier global integrated real assets fund manager that has gone through a phase of accelerated expansion since its privatisation in 2017. As at 31 December 2018, gross assets managed by ARA Group¹ and its associates have grown to approximately \$80.1 billion across 100 cities in 23 countries.

¹ ARA Asset Management Holdings Pte. Ltd. and the Group of companies

CHAIRMAN'S STATEMENT

In 2018, ARA acquired a strategic stake in Australia's Cromwell Property Group which has around AUD11.5 billion AUM across Australia, New Zealand and Europe. ARA also established its Europe Desk and a new infrastructure business to take advantage of rising demand among investors in this asset class. To capitalise on China's fast-growing real estate fund management market, ARA also formed a joint venture with AVIC Trust, to develop private RMB-based fund products. Finally, ARA made its inaugural entry into the USA with the acquisition of a portfolio of select service hotels under the Hyatt brand.

As the only listed company on the Singapore bourse with significant exposure to ARA, the Group is strategically positioned to benefit from ARA's unique growth proposition, while creating value as a strategic shareholder.

For more information on ARA Asset Management Limited, please visit www.ara-group.com

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

Far East Hospitality, our 30%-owned associate, has a combined portfolio of over 14,700 rooms under management across 94 hotels and serviced residences spanning seven countries. In 2018, it entered into a joint venture for a hotel project in Japan's Ariake district and grew rooms under management with the signing of

multiple hotel management contracts. In Singapore, Far East Hospitality added three new hotels in Sentosa with 839 rooms and The Clan Hotel with 324 rooms to the portfolio it manages.

For more information on Far East Hospitality Holdings, please visit www.fareastorchard.com.sg/hospitality.html

Malaysia Smelting Corporation Berhad ("MSC")

MSC, our 54.8%-owned subsidiary and the world's largest independent custom tin smelter, continues to improve its profitable performance and streamline its operational productivity.

MSC ended FY2018 strongly as its net profit more than doubled to RM34.3 million from RM16.1 million in FY2017. This was largely from the turnaround in its tin smelting segment, which swung from a RM18.8 million net loss in FY2017 to a net profit of RM10.2 million in FY2018.

The relocation of MSC's smelting operations from Butterworth, Penang to the new smelter in Pulau Indah, Port Klang ("**Klang Facility**") is well on track. Testing of the refinery works and system has already started at the Klang facility, which is equipped with a cutting-edge Top Submerged Lance ("**TSL**") furnace. As for its mining operations, MSC aims to enhance mining productivity at its existing leases in Perak and explore new deposits to ensure tin ore continuity. These efforts have resulted

in higher daily tin mining output since mid-July 2018.

We expect MSC to show better results in terms of higher recovery yields, improved operational efficiencies and lower manpower costs once full migration of MSC's smelting operations is completed by 2020.

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

Plans to unlock value of Butterworth Land

With MSC's planned relocation of the smelter, the land where MSC's smelting plant is located would be released for redevelopment. Together with Straits Trading's adjacent land plots, the Butterworth Land has a combined size of 40 acres. This freehold land is situated in close proximity to Penang Sentral, the newly launched key transportation hub for the state of Penang.

We believe this prime land presents great redevelopment potential and will appeal to a wide range of investors and property developers. MSC and Straits Trading are currently exploring options to unlock the value of this prime plot of land.

Inaugural Share Buyback

As at 15 March 2019, Straits Trading has purchased 326,500 shares in the open market at an average price of \$2.05. At a discount of 43.1% to the Group's Net Asset Value per share of

\$3.60, the repurchase price is below Straits Trading's intrinsic value, conservatively determined. This initiative is a clear indication of our confidence in Straits Trading.

SUSTAINABILITY

We recognise our duty to deliver stable returns to our shareholders and other stakeholders in a sustainable manner and with this in mind, we have taken a proactive stance to mitigate environmental and social risks.

In FY2018, we continued our efforts to actively engage capital market participants through various investor roadshows and analyst briefings and intend to continue doing so on a regular basis.

The full report on our sustainability and investor relations efforts can be found on pages 26 to 40.

LOOKING AHEAD

As we celebrate 200 years of the Singapore story this year, we are reminded that our own history as a Group is closely intertwined with that of Singapore's. Since our founding in 1887, our growth as a Group has closely mirrored Singapore's progress through the colonial times to its post-independence. It is thus timely that we celebrated our 131st anniversary in 2018 as a significant milestone in our history and heritage. It is my hope that Straits Trading can continue to grow and prosper alongside Singapore as we venture into the next chapter of our respective stories.

Our success over the years would not have been possible without the generous support and trust of our many stakeholders. I would like to extend my sincere appreciation to our business partners, bankers and shareholders for your confidence and support. I also want to thank my fellow Directors for their counsel, and all our employees at Straits Trading and its subsidiaries, for their hard work and dedication over the course of the year.

2019 is set to be yet another challenging year as geopolitical uncertainties, unease over the state of the global economy and pressures from rising interest rates continue to cast a shadow on the business environment. However, there remains pockets of opportunities for us to capture. We will be cautious and especially selective with our investment opportunities.

As an investor, property owner and asset manager, Straits Trading is committed to deliver sustainable value to our stakeholders. We will continue to take a disciplined approach in making investments, and our prudence may result in slightly more muted returns in 2019, with a deliberate longer-term view to seize opportunities when they surface.

Chew Gek Khim P.J.G
Executive Chairman
29 March 2019

BOARD OF DIRECTORS



CHEW GEK KHIM PJC, 57

Executive Chairman

First Appointed: 20 March 2008

Last re-elected: 27 April 2018



CHEW GEK HIANG, 55

Non-Independent and
Non-Executive Director

First appointed: 30 April 2008

Last re-elected: 27 April 2017



GOH KAY YONG DAVID, 57

Non-Independent and
Non-Executive Director

First appointed: 30 April 2008

Last re-elected: 29 April 2016



TAN TIONG CHENG, 68

Independent and
Non-Executive Director

First appointed: 1 July 2013

Last re-elected: 29 April 2016



GARY HILTON WEISS, 65

Independent and
Non-Executive Director

First appointed: 1 June 2014

Last re-elected: 27 April 2017



CHIA CHEE MING TIMOTHY, 69

Lead Independent Director

First appointed: 27 February 2015

Last re-elected: 27 April 2018



TAN CHIAN KHONG, 63

Independent and
Non-Executive Director

First appointed: 1 January 2018

Last re-elected: 27 April 2018



CHUA TIAN CHU, 59

Independent and
Non-Executive Director

First appointed: 1 January 2018

Last re-elected: 27 April 2018

CHEW GEK KHIM PJG, 57
Executive Chairman

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, and sits on the Boards of ARA Asset Management Holdings Pte. Ltd. and Singapore Exchange Limited.

She is a Member of the Securities Industry Council of Singapore 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 Member of the SSO Council.

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 Awards in 2016.

CHEW GEK HIANG, 55
**Non-Independent and
Non-Executive Director**

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 Board of the Academy of Chinese Medicine, Singapore, 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, 57
**Non-Independent and
Non-Executive Director**

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 Project Chulia Street Limited.

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.

BOARD OF DIRECTORS

TAN TIONG CHENG, 68 Independent and Non-Executive Director

Mr Tan Tiong Cheng is currently the Senior Advisor to Knight Frank Pte Ltd. He was the Executive Chairman of Knight Frank Pte Ltd's Group of Companies until 31 March 2017 and President of Knight Frank Asia Pacific Pte Ltd until 31 March 2019. Over the last four decades, he has amassed an extensive and in-depth knowledge of real estate. He is an Independent and Non-Executive Director of UOL Group Limited and a Member of its Audit and Risk Committee. Mr Tan is the Lead Independent Director, Chairman of the Remuneration Committee and a Member of the Audit Committee and Nominating Committee of Heeton Holdings Limited. He is also a Non-Executive Independent Director of Amara Holdings Limited and the Chairman of its Remuneration Committee.

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, 65 Independent and Non-Executive Director

Dr Gary Hilton 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 Ardent Leisure Limited, Ridley Corporation Limited and Estia Health Ltd, Dr Weiss is also a Non-Executive Director of Thorney Opportunities Limited.

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 overseeing large businesses with operations in many regions including Europe, China and India and he 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, 69 Lead Independent Director

Mr Chia Chee Ming, Timothy 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 also an Advisory Council Member of the ASEAN Business Club, a Member of the Advisory Board of the Asian Civilisations Museum and a Term Trustee of the Singapore Indian Development Association. Mr Chia was a Member of the Board of Trustees of the Singapore Management University.

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

TAN CHIAN KHONG, 63
Independent and
Non-Executive Director

Mr Tan Chian Khong has approximately 35 years of experience in the audit industry. He joined Ernst & Young LLP (then known as Ernst & Whinney) in April 1981 and was a partner of the firm from July 1996 to June 2016. Currently he is an Independent Non-Executive Director of Alliance Bank Malaysia Berhad, listed on Bursa Malaysia, Xinghua Port Holdings Ltd, listed on the Hong Kong Stock Exchange, Hong Leong Asia Ltd and CSE Global Limited. He is also an Honorary Executive Director of Trailblazer Foundation Ltd and a Board member of the Casino Regulatory Authority of Singapore.

Mr Tan holds a Bachelor of Accountancy from the National University of Singapore and he is a Member of the American Institute of Certified Public Accountants, a Fellow of CPA Australia and the Institute of Singapore Chartered Accountants.

CHUA TIAN CHU, 59
Independent and
Non-Executive Director

Mr Chua Tian Chu was the Deputy Chief Executive Officer of Meritus Hotels & Resorts from 2012 to 2013. Prior to this, Mr Chua held the positions of Executive Vice President of International Sector and Greater China Region, as well as Head, Global Financial Institutions Group of United Overseas Bank Limited, and Managing Director and Head of Investment Finance of Citigroup Private Bank (Asia Pacific Region) as well as Head of Citigroup Corporate Banking in Singapore. He was also formerly the Group Managing Director and Chief Executive Officer of Far East Orchard Limited (then known as Orchard Parade Holdings Limited).

Mr Chua holds a Master in Business Administration from the National University of Singapore, a Master in Theological Studies (magna cum laude) from the Asia Theological Center, and a Master of Divinity from the East Asia School of Theology. Mr Chua also has a Bachelor Degree in Civil Engineering from the National University of Singapore. He has also attended the Advanced Management Program of Harvard Business School.

PERSONNEL

KEY MANAGEMENT PERSONNEL



CHEW GEK KHIM PJG

Executive Chairman

(Please refer to page 13 for profile)



JENNIFER CHEE FOONG FONG

Group Financial Controller

Ms Jennifer Chee Foong Fong has been Group Financial Controller since January 2018. She is responsible for accounting, financial, tax and risk management matters of Straits Trading and its group of companies.

Ms Chee joined Straits Trading in August 1993 as an Accountant. Over the years, she rose through the ranks and was in charge of financial and management reporting, tax matters, budget, cash and risk management, system implementations and compliance. She was also actively involved in some of the Group's acquisitions and disposals, as well as other corporate actions.

She has more than 20 years of experience in the finance, accounting and tax functions, in addition to areas of auditing.

Ms Chee is a graduate of the Association of Chartered Certified Accountants ("**ACCA**"). She is a Chartered Accountant of Singapore and is a Fellowship member of ACCA.



GOH YAH HUAY

Group Treasurer

Ms Goh Yah Huay has been Group Treasurer of Straits Trading since January 2018. She is also Director of Finance at Straits Real Estate Pte. Ltd. where she is responsible for all accounting, treasury and finance-related functions.

Prior to joining Straits Real Estate, Ms Goh was Vice President of Finance at Straits Trading where she was responsible for cash flow management, financial analysis, statutory/management reporting and financial consolidation activities for the Hospitality Division.

Ms Goh has more than 20 years of experience in the field of Accounting, Controllership, Treasury, Financial Planning and Analysis. Prior to joining Straits Trading, she was Financial Controller South Asia for Imation Singapore Pte Limited. Before that, she spent 10 years at BMC Software.

An accountant by training, Ms Goh has a strong track record of identifying, analysing and evaluating business and financial challenges and recommending financial models to strategically address these challenges. She is well-versed in managing financial activities across the Asia Pacific region.

Ms Goh has been a Chartered Accountant of Singapore since 1998 and holds a Bachelor of Accountancy degree from the Nanyang Technological University.

SENIOR EXECUTIVE TEAMS IN STRAITS TRADING AND ITS SUBSIDIARIES

THE STRAITS TRADING COMPANY LIMITED



DR ALLEN TAN
Vice President
Portfolio Management



JAMES KWIE
Vice President
Portfolio Management



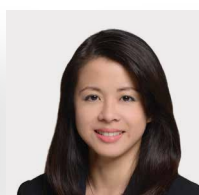
ALDRIC TAN
Company Secretary



TOH CHEE LENG
Vice President
Human Resource
& Administration



STEVEN ANG
Vice President
Information
Technology



TAN HWEI YEE
Vice President
Property Development

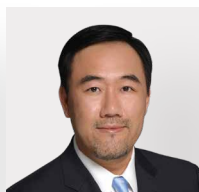


MANISH BHARGAVA
Vice President
Public Market Investments

STRAITS REAL ESTATE PTE. LTD.



DESMOND TANG
Chief Executive Officer



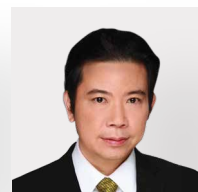
PAUL YI
Chief Investment
Officer



GOH YAH HUAY
Director
Finance



ADELINE FONG
Director
Asset Management



DEREK GOH
General Counsel

MALAYSIA SMELTING CORPORATION BERHAD



**DATO' DR IR PATRICK
YONG MIAN THONG**
Group Chief
Executive Officer



NICOLAS CHEN
Deputy Chief Executive
Officer (Administration)



LAM HOI KHONG
Group Chief
Financial Officer



**IR RAVEENTIRAN
KRISHNAN**
Group Chief Operating
Officer (Smelting)



MADZLAN ZAM
Senior General
Manager – Rahman
Hydraulic
Tin Sdn Bhd.



YOON CHOON KONG
Group General Manager
(Internal Audit)

YEAR IN REVIEW

GROUP FINANCIAL HIGHLIGHTS

	2018 \$'000	2017 \$'000 (restated)	2016 \$'000	2015 \$'000	2014 \$'000
Total revenue	455,987	473,625	513,475	539,949	764,756
Earnings before interest and tax	126,824	80,217	114,358	26,590	55,126
Profit before tax	99,646	57,463	94,938	10,876	25,378
Profit attributable to owners of the Company	71,722	46,432	67,291	8,549	18,586
Shareholders' funds	1,467,293	1,477,582	1,364,508	1,297,164	1,354,997
PER SHARE					
Earnings per share (cents)	17.6	11.4	16.5	2.1	4.6
Dividend per share (cents)	6.0	6.0	6.0	4.0	4.0
Net asset value per share (\$)	3.60	3.62	3.34	3.18	3.32
FINANCIAL RATIOS					
Return on equity (%)	4.9	3.3	5.1	0.6	1.4
Net gearing (%)	38.8	25.9	22.5	22.8	Net cash

	2018 \$'000	2017 \$'000	2016 \$'000	2015 \$'000	2014 \$'000
BALANCE SHEET					
Total non-current assets	2,021,001	1,731,357	1,532,282	1,429,336	1,173,516
Total current assets	555,333	702,292	672,333	656,145	818,587
TOTAL ASSETS	2,576,334	2,433,649	2,204,615	2,085,481	1,992,103
Equity attributable to owners of the Company	1,467,293	1,477,582	1,364,508	1,297,164	1,354,997
Non-controlling interests	131,310	93,312	94,240	73,049	50,901
TOTAL EQUITY	1,598,603	1,570,894	1,458,748	1,370,213	1,405,898
Total non-current liabilities	647,080	568,881	201,725	386,051	253,744
Total current liabilities	330,651	293,874	544,142	329,217	332,461
TOTAL LIABILITIES	977,731	862,755	745,867	715,268	586,205
TOTAL EQUITY AND LIABILITIES	2,576,334	2,433,649	2,204,615	2,085,481	1,992,103

YEAR IN REVIEW

REAL ESTATE

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

OVERVIEW

With a core competency in identifying assets with unrealised latent value, and an emphasis on operational and capital efficiencies, SRE has carved a strong reputation for itself in recent years as an astute investor in the region's real estate markets. 2018 was a landmark year for SRE as it delivered record profitability and celebrated its fifth anniversary. Not only did SRE continue to deploy capital into new investments in Australia and Japan during the year, it also capitalised on exit opportunities to crystallise gains from a number of existing investments and expanded its base of recurring operating income.

Reflecting this, SRE achieved a 48.3% year-on-year increase in after-tax profit to \$40.2 million in FY2018. It also generated improved return on invested capital of 5.5% and return on equity of 8.0% during the year. As at December 2018, SRE's assets under management ("**AUM**") stood at \$1.4 billion, 16.7% higher compared to \$1.2 billion a year ago. Meanwhile net invested capital amounted to \$704.4 million.

For SRE, the ability to adapt and stay relevant to changing market circumstances is key to a sustained performance, particularly in today's world where conventional norms are constantly being challenged and disrupted, and ultimately rendered obsolete. Against this ever-changing landscape, SRE's investment model has evolved to include new investment approaches and strategies including

making its first investment last year in a real estate operating platform in Australia to tap into the country's vibrant logistics segment.

SRE has become an important and growing piece of Straits Trading's real estate ecosystem with sustained contribution to the Group's financial performance over the years.

DIRECT REAL ESTATE INVESTMENTS

320 Pitt Street, Sydney

Acquired in July 2017, 320 Pitt Street is a 32-storey office building that SRE co-owns in the city centre of Sydney, Australia. SRE is currently refurbishing this building, which sits at a vibrant end of Pitt Street, into a quality asset that befits its prime location. Asset enhancement initiatives, which commenced in October 2018, include renovating the ground floor lobby and façade, creating new End-of-Trip facilities, modernising the office floors, as well as adding new leasable space among other works. The asset enhancement programme is planned to minimise inconveniences to existing tenants, and is scheduled to complete by the first quarter of 2021. SRE expects rental income from the property to improve significantly upon the completion of the refurbishment, which should ultimately result in an enhancement of the property value.

45 St Georges Terrace, Perth

SRE acquired this 9-storey office building, which is located at the heart of Perth's popular business, retail and entertainment district, in February 2018. At the time of acquisition, the rent roll at 45 St Georges Terrace was under managed, offering SRE

a significant opportunity for value creation through tenant and rental enhancements. Since then, SRE's active asset management programme has resulted in the building's improved performance. Not only has occupancy levels strengthened to above 90%, energy efficiency has also improved, with the building now having a higher NABERS (National Australia Built Environment Rating System) rating than before SRE acquired it. The office property market in Perth is currently on the path of gradual recovery and SRE is confident that 45 St Georges Terrace will benefit from this eventual upturn.

Integrated Logistics Partners, Australia

In September 2018, SRE set up Integrated Logistics Partners ("**ILP**"), its first real estate operating platform to own, develop and manage logistic properties across Australia through a joint venture with Commercial & General ("**C&G**"), an experienced Adelaide-based real estate developer and investor with strong market knowledge.

SRE has an 80% interest in the portfolio that currently comprises five logistics assets in South Australia and Victoria with a combined value of AUD137.5 million. Collectively, the assets have an aggregate net lettable area ("**NLA**") of over 93,000 sqm and a total development land area of 20.2 hectares earmarked for logistics uses with permissible NLA of more than 90,000 sqm.

As ILP specialises in the development of built-to-suit facilities, predominantly for end-users of good credit standing, the existing tenants at these properties

Property	Tenant	Location	Area (sqm)
Port Adelaide Property	Incitec Pivot Centre	Port Adelaide, South Australia	17,251
Kilkenny Property	OI Glass	Kilkenny, South Australia	50,277 (land area)
Bayswater Property	Siemens (anchor tenant)	Bayswater, Victoria	30,555
Salisbury Property	Coco-Cola Amatil	Salisbury, South Australia	46,469
Land Parcel (Salisbury)	To be developed	Salisbury, South Australia	151,900 (land area)

include established multi-national companies such as Siemens, Incitec Pivot, Coca-Cola Amatil and OI Glass.

Australia's logistics sector is supported by strong economic fundamentals that is driven by population growth, GDP growth, a growing e-commerce industry, and infrastructure spending. Around AUD70 billion has been allocated for transport infrastructure from 2014 to 2021, with plans by the Australian Government to spend AUD75 billion for funding road and rail infrastructure from 2018 to 2027.¹ At the moment, ILP has a healthy pipeline of potential tenants and in light of the positive sector outlook, SRE expects some of these potential transactions to materialise in the foreseeable future.

Residential Portfolio, Japan

In Japan, SRE's residential portfolio continued to perform well on the back of the country's continued urbanisation trend and sustained demand from single-living locals with a preference for apartments conveniently located near train or subway stations. As at December 2018, SRE's residential portfolio comprised 10 properties with a total of 1,016 apartments units spanning Osaka, Tokyo, and the

Greater Tokyo area, compared to five properties and 612 units a year ago. With the portfolio's growth and generally high average occupancy of around 95%, SRE benefitted from a stronger, stable source of recurring rental income in FY2018.

SRE intends to grow its income-producing residential assets to aggregate into a larger portfolio with asset acquisition potentially expanding to Yokohama, Fukuoka and Nagoya in the future.

悦地 My Place Mall, Chongqing

The performance of 悦地 My Place Mall in Chongqing, China continued to improve and stabilise last year as the mall established itself as the preferred retail and entertainment hub for the residents of Chayuan District. As at December 2018, the tenant occupancy was 94% while footfall and gross sales for the year increased 75% and 106% respectively over annualised figures for 2017.

For 2019, Chongqing has set a GDP growth rate of 6% and goods consumption is expected to grow 7% as the municipal government plans to step up efforts to build the metropolis into a global shopping centre.² SRE will continue

to focus on innovative retail concepts and customer-oriented promotional events at 悦地 My Place Mall.

FUND INVESTMENTS

Greater Tokyo Office Fund

The Greater Tokyo Office Fund ("GTOF") liquidated five assets over the course of FY2018, effectively divesting its entire portfolio. The fund has performed well since inception, delivering a portfolio return that far exceeded its target returns.

SRE Committed Capital (December 2018)
– JPY7.2 billion
SRE Contributed Capital (December 2018)
– JPY6.8 billion

Japan Value Fund II

The Japan Value Fund II ("JVF") is a follow-up fund to GTOF with a mandate to acquire assets with good value propositions in the Greater Tokyo area and other cities in Japan. In view of the strong performance of GTOF, SRE has committed JPY 8.0 billion to JVF, which is managed by Savills Investment Management.

SRE Committed Capital (December 2018)
– JPY8.0 billion
SRE Contributed Capital (December 2018)
– JPY3.1 billion

¹ News release on PRNewswire: "Australia Logistics and Warehousing Market is Expected to Reach AUD 187 Billion by 2021: Ken Research", 4 October 2017

² Xinhuanet, "China Forges Ahead with Consumption Upgrading", 31 January 2019

YEAR IN REVIEW

REAL ESTATE

ARA Summit Development Fund

During the year, the fund exited its investment in the Victoria One development project in Melbourne, Australia, delivering IRR of 14.4% per annum and equity multiple of 1.39x. The fund has one remaining investment comprising a mezzanine loan made to a development project located in Heidelberg, Melbourne.

SRE Committed Capital (December 2018)
– USD80.0 million

SRE Contributed Capital (December 2018)
– USD34.1 million

ARA Harmony Fund III

The fund's five shopping malls in Malaysia, comprising the Ipoh Parade Mall in Perak, the One Mont Kiara Mall in Kuala Lumpur, the AEON Bandaraya in Malacca, and Klang Parade Mall and Citta Mall in Selangor, continue to perform strongly, with occupancies above 90%.

SRE Committed Capital (December 2018)
– \$72.8 million

SRE Contributed Capital (December 2018)
– \$70.2 million

ARA ASSET MANAGEMENT HOLDINGS PTE LTD (“ARA”)

ARA, a 20.95%-owned associate of Straits Trading, is a premier global integrated real assets fund manager that has expanded dynamically since its privatisation in 2017. As at 31 December 2018, the gross assets managed by the ARA Group and its Associates was approximately \$80.1 billion¹ across over 100 cities in 23 countries. Underscoring its pace of growth, net profit contributed by the ARA Group to Straits Trading

increased by 64.6% to \$24.2 million in FY2018 compared to \$14.7 million in FY2017.

ARA is focused on the management of REITs, private real estate funds, infrastructure funds and operates country desks in China, Korea, Japan, Malaysia, Australia, Europe and the United States (“US”). ARA also has a real estate management services division comprising property management and convention & exhibition services, which complements its fund management business.

ARA Group and its Associates manage 20 REITs in the Asia Pacific region, including 11 REITs across four jurisdictions that are directly-managed by ARA. These 11 REITs comprise Fortune REIT, which is dual-listed in Singapore and Hong Kong, Suntec REIT and Cache Logistics Trust, which are listed on the SGX-ST, Prosperity REIT and Hui Xian REIT, which are listed on the HKEx and six privately-held South Korean REITs, ARA-NPS Real Estate Investment Company, ARA-NPS REIT No. 2, ARA Shinyoung REITs 1 and 2, ARA-Alpharium REIT and ARA Korea Global REIT 1.

ARA's private funds division continued to pursue growth opportunities through new funds and investments. It established the ARA Harmony VII Fund in collaboration with Kenedix, Inc. and achieved the first close of ARA Real Estate Partners Asia II last year. ARA formed a joint venture company with AVIC Trust to develop private RMB-based fund products to

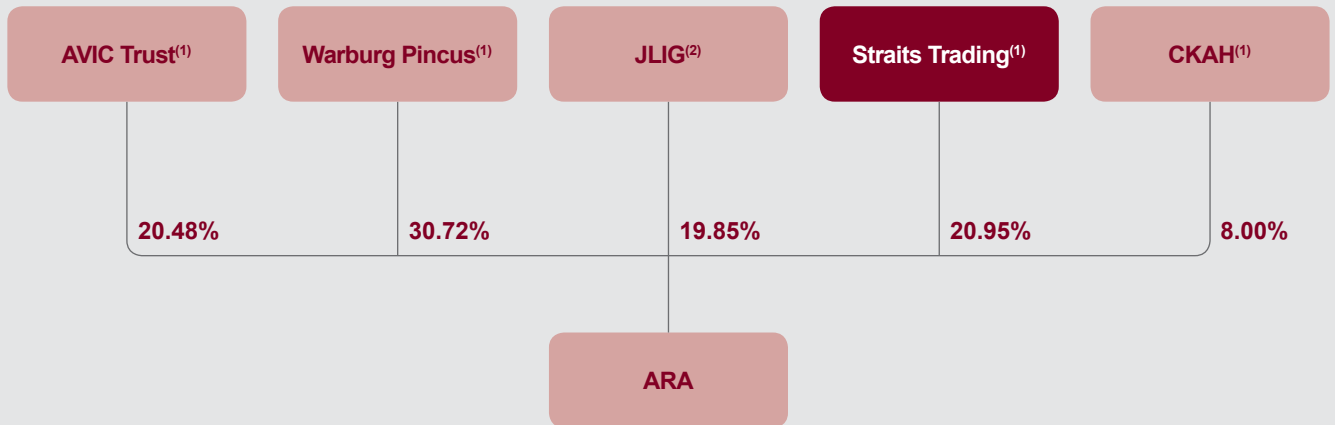
capitalise on China's rising real estate fund management market. ARA has also established a new infrastructure business to seize opportunities in this asset class that commands a strong and growing interest among investors.

The country desks employ a strong understanding of each local market to facilitate the flow of inbound and outbound capital and cross-country collaborations. During the year, ARA established its Europe and US desks to drive ARA's business initiatives in these regions. ARA Australia set up its property management business in Australia to manage the Group's growing portfolio in the country.

In 2018, ARA pursued an accelerated expansion plan to grow its AUM and expand its global footprint to capitalise on opportunities beyond the Asia Pacific region. During the year, it acquired a strategic stake in Cromwell Property Group which has approximately AUD11.5 billion AUM across Australia, New Zealand and Europe. In Japan, ARA holds a strategic stake in Kenedix, Inc. with an AUM of approximately \$25 billion.

ARA's REITs under management continue to unlock value while seeking growth and diversification. Suntec REIT acquired an additional 25% interest in Southgate Complex Melbourne, a freehold integrated development featuring premium grade office and retail components. Its development projects at 9 Penang Road, Singapore and 477 Collins Street, Australia, are scheduled to complete in end-2019 and mid-2020 respectively. Fortune REIT's portfolio

1 Includes assets under management by ARA Asset Management Limited and the Group of companies (“ARA Group”) and its Associates and Joint Ventures as at 31 December 2018



Notes:

(1) Affiliates of AVIC Trust, Warburg Pincus, Straits Trading and CK Asset Holdings

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

valuation increased 8.2% to HK\$42 billion despite the sale of Provident Square for HK\$2.0 billion, which is at a premium of more than 88% above its appraised value. During the year, ARA took full control of the manager and property manager of Cache Logistics Trust and became the largest unitholder of the REIT. The REIT divested Jinshan Chemical Warehouse and Hi-Speed Logistics Centre, and acquired a portfolio of nine freehold warehouses in Australia, as it continues with its portfolio rebalancing and growth strategy.

In August 2018, Fortune REIT, Suntec REIT, Cache Logistics Trust, Prosperity REIT and Hui Xian REIT won the Platinum and Gold Awards at the “Asia Pacific Best of the Breeds REITs Awards™ 2018”. The Awards recognise companies and managers with the highest standards and performance in

the Asia Pacific REITs sector. ARA also won the Asia’s Most Trusted Integrated Asset Management Services of the Year award at the Hong Kong’s Most Outstanding Business Awards 2019 organised by CORPHUB, among other notable awards and accolades.

As part of its global expansion strategy, ARA made its maiden entry into the US with the acquisition of a portfolio of 38 select service Hyatt hotels. The United States has the most developed hotel market and lodging industry globally, and the sector is supported by a robust US economy. Early 2019, an ARA private fund acquired the Manulife Centre in Singapore via a joint venture and another private fund in Korea is acquiring a 100% interest in Seoul Square in Seoul, Korea.

Other than Straits Trading, ARA has the long-term commitment of Warburg

Pincus, AVIC Trust and CK Asset Holdings Limited. Warburg Pincus is a leading global private equity firm focused on growth investing. It has more than USD43 billion in private equity AUM and is experienced in partnering management teams seeking to build durable companies with sustainable value. AVIC Trust is a leading investment and trust manager in China with AUM of around RMB650 billion. CK Asset Holdings is one of the largest property developers in Hong Kong and holds interests in Fortune REIT, Hui Xian REIT and Prosperity REIT.

As 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.

YEAR IN REVIEW

HOSPITALITY

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 a premier hospitality assets owner and operator. Far East Hospitality itself entered into a 50-50 joint venture with Australia’s Toga Group to establish Toga Far East Hotels (“TFE Hotels”). As a group, Far East Hospitality owns and operates a combined portfolio of 94 properties with over 14,700 rooms across seven countries and 25 cities. Far East Hospitality operates a diverse portfolio of nine unique and complementary brands, including Rendezvous, Oasia, Quincy, Village, Far East Collection, Adina Apartment Hotels and Adina Serviced Apartments, Vibe Hotels, Travelodge Hotels and TFE Hotels Collection.

During the course of the year, Far East Hospitality, through its subsidiaries and hospitality joint ventures, opened four hotels and serviced apartments under management in Australia and secured new hotel contracts for 2,600 rooms across five countries - Australia, New Zealand, Germany, Switzerland and Singapore. This includes the three hotels in Sentosa with 839 keys, slated to open in 2019.

In 2018, Far East Hospitality made its maiden foray into Japan through a joint acquisition and development of a hotel in Ariake, Tokyo, with the Far East Organization. The 306-room hotel project is expected to be completed in 2020.



Village Hotel at Sentosa is one of the three Sentosa hotels under management to be launched in 2019

OUTLOOK

The near term outlook for the hospitality segment in Singapore is positive, supported by a healthy market equilibrium between hotel room demand and supply. International visitor arrivals grew 6.2%¹ y-o-y and visitor days increased 4.8%, while available room nights in Singapore increased 5.0%². The Singapore Tourism Board (“STB”) projects that international visitor arrivals will grow 1 - 4% to reach 18.7 million to 19.2 million this year. To attract visitors, STB will leverage the Singapore Bicentennial Commemoration celebrations this year to organise “supersized events”. Nonetheless, Far East Hospitality remains cautious of the potential dampening in corporate demand against the backdrop of a slowing economic growth.

In Australia, outlook for the hospitality industry continues to be positive. International and domestic visitor nights are expected to grow 6.4% and 3.3% per annum on average respectively until 2020³. However, the pace of growth is expected to vary amongst the different cities that Far

East Hospitality operates in. In Sydney, Melbourne and Perth, the performance of hotel accommodation markets are expected to soften given the influx of room supply that came on stream. In Brisbane, room rate growth is forecasted to be healthy supported by an increasing corporate demand.

Europe remained the top travel destination in 2018. For 2019, European tourism demand is expected to remain buoyant. The growing demand for service apartments in Germany bodes well for Far East Hospitality’s existing and pipeline properties under the Adina Apartment Hotel brand.

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 Singapore Tourism Board

2 Singapore Tourism Board

3 Tourism and hotel market outlook, Deloitte Access Economics, Edition 1, 2018

YEAR IN REVIEW

RESOURCES

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 one of the three largest refined tin producers in the world.

MSC Group is involved in both downstream and upstream activities of the tin value chain through its international tin smelting business at Butterworth and tin mining operations at Rahman Hydraulic Tin Sdn Bhd. (“**RHT**”) in the state of Perak.

MSC Group has achieved resilient and positive performances in the past three consecutive years, 2018 included. Despite lower tin prices in absolute Ringgit Malaysia (“**RM**”) terms, resulting from the strengthening of the currency against the US Dollar in 2018, MSC’s overall results has improved on the back of its better performing tin smelting segment and its sustainable tin mining operations. MSC expects to further build on the improvement of its tin smelting business with the imminent completion and relocation of its smelting operations to its new smelter at Pulau Indah, Port Klang.

FINANCIAL PERFORMANCE

For the year ended 31 December 2018 (“**FY2018**”), MSC Group reported sharply improved pre-tax profit of RM49.8 million and net profit of RM34.3 million, reflecting a year-on-year increase of 76.3% and 113% respectively over FY2017. Although production levels remained the same, Group revenue decreased to RM1.3 billion compared to RM1.4 billion in the previous year, mainly due to lower average tin prices in RM terms during the year.

International Tin Smelting Operations

MSC Group’s international tin smelting operations achieved a turnaround with a net profit of RM10.2 million in FY2018 as compared to a net loss of RM18.8 million in FY2017. This set of improved performance was mainly due to higher profit from sale of by-products, lower tin loss and one-off income from reversal of impairment losses, gain on disposal of a joint venture, and overall higher operating efficiency.

Moving forward, the performance of the tin smelting division is expected to further improve from enhanced extraction yields, better smelting efficiencies and streamlined manpower costs once the new production facility in Pulau Indah is fully-operational.

The tin smelting operations achieved a stable production output of 27,085 tonnes of refined tin in FY2018, as compared to 27,172 tonnes in the previous year.

Rahman Hydraulic Tin Sdn Bhd. (“RHT”)

RHT operates Malaysia’s biggest hard-rock open-pit mine in the state of Perak, and is by far the country’s largest producer of tin-in concentrates in 2018.

In FY2018, RHT’s production volume of tin-in concentrates improved to approximately 2,355 tonnes from 2,226 tonnes recorded in the previous year, with all the processing plants at the mine operated at almost full capacity throughout the year.

Notwithstanding the higher production volume of tin-in concentrates last year, RHT reported a net profit of RM25.3 million in FY2018 as compared to RM34.6 million in FY2017. This was mainly due to the lower average tin prices in RM terms during the year.

OUTLOOK

2019 is expected to be a challenging year due to a combination of factors that include the ongoing global trade tensions, monetary policy normalisation in the US, volatile commodity prices, and policy uncertainties. Despite these market conditions, the MSC Group will continue to focus on its operational efficiencies which include efforts to improve on all areas of operations, technology, manpower and logistics. Plans to commence full operations at the Pulau Indah plant, tapping into newer and more efficient technology and a more productive work force, are under way and this new plant is expected to be fully operational in 2020.

The relocation to the new plant will result in a transitory increase in overheads as MSC Group will effectively run two plants, with only one generating revenue, for a short period of time until full stability is achieved at the new smelting plant. This is expected to impact its financial performance for the next financial year. Once the move is completed, with the new Top Submerged Lance (“**TSL**”) technology, the Group expects to reduce operational and manpower costs, while shrinking its carbon footprint. The operational inefficiencies of the aging plant in Butterworth will no longer be an issue.

For the tin mining segment, MSC Group has undertaken efforts to increase daily mining output and improve overall mining productivity. SL Tin Sdn Bhd, an 80% owned subsidiary, will commence its tin mining activities at Sungai Lembing, Pahang in FY2019, contributing additional tin production to the MSC Group. At the same time, MSC Group will also explore potential joint venture mining arrangements with other parties to expand its mining activities.

In addition, the Group will also embark on research and development activities to look into extracting tungsten from tin slag.

SUSTAINABILITY REPORT

INTRODUCTION

This is Straits Trading's third Sustainability Report, detailing our sustainability-related initiatives over the past financial year covering issues related to governance, stakeholder engagement, community projects and the environment.

Through this report, we also hope to identify opportunities for improvement to our sustainability management as well as issues that are integral to our business in order to address them effectively and appropriately. Together with relevant partners within our businesses, we hope to explore ways to improve sustainable practices across all aspects of our businesses.

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, as well as Malaysia Smelting Corporation ("MSC"), another of our key subsidiaries. Our corporate governance and human capital related policies and data refer to Straits Trading and Straits Real Estate.

COMPANY OVERVIEW

About Straits Trading

The history of Straits Trading dates back to 1887. Founded 131 years ago as a tin smelting company, it is today an investment company with diversified interests in Real Estate, Hospitality and Resources across the Asia Pacific region.

The Straits Trading Mission

To shape and transform our investments into businesses of enhanced value.

WHAT SUSTAINABILITY MEANS TO US

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.

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 impact of these activities in order to identify opportunities for us to most effectively manage those impact.

We believe we have the most control in three areas:

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

In addition, we acknowledge that our position as a 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 fund managers invest our capital or how 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 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 have 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 have 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 	

SUSTAINABILITY REPORT

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. While 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 an investor, 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 a responsible investor, we are aware that ESG matters can enhance and compound those common risks. We believe that to continually 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 in 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.

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 and the Straits Trading Treasury Policy. Our risk assessments include several levels of screening of investments, as well as procedures for monitoring various investment risks and exit strategies. As a responsible investor, we assess risks that 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 in China, Malaysia, Singapore, Japan and Australia. We continue to have comfort that Australia and Japan are two of the most advanced locations when it comes to sustainability and environmental awareness.

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 employees 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 non-listed subsidiaries of the Group. Straits Real Estate also has its own FAL to govern its authorisation matrix.

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

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 part of our asset management process, we actively seek to introduce measures that will improve the sustainable performance of our properties after acquisition. Where the opportunity allows, capital upgrades are carried out to enhance the building's M&E systems and improve energy consumption efficiency. During the year, various environmental initiatives were commenced at 320 Pitt Street, 45 St Georges Terrace and the Malaysian shopping malls. Please see our case studies on pages 29 to 30.

For the non-direct investments, we continue to encourage our third party service providers to place emphasis on the area of sustainability in their management of our assets.

320 Pitt Street (Sydney, Australia)

320 Pitt Street is a Grade-B office building located in the Sydney Central Business District ("CBD"). The current NABERS rating is 4.5 stars.

As part of prudent property management, the overall usage of water, electricity and gas is being closely monitored to achieve optimisation.

To support the evolving needs for an active lifestyle among office workers across Australia, a brand new 504 square metres End-of-Trip facility is being constructed at 320 Pitt Street. This will house generous bike parking facilities, lockers, grooming stations and showers for use by the tenants.

As part of the asset's enhancement programme, an architecturally designed glass façade with energy-efficient glazing is being erected on the ground floor. The new entry

statement and double-volume lobby with abundant natural lighting, is set to transform the building's image in a vibrant CBD location.

45 St Georges Terrace (Perth, Australia)

45 St Georges Terrace is a Grade-B office building located in the Perth CBD.

Following the results of an energy audit conducted in 2018, subcircuit boards were relocated to improve the efficiency of energy consumption of the building. Lightings at the ground floor lobby, carpark and common staircases have also been replaced with LED lights.

The NABERS rating of 1 star in February 2018 has increased to 2 stars this year due to the completion of improvement works and an increase in the building's occupancy. A further improvement in the NABERS rating is likely to occur in the following year.



Artist impression – New End-of-Trip facility

SUSTAINABILITY REPORT

Ipoh Parade, Klang Parade, 1 Mont Kiara, Citta Mall (Malaysia)

In 2018, various events were held at the Malaysian malls in support of environmental protection.

1 Mont Kiara and Citta Mall organised activities in observance of Earth Hour in March 2018. Lights at common areas were dimmed and special illuminated activities, such as the LED Butterfly Dancers was organised to encourage shopper participation.

In April 2018, Ipoh Parade and Koperasi Hijau (KOHJAU) launched a recycling reward points system to raise awareness on plastic pollution. Shoppers were able to collect points and redeem shopping vouchers by recycling at the mall.

A collaborative campaign with the Autism Café Project was held, in conjunction with National Independence Day in August 2018. Some 1,300 used plastic bottles were collected at Citta Mall, 1 Mont Kiara, and Klang Parade, and channelled to Citta Mall for the creation of a giant Jalur Gemilang flag. The bottles were then recycled at the end of the campaign.

In terms of capital upgrades, the conventional light fixtures at the malls have been progressively replaced with more energy-efficient LED lightings. Existing chillers were retrofitted at Ipoh Parade, and new chillers were installed at Klang Parade to optimise energy consumption.

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 we intend to deepen and strengthen this relationship, as well as to explore other areas where we can be involved over the next year.

Managing Our Environment Impact

Sustainability continues to be a top priority at Malaysia Smelting Corporation Berhad ("MSC"). As one of the world's largest tin producers, MSC strives to adopt best practices to mitigate potentially adverse effects of its operations to the environment, while realising sustainable development of its people and surrounding communities. Please refer to pages 31 to 32 for details on MSC's sustainability initiatives.



Earth Hour at 1 Mont Kiara Mall

SUSTAINABILITY INITIATIVES UNDERTAKEN BY MSC IN 2018:

Progressive Mine Rehabilitation

- MSC's subsidiary, Rahman Hydraulic Tin Sdn. Bhd. ("RHT") instituted a Mine Rehabilitation Plan ("MRP") as statutorily required by the authorities, with the aim to return mined areas to a productive use following a closure.
- As part of the MRP, RHT continues to green the inactive areas by planting trees, grasses and hydroseeding on the slopes of the mined-out areas to avoid erosion and sedimentation into nearby streams.
- RHT is also in collaboration with the Forest Research Institute, Malaysia ("FRIM") on afforestation and reforestation of mined-out lands, covering a total area of 4 hectares. The project is on-going until 2020. The analysis from the study on suitable planting method and tree species will be adopted in the eventual mine closure.



Plant nursery at RHT



FRIM-RHT collaboration project on afforestation and reforestation on ex-mining land

Water Management

Water Recycling

MSC continues to commit to best practices for water management through a closed-circuit water circulation system, where 100% of the water discharged from the ore processing plants at RHT mine are recycled. RHT's mining operations consumed over 8.9 billion gallons of recycled water in 2018, with only 528 million gallons of fresh water pumped from Sg. Kijang river during the year to replenish some water loss from evapotranspiration and water seepages.

Water Quality Monitoring and Water Treatment

MSC has put in place effective water quality monitoring systems at its mining operations and surrounding rivers to ensure no contamination of water is discharged to the rivers. The water quality at the river exits of the nearby dams of Kijang and Kepayang are monitored, with the results submitted to the Department of Mineral and Geoscience ("DMG") laboratory. Daily pH monitoring is also conducted at several sampling points along Sg. Kijang river and water ponds.

MSC also carries out lime dosing operations at several stations along the surrounding rivers to neutralise the acidity of river water.



Mine effluent treatment using hydrated lime

SUSTAINABILITY REPORT

Waste Management

- MSC's mining process generate waste in the form of tailings, overburden and wastewater, which include non-hazardous and hazardous materials.
- Non-hazardous waste materials at the mine comprising of ore and overburden are removed using hydraulic excavators and dump trucks. The ore materials will then be separated from the overburden and sent to the ore processing plants for processing, while the overburden will mostly be deposited in the Southern Waste Dump located at the foothill of Gunung Paku.
- MSC's hazardous waste materials are disposed following a scheduled waste management system in accordance with the Environmental Quality (Scheduled Wastes) Regulations 2005 of the Environmental Quality Act ("EQA") 1974, whereby materials are segregated and labelled clearly as well as monitored and recorded in a proper inventory before sending wastes to our licensed contractors.
- The whole disposal process is supervised by a Competent Person in Scheduled Waste Management ("CePSWaM") registered under the Department of Environment ("DOE").
- In 2018, the loose volume of tailings MSC's mining operations generated increased to 1.5 million m³ from 1.4 million m³ in 2017, consistent with an increase in tin concentrates production.
- MSC has proposed the raising of tailings dam and bunds to store slimes and creating new sand tailings dumps within the mining lease, to ensure sufficient capacity to sustain mining operations until 2030.

Energy Management

- MSC has established an Efficient Electrical Energy Management Policy in an effort to reduce carbon footprint across its value chain. The Policy's objective is to improve cost-effectiveness and

productivity while minimising energy wastage at its operations.

- MSC's mining and smelting operations are equipped with an energy consumption monitoring system, with the logged data submitted to the Electrical Maintenance Department to verify and approve. The energy consumption and intensity information will also be sent to Malaysia's Energy Commission, in compliance with Electricity Law and Regulations.
- At the mines, RHT operates a 1.0 MW mini hydro power station to produce energy for its mining operations. MSC is one of the few mining companies which utilises hydro plants to generate electricity, reducing its dependency on the national grid for power. In 2018, 17.3% of MSC's total energy consumption was generated by the mini hydro plant.
- RHT also tried to conduct some of its water pumping activities at its mines during off-peak hours as the tariffs are significantly less than on-peak hour charges.
- There is a dedicated Registered Energy Manager at MSC to advise on energy management matters. The Energy Manager analyses energy usage levels and then submits a report to the Energy Commission on a monthly basis for monitoring.
- As a result of MSC's endeavours to enhance energy efficiency, MSC's overall electricity consumption improved marginally by 2% to 33.2 GWh in 2018 from 33.9 GWh in 2017, while energy intensity reduced by 6% during 2018.
- Moving forward, MSC expects further optimisation of energy consumption with the full commissioning of its Pulau Indah plant in Port Klang, and with the usage of the more efficient Top Submerged Lance ("TSL") furnace as it will reduce the number of rounds involved in the smelting process.

For more information on MSC's sustainability initiatives, please refer to the MSC Annual Report.

PRACTISING GOOD COMPLIANCE

Compliance with the 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 purview 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 as part of our practice of being a good corporate citizen and because we understand the otherwise grave consequence on the Group's reputation and business operations. We have developed and continue to regularly review our Employee Handbook which covers work ethics when dealing with matters that may give rise to conflicts 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 quarterly updates to the Audit and Risk Committee on its whistleblowing results.

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

Compliance with Relevant Local Laws and Regulations

Our business activities are subject to numerous laws and regulations covering our business conduct, use of our products and services and environmental regulation in all locations where we operate in. Our Employee Handbook covers our internal rules and policies which aims to govern the actions and behaviours of our employees. This includes work ethics and employee conduct, as well as 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 EMPLOYEES

At Straits Trading we believe in cultivating an inclusive workplace with a strong emphasis on employee 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 employees and businesses.

We provide our employees with an Employee Handbook that provides them with information, including working hours, remuneration, leave and benefits. We review our 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 subscribe to our values by including our work ethics in the Employee Handbook.

We care for employees' health and wellness. To promote a healthy lifestyle and general wellness, employees are rewarded for staying healthy and employees above 40 years of age are encouraged to go for regular health screening subsidised by the Company.

To ensure that our employees' concerns and issues are always heard and addressed, we have implemented a 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 so as to preserve harmonious relations between employees.

SUSTAINABILITY REPORT

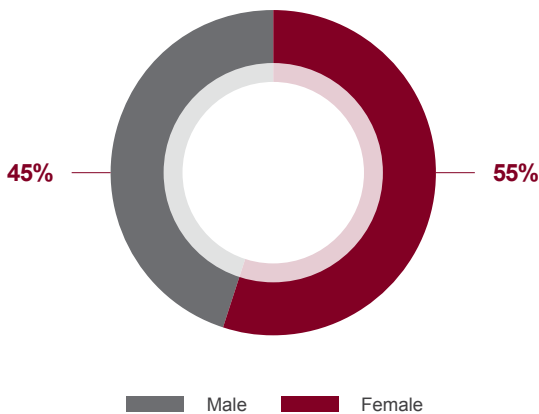
Our People

We understand that the success of our Company rests upon the quality and dedication of our employees. As at 31 December 2018, Straits Trading and Straits Real Estate, and related entities, employ a lean employee base of 109 employees, with 55 employees in Singapore, 4 employees in Malaysia and 50 employees in China. Of our Singapore-based employees, 96% are Singapore citizens or Permanent Residents.

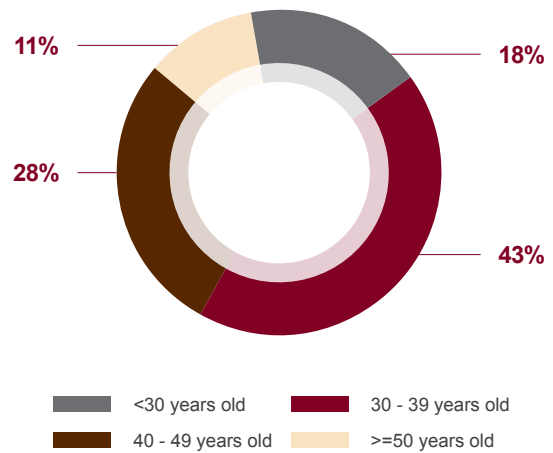
We maintain a diverse workforce in terms of age and gender with different skills and experiences which will contribute positively to the Company.

Headcount				Nature of Employment		Gender	
Singapore	China	Malaysia	Total	Permanent	Contract	Male	Female
55	50	4	109	55	54	49	60

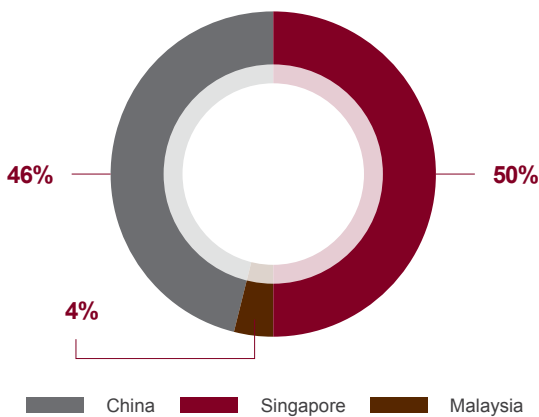
Gender Diversity



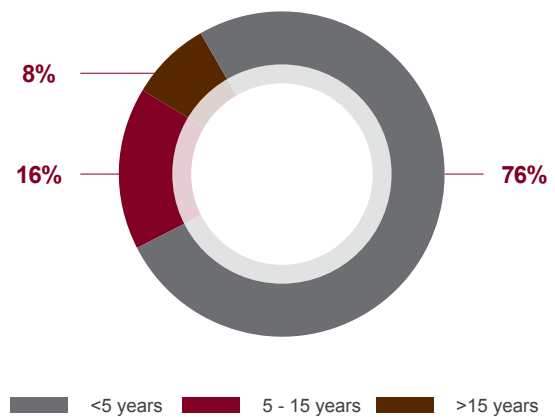
Age Diversity



By Country



By Length of Service



Our employees are fairly evenly split between male and female, as well as both permanent and contract employees. The majority of our employees are in the 30 – 39 years age group, which constitutes 43% of our workforce. 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 employees is in China.

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 have to complete their individual development plan with their relevant superiors at the beginning of each year to review gaps in their skillsets, 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 Company and be promoted to take on bigger roles and assume greater responsibilities.

The types of training attended by employees include soft skills, technical skills and update of industry practices and regulations. We also support employees in taking up relevant professional courses and post-graduate courses such as ACCA, CFA and Masters programme, where course fees and examination fees

are sponsored in full or in parts by the Company. Employees are also given study leave and examination leave. We target to continue providing diverse and relevant training for our employees.

Lunch time talks on topics such as Artificial Intelligence (“AI”) and Internet of Things (“IoT”) are also organised for employees to keep up with the latest technology.

Rewarding Performance

At Straits Trading, we prioritise performance improvement and employee development. In order to do so, we align these priorities with competitive fixed and variable remuneration. All employees are given annual performance appraisals and their performances are 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, social media and town hall meetings. Employees are able to access human resource policies, forms, templates and participate in polls and surveys, as well as provide feedback. Besides quarterly bonding sessions that are organised on a departmental basis, we also organise various employee engagement activities such as badminton sessions, inter-company futsal competition, floral arrangement class and wine & cheese parties.

Human Resource Policies are reviewed from time to time by the Human Resource department to ensure that they are relevant and updated; any changes will be communicated to the employees.



SUSTAINABILITY REPORT

Code of Work Ethics

All employees are expected to uphold and ensure that they do not engage in any interest that conflicts with any of the Company's businesses. The code of work ethics is published on our Company's corporate intranet as well as Employee Handbook.

Non-Discrimination

We are proud to institute a strict equal opportunities and non-discrimination policy, as we believe every employee

has a right to be judged on merit only and to be free from harassment or discrimination in their place of work. We have had no incidents of discrimination over the last 12 months and we intend to maintain this for the upcoming year.

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 has 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, donating towards the building of a new school for St. Joseph's Institution in 1907 and 1912, and setting up the Straits Trading-Howe Yoon Chong Bursary Fund at the National University of Singapore

LEGACY OF GIVING

1905	Gift of a clock and chimes for the tower of Victoria Memorial Hall.
1906	Donated a church bell to the Church of St Mary in Kuala Lumpur, Malaysia.
1907	One of the largest donors in the building of a new school for St Joseph's Institute ("SJI").
1912	Made another substantial contribution to SJI for the building of King George's Hall.
1955	Awarded a grant of \$250,000 to St Mark's School at Butterworth. Donated \$100,000 to the University of Malaya in Singapore towards the Faculty of Engineering studies.
1961	Donated a further \$100,000 to the University of Malaya.
2008	Donated \$250,000 to NUS Faculty of Arts & Social Sciences in memory of its late chairman, Howe Yoon Chong and established the Straits Trading-Howe Yoon Chong Bursary Fund to support financially needy university students.
2010	Launched revised CSR programme to include both monetary contributions and active engagement and interaction by employees. A sum of \$300,000 was raised and contributed to four charities – Children's Cancer Foundation ("CCF"), Club Rainbow Singapore, Society for the Physically Disabled ("SPD") and The Straits Times School Pocket Money Fund.
2011	Employee volunteers celebrated Mother's Day and Father's Day with caregivers of children of CCF with treats of dinner, gifts and massages by representative from the Singapore Association of the Visually Handicapped. Movie outing with physically-challenged beneficiaries from the SPD.
2012	In celebration of its 125th Anniversary, Straits Trading together with 25 corporate donors pledged a gift of \$125,000 to the President's Challenge at the re-opening of the Rendezvous Hotel Singapore. Employee volunteers interacted and spent time with beneficiaries of SPD, CCF and the "Project We Care" programme during the year.
2013	Donated \$10,000 towards the establishment of the Far East Orchard-Straits Trading Scholarship to sponsor the course fees of two hospitality students each from Temasek Polytechnic and Republic Polytechnic. Employee volunteers spent a day at the Singapore River Safari with beneficiaries and caregivers from SPD.
2014-15	Employee volunteers participated in sheltered workshops run by the SPD and worked alongside beneficiaries from SPD to pack thousands of goodie bags for their clients.
2015-18	Management and employees of Straits Trading and Tecity Group took part in the annual SGX Bull Charge Charity Run to raise funds for beneficiaries under the care of the Asian Women's Welfare Association ("AWWA"), Autism Association of Singapore ("AAS"), Community Chest, Fei Yue Community Services ("FYCS"), HCSA Community Services and Shared Services for Charities ("SSC").

Department of Economics in 2008 to support financially needy university students. Today, we continue to 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.

SGX Bull Charge Charity Run 2018

On 30 November 2018, some 30 volunteers from Straits Trading, Straits Real Estate, Tecity Management and Tan Chin Tuan Foundation once again took part in the annual SGX Bull Charge Charity Run 2018. The run is part of SGX's charity drive that aims to raise funds for six charities, namely, AWWA, Autism Association (Singapore), Community Chest, Fei Yue Community Services, HCSA Community Services and Shared Services for Charities.

Beyond doing their bit for a charitable cause, the event was a good opportunity for team building between management and employees from the different entities as they raced alongside each other. Held at the Marina Bay floating platform, the five-kilometre mass run has raised over \$3.3 million in proceeds for the beneficiaries to help them lead a more meaningful and comfortable life.

The SGX Bull Charge is a charity initiative that rallies the financial community and its listed companies to support the needs of underprivileged children and families, persons with disabilities, and the elderly.



SUSTAINABILITY REPORT

GRI INDEX

GRI STANDARDS		DETAILS/NOTES/PAGE NO.
General Disclosure		
Organisational profile		
102-1	Name of the organisation	AR, Outside back cover
102-2	Activities, brands, products, and services	AR, Page 6-11 and 20-25
102-3	Location of headquarter	AR, Inside back cover
102-4	Location of operations	AR, Page 20-25
102-5	Ownership and legal form	AR, Page 180-181
102-6	Markets served	AR, Page 6-11 and 20-25
102-7	Scale of the organisation	Our People, Page 34 AR, Page 12-17
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
102-10	Significant changes to organisation and its supply chain	AR, Page 6-11 and 20-25
102-11	Precautionary principle or approach	Straits Trading does not specifically address the principles of the Precautionary Approach
102-12	External initiatives	None
102-13	Membership of associations	Associations and Collaborations, page 30
Strategy		
102-14	Statement from senior decision-maker	AR, Page 6-11
Ethics and integrity		
102-16	Values, principles, standards, and norms of behaviour	Straits Trading Mission, page 26 What Sustainability means to us, page 26
102-18	Governance structure	Managing ESG issues, page 28
102-40	List of stakeholder groups	Stakeholder Information, page 180-181
102-41	Collective bargaining agreements	Report the percentage of total employees covered by collective bargaining agreements.
102-42	Identifying and selecting stakeholders	N.A.
102-43	Approach to stakeholder engagement	Stakeholder engagement, page 27
102-44	Key topics and concerns raised	Stakeholder engagement, page 27
102-45	Entities included in the consolidated financial statements	Corporate Profile, Inside cover page Corporate Structure, AR, Page 6-7 Introduction, Page 26
102-46	Defining report content and topic Boundaries	Materiality Assessment, Page 27
102-47	List of material topics	Materiality assessment, Page 27
102-48	Restatements of information	None

GRI STANDARDS		DETAILS/NOTES/PAGE NO.
102-49	Changes in reporting	Introduction, Page 26
102-50	Reporting period	1 st January - 31 st December 2018
102-51	Date of most recent report	N.A.
102-52	Reporting cycle	Annual
102-53	Contact point for questions regarding the report	Evelyn Quah Executive, 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
Management approach		
103-1	Explanation of the material topic and its Boundary	<ul style="list-style-type: none"> - Practicing good compliance, Anti-corruption, Page 33 - Practicing good compliance, Compliance with relevant local laws and regulations, Page 33 - Engaging and developing our employees, Training and Education, Page 35 - Engaging and developing our employees, Non Discrimination, Page 36 - Investing in a responsible manner, Investment Criteria, Page 28 - Investing in a responsible manner, Active Investments, Page 29
103-2	The management approach and its components	<ul style="list-style-type: none"> - Practicing good compliance, Anti-corruption, Page 33 - Practicing good compliance, Compliance with relevant local laws and regulations, Page 33 - Engaging and developing our employees, Training and Education, Page 35 - Engaging and developing our employees, Non Discrimination, Page 36 - Investing in a responsible manner, Investment Criteria, Page 28 - Investing in a responsible manner, Active Investments, Page 29
103-3	Evaluation of the management approach	<ul style="list-style-type: none"> - Practicing good compliance, Anti-corruption, Page 33 - Practicing good compliance, Compliance with relevant local laws and regulations, Page 33 - Engaging and developing our employees, Training and Education, Page 35 - Engaging and developing our employees, Non Discrimination, Page 36 - Investing in a responsible manner, Investment Criteria, Page 28 - Investing in a responsible manner, Active Investments, Page 29

SUSTAINABILITY REPORT

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		
205-3	Confirmed incidents of corruption and actions taken	Practicing good compliance, Anti-corruption, Page 33
Environmental Compliance		
307-1	Non-compliance with environmental laws and regulations	Practicing good compliance, Compliance with relevant local laws and regulations, Page 33
Training and Education		
404-2	Programmes for upgrading employee skills and transition assistance programmes	Engaging and developing our employees, Training and Education, Page 35
Socioeconomic Compliance		
419-1	Non-compliance with laws and regulations in the social and economic area	Practicing good compliance, Compliance with relevant local laws and regulations, Page 33
Active ownership		
G4-FS11	Percentage of assets subject to positive and negative environmental or social screening	Investing in a responsible manner, Active ownership, Page 28

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 2018 (“**FY2018**”) with specific reference to the Code of Corporate Governance 2012 (the “**Code**”). The Company has complied in all material aspects with the principles and guidelines set out in the Code, where applicable. Explanations have been provided where there are deviations from 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 has established 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. Whilst 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 (International).

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**”), Nominating Committee (“**NC**”) and Investment Committee, 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.

The Board met five times in FY2018. 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 FY2018 are as follows:

Name of Director	Board	Audit and Risk Committee	Nominating Committee	Remuneration Committee
Attendance				
Ms Chew Gek Khim	5/5		1/1	
Ms Chew Gek Hiang	5/5	4/4		
Mr Goh Kay Yong David	5/5			1/1
Mr Yap Chee Keong	1/1			
Mr Tham Kui Seng	1/1			
Mr Tan Tiong Cheng	4/5			0/1
Dr Gary Hilton Weiss	4/5	1/1		1/1
Mr Chia Chee Ming, Timothy	5/5	4/4	1/1	
Mr Tan Chian Khong	4/5	4/4		
Mr Chua Tian Chu	5/5		1/1	

REPORT ON CORPORATE GOVERNANCE

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 businesses, operations and financial performance through an orientation programme.

Board Composition and Guidance (*Principle 2*)

At the beginning of FY2018, there were 10 Directors on the Board. Mr Tan Chian Khong and Mr Chua Tian Chu were appointed as Directors of the Company on 1 January 2018. With the resignation of Mr Yap Chee Keong and retirement of Mr Tham Kui Seng, the Board comprised eight Directors, seven of whom were non-executive and five were considered 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 is independent in conduct, character and judgement, and has no relationship with the Company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement with a view to the best interests of the 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. Directors may request for further explanations or informal discussions on any aspect of the Company's businesses or operations from Management.

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 12 to 15.

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 currently chaired by Mr Chia Chee Ming, Timothy and the other members of the NC are Ms Chew Gek Khim and Mr Chua Tian Chu.

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 FY2018, the Board, having taken into account the views of the NC, considered Mr Tan Tiong Cheng, Dr Gary Hilton Weiss, Mr Chia Chee Ming, Timothy, Mr Tan Chian Khong and Mr Chua Tian Chu to be independent.

During FY2018, the Directors were updated on the relevant changes in the Companies Act, Chapter 50, listing rules of The Singapore Exchange Securities Trading Limited, the Code of Corporate Governance and financial reporting standards. 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 or her 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. The 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.

REPORT ON CORPORATE GOVERNANCE

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.

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 is chaired by Dr Gary Hilton Weiss and Mr Goh Kay Yong David and Mr Tan Tiong Cheng are the other members of the RC.

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 levels that creates value for the shareholders. Remuneration is determined according to the following general components: salary, contractual bonus and performance bonus. The Company did not have any share-based incentive scheme in FY2018.

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 FY2018 is as follows:

Name of Director	Salary	Bonus	Benefits in kind	Directors' fees	Total
<u>S\$1,250,001 – S\$1,500,000</u>					
Ms Chew Gek Khim	57%	43%	-	-	100%
<u>S\$250,000 and below</u>					
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%
Mr Tan Chian Khong	-	-	-	100%	100%
Mr Chua Tian Chu	-	-	-	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 FY2018 is as follows:

Name of Key Management Personnel	Salary	Bonus	Benefits in kind	Total
S\$250,001 – S\$500,000				
Ms Jennifer Chee	63%	31%	6%	100%
Ms Goh Yah Huay	55%	41%	4%	100%
S\$250,000 and below				
Ms Yeo Sock Koon ¹	99%	-	1%	100%

¹ Remuneration is for the period from 1 January 2018 to 31 March 2018.

Based on the current organisation and reporting structure of the Group, it is more appropriate for two executives, who are not Directors of the Company, to be identified as the Group's top key management personnel instead of five as required under the Code for FY2018. The names and profiles of the key management personnel of the Group are stated on page 16.

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. The total remuneration paid to the key management personnel (including the Executive Chairman) in FY2018 amounted to S\$2,467,144.

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 periodic basis.

Audit and Risk Committee (Principle 12)

The ARC comprises three non-executive Directors, the majority of whom are independent. The ARC was chaired by Dr Gary Hilton Weiss until 27 April 2018 when he stepped down as the Chairman and member of the ARC. Mr Tan Chian Khong was appointed as the Chairman of the ARC on 27 April 2018. The other members of the ARC are Ms Chew Gek Hiang and Mr Chia Chee Ming, Timothy.

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;

REPORT ON CORPORATE GOVERNANCE

- 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;
- 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 audit findings.

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 26 April 2019. In FY2018, the ARC met the external auditors twice and the internal auditors once without the presence of the Management.

The details of the remuneration paid to the external auditors for FY2018 are as follows:

	S\$'000
Audit fees paid/payable to:	
- Auditor of the Company	432
- Overseas affiliates of the auditor of the Company	483
Non-audit fees paid/payable to:	
- Auditor of the Company	77
- Overseas affiliates of the auditor of the Company	24

REPORT ON CORPORATE GOVERNANCE

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.

Key Audit Matters

The external auditors have set out the key audit matters in respect of FY2018 in the Independent Auditor's Report on pages 54 to 57 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 and employee handbook, 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.

There were no whistle-blowing reports received in FY2018.

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.

REPORT ON CORPORATE GOVERNANCE

During FY2018, 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, the Management's representations and the Board's 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 Group Financial Controller that the financial records have been properly maintained and properly drawn up in accordance with the Companies Act and Singapore Financial Reporting Standards (International). The financial records give a true and fair view of the Group's operations and finances that are not misleading in any material aspect, and that the Group's risk management and internal control systems are effective.

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 Group Financial Controller, 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 2018.

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 International Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

For FY2018, 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.

REPORT ON CORPORATE GOVERNANCE

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 through Company presentations, and non-deal roadshows and investment conference organised by major banks and brokerage firms. 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 2018, 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 permits 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.

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.

FINANCIAL STATEMENTS

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DIRECTORS' STATEMENT

The Directors are pleased to present 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 2018.

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 2018 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 Tan Tiong Cheng

Dr Gary Hilton Weiss

Mr Chia Chee Ming, Timothy

Mr Tan Chian Khong

Mr Chua Tian Chu

Mr Goh Kay Yong David, Mr Tan Tiong Cheng and Dr Gary Hilton Weiss will retire pursuant to Article 99 of the Constitution. Mr Goh Kay Yong David, Mr Tan Tiong Cheng and Dr Gary Hilton Weiss, 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:

<u>Company</u> (ordinary shares)	Shareholdings in the names of Directors		Shareholdings in which Directors are deemed to have an interest	
	1.1.2018	31.12.2018	1.1.2018	31.12.2018
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

<u>Malaysia Smelting Corporation Berhad</u> (ordinary shares)	Shareholdings in the names of Directors		Shareholdings in which Directors are deemed to have an interest	
	1.1.2018	31.12.2018	1.1.2018	31.12.2018
Ms Chew Gek Khim	400,000	1,600,000 ¹	–	–

There was no change in any of the above-mentioned interests between the end of the financial year and 21 January 2019.

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 date of appointment if later, 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.

¹ Share split involving the subdivision of every 1 existing ordinary share in MSC into 2 subdivided shares and 1 Bonus Share for every 1 existing Split Share.

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 auditor's 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 the external auditor twice and the internal auditor once 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
Director

Tan Chian Khong
Director

Singapore
29 March 2019

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF THE STRAITS TRADING COMPANY LIMITED

For the financial year ended 31 December 2018

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 2018, 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 Singapore Financial Reporting Standards (International) ("SFRS(I)") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2018 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

TO THE MEMBERS OF THE STRAITS TRADING COMPANY LIMITED

For the financial year ended 31 December 2018

Key Audit Matters (cont'd)

1. Fair value of investment properties, land and buildings

At 31 December 2018, the Group's investment properties, land and buildings are carried at \$910.4 million and \$16.4 million respectively, representing 45.9% of the Group's total non-current assets and 58.0% of equity in aggregate.

The Group records 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. Accordingly, we have identified this as an area of focus.

In addressing this area of focus, 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 of the disclosures of the properties included in notes 15, 17, 41(a)(iii) and 42.

2. Impairment testing for goodwill

At 31 December 2018, the Group's goodwill arising from the acquisition of Malaysia Smelting Corporation Berhad ("MSC") is carried at \$17.6 million, representing 0.9% of the Group's total non-current assets and 1.1% of equity. We considered impairment assessment of goodwill to be a key audit matter as this involved significant management's judgement about cash flows arising from future results of the Group's business. 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 2018.

Management has determined the recoverable amount of MSC using value-in-use calculations of MSC. The value-in-use calculations are based on key assumptions relating to future market and economic conditions such as economic growth, inflation rate, discount rate, revenue and margin estimates.

In addressing this area of focus, our audit procedures included, amongst others, evaluating and assessing the assumptions and methodology used by the Group to determine the recoverable amount of MSC. We evaluated the robustness of management's budgeting process by comparing the actual financial performance against previously forecasted results and considering the latest industry outlook and historical data. We involved our internal specialist to assist us in evaluating the reasonableness of the discount rates and terminal growth rate applied in the value-in-use calculation. We also assessed management's sensitivity analysis of the goodwill balance to changes in the key assumptions.

Furthermore, we reviewed the adequacy of the note disclosures as included in notes 18 and 41(a)(i) to the financial statements.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF THE STRAITS TRADING COMPANY LIMITED

For the financial year ended 31 December 2018

Key Audit Matters (cont'd)

3. Provision for mine restoration costs

As disclosed in note 31 to the financial statements, the Group recorded a provision for mine restoration costs of \$8.7 million in respect of restoration and rehabilitation obligations of its subsidiary as at 31 December 2018. The Group is required to submit its mine restoration plan for approval by the Perak State Mineral Resources Committee, under the Mineral (Perak) Enactment 2003. The Group engaged an external consultant specialising in mine restoration to performance assessment of the required restoration and to conclude on the best methodology to be adopted by the Group. The Group recognises a provision for these costs at each reporting date based on the estimated costs required to fulfil this obligation according to the methodology and plan formulated by the external consultant.

The timing of the cash outflow can only be confirmed by uncertain future events not wholly within the control of the Group and may develop in ways not initially expected. Therefore, the Group continually assesses the timing and development of the discussion with the relevant authorities. Such assessment involves significant judgment and estimates which are highly subjective. Accordingly, we consider this to be an area of audit focus.

As at the reporting date, the provision for mine restoration costs based on the methodology and plan formulated by the external consultant still represents the current best estimate made by the Board of Directors.

In addressing this area of focus, we evaluated the objectivity, independence, expertise and experience of the external mine restoration consultant engaged by the Group. We obtained an understanding of the methodology adopted by the consultant in formulating the restoration plan and assessed whether such methodology is consistent with those used in the industry. We also evaluated the significant cost components through enquiries with the external consultant and, where relevant, we compared the cost components to past actual experience or quotations obtained from third party contractors and suppliers. 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 31 and 41(a)(v).

4. Inventories

At 31 December 2018, the Group's inventories are carried at \$162.7 million, representing 29.3% of the Group's total current assets and 10.2% of equity.

The Group contracts with various suppliers on different terms and conditions for the purchases of tin-in-concentrates. Given the high number of different purchase contracts, we identified timing of recognition of tin-in-concentrates to be an area of focus as it is highly dependent on the terms of the contracts.

In addition, we also identified valuation of tin-in-concentrates, tin-in-process and refined tin metal as an area of focus due to the magnitude of the balances. At the same time, management is required to apply valuation techniques that involve judgements and estimates given the nature of tin-in-process and refined tin metal.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF THE STRAITS TRADING COMPANY LIMITED

For the financial year ended 31 December 2018

Key Audit Matters (cont'd)

4. Inventories (cont'd)

In addressing the area of focus in respect of the timing of recognition of tin-in-concentrates, we, amongst other procedures, read the significant purchase contracts to obtain an understanding of the terms and conditions to establish the Group's rights and obligations over tin-in-concentrates purchased. We tested the relevant internal controls over the accuracy and timing of recognition of tin-in-concentrates. We inspected, on a sample basis, documents which evidenced the receipt of tin-in-concentrates from suppliers. We also focused on testing purchase transactions close to the year end to establish whether the transactions were recorded in the correct accounting period.

In addressing the area of focus in respect of valuation of tin-in-concentrates, tin-in-process and refined tin metal, we obtained an understanding of the Group's production process and the types of costs included in the valuation of tin-in-concentrates, tin-in-process and refined tin metal. We also obtained an understanding of and tested the internal controls over the recording of tin-in-concentrates consumed and the valuation of different stages of tin-in-process. We attended the physical inventory counts and observed whether the counts were conducted according to inventory count procedures. We tested the arithmetic calculation of the valuation of inventories. We also reviewed the adequacy of the note disclosure about the significant judgement and estimation involved in determining the valuation of inventories as included in 41(a)(iv).

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

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF THE STRAITS TRADING COMPANY LIMITED

For the financial year ended 31 December 2018

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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF THE STRAITS TRADING COMPANY LIMITED

For the financial year ended 31 December 2018

Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)

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

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

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

Report on Other Legal and Regulatory Requirements

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

The engagement partner on the audit resulting in this independent auditor's report is Lim Tze Yuen.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore
29 March 2019

CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 December 2018

	Note	2018 \$'000	2017 \$'000 (restated)
Revenue			
Tin mining and smelting revenue		428,673	460,149
Property revenue	4	27,314	13,476
Total revenue		455,987	473,625
Other items of income			
Dividend income	5	12,835	14,139
Interest income	6	45,965	17,864
Fair value changes in investment properties	17	31,477	8,525
Other income	7	8,811	9,810
		555,075	523,963
Other items of expense			
Employee benefits expense	8	(29,746)	(30,694)
Depreciation expense	15	(5,959)	(5,017)
Amortisation expense	18	(660)	(613)
(Provision for)/Reversal of impairment losses	9	(739)	136
Costs of tin mining and smelting		(379,804)	(423,314)
Finance costs	10	(27,178)	(22,754)
Other expenses	11	(37,051)	(21,983)
Total expenses		(481,137)	(504,239)
Share of results of associates and joint ventures		25,708	37,739
Profit before tax	12	99,646	57,463
Income tax expense	13	(16,976)	(5,878)
Profit after tax		82,670	51,585
Profit attributable to:			
Owners of the Company		71,722	46,432
Non-controlling interests		10,948	5,153
		82,670	51,585
Earnings per share (cents per share)			
	14		
Basic		17.6	11.4
Diluted		17.6	11.4

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 2018

	2018 \$'000	2017 \$'000 (restated)
Profit after tax	82,670	51,585
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")	(40,230)	55,456
Share of net fair value changes in equity securities carried at FVOCI of associates	(19,295)	41,564
Net revaluation surplus on property, plant and equipment	10,573	2,538
Share of net revaluation surplus on property, plant and equipment of associates	3,964	2,645
	(44,988)	102,203
Items that may be reclassified subsequently to profit or loss:		
Net fair value changes in cash flow hedges	656	(383)
Currency translation reserve	(3,373)	(2,806)
Share of reserves of associates and joint ventures	(9,058)	(3,123)
Realisation of foreign currency translation reserve to profit or loss	1,322	(334)
	(10,453)	(6,646)
Other comprehensive income after tax for the year	(55,441)	95,557
Total comprehensive income for the year	27,229	147,142
Attributable to:		
Owners of the Company	15,568	137,525
Non-controlling interests	11,661	9,617
Total comprehensive income for the year	27,229	147,142

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

BALANCE SHEETS

As at 31 December 2018

	Note	Group			Company		
		31 December 2018 \$'000	31 December 2017 \$'000 (restated)	1 January 2017 \$'000 (restated)	31 December 2018 \$'000	31 December 2017 \$'000 (restated)	1 January 2017 \$'000 (restated)
Assets							
Non-current assets							
Property, plant and equipment	15	38,317	55,777	53,707	602	112	143
Land under development	16	62,958	–	–	30,445	–	–
Investment properties	17	910,356	586,694	554,337	5,569	33,110	32,314
Goodwill	18(a)	17,611	17,629	17,298	–	–	–
Other intangible assets	18(b)	6,272	6,718	7,100	–	–	–
Subsidiaries	19	–	–	–	124,237	124,237	125,237
Associates and joint ventures	20	773,742	789,409	639,379	144	1,997	2,708
Deferred tax assets	21	10,665	7,750	3,731	–	–	–
Other non-current receivables	22	–	–	–	56,525	–	–
Derivative financial instruments	24	779	–	551	–	–	–
Investment securities	23(a)	200,301	264,395	256,179	–	–	–
Other non-current assets	25	–	2,985	–	–	–	–
Total non-current assets		2,021,001	1,731,357	1,532,282	217,522	159,456	160,402
Current assets							
Assets classified as held for sale	26	1,535	5,000	17,464	–	–	17,464
Development properties for sale		–	–	66	–	–	–
Inventories	27	162,723	154,880	119,554	–	–	–
Income tax receivables		6,000	6,734	3,611	171	297	–
Prepayments and accrued income		2,051	1,132	2,409	17	14	15
Trade related prepayments		6,243	16,377	13,685	–	–	–
Trade receivables	22	8,795	5,282	37,565	10	23	50
Other receivables	22	74,158	73,315	74,027	1,117,029	979,031	837,184
Investment securities	23(b)	48,781	76,879	112,548	–	–	–
Derivative financial instruments	24	185	255	313	–	–	–
Cash and cash equivalents	28	244,862	362,438	291,091	71,610	258,760	99,374
Total current assets		555,333	702,292	672,333	1,188,837	1,238,125	954,087
Total assets		2,576,334	2,433,649	2,204,615	1,406,359	1,397,581	1,114,489

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

BALANCE SHEETS

As at 31 December 2018

	Note	Group			Company		
		31	31	1	31	31	1
		December 2018 \$'000	December 2017 \$'000 (restated)	January 2017 \$'000 (restated)	December 2018 \$'000	December 2017 \$'000 (restated)	January 2017 \$'000 (restated)
Equity and liabilities							
Equity							
Share capital	29(a)	568,968	568,968	568,968	568,968	568,968	568,968
Treasury shares	29(b)	(598)	–	–	(598)	–	–
Retained earnings	30	876,119	822,467	782,346	45,240	44,958	53,765
Other reserves	30	22,444	86,147	13,194	1,445	1,639	203
Reserve of assets classified as held for sales	26	360	–	–	–	–	–
Equity attributable to owners of the Company		1,467,293	1,477,582	1,364,508	615,055	615,565	622,936
Non-controlling interests		131,310	93,312	94,240	–	–	–
Total equity		1,598,603	1,570,894	1,458,748	615,055	615,565	622,936
Non-current liabilities							
Provisions	31	7,789	9,196	8,644	–	–	–
Deferred tax liabilities	21	13,094	5,421	5,672	705	1,692	2,751
Borrowings	32	617,311	552,904	185,770	149,598	149,694	–
Derivative financial instruments	24	549	899	374	–	–	–
Other non-current liabilities	33	8,337	461	1,265	–	–	–
Total non-current liabilities		647,080	568,881	201,725	150,303	151,386	2,751
Current liabilities							
Liabilities directly associated with assets classified as held for sale	26	21	–	–	–	–	–
Provisions	31	1,726	4,058	3,116	–	–	–
Income tax payable		6,486	3,166	13,426	1,562	197	75
Trade and other payables	34	75,266	70,083	92,445	639,439	630,433	488,727
Borrowings	32	247,152	215,757	434,041	–	–	–
Derivative financial instruments	24	–	810	1,114	–	–	–
Total current liabilities		330,651	293,874	544,142	641,001	630,630	488,802
Total liabilities		977,731	862,755	745,867	791,304	782,016	491,553
Total equity and liabilities		2,576,334	2,433,649	2,204,615	1,406,359	1,397,581	1,114,489

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 2018

	Total equity \$'000	Equity attributable to owners of the Company \$'000	Share capital \$'000	Treasury shares \$'000	Retained earnings \$'000	FVOCI reserve \$'000	Hedging reserve \$'000	Revaluation reserve \$'000	Translation reserve \$'000	Other reserve \$'000	Reserve of assets classified as held for sale \$'000	Non-controlling interests \$'000
Opening balance at 1 January 2018 (As previously stated)	1,570,894	1,477,582	568,968	–	874,014	65,328	(1,042)	28,066	(57,752)	–	–	93,312
Effects of adoption of SFRS(I)	–	–	–	–	(51,547)	–	–	–	51,547	–	–	–
Opening balance at 1 January 2018 (As restated)	1,570,894	1,477,582	568,968	–	822,467	65,328	(1,042)	28,066	(6,205)	–	–	93,312
Total comprehensive income for the year	27,229	15,568	–	–	71,722	(55,984)	95	9,861	(10,126)	–	–	11,661
Contributions by and distributions to owners												
Dividend on ordinary shares	(24,486)	(24,486)	–	–	(24,486)	–	–	–	–	–	–	–
Dividend to non-controlling interests	(2,954)	–	–	–	–	–	–	–	–	–	–	(2,954)
Contribution of capital by non-controlling interests	29,460	–	–	–	–	–	–	–	–	–	–	29,460
Shares buy back	(598)	(598)	–	(598)	–	–	–	–	–	–	–	–
Net return of capital from a subsidiary	(136)	–	–	–	–	–	–	–	–	–	–	(136)
Total contributions by and distributions to owners	1,286	(25,084)	–	(598)	(24,486)	–	–	–	–	–	–	26,370
Changes in ownership interests in subsidiaries												
Increase in ownership interests in a subsidiary	–	33	–	–	33	–	–	–	–	–	–	(33)
Total change in ownership interest in subsidiaries	–	33	–	–	33	–	–	–	–	–	–	(33)
Total transactions with owners in their capacity as owners	1,286	(25,051)	–	(598)	(24,453)	–	–	–	–	–	–	26,337
Others												
Realisation of FVOCI reserve	–	–	–	–	1,039	(1,039)	–	–	–	–	–	–
Realisation of revaluation reserve	–	–	–	–	10,042	–	–	(10,042)	–	–	–	–
Share of associate's realisation of FVOCI reserve	–	–	–	–	(53)	53	–	–	–	–	–	–
Issuance of ordinary shares pursuant to bonus issue by a subsidiary	–	–	–	–	(4,645)	–	–	–	–	4,645	–	–
Reserves of assets classified as held for sale	–	–	–	–	–	–	–	(360)	–	–	360	–
Share of other changes in equity of associates	(806)	(806)	–	–	–	–	–	–	–	(806)	–	–
Total others	(806)	(806)	–	–	6,383	(986)	–	(10,402)	–	3,839	360	–
Closing balance at 31 December 2018	1,598,603	1,467,293	568,968	(598)	876,119	8,358	(947)	27,525	(16,331)	3,839	360	131,310

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 2018

	Total equity \$'000	Equity attributable to owners of the Company \$'000	Share capital \$'000	Retained earnings \$'000	FVOCI reserve \$'000	Hedging reserve \$'000	Revaluation reserve \$'000	Translation reserve \$'000	Non-controlling interests \$'000
Opening balance at 1 January 2017 (As previously stated)	1,458,748	1,364,508	568,968	832,222	(10,178)	(672)	24,044	(49,876)	94,240
Effects of adoption of SFRS(I)	–	–	–	(49,876)	–	–	–	49,876	–
Opening balance at 1 January 2017 (As restated)	1,458,748	1,364,508	568,968	782,346	(10,178)	(672)	24,044	–	94,240
Total comprehensive income for the year	147,142	137,525	–	46,432	93,646	(370)	4,022	(6,205)	9,617
<u>Contributions by and distributions to owners</u>									
Dividend on ordinary shares	(24,486)	(24,486)	–	(24,486)	–	–	–	–	–
Dividend to non-controlling interests	(4,119)	–	–	–	–	–	–	–	(4,119)
Contribution of capital by non-controlling interests	1,805	–	–	–	–	–	–	–	1,805
Return of capital to non-controlling interests	(1,219)	–	–	–	–	–	–	–	(1,219)
Total contributions by and distributions to owners	(28,019)	(24,486)	–	(24,486)	–	–	–	–	(3,533)
<u>Changes in ownership interests in subsidiaries</u>									
Disposal of a subsidiary	(6,977)	–	–	–	–	–	–	–	(6,977)
Increase in ownership in a subsidiary	–	35	–	35	–	–	–	–	(35)
Total changes in ownership interests in subsidiaries	(6,977)	35	–	35	–	–	–	–	(7,012)
Total transactions with owners in their capacity as owners	(34,996)	(24,451)	–	(24,451)	–	–	–	–	(10,545)
<u>Others</u>									
Share of associate's realisation of FVOCI reserve	–	–	–	18,140	(18,140)	–	–	–	–
Total others	–	–	–	18,140	(18,140)	–	–	–	–
Closing balance at 31 December 2017	1,570,894	1,477,582	568,968	822,467	65,328	(1,042)	28,066	(6,205)	93,312

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 2018

	2018 \$'000	2017 \$'000 (restated)
Cash flows from operating activities		
Profit before tax	99,646	57,463
<u>Adjustments</u>		
Depreciation of property, plant and equipment	5,959	5,017
Amortisation of other intangible assets	660	613
Dividend income	(12,835)	(14,139)
Interest income	(45,965)	(17,864)
Finance costs	27,178	22,754
Currency realignment	2,138	(2,744)
Fair value changes in investment properties and financial assets	(28,875)	(16,993)
Net (gain)/loss on disposal of property, plant and equipment, investment properties and other investments	(612)	2,884
Negative goodwill from acquisition of subsidiaries (note 19)	-	(198)
Provision for/(Reversal) of impairment losses of investments, property, plant and equipment	739	(136)
Share of results of associates and joint ventures	(25,708)	(37,739)
Operating cash flows before changes in working capital	22,325	(1,082)
Decrease in development properties for sale	-	66
Increase in inventories	(8,036)	(33,053)
(Increase)/Decrease in short-term investment securities	(15,820)	72,979
Decrease/(Increase) in trade and other receivables	10,484	(53,751)
Increase/(Decrease) in trade and other payables	3,506	(2,209)
Cash flows from/(used in) operations	12,459	(17,050)
Income taxes paid	(7,965)	(11,985)
Finance costs paid	(13,888)	(11,595)
Interest received	14,618	3,616
Dividend income from short-term investment securities	2,177	3,235
Net cash flows from/(used in) operating activities	7,401	(33,779)

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 2018

	2018 \$'000	2017 \$'000 (restated)
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment, other intangible assets and investment properties	16,479	25,115
Proceeds from disposal of investment securities	40,331	–
Proceeds from disposal of a joint venture	675	–
Proceeds from redemption of a debt instrument	18,927	36,412
Cost incurred on property, plant and equipment	(6,505)	(3,944)
Cost incurred on investment properties	(332,415)	(24,628)
Investment in an associate and a joint venture	(40,522)	(151,415)
Purchase of investment securities	–	(38,775)
Return of capital from associates	54,088	64,816
Payment for deferred mine exploration and evaluation expenditure, mine properties and other intangible assets	(212)	(157)
Net cash outflow on acquisition of subsidiaries (note 19)	–	(2,212)
Net cash inflow from sale of a subsidiary (note 19)	–	75,689
Dividend income from investment securities and associates	36,311	19,761
Interest received	5,994	14,015
Income taxes paid	(1,192)	(9,672)
Net cash flows (used in)/from investing activities	(208,041)	5,005
Cash flows from financing activities		
Dividend paid to shareholders (note 35)	(24,486)	(24,486)
Dividend paid to non-controlling shareholders of subsidiaries	(2,954)	(4,380)
Purchase of treasury shares (note 29)	(598)	–
Loan from/(Repayment of loan to) a non-controlling shareholder of a subsidiary	3,971	(4,077)
Repayment of short-term borrowings	(65,409)	(32,604)
Drawdown of long-term borrowings	199,959	274,113
Repayment of long-term borrowings	(34,001)	(248,849)
Proceeds from issuance of fixed rate notes	–	150,000
Net proceeds from issuance of shares by subsidiaries to non-controlling shareholders	19,458	1,805
Return of capital to non-controlling shareholders of a subsidiary	(136)	(1,219)
Finance costs paid	(13,261)	(9,062)
Net cash flows from financing activities	82,543	101,241
Net (decrease)/increase in cash and cash equivalents	(118,097)	72,467
Effect of exchange rate changes on cash and cash equivalents	521	(1,120)
Cash and cash equivalents, beginning balance	362,438	291,091
Cash and cash equivalents, ending balance (note 28)	244,862	362,438

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 2018

1. Corporate information

The financial statements of The Straits Trading Company Limited (the “Company”) for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the Directors on 29 March 2019.

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 (International) (“SFRS(I”).

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. The financial statements of the Company includes the operations of its Malaysia branch.

2.2 First time adoption of SFRS(I)

These financial statements for the year ended 31 December 2018 are the first the Group and the Company have prepared in accordance with SFRS(I). Accordingly, the Group and the Company have prepared financial statements that comply with SFRS(I) applicable as at 31 December 2018, together with the comparative period data for the year ended 31 December 2017, as described in the summary of significant accounting policies. On preparing the financial statements, the Group’s and the Company’s opening balance sheets were prepared as at 1 January 2017, the Group and the Company’s date of transition to SFRS(I).

The principal adjustments made by the Group on adoption of SFRS(I) and the adoption of the new standards that are effective on 1 January 2018 are disclosed below.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

2.2 First time adoption of SFRS(I) (cont'd)

During the financial year, the Group has adopted the following interpretations of SFRS(I) and requirements of SFRS(I), which took effect from financial period beginning 1 January 2018.

- Amendments to SFRS(I) 1-28 Investments in Associates and Joint Ventures
- Amendments to SFRS(I) 1-40 Transfers of Investment Property
- Amendments to SFRS(I) 2 Classification and Measurement of Share-based Payment Transactions
- SFRS(I) INT 22 Foreign Currency Transactions and Advance Consideration

Adoption of SFRS(I) 1

The Group has elected for the optional exemption to reset its cumulative translation differences for all foreign operations to nil at the date of transition at 1 January 2017. As a result, cumulative translation losses of \$49,876,000 and \$19,607,000 were reclassified from translation reserves to retained earnings as at 1 January 2017 for the Group and the Company respectively. The Group also reduced a gain of \$1,671,000 arising from foreign exchange impact on disposal of subsidiaries and associates in FY2017 respectively from other income.

SFRS(I) 15 Revenue from Contracts with Customers

This Standard establishes a five-step model that will apply to recognition of revenue arising from contracts with customers, and provide a more structured approach in measuring and recognising revenue. Under this Standard, revenue will be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The adoption of this Standard results in changes in accounting policies for revenue recognition, and has no impact other than the disclosures in the Group's and the Company's financial statements.

Other than the above, the adoption of these SFRS(I) and interpretation of SFRS(I) did not have any significant impact on the financial statements of the Group.

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:

Description	Effective for annual periods beginning on or after
SFRS(I) 16 Leases	1 January 2019
SFRS(I) INT 23 Uncertainty over Income Tax Treatments	1 January 2019
Amendments to SFRS(I) 9 Prepayment Features with Negative Compensation	1 January 2019
Amendments to SFRS(I) 1-28 Long-term Interests in Associates and Joint Ventures	1 January 2019
Annual Improvements to SFRS(I)s 2015-2017 Cycle	1 January 2019
Amendments to SFRS(I) 10 and SFRS(I) 1-28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Date to be determined

The Directors expect that the adoption of the above standards will have no material impact on the financial statements in the year of initial application except as discussed below.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

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

SFRS(I) 16 Leases

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

The Group has performed a preliminary assessment of the 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.

On the adoption of SFRS(I) 16, the Group expects to recognise right-of-use assets of \$2,004,000 and lease liabilities of \$2,652,000 for its leases previously classified as operating leases, with a corresponding decrease in the opening retained earnings of \$54,000 and its related tax impact as of 1 January 2019.

2.4 Basis of consolidation and business combinations

(a) *Basis of consolidation*

The financial statements of the Company includes the operations of its Malaysia branch. 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

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

(a) Basis of consolidation (cont'd)

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.

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

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

Goodwill

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

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.

2.10 *Depreciation and residual values*

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 the estimated economically recoverable ore reserves and resources and useful lives of plant and equipment are accounted for on a prospective basis.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

2.10 Depreciation and residual values (cont'd)

Freehold land has an unlimited useful life and therefore is not depreciated. 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. The estimated useful lives for these remaining assets are as follows:

Leasehold land	–	remaining lease term of 5 to 94 years
Buildings	–	8 to 40 years
Plant, equipment and vehicles	–	3 to 40 years
Furniture	–	4 to 10 years
Mine restoration	–	15 years, or remaining life of mine, whichever is shorter

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 Land under development

Land under development consists of land where no significant development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle. Such land is classified within non-current assets and is stated at cost less accumulated impairment losses, if any.

Land under development is reclassified to property development costs at a point when development activities have commenced and where it can be demonstrated that the development activities can be completed within the normal operating cycle.

2.12 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

2.13 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. 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 2018

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

2.13 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:-

- (i) It is probable that the future economic benefits (improved access to an ore body) associated with the stripping activity will flow to the entity;
- (ii) The entity can identify the component of an ore body for which access has been improved; and
- (iii) 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

2.13 Intangible assets (cont'd)

(c) *Mine properties (cont'd)*

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.

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.

(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.

2.14 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.

At initial recognition, the Group measures financial assets 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

2.14 Financial instruments (cont'd)

(a) Financial assets (cont'd)

(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.

Equity instruments

On initial recognition of an investment in equity instrument that is not held for trading, the Group may irrevocably elect to present subsequent changes in FVOCI. Dividends from such investments are to be recognised in profit or loss when the Group's right to receive payments is established.

For investments in equity instruments which the Group has not elected to present subsequent changes in FVOCI, changes in fair value are recognised in profit or loss.

Derivatives

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

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

2.14 Financial instruments (cont'd)

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

(iv) *Derecognition*

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVOCI, the cumulative gain or loss previously accumulated in FVOCI reserve is not reclassified to profit or loss, but is transferred to retained earnings. On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable 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.

(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, cancelled or expired. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

2.15 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 policy set out in the impairment model under SFRS(I) 9 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised over the period of guarantee.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

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.

2.17 *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.

2.18 *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 cost 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. Cost of tin inventories which has no matching sales contract is calculated using the weighted average cost method less allowance for conversion.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

2.19 *Impairment of non-financial assets*

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

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

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

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

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 2018

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) *As lessee*

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

(b) *As lessor*

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. The accounting policy for rental income is set out in note 2.24. Contingent rents are recognised as revenue in the periods in which they are earned.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

2.24 Revenue and other income recognition

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

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

Revenue is measured at the fair value of consideration received or receivable. The following describes the performance obligations in contracts with customers:

(i) Sale of tin

Revenue is recognised when “control” of the goods is transferred to the customer. For sale of tin through Kuala Lumpur Tin Market (“KLTM”)/London Metal Exchange (“LME”), revenue is recognised upon tin warrant issue. For sale of tin to the end-customer, revenue is recognised upon delivery of tin to the customer, or according to the agreed Incoterms with customers.

Tin warrant is a document of possession, used as a means of delivering tin metal under KLTM/LME contracts.

(ii) Smelting revenue

Smelting revenue is recognised at a point in time upon performance of services.

(iii) Sale of by-products

Revenue is recognised upon delivery/shipment to the customer, or according to the agreed Incoterms with customers.

(iv) Rental income

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.

(v) Others

Others include service charges that are recognised upon performance of services.

Other income

- Dividend income is recognised when the Group’s and the Company’s right to receive payment is established.
- Interest income is recognised on an accrual basis using effective interest method.
- Profits from sale of investment securities are recognised upon conclusion of the contract for sale.
- Profits from sale of completed properties are recognised when control over the property has been transferred to the customer, either over time or at a point in time, depending on the contractual terms and practices in the legal jurisdictions.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

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.

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

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

2.25 Taxes (cont'd)

(b) *Deferred tax (cont'd)*

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

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 SFRS(I) 1-39 as its policy choice on initial adoption of SFRS(I) 9.

The Group uses derivative financial instruments such as forward currency contracts, cross currency swaps, 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

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

2.26 *Derivative financial instruments and hedging (cont'd)*

Initial recognition and subsequent measurement (cont'd)

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.

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.

When a cash flow hedge is discontinued, the cumulative gain or loss previously recognised in other comprehensive income will remain in the cash flow hedge reserve until the future cash flows occurs if the hedge future cash flows are still expected to occur or reclassified to profit or loss immediately if the hedged future cash flows are no longer expected to occur.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

2.26 *Derivative financial instruments and hedging (cont'd)*

Initial recognition and subsequent measurement (cont'd)

(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 *Share capital and share issuance expenses*

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

2.28 *Treasury shares*

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

2.29 *Contingencies*

A contingent liability is:

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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 41.

4. Property revenue

	Group	
	2018	2017
	\$'000	\$'000
Rental and related income	27,314	13,140
Sale of development properties	–	336
	27,314	13,476

5. Dividend income

	Group	
	2018	2017
	\$'000	\$'000
Dividend income from:		
– Investment securities at fair value through profit or loss ("FVTPL")	2,177	3,235
– Investment securities at FVOCI	10,658	10,904
	12,835	14,139

6. Interest income

	Group	
	2018	2017
	\$'000	\$'000
Interest income from:		
– Financial assets at amortised cost	3,971	9,160
– Deposits at amortised cost	3,396	2,332
– Receivables from associates and joint ventures at amortised cost	38,509	6,273
– Receivables at amortised cost	89	99
	45,965	17,864

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

7. Other income

	Group	
	2018	2017
	\$'000	\$'000
		(restated)
Net gain on disposal of investment properties	1,533	510
Net gain/(loss) on disposal of subsidiaries, associates and joint ventures		
– Foreign exchange impact on capital reduction	(1,459)	487
– Others	653	(3,899)
Net loss/(gain) on disposal of equity securities at FVTPL	1,664	(1,726)
Net loss on disposal of derivatives at FVTPL	–	(107)
Fair value changes in financial assets:		
– Held-for-trading equity securities at FVTPL	(3,730)	8,509
– Derivatives at FVTPL	758	225
– Ineffective portion of derivatives designated as hedging instruments in cash flow hedge	370	(266)
Fund related fees	4,814	2,949
Negative goodwill from acquisition of subsidiaries (note 19)	–	198
Other operating income	4,208	2,930
	8,811	9,810

8. Employee benefits expense

	Group	
	2018	2017
	\$'000	\$'000
Wages, salaries and other allowances	27,158	28,158
Defined contribution plans	2,588	2,536
	29,746	30,694

9. (Provision for)/Reversal of impairment losses

	Group	
	2018	2017
	\$'000	\$'000
(Provision for)/Reversal of impairment of a joint venture (note 20.2)	(140)	120
(Revaluation deficit)/Reversal of revaluation deficit on property	(599)	16
	(739)	136

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

10. Finance costs

	Group	
	2018	2017
	\$'000	\$'000
Interest on bank loans carried at amortised cost		
Interest on notes carried at amortised cost	19,526	18,026
Fees incurred for credit facilities carried at amortised cost	5,595	2,545
Interest on loan from a non-controlling shareholder of a subsidiary, carried at amortised cost	817	1,293
Discount adjustment on provision (note 31)	908	562
	332	328
	27,178	22,754

11. Other expenses

	Group	
	2018	2017
	\$'000	\$'000
Administrative expenses	10,610	9,952
Marketing and distribution expenses	3,127	2,847
Property related management fees	2,348	2,583
Upkeep and maintenance expenses of properties	3,710	2,217
Property related taxes	1,698	1,631
Operating lease expenses	1,485	1,485
Brokerage fees	158	314
Reversal of impairment of trade receivables (note 22)	(965)	–
Exchange losses/(gains)	10,481	(1,144)
Other expenses	4,399	2,098
	37,051	21,983

12. Profit before tax

Profit before tax is stated after charging/(crediting) the following:

	Group	
	2018	2017
	\$'000	\$'000
Audit fees paid/payable:		
(a) Auditor of the Company	432	416
(b) Overseas affiliates of the auditor of the Company	483	319
(c) Other auditors	21	38
Non-audit fees paid/payable:		
(a) Auditor of the Company	77	109
(b) Overseas affiliates of the auditor of the Company	24	53
(c) Other auditors	444	566
	1,481	1,501
Gain on disposal of property, plant and equipment	(51)	(49)
Property, plant and equipment written off	145	28

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

13. Income tax expense

(a) *Major components of income tax expense*

The major components of income tax expense for the years ended 31 December 2018 and 2017 are:

	Group	
	2018	2017
	\$'000	\$'000
<hr/>		
(i) Consolidated income statement:		
<i>Income tax</i>		
– Current income tax	12,311	10,425
– Under/(Over) provision in respect of prior years	855	(379)
– Benefits from previously unrecognised tax losses and unutilised capital allowances	–	(370)
	<hr/> 13,166	<hr/> 9,676
<i>Deferred tax</i>		
– Originating and reversal of temporary differences	4,567	(3,991)
– (Over)/Under provision in respect of prior years	(757)	193
	<hr/> 3,810	<hr/> (3,798)
	(note 21)	
Income tax expense recognised in profit or loss	<hr/> 16,976	<hr/> 5,878
<hr/>		
(ii) Statement of comprehensive income:		
<i>Deferred tax related to other comprehensive income</i>		
– Net change on revaluation of property, plant and equipment	897	223
– Net change in hedging reserve for derivatives designated as hedging instruments in cash flow hedges	–	170
– Net change in investment securities at FVOCI	(681)	(185)
	<hr/> 216	<hr/> 208

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

13. Income tax expense (cont'd)

(b) *Relationship between tax expense and accounting profit*

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable statutory tax rate for the years ended 31 December 2018 and 2017 are as follows:

	Group	
	2018	2017
	\$'000	\$'000
		(restated)
Profit before tax	99,646	57,463
Less: Share of results of associates and joint ventures *	(25,708)	(37,739)
	73,938	19,724
Tax at statutory rate of 17% (2017: 17%)	12,569	3,353
Effect of different tax rates in other countries	1,233	99
Under/(Over) provision in respect of prior years	855	(379)
(Over)/Under provision of deferred tax in respect of prior years	(757)	193
Expenses/Losses not claimable	8,677	7,802
Reinvestment allowance claimed	(1,292)	–
Income not subject to tax	(4,879)	(5,206)
Effect of partial tax exemption	(438)	(415)
Deferred tax assets not recognised	175	–
Utilisation of previously unrecognised tax losses and unutilised capital allowances	–	(370)
Withholding tax expenses	682	797
Others	151	4
	16,976	5,878

* 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 financial year, the income tax rates applicable to foreign subsidiaries are as follows:

	2018	2017
Malaysia	24%	24%
Australia	30%	30%
China	25%	25%

14. Earnings per share (cents per share)

The calculations of basic and diluted earnings per share are based on the profit attributable to owners of the Company of \$71,722,000 (2017: \$46,432,000) and on 406,945,455 (2017: 408,095,772) weighted average number of 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 2018

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 2018 (restated)	12,125	8,374	10,347	44,390	547	8,261	84,044
Additions/(Reversal)	2,456	–	49	736	3,266	(876)	5,631
Disposals	–	–	–	(1,231)	–	–	(1,231)
Transfer	75	(75)	1,039	993	(2,032)	–	–
Revaluation surplus, net	11,536	964	(1,883)	–	–	–	10,617
Elimination of accumulated depreciation on revaluation	–	(101)	(924)	–	–	–	(1,025)
Reclassified to land under development (note 16)	(25,888)	–	–	–	–	–	(25,888)
Reclassified to non-current asset held for sale	–	–	(1,514)	–	–	–	(1,514)
Exchange adjustment	(162)	(17)	6	(75)	(42)	(13)	(303)
At 31 December 2018	142	9,145	7,120	44,813	1,739	7,372	70,331
Accumulated depreciation							
At 1 January 2018	–	–	–	25,373	–	2,894	28,267
Depreciation charge for the year	–	112	941	3,818	–	1,088	5,959
Disposals	–	–	–	(1,059)	–	–	(1,059)
Elimination of accumulated depreciation on revaluation	–	(101)	(924)	–	–	–	(1,025)
Exchange adjustment	–	(11)	(17)	(81)	–	(19)	(128)
At 31 December 2018	–	–	–	28,051	–	3,963	32,014
Net carrying amount							
At 31 December 2018	142	9,145	7,120	16,762	1,739	3,409	38,317

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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 2017	9,761	8,212	9,472	41,629	512	7,966	77,552
Additions	–	–	817	1,194	1,630	143	3,784
Disposals	–	–	–	(790)	–	–	(790)
Transfer	–	–	–	1,626	(1,626)	–	–
Revaluation surplus, net	2,163	118	474	–	–	–	2,755
Elimination of accumulated depreciation on revaluation	–	(118)	(609)	–	–	–	(727)
Exchange adjustment	201	162	193	731	31	152	1,470
At 31 December 2017 (restated)	12,125	8,374	10,347	44,390	547	8,261	84,044
Accumulated depreciation							
At 1 January 2017	–	–	–	22,166	–	1,679	23,845
Depreciation charge for the year	–	110	589	3,165	–	1,153	5,017
Disposals	–	–	–	(423)	–	–	(423)
Elimination of accumulated depreciation on revaluation	–	(118)	(609)	–	–	–	(727)
Exchange adjustment	–	8	20	465	–	62	555
At 31 December 2017	–	–	–	25,373	–	2,894	28,267
Net carrying amount							
At 1 January 2017	9,761	8,212	9,472	19,463	512	6,287	53,707
At 31 December 2017 (restated)	12,125	8,374	10,347	19,017	547	5,367	55,777

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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 2018	41	69	113	223
Additions	–	49	–	49
Revaluation surplus	–	452	–	452
Elimination of accumulated depreciation on revaluation	–	(12)	–	(12)
Exchange adjustment	–	2	–	2
At 31 December 2018	41	560	113	714
Accumulated depreciation				
At 1 January 2018	–	–	111	111
Depreciation charge for the year	–	12	1	13
Elimination of accumulated depreciation on revaluation	–	(12)	–	(12)
At 31 December 2018	–	–	112	112
Net carrying amount				
At 31 December 2018	41	560	1	602

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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 2017	29	81	219	329
Additions	–	–	1	1
Disposals	–	–	(111)	(111)
Revaluation surplus/(deficit)	12	(1)	–	11
Elimination of accumulated depreciation on revaluation	–	(12)	–	(12)
Exchange adjustment	–	1	4	5
At 31 December 2017	41	69	113	223
Accumulated depreciation				
At 1 January 2017	–	–	186	186
Depreciation charge for the year	–	12	8	20
Disposals	–	–	(85)	(85)
Elimination of accumulated depreciation on revaluation	–	(12)	–	(12)
Exchange adjustment	–	–	2	2
At 31 December 2017	–	–	111	111
Net carrying amount				
At 1 January 2017	29	81	33	143
At 31 December 2017	41	69	2	112

(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 42D.

(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		
	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000
Freehold land	36	4,513	4,429	1	1	1
Leasehold land	8,060	8,375	8,212	–	–	–
Buildings	5,331	7,222	6,607	49	–	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

(c) Details of properties included in property, plant and equipment as at 31 December 2018 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	5*	Holiday bungalow	C H Williams Talhar & Wong Sdn Bhd	Comparison method
Lot 448, Mukim of Sabai, District of Bentong, Pahang	Freehold		Agricultural	Jones Lang Wootton	Comparison method
No. 27 Jalan Pantai, 12000 Butterworth, Penang					
– Seabed leases with main wharf at PT 686	Leasehold	51	Main wharf	Knight Frank Malaysia Sdn Bhd	Comparison method
80 units of flats at Taman Desa Palma, Alma, 14000 Bukit Mertajam, Penang	Freehold		Residential	Knight Frank Malaysia Sdn Bhd	Comparison method
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
(iii) Land and buildings at PT 4338, 3934, 725, 726, 727, 55502, 55503, 55504, Lot 2071, 4522 and 4523	Leasehold	up to 94	Dam, residential and power station	Knight Frank Malaysia Sdn Bhd	Comparison method and depreciated replacement cost method

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

(c) Details of properties included in property, plant and equipment as at 31 December 2018 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 (cont'd):					
(iv) 3 units of terrace houses at PT 1705, 1706 and 1707	Leasehold	90	Residential	Knight Frank Malaysia Sdn Bhd	Comparison method
(v) 2 units of single-storey semi-detached house at PT 55671 and 55675	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	78	Office and factory	Khong & Jaafar Sdn Bhd	Comparison method and depreciated replacement cost method

* During the financial year, the Group paid certain premium to extend the tenure of the property to ninety-nine years lease term commencing 5 November 2018. As at 31 December 2018, the extension has not been completed.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

16. Land under development

	Group		Company	
	31 December 2018 \$'000	31 December 2017 \$'000	31 December 2018 \$'000	31 December 2017 \$'000
At cost				
At 1 January	–	–	–	–
Reclassified from property, plant and equipment (note 15)	25,888	–	–	–
Reclassified from investment properties (note 17)	36,271	–	30,445	–
Additions	799	–	–	–
At 31 December	62,958	–	30,445	–

In September 2018, the Company entered into a Memorandum of Understanding with Malaysia Smelting Corporation Berhad to jointly develop or sell certain land in Butterworth owned by the Group. As a result, certain land in property, plant and equipment and investment properties have been reclassified to land under development.

Details of properties included in land under development as at 31 December 2018 are as follows:

Description of properties	Tenure	Group's effective interest in property	Site area sq.m.	Existing use
Malaysia				
No. 27 Jalan Pantai, 12000 Butterworth, Penang:				
(i) Offices and factory buildings at Lot 142 - 187 and 362	Freehold	55%	50,586	Office and factory
(ii) Carpark shed at Lot 268	Leasehold ⁽¹⁾	55%	4,234	Carpark shed
Lot Nos. 195, 197, 199, 2502, 2569, 2570 and 2626, Section 4 Town of Butterworth, Penang	Freehold	100%	65,243 ⁽²⁾	Commercial/ Carpark/Car showroom
Lot Nos. 2499, 189, 190 and 270, Section 4 Town of Butterworth, Penang; accommodating a single-storey club house and 1½ storey squash court and vacant plots	Freehold with two minor leasehold plots ⁽¹⁾	100%	36,881	Commercial

⁽¹⁾ During the financial year, the Group paid certain premium to convert these land lots from leasehold to freehold. As at 31 December 2018, the conversion has not been completed.

⁽²⁾ Included in Lot No. 2570 is land with site area of 4,656 sq.m. under development for hotel with podium accommodating shoplots and car park.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

17. Investment properties

	Group			Company		
	31 December	31 December	1 January	31 December	31 December	1 January
	2018	2017	2017	2018	2017	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance sheets:						
At fair value:						
Balance as at 1 January	586,694	554,337	606,010	33,110	32,314	32,371
Fair value changes recognised						
in profit or loss	31,477	8,525	932	381	1,375	499
Addition to properties	343,225	20,810	106,020	2,581	–	–
Acquisition of subsidiaries (note 19)	–	21,500	–	–	–	–
Reclassified to land under development (note 16)	(36,271)	–	–	(30,445)	–	–
Reclassified to asset held for sale (note 26)	–	(5,000)	–	–	–	–
Disposal during the year	(9,980)	(6,900)	(150,934)	–	(1,174)	–
Exchange adjustment	(4,789)	(6,578)	(7,691)	(58)	595	(556)
Balance as at 31 December	910,356	586,694	554,337	5,569	33,110	32,314

	Group	
	2018	2017
	\$'000	\$'000

Income statement:

Rental income from investment properties		
– Minimum lease payments	26,706	12,360
Direct operating expenses (including repairs and maintenance) arising from:		
– Rental generating properties	(11,776)	(9,212)
– Non-rental generating properties	(8)	(105)
	(11,784)	(9,317)

- (a) Except as disclosed in note 17(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 42D.
- (c) Certain investment properties are mortgaged to secure bank facilities (note 32).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

17. Investment properties (cont'd)

(d) Details of investment properties as at 31 December 2018 are as follows:

Description of properties	Tenure	Site area sq.m.	Net floor area sq.m.	Existing use	Professional valuers	Valuation method
Singapore						
5 residential units at Gallop Green condominium	Freehold	–	1,986 (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
Japan						
Residential building at 5-7 and 5-6, Kujominami 2-chome, Nishi-ku, Osaka-city, Osaka	Freehold	697	1,958	Residential	Rich Appraisal Institute Co., Ltd	Direct capitalisation method and discounted cash flow method
Residential building at 6-5 and 6-22, Nishimiyahara 1-chome, Yodogawa-ku, Osaka-city, Osaka	Freehold	1,944	5,736	Residential	Rich Appraisal Institute Co., Ltd	Direct capitalisation method and discounted cash flow method
Residential building at 43 and 45-13 and 45-14, Sangenya-higashi 1-chome, Taisho-ku, Osaka-city, Osaka	Freehold	1,098	2,825	Residential	Rich Appraisal Institute Co., Ltd	Direct capitalisation method and discounted cash flow method
Residential building at 12-7, Shiokusa 3-chome, Naniwa-ku, Osaka-city, Osaka	Freehold	520	2,994	Residential	Rich Appraisal Institute Co., Ltd	Direct capitalisation method and discounted cash flow method
Residential building at 3-3, Toyotama-kita 3 chome, Nerima-ku, Tokyo, Japan	Freehold	1,022	1,997	Residential	Land Coordinating Research Inc.	Direct capitalisation method and discounted cash flow method

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

17. Investment properties (cont'd)

(d) Details of investment properties as at 31 December 2018 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 (cont'd)							
Residential building at 13-1, 13-2, 13-3 Minami-Honcho 1 chome, Minami-ku, Saitama city, Saitama, Japan	Freehold		1,364	4,939	Residential	Land Coordinating Research Inc	Direct capitalisation method and discounted cash flow method
Residential building at 11-1 to 11-3, 11-11 to 11-15 and 11-17 to 11-20 Higashi-Kawaguchi 1 chome, Kawaguchi city, Japan	Freehold		3,688	6,957	Residential	Land Coordinating Research Inc	Direct capitalisation method and discounted cash flow method
Residential building at 48-3, 48-14 Asakusabashi 5 chome, Taito-ku, Tokyo, Japan	Freehold		211	1,210	Residential	Land Coordinating Research Inc	Direct capitalisation method and discounted cash flow method
Residential building at 33-1 101-5 Narimasu 2 chome, Itabashi-ku, Tokyo, Japan	Freehold		541	1,278	Residential	Land Coordinating Research Inc	Direct capitalisation method and discounted cash flow method
Residential building at 8-5 Kaigan 2 chome, Minato-ku, Tokyo, Japan	Freehold		751	2,876	Residential	Land Coordinating Research Inc	Direct capitalisation method and discounted cash flow method
China							
Retail Mall at No. 186 Tongjiang Avenue, Nan'an District, Chongqing	Leasehold	32	15,774	35,378	Retail	Beijing Colliers International Real Estate Valuation Co., Ltd	Discounted cash flow/comparison method
Malaysia							
A parcel of residential land Lot No. 11260, Mukim of Hulu Kinta, District of Kinta, Perak	999 years Leasehold	876	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	875	12,892	–	Residential	C H Williams Talhar & Wong Sdn Bhd	Comparison method

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

17. Investment properties (cont'd)

(d) Details of investment properties as at 31 December 2018 are as follows (cont'd):

Description of properties	Tenure	Site area sq.m.	Net floor area sq.m.	Existing use	Professional valuers	Valuation method
Malaysia (cont'd)						
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
8 units of 3-storey shophouses, No. 4819 to 4826 Jalan Pantai, Taman Selat, 12000 Butterworth, Penang	Freehold	1,322	2,587	Commercial	C H Williams Talhar & Wong Sdn Bhd	Comparison method
Australia						
45 St Georges Terrace, Perth, WA	Freehold	1,826	9,995	Office/ Carpark	Savills Valuations Pty Ltd	Direct capitalisation method and discounted cash flow method
Land at Kilkenny Road, Kilkenny	Freehold	50,277	–	Industrial land	Valuations Services (SA) Pty Ltd	Direct capitalisation method and discounted cash flow method
14 Ocean Steamers Road, Port Adelaide	Freehold	35,990	17,251	Warehouse/ Office	Jones Lang LaSalle Advisory Services Pty Ltd	Direct capitalisation method and discounted cash flow method
Land at 157-165 Cross Keys Road, Salisbury South, SA	Freehold	151,900	–	Industrial land	Jones Lang LaSalle Advisory Services Pty Ltd	Direct comparison method
33-55 Frost Road, Salisbury South, SA	Freehold	103,700	46,469	Warehouse/ Office	Jones Lang LaSalle Advisory Services Pty Ltd	Direct capitalisation method and discounted cash flow method
867-885 Mountain Highway Bayswater (Melbourne) VIC	Freehold	104,200	30,555	Warehouse/ Office	CBRE Valuations Pty Limited	Direct capitalisation method and discounted cash flow method

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

18. Goodwill/other intangible assets

- (a) Goodwill arising on consolidation

	Group		
	31 December	31 December	1 January
	2018	2017	2017
	\$'000	\$'000	\$'000
At cost			
At 1 January	17,629	17,298	17,604
Exchange adjustment	(18)	331	(306)
At 31 December	17,611	17,629	17,298

The carrying amount of goodwill is allocated to resources segment.

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

The recoverable amount of the resource subsidiary in Malaysia is determined based on value in use calculations using 5-year cash flow projections based on finance forecasts. Management has considered and determined the factors applied in these financial budgets, which included tin prices, exchange rates and fuel costs. The key assumptions made reflect past experience. The pre-tax discount rates applied to the cash flow projections at 11.0% and 9.0% for Mining and Smelting segments respectively, were based on the estimated weighted average cost of capital. There is no impairment in the carrying amount of goodwill arising from this review.

- (ii) Sensitivity to changes in assumptions

With regard to the assessment of value in use 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

18. Goodwill/other intangible assets (cont'd)

(b) Other intangible assets

	Group		
	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000
(i) Mining rights	1,481	1,786	2,039
Corporate club memberships	170	172	202
	1,651	1,958	2,241
(ii) Deferred mine exploration and evaluation expenditure	3,375	3,168	2,973
Mine properties	1,246	1,592	1,886
	4,621	4,760	4,859
	6,272	6,718	7,100

(i) Mining rights and corporate club memberships

	Mining rights \$'000	Corporate club memberships \$'000	Total \$'000
Group			
At cost			
At 1 January 2018	3,920	187	4,107
Exchange adjustment	(5)	–	(5)
At 31 December 2018	3,915	187	4,102
Accumulated amortisation			
At 1 January 2018	2,134	15	2,149
Amortisation charge for the year	307	3	310
Exchange adjustment	(7)	(1)	(8)
At 31 December 2018	2,434	17	2,451
Net carrying amount			
At 31 December 2018	1,481	170	1,651

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

18. Goodwill/other intangible assets (cont'd)

(b) Other intangible assets (cont'd)

(i) Mining rights and corporate club memberships (cont'd)

	Mining rights \$'000	Corporate club memberships \$'000	Total \$'000
At cost			
At 1 January 2017	3,847	286	4,133
Additions	–	21	21
Disposals	–	(122)	(122)
Exchange adjustment	73	2	75
At 31 December 2017	3,920	187	4,107
Accumulated amortisation			
At 1 January 2017	1,808	84	1,892
Amortisation charge for the year	285	6	291
Disposals	–	(75)	(75)
Exchange adjustment	41	–	41
At 31 December 2017	2,134	15	2,149
Net carrying amount			
At 1 January 2017	2,039	202	2,241
At 31 December 2017	1,786	172	1,958

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

18. Goodwill/other intangible assets (cont'd)

(b) Other intangible assets (cont'd)

(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 2018	3,168	1,592	4,760
Additions	212	–	212
Amortisation charge for the year	–	(350)	(350)
Exchange adjustment	(5)	4	(1)
At 31 December 2018	3,375	1,246	4,621
At 1 January 2017	2,973	1,886	4,859
Additions	135	1	136
Amortisation charge for the year	–	(322)	(322)
Exchange adjustment	60	27	87
At 31 December 2017	3,168	1,592	4,760

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		
	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000
Mining rights	4	5	6
Corporate club memberships	64 to 68	65 to 69	4 to 70
Mine properties	4	5	6

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

19. Subsidiaries

	Company		
	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000
	Quoted shares, at cost	25,402	25,402
Unquoted shares, at cost	56,058	56,058	57,058
Redeemable preference shares, at cost	48,900	48,900	48,900
	130,360	130,360	131,360
Impairment losses	(6,123)	(6,123)	(6,123)
	124,237	124,237	125,237

Details of subsidiaries are included in note 44.

Shares of certain subsidiaries of the Group are pledged to secure bank facilities (note 32).

Accounting for Put Option – Chongqing Xinchuang Mall Management Co., Ltd (“CXMM”)

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.

Notwithstanding that the Group has a put option to sell the shares of CXMM to the developer and seller of the mall, it is the Group’s expectation as at the date of this financial statements to closely monitor the performance of the mall and hold the decision on put option exercise nearer to exercise date. The effect of the option is not expected to be material to the financial statements.

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 allocated to NCI during the reporting period		Accumulated NCI at the end of reporting period		
		31 Dec 2018	31 Dec 2017	1 Jan 2017	2018	2017	31 Dec 2018	31 Dec 2017	1 Jan 2017
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Malaysia Smelting Corporation Berhad	Malaysia	45%	45%	45%	5,611	1,791	56,460	47,605	45,631
Straits Real Estate Pte. Ltd.	Singapore	11%	11%	11%	5,337	3,362	74,850	45,707	48,609

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

19. 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.		
	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000
Current						
Assets	198,964	208,065	178,059	130,920	106,652	247,506
Liabilities	(147,586)	(183,155)	(140,169)	(169,275)	(229,172)	(273,042)
Net current assets/(liabilities)	51,378	24,910	37,890	(38,355)	(122,520)	(25,536)
Non-current						
Assets	106,756	98,254	95,652	1,059,597	743,637	583,905
Liabilities	(25,389)	(9,854)	(25,797)	(461,509)	(187,870)	(171,678)
Net non-current assets	81,367	88,400	69,855	598,088	555,767	412,227
Net assets	132,745	113,310	107,745	559,733	433,247	386,691

Summarised statements of comprehensive income

	Malaysia Smelting Corporation Berhad		Straits Real Estate Pte. Ltd.	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000 (restated)
Revenue	428,673	460,149	22,915	7,079
Profit before tax	16,281	7,550	51,864	27,388
Income tax expense	(3,860)	(3,614)	(11,697)	(287)
Profit after tax	12,421	3,936	40,167	27,101
Other comprehensive income	7,953	3,893	(23,237)	29,851
Total comprehensive income	20,374	7,829	16,930	56,952

Other summarised information

	Malaysia Smelting Corporation Berhad		Straits Real Estate Pte. Ltd.	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Net cash flows from/(used in) operating activities	25,117	(35,486)	5,631	(2,656)
Net cash flows used in investing activities	(4,248)	(2,456)	(262,433)	(42,545)
Net cash flows (used in)/from financing activities	(30,202)	34,128	310,616	(20,705)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

19. Subsidiaries (cont'd)

Analysis of acquisition of subsidiaries

On 31 January 2017, Straits Real Estate, through its wholly-owned subsidiary SRE Japan 2 Pte. Ltd., acquired the entire issued share capital in 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 through Tokutei Mokuteki Kaisha JP 2 (formerly known as Tokutei Mokuteki Kaisha Nikko AM Japan Property 1-2).

The contribution to the Group arising from these acquisitions are as follows:

	Group 2017 \$'000
Revenue	1,096
Profit after tax from continuing operations	<u>403</u>

Had these acquisitions occurred on 1 January 2017, the Group's revenue would have been increased by \$102,000 and profit after tax from continuing operations would have been reduced by \$117,000.

Transaction costs of \$125,000 related to the acquisition were expensed and included in "other expenses" line item in the Group's profit or loss for the year ended 31 December 2017.

The fair values of the net identifiable assets and liabilities of the subsidiaries as at the acquisition date were:

	\$'000
Assets:	
Investment properties (note 17)	21,500
Trade and other receivables, including prepayments	75
Cash and cash equivalents	<u>5,185</u>
	26,760
Liabilities:	
Trade and other payables	(4,313)
Borrowings	<u>(14,852)</u>
	(19,165)
Net assets acquired	7,595
Less: Cash consideration, net of expenses	<u>(7,397)</u>
Negative goodwill (note 7)	<u>198</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

19. Subsidiaries (cont'd)

Analysis of acquisition of subsidiaries (cont'd)

Cash flow effect on acquisition of the subsidiaries:

	Group 2017 \$'000
Total consideration for entire equity interest acquired	7,397
Less: Cash and cash equivalent of the subsidiaries acquired	<u>(5,185)</u>
Net cash outflow	<u>2,212</u>

Analysis of sale of a subsidiary

On 1 June 2017, Straits Real Estate, through its wholly-owned subsidiary SRE Venture 6 Pte. Ltd., redeemed its entire investment in the Class A, Class B and Class C shares in SRE Asian Asset Income Fund.

The transaction had the following effects on the financial position of the Group as at 31 December 2017:

	\$'000
Assets:	
Trade and other receivables, including prepayments	89,072
Investment securities	14,271
Cash and cash equivalents	<u>34,309</u>
	<u>137,652</u>
Liabilities:	
Income tax payable	(54)
Trade and other payables	<u>(20,623)</u>
	<u>(20,677)</u>
Equity:	
Non-controlling interests	<u>(6,977)</u>
Net assets disposed	109,998
Cash consideration, net of expenses	<u>109,998</u>
	<u>—</u>
Cash and cash equivalents of the subsidiary disposed	<u>(34,309)</u>
Net cash inflow	<u>75,689</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

20. Associates and joint ventures

	Group			Company		
	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000
Associates	626,540	660,669	636,283	144	1,997	2,708
Joint ventures	147,202	128,740	3,096	–	–	–
	773,742	789,409	639,379	144	1,997	2,708

20.1 Associates

	Group			Company		
	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000
Quoted shares, at cost	–	–	323,855	–	–	–
Share of post-acquisition reserves	–	–	26,899	–	–	–
	–	–	350,754	–	–	–
Unquoted shares, at cost	448,195	469,045	183,608	609	2,462	2,708
Shareholder loans (d)	71,910	71,910	71,910	–	–	–
Share of post-acquisition reserves	109,718	132,311	39,417	–	–	–
Exchange adjustment	(3,283)	(7,614)	(4,423)	–	–	–
	626,540	665,652	290,512	609	2,462	2,708
Impairment losses	–	(4,983)	(4,983)	(465)	(465)	–
	626,540	660,669	285,529	144	1,997	2,708
	626,540	660,669	636,283	144	1,997	2,708
Market value of quoted shares	–	–	341,822	–	–	–

- (a) Details of associates are included in note 44.
- (b) During the financial year, the Group acquired a 40.8% stake in Savills Investment Management Japan Value Fund II, LP (“JV2”) at an initial investment cost of \$38.4 million.
- (c) In 2017, ARA Asset Management Limited (“ARA”) was privatised and delisted from the SGX-ST via a Scheme of Arrangement. In accordance with the subscription and rollover agreement, the Group received \$48.2 million cash and \$308.6 million is reinvested as rollover shares in a newly incorporated holding company of ARA, ARA Asset Management Holdings Pte. Ltd. (“ARAH”). On completion of the transaction in April 2017, the Group’s effective interest in ARA increased from 20.1% to 20.95%.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

20. Associates and joint ventures (cont'd)

20.1 Associates (cont'd)

(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.

(e) Movement in the allowance account:

	Group			Company		
	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000
At 1 January	(4,983)	(4,983)	(4,983)	(465)	–	–
Write off/(Impairment) for the year	4,983	–	–	–	(465)	–
At 31 December	–	(4,983)	(4,983)	(465)	(465)	–

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

	Group	
	2018 \$'000	2017 \$'000
Profit after tax	10	118
Other comprehensive income	38	(131)
Total comprehensive income	48	(13)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

20. Associates and joint ventures (cont'd)

20.1 Associates (cont'd)

- (g) The summarised financial information in respect of ARAH/ARA, FEHH, Greater Tokyo Office Fund (Jersey) L.P. ("GTOF"), ARA Harmony Fund III, L.P. ("H3") and JVF2, 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

	ARAH \$'000	FEHH \$'000	GTOF \$'000	H3 \$'000	JVF2 \$'000
As at 31 December 2018					
Current assets	1,172,985	82,022	130,665	511,190	30,090
Non-current assets	3,039,641	626,326	–	86,953	227,677
Total assets	4,212,626	708,348	130,665	598,143	257,767
Current liabilities	(842,476)	(329,694)	(22,895)	(412,832)	(10,733)
Non-current liabilities	(1,086,093)	(274,379)	(5,539)	–	(150,961)
Total liabilities	(1,928,569)	(604,073)	(28,434)	(412,832)	(161,694)
Net assets	2,284,057	104,275	102,231	185,311	96,073
Perpetual securities holders	(606,587)	–	–	–	–
Carried interests	–	–	4,960	–	–
Non-controlling interests	(6,737)	–	(6,007)	–	(714)
	1,670,733	104,275	101,184	185,311	95,359
As at 31 December 2017					
Current assets	237,528	79,860	83,211	520,944	–
Non-current assets	2,462,264	610,724	568,571	86,866	–
Total assets	2,699,792	690,584	651,782	607,810	–
Current liabilities	(160,554)	(292,031)	(37,692)	(69,998)	–
Non-current liabilities	(532,836)	(281,920)	(312,945)	(341,899)	–
Total liabilities	(693,390)	(573,951)	(350,637)	(411,897)	–
Net assets	2,006,402	116,633	301,145	195,913	–
Perpetual securities holders	(304,077)	–	–	–	–
Non-controlling interests	(31,389)	–	(30,686)	–	–
	1,670,936	116,633	270,459	195,913	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

20. Associates and joint ventures (cont'd)

20.1 Associates (cont'd)

Summarised statements of comprehensive income

	ARAH/ARA \$'000	FEHH \$'000	GTOF \$'000	H3 \$'000	JVF2 \$'000
2018					
Revenue	234,345	86,421	25,511	41,759	1,188
Profit/(Loss) after tax	146,596	1,513	17,825	(2,625)	(6,819)
Other comprehensive income	(97,891)	(13,871)	–	796	–
Total comprehensive income	48,705	(12,358)	17,825	(1,829)	(6,819)
Dividends received from the associates during the year	2,933	–	19,208	3,509	–
2017					
Revenue	207,757	91,294	25,186	44,322	–
Profit after tax	82,647	399	71,351	(7,587)	–
Other comprehensive income	174,939	10,893	–	4,062	–
Total comprehensive income	257,586	11,292	71,351	(3,525)	–
Dividends received from the associates during the year	–	–	5,095	3,509	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

20. Associates and joint ventures (cont'd)

20.1 Associates (cont'd)

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

	ARAH	FEHH	GTOF	H3	JVF2
	\$'000	\$'000	\$'000	\$'000	\$'000
Net assets at 31 December 2018	1,670,733	104,275	101,184	185,311	95,359
Interest in associates	20.95%	30%	37.57%	40%	40.82%
Group's share of net assets	350,019	31,283	38,015	74,124	38,926
Goodwill on acquisition	121,889	–	–	–	–
Intangible assets	108,849	10,141	–	–	–
Step acquisition adjustment	(180,222)	–	–	–	–
Capital return arising from privatisation	(48,211)	–	–	–	–
Other adjustments	1,138	–	–	–	3
Carrying value of the Group's interest in associates	353,462	41,424	38,015	74,124	38,929
Net assets at 31 December 2017	1,670,936	116,633	270,459	195,913	–
Interest in associates	20.95%	30%	37.57%	40%	–
Group's share of net assets	350,061	34,990	101,611	78,365	–
Goodwill on acquisition	121,889	–	–	–	–
Intangible assets	110,101	10,291	–	–	–
Step acquisition adjustment	(180,222)	–	–	–	–
Capital return arising from privatisation	(48,211)	–	–	–	–
Other adjustments	(61)	–	–	–	–
Carrying value of the Group's interest in associates	353,557	45,281	101,611	78,365	–

Step acquisition adjustment and capital return arising from privatisation arose from the privatisation of ARA in April 2017.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

20. Associates and joint ventures (cont'd)

20.2 Joint ventures

	Group		
	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000
Unquoted shares, at cost	3,358	3,868	3,868
Shareholder notes (c)	144,611	126,003	–
Share of post-acquisition reserves	8,902	9,016	9,077
Exchange adjustment	(7,288)	(7,906)	(7,488)
	149,583	130,981	5,457
Impairment losses	(2,381)	(2,241)	(2,361)
	147,202	128,740	3,096

- (a) Details of joint ventures are included in note 44.
- (b) During the financial year, a subsidiary of the Group disposed of its entire 40% interest in Africa Smelting Corporation Sprl, for a consideration of USD500,000 (\$165,000).
- (c) In 2017, Straits Real Estate, through its wholly owned subsidiary, SRE Australia 2 Pte. Ltd. ("SRE Australia 2"), invested A\$119.2 million (\$125.0 million) in notes issued by 320P Trust. The notes are unsecured, repayable by 2027 and entitles SRE Australia 2 to the higher of a fixed interest per annum or a percentage of profits in 320P Trust. As unanimous approval is required for key operating, investing and financing matters, the Group has accounted for 320P Trust as a joint venture.
- (d) Impairment assessment

An impairment loss of \$140,000 (2017: A reversal of impairment loss of \$120,000, 2016: An impairment loss of \$246,000) was recognised in profit or loss of the Group in respect of the Group's investment in KMR. The recoverable amount was derived based on management's estimate of fair value less costs to sell.

- (e) Movement in the allowance account:

	Group		
	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000
At 1 January	(2,241)	(2,361)	(2,115)
(Provision for)/Reversal of impairment for the year (note 9)	(140)	120	(246)
At 31 December	(2,381)	(2,241)	(2,361)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

20. Associates and joint ventures (cont'd)

20.2 Joint ventures (cont'd)

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

	Group	
	2018	2017
	\$'000	\$'000
Profit/(Loss) after tax	174	(203)
Other comprehensive income	286	(1,544)
Total comprehensive income	460	(1,747)

(g) The summarised financial information in respect of 320P Trust, 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

	Group		
	31	31	1
	December	December	January
	2018	2017	2017
	\$'000	\$'000	\$'000
Cash and cash equivalents	1,920	970	–
Other current assets	2,605	6,105	–
Current assets	4,525	7,075	–
Non-current assets	314,990	296,725	–
Total assets	319,515	303,800	–
Trade, other payables and provisions	3,764	3,601	–
Current liabilities (excluding trade, other payables and provisions)	390	403	–
Total current liabilities	4,154	4,004	–
Non-current liabilities (excluding trade, other payables and provisions)	315,361	299,796	–
Total liabilities	319,515	303,800	–
Net assets	–	–	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

20. Associates and joint ventures (cont'd)

20.2 Joint ventures (cont'd)

Summarised statement of comprehensive income

	Group	
	2018	2017
	\$'000	\$'000
Revenue	16,691	8,846
Interest income	-	-
Profit before tax	-	-
Income tax expense	-	-
Profit after tax	-	-
Other comprehensive income	-	-
Total comprehensive income	-	-

Reconciliation of the summarised financial information presented above to the carrying amount of the Group's interest in 320P Trust:

	Group		
	31	31	1
	December	December	January
	2018	2017	2017
	\$'000	\$'000	\$'000
Net assets at 31 December	-	-	-
Interest in joint venture	26%	26%	-
Carrying value of the Group's interest in joint venture	-	-	-

Certain shares and shareholder notes in a joint venture are pledged to secure bank facilities (note 32).

21. Deferred tax assets and liabilities

	Group			Company		
	31	31	1	31	31	1
	December	December	January	December	December	January
	2018	2017	2017	2018	2017	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Deferred tax assets	10,665	7,750	3,731	-	-	-
Deferred tax liabilities	(13,094)	(5,421)	(5,672)	(705)	(1,692)	(2,751)
	(2,429)	2,329	(1,941)	(705)	(1,692)	(2,751)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

21. Deferred tax assets and liabilities (cont'd)

	Group					Company		
	Consolidated balance sheet			Consolidated income statement		Balance sheet		
	31	31	1			31	31	1
	December	December	January	2018	2017	December	December	January
2018	2017	2017	2018	2017	2018	2017	2017	
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Provisions	4,016	2,456	1,525	(1,699)	(858)	-	-	-
Unutilised tax losses	5,836	4,885	2,099	(1,087)	(2,792)	-	-	-
Fair value changes on forward currency contracts and interest rate swap contracts	(45)	(30)	208	12	60	-	-	-
Revaluation of property, plant and equipment	(1,571)	(994)	(745)	(102)	-	(154)	(43)	(42)
Difference in depreciation	334	(179)	(1,194)	(1,180)	(1,028)	1	(2)	(631)
Fair value changes on investment properties	(5,208)	(1,393)	(1,794)	4,409	(398)	(552)	(1,647)	(2,078)
Fair value changes on investment securities at FVOCI	(502)	(1,174)	(528)	(811)	-	-	-	-
Unremitted foreign income and profits	(5,829)	(1,470)	(978)	4,574	490	-	-	-
Others	540	228	(534)	(306)	728	-	-	-
	(2,429)	2,329	(1,941)			(705)	(1,692)	(2,751)
Deferred tax expense/ (credit)(note 13)				3,810	(3,798)			

As at 31 December 2018, certain subsidiaries have unutilised tax losses amounting to \$3,756,000 (31 December 2017: \$2,713,000, 1 January 2017: \$4,846,000) 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 2018

22. Trade and other receivables

	Group			Company		
	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000
Current:						
Trade receivables	11,855	6,975	40,180	8	22	39
Amounts due from a subsidiary	–	–	–	2	1	–
Amounts due from associates	133	1,504	341	–	–	11
Amounts due from related parties	–	–	227	–	–	–
Impairment of doubtful receivables	(3,193)	(3,197)	(3,183)	–	–	–
	8,795	5,282	37,565	10	23	50
<u>Other receivables</u>						
Deposits	1,085	1,073	1,085	10	10	35
Non-trade receivables	6,551	6,713	9,235	112	158	41
Amounts due from subsidiaries	–	–	–	1,116,903	978,859	837,310
Amounts due from associates	66,522	68,023	66,965	4	4	82
Amounts due from joint ventures	–	727	19	–	–	–
	74,158	76,536	77,304	1,117,029	979,031	837,468
Impairment of doubtful receivables	–	(3,221)	(3,277)	–	–	(284)
	74,158	73,315	74,027	1,117,029	979,031	837,184
Trade and other receivables (current)	82,953	78,597	111,592	1,117,039	979,054	837,234
Non-current:						
Amount due from a subsidiary	–	–	–	56,525	–	–
Amount due from a joint venture	–	2,285	2,372	–	–	–
Impairment of doubtful receivables	–	(2,285)	(2,372)	–	–	–
	–	–	–	56,525	–	–
Total trade and other receivables (current and non-current)	82,953	78,597	111,592	1,173,564	979,054	837,234
Add: Cash and cash equivalents (note 28)	244,862	362,438	291,091	71,610	258,760	99,374
Unquoted financial assets at amortised cost (note 23)	19,197	50,033	80,624	–	–	–
Quoted financial assets at amortised cost (note 23)	8,916	10,756	14,874	–	–	–
Shareholder notes (note 20.2)	144,611	126,003	–	–	–	–
Total financial assets at amortised cost	500,539	627,827	498,181	1,245,174	1,237,814	936,608

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

22. Trade and other receivables (cont'd)

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.

Amounts due from subsidiaries

The current amounts due from subsidiaries are non-trade related, unsecured, non-interest bearing and repayable on demand except for amounts receivable of \$105,578,000 from a subsidiary which bear interest at the range from 3.73% to 3.8% per annum.

The non-current amounts due from a subsidiary are non-trade related, unsecured and repayable in 2021. Interest is charged at 3.73% per annum.

Amounts due from associates

The current amount due from associates under trade receivables is unsecured, and subject to the Group's normal credit terms which range from cash term to 90 days. Interest is charged at 5% (2017:5%) per annum.

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.

Amount due from a joint venture

The non-current other receivable is due from Africa Smelting Corporation Sprl. The amount had been fully impaired as at 31 December 2016 and was written off during the financial year.

Certain other receivables are pledged to secure bank facilities (note 32).

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

	Group		
	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000
United States Dollar	6,853	2,268	11,864
Japanese Yen	2,570	322	440

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

22. Trade and other receivables (cont'd)

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

	Group								
	31 December 2018			31 December 2017			1 January 2017		
	\$'000			\$'000			\$'000		
	Impairment		Net	Impairment		Net	Impairment		Net
	Gross	losses		Gross	losses		Gross	losses	
• Not past due	82,778	–	82,778	80,356	(2,285)	78,071	114,080	(2,511)	111,569
• Past due:									
Less than 30 days	72	–	72	160	–	160	3	–	3
30 to 60 days	40	–	40	265	–	265	10	–	10
61 to 90 days	27	–	27	70	–	70	3	–	3
91 to 120 days	12	–	12	9	–	9	–	–	–
More than 120 days	3,217	(3,193)	24	6,440	(6,418)	22	6,328	(6,321)	7
	3,368	(3,193)	175	6,944	(6,418)	526	6,344	(6,321)	23
Total	86,146	(3,193)	82,953	87,300	(8,703)	78,597	120,424	(8,832)	111,592

	Company								
	31 December 2018			31 December 2017			1 January 2017		
	\$'000			\$'000			\$'000		
	Impairment		Net	Impairment		Net	Impairment		Net
	Gross	losses		Gross	losses		Gross	losses	
• Not past due	1,117,029	–	1,117,029	979,031	–	979,031	837,501	(284)	837,217
• Past due:									
Less than 30 days	8	–	8	3	–	3	1	–	1
30 to 60 days	–	–	–	–	–	–	8	–	8
61 to 90 days	–	–	–	–	–	–	3	–	3
91 to 120 days	–	–	–	2	–	2	–	–	–
More than 120 days	2	–	2	18	–	18	5	–	5
	10	–	10	23	–	23	17	–	17
Total	1,117,039	–	1,117,039	979,054	–	979,054	837,518	(284)	837,234

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

22. Trade and other receivables (cont'd)

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		
	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000
Trade and other receivables						
– nominal amounts	3,193	8,703	8,832	–	–	289
Less: Allowance for impairment	(3,193)	(8,703)	(8,832)	–	–	(284)
	–	–	–	–	–	5

Expected credit losses

The movement in the allowance for expected credit losses (ECLs) of trade receivables computed based on lifetime ECLs are as follows:

	Group			Company		
	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000
At 1 January	(8,703)	(8,832)	(1,597)	–	(284)	(284)
Effect of adoption of SFRS(I) 9	–	–	(3,741)	–	–	–
Impairment for the year (note 11)	–	–	(3,176)	–	–	–
Amounts written off	4,529	182	–	–	–	–
Reversal of impairment (note 11)	965	–	–	–	284	–
Exchange adjustment	16	(53)	(318)	–	–	–
At 31 December	(3,193)	(8,703)	(8,832)	–	–	(284)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

23. Investment securities

- (a) Investment securities (non-current)

	Group		
	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000
At fair value through other comprehensive income			
– quoted, equity securities	183,989	264,395	175,555
Total financial assets at fair value through other comprehensive income	183,989	264,395	175,555
At amortised cost			
– unquoted	16,312	–	80,624
	200,301	264,395	256,179

- (b) Investment securities (current)

	Group		
	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000
At fair value through profit or loss			
– quoted, at fair value	36,980	16,090	97,674
At amortised cost			
– quoted bonds	8,916	10,756	14,874
– unquoted	2,885	50,033	–
	48,781	76,879	112,548

Information on the Group's investment securities by country can be found in note 39(e).

The shares are mainly quoted in Singapore, United States, Japan, Hong Kong and Australia. Please refer to note 39(e) for information on equity price risk.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

23. Investment securities (cont'd)

(b) Investment securities (current) (cont'd)

The unquoted investment securities at amortised cost are:

	31 December 2018			31 December 2017			1 January 2017		
	Million	Coupon rate	Maturity	Million	Coupon rate	Maturity	Million	Coupon rate	Maturity
Mezzanine financing	A\$1.3	20.5%	1 year	A\$5.2	17.5%	1 year	A\$35.0	14.25%	2 years
Credit linked notes	\$16.2	4.18%	2 years	\$23.3	0.34% to 3.98%	1 year	\$16.2	3.98%	2 years
Debenture notes	–	–	–	A\$15.0	16.5%	1 year	A\$15.0	16.5%	2 years

Certain investment securities are pledged to secure bank facilities (note 32).

24. Derivative financial instruments

Derivative financial instruments included in the balance sheet at the reporting date are as follows:

	Group					
	31 December 2018		31 December 2017		1 January 2017	
	Assets \$'000	Liabilities \$'000	Assets \$'000	Liabilities \$'000	Assets \$'000	Liabilities \$'000
Forward currency contracts	759	100	255	810	568	1,201
Contracts for differences	–	–	–	–	296	187
Cross currency swap contracts	142	293	–	–	–	–
Interest rate swap contracts	63	156	–	899	–	100
	964	549	255	1,709	864	1,488
Current	185	–	255	810	313	1,114
Non-current	779	549	–	899	551	374

These represent the fair values of the following financial instruments:

- forward currency and cross currency swap 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 2019 to July 2021.
- 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

24. Derivative financial instruments (cont'd)

- (c) contracts 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.

Further details of the derivative financial instruments are disclosed in note 40 to the financial statements.

25. Other non-current assets

	Group		
	31	31	1
	December	December	January
	2018	2017	2017
	\$'000	\$'000	\$'000
Initial payment for an office building	–	2,985	–
	–	2,985	–

The initial payment was related to the acquisition of an office building in Perth, Australia made by the Group in December 2017 for A\$54.2 million (approximately \$55.7 million). The acquisition was completed on 1 February 2018.

26. Non-current asset held for sale

	Group			Company		
	31	31	1	31	31	1
	December	December	January	December	December	January
	2018	2017	2017	2018	2017	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Assets:						
Property, plant and equipment	1,535	–	–	–	–	–
Investment properties (note 17)	–	5,000	17,464	–	–	17,464
	1,535	5,000	17,464	–	–	17,464
Liability:						
Liabilities directly associated with assets classified as held for sale	21	–	–	–	–	–
Reserves:						
Revaluation reserves	360	–	–	–	–	–

The Wisma Straits Trading property at No. 2 Lebuhr Pasar Besar, Kuala Lumpur was accounted for as asset held for sale at 31 December 2015 following a committed plan to sell the building. The sale was completed in October 2017.

1 unit of investment property at Gallop Green was reclassified as held for sale. The property was mortgaged to secure a bank facility. The sale was completed in February 2018.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

26. Non-current asset held for sale (cont'd)

In December 2018, a subsidiary of the Group entered into Sale and Purchase agreements to dispose of 3 units of office premises at Jalan Yap Kwan Seng, Kuala Lumpur, for a total cash consideration of RM4,795,000 (approximately \$1,578,000). The sale is expected to be completed by first half of 2019.

27. Inventories

	Group		
	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000
Balance sheet:			
At lower of cost or net realisable value:			
Inventories of:			
– Tin-in-concentrates	15,799	35,598	22,690
– Tin-in-process	131,292	97,786	76,381
– Refined tin metal	12,916	18,285	13,908
Other inventories (stores, spares, fuels, coal and saleable by-products)	2,716	3,211	6,575
	162,723	154,880	119,554
Income statement:			
Inventories recognised as an expense in cost of sales	379,804	423,314	447,000
Inclusive of the following charge:			
Reversal of inventories written down	–	–	(5,855)

28. Cash and cash equivalents

	Group			Company		
	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000
Cash at banks and in hand	118,422	91,142	94,128	9,926	25,476	9,366
Short-term deposits	126,440	271,296	196,963	61,684	233,284	90,008
	244,862	362,438	291,091	71,610	258,760	99,374

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 2018 for the Group and the Company were 1.5% (31 December 2017: 1.2%, 1 January 2017: 1.4%) per annum and 1.3% (31 December 2017: 1.1%, 1 January 2017: 1.5%) per annum respectively.

Certain cash balances are pledged to secure bank facilities (note 32).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

28. 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		
	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000
Australian Dollar	18,153	5,665	2,306	–	1,417	1,408
United States Dollar	4,755	7,323	12,687	–	–	–
Singapore Dollar	4,763	9,126	12,896	–	–	–
Japanese Yen	46,839	5,266	8,460	–	–	–

29. Share capital and treasury shares

(a) Share Capital

	Group and Company					
	31 December 2018		31 December 2017		1 January 2017	
	Number of shares	\$'000	Number of shares	\$'000	Number of shares	\$'000
Ordinary shares issued and fully paid (excluding treasury shares)						
At 1 January	408,095,772	568,968	408,095,772	568,968	408,095,772	568,968
Purchase of treasury shares	(291,200)	–	–	–	–	–
At 31 December	407,804,572	568,968	408,095,772	568,968	408,095,772	568,968

(b) Treasury shares

	Group and Company					
	31 December 2018		31 December 2017		1 January 2017	
	Number of shares	\$'000	Number of shares	\$'000	Number of shares	\$'000
At 1 January	–	–	–	–	–	–
Repurchased during the year	(291,200)	(598)	–	–	–	–
At 31 December	(291,200)	(598)	–	–	–	–

As at 31 December 2018, the Company held 291,200 treasury shares (31 December 2017: Nil, 1 January 2017: Nil) which represents 0.071% of the total number of issued shares (excluding treasury shares).

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

29. Share capital and treasury shares (cont'd)

(b) Treasury shares (cont'd)

The Company acquired 291,200 (31 December 2017: Nil, 1 January 2017: Nil) shares in the Company through purchases on the Singapore Exchange during the financial year. The total amount paid to acquire the shares was \$598,000 (31 December 2017: Nil, 1 January 2017: Nil) and this was presented as a component within the shareholders' equity.

30. Reserves

	Group		Company	
	2018 \$'000	2017 \$'000 (restated)	2018 \$'000	2017 \$'000 (restated)
Retained earnings ^(a)	876,119	822,467	45,240	44,958
FVOCI reserve ^(b)	8,358	65,328	–	–
Hedging reserve ^(c)	(947)	(1,042)	–	–
Revaluation reserve ^(d)	27,525	28,066	555	213
Translation reserve ^(e)	(16,331)	(6,205)	890	1,426
Other reserve ^(f)	3,839	–	–	–
Other reserves	22,444	86,147	1,445	1,639

(a) Retained earnings

	Group		Company	
	2018 \$'000	2017 \$'000 (restated)	2018 \$'000	2017 \$'000 (restated)
At 31 December (as previously stated)	874,014	832,222	64,565	73,372
Effect of adoption of SFRS(I)	(51,547)	(49,876)	(19,607)	(19,607)
At 1 January	822,467	782,346	44,958	53,765
Net changes in the reserve	53,652	40,121	282	(8,807)
At 31 December	876,119	822,467	45,240	44,958
Net changes in the reserve:				
– Profit for the year	71,722	46,432	24,768	15,679
– Dividend on ordinary shares (note 35)	(24,486)	(24,486)	(24,486)	(24,486)
– Increase in ownership in a subsidiary	33	35	–	–
– Share of associate's realisation of FVOCI reserve	(53)	18,140	–	–
– Realisation of FVOCI reserve	1,039	–	–	–
– Realisation of revaluation reserve	10,042	–	–	–
– Issuance of ordinary shares pursuant to bonus issue by a subsidiary	(4,645)	–	–	–
	53,652	40,121	282	(8,807)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

30. Reserves (cont'd)

(b) 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	
	2018	2017
	\$'000	\$'000
At 1 January	65,328	(10,178)
Net changes in the reserve	(56,970)	75,506
At 31 December	8,358	65,328
Net changes in the reserve:		
– Net fair value changes during the year	(36,689)	52,082
– Share of associate's realisation of FVOCI reserve	53	(18,140)
– Share of reserve of associates	(19,295)	41,564
– Realisation of FVOCI reserve	(1,039)	–
	(56,970)	75,506

(c) 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	
	2018	2017
	\$'000	\$'000
At 1 January	(1,042)	(672)
Net changes in the reserve	95	(370)
At 31 December	(947)	(1,042)
Net changes in the reserve:		
– Net fair value changes during the year	670	(448)
– Recognised in profit or loss:		
– Ineffective cash flow hedge	–	62
– Share of reserve of associates	(575)	16
	95	(370)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

30. Reserves (cont'd)

(d) 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	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
At 1 January	28,066	24,044	213	203
Net changes in the reserve	(541)	4,022	342	10
At 31 December	27,525	28,066	555	213
Net changes in the reserve:				
– Surplus on revaluation of land and buildings	5,897	1,377	342	10
– Share of reserve of associates	3,964	2,645	–	–
– Realisation of revaluation reserve	(10,042)	–	–	–
– Reserves of assets classified as held for sale	(360)	–	–	–
	(541)	4,022	342	10

(e) 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	
	2018 \$'000	2017 \$'000 (restated)	2018 \$'000	2017 \$'000 (restated)
At 31 December (as previously stated)	(57,752)	(49,876)	(18,181)	(19,607)
Effect of adoption of SFRS(I)	51,547	49,876	19,607	19,607
At 1 January	(6,205)	–	1,426	–
Net effect of exchange adjustments	(10,126)	(6,205)	(536)	1,426
At 31 December	(16,331)	(6,205)	890	1,426

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

30. Reserves (cont'd)

(e) Translation reserve (cont'd)

	Group		Company	
	2018 \$'000	2017 \$'000 (restated)	2018 \$'000	2017 \$'000 (restated)
Net effect of exchange adjustments:				
– Translation of foreign operations	(757)	(5,111)	(536)	1,426
– Net investments in foreign operations	(2,207)	2,380	–	–
– Realisation of foreign currency translation reserve to profit or loss	1,322	(334)	–	–
– Share of reserve of associates	(8,484)	(3,140)	–	–
	(10,126)	(6,205)	(536)	1,426

(f) Other reserve

Other reserve is used to record reserve in relation to issuance of ordinary share pursuant to bonus issue and share of other reserve recorded by associates. The movements in the other reserve are as follows:

	Group	
	2018 \$'000	2017 \$'000
At 1 January	–	–
Net changes in the reserve	3,839	–
At 31 December	3,839	–
Net changes in the reserve:		
– Issuance of ordinary shares pursuant to bonus issue by a subsidiary	4,645	–
– Share of other changes in equity of associates	(806)	–
	3,839	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

31. Provisions

	Provision for mine restoration \$'000	Provision for environmental waste removal \$'000	Provision for financial guarantee \$'000	Total \$'000
Group				
At 1 January 2018	9,288	791	3,175	13,254
Reversal made during the year	(876)	–	(3,212)	(4,088)
Discount adjustment on provision (note 10)	332	–	–	332
Exchange adjustment	(19)	(1)	37	17
At 31 December 2018	8,725	790	–	9,515
Non-current	7,789	–	–	7,789
Current	936	790	–	1,726
	8,725	790	–	9,515
Group				
At 1 January 2017	8,644	–	3,116	11,760
Provision made during the year	143	791	–	934
Discount adjustment on provision (note 10)	328	–	–	328
Exchange adjustment	173	–	59	232
At 31 December 2017	9,288	791	3,175	13,254
Non-current	9,196	–	–	9,196
Current	92	791	3,175	4,058
	9,288	791	3,175	13,254

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 substantially 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.

The Group has engaged a South Korean consultant specialising in mine rehabilitation to carry out an assessment on the mine rehabilitation plan and the mine restoration plan was resubmitted to the relevant authorities in year 2017. From January to April of 2018, various presentations on the mine restoration plan have been made by the Group to the relevant authorities. The Group received a letter dated 7 June 2018 from the authority which indicated that the plan was rejected, however no specific reason was indicated in the rejection letter. The Group was advised by the relevant authorities that the mine restoration plan will be presented again in the near future. The said presentation was made by the Group in October 2018 without any further outcome or decision by the relevant authorities.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

31. Provisions (cont'd)

In January 2019, the Group has applied for the proposed extension of mining leases by surrendering the existing mining leases and applying for new mining leases ("said new mining leases"). A presentation on the proposed extension of the said new mining leases was made to the relevant authorities in March 2019 and it is currently pending approval. The Group will resubmit its mine restoration plan for the said new mining leases upon the approval of its application for the proposed extension of mining leases from the relevant authorities.

A provision for environmental waste removal was made in respect of the obligation of M Smelt (C) Sdn. Bhd. for removal of environmental waste from its plant.

32. Borrowings

	Group			Company		
	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000
Non-current						
Secured bank loans	451,528	403,210	169,509	–	–	–
Unsecured bank loans	16,185	–	16,261	–	–	–
Unsecured notes	149,598	149,694	–	149,598	149,694	–
	617,311	552,904	185,770	149,598	149,694	–
Current						
Secured bank loans	166,894	60,409	340,518	–	–	–
Unsecured bank loans	80,258	155,348	93,523	–	–	–
	247,152	215,757	434,041	–	–	–
Total borrowings	864,463	768,661	619,811	149,598	149,694	–

Interest rates and maturity of loans

	Group			Company		
	31 December 2018 %	31 December 2017 %	1 January 2017 %	31 December 2018 %	31 December 2017 %	1 January 2017 %
Floating rate loans	0.5 to 5.2	1.0 to 5.2	1.3 to 5.8	–	–	–
Fixed rate loans	0.9 to 5.4	0.9 to 5.3	0.8 to 4.0	–	–	–
Fixed rate notes	3.7	3.7	–	3.7	3.7	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

32. Borrowings (cont'd)

Interest rates and maturity of loans (cont'd)

	Group			Company		
	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000
Not later than 1 year	247,152	215,757	434,041	–	–	–
Later than 1 year but not later than 5 years	575,683	454,708	88,029	149,598	149,694	–
More than 5 years	41,628	98,196	97,741	–	–	–
	864,463	768,661	619,811	149,598	149,694	–

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

	Group		
	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000
Singapore Dollar	16,186	16,202	16,261
United States Dollar	899	269	10,676
Australian Dollar	26,608	28,924	21,737
Japanese Yen	45,985	57,467	57,462

Secured

The secured bank loans are collateralised by the following assets:

	Group		
	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000
Investment properties (note 17(c) and 26)	891,725	553,232	464,140
Associate (note 20.1(g))	–	–	318,023
Joint venture (note 20.2)	144,611	126,003	–
Other receivables (note 22)	–	797	–
Investment securities (non-current) (note 23(a))	111,173	69,852	140,953
Investment securities (current) (note 23(b))	36,712	17,131	27,516
Cash and cash equivalents (note 28)	78,652	51,968	72,589
Other current assets	2,489	–	–
	1,265,362	818,983	1,023,221

Certain secured bank loans are collateralised by shares of certain subsidiaries of the Group (note 19).

The interest rates of the bank loans are repriced at intervals of 1 month to 12 months (2017: 1 month to 12 months).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

32. Borrowings (cont'd)

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

	2017 \$'000	Cashflows \$'000	Non-cash changes			2018 \$'000
			Reclass- ification \$'000	Foreign exchange movement \$'000	Others \$'000	
<u>Bank loans and notes</u>						
– current	215,757	(91,580)	122,751	204	20	247,152
– non-current	552,904	192,129	(122,751)	(3,541)	(1,430)	617,311
Total	768,661	100,549	–	(3,337)	(1,410)	864,463

	2016 \$'000	Cashflows \$'000	Acquisition of subsidiaries \$'000 (note 19)	Non-cash changes			2017 \$'000
				Reclass- ification \$'000	Foreign exchange movement \$'000	Others \$'000	
<u>Bank loans and notes</u>							
– current	434,041	(253,874)	–	35,893	(503)	200	215,757
– non-current	185,770	396,534	14,852	(35,893)	(6,986)	(1,373)	552,904
Total	619,811	142,660	14,852	–	(7,489)	(1,173)	768,661

On 19 July 2017, the Company issued \$150 million of unsecured fixed rate notes under its \$500 million multicurrency debt issuance programme which was established on 13 October 2011 and updated on 3 July 2017. The notes will mature in July 2021 and bear an interest of 3.73% per annum payable semi-annually in arrears.

33. Other non-current liabilities

	Group		
	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000
Amounts due to non-controlling shareholders of subsidiaries	7,326	–	–
Unrealised profit on sale of properties to associates	–	–	173
Other liabilities	1,011	461	1,092
	8,337	461	1,265

The amounts due to non-controlling shareholders of subsidiaries are unsecured, interest bearing at 3.73%-12.00% per annum and repayable in 2021 to 2030.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

34. Trade and other payables

	Group			Company		
	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000
Current:						
Trade payables	16,071	15,880	36,163	10	1,026	84
Advance receipts and billings	1,340	967	584	9	9	12
Amounts due to associates	–	–	202	–	–	–
	17,411	16,847	36,949	19	1,035	96
<u>Other payables</u>						
Amounts due to subsidiaries	–	–	–	634,160	624,449	486,105
Amounts due to non-controlling shareholders of subsidiaries	13,485	17,012	21,359	–	–	–
Accrual for other charges	41,356	33,265	28,885	5,193	4,846	2,165
Other deposits	2,994	2,849	1,451	67	97	361
Amounts due to associates	20	110	3,801	–	6	–
	57,855	53,236	55,496	639,420	629,398	488,631
Trade and other payables	75,266	70,083	92,445	639,439	630,433	488,727
Trade and other payables	75,266	70,083	92,445	639,439	630,433	488,727
Less: Advance receipts and billings	(1,340)	(967)	(584)	(9)	(9)	(12)
	73,926	69,116	91,861	639,430	630,424	488,715
Add: Other non-current liabilities (note 33)	8,337	461	1,092	–	–	–
Loans and borrowings (note 32)	864,463	768,661	619,811	149,598	149,694	–
Total financial liabilities carried at amortised cost	946,726	838,238	712,764	789,028	780,118	488,715

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 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

34. Trade and other payables (cont'd)

Amounts due to associates

The amounts payable to associates included in other payables are 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		
	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000
United States Dollar	3,619	10,034	22,333
Australian Dollar	221	201	20,491
Japanese Yen	265	235	9,028

35. Dividends

	Group and Company	
	2018 \$'000	2017 \$'000

Declared and paid during the year:

Dividends on ordinary shares:

• 2017 Interim dividend paid in 2018: 6 cents per share tax exempt (one-tier tax) (2016 Interim dividend paid in 2017: 6 cents per share tax exempt (one-tier tax))	24,486	24,486
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Declared but not recognised as a liability as at 31 December:

Dividends on ordinary shares:

• Interim dividend for 2018: 6 cents per share tax exempt (one-tier tax) (Interim dividend for 2017: 6 cents per share tax exempt (one-tier tax))	24,466	24,486
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There is no taxation consequence arising from the dividends declared by the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

36. Capital commitments

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

	Group		
	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000
Property, plant and equipment	5,396	8,338	9,503
Investment properties*	34	54,715	2,309
Land under development	13,363	–	–
Investee companies	94,153	–	–
Associates	60,232	–	22,717
Share of joint venture's capital commitment in respect of investment properties	886	–	–
	174,064	63,053	34,529

* For 2017, the amount was related mainly to the office building in Perth, Australia (note 25).

37. 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 14 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 2018 and 2017.

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

	Group			Company		
	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000
Not later than 1 year	4,121	5,575	6,639	77	92	1,501
Later than 1 year but not later than 5 years	6,701	9,209	7,386	–	75	772
Later than 5 years	6,775	7,812	6,725	–	–	–
	17,597	22,596	20,750	77	167	2,273

(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 4 years. 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

37. Commitments (cont'd)

- (b) Operating lease commitments for lessee (cont'd)

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

	Group	
	2018	2017
	\$'000	\$'000
Minimum lease payments	1,485	1,485

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

	Group		
	31	31	1
	December	December	January
	2018	2017	2017
	\$'000	\$'000	\$'000
Not later than 1 year	1,885	1,885	1,116
Later than 1 year but not later than 5 years	806	2,691	4,565
	2,691	4,576	5,681

- (c) Other commitments

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

38. 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	
	2018	2017
	\$'000	\$'000
<i>Associates/joint ventures</i>		
Sales of goods	14,304	19,790
Interest income	38,509	6,273
<i>Other related parties</i>		
Office leases	604	604

Please refer to notes 22 and 34 for information on amounts due from/to subsidiaries, associates and joint ventures.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

38. Related party disclosures (cont'd)

(b) Key management personnel compensation

The key management personnel compensation are as follows:

	Group	
	2018	2017
	\$'000	\$'000
Directors' fees	744	742
Short-term employee benefits	2,405	1,633
Defined contribution plans	62	26
	3,211	2,401

39. 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

39. Financial risk management (cont'd)

(a) Foreign exchange risk (cont'd)

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			
		2018		2017	
		Profit after tax \$'000	Equity \$'000	Profit after tax \$'000	Equity \$'000
United States Dollar	strengthened 5% (2017: 5%)	477	–	99	–
	weakened 5% (2017: 5%)	(477)	–	(99)	–
Australian Dollar	strengthened 5% (2017: 5%)	5,846	–	5,456	–
	weakened 5% (2017: 5%)	(5,846)	–	(5,456)	–
Singapore Dollar	strengthened 5% (2017: 5%)	(429)	(837)	(279)	(837)
	weakened 5% (2017: 5%)	429	837	279	837
Japanese Yen	strengthened 5% (2017: 5%)	2,135	(2,128)	217	(2,769)
	weakened 5% (2017: 5%)	(2,135)	2,128	(217)	2,769

At the end of the reporting period, approximately:

- (i) 12% (2017: 4%) of the Group's trade and other receivables as well as 5% (2017: 15%) 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 and Japanese Yen.
- (ii) 31% (2017: 8%) 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) 10% (2017: 13%) of the Group's borrowings are denominated in foreign currencies other than the functional currencies of the respective Group entities, mainly in Singapore Dollar, Japanese Yen and Australian Dollar.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

39. 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
31 December 2018		
– Singapore Dollar	+25	(173)
	–25	173
– Malaysian Ringgit	+25	(134)
	–25	134
– Japanese Yen	+25	(172)
	–25	172
– Chinese Renminbi	+25	(143)
	–25	143
– Australian Dollar	+25	(167)
	–25	167
31 December 2017		
– Singapore Dollar	+25	283
	–25	(283)
– Malaysian Ringgit	+25	(189)
	–25	189
– Japanese Yen	+25	(4)
	–25	4
– Chinese Renminbi	+25	(149)
	–25	149
– Australian Dollar	+25	(48)
	–25	48

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 2018

39. 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.

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 2018

39. Financial risk management (cont'd)

(c) Credit risk (cont'd)

The Group and the Company determine 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 recoverable). 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.
- 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 2018

39. Financial risk management (cont'd)

(c) Credit risk (cont'd)

The loss allowance provision as at 31 December 2018 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
As at 1 January 2017	3,183	3,277	2,372	284
Amount written off	(46)	(136)	–	–
Reversal of impairment	–	–	–	(284)
Exchange adjustments	60	80	(87)	–
As at 31 December 2017 and 1 January 2018	3,197	3,221	2,285	–
Amount written off	–	(2,254)	(2,275)	–
Reversal of impairment	–	(969)	–	–
Exchange adjustments	(4)	2	(10)	–
As at 31 December 2018	3,193	–	–	–

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 securities and derivatives that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

39. Financial risk management (cont'd)

(c) Credit risk (cont'd)

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			
	2018		2017		2018		2017	
	\$'000	% of total	\$'000	% of total	\$'000	% of total	\$'000	% of total
By country:								
Singapore	67,805	82	67,962	86	1,062,809	95	953,368	97
Malaysia	3,700	4	5,719	7	54,230	5	25,686	3
China, including Hong Kong and Taiwan	1,622	2	1,711	2	–	–	–	–
Japan	5,312	6	478	1	–	–	–	–
Europe	3,302	4	–	–	–	–	–	–
Korea	1,105	2	–	–	–	–	–	–
Other countries	107	–	2,727	4	–	–	–	–
	82,953	100	78,597	100	1,117,039	100	979,054	100

Approximately 80% (2017: 85%) of the Group's trade and other receivables were due from an associate located in Singapore.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

39. Financial risk management (cont'd)

(d) Liquidity risk (cont'd)

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:

	2018 \$'000				2017 \$'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:								
Investment securities	45,896	–	–	45,896	26,846	–	–	26,846
Trade and other receivables	84,078	–	–	84,078	79,723	–	–	79,723
Derivatives	185	779	–	964	255	–	–	255
Cash and cash equivalents	244,862	–	–	244,862	362,438	–	–	362,438
Total undiscounted financial assets	375,021	779	–	375,800	469,262	–	–	469,262
Financial liabilities:								
Trade and other payables	73,926	7,326	–	81,252	69,116	–	–	69,116
Other non-current liabilities	–	566	445	1,011	–	175	286	461
Loans and borrowings	266,655	617,560	41,667	925,882	232,835	494,908	100,932	828,675
Derivatives	–	549	–	549	810	899	–	1,709
Total undiscounted financial liabilities	340,581	626,001	42,112	1,008,694	302,761	495,982	101,218	899,961
Total net undiscounted financial assets/ (liabilities)	34,440	(625,222)	(42,112)	(632,894)	166,501	(495,982)	(101,218)	(430,699)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

39. Financial risk management (cont'd)

(d) Liquidity risk (cont'd)

	2018 \$'000				2017 \$'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	1,123,102	59,642	–	1,182,744	979,054	–	–	979,054
Cash and cash equivalents	71,610	–	–	71,610	258,760	–	–	258,760
Total undiscounted financial assets	1,194,712	59,642	–	1,254,354	1,237,814	–	–	1,237,814
Financial liabilities:								
Trade and other payables	639,430	–	–	639,430	630,424	–	–	630,424
Loans and borrowings	5,595	161,206	–	166,801	5,595	166,800	–	172,395
Total undiscounted financial liabilities	645,025	161,206	–	806,231	636,019	166,800	–	802,819
Total net undiscounted financial assets/ (liabilities)	549,687	(101,564)	–	448,123	601,795	(166,800)	–	434,995

Investment securities, shareholder loans to an associate and shareholder notes to a joint venture under non-current assets 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.

	2018 \$'000				2017 \$'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	3,792	–	–	3,792	3,781	–	–	3,781
Company								
Financial guarantees	136,300	64,173	–	200,473	–	227,010	–	227,010

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

39. 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 28% (2017: 60%), United States 34% (2017: 14%), Japan 10% (2017: 12%), Hong Kong 9% (2017: Nil), Australia 8% (2017: 12%), and 11% (2017: 2%) 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 \$1,535,000 (2017: \$668,000) higher/lower, arising as a result of higher/lower fair value changes.

At the end of the reporting period, 97% (2017: 97%) of the Group's equity portfolio classified as FVOCI consists of shares of companies in Singapore and 3% (2017: 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 \$8,126,000 (2017: \$11,932,000) 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

39. 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 are 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 investors, creditors 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 2018 and 31 December 2017.

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.

The Group's subsidiaries in The People's Republic of China (PRC) are subject to foreign exchange rules and regulations promulgated by the PRC government which may impact how the Group manages capital. These subsidiaries have complied with the applicable capital requirements throughout the year.

	Group	
	2018	2017
	\$'000	\$'000
Equity attributable to owners of the Company	1,467,293	1,477,582
Non-controlling interests	131,310	93,312
Total equity	1,598,603	1,570,894
Net borrowings	619,601	406,223
Gearing ratio	38.8%	25.9%

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

40. Derivative financial instruments and hedging activities

(a) Derivative financial instruments

The Group has the following derivative financial instruments at the reporting date:

At 31 December 2018:

	Notional Amount		Fair Value	
	Asset \$'000	Liability \$'000	Asset \$'000	Liability \$'000
Forward currency contracts	61,068	16,200	759	100
Cross currency swap contracts	20,000	30,000	142	293
Interest rate swap contracts	80,000	46,653	63	156
	161,068	92,853	964	549

At 31 December 2017:

	Notional Amount		Fair Value	
	Asset \$'000	Liability \$'000	Asset \$'000	Liability \$'000
Forward currency contracts	23,811	16,200	255	810
Interest rate swap contracts	–	130,000	–	899
	23,811	146,200	255	1,709

Please refer to note 24 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) Loans amounting to Japanese Yen 3.4 billion (2017: Japanese Yen 4.7 billion) have been designated as a hedge against the net investment denominated in Japanese Yen. Gains or losses on the retranslation of the borrowings are taken to the exchange translation reserve to offset any exchange differences on the translation of the net foreign investment. The loans are included in borrowings (note 32).
- (ii) Two foreign currency forward contracts of Japanese Yen was designated as a hedge against the net investment denominated in Japanese Yen. Fair value gain or loss on the foreign currency forward contract was taken to the exchange translation reserve to offset any exchange differences on the translation of the net foreign investment.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

41. 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 value in use calculations. The value in use calculations are based on a discounted cash flow model. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the terminal growth rate. The key assumptions applied in the determination of the value in use including a sensitivity analysis, are disclosed and further explained in note 18. The carrying amount of goodwill at 31 December 2018 was \$17,611,000 (2017: \$17,629,000).

(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 2018 was \$38,317,000 (2017 (restated): \$55,777,000).

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 8 to 40 years. These are common life expectancies applied in such industry. Changes in the expected level of usage and timing of relocation to Pulau Indah 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 \$36,239,000 (2017: \$52,744,000).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

41. Significant accounting estimates and judgements (cont'd)

(a) Estimation uncertainty (cont'd)

(iii) *Revaluation of properties*

The Group carries its investment properties, land and buildings at fair value. Changes in fair values of investment properties are recognised in profit or loss and changes in fair values of land and buildings 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, direct capitalisation method, discounted cash flow method and depreciated replacement cost method.

The determination of the fair values of the properties requires 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 factors such as vacancy rates and rental growth rates.

(iv) *Inventories*

Significant management judgement and estimation are required in applying: (i) valuation techniques to determine the valuation of tin-in-concentrates, tin-in-process and refined tin metal; and (ii) the timing of recognition of tin-in-concentrates based on the terms of the contracts.

Inventories are written down when events or changes in circumstances indicate that the carrying amounts may not be recoverable. Where actual amount differs from the original estimates, the differences will impact the carrying amount of inventories. The carrying amount of inventories at the reporting date is disclosed in note 27.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

41. Significant accounting estimates and judgements (cont'd)

(a) Estimation uncertainty (cont'd)

(v) *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 subsidiary has engaged a South Korean consultant specialising in mine restoration to carry out assessment on the mine restoration plan. The mine restoration plan was resubmitted by the subsidiary to the relevant authorities during the year ended 31 December 2017. The carrying amount of provision for mine restoration costs is disclosed in note 31. While the Group intends to resubmit its mine restoration plan upon the approval of its application of the proposed extension of the mining leases from the relevant authorities, the provision for mine restoration costs, based on the methodology proposed by the South Korean consultant and adopted by the subsidiary in its mine restoration plan, represents the current best estimate. 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.

(b) Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have 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 capital allowance, reinvestment allowance, mining allowance and 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

41. Significant accounting estimates and judgements (cont'd)

(b) Judgements (cont'd)

(i) Income taxes (cont'd)

The carrying amounts are as follows:

	Group		
	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000
Income tax receivables	6,000	6,734	3,611
Income tax payable	6,486	3,166	13,426
Deferred tax assets	10,665	7,750	3,731
Deferred tax liabilities	13,094	5,421	5,672

(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 39(c).

42. 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 2018

42. 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 2018 \$'000			
	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)	Total
Non-financial assets:				
Land and buildings (note 15)	–	–	16,407	16,407
Investment properties (note 17)	–	–	910,356	910,356
Non-current asset held for sale (note 26)	–	–	1,535	1,535
Non-financial assets as at 31 December 2018	–	–	928,298	928,298
Financial assets:				
<u>Financial assets at FVTPL (note 23(b))</u>				
Equity securities				
Quoted equity securities	36,980	–	–	36,980
<u>Financial assets at FVOCI (note 23(a))</u>				
Equity securities				
Quoted equity securities	183,989	–	–	183,989
<u>Derivatives (note 24)</u>				
Forward currency contracts	–	759	–	759
Cross currency swap contracts	–	142	–	142
Interest rate swap contracts	–	63	–	63
Total derivatives	–	964	–	964
Financial assets as at 31 December 2018	220,969	964	–	221,933
Financial liabilities:				
<u>Derivatives (note 24)</u>				
Forward currency contracts	–	100	–	100
Cross currency swap contracts	–	293	–	293
Interest rate swap contracts	–	156	–	156
Total derivatives	–	549	–	549
Financial liabilities as at 31 December 2018	–	549	–	549

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For the financial year ended 31 December 2018

42. 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 2017 \$'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)	–	–	30,846	30,846
Investment properties (note 17)	–	–	586,694	586,694
Non-current asset held for sale (note 26)	–	–	5,000	5,000
Non-financial assets as at 31 December 2017	–	–	622,540	622,540
Financial assets:				
<u>Financial assets at FVTPL (note 23(b))</u>				
Equity securities				
Quoted equity securities	16,090	–	–	16,090
<u>Financial assets at FVOCI (note 23(a))</u>				
Equity securities				
Quoted equity securities	264,395	–	–	264,395
<u>Derivatives (note 24)</u>				
Forward currency contracts	–	255	–	255
Financial assets as at 31 December 2017	280,485	255	–	280,740
Financial liabilities:				
<u>Derivatives (note 24)</u>				
Forward currency contracts	–	810	–	810
Interest rate swap contracts	–	899	–	899
Total derivatives	–	1,709	–	1,709
Financial liabilities as at 31 December 2017	–	1,709	–	1,709

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For the financial year ended 31 December 2018

42. 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 2018 \$'000			
	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)	Total
Non-financial assets:				
Land and buildings (note 15)	–	–	601	601
Investment properties (note 17)	–	–	5,569	5,569
Non-financial assets as at 31 December 2018	–	–	6,170	6,170

	Company 2017 \$'000			
	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)	Total
Non-financial assets:				
Land and buildings (note 15)	–	–	110	110
Investment properties (note 17)	–	–	33,110	33,110
Non-financial assets as at 31 December 2017	–	–	33,220	33,220

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

42. 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 24): Forward currency contracts, cross currency swap contracts, interest rate swap contracts and contracts 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 prices: \$172 to \$393 per square meter (2017: \$154 to \$2,848 per square meter)	The estimated fair value increases with higher comparable price
Investment properties in Singapore, Malaysia, China, Japan and Australia	Direct capitalisation method	– Capitalisation rates: 3.55% to 8.25% (2017: 4.1% to 4.7%)	The estimated fair value varies inversely against the capitalisation rate
		– Rental rates: \$27.40 to \$66.60 per square meter (2017: \$28.60 to \$39.00 per square meter)	The estimated fair value increases with higher rental rate

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For the financial year ended 31 December 2018

42. 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, China, Japan and Australia	Discounted cashflow method	– Discount rates: 3.7% to 9.0% (2017: 3.8% to 9.0%)	The estimated fair value varies inversely against the discount rate
		– Terminal yield rates: 4.10% to 8.75% (2017: 4.2% to 5.5%)	The estimated fair value varies inversely against the terminal yield rate
		– Net rental growth rates: 0% to 15% (2017: 0% to 15%)	The estimated fair value increases with higher net rental growth rate
	Comparison method	– Comparable prices: \$65 to \$19,922 per square meter (2017: \$70 to \$19,131 per square meter)	The estimated fair value increases with higher comparable price

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

42. 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 2018 \$'000		
	Fair value measurement using significant unobservable inputs (Level 3)		
	Land and buildings	Investment properties	Non-current assets held for sale
At 1 January	30,846	586,694	5,000
Total gains for the year	10,617	31,477	–
Depreciation	(1,053)	–	–
Additions	3,544	343,225	–
Disposals	–	(9,980)	(5,000)
Reclassification	(27,402)	(36,271)	1,535
Exchange adjustment	(145)	(4,789)	–
At 31 December	16,407	910,356	1,535
Total gains or losses for the year included in other comprehensive income			
– Net surplus on revaluation of land and buildings	10,617	–	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

42. 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 (cont'd)

	Group 2017 \$'000		
	Fair value measurement using significant unobservable inputs (Level 3)		
	Land and buildings	Investment properties	Non-current assets held for sale
At 1 January	27,445	554,337	17,464
Total gains for the year	2,755	8,525	–
Depreciation	(699)	–	–
Additions	817	20,810	–
Disposals	–	(6,900)	(17,364)
Reclassification	–	(5,000)	5,000
Acquisition of subsidiaries	–	21,500	–
Exchange adjustment	528	(6,578)	(100)
At 31 December	30,846	586,694	5,000
Total gains or losses for the year included in other comprehensive income			
– Net surplus on revaluation of land and buildings	2,755	–	–

(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 SFRS(I) 13 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

42. Fair value of assets and liabilities (cont'd)

D. Level 3 fair value measurements (cont'd)

(iii) Valuation policies and procedures (cont'd)

- (c) The direct capitalisation method that is based on the capitalisation of net rental income taking into consideration factors such as vacancy rates and 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 cashflow 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. 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 as at 31 December but for which fair value is disclosed:

	Group 2018 \$'000			Total	Carrying Amount
	Fair value measurements 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)		
Liabilities					
Fixed rate bank loans	–	–	150,870	150,870	150,535
Fixed rate notes	152,546	–	–	152,546	149,598
	152,546	–	150,870	303,416	300,133

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

42. Fair value of assets and liabilities (cont'd)

E. Assets and liabilities not carried at fair value but for which fair value is disclosed (cont'd)

	Group 2017 \$'000			Total	Carrying Amount
	Fair value measurements 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)		
Liabilities					
Fixed rate bank loans	–	–	150,187	150,187	148,443
Fixed rate notes	152,546	–	–	152,546	149,694
	152,546	–	150,187	302,733	298,137

Determination of fair value

Fixed rate notes

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 2018

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 segment's 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 20.95% 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

43. Segment information (cont'd)

2018 Operating segments

	Resources \$'000	Real Estate \$'000	Hospitality \$'000	Others \$'000	Elimination \$'000	Consolidated \$'000
Revenue						
External revenue, at a point in time	428,673	–	–	–	–	428,673
External revenue, over time	–	27,314	–	–	–	27,314
Inter-segment revenue	–	178	–	–	(178)	–
Total revenue	428,673	27,492	–	–	(178)	455,987
Segment results						
Operating profit	22,764	46,012	311	1,291	–	70,378
Fair value changes in investment properties	–	31,477	–	–	–	31,477
Impairment losses	(739)	–	–	–	–	(739)
Finance costs	(5,796)	(15,561)	–	(5,821)	–	(27,178)
Share of results of associates and joint ventures	26	25,378	304	–	–	25,708
Profit/(Loss) before tax	16,255	87,306	615	(4,530)	–	99,646
Income tax expense	(3,930)	(12,769)	(226)	(51)	–	(16,976)
Profit/(Loss) after tax	12,325	74,537	389	(4,581)	–	82,670
Profit/(Loss) attributable to:						
Owners of the Company	6,714	69,200	389	(4,581)	–	71,722
Non-controlling interests	5,611	5,337	–	–	–	10,948
	12,325	74,537	389	(4,581)	–	82,670
Segment Assets						
Segment Assets	305,720	1,906,678	188,004	175,932	–	2,576,334
Segment Liabilities						
Segment Liabilities	149,250	667,723	–	160,758	–	977,731
Other information:						
Dividend income	–	9,326	536	2,973	–	12,835
Interest income	340	42,842	1,328	1,455	–	45,965
Depreciation	5,172	787	–	–	–	5,959
Amortisation	660	–	–	–	–	660
Other material non-cash items:						
Impairment of a joint venture	140	–	–	–	–	140
Revaluation deficit on property	599	–	–	–	–	599
Associates and joint ventures	10,732	649,677	113,333	–	–	773,742
Additions to non-current assets ⁽¹⁾	5,312	343,756	–	–	–	349,068

⁽¹⁾ Additions to non-current assets exclude associates and joint ventures.

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For the financial year ended 31 December 2018

43. Segment information (cont'd)

2017 Operating segments (restated)

	Resources \$'000	Real Estate \$'000	Hospitality \$'000	Others \$'000	Elimination \$'000	Consolidated \$'000
Revenue						
External revenue, at a point in time	460,149	336	–	–	–	460,485
External revenue, over time	–	13,140	–	–	–	13,140
Inter-segment revenue	–	94	–	–	(94)	–
Total revenue	460,149	13,570	–	–	(94)	473,625
Segment results						
Operating profit	12,395	17,348	3,493	581	–	33,817
Fair value changes in investment properties	–	8,525	–	–	–	8,525
Reversal of impairment losses	136	–	–	–	–	136
Finance costs	(4,723)	(15,031)	–	(3,000)	–	(22,754)
Share of results of associates and joint ventures	(197)	37,966	(30)	–	–	37,739
Profit/(Loss) before tax	7,611	48,808	3,463	(2,419)	–	57,463
Income tax expense	(3,694)	(500)	(226)	(1,458)	–	(5,878)
Profit/(Loss) after tax	3,917	48,308	3,237	(3,877)	–	51,585
Profit/(Loss) attributable to:						
Owners of the Company	2,126	44,946	3,237	(3,877)	–	46,432
Non-controlling interests	1,791	3,362	–	–	–	5,153
	3,917	48,308	3,237	(3,877)	–	51,585
Segment Assets						
Segment Assets	306,328	1,638,506	193,747	295,068	–	2,433,649
Segment Liabilities						
Segment Liabilities	193,361	508,656	–	160,738	–	862,755
Other information:						
Dividend income	–	12,400	546	1,193	–	14,139
Interest income	531	14,681	1,327	1,325	–	17,864
Depreciation	4,181	829	–	7	–	5,017
Amortisation	613	–	–	–	–	613
Other material non-cash items:						
Reversal of impairment of a joint venture	120	–	–	–	–	120
Reversal of revaluation deficit on property	16	–	–	–	–	16
Associates and joint ventures	10,684	661,534	117,191	–	–	789,409
Additions to non-current assets ⁽¹⁾	3,503	45,733	–	–	–	49,236

⁽¹⁾ Additions to non-current assets exclude associates and joint ventures.

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For the financial year ended 31 December 2018

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. Investments in the associates ARAH and FEHH are presented in the Singapore segment.

2018 Geographical information

	Singapore \$'000	Malaysia \$'000	Japan \$'000	Australia \$'000	China \$'000	Consolidated \$'000
Segment revenue						
Revenue from external parties	4,226	428,852	10,273	8,956	3,680	455,987
Non-current assets	739,964	216,574	351,954	336,706	164,058	1,809,256

2017 Geographical information

	Singapore \$'000	Malaysia \$'000	Japan \$'000	Australia \$'000	China \$'000	Consolidated \$'000
Segment revenue						
Revenue from external parties	4,887	461,912	5,687	–	1,139	473,625
Non-current assets	743,784	207,707	211,317	128,988	167,416	1,459,212

Non-current assets information presented above consists of property, plant and equipment, investment properties, land under development, goodwill, other intangible assets, associates and joint ventures and other non-current assets as presented in the consolidated balance sheet.

Information about major customers

Revenue from two major customers amount to \$125,654,000 (2017: \$144,240,000), arising from sales by the Resources segment.

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44. Subsidiaries, associates and joint ventures

	Country of Incorporation	Business	Effective Shareholding		
			2018 %	2017 %	
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 ^o	Malaysia	Dormant	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 ^{oo}	Singapore	Dormant	–	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 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 ⁺	British Virgin Islands ("BVI")	Investment	100	100	
Held through subsidiaries:					
STC International Holdings Pte. Ltd.	Singapore	Investment	100	100	
STC International (Australia) Pty Ltd ^o	Australia	Investment	100	100	
Straits Trading Amalgamated Resources Sendirian Berhad ⁽¹⁾	Malaysia	Investment	100	100	
Sword Properties Pty Ltd ^o	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	

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For the financial year ended 31 December 2018

44. Subsidiaries, associates and joint ventures (cont'd)

	Country of Incorporation	Business	Effective Shareholding		
			2018 %	2017 %	
Subsidiaries					
Held through subsidiaries:					
ARA Summit Development Fund I, L.P. ⁽²⁾	Cayman Islands	Investment	89	89	(b)
SDF R.E. Holdings Limited ⁺	BVI	Investment	89	89	(c)
SDF R.E. Services Limited ⁺	BVI	Investment	89	89	(c)
SDF Canberra Investments Limited ^{∅∅}	BVI	Investment	–	89	(c)
SDF R.E. Holdings II Limited ⁺	BVI	Investment	89	89	(c)
SDF Canberra Investments II Limited ⁺	BVI	Investment	89	89	(c)
SDF R.E. Holdings III Limited ^{∅∅}	BVI	Investment	–	89	(c)
SDF Canberra Investments III Limited ^{∅∅}	BVI	Investment	–	89	(c)
SDF R.E. Holdings IV Limited ⁺	BVI	Investment	89	89	(c)
SDF Canberra Investments IV-I Limited ⁺	BVI	Investment	89	89	(c)
SDF Canberra Investments IV-II Limited ⁺	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	Dormant	–	89	
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 [∅]	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	89	
SRE Venture 10 Pte. Ltd.	Singapore	Investment	89	89	
SRE Japan 1 Pte. Ltd.	Singapore	Investment	89	89	
SRE Luxe 1 Pte. Ltd.	Singapore	Investment	89	89	
SRE Luxe 2 Pte. Ltd.	Singapore	Investment	89	89	
SRE JHT TMK ⁽¹⁾	Japan	Property	89	89	
SRE Japan 2 Pte. Ltd.	Singapore	Investment	89	89	
SRE Luxe 3 Pte. Ltd.	Singapore	Investment	89	89	
SRE Luxe 4 Pte. Ltd.	Singapore	Investment	89	89	
Tokutei Mokuteki Kaisha JP 2 ⁽¹⁾	Japan	Property	89	89	
SRE Australia 2 Pte. Ltd.	Singapore	Investment	89	89	
SRE Venture 11 Pte. Ltd.	Singapore	Investment	89	89	
SRE Japan 11 Pte. Ltd.	Singapore	Investment	89	89	
Savills IM Japan Residential Fund, LP	Singapore	Investment	89	–	
JPN Residential Holdings Pte. Ltd.	Singapore	Investment	89	–	(d)

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For the financial year ended 31 December 2018

44. Subsidiaries, associates and joint ventures (cont'd)

	Country of Incorporation	Business	Effective Shareholding		
			2018 %	2017 %	
Subsidiaries					
Held through subsidiaries:					
JPN Residential TK Holdings Pte. Ltd.	Singapore	Investment	89	–	(d)
SIM Residence One GK ⁽¹⁾	Japan	Property	88	88	(d)
SIM Residence 2 GK ⁽¹⁾	Japan	Property	78	–	(d)
Residence 4 GK ⁽¹⁾	Japan	Property	89	–	(d)
SRE Venture 12 Pte. Ltd.	Singapore	Investment	89	89	
SRE Australia 3 Pte. Ltd.	Singapore	Investment	89	89	
45SGT Unit Trust ⁽¹⁾	Australia	Property	85	85	
SRE Venture 13 Pte. Ltd.	Singapore	Investment	89	–	
SRE Australia 11 Pte. Ltd.	Singapore	Investment	89	–	
SRE Australia Industrial 1 Pte. Ltd. ILP No.1 Trust ⁽¹⁾	Singapore	Investment	89	–	
C&G Australia Industrial Trust ⁽¹⁾	Australia	Investment	72	–	(e)
Dockside Industrial Trust No.1 ⁽¹⁾	Australia	Property	72	–	(e)
C&G Salisbury South Trust No.1 ⁽¹⁾	Australia	Property	72	–	(e)
C&G Salisbury South Trust No.2 ⁽¹⁾	Australia	Property	72	–	(e)
C&G Baywater Trust ⁽¹⁾	Australia	Property	72	–	(e)
C&G Kilkenny Trust ⁽¹⁾	Australia	Property	72	–	(e)
C&G Mawson Lakes Trust ⁽¹⁾	Australia	Property	72	–	(e)
SRE Australia 12 Pte. Ltd.	Singapore	Investment	89	–	
Sword Unit Trust ^{∅∅}	Australia	Dormant	–	100	
STC International Investment Holdings Pte. Ltd. ^{∅∅}	Singapore	Dormant	–	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	55	(f)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

44. Subsidiaries, associates and joint ventures (cont'd)

	Country of Incorporation	Business	Effective Shareholding		
			2018 %	2017 %	
Subsidiaries					
Held through subsidiaries:					
PT SRM Indonesia ^{(7) B}	Indonesia	Dormant	54	54	
Tertius Development Pte. Ltd. ^Ø	Singapore	Property	100	100	
STC Property Management Services Sdn. Bhd. ⁽¹⁾	Malaysia	Property	100	100	
Associates					
Held by the Company:					
Taiko-Straits Developments Sdn. Bhd. ⁽⁹⁾ <i>(Accounting year ended 30 September)</i>	Malaysia	Property development	30	30	
Associates					
Held through subsidiaries:					
Guilin Hinwei Tin Co Ltd. ^{B +} <i>(Accounting year ended 31 December)</i>	People's Republic of China	Dormant	19	19	
Redring Solder (M) Sdn. Bhd. ^{(1) B} <i>(Accounting year ended 31 December)</i>	Malaysia	Manufacture and sale of solder products	22	22	
ARA Asset Management Holdings Pte. Ltd. ⁽²⁾ <i>(Accounting year ended 31 December)</i>	Singapore	Investment	21	21	(g)
Far East Hospitality Holdings Pte. Ltd. ⁽⁴⁾ <i>(Accounting year ended 31 December)</i>	Singapore	Owner, operator and manager of hospitality properties	30	30	
ARA Harmony Fund III, L.P. ⁽²⁾ <i>(Accounting year ended 31 December)</i>	Cayman Islands	Investment	36	36	(h)
Greater Tokyo Office Fund (Jersey) L.P. ⁽³⁾ <i>(Accounting year ended 31 December)</i>	Jersey	Investment	34	34	(i)
Savills Investment Management Japan Value Fund II, LP ⁽²⁾ <i>(Accounting year ended 31 December)</i>	Singapore	Investment	37	–	(j)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

44. Subsidiaries, associates and joint ventures (cont'd)

	Country of Incorporation	Business	Effective Shareholding		
			2018 %	2017 %	
Joint Ventures					
Held through subsidiaries:					
KM Resources, Inc. ^{(1) ʙ} (Accounting year ended 31 December)	Labuan, Malaysia	Investment holding	16	16	(k)
Africa Smelting Corporation Sprl ^ʙ (Accounting year ended 31 December)	Democratic Republic of Congo	Tin smelting	–	22	(l)
320P Trust ⁽⁵⁾ (Accounting year ended 31 December)	Cayman Islands	Property	23	23	(m)
ILP Managers Pty Ltd ⁽¹⁾ (Accounting year ended 31 December)	Australia	Management	45	–	

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 Azmi Ismail & Co.

⁽⁷⁾ Audited by Herman Dody Tanumihardja & Rekan.

⁽⁸⁾ Audited by SBA Stone Forest.

⁽⁹⁾ Audited by Messrs Folks DFK & Co.

^ʙ Subsidiaries/Associates/Joint Ventures of a listed subsidiary.

[∅] Voluntary liquidation/de-registration in progress and no statutory audit is required for 2018.

^{∅∅} These subsidiaries were voluntarily liquidated/de-registered in 2018.

⁺ Statutory audit is not required and they are not significant subsidiaries.

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% (2017: 55%).

(b) ARA Summit Development Fund I, L.P. targets investment opportunities primarily in Australia. SRE Venture 1 Pte. Ltd. is the sole investor of this fund.

(c) These are subsidiaries of ARA Summit Development Fund I, L.P..

(d) These are subsidiaries of Savills IM Japan Residential Fund, L.P..

(e) These are subsidiaries of ILP No.1 Trust.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

44. Subsidiaries, associates and joint ventures (cont'd)

- (f) M Smelt (C) Sdn. Bhd. has yet to commence operation since the date of incorporation.
- (g) On completion of the privatisation and delisting of ARA Asset Management Limited ("ARA") in April 2017, the Group holds its investment in ARA through a 20.95% stake in ARA Asset Management Holdings Pte. Ltd..
- (h) ARA Harmony Fund III, L.P. holds a portfolio of income generating retail properties in Malaysia.
- (i) Greater Tokyo Office Fund (Jersey) L.P. focused 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. At the reporting date, the fund has divested its entire portfolio.
- (j) Savills Investment Management Japan Value Fund II, LP focuses on acquiring office assets in the Greater Tokyo area and other cities in Japan.
- (k) The subsidiaries of KMR Resources, Inc. in the Philippines have ceased the mining and processing operations due to depletion of mineral resources.
- (l) This joint venture was disposed during the financial year.
- (m) 320P Trust holds a commercial property in Sydney, Australia.

ADDITIONAL INFORMATION REQUIRED UNDER THE MAINBOARD RULES OF THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED (“SGX-ST”)

Interested Person Transactions

(Rules 907 and 1207(17))

There were no interested person transactions of S\$100,000 and above between the Company or its subsidiaries and any of its interested persons during the financial year ended 31 December 2018.

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 2018.

SHAREHOLDINGS INFORMATION

As at 15 March 2019

Total number of issued ordinary shares	408,095,772
Total number of issued ordinary shares excluding treasury shares	407,769,272
Total number of treasury shares	326,500
Total number of subsidiary holdings	0
Percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of issued ordinary shares excluding treasury shares	0.08%

Voting Rights of Ordinary Shareholders

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	233	4.96	8,585	0.00
100 -1,000	1,165	24.82	647,652	0.16
1,001 -10,000	2,579	54.93	10,293,067	2.52
10,001 -1,000,000	710	15.12	32,165,160	7.89
1,000,001 and above	8	0.17	364,654,808	89.43
Total	4,695	100.00	407,769,272	100.00

Twenty Largest Shareholders

	Registered Shareholders	No. of Shares	%
1.	THE CAIRNS PTE. LTD.	265,840,552	65.19
2.	CITIBANK NOMINEES SINGAPORE PTE LTD	45,645,116	11.19
3.	DBS NOMINEES PTE LTD	30,325,958	7.44
4.	BPSS NOMINEES SINGAPORE (PTE.) LTD.	15,706,835	3.85
5.	DBSN SERVICES PTE LTD	2,702,008	0.66
6.	UOB KAY HIAN PTE LTD	2,160,342	0.53
7.	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	1,267,786	0.31
8.	OCBC SECURITIES PRIVATE LTD	1,006,211	0.25
9.	MRS CHEW KHENG LIAN NEE TAN KHENG LIAN	902,760	0.22
10.	PHILLIP SECURITIES PTE LTD	886,830	0.22
11.	UNITED OVERSEAS BANK NOMINEES PTE LTD	750,496	0.18
12.	LOKE WAN YAT REALTY SDN BHD	721,400	0.18
13.	RAFFLES NOMINEES (PTE) LIMITED	649,563	0.16
14.	UOB NOMINEES (2006) PRIVATE LIMITED	591,608	0.15
15.	OCBC NOMINEES SINGAPORE PTE LTD	583,500	0.14
16.	MAYBANK NOMINEES (SINGAPORE) PTE LTD	580,204	0.14
17.	HSBC (SINGAPORE) NOMINEES PTE LTD	551,100	0.14
18.	LOKE YUEN KIN RUBY MRS TAN KIA MENG	448,601	0.11
19.	CHOO MEILEEN	414,432	0.10
20.	AU YONG AH NGOH	396,984	0.10
		372,132,286	91.26

SHAREHOLDINGS INFORMATION

As at 15 March 2019

Substantial Shareholders

Name of Substantial Shareholder	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
The Cairns Pte. Ltd.	285,670,552	70.06	-	-
Tan Chin Tuan Pte. Ltd. ¹	-	-	285,670,552	70.06
Raffles Investments Limited ¹	-	-	285,670,552	70.06
Tecity Pte. Ltd. ¹	-	-	285,670,552	70.06
Aequitas Pte. Ltd. ¹	-	-	285,670,552	70.06
Dr Tan Kheng Lian ¹	902,760	0.22	286,573,312	70.28
Franklin Resources, Inc. ²	-	-	25,805,600	6.33
Franklin Templeton Institutional, LLC ²	-	-	25,805,600	6.33

Notes:

n/m: not meaningful

¹ Each of Raffles Investments Limited ("**Raffles**") 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 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. Tan Chin Tuan Pte. Ltd. ("**TCTPL**") holds more than 50% of the voting rights in Aequitas. By virtue of this, TCTPL 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.

² 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.

Percentage of Shareholding Held by the Public

Based on information available to the Company as at 15 March 2019, approximately 19.99% 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 (the “**Meeting**”) of members of The Straits Trading Company Limited (the “**Company**”) will be held at Suntec Singapore International Convention & Exhibition Centre, Level 3, Meeting Rooms 303 – 304, 1 Raffles Boulevard, Suntec City, Singapore 039593 on Friday, 26 April 2019 at 2.00 p.m. for the following business:

As Ordinary Business:

1. To receive and adopt the Audited Financial Statements for the year ended 31 December 2018, 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) Mr Goh Kay Yong David
(*Note:* Mr Goh Kay Yong David, if re-elected, will remain as a member of the Remuneration Committee.)
 - (b) Mr Tan Tiong Cheng
(*Note:* Mr Tan Tiong Cheng, if re-elected, will remain as a member of the Remuneration Committee and is considered an independent Director.)
 - (c) Dr Gary Hilton Weiss
(*Note:* Dr Gary Hilton Weiss, if re-elected, will remain as the chairman of the Remuneration Committee and is considered an independent Director.)
3. To approve the payment of Directors’ fees of S\$744,346 for the year ended 31 December 2018 (2017: S\$742,000)
4. To re-appoint Ernst & Young LLP as the Independent Auditor of the Company and to authorise the Board to fix their remuneration

As Special Business:

5. To consider and, if thought fit, to pass, with or without modifications, the following resolution as an Ordinary Resolution:

“That pursuant to section 161 of the Companies Act, Chapter 50 of Singapore (the “**Act**”) and the Listing Manual of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”), 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 (excluding treasury shares and subsidiary holdings) (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 (excluding treasury shares and subsidiary holdings) (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such manner of calculation as may be prescribed by 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 (excluding treasury shares and subsidiary holdings) 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 Act and 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 consider and, if thought fit, to pass, with or without modifications, the following resolution as an Ordinary Resolution:

“That:

- (a) for the purposes of the Companies Act (Chapter 50 of Singapore) (the “**Companies Act**”), the authority conferred on the directors of the Company (“**Directors**”) to exercise all the powers of the Company to purchase or otherwise acquire issued ordinary shares fully paid in the capital of the Company (the “**Shares**”) not exceeding in aggregate the Maximum Limit (as hereafter defined), at such price(s) as may be determined by the Directors from time to time up to the Maximum Price (as hereafter defined), whether by way of:
 - (i) market purchase(s) (each a “**Market Purchase**”) on the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”), through the ready market, and which may be transacted through one or more duly licensed stockbrokers appointed by the Company for the purpose; and/or
 - (ii) off-market purchase(s) (each an “**Off-Market Purchase**”) in accordance with any equal access scheme(s) as may be determined or formulated by the Directors as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act,

and otherwise in accordance with all other laws and regulations, including but not limited to the provisions of the Companies Act and the Listing Manual of the SGX-ST as may for the time being be applicable, be and is hereby approved generally and unconditionally (the “**Share Buyback Mandate**”);
- (b) unless varied or revoked by the Company in a general meeting, the authority conferred on the Directors pursuant to the Share Buyback Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earlier of:
 - (i) the date on which the next Annual General Meeting (“**AGM**”) is held or required by law to be held; and
 - (ii) the date on which the purchases or acquisitions of Shares by the Company pursuant to the Share Buyback Mandate are carried out to the full extent mandated;

NOTICE OF ANNUAL GENERAL MEETING

(c) in this Resolution:

“Maximum Limit” means that number of Shares representing not more than 10% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) as at the date of the passing of this Resolution, unless the Company has effected a reduction of the share capital of the Company in accordance with the applicable provisions of the Companies Act, at any time during the Relevant Period (as defined below), in which event the total number of issued Shares shall be taken to be the total number of issued Shares as altered (excluding any treasury shares that may be held by the Company from time to time and subsidiary holdings); and

“Maximum Price”, in relation to a Share to be purchased or acquired, means the purchase price (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) which shall not exceed:

- (i) in the case of a Market Purchase, 105% of the Average Closing Price; and
- (ii) in the case of an Off-Market Purchase pursuant to an equal access scheme, 120% of the Average Closing Price,

where:

“Relevant Period” means the period commencing from the date on which this Resolution is passed and expiring on the date the next AGM is held or is required by law to be held, whichever is the earlier, after the date of this Resolution;

“Average Closing Price” means the average of the closing market prices of the Shares traded on the SGX-ST over the last five Market Days (a **“Market Day”** being a day on which the SGX-ST is open for trading in securities), on which transactions in the Shares were recorded, immediately preceding the day of the Market Purchase by the Company or, as the case may be, the day of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant five Market Days; and

“day of the making of the offer” means the day on which the Company announces its intention to make an offer for the purchase of Shares from shareholders of the Company, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase; and

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

7. To consider and, if thought fit, to pass, with or without modifications, the following resolution as an Ordinary Resolution:

“That:

(a) a new share incentive scheme to be known as the “STC Performance Share Plan” (the **“Performance Share Plan”**), under which awards (**“Awards”**) of fully-paid Shares, their equivalent cash value or combinations thereof, will be granted, free of charge, to eligible participants under the Performance Share Plan, summary details of which are set out in the Circular to Shareholders dated 10 April 2019 issued together with this Notice, be and is hereby approved and adopted with effect from the date of the passing of this Resolution;

NOTICE OF ANNUAL GENERAL MEETING

- (b) the Directors be and are hereby authorised:
 - (i) to establish and administer the Performance Share Plan; and
 - (ii) to modify and/or alter the Performance Share Plan at any time and from time to time, provided that such modifications and/or alterations are effected in accordance with the provisions of the Performance Share Plan, and to do all such acts and to enter into all such transactions and arrangements as may be necessary or expedient in order to give full effect to the Plan; and
- (c) the Directors be and are hereby authorised to grant Awards in accordance with the provisions of the Performance Share Plan and to issue and/or transfer from time to time such number of fully paid-up Shares as may be required to be issued and/or transferred pursuant to the vesting of Awards under the Performance Share Plan, provided that the total number of Shares which may be allotted and issued and/or delivered pursuant to Awards granted under the Performance Share Plan on any date, when added to:
 - (i) the total number of new Shares allotted and issued and/or to be allotted and issued, and issued Shares delivered and/or to be delivered, pursuant to Awards granted under the Performance Share Plan; and
 - (ii) all Shares, options or awards granted under any other share option or share scheme of the Company then in force (if any),

shall not exceed 5% (or such other lower limits as the SGX-ST may determine from time to time) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) on the date preceding the date of the relevant Award.”

8. To transact any other ordinary business of the Company

By Order of the Board

Aldric Tan Jee Wei
Company Secretary

Singapore
10 April 2019

NOTICE OF ANNUAL GENERAL MEETING

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 office of the Company's Share Registrar, Tricor Barbinder Share Registration Services, at 80 Robinson Road #11-02, Singapore 068898, not less than 48 hours before the time for holding the Meeting or any adjournment thereof.

Explanatory Notes:

Resolution 5:

Resolution 5, 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 (excluding treasury shares and subsidiary holdings), of which up to 20% for issues other than on a *pro-rata* basis, calculated as described in the Resolution.

Resolution 6:

Resolution 6, if passed, will empower the Directors to purchase or otherwise acquire Shares on the terms of the Share Buyback Mandate as set out in Resolution 6 and the Circular to Shareholders dated 10 April 2019. Please refer to the said Circular to Shareholders for more details. The Company may use internal sources of funds or external borrowings or a combination of both to finance the Company's purchase or acquisition of Shares pursuant to the Share Buyback Mandate. The amount of financing required and the impact of the Company's financial position cannot be ascertained as at the date of this Notice as these will depend on, inter alia, the aggregate number of Shares purchased or acquired, whether the purchase or acquisition is made out of capital or profits, the purchase prices paid for such Shares, the amount (if any) borrowed by the Company to fund the purchase or acquisition and whether the Shares purchased or acquired are cancelled or held as treasury shares. Illustrative financial effects of the Share Buyback Mandate are set out in paragraph 2.8 of the said Circular to Shareholders.

Resolution 7:

Resolution 7, if passed, will adopt the proposed Performance Share Plan in the manner as set out in the Circular to Shareholders dated 10 April 2019 issued together with this Notice ("**Circular**"). The Company wishes to adopt the Performance Share Plan, subject to, and upon, approval of shareholders being obtained for the Performance Share Plan at this AGM. The rationale for the adoption of the Performance Share Plan, details of and a summary of the principal rules of the Performance Share Plan are set out in the said Circular.

Personal Data Privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Meeting and/or any adjournment thereof, a member 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 Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the 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) NRIC/Passport No. _____

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	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 Suntec Singapore International Convention & Exhibition Centre, Level 3, Meeting Rooms 303 – 304, 1 Raffles Boulevard, Suntec City, Singapore 039593 on Friday, 26 April 2019 at 2.00 p.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.	Audited Financial Statements, Directors' Statement and Independent Auditor's Report thereon		
2.	(a) Re-election of Mr Goh Kay Yong David as Director		
	(b) Re-election of Mr Tan Tiong Cheng as Director		
	(c) Re-election of Dr Gary Hilton Weiss as Director		
3.	Directors' fees		
4.	Re-appointment of Ernst & Young LLP as the Independent Auditor		
5.	Authority for the Directors to issue shares pursuant to Section 161 of the Companies Act, Chapter 50		
6.	Proposed renewal of the Share Buyback Mandate		
7.	Proposed adoption of the Performance Share Plan		
8.	Any other business		

Dated this _____ day of April, 2019.

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, Tricor Barbinder Share Registration Services, 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.

CORPORATE INFORMATION

Board of Directors

Ms Chew Gek Khim PJC

Executive Chairman
Member, Nominating Committee

Ms Chew Gek Hiang

Non-Independent and
Non-Executive Director
Member, Audit and Risk Committee

Mr Goh Kay Yong David

Non-Independent and
Non-Executive Director
Member, Remuneration Committee

Mr Tan Tiong Cheng

Independent and
Non-Executive Director
Member, Remuneration Committee

Dr Gary Hilton Weiss

Independent and
Non-Executive Director
Chairman, Remuneration Committee

Mr Chia Chee Ming, Timothy

Lead Independent Director
Chairman, Nominating Committee
Member, Audit and Risk Committee

Mr Tan Chian Khong

Independent and
Non-Executive Director
Chairman, Audit and Risk Committee

Mr Chua Tian Chu

Independent and
Non-Executive Director
Member, Nominating Committee

Key Management Personnel

Ms Chew Gek Khim

Executive Chairman

Ms Jennifer Chee Foong Fong

Group Financial Controller

Ms Goh Yah Huay

Group Treasurer

Secretary

Mr Aldric Tan Jee Wei

Registered Office

1 Wallich Street #15-01
Guoco Tower
Singapore 078881

Corporate Office

1 Wallich Street #15-01
Guoco Tower
Singapore 078881
Tel : (65) 6422 4288
Fax : (65) 6534 7202
E-mail : contactus@stc.com.sg
Website : www.stc.com.sg

Investor Relations/Corporate Communications

Aldric Tan/Evelyn Quah
E-mail : ir@stc.com.sg

Share Registrar

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 Lim Tze Yuen
(Appointed with effect from financial
year ended 31 December 2017)

Principal Bankers

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

The Straits Trading Company Limited
(Co. Reg. No.: 188700008D)

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