



SECOND CHANCE PROPERTIES LTD  
ANNUAL REPORT **2018**

**HOLDING ON  
FOR A  
Bigger  
Catch**

**First Lady**





# COMPANY PROFILE

## SECOND CHANCE PROPERTIES LTD

was listed on SESDAQ on 24th January 1997. On 2nd March 2004, it was transferred to the Mainboard of Singapore Stock Exchange. Second Chance Properties Ltd is involved in 4 core businesses:

- Property Investment
- Retailing of Apparel
- Retailing of Gold Jewellery
- Investing and Trading in Financial Instruments

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# FOUNDER AND CEO STATEMENT



Dear Shareholders,

## OVERVIEW

I am pleased to present our FY 2018 Annual Report for the financial year ended 31 August 2018.

The consolidation of our apparel business in Malaysia has been completed with the remaining 6 outlets being closed leaving only our company owned flagship store which is profitable and which we intend to continue operating.

The gold jewellery business maintained its stable performance. However, the Group rental income declined due to the disposal of two properties and lower rent on several lease renewals. As a result, the net profit decreased from \$9.48 million in FY 2017 to \$7.91 million in this financial year.

Keeping in line with the strategy to consolidate our position in the current economic environment, the Group has further lowered its debt resulting in a gearing of 0.11.

With a strong Balance Sheet as at 31 August 2018 that includes properties (including self-occupied properties) valued at \$192 million and our NTA having increased to \$262.26 million, we remain in a strong position to capitalize and seize any opportunities that may arise.

## DIVIDEND POLICY & DIVIDENDS

The Group intends to continue with its prudent approach towards its dividend policy, adhering to the limit of 30% of profits as decided in FY 2016.

The Board of Directors is recommending a dividend of 0.3 cents per ordinary share (one-tier tax exempt) for the financial year ended 31 August 2018 for shareholders' approval at the upcoming Annual General Meeting on 27 December 2018. The dividend amount to be distributed based on the share capital at the end of the financial year is \$2.26 million which is 28.64% of our net profit after tax. The actual amount could be higher if there are warrants exercised before the book closure date.

## **CORPORATE GOVERNANCE**

Our commitment to maintain high standards of corporate governance forms an integral part of the Group's culture and business practices. We have highlighted some of our activities relating to corporate responsibility on page 19 and outlined key corporate governance policies on page 28 - 51 of this Annual Report.

## **CSR-CORPORATE SOCIAL RESPONSIBILITY**

For our CSR programme this year apart from sponsoring and donating to various social and community events, we have continued to grant a Bursary Fund to assist and support deserving students pursuing their undergraduate studies. Please refer to pages 20 & 21 of this Annual Report to view some of the highlights of our CSR programs done in the past year.

## **INVESTOR RELATIONS**

The Company engages its shareholders from time to time with information of our performance and future plans. Shareholders interested to be on our mailing list can email us at [contact@secondchance.com.sg](mailto:contact@secondchance.com.sg)

## **ACKNOWLEDGEMENT**

I would like to thank my fellow Directors for their counsel and commitment during the year and all key personnel and staff members for their dedication to the Group.

On behalf of our Board of Directors, I would like to sincerely thank our shareholders, customers, tenants, business associates and employees for their continued confidence and support.

**Mohamed Salleh Marican**

Founder & CEO

30 November 2018

# BOARD OF DIRECTORS



**MOHAMED SALLEH MARICAN, 69**  
FOUNDER & CEO

Attended Victoria School Singapore 1962-1967

1968 - 1971: Served 3 years National Service and left with rank of Lieutenant.

Sole Proprietor from 15 June 1974 to 04 August 1986

Date of first appointment as a Director: 02 June 1986

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

Length of service as a Director (as at 31 August 2018):  
32 years

Board Committee(s) served on:  
Nominating Committee (Member)  
(Stepped down on 12 November 2014)

Present Directorships (as at 31 August 2018):  
Listed Companies  
Nil

Other Principal Directorships:  
Temasek Foundation Cares CLG Limited  
18 Wholly Owned Subsidiaries of the Group

Major Appointments (Other than Directorship): Nil

Past Directorships held over the preceding 5 years:  
(01 September 2013 to 31 August 2018)  
Nil

#### Others

1988 - Inaugural Malay Businessman of the Year Award, jointly organised by the Singapore Malay Chamber of Commerce and Berita Harian

1996 - Entrepreneurship Excellence Award Conferred by Lianhe Zaobao and the Entrepreneurship Development Centre of the Nanyang Technological University

2011 - Berita Harian Achiever of the Year 2011 Award

2012 - Ernst & Young Entrepreneur of the Year

2013 - Best CEO Singapore Corporate Award

2014 - Life Member of Fellow Singapore Institute of Directors since 27 August 2014



**HASAN MARICAN, 64**  
DEPUTY CEO

Attended Victoria School 1967-1970  
GCE 'O' Level

Date of first appointment as a Director:  
02 March 1987

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

Length of service as a Director (as at 31 August 2018):  
31 years 6 months

Board Committee(s) served on:  
Nil

Present Directorships (as at 31 August 2018):  
Listed Companies: Nil

Other Principal Directorships:  
18 Wholly Owned Subsidiaries of the Group

Major Appointments (Other than Directorship):  
Nil

Past Directorships held over the preceding 5 years  
(from 01 September 2013 to 31 August 2018):  
Nil

# BOARD OF DIRECTORS



**DEV PISHARODY, 61**  
EXECUTIVE DIRECTOR

Attended St. Patricks Secondary School 1970-1972  
Bartley Secondary School 1973-1974  
GCE 'O' Level

April 1975 - October 1978: Served 3 1/2 years  
National Service  
Last rank attained - Sergeant

Date of first appointment as a Director:  
02 March 1987

Date of re-election as a Director:  
29 December 2016

Length of service as a Director (as at 31 August 2018):  
31 years 6 months

Board Committee(s) served on:  
Nil

Present Directorships (as at 31 August 2018):  
Listed Companies:  
Nil

Other Principal Directorships:  
Second Chance Investments Pte Ltd  
First Lady Apparels (Malaysia) Sdn Bhd

Major Appointments (Other than Directorship):  
City Plaza Management Corporation Strata Title No.669  
- Secretary

Sim Lim Management Corporation Strata Title No.1440 -  
Member

Past Directorships held over the preceding 5 years  
(from 01 September 2013 to 31 August 2018):  
Nil



**DR AHMAD MAGAD JP, 65**  
LEAD INDEPENDENT NON-EXECUTIVE DIRECTOR

Education & Qualifications:  
Doctor of Business Administration (Henley Business School-UK)  
Master of Business Administration (Henley Business School-UK)  
Advanced Post Graduate Diploma in Management Consultancy (UK)  
Ingenieur Grad (Germany)  
Fellow Member of CPA Australia  
Fellow Member of Chartered Institute of Marketing, UK  
Fellow Member Singapore Institute of Directors

Date of first appointment as a Director: 20 December 1996  
Date of last re-election as a Director: 27 December 2017

Length of service as a Director (as at 31 August 2018):  
16 years 11 months 11 days  
(from 20 December 1996 to 30 November 2013)  
Reappointed on 30 December 2015  
2 years 8 months (as at 31 August 2018)

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

Listed Companies:  
Propnex Limited (Lead Independent Director)

Other Principal Directorships:  
Singapore Innovation and Productivity Institute Pte. Ltd.,  
Singapore PMC Certification Pte. Ltd.,  
SME Centre @ SMF Pte. Ltd  
SMF Centre for Corporate Learning Pte. Ltd.,  
SMF Institute of Higher Learning Pte. Ltd.,  
SMF Biz Search Pte. Ltd.

Major Appointments (Other than Directorship):  
Singapore Productivity Association (President)  
Singapore Manufacturing Federation (Secretary General)  
Management Development Institute of Singapore (Chairman,  
Senate; Chairman, Academic Advisory Committee)

Past Directorships held over the preceding 5 years:  
(from 01 September 2013 to 31 August 2018)  
Former Group Managing Director of II-VI Singapore Pte Ltd  
II-VI Optics Suzhou Co Ltd and II-VI Vietnam Pte Ltd  
Workforce Development Agency (Board Member)  
National Productivity Council (Council Member)

Others:  
Former Member of Parliament for Pasir Ris-Punggol GRC -  
(1997 to 2011)  
Former Chairman of Pasir Ris-Punggol Town Council - (2006 to 2011)  
Former Chairman, Estimates Committee of Singapore Parliament  
Former Chairman, Government Parliamentary Committee for  
Finance and Trade & Industry  
Former Chairman, Government Parliamentary Committee for  
Manpower  
Former Chairman, Regional Parliamentary Group-Middle East  
Former Dy Chairman, Institute of Technical Education  
Former Dy Chairman, Malay Heritage Centre  
Former Board Member, SPRING Singapore  
Former Board Member, Accounting and Corporate Regulatory  
Authority  
Former Board Member, Public Utilities Board  
Former Board Member, Energy Market Authority  
Former Board Member, Workforce Singapore

# BOARD OF DIRECTORS



**GEETHA PADMANABHAN, 45**  
INDEPENDENT NON-EXECUTIVE DIRECTOR

**Education & Qualifications:**

Bachelor of Science from Bangalore University, India  
Chartered Accountant from Institute of Chartered Accountants of India

Mrs. Geetha has been with the Group since April 2003. She worked with the Group as Finance Manager from April 2003 to 30 June 2006 and then from April 2007 to Jan 2012. Prior to joining the Group, she had 3 years of accounting and auditing experience with a firm of Chartered Accountants affiliated to Deloitte & Touche Tohmatsu. She also worked as a part-time lecturer in a private Business School and as a systems consultant for ERP software of Microsoft for a brief period of time.

Date of first appointment as a Director:  
01 March 2012

Date of re-election as a Director:  
29 December 2016

Date of redesignation as an Independent  
Non-Executive Director: 30 November 2013

Length of service as a Director (as at 31 August 2018):  
6 years 6 months

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

Present Directorships (as at 31 August 2018):  
Listed Companies:  
Nil

Other Principal Directorships:  
Nil

Major Appointments (Other than Directorship):  
Nil

Past Directorships held over the preceding 5 years:  
(from 01 September 2013 to 31 August 2018)  
Nil

**Others:**

July 2013 to present: Managing Director in self-owned firm, SVP Consultants & Advisors  
April 2003 - January 2012: Group Finance Manager at Second Chance Properties Ltd Articleship Training for Chartered Accountancy course with C.C. Chokshi, Mumbai; a firm affiliated to Deloitte & Touche Tohmatsu.



**TAN LYE HENG PAUL, 53**  
INDEPENDENT NON-EXECUTIVE DIRECTOR

**Education & Qualifications:**

Fellow of Institute of Singapore Chartered Accountants

Fellow of Association of Chartered Certified Accountants, UK

Master of Business Administration, University of Birmingham

Date of first appointment as a Director:  
29 November 2002

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

Length of service as a Director:  
10 years 19 days (from 29 November 2002 to 17 December 2012) Reappointed on 30 December 2015  
2 years 8 months (as at 31 August 2018)

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

Present Directorships (as at 31 August 2018):  
Listed Companies:  
Serial System Ltd  
China Sunshine Chemical Holdings Ltd

Other Principal Directorships:  
CA TRUST PAC (Director)

Past Directorships held over the preceding 5 years:  
(from 01 September 2013 to 31 August 2018)  
Sin Ghee Huat Corporation Ltd

**Others:**

Accredited Mediator of the Consumer Association of Singapore (CASE) Mediation Panel



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# MANAGEMENT TEAM



**REEMA AGARWAL (36)**  
FINANCE ADVISOR

**M**s. Reema is a qualified Chartered Accountant (CA) and has worked with Chaturvedi & Shah, a leading audit and tax firm based in India, as an Assistant Tax Manager. She has also worked with different private firms in Singapore as a Finance Manager, managing their accounts and financial matters. She was part of the Group from 2012 - 2014 as our Finance Manager. In early 2015, she left the Group to set-up her own Consultancy & Accountancy Firm, Arika Consulting. She re-joined the group in August 2015 as Finance Advisor and currently is responsible for the financial accounting, management reporting, statutory audit, tax related matters and secretarial work of the Group.



**J RAJ MOHAMED (53)**  
ACCOUNTS MANAGER

**M**r. Raj Mohamed has been with the Group since 01 October 1995. Prior to joining the Group, he had 10 years of experience in accounts and auditing with an Audit Firm and Taj Group of Hotels (TATA Group). He is responsible for managing the Group's full sets of accounts in Microsoft Dynamic Navision (ERP), day to day accounting and finance operations, accounts receivable & payables for Singapore & Malaysia. He also oversees the Group's bank loans and also responsible to maintain the Group's Investment in Bonds and Equities portfolio as well as liaising with Bankers and Securities Remisiers.

**H**e also assists in the general administration of the Group. He graduated with a Master Degree of Commerce (Accounting and Finance).



**AMAL MARICAN (31)**

EXECUTIVE DIRECTOR - FIRST LADY APPARELS (MALAYSIA) SDN BHD

**M**r. Amal Marican joined the Group on 15 September 2008. Prior to that, he has been continually exposed to the retail trade within the Group for 8 years. He is assisting the CEO in the general management and operations of First Lady Malaysia. His other responsibilities include Purchasing and Advertisements and Promotions.

# MANAGEMENT TEAM



**SAFIE BIN HUSSAIN (59)**  
FIELD MANAGER

Mr. Safie Hussain has been with the Group since 1980. He started out in the Group as a sales staff. Between 1984 and 1989, he was one of the franchisee of 2nd Chance Men's Store. He is now responsible for ensuring that the stores are run in accordance with the Group's operational procedures and computerisation system.



**AZLAN BIN MOHD SHAFIE (42)**  
MANAGEMENT EXECUTIVE

Mr. Azlan Shafie joined the Group since 2000. He started out in the Group as Assistant Manager in Golden Chance. From September 2002 to July 2010, he joined First Lady Apparels (M) Sdn Bhd in Malaysia as the Executive Director. He assisted the CEO in the general management of the First Lady operations of the Group. His other responsibilities include Purchasing, Advertising and Promotions. Due to personal reasons, he left the company in August 2010 but re-joined the Group in October 2011. He is now a Management Executive in Singapore and his responsibilities include the general Purchasing, Advertising and Promotions for the Group and also assisting the CEO in the general management of the business.

# FINANCIAL INDICATORS AND HIGHLIGHTS

in S\$'000

<b>Revenue</b> <b>\$31,614</b>	<b>EBITDA</b> <b>\$7,535</b>	<b>NTA</b> <b>\$ 262,260</b>
<b>Profit Before Tax</b> <b>\$ 8,819</b>		<b>Profit After Tax</b> <b>\$ 7,909</b>

	2014	2015	2016	2017	2018
Revenue	48,459	45,788	39,122	34,812	31,614
Profit Before Tax	17,819	10,496	7,588	9,979	8,819
Profit After Tax	16,517	10,263	6,972	9,477	7,909
Dividend (Net)	3.5cps	3.55cps	0.2cps	0.3cps	0.3cps
Properties & Fixed Assets	228,174	222,211	208,220	192,638	192,219
Total Assets	361,685	348,843	320,232	312,804	305,376
Net Current Assets	(20,231)	(15,402)	(2,497)	15,271	14,113
Net Tangible Assets	263,249	254,297	256,254	259,355	262,260
Capital Employed	269,086	259,604	259,486	262,231	262,260
Share Capital	120,141	120,141	138,319	137,107	138,248
Current Ratio	0.78	0.83	0.96	1.30	1.33
Debt to Equity Ratio	0.37	0.37	0.25	0.21	0.16
Capital Gearing Ratio	0.34	0.32	0.21	0.15	0.11
Earnings Per Share (cents)	2.44	1.52	0.96	1.26	1.05
Price/Earning ratio	18.65	17.11	27.08	20.63	19.03
NTA Per Share (cents)	38.87	37.55	33.92	34.56	34.73
Interest Coverage Ratio	28.74	5.05	8.75	15.03	14.72



# FINANCIALS AT A GLANCE

PROFIT & LOSS ACCOUNT	2018 (S\$ ' 000)	2017 (S\$ ' 000)	Variance (%)	
Revenue	31,614	34,812	-9.19%	①
Adjusted EBITDA *	7,535	11,915	-36.76%	②
Interest	643	711	-9.56%	③
Profit before tax	8,819	9,979	-11.62%	④
Profit after tax	7,909	9,477	-16.55%	④
<b>BALANCE SHEET</b>				
Total assets	305,376	312,804	-2.37%	⑤
Investment properties	170,470	171,702	-0.72%	⑥
Cash and cash equivalents	10,804	6,517	65.78%	⑦
Short term borrowing	39,100	42,914	-8.89%	⑦
Long term borrowing	-	2,876	-100.00%	⑦
Shareholders' funds	262,260	259,355	1.12%	
<b>FINANCIAL RATIOS</b>				
Return on equity (%)	3.03	3.68	-17.59%	
Current ratio	1.33	1.30	2.31%	
Gearing ratio	0.11	0.15	-26.67%	
Interest coverage (times)	14.72	15.03	-2.06%	
Dividend payout ratio	28.57	23.81	20.00%	
<b>PER SHARE DATA</b>				
Earnings (cents)	1.05	1.26	-16.67%	
Net asset value (cents)	34.73	34.56	0.49%	
Dividend (cents)	0.30	0.30	0.00%	
Dividend yield (%)#	1.25	1.15	8.33%	

**1** Revenue from all business segments except securities business decreased

**2** Mainly due to unrealised loss on mark-to-market of financial instruments

**3** Repayment of loan mainly from proceeds realised on disposal of investment property

**4** Decrease in revenue resulting in lower profits

**5** Decreased mainly due to disposal of investment property

**6** Increase from proceeds received from disposal of investment property

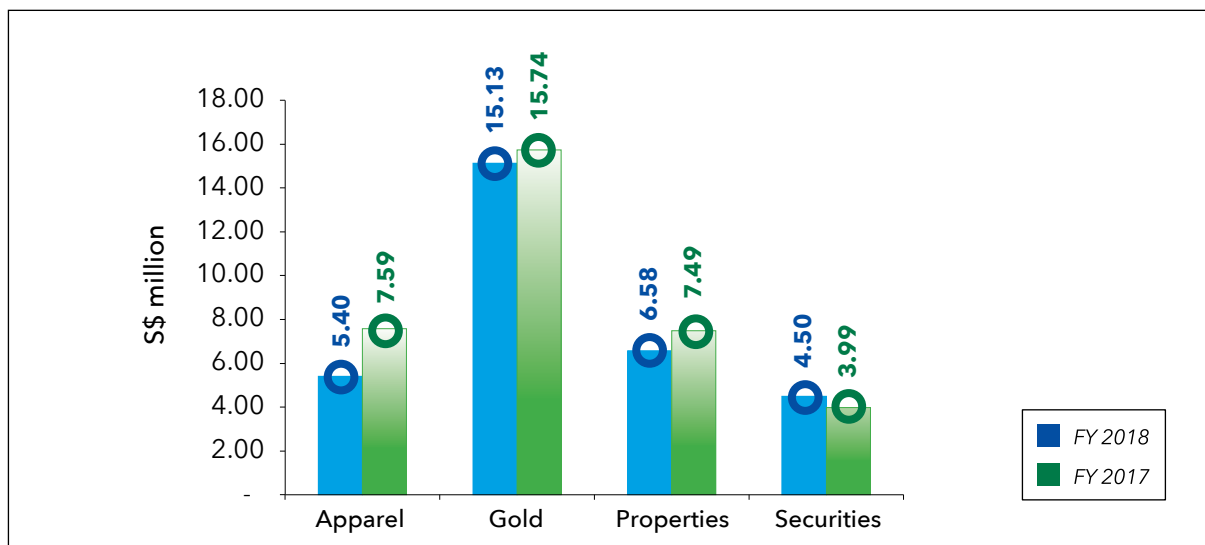
**7** Repayment of entire long term loan and partial short term loan during the year

\* Adjusted earnings before Interest, tax, depreciation, exchange gains/losses, revaluation gain/deficit, divestment profit/loss.

# Based on the last traded price of 24 cents and 26 cents as at 31 August 2018 and 31 August 2017 respectively

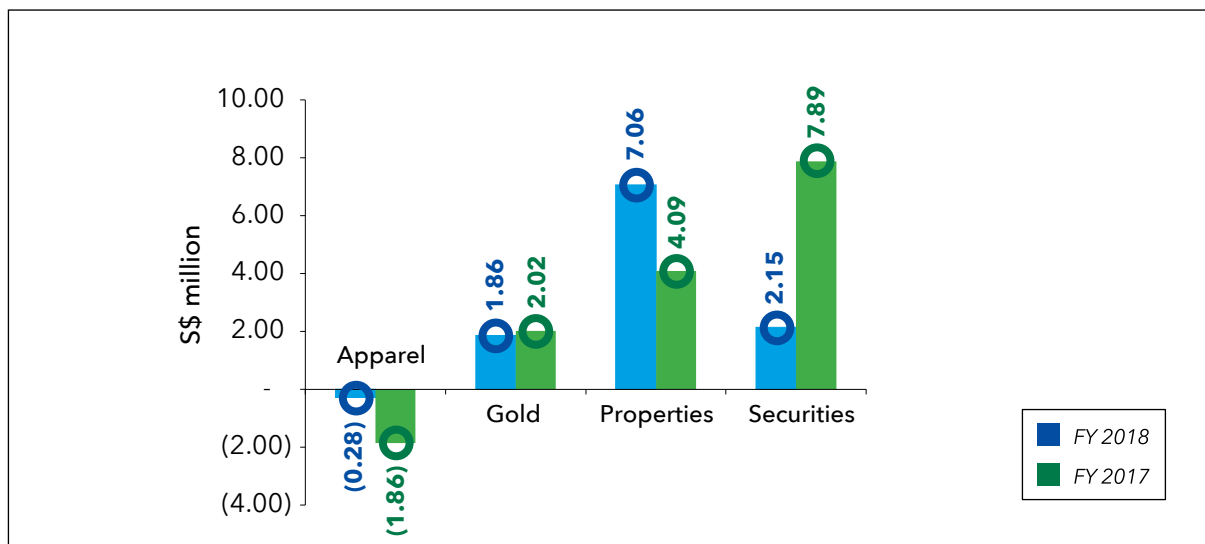
# FINANCIALS AT A GLANCE

## Revenue



Revenue	FY 2018 S\$ million	FY 2017 S\$ million	Variance S\$ million	%
Apparel	5.40	7.59	(2.19)	(28.85)
Gold	15.13	15.74	(0.61)	(3.88)
Properties	6.58	7.49	(0.91)	(12.15)
Securities	4.50	3.99	0.51	12.78

## Profit before tax and unallocated expenses



	FY 2018 S\$ million	FY 2017 S\$ million	Variance S\$ million	%
Apparel	(0.28)	(1.86)	1.58	(84.95)
Gold	1.86	2.02	(0.16)	(7.92)
Properties	7.06	4.09	2.97	72.62
Securities	2.15	7.89	(5.74)	(72.75)

## Overview

The Group net profit decreased by \$1.57 million from \$9.48 million in FY 2017 to \$7.91 million in FY 2018.

Revenue has decreased by \$3.20 million or 9.19% from \$34.81 million in FY 2017 to \$31.61 million in FY 2018.

Adjusted EBITDA decreased by \$4.38 million from \$11.92 million in FY 2017 to \$7.54 million in FY 2018.

## Revenue

The Group revenue has decreased by \$3.20 million or 9.19% from \$34.81 million in FY 2017 to \$31.61 million in FY 2018.

Different business segments contributed to the decrease as illustrated below:

	FY 2018 S\$ million	FY 2017 S\$ million	Variance S\$ million	%
Apparel	5.40	7.59	(2.19)	(28.85)
Gold	15.13	15.74	(0.61)	(3.88)
Properties	6.58	7.49	(0.91)	(12.15)
Securities	4.50	3.99	0.51	12.78

The closure of all retail apparel outlets except the flagship First Lady store in Malaysia has resulted in decrease of revenue of \$2.19 million from this business segment. In addition, the intense competition and the increasing trend of online shopping with changed consumer preferences has also contributed to decrease in revenue from apparel business. The revenue from apparel business was \$7.59 million in FY 2017 as compared to \$5.40 million in FY 2018. Of the \$5.40 million, Malaysian apparel business contributed \$3.56 million.

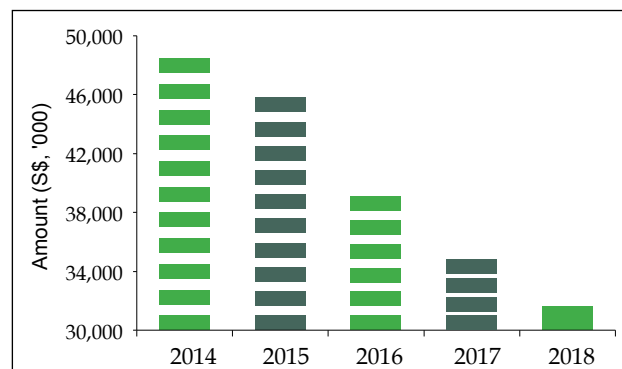
Despite a general slowdown in the gold market, our revenue from gold business declined only slightly by \$0.61 million or 3.88% to \$15.13 million in FY 2018 from \$15.74 million in FY 2017.

Rental revenue from properties reduced by \$0.91 million to \$6.58 million in FY 2018 from \$7.49 million in FY 2017 mainly because of sale of two investment properties as well as lower rental received on some renewal of lease.

The securities business witnessed a rise in revenue of \$0.51 million from \$3.99 million in FY 2017 to \$4.50 million in FY 2018 because of increased dividends received from equity securities purchased during the current year.

The graph below represents the total revenue from the group during the past five years:

## Revenue



## Profit

The Group net profit decreased to \$7.91 million in FY 2018 from \$9.48 million in FY 2017, by \$1.57 million.

The contribution from various business segments are illustrated below (the contributions are before interest, tax and unallocated expenses).

	FY 2018 S\$ million	FY 2017 S\$ million	Variance S\$ million	%
Apparel	(0.28)	(1.86)	1.58	(84.95)
Gold	1.86	2.02	(0.16)	(7.92)
Properties	7.06	4.09	2.97	72.62
Securities	2.15	7.89	(5.74)	(72.75)

The closure of all retail apparel outlets except the flagship First Lady store in Malaysia helped in lowering losses from the apparel business segment. In addition, the unrealised foreign exchange gain because of the appreciating Malaysian Ringgit contributed to the decrease in loss from this segment.

The profit from gold business decreased marginally by \$0.16 million from \$2.02 million in FY 2017 to \$1.86 million in FY 2018 mainly because of slightly lower gross profit margin as well as lower sales compared to prior year.

Properties segment contributed \$7.06 million in FY 2018 as compared to \$4.09 million in FY 2017.

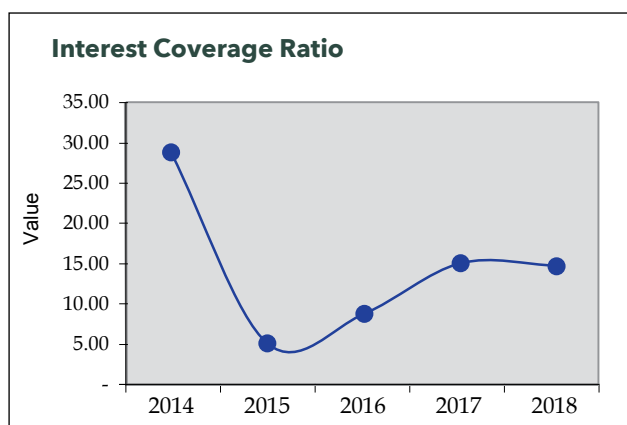
This was primarily because of gain of \$0.79 million recorded on revaluation of properties in FY 2018 as compared to net revaluation loss of \$2.44 million in FY 2017. Furthermore, profit of \$0.75 million on sale of two investment properties in FY 2018 also added to the increase in profit in the current year from this business segment.

# FINANCIAL REVIEW 2018

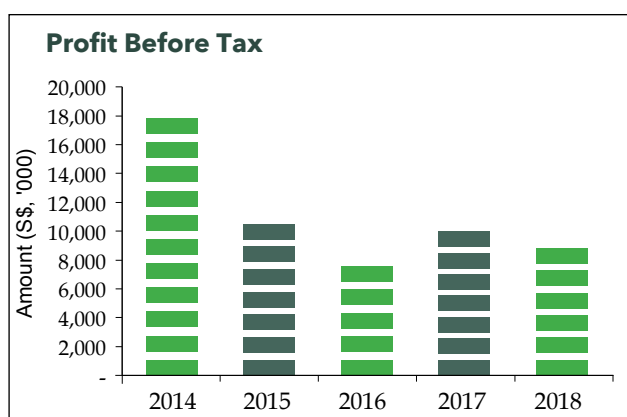
Securities segment recorded a profit of \$2.15 million in FY 2018 which is \$5.74 million lesser than the profit of \$7.89 million in FY 2017. This was mainly due to unrealised loss of \$2.35 million recorded on financial assets, at fair value through profit or loss i.e. the financial assets held for trading purpose in the current year as compared to an unrealised gain of \$1.42 million in the prior year. Moreover, the company accepted cash offer on de-listing of one of the securities in FY 2017 resulting in profit of \$2.24 million.

## Finance Costs

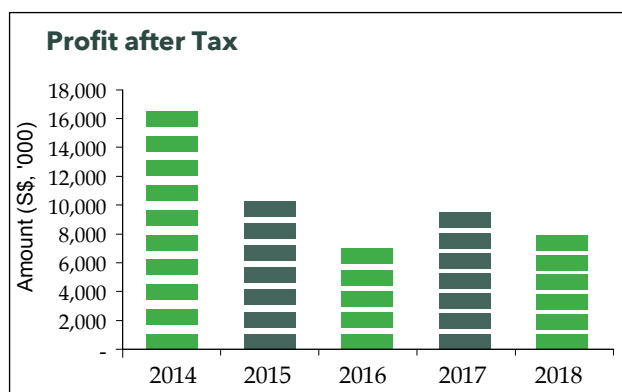
Interest expenses decreased from \$0.71 million in FY 2017 to \$0.64 million in FY 2018 due to partial repayment of loan during the current year.



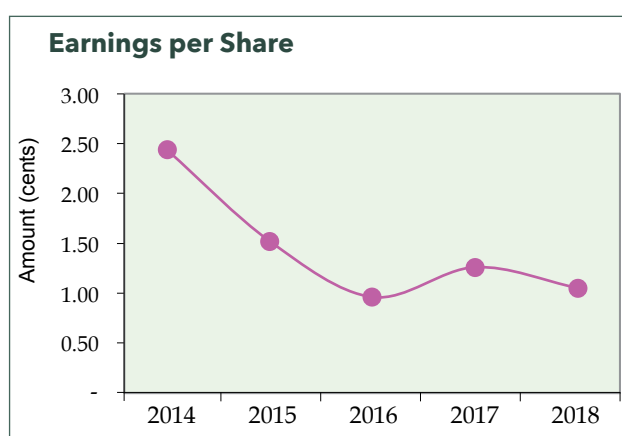
Below is a graphical representation of the profit before tax for the past five years:



The income tax expense increased by \$0.41 million from \$0.50 million in FY 2017 to \$0.91 million in FY 2018 despite lower taxable profits in the current year mainly because of group relief claimed in the prior year.



The earnings per share for FY 2018 was 1.05 cents as compared to 1.26 cents in FY 2017. Below is a comparison of the earnings per share for the past five years:



## Adjusted EBITDA

Adjusted EBITDA decreased by \$4.38 million from \$11.92 million in FY 2017 to \$7.54 million in FY 2018. The decrease of \$2.35 million in the market value of financial assets, at fair value through profit or loss mainly resulted in the decrease in EBITDA in FY 2018.

The details of Adjusted EBITDA calculation are as below:

Adjusted EBITDA*	FY 2018 S\$ '000	FY 2017 S\$ '000
Net Profit	7,909	9,477
Add/(Less):		
Interest expenses	643	711
Taxes	910	502
Depreciation	168	320
Fair valuation (gain)/deficit of properties	(789)	2,443
Divestment gain on available-for-sale financial assets	(7)	(2,245)
Divestment gains of investment property	(750)	-
Exchange differences	(549)	707
	<b>7,535</b>	<b>11,915</b>

\*Adjusted earnings before interest, tax, depreciation, exchange gains/losses, revaluation gains/deficit, divestment profits/losses



## Dividends

For FY 2018, the Directors have recommended a tax-exempt (one-tier) cash dividend of 0.30 cents per share to be approved by the shareholders at the Annual general Meeting.

The dividend yield for FY 2018 amounts to 1.25% based on the market price of 24 cents per share as at 31 August 2018 and the dividend payout ratio is 28.57% considering the earnings per share of 1.05 cents.

## Cash Flow

The net cash flow from operating activities was \$6.44 million in FY 2018.

Divestment of financial assets, available-for-sale including capital distribution made by various REITs generated \$0.71 million. Proceeds from disposal of investment properties and PPE generated \$12.28 million and \$0.01 million respectively. Further, the Group had drawn down an amount of \$156.77 million from banks. Proceeds from issue of shares due to warrants conversion amounted to \$1.14 million.

The Group purchased securities worth \$6.96 million and subscribed to scrip dividend and rights issue totaling \$0.06 million and \$0.36 million respectively which were classified as available-for-sale. Improvements made to investment properties and property, plant and equipment totaled \$0.01 million each. An amount of \$163.40 million was utilised to repay bank borrowings. The above funds were also deployed to distribute dividends totaling \$2.27 million.

Cash and cash equivalents at the end of the period i.e. 31 August 2018 was \$10.80 million while it was \$6.52 million at the beginning of the period i.e. 31 August 2017. Thus, there was an increase of \$4.28 million through the year.

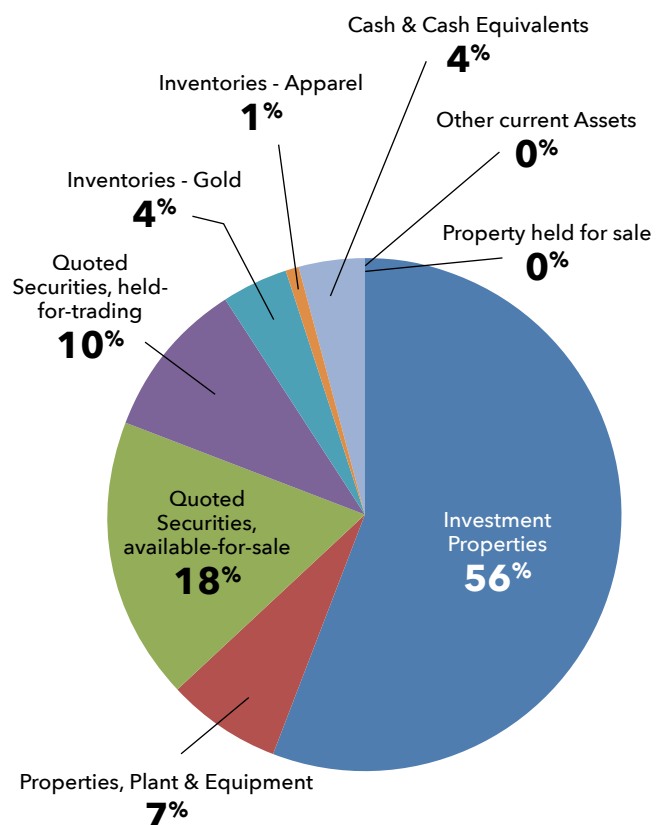
## Financial Position as at 31 August 2018

Investment properties of the group totaled \$170.47 million. In addition, \$21.75 million worth of property owned by the group was

classified as Property, Plant and equipment because it was self-occupied. Thus, the total value of the properties was \$192.22 million. As at 31 August 2018, available-for-sale financial assets comprised of shares valued at \$56.29 million while financial assets at fair value through profit or loss comprised of fixed income securities and equities valued at \$8.16 million and \$23.04 million respectively. There was a decrease of \$4.96 million in the market value of available-for-sale financial assets at 31 August 2018 as compared to 31 August 2017 and this loss was taken directly to equity. For financial assets, at fair value through profit or loss, there was an unrealised loss of \$2.35 million during the current financial year which was taken to the income statement.

Inventories as at August 2018 totaled \$14.05 million of which \$11.27 million was gold stock.

The asset allocation of the group as at 31 August 2018 is shown in the below chart:



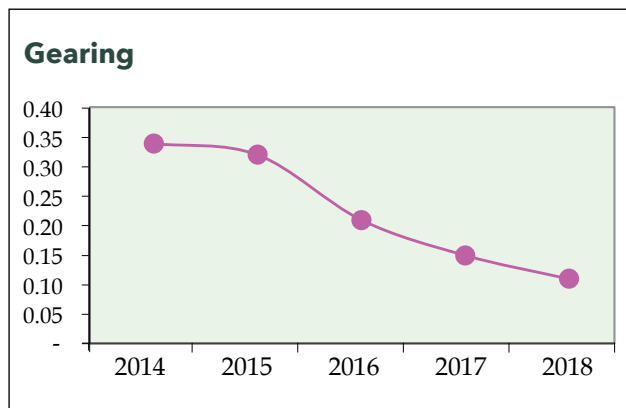
# FINANCIAL REVIEW 2018

## Working capital

The Group had a positive working capital of \$14.04 million as at 31 August 2018 as compared to working capital of \$15.27 million as at 31 August 2017.

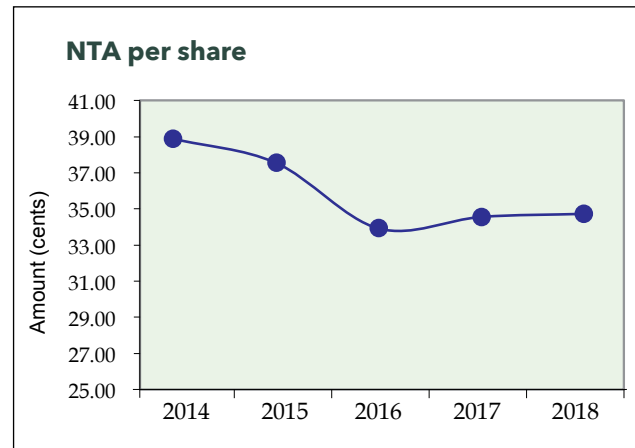
## Bank Borrowings

There was no long-term borrowing as at 31 August 2018 as the Group repaid the outstanding amount of \$3.05 million during the current year. The short-term borrowings of the Group were \$39.10 million at 31 August 2018 while the borrowings (both short-term and long-term) totaled \$45.79 million at 31 August 2017. The gearing ratio of the Group improved marginally from 0.15 at 31 August 2017 to 0.11 at 31 August 2018.



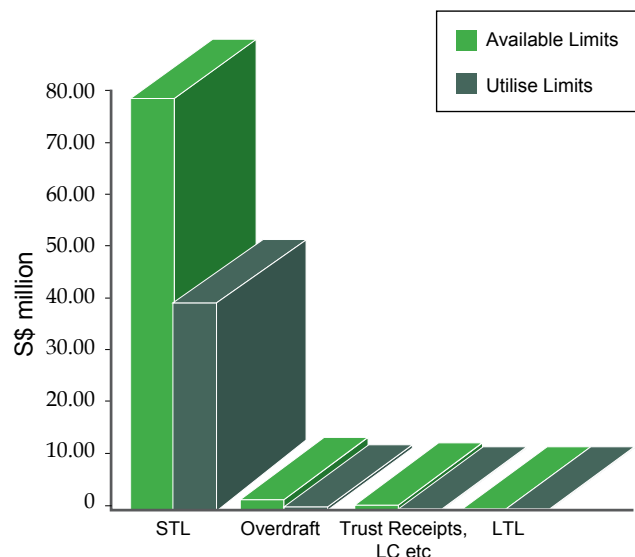
## Share Capital

Share capital was \$138.25 million as at end August 2018 as compared to \$137.11 million as at end August 2017. The movement in share capital was due to the issue of shares pursuant to exercise of warrants by shareholders. The number of shares in float was 755.03 million as at 31 August 2018 as compared to 750.47 million as at 31 August 2017. Total shareholders' equity stood at \$262.26 million and NTA per share was 34.73 cents as at 31 August 2018.



Below is an overview of the various bank facilities available and amounts utilized:

	Available limits S\$ million	Utilised limits S\$ million	% utilised
STL	78.12	39.10	50.05%
Overdraft	1.25	-	0.00%
Trust receipts, LC etc	0.45	-	0.00%
LTL	-	-	0.00%
	<b>79.82</b>	<b>39.10</b>	<b>48.99%</b>

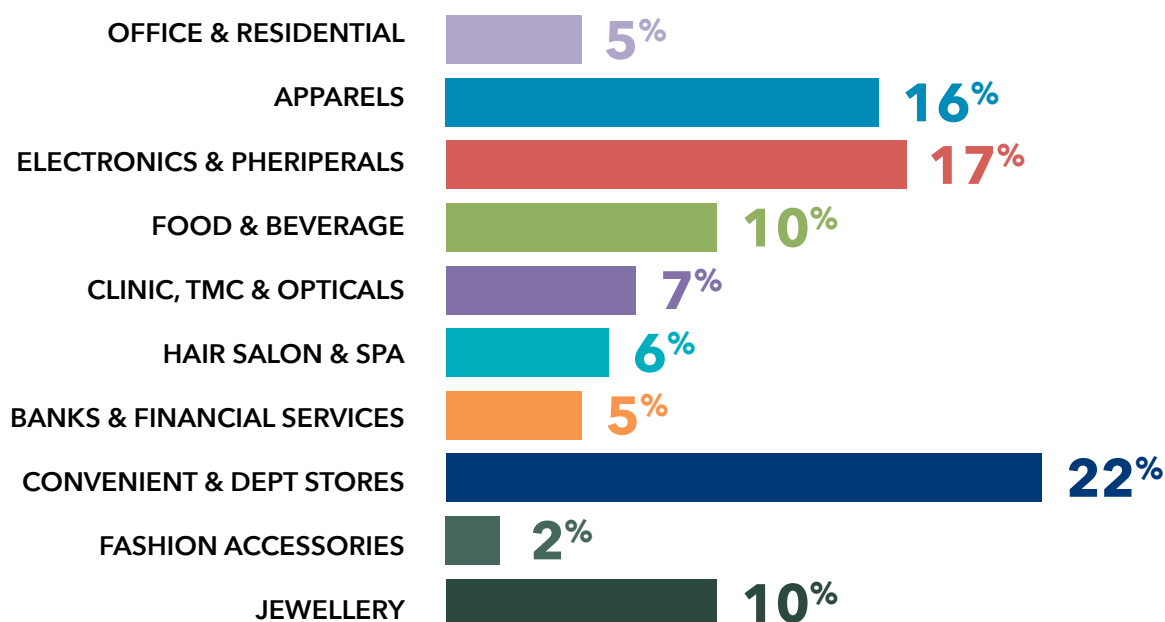


# PROPERTY PORTFOLIO & TENANTS' OPERATIONS REVIEW

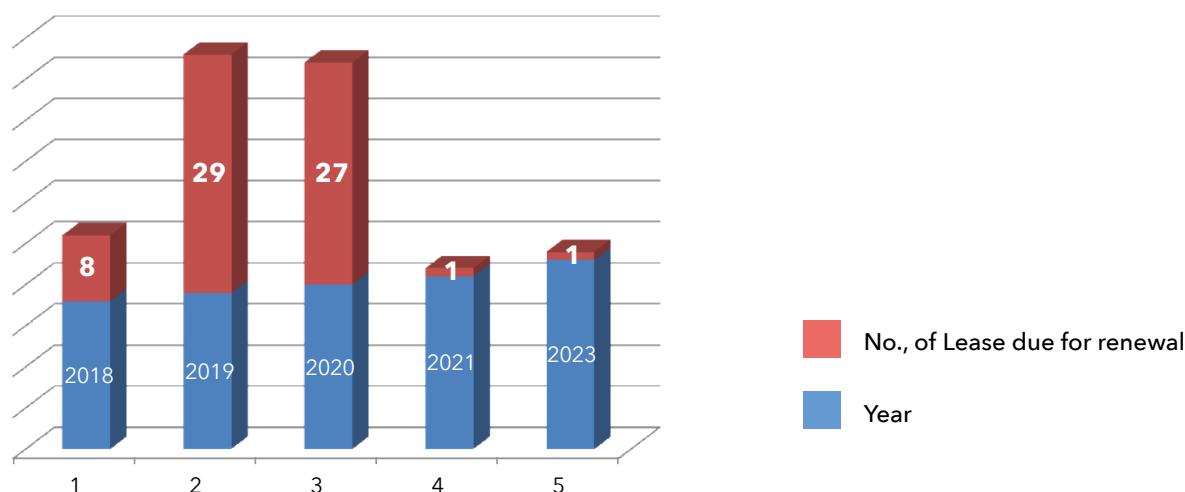
## PROPERTY PORTFOLIO REVIEW COMMERCIAL & OFFICE

<b>FY 2018 Appraised Value</b>	<b>S\$192.22 Million</b>
<b>Net Lettable Area- (Singapore)</b>	<b>37,512 Sq ft</b>
<b>Current Utilisation</b>	<b>Rented Out</b>
<b>Occupancy Rate</b>	<b>100%</b>

## TENANTS' OPERATION REVIEW Rental Income Contribution by Tenant Trade Sector

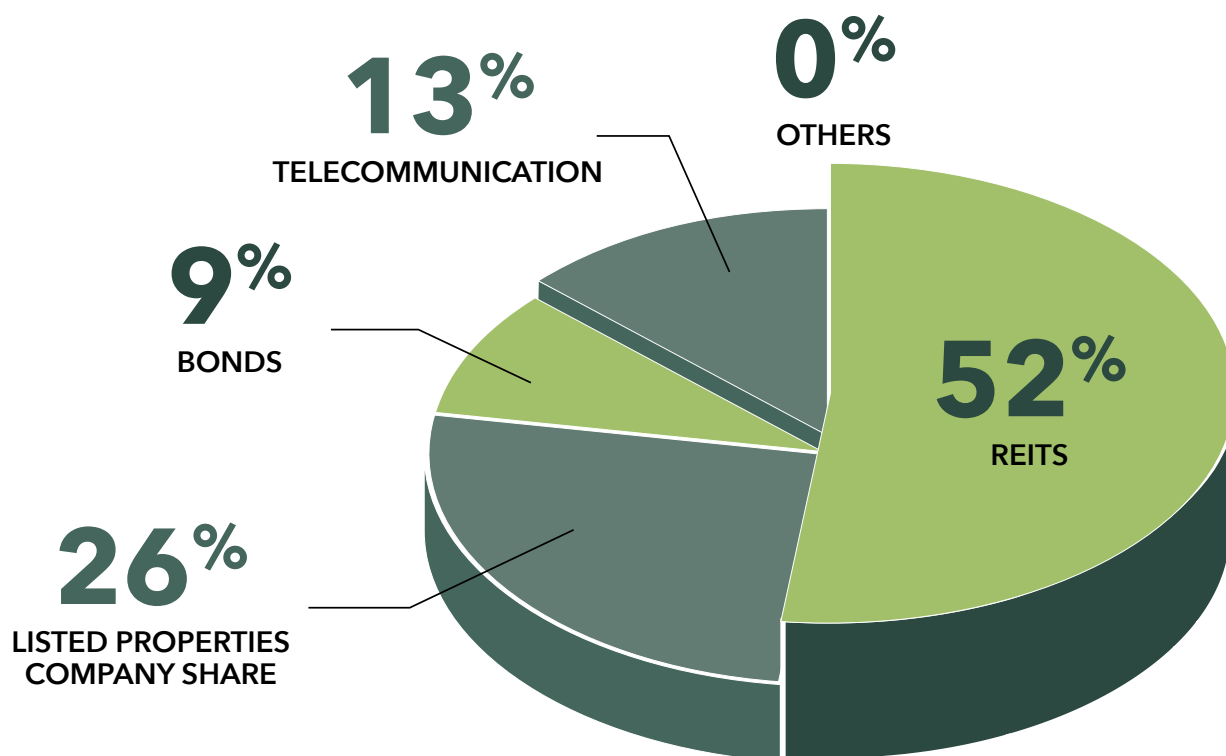


## Lease Expiry Profile

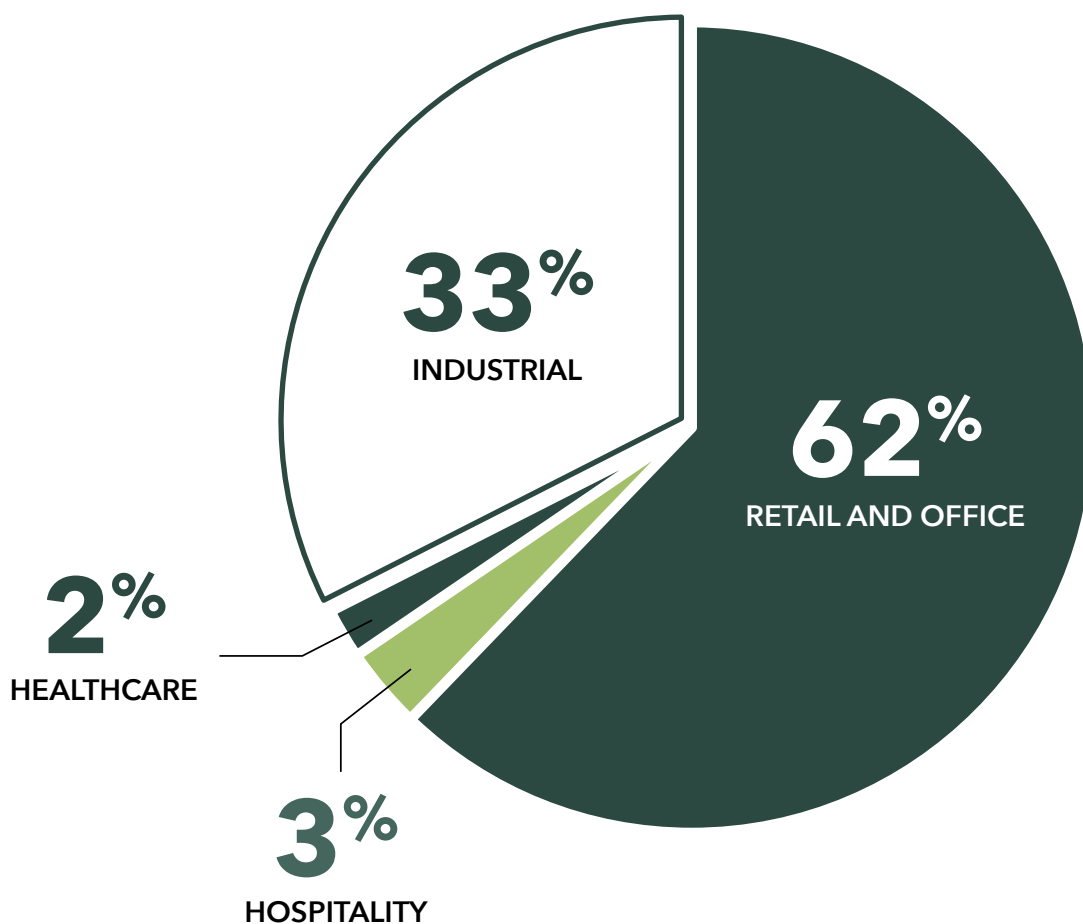


# QUOTED SECURITIES INVESTMENT OVERVIEW

## QUOTED SECURITIES INVESTMENTS OVERVIEW AS AT 31 AUGUST 2018



## OVERVIEW OF REITS INVESTMENT BY SECTORS







## CASINO SELF-EXCLUSION POLICY

We require our employees including top executives and senior management to sign up at National Council of Problem Gambling (NCPG) website to self-exclude their names from entering Singapore's casinos for as long as they are employed with the Group.

This move which was formalized in 2011, stemmed from the several news in the corporate world where employees including directors and senior management committed fraud due to their gambling habits and losses.

As such, it became a guiding principle and culture of our Company to deter and minimize the risk of such events by implementing this policy which at the same time boost our corporate governance standings with our shareholders.



## RISK GOVERNANCE & INTERNAL CONTROL

As part of our continuous efforts to improve operational grips on our businesses, the Group has embarked on various risk governance and internal control measures throughout the years.

By engaging established and independent External Auditors - such as RSM Risk Advisory and Deloitte South East Asia - the Group opened their doors for the Auditors which resulted in frameworks and manuals crafted for our adoption on managing risks and fraud, improving our retail POS System and GST implementation.

In addition, senior management and executives are periodically tasked to conduct internal audits on various operations of the Group such as Annual Stock-Taking, Warehouse Management, Security etc. This further ensures that we have our finger on the pulse at all times on our businesses.



## WHISTLE BLOWER POLICY

We have a formalized whistle blower policy where anyone is able to send feedback to the CEO or our Lead Independent Non-Executive Director through various channels of communication.

This policy intends to send a clear signal to all business partners, associates, suppliers, employees and other stakeholders of the Group that we have zero tolerance on fraud and misconduct. To make this policy more effective and as an incentive, a financial reward is offered to all whistle blowers.



## **BURSARY FUND**

We have continued this year to grant a Bursary Fund to assist and support deserving students pursuing their undergraduate studies in the field of Science, Technology, Engineering and Mathematics (STEM).

This fund was set up in collaboration with the Association of Muslim Professionals (AMP) for students who have excelled in their academic and extra-curricular activities and whose Family Per Capita Income was below \$2000.00 per month.



**BUFFET LUNCH FOR THYE HUA KWAN MORAL CHARITIES LTD**

We sponsored a National Day Buffet Lunch for THYE HUA KWAN MORAL CHARITIES LTD. The occasion was for residents from Blk 52 Cassia Crescent staying in Rented One and Two Room Flats. The Member of Parliament who represents Mountbatten Mr.Lim Biow Chuan who is also the Deputy Speaker of Parliament graced the occasion. There were games and a sing-along session to foster interracial bonding and also giving these underprivileged residents from different races a happy and joyful afternoon.



# PROPERTY LOCATIONS IN SINGAPORE



- 01 810 Geylang Road #01-43 City Plaza
- 02 810 Geylang Road #01-44 City Plaza
- 03 810 Geylang Road #01-45 City Plaza
- 04 810 Geylang Road #01-46 City Plaza
- 05 810 Geylang Road #01-47 City Plaza
- 06 810 Geylang Road #01-56/57 City Plaza
- 07 810 Geylang Road #01-60 City Plaza
- 08 810 Geylang Road #01-61 City Plaza
- 09 810 Geylang Road #01-81 City Plaza
- 10 810 Geylang Road #01-107 City Plaza
- 11 810 Geylang Road #02-49 City Plaza
- 12 810 Geylang Road #02-50 City Plaza
- 13 810 Geylang Road #02-51 City Plaza
- 14 810 Geylang Road #02-81/82 City Plaza
- 15 810 Geylang Road #02-86 City Plaza
- 16 810 Geylang Road #02-88 City Plaza
- 17 810 Geylang Road #02-105 to 108 City Plaza
- 18 Blk 214 Bedok North St.1 #01-161
- 19 Blk 710A Ang Mo Kio Ave 8 #01-2625
- 20 14 Scotts Road #02-40 Far East Plaza
- 21 14 Scotts Road #02-42 Far East Plaza
- 22 304 Orchard Road #01-56/57/58/59 Lucky Plaza
- 23 1 Park Road #01-32 People's Park Complex
- 24 1 Park Road #01-33 People's Park Complex
- 25 111 North Bridge Road #01-28/28A Peninsula Plaza
- 26 111 North Bridge Road #01-29 Peninsula Plaza
- 27 111 North Bridge Road #01-38 Peninsula Plaza
- 28 111 North Bridge Road #01-44 Peninsula Plaza
- 29 111 North Bridge Road #01-45A/B Peninsula Plaza
- 30 Blk 190 Toa Payoh Lor 6 #01-560



# PROPERTY LOCATIONS IN SINGAPORE



- 31 Blk 190 Toa Payoh Lor 6 #01-562
- 32 Blk 221 Boon Lay Shopping Centre #01-114
- 33 Blk 221 Boon Lay Shopping Centre #01-122
- 34 Blk 505 Tampines Central 1 #01-355
- 35 Blk 505 Tampines Central 1 #01-357
- 36 Blk 201B Tampines St 23 #01-1063
- 37 1 Rochor Canal Road #05-36 Sim Lim Square
- 38 1 Rochor Canal Road #05-53 Sim Lim Square
- 39 1 Rochor Canal Road #05-54 Sim Lim Square
- 40 1 Rochor Canal Road #05-60 Sim Lim Square
- 41 1 Rochor Canal Road #05-61 Sim Lim Square
- 42 1 Rochor Canal Road #05-62 Sim Lim Square
- 43 1 Rochor Canal Road #05-63 Sim Lim Square
- 44 1 Rochor Canal Road #05-64 Sim Lim Square
- 45 1 Rochor Canal Road #05-65 Sim Lim Square
- 46 1 Rochor Canal Road #05-72 Sim Lim Square
- 47 1 Rochor Canal Road #05-73 Sim Lim Square
- 48 1 Rochor Canal Road #05-74 Sim Lim Square
- 49 91 Bencoolen Street #07-01/02/03/04/05 Sunshine Plaza





MEGA  
First Lady

165-169 JLN TUANKU ABDUL RAHMAN, KL





# THE CROWD AT OUR FIRST LADY FLAGSHIP STORE DURING THE FESTIVE PERIOD IN KUALA LUMPUR, MALAYSIA.





# GOLDEN CHANCE

#02-42

# GOLDEN CHANCE

# GOLDEN CHANCE



## GOLDEN CHANCE GOLDSMITH PTE LTD

845 GEYLANG ROAD, #02-42 TANJONG KATONG COMPLEX SINGAPORE 400845

TEL: 67453577 FAX: 67456955

website: [www.golden chance.com.sg](http://www.golden chance.com.sg) Email: [second@singnet.com.sg](mailto:second@singnet.com.sg)



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# CORPORATE GOVERNANCE

The Board of Directors (the “Board”) is committed to define, follow and practice the highest level of corporate governance within Second Chance Properties Limited (the “Company”) and its subsidiaries (the “Group”) which forms the continuing obligations of the Singapore Exchange Securities Trading Limited (SGX-ST)’s listing rule. The Board aims to lead by example and learn from experience. The Board is committed to regularly improving its corporate governance practices. It has developed and, on an ongoing basis, maintains sound and transparent policies and practices to meet the specific business needs of the Group. The Board remains focused on complying with the substance and spirit of the principles of the Code of Corporate Governance 2012 (“Code”) while achieving operational excellence and delivering the Group’s long-term strategic objectives. This statement outlines the key corporate governance practices that were in place throughout the financial year and up to the date of this report.

## **Principle 1: THE BOARD’S CONDUCT OF AFFAIRS**

### **1.1 Principal duties of the Board**

The Board is primarily responsible for the overall management of the Group focusing on long term health along with the holistic success of business and its financial strength to enhance the long term value of the Group to its shareholders and other stakeholders. The other principal functions of the Board include formulating corporate strategies of the Group, reviewing strategic plans and performance objectives, planning annual budget, setting direction and goals for the executive management along with key operational initiatives, supervising executive management, reviewing investment proposals, financial performance as well as corporate governances and monitoring performance of these goals. The Board also establishes a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders’ interests and the company’s assets. The Board also directs and exercises appropriate controls to ensure that the Company is managed in a manner that fulfils stakeholders’ aspirations and growth expectations.

In addition, the duties of the Board include:

- Setting the Group’s strategic objectives, and ensuring that the necessary financial and human resources are in place for the Group to meet its objectives.
- Monitoring the Company’s risk management, financial reporting, compliance and internal control system and carrying out periodic reviews of their effectiveness.
- Appointing the Group CEO and approving the remuneration policies and guidelines for the Board and senior management.
- Reviewing the performance of senior management and overseeing succession planning for the senior management.
- Setting the Group’s values and standards (including ethical standards) and ensuring that obligations to shareholders and other stakeholders are understood and met.
- Considering sustainability issues eg., environmental and social factors, as part of its strategic formulation.

### **1.2 Board Process**

The Board objectively makes decisions in the interests of the Group. The Board has delegated specific responsibilities with distinct guidelines to three committees namely Audit Committee (“AC”), Nominating Committee (“NC”) and Remuneration Committee (“RC”) to assist in the efficient execution of its responsibilities. These committees function within precisely defined Terms of Reference, which clearly sets

out the objectives, duties, powers and responsibilities which are reviewed on a regular basis. The effectiveness of each committee is reviewed by the Board persistently and it may further formulate other committees as per the requirement and suitability of the situation dictated by imperatives. The Board accepts that while these various Board committees have the authority to examine specific issues and will report back to the Board with their decisions and/or recommendations, the ultimate responsibility on all matters lies with the Board.

The Board meets at least once every quarter to review the quarterly results and as warranted by particular circumstances, ad hoc meetings are also convened to deliberate on urgent substantive matters. The Board may have informal discussions on matters requiring urgent attention, which would then be formally confirmed and approved by circulating resolutions in writing. In between these meetings, the Board discusses matters over the tele-conference, electronic and other communication facilities which permits all parties to communicate with each other simultaneously. Dates of all Board and Board Committee meetings as well as the Annual General Meeting are fixed in advance in consultation with the Directors and relevant agenda papers are also circulated to all Directors in advance through email. Each agenda item is provided with sufficient background and all material information is incorporated in the agenda papers for facilitating meaningful and focused discussions at the meeting. Where it is not practicable to attach any document to the agenda, it is tabled before the meeting with specific reference to this effect in the agenda. In special and exceptional circumstances, additional or supplementary item(s) on the agenda are permitted. Minutes of all the Board committees are also circulated to the Board so that Directors are aware of and kept updated as to the proceedings and matters discussed during the Committees' meetings. Directors are encouraged to attend, at the Group's expense, relevant and useful seminars and courses for their continuing education and skills improvement that are conducted by external organization to keep in pace with new laws, regulations, changing commercial risks and financial reporting standards.

A record of Board and Board Committee meetings held during the year under review from the date of the last report 30 November 2017 till the date of this report and the attendance of each Director where relevant is as follows:

	<b>Board</b>	<b>NC</b>	<b>RC</b>	<b>AC</b>
<b>No. of meetings</b>	<b>4</b>	<b>2</b>	<b>2</b>	<b>4</b>
<u>No. of meetings attended by respective Directors:</u>				
Mr. Mohamed Salleh s/o Kadir Mohideen Saibu Maricar	4	2 <sup>#</sup>	2 <sup>#</sup>	4 <sup>#</sup>
Mr. Mohamed Hasan Marican s/o Kadir Mohideen Saibu Maricar	3	2 <sup>#</sup>	2 <sup>#</sup>	3 <sup>#</sup>
Mr. Devnarayanan s/o K.R. Pisharody	4	NA	NA	4 <sup>#</sup>
Dr. Ahmad Bin Mohamed Magad, JP	4	2	2	4
Ms. Geetha Padmanabhan	4	2	2	4
Mr. Tan Lye Heng Paul	4	2	2	4

# By Invitation

# CORPORATE GOVERNANCE

## 1.3 Matters Requiring Board Approval

The Board has identified numerous prominent areas for which the Board has direct responsibility for decision-making such as approval of major investments and funding decisions. The Board also reviews Interested Persons Transactions and the Group's internal control procedures. The Board serves as the ultimate decision making body of the Company, except for those matters reserved to or shared with the shareowners.

Moreover, Board also beholds discussions and consideration of the following corporate matters: -

- Approval of quarterly and full year result announcements;
- Approval of the Annual Reports and accounts;
- Convening of shareholders' meetings;
- Approval of corporate strategies;
- Material acquisitions and disposal of assets;
- Investments, disinvestments or capital expenditures exceeding set material limit;
- Review of management performance and compliance of values and standards;
- Strategies and objectives of the Group;
- Annual budgets and business plan;
- Issuance of shares;
- Declaration of interim dividends and proposal of final dividends; and
- Commitments to terms loans and line of credits from banks and financial institutions

Apart from the matters that specifically require the Boards approval, the Board approves transactions exceeding certain threshold limits, while delegating authority for transactions below those limits to management so as to optimize operational efficiency. It is believed that all the Directors objectively discharge their duties and responsibilities as fiduciaries in the interests of the Company.

## 1.4 Board Orientation and Training

Directors bring to their Board considerable wealth of professional experience, diversified knowledge and skills generated over their careers. The new directors inducted to the Board are introduced to the Company culture, business and government policies through orientation sessions. CEO and senior management provide an overview of the Company's operations and familiarize the new directors with them. On appointment, a formal letter is provided to them setting out the terms and conditions of their appointment and explaining the regulatory requirements that a Director has to comply with on appointment. The Executive Directors conduct an orientation programme for newly appointed Directors to make the most of their existing knowledge base by filling any knowledge gaps, typically concerning the company's industry, the competition landscape and technical issues. They are also briefed on the governance practice including Board process, policies on disclosure of interests in securities, prohibitions on dealings in the Company's securities and restrictions on disclosure of price-sensitive information to enable them to assimilate into their new roles. The programme also allows the new director to get acquainted with senior management, thereby facilitating board interaction and independent access to senior management. There were no new Directors appointed in FY 2018.

On a quarterly basis, the Board is briefed on recent changes to the accounting standards and regulatory updates. The CEO updates the Board at each meeting on business and strategic developments of the Group.

## **Principle 2: BOARD COMPOSITION AND GUIDANCE**

The Board is composed of eminent persons with considerable professional experience in diverse fields and comprises six Directors, three of whom are Independent Non-Executive Directors. The quorum for all Board meetings is four. All the Directors are residents in Singapore. The Directors of the Company as at the date of this statement are:

Mr. Mohamed Salleh s/o Kadir Mohideen Saibu Maricar  
*Founder & CEO*

Mr. Mohamed Hasan Marican s/o Kadir Mohideen Saibu Maricar  
*Deputy CEO*

Mr. Devnarayanan s/o K.R. Pisharody  
*Executive Director*

Dr. Ahmad Bin Mohamed Magad  
*Lead Independent Non-Executive Director*

Mr. Tan Lye Heng Paul  
*Independent Non-Executive Director*

Ms. Geetha Padmanabhan  
*Independent Non-Executive Director*

The Board, through the NC, reviews from time to time the size and composition of the Board, with a view to ensure that the size of the Board is appropriate and that the Directors provide diversity to the Board in terms of their skills, expertise, and core competencies in order to facilitate effective decision-making taking into account the scope and nature of the Group's operations, and that the Board has a strong independent element. In addition, gender diversity is also present by having female representation on the Board.

The profile of each Director is given on pages 4 - 6 of this Annual Report.

The NC is of the view that the current Board comprises persons who as a group, have core competencies necessary to lead and govern the Group effectively. The NC is satisfied that sufficient time and attention was given by Directors to the affairs of the Group, taking into consideration the Director's number of listed company Board representation and other principal commitments.

### **2.1 Independent Directors**

The Board has three Directors who are independent members. The criteria for independence are determined based on the definition as provided in the Code.

The Board considers an "independent" Director as one who has no relationship with the Company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement of the Group's affairs with a view to the best interests of the Company. The requirement of the Code that at least half of the Board comprises Independent Directors is satisfied.

# CORPORATE GOVERNANCE

Independent Directors adopt an oversight role to ensure that corporate assets are exclusively utilized for the benefit of the Company. The Independent Non-Executive Directors participate actively in the Board meetings. Where necessary, the Independent Non-Executive Directors meet and discuss on the Group's affairs without the presence of Management.

Each independent Director is required to disclose any relationships or appointments which would impair their independence. Each independent Director had abstained from deliberations in respect of the assessment on his / her own independence. Taking into account the views of the NC and the annual confirmation from each of the independent Director of his / her independence, the Board considers each of the independent Director to be independent and will be able to exercise independent judgement in the best interest of the company in discharging their fiduciary duties.

The NC has adopted practices which will include a retirement schedule and a rigorous review of the appointment and independence of Directors who have served on the Board for more than nine years from the date of their first appointment. Mr. Tan Lye Heng Paul and Dr. Ahmad Bin Mohamed Magad have served as Independent Non-Executive Directors of the Company for more than nine years since 29 November 2002 and 20 December 1996 respectively. Both Mr. Tan Lye Heng Paul and Dr. Ahmad Bin Mohamed Magad had retired as directors of the Company in 2012 and 2013 respectively. The Board has subjected their independence to a particularly rigorous review. The NC is of the view that Mr. Tan Lye Heng Paul and Dr. Ahmad Bin Mohamed Magad have expressed individual viewpoints, debated issues and objectively scrutinized and challenged the Management when deemed necessary. They have sought clarification and amplification whenever deemed necessary, including through direct access to the Management. Mr. Tan Lye Heng Paul and Dr. Ahmad Bin Mohamed Magad have demonstrated strong independent character and judgement over the years in discharging their duties and responsibilities as Independent Directors of the Company with the utmost commitment in upholding the interest of the minority shareholders and there is no material conflict between the tenure of their appointment as Independent Directors of the Company and their ability to discharge their duties as Independent Directors.

In view of the above and taking into account their disclosure of independence, the wealth of experience and knowledge they have brought and will continue to bring to the Board, the Board resolved that Mr. Tan Lye Heng Paul and Dr. Ahmad Bin Mohamed Magad continue to be considered independent, notwithstanding that they have served on the Board for more than nine years from the date of their first appointments.

Further Ms. Geetha Padmanabhan, who is also an Independent Non-Executive Director, has in-depth experience in the fields of audit and taxation within the areas in which the Group operates. The NC finds Ms. Geetha to be independent based on all the criteria it considers and is also of the opinion that the technical expertise and skills that she has developed over the years are extremely valuable to the Group.

## *Role of Independent Non-Executive Directors*

All the Non-Executive Directors are Independent and bring with them a number of advantages, including independence in their views and the ability to bring an outside perspective into the Board meetings.

Further, as a part of their functionality they comment on corporate strategy and on overall supervision of the company, they help to provide effective leadership.



Also, the presence of independent Directors serves us in bringing about impartiality in the Board as a whole. Such impartiality effectively means that considered advice would be provided and developed for the purposes of steering the company strategy as a whole by the Board of Directors.

The Board and independent Directors in particular are kept well informed of the Group's businesses and are knowledgeable about the industry the group operates in. Also, to ensure that the independent Directors are well supported by accurate, complete and timely information, they have unrestricted access to management.

An effective and robust Board, whose members engage in open and constructive debate and challenge management on its assumptions and proposals, is fundamental to good corporate governance. A Board should also aid in the development of strategic proposals and oversee effective implementation by management to achieve set objectives.

For this to happen, the Board, in particular its Non-Executive Directors (NEDs), must be kept well informed of SGX's businesses.

To ensure that NEDs have sufficient time and resources to discharge their oversight function effectively, the Group has adopted various initiatives. These initiatives include:

- Regular informal meetings are held by the management to brief the Independent Directors on prospective deals and potential developments at an early stage, before formal Board's approval is sought.
- Periodic information papers and board papers on the latest market developments and trends, and key business initiatives are circulated to Independent Directors on a timely basis to afford Directors time to review them.
- The Group has also made available on the Company's premises an office for use by the Independent Directors at any time for them to meet regularly without the presence of the management.

### **Principle 3: CHAIRMAN AND CHIEF EXECUTIVE OFFICER ("CEO")**

Mr. Mohamed Salleh s/o Kadir Mohideen Saibu Maricar is the CEO of the Group since its founding in June 1975 and was also re-appointed the executive Chairman on 30 November 2013 after retirement of Dr. Ahmad Bin Mohamed Magad, JP.

As the CEO and Chairman, Mr. Mohamed Salleh plays a vital role in assisting the Board to develop policies and strategies and ensuring that they are implemented effectively, casting values with his exhaustive knowledge of business and industry. He ensures that decisions on important matters are made after extensive deliberation and in consultation with the entire Board. He also engages in constructive communication with shareholders at the General Meetings. He exercises objective judgement on corporate matters impartially, thus ensuring a balance of power and authority. He reviews Board papers before they are presented to the Board and ensures that the information provided is accurate, and consists of authentic details.

The independent element is further strengthened by the appointment of Dr. Ahmad Bin Mohamed Magad as the Lead Independent Non-Executive Director. The Lead Independent Non-Executive Director is available to shareholders where they have concerns and for which contact through the normal channels of Chairman, the CEO or the Financial Advisor has failed to resolve or is inappropriate.

# CORPORATE GOVERNANCE

All the Board Committees are chaired by Independent Directors and at least half of Board consists of Independent Directors. The Chairman also facilitates the effective contribution of Non-Executive Directors and promotes high standards of corporate governance.

## **Principle 4: BOARD MEMBERSHIP**

### **NOMINATING COMMITTEE**

The Nominating Committee ("NC") comprises of three members, all of whom are Independent Directors. The quorum for the NC meeting is two.

The members of the NC are:

Dr. Ahmad Bin Mohamed Magad  
*Chairman, Independent Non-Executive Director*

Mr. Tan Lye Heng Paul  
*Member, Independent Non-Executive Director*

Ms. Geetha Padmanabhan  
*Member, Independent Non-Executive Director*

The NC's principal functions include the following:

#### **A. Review and recommend to the Board on key executive and all Board appointments**

The Board has established the NC, which makes recommendations to the Board on all appointments to the Board and Board Committees. The NC seeks to ensure that the composition of the Board provides an appropriate balance and diversity of skills, experience, gender and knowledge of the industry and that the Directors, as a group, have the necessary core competencies relevant to the Group's business. The NC has put in place a formal process for the selection of new Directors to increase transparency of the nominating process in identifying and evaluating nominees for Directors. The NC leads the process and makes recommendations to the Board as follows:

- a. NC evaluates the balance of skills, knowledge, diversity and experience on the Board and, in the light of such evaluation and in consultation with management, determines the role and the desirable competencies for a particular appointment.
- b. External help (for example, SID, search consultants, open advertisement) may be used to source for potential candidates if need be. Directors and management may also make recommendations.
- c. NC recommends and arranges Board members to meet up with the short-listed candidates to assess suitability and to ensure that the candidates are aware of the expectations and the level of commitment required.
- d. Devise a policy on Board diversity and to carry out a process for evaluating the performance of the Board, its Board Committees and the contributions of each Director.

- e. Review the Board succession plans for Directors, in particular, the Chairman.

As part of nomination and selection process of new Directors, the NC identifies the key attributes that an incoming Director should possess, based on a matrix of the attributes of existing Board and the requirements of the Group. All new appointments are subject to the recommendation of the NC based on the following objective criteria:

1. Integrity
2. Personal, professional or business standing and the independent mindedness to evaluate new information, while still maintaining ability to learn from past
3. Diversity - Possess core competencies that meet the needs of the Company and complement the skills and competencies of the existing Directors on the Board
4. Able to commit time and effort to carry out duties and responsibilities effectively - proposed Director is on not more than five listed Company Boards
5. Proven track record in collaborating with leaders to develop a business benefiting strategy
6. Qualification, expertise and experience of the Directors in their respective fields such as expertise or experience in relevant business, International Markets, Leadership, Risk Management and Strategic Planning etc.
7. Financially literate, effective coach and a great mentor
8. Principal time commitments like full time occupation, consultancy work, committee work, Non-listed company Board representations and directorship and involvement

The Chairman in consultation with the NC proposes new Directors to be appointed to the Board or seeks the resignation of Directors. Any potential conflict of interest is also taken into consideration.

B. Review and recommend to the Board on re-appointments

The NC is also charged with the responsibility of re-nomination having regard to the Director's competencies, commitment, contribution and performance (such as attendance, preparedness, participation and candour), with reference to the results of the assessment of the performance of the Individual Director by his peers. The NC also strives to strike a balance between appointing a new Director and re-electing an existing Director with specific basis for retaining long standing Director.

As a mandate of corporate governance, all Directors are required to submit themselves for re-nomination and re-election at regular intervals, and at least once every three years. Article 111 of the Company's Articles of Association ("Articles") requires one-third of the Directors, or the number nearest to but not less than one-third, to retire by rotation at every annual general meeting ("AGM") and a newly appointed Director must submit himself for re-election at the AGM immediately following his appointment.

Where, by virtue of any vacancy in the membership of the NC for any reason, the number of members of the NC is reduced to fewer than three (or such other number as may be determined by the SGX-ST), the Board shall, within three months thereafter, appoint a sufficient number of new members to the NC. The newly appointed member should hold office for the remainder of the term of office of the member of the NC in whose

# CORPORATE GOVERNANCE

place he or she is appointed. From time to time, the NC will review the appropriateness of the Board with regard to structure, size and composition, considering the changes in the nature and scope of operations as well as the regulatory environment.

The Company may appoint alternate Director if the circumstances so warrant. All appointments and removals of alternate Directors shall be effected in writing under the hand of the Director making or terminating such appointment left at the Office. No person shall be appointed the alternate Director for more than one Director. No Director must act as an alternate Director. The Company does not have any Alternate Director on the Board.

## C. Determine the independent status of the Independent Directors annually

The task of assessing the independence of Directors is delegated to the NC. The NC reviews the independence of each Director annually, as and when circumstances require.

Every year, each Director is required to complete a Directors Independence Checklist to confirm his/her independence. The Checklist is drawn up based on the guidelines provided in the code of Corporate Governance.

Each Director must confirm in the Checklist whether he/she considers himself/herself independent despite not having any relationships identified in the code of Corporate Governance.

Thereafter, NC reviews the checklist completed by each Director, assess the independence of the Directors and recommends its assessment to the Board.

In accordance with the requirements of the Code, the NC has reviewed the status of the Independent Directors and is of the view that they are in compliance with the Code's definition of independence.

## D. Decide whether a Director who has multiple Board representations is able to and has been adequately carrying out his duties as Director of the company

All Directors are required to declare their Board representations. In case if a Director has multiple board representation, the NC will review whether the Director is able to adequately carry out his/her duties as a Director of the Company, taking into consideration the Director's number of listed company board representations and other principal commitments. The NC has reviewed and is satisfied that Dr. Ahmad Bin Mohamed Magad and Mr. Tan Lye Heng Paul, who sit on multiple boards, have been able to devote sufficient time and attention to the affairs of the Company to adequately discharge their duties as Directors of the Company, notwithstanding their multiple board appointments.

## E. Review and make recommendations to the Board on relevant matters relating to the succession plans of the Board

Currently, there is a succession plan put in place by the CEO. Going forward and at the relevant time, the NC will look into such plan in close consultation with the CEO.

Each member of the NC abstains from voting on any resolutions and making any recommendation and/or participating in discussion on matters in which he or she is interested.



## **Principle 5: BOARD PERFORMANCE**

A review of the Board's performance is conducted by the NC annually to assess its effectiveness and reporting to the stakeholders. The NC has implemented a process for assessing the effectiveness of the Board as a whole, its Board Committees and for the contribution by the individual Directors to the effectiveness of the Board considering qualitative measures such as setting of strategic decisions and achievement, quality of risk management and adequacy of internal controls. The evaluation exercise is carried out by requiring the Directors to complete a Board Assessment Checklist to be returned to the NC chairman for evaluation. The evaluation considers the key performance namely Board size and composition, Board independence, Board processes, Board information and accountability, Board performance in discharging principal functions, Board committee performance, interactive skills, knowledge, Directors duties, availability at meetings, financial targets and overall contribution. The key objective of the evaluation exercise is to obtain constructive feedback from each Director to continually improve the Board's performance. Individual evaluation aims at determining whether each Director contributes effectively and demonstrates commitment.

Upon reviewing the assessment, the NC is of the opinion that the Board and each Director have been effective since their appointment. The NC has also reviewed and recommended that Mr. Devnarayanan s/o K.R. Pisharody and Ms. Geetha Padmanabhan who will retire by rotation pursuant to the Company's Articles of Association, being eligible and having consented, be nominated for re-appointment at the forthcoming Annual General Meeting ("AGM").

Further in view of our desire to instil a strong and independent element on the Board, the Board has accepted the following recommendations made by the NC with effect from 1 January 2013.

### Maximum Length of Service of Independent Directors

An Independent Director may remain in that position for a maximum period of six (6) years only and the one acting as Chairman or Lead Independent Director of the Group or Chairman of the AC may serve an additional three (3) years, making a total of nine years' service.

### Multiple Directorships

The maximum number of listed company Board representations that a Director in full-time employment may hold is five (5). The NC may consider for the Board's approval, a Director holding more than five Directorships in listed companies if he or she is not in full-time employment or retired.

However, a Director who holds more than five (5) listed company representations should be rigorously assessed by the Board to ensure that sufficient time and attention is given to the affairs of each company and he or she is able to and has been adequately carrying his/her duties as a Director of the Company.

### Board Composition

At all times and irrespective of whoever holds the position of Chairman & CEO, at least half the Board should consist of Independent Directors and Non-Executive Directors, if any.

# CORPORATE GOVERNANCE

## Principle 6: ACCESS TO INFORMATION

The Board has discrete and independent access to the senior management, external Auditors and the Company Secretary at all times. The quarterly financial accounts and progress reports of the Group's business operations is provided to the Board members. The Board also receives regular updates on the industry which enable Directors to keep abreast of key issues and developments in the industry, together with the challenges and opportunities for the Group. Directors are entitled to request from Management and provided with such additional information as needed to make informed and timely decisions. The Management deals with requests for information from the Board promptly. The Board is informed of all material events and transactions as and when they occur. Prior to each Board meeting, the Management provides the Board all information pertinent to the details of minutes of previous Board meeting, minutes of meeting of all Committees of the Board held since the previous Board meeting, issues dealt by management, relevant budgets, forecasts and projections, major operational and financial issues, statistics on key performance indicators, statistics on customer satisfaction and on the agenda of the meeting.

Management recognizes the importance of ensuring the flow of complete, adequate and timely information to the directors on an ongoing basis to enable them to make informed decisions to discharge their duties and responsibilities.

Crucial matters requiring decision are reserved for resolution at Board meetings rather than by circulating to facilitate decision. Queries by individual Directors on circulated papers are directed to management who will respond accordingly, where relevant Directors' queries and Management's responses are circulated to all the Board members for their information.

The Company Secretary assists in the conduct of the Board meetings and ensures adherence to Board procedures. The Company Secretary also assists on matters in respect of compliance with the Companies Act, Cap. 50 and the Listing Rules of SGX-ST and is also responsible for advising the Board on all matters relating to Corporate Governance. Directors have separate and independent access to the Company Secretary. The Company Secretary is responsible for, among other things, ensuring that Board procedures are observed. They also assist the Chairman and the Board in implementing and strengthening corporate governance practices and processes, with a view to enhancing long term shareholder value.

The appointment and removal of the Company Secretary are subject to the Board's approval.

### *Independent professional advice*

The Board has a process for Directors, either individually or as a group, in the furtherance of their duties, to take independent professional advice, if necessary, at the Group's expense.

## REMUNERATION COMMITTEE

### Principle 7: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

### Principle 8: LEVEL AND MIX OF REMUNERATION

### Principle 9: DISCLOSURE ON REMUNERATION

The Remuneration Committee ("RC") comprises three members, all of whom, including the Chairman are independent. The quorum for the RC meeting is two.

The members of the RC are:

Mr. Tan Lye Heng Paul  
Chairman, *Independent Non-Executive Director*

Dr. Ahmad Bin Mohamed Magad  
Member, *Independent Non-Executive Director*

Ms. Geetha Padmanabhan  
Member, *Independent Non-Executive Director*

RC is responsible for ensuring a formal and transparent procedure for developing policies on executive remuneration, and for fixing the remuneration packages of individual Directors and key management personnel. The members of RC carried out their duties in accordance with the terms of reference which include the following:

1. Review and recommend the remuneration packages of the Executive Directors, CEO and key executives of the Company and to review the appropriateness of compensation for Non-Executive Directors including but not limited to Directors' fees, allowances and share options.
2. Review the fixed as well as the variable components of the remuneration packages for all the Directors and key management personnel.
3. Determine a level and model of remuneration and benefits policies and practices of the Company, including the long term incentive schemes on yearly basis. The performance of the Company and that of individual employees would be considered by the RC in undertaking such reviews.
4. Review the Group's obligations arising in the event of termination of the executive Directors' and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.
5. Review the development of senior staff and assesses their strengths and development needs based on the Group's leadership competencies framework, with the aim of building talent and maintaining strong and sound leadership for the Group.

In determining the Group's remuneration policy above, the RC from time to time may seek advice from external remuneration consultants specialized in the field of executive remuneration, who are unrelated to the directors or any organisation they are associated with. The remuneration policy recommended by the RC is submitted to the Board for endorsement.

## CORPORATE GOVERNANCE

In case of Mr. Mohamed Salleh s/o Kadir Mohideen Saibu Maricar (CEO) and Mr. Mohamed Hasan Marican s/o Kadir Mohideen Saibu Maricar (Deputy CEO), the variable part of the remuneration is based on a formula approved by the RC and the Board. The formula is based on the Group's profit before tax for the year and excludes items such as fair valuation and/or realized gains or losses of investment properties. For the financial year ended, the variable remuneration ceilings for Mr. Mohamed Salleh and Mr. Mohamed Hasan were \$1.0 million and \$0.75 million respectively.

The management proposes bonuses for Mr. Devnarayanan s/o K.R. Pisharody, who is an Executive Director and also for the key management personnel based on their individual performance as well as the Group's performance for the year. The RC reviews the proposal and after due deliberation, sets forth the same for the Board's approval.

In case of Independent Directors, the fees are a combination of a basic retainer fee plus a variable fee based on the number of meetings attended. The RC ensures that the remuneration of the Independent Directors are appropriate to their level of contribution taking into account factors such as effort, time spent and their responsibilities.

The payment of Directors' fees is subject to shareholders' approval at the AGM of the Company. No Director is involved in deciding his or her own remuneration package.

There is no share-based compensation scheme in place for any of the Directors.

Reclaim incentives - The Company has service agreements with all Directors whereby the Directors shall fully indemnify and hold the Company harmless from and against all losses, damages, claims demands, proceedings, actions, costs, expenses, interest and penalties suffered or incurred by the Company arising out of or in connection with the Directors' gross negligence, fraud or dishonesty whether or not in the performance of his/her obligations and/or the breach by the Director of the terms of the Service Agreement.

A breakdown showing the level and mix of each individual Director's remuneration payable for FY 2018 is as follows:

Remuneration Bands	Number of Directors		
	2016	2017	2018
\$1,000,000 to \$1,250,000	-	-	-
\$750,000 to \$1,000,000	-	-	-
\$500,000 to \$750,000	2	1	1
\$250,000 to \$500,000	1	1	1
Less than \$250,0000	3	4	4
	6	6	6



A summary remuneration table for the Directors for the year ended 31 August 2018:

<b>Name</b>	<b>Remuneration Band</b>	<b>Salary*</b>	<b>Bonus</b>	<b>Fees</b>	<b>Total</b>
	<b>S\$</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Mr. Mohamed Salleh	\$5,00,000 to \$750,000	27.09	72.91	-	100
Mr. Mohamed Hasan #	\$250,000 to \$500,000	32.82	67.18	-	100
Mr. Devnarayanan s/o K.R. Pisharody	Less than \$250,000	63.05	36.95	100	100
Dr. Ahmad Bin Mohamed Magad	Less than \$250,000	-	-	100	100
Mr. Tan Lye Heng Paul	Less than \$250,000	-	-	100	100
Ms. Geetha Padmanabhan	Less than \$250,000	-	-	100	100

# Brother of Mr. Mohamed Salleh

\* The percentage shown is inclusive of employer's CPF contribution

The actual remuneration in terms of salaries, bonus, fees etc. is as shown below:

<b>Directors</b>	<b>Total (\$)</b>
Mr. Mohamed Salleh	617,976
Mr. Mohamed Hasan	458,517
Mr. Dev Pisharody	200,596
Dr. Ahmad Bin Mohamed Magad	40,669
Mr. Tan Lye Heng Paul	32,669
Ms. Geetha Padmanabhan	34,672
	<b>1,385,099</b>

A summary remuneration table of 4 Key Executives for the year ended 31 August 2018:

<b>Name</b>	<b>Remuneration Band</b>	<b>Salary*</b>	<b>Bonus</b>	<b>Total</b>
	<b>%</b>	<b>%</b>	<b>%</b>	
Mr. Jainulabedeem Raj Mohamed	Below \$250,000	58.89	41.11	100
Mr. Azlan Bin Mohd Shafie	Below \$250,000	79.73	20.27	100
Mr. Amal Marican	Below \$250,000	61.28	38.72	100
Mr. Safie Hussain	Below \$250,000	73.61	26.39	100

\* The salary percentage shown is inclusive of employer's CPF contribution.

The total remuneration of the key management personnel for FY 2018 was S\$349,026/-. In the above table Mr. Amal Marican is son of Mr. Mohamed Salleh. There are no other employees who are related to the Director, each of whose remuneration exceeded S\$50,000/-.

<b>Key Executives who are relatives</b>	<b>Total (\$)</b>
Mr. Amal Marican	98,521

Each member of the RC abstains from voting on any resolutions and making any recommendation and/or participating in discussion regarding his or her own remuneration package or on matters in which he or she is interested.

# CORPORATE GOVERNANCE

## ACCOUNTABILITY AND AUDIT

### Principle 10: ACCOUNTABILITY

The Board holds accountability to shareholders and ensures that all material information is fully disclosed and available aptly to shareholders in line with statutory and regulatory requirements. The Board provides shareholders with financial statements for the first three quarters and full financial year within the timeframe in accordance with Rule 705 of the Listing Manual of SGX-ST. The Board aims to furnish a balanced and transparent assessment of the Group's performance, position and prospects for shareholders.

The Management quarterly provides the Board with detailed management accounts, operation review, related explanation and any other information as per the requirement of Board. The Audit Committee reviews the financial statements and reports to the Board for approval. The Board then authorizes the release of the results to the SGX-ST.

The Board ensures timely and full disclosure of material corporate developments to shareholders and also reviews legislation and regulatory compliance reports from management to make sure that the Group complies with relevant regulatory requirements.

In compliance with the Listing Rules, the Board provides a negative assurance statement to the shareholders in its quarterly financial results announcements, confirming to the best of its knowledge that nothing had come to the attention of the Board which might render the financial statements to be false or misleading in any material aspect.

### Principle 11: RISK MANAGEMENT AND INTERNAL CONTROLS

Every business is exposed to various types of risk which will not be favorable for the Group's smooth and lucrative performance and for its efficiency in achieving the stated objectives. Hence, the Company regularly assesses and refines its business and operational activities to identify areas of significant business risks as well as undertakes suitable measures to get hold of and mitigate these risks. As and when required or on the recommendation of the AC, the Company may engage a third party to conduct risk assessment audit. The Company also reviews all significant control policies and procedures and highlights all significant matters to the AC and Board.

The Board, with the assistance from the AC, is responsible for the governance of the risk by ensuring that management maintains a sound system of risk management and Internal controls to safeguard shareholders' interest and the Group's assets, and determines the nature and extent of the significant risks which the Board is willing to take in achieving strategic objectives.

#### 11.1 Internal Controls

The Group has an in-house internal audit team which regularly reviews the internal controls in place, examines the proper implementation of the controls and reports to the AC.

The AC reviews the adequacy of the internal audit function annually and ensures that the internal audit function is properly resourced and has appropriate standing within the Company. The external and internal auditors reviewed the effectiveness of the Group's key internal controls, highlighting on significant matters to the Group's preparation of financial statements that require the vigilance of the Management. Any material

non-compliance or shortcomings in internal controls together with remedial measures are reported to the AC which then reviews the effectiveness of the Group's system of accounting and internal financial controls for which the Directors are responsible. The AC, together with the Board also reviews the effectiveness of the Group's system of internal controls put in place to address the key financial, operational, compliance risks and information technology controls affecting the operational activities.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, and reviews performed by Management, various Board Committees and the Board, the AC and the Board are of the opinion that the Group's internal controls, addressing financial, operational, compliance and information technology controls, and risk management system were adequate and effective as at 31 August 2018.

The Board has received assurance from CEO & Finance Advisor that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances and also an effective risk management and internal control system has been put in place.

All the audit findings and recommendations made by the Internal and external auditors are reported to the AC and significant findings are discussed at the AC meetings. The Group's internal audit functions follows up on all recommendations to ensure timely remediation of audit issues and reports the status to the AC every quarter.

### **11.2.1 "Whistleblower" Policy**

As part of the Company's diligent effort to ensure that sound corporate governance practices are being adopted, the Company has also implemented a "Whistleblower" Policy to empower employees, suppliers, tenants and customers to voice their grievances and/or to raise their concerns involving the Company without any fear or repercussions. Such concerns include dishonesty, fraudulent acts, corruption, legal breaches and other serious improper conduct; unsafe work practices and any other conduct that may cause financial or non-financial loss to the Group or damage to the Group's reputation. The whistle blowing policy is communicated to all staff and covered during staff trainings. The Chairman is in charge of managing this specific area.

The Group undertakes to investigate complaints of suspected fraud and unethical undertakings in an objective manner and has put in place, with the Audit Committee's endorsement, arrangements by which staff of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The objective for such arrangements is to build up independent and transparent investigation of matters raised and to allow appropriate actions to be taken.

The Group is committed to a high standard of ethical conduct and adopts a zero tolerance approach to fraud. The Group will treat all information received confidentially and protect the identity and the interest of all whistleblowers. Anonymous disclosures will be accepted and anonymity honoured. To further strengthen its Whistleblower Policy, the Company has implemented a strong deterrent by offering a cash reward to any person whether employees, suppliers, business associates or the general public who provides specific, reliable and credible information or evidence of fraudulent activities by any of the Company's Executive Director and Management team as listed in the Company's Annual Report (\$50,000/- cash reward) and all other employees (up to \$2,000/- cash reward) which leads to admission of guilt by the accused or leads to successful prosecution.

# CORPORATE GOVERNANCE

The AC also reviewed the adequacy of the whistle blower arrangements instituted by the Group through which staff and external parties may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters.

All cases reported are objectively investigated and appropriate remedial measures are taken where warranted. All whistle blowing matters are reviewed monthly/quarterly by the AC.

The policy is communicated via the Company's website. On an ongoing basis, the whistle-blower policy is covered during staff training and periodic communication to all staff as part of the Group's efforts to promote awareness of fraud control. Further, any staff member having any specific concerns can contact the Lead Independent Director directly through email at [Ahmad.magad@smfederation.org.sg](mailto:Ahmad.magad@smfederation.org.sg).

## 11.2.2 Fraud Prevention Officer ("FPO")

As part of a continuous effort to improve the controls and also to send a clear message to every employee and stakeholder that the management has zero tolerance for fraud, Mr. Mohamed Salleh, the CEO himself is appointed as FPO. The management has put in place a policy highlighting severe consequences for the person committing fraud which will serve as a deterrent and prevent fraud to a great extent.

The principal functions of the FPO include the following:

1. Maintain Company's Whistleblower Policy
  - a. Suppliers & Business Associates  
Ensure updated policy & advisory letter given to and acknowledged by all suppliers & business associates, both local & overseas who has any form of dealings with the company. This is to be translated in the language they best understand.
  - b. Employees  
Ensure updated policy given and acknowledged by all employees. This is to be translated in the language they best understand.
  - c. Reminders  
Ensure reminders are sent out to suppliers & business associates and employees on a yearly basis. To maintain a report on the reminders.
  - d. Continuous Implementation  
Ensure that the Whistleblower Policy is continually implemented.
2. To pinpoint fraudulent activities on transactions done with the company to prevent losses and to report immediately / soonest possible any suspicions of fraud to the Chairman & AC and to update on progress of the investigation. Ensure all investigations are carried out independently and objectively in an unbiased manner.
3. To submit reports on a half yearly basis to AC. Report includes:
  - a. Updates on issuance of Whistleblower Policies
  - b. Updates on issuance of Advisory letter to suppliers/bankers/tenants/business associates



- c. Updates on reminders issued to suppliers/bankers/tenants/business associates & employees
  - d. Updates on compliance to the recommendations of External & Internal Auditors.
4. The FPO may delegate his work but not his responsibilities to others within the organisation.

To further improve and strengthen its Corporate Governance, the Company has included an indemnity clause to protect itself from avoidable losses. As such, with effect from 1 January 2012, all Executive Directors and Key Management personnel of the Group had their Service Agreement renewed whereby they indemnify the Company; all losses incurred arising out of or in connection with any gross negligence, fraud or dishonesty committed.

The Board did not establish a separate Board risk committee as the Board is currently assisted by the AC and management in carrying out its responsibility of overseeing the Company's risk management framework and policies.

## **Principle 12: AUDIT COMMITTEE**

The Audit Committee ("AC") comprises three members, all of whom, including the Chairman, are independent. All three members of the AC have relevant accounting and financial management experience. The Chairman of the AC is a qualified chartered accountant. The quorum for the AC meeting is two. At the date of this report, the AC comprises the following members:

Ms. Geetha Padmanabhan  
*Chairman, Independent Non-Executive Director*

Dr. Ahmad Bin Mohamed Magad  
*Member, Independent Non-Executive Director*

Mr. Tan Lye Heng Paul  
*Member, Independent Non-Executive Director*

The main responsibilities of the AC are to assist the Board in discharging its statutory and other responsibility relating to four key areas:

- Reviewing financial reporting;
- Reviewing internal control and risk management systems;
- Reviewing internal and external audit processes; and
- Reviewing interested party transactions.

The functions of the AC include the following:

- (a) conduct a review with the internal and external auditors of the Company, discuss their audit plans, evaluate the system of internal controls and ensure co-operation is given by the Company's management to the internal and external auditors;

## CORPORATE GOVERNANCE

- (b) review the interim and annual financial statements, related announcements and press releases before they are presented to the Board;
- (c) review with the management, external and internal auditors the adequacy and effectiveness of the system of the Company's risk management, internal controls, business and service systems and practices;
- (d) review related and interested party transactions ("IPT");
- (e) review the functioning of whistle blower mechanism;
- (f) make recommendations to the Board on the appointment, re-appointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditors;
- (g) meet at least once annually with the external auditors without the presence of the management;
- (h) inspect significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance;
- (i) review the adequacy of the Group's internal controls, including financial, operational, compliance and information technology controls at least annually;
- (j) analyze the scope, approach and results of the audit and its cost effectiveness, and the independence and objectivity of the external auditor; and
- (k) undertake such other reviews and projects as may be requested by the Board and report to the Board its findings from time to time on matters arising and requiring the attention of the AC.

The AC may meet with the auditors at any time, without the presence of the Company's management. It may also examine any other aspects of the Company's affairs, as it deems necessary, where such matters relate to exposures or risks of regulatory or legal nature, and monitor the Company's compliance with its legal, regulatory and contractual obligations.

The AC has power to conduct or authorize investigations into any matters within the AC's scope of responsibility. The AC is authorized to obtain independent professional advice if it deems it necessary in the discharge of its responsibilities. Such expenses are to be borne by the Company.

In line with the recommendations of the Code, the AC had met with the auditors without the presence of the Company's management during the financial year under review.

The AC has full access to and co-operation of the Company's management and has full discretion to invite any Director or executive officer to attend the meetings, and has been given reasonable resources to enable it to discharge its functions. The external auditors regularly update the AC on the amendments to the accounting standards that are of relevance to the Group.

The Board and the AC have reviewed and are satisfied that the appointment of different auditors for its subsidiary in Malaysia would not compromise the standard and effectiveness of audit of the Group. The Company is therefore in compliance with Rule 716 of the Listing Manual of SGX-ST.

The AC reviews the non-audit services provided by the external auditors. For the financial year under review, Nexia TS Public Accounting Corporation has provided audit services only. The auditor of the Malaysian subsidiary, Soong and Associates, has also provided only audit services. Any non-audit services provided by the auditors are subject to review by the AC and the AC is required to opine if any provision of the non-audit services affect the independence of the auditors. The AC is also responsible for evaluating the cost-effectiveness of audit and ensuring independence and objectivity of the auditors.

The AC had also sought the consent of the auditors for re-appointment and has recommended that the auditors be re-appointed for the ensuing financial year. The Board accepted this recommendation and has proposed resolution for re-appointment.

None of the members of the Audit Committee are former partners or directors of the Group's auditing firm.

The AC also reviews the internal audit report and the auditors' management report recommendations. It then ensures that Management has implemented any recommendations to strengthen the internal controls.

The total audit fees for the Group for FY 2018 is S\$67,015.

There were no IPT in the financial year under review.

#### *Financial matters*

The AC reviewed the financial statements and discussed with management and external auditors the accounting principles that were applied and their judgement of certain items which involve informed assessment.

<b>Significant Matters</b>	<b>How the AC reviewed these matters</b>
Valuation of Investment Properties	<p>The AC reviewed the following:</p> <ul style="list-style-type: none"> <li>(i) valuations of the properties done by independent external valuer</li> <li>(ii) the competence, independence and relevant experience of the external valuer</li> <li>(iii) key assumptions and methodology applied in arriving at the valuations</li> <li>(iv) the approach of the external auditor in addressing the risks in this area of audit</li> </ul>

# CORPORATE GOVERNANCE

<p><u>Valuation of Financial assets at fair value through profit or loss and available-for-sale financial assets</u></p>	<p>The AC reviewed/considered:</p> <ul style="list-style-type: none"> <li>(i) the proper classification of assets under both the asset classes FVTPL (assets at Fair Value through Profit or Loss) and AFS (assets Available for Sale)</li> <li>(ii) the auditor's procedures for evaluating the fair value measurement for each of the asset classifications</li> <li>(iii) the key assumptions and methodology applied in arriving at the fair value of asset classes where the fair values are not readily available as quoted market prices as at the balance sheet date</li> </ul>
<p><u>Valuation and impairment of properties classified under property, plant and equipment</u></p>	<p>The AC reviewed:</p> <ul style="list-style-type: none"> <li>(i) the basis and period of classification of properties classified under this head</li> <li>(ii) valuations of the self-occupied properties done by independent external valuer</li> <li>(iii) the competence, independence and relevant experience of the external valuer</li> <li>(iv) key assumptions and methodology applied in arriving at the valuations and impairment assessment</li> <li>(v) the approach and methodology of the external auditor in their audit of the assets under this head</li> <li>(vi) the consolidation of PPE in overseas subsidiary books with group accounts, paying particular attention to any accounting standards or policies applied in the different jurisdictions</li> </ul>

Following the review and discussions the AC recommended to the Board to approve the full year financial statements.

The above were also areas of focus for the external auditors.

The external auditor has included the above as items under Key Audit Matters in its audit report for the financial year ended 31 August 2018. Refer to Page no. 56 - 57 of this Annual Report for the auditor's comments.

## Principle 13: INTERNAL AUDIT

The objective of the internal audit function is to provide independent, objective review and recommendations designed to improve the Group's operations. It works to determine the proper functionality of the Group's risk management, control and governance processes, as designed by the Company.

The Group has an in-house internal audit team which regularly reviews the internal controls in place, including financial, operational and compliance controls and risk management and reports to the AC. In addition, the Company on its own or on the recommendation of the AC may appoint third party internal auditors to carry out internal audit review.

The AC takes care of the approvals regarding the hiring, removal, evaluation and compensation of the Internal Auditors.



The Internal Auditors review the effectiveness of the Company's material internal controls, including financial, operational and compliance controls and risk management. Any material non-compliance or failures in internal controls and recommendations for improvements are reported to the AC. The Board and the AC are of the view that the internal audit is adequately resourced and has appropriate standing within the Group.

The primary role of Internal Audit function is to assist the Board and senior management to meet the strategic and operational objectives of the Group, by providing an independent and objective evaluation of the adequacy and effectiveness of risk management, controls and governance processes. The Group's internal audit approach is aligned with the Group's risk management framework by focusing on key financial, operational, compliance and information technology risks. The annual internal audit plan is established in consultation with, but independent of, management. On an annual basis, the AC reviews the adequacy of the internal audit function to ensure the adequacy and effectiveness of the Group's internal audit function as well as to align it to the changing needs and risk profile of the Group's activities.

During the year, the internal audit team has assisted the Group in maintaining effective control by evaluating the effectiveness and efficiency of processes, in particular the adequacy of internal controls over initiation, processing, recording, authorisation of transactions, physical security controls, user access controls, segregation of duties and performance reviews. The internal audit team also obtained an understanding of how the Group has responded to risks arising from information technology and assessed the adequacy of automated application controls.

The professional competence of the internal auditors are maintained or upgraded through training programmes, conferences and seminars that provides updates on auditing techniques, regulations, financial products and services.

#### **Principle 14: SHAREHOLDERS' RIGHTS.**

#### **Principle 15: COMMUNICATION WITH SHAREHOLDERS**

The Group recognizes the importance of maintaining transparency and accountability to its shareholders. The Group's corporate governance culture promotes fair and equitable treatment of all shareholders and respects shareholders' rights.

The Group is further committed to provide shareholders with adequate, timely and sufficient information pertaining to changes in the Group's business which could have a material impact on the Company's share price.

Whilst there is no limit imposed on the number of proxy votes for relevant intermediaries, the Articles of Association of the Company allow each shareholder to appoint up to two proxies to attend AGMs. Subject to legislative amendment to the Companies Act of the relevant provision regarding appointment of proxies, the Company will consider amending its Articles of Association to allow corporations which provide nominee or custodial services to appoint more than two proxies so that shareholders who hold shares through such corporations can attend and participate in general meetings as proxies.

The Group is committed to maintaining high standards of corporate disclosure and transparency. The Group values dialogue sessions with its shareholders and believes in regular, effective and fair communication with shareholders and is committed to hear shareholders' views and addressing their concerns. The Company maintains a

# CORPORATE GOVERNANCE

database of email addresses of shareholders for this purpose. Shareholders interested to be on the mailing list can email at [contact@secondchance.com.sg](mailto:contact@secondchance.com.sg)

Material information is disclosed in a comprehensive, accurate and timely manner through press release and corporate website. The Company does not practice selective disclosure. In line with continuous obligations of the Company pursuant to the Listing Manual of the SGX-ST, the Board's policy is that all shareholders should be equally informed of all major developments impacting the Group.

Information required by shareholders to make investment decisions is disseminated on a timely basis through:

- SGXNET announcements and news release
- Annual Report prepared and issued to all shareholders

Announcement of financial results is made within forty five days after the end of each financial quarter for the first three quarters and within sixty days after the end of the financial year.

In addition, the Group strongly encourages shareholder participation during AGM which will be held in Singapore. At the AGM, the shareholders are able to proactively engage the Board and management on the Group's business activities, financial performance and other business related matters. Further, the shareholders have the opportunity to interact with the management and other members of the Board and also share their views or concerns.

## *Dividend Policy*

Rising profits over the past many years, has allowed the company to distribute high dividends during those years. In the current economic environment, the Company's profitability has declined and the outlook for the next few years does not seem to be encouraging. In view of this situation, the Board of Directors has decided to be prudent and limit the distribution of dividends to be not more than 30% of net profit after tax. The quantum of dividends will now be decided and announced together with the Full Year results. However, the company does intend to pay out dividends every year for as long as the Company remains profitable and the cash flow permits.

## **Principle 16: CONDUCT OF SHAREHOLDER MEETINGS**

The notice of the AGM is dispatched to shareholders, together with explanatory notes or a circular on items of special business, at least fourteen days prior to the meeting. The notice of AGM is also advertised in local newspaper on the date of posting for the benefit of the shareholders.

All registered shareholders are invited to participate and given the right to vote on resolutions at general meetings. Proxy form is sent with notice of general meeting to all shareholders. The Board welcomes questions from shareholders who have an opportunity to raise issues either informally or formally before or at the AGM.

All Directors including the Chairmen of the AC, RC and NC, and the management will normally be present at the AGM to answer any questions relating to the work of these committees. The auditors are also present to assist the Directors on any queries on the financial statements.

The Company Secretary prepares minutes of general meetings that include substantial and relevant comments or queries from shareholders relating to the agenda of the meetings and responses from the Board and management and such minutes, where relevant will be made available to shareholders upon request during office hours.

The Board recognizes that voting by poll is integral in the enhancement of corporate governance and leads to greater transparency of the level of support for each resolution. The Board will adhere to the requirements of the Listing Manual where all resolutions are to be voted by poll.

All resolutions tabled at general meetings are on each substantially separate issue and all resolutions at general meetings requiring shareholders' approval are proposed as separate resolutions.

### **Dealing in Securities**

The Company has adopted an internal code on dealings in securities, which has been issued to all Directors and employees setting up the implications on insider trading.

The internal code restrains Directors and employees from getting themselves involved in deals related to Company's securities while in possession of price-sensitive information and during the window period beginning two weeks before the announcement of the quarterly results and one month before the announcement of the full year results, and ending on the date of the announcement of the respective results. Directors are required to report securities dealings to the Company Secretary who will aid in making the requisite announcements.

In addition, Directors and employees are reminded to observe insider trading laws at all times. The Company's officers are discouraged from dealing in the Company's shares on short-term considerations.

### **Material Contracts**

Company or any of its subsidiaries has not entered into any such material contracts which involves the interest of CEO or any Director or controlling shareholder during the year under review and till date of this report.

### **Interested Person Transactions**

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC and those transactions, if any, are conducted on an arm's length basis and are not prejudicial to the interests of the shareholders. There were no interested person transactions for the financial year ended 31 August 2018.

On a quarterly basis, management reports to the AC the IPTs in accordance with the Company's Shareholders Mandate for IPT.

The AC is satisfied that the Internal controls over the identification, evaluation, review, approval and reporting of IPTs was effective.

### **Statement of Compliance**

The Board confirms that for the financial year ended 31 August 2018, the Company has generally adhered to the principles and guidelines as set out in the Code.

# DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2018

The directors are pleased to present their statement to the members together with the audited financial statements of Second Chance Properties Ltd (the "Company") and its subsidiary corporations (the "Group") for the financial year ended 31 August 2018 and the balance sheet of the Company as at 31 August 2018.

In the opinion of the directors,

- (a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 60 to 113 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 August 2018 and the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statements; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

## Directors

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

Mohamed Salleh s/o Kadir Mohideen Saibu Maricar  
Mohamed Hasan Marican s/o Kadir Mohideen Saibu Maricar  
Devnarayanan s/o Kallankarai Ram Pisharody  
Geetha Padmanabhan  
Ahmad Bin Mohamed Magad  
Tan Lye Heng Paul

## Arrangements to enable directors to acquire shares or debentures

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

## Directors' interests in shares or debentures

According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	<u>Holdings registered in the name of director</u>		<u>Holdings in which director is deemed to have an interest</u>	
	At <u>31.08.18</u>	At <u>01.09.17</u>	At <u>31.08.18</u>	At <u>01.09.17</u>
<b>The Company</b>				
(Ordinary shares)				
Mohamed Salleh s/o Kadir Mohideen Saibu Maricar	443,806,934	443,806,934	63,187,785	63,187,785
Mohamed Hasan Marican s/o Kadir Mohideen Saibu Maricar	6,300,688	6,300,688	-	-
Devnarayanan s/o Kallankarai Ram Pisharody	4,370,816	4,370,816	-	-
Geetha Padmanabhan	-	-	1,040,052	1,040,052
Ahmad Bin Mohamed Magad	500,045	500,045	-	-
Tan Lye Heng Paul	23,054	23,054	-	-

Mr Mohamed Salleh s/o Kadir Mohideen Saibu Maricar, who by virtue of his interest of not less than 20% of the issued share capital of the Company, is deemed to have an interest in shares of the Company's subsidiary corporations, all of which are wholly owned, at the beginning and at the end of the financial year.

The directors' interests in the ordinary shares of the Company as at 21 September 2018 were the same as those as at 31 August 2018.



# DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2018

## Share options

There were no options granted during the financial year to subscribe for unissued shares of the Company or its subsidiary corporations.

No shares have been issued during the financial year by virtue of the exercise of any options to take up unissued shares of the Company or its subsidiary corporations.

At the end of the financial year, there were no unissued shares of the Company or its subsidiary corporations under option.

## Audit committee

The members of the Audit Committee at the end of the financial year were as follows:

Geetha Padmanabhan (Chairman)  
Ahmad Bin Mohamed Magad  
Tan Lye Heng Paul

All members of the Audit Committee were independent and non-executive directors. The Audit Committee carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act. In performing those functions, the Audit Committee reviewed:

- a) the scope and the results of internal audit procedures with the internal auditors;
- b) the audit plan of the Company's independent auditor and any recommendations on internal accounting controls arising from the statutory audit;
- c) the assistance given by the Company's management to the independent auditor;
- d) the balance sheet of the Company as at 31 August 2018 and the consolidated financial statements of the Group for the financial year ended 31 August 2018 before their submission to the Board of Directors;
- e) the quarterly and annual announcement as well as the related press releases on the financial performance and financial position of the Company and the Group; and
- f) the appointment of the independent auditor of the Group.

The Audit Committee has recommended to the Board that the independent auditor, Nexia TS Public Accounting Corporation, be nominated for reappointment at the forthcoming Annual General Meeting of the Company.

## Independent auditor

The independent auditor, Nexia TS Public Accounting Corporation, has expressed its willingness to accept reappointment.

On behalf of the directors



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Mohamed Salleh s/o  
Kadir Mohideen Saibu Maricar  
Director



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Mohamed Hasan Marican s/o  
Kadir Mohideen Saibu Maricar  
Director

**30 November 2018**

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SECOND CHANCE PROPERTIES LTD

## Report on the Audit of the Financial Statements

### Opinion

We have audited the accompanying financial statements of Second Chance Properties Ltd (the "Company") and its subsidiary corporations (the "Group"), which comprise the consolidated balance sheet of the Group and the balance sheet of the Company as at 31 August 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 60 to 113.

In our opinion, the accompanying consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 August 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial 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.

Areas of focus	How our audit addressed the risk factor
<b>Valuation of investment properties</b>	
We focused on this area given the significance of its balance as at 31 August 2018 and also because the determination of fair value of investment property involves significant judgement and appropriate valuation methodology.	Our procedures in relation to independent external valuation of investment properties included evaluation of the independent external valuer's competence, capabilities and objectivity.
Investment properties represent 55.82% of the Group's total assets. Management engaged an independent valuer, Jones Lang Lasalle Property Consultants Pte Ltd, to perform a desktop valuation and determine the indicative values of all the investment properties held as at financial year end. Management has adopted the indicative values determined by the independent valuer as the fair values of the Group's investment properties as at 31 August 2018 which amounted to \$170.47 million. Fair value gain of \$0.79 million was recognised in the Group's consolidated statement of comprehensive income as a result of this valuation exercise.	We found the competence, capabilities and objectivity of the independent external valuer to be acceptable.  We considered the valuation methodology used by the independent valuer against those applied by other valuers for similar assets.  We noted the fair value of each investment property based on desktop valuation report to be reasonable.  Our reviewed of Note 20 to the financial statements that the disclosures are adequate.

### **Valuation of financial assets, at fair value through profit or loss and available-for-sale financial assets**

We focused on this area given the significance of its balance as at 31 August 2018.

As at 31 August 2018, financial assets, at fair value through profit or loss were valued at \$31.20 million and available-for-sale financial assets were valued at \$56.29 million representing 10.22% and 18.43% of the total assets respectively.

These financial assets are all traded in active market and classified as "Level 1" fair value measurement hierarchy.

### **Valuation of property, plant and equipment**

Included in the Group's property, plant and equipment are freehold land and building with carrying value of \$21.65 million which represent 7.09% of the Group's total assets as at 31 August 2018.

Freehold land and buildings are initially recognised at cost. Freehold land is subsequently carried at the revalued amount less accumulated impairment losses. Building is subsequently carried at the revalued amounts less accumulated depreciation and accumulated impairment losses.

We focused on this area given the significance of its balance as at 31 August 2018 and also because the determination of fair value of freehold land and building involves significant judgement in determining the appropriate valuation methodology.

The valuation of the Group's freehold land and building were derived from the indicative values determined from the desktop valuation performed by an independent external valuer engaged by the Management.

Our procedures included the following:

- Obtained third party audit confirmations or statement of accounts of investments held by the Group and its market price as at 31 August 2018.
- Agreed the balance of financial assets, at fair value through profit or loss and available-for-sale financial assets held as at 31 August 2018 with the audit confirmations or statement of accounts.
- Tested the valuation used by the management based on market price as provided in the audit confirmations or statement of accounts.

We found that these financial assets were properly carried at fair values based on the quoted market price, representing the closing price, as at balance sheet date.

Our reviewed of Notes 11 and 17 to the financial statements that the disclosures are adequate.

Our procedures in relation to independent external valuation of freehold land and building included evaluation of the independent external valuer's competence, capabilities and objectivity.

We found the competence, capabilities and objectivity of the independent external valuer to be acceptable.

We considered the valuation methodologies used against those applied by other valuers for similar assets.

We have agreed the fair value of freehold land and building against the desktop valuation report.

Our reviewed of Note 19 to the financial statements that the disclosures are adequate.

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SECOND CHANCE PROPERTIES LTD

## Other Information

Management is responsible for the 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 regards.

## Responsibilities of Management and Directors for the Financial Statements

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

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

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

## 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.



## **Auditor's Responsibilities for the Audit of the Financial Statements**

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

## **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 director on the audit resulting in this independent auditor's report is Ross Yu Limjoco.

***Nexia TS Public Accounting Corporation***  
***Public Accountants and Chartered Accountants***

**Singapore**  
**30 November 2018**

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2018

	Note	2018 \$	2017 \$
Revenue	4	31,613,832	34,811,780
Cost of sales		<u>(16,001,994)</u>	<u>(17,015,953)</u>
Gross profit		15,611,838	17,795,827
Other income - net	5	157,632	1,192,755
Expenses			
- Administrative		3,551,208	4,450,051
- Distribution		652,621	777,892
- Finance	6	642,602	711,348
- Apparel operating		913,530	1,763,026
- Property operating		999,981	1,119,314
- Gold and jewellery operating		161,855	164,736
- Others		29,390	23,194
		<u>6,951,187</u>	<u>9,009,561</u>
Profit before income tax		8,818,283	9,979,021
Income tax expense	9	<u>(909,510)</u>	<u>(501,980)</u>
<b>Net profit for the financial year</b>		<u>7,908,773</u>	<u>9,477,041</u>
<b>Other comprehensive loss:</b>			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets			
- Fair value (loss)/gain		(4,952,820)	1,334,393
- Reclassification		(10,180)	(2,153,155)
Currency translation differences arising from consolidation		<u>969,650</u>	<u>(1,244,943)</u>
		<u>(3,993,350)</u>	<u>(2,063,705)</u>
Items that will not be reclassified subsequently to profit or loss:			
- Revaluation gain/(loss) on property, plant and equipment		<u>114,934</u>	<u>(1,590,500)</u>
<b>Other comprehensive loss, net of tax</b>		<u>(3,878,416)</u>	<u>(3,654,205)</u>
<b>Total comprehensive income attributable to equity holders</b>		<u>4,030,357</u>	<u>5,822,836</u>
<b>Earnings per share attributable to equity holders (cents per share)</b>			
Basic earnings per share	10	1.05	1.26
Diluted earnings per share	10	<u>1.05</u>	<u>1.26</u>

# BALANCE SHEETS

AS AT 31 AUGUST 2018

	Note	The Group		The Company	
		2018	2017	2018	2017
		\$	\$	\$	\$
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and bank balances		10,804,024	6,517,319	435,491	175,643
Financial assets, at fair value through profit or loss	11	31,200,684	32,773,969	-	-
Trade and other receivables	12	418,314	646,811	9,550,249	10,293,776
Inventories	13	14,050,571	15,715,814	795,934	1,005,096
Other current assets	14	327,178	402,002	137,321	169,968
Income tax receivables		61,826	135,580	-	-
		<u>56,862,597</u>	<u>56,191,495</u>	<u>10,918,995</u>	<u>11,644,483</u>
Property held-for-sale	15	-	9,400,000	-	-
		<u>56,862,597</u>	<u>65,591,495</u>	<u>10,918,995</u>	<u>11,644,483</u>
<b>Non-current assets</b>					
Amount due from subsidiary corporations	16	-	-	181,352,482	168,293,813
Available-for-sale financial assets	17	56,294,278	54,573,589	43,958,949	47,731,360
Investments in subsidiary corporations	18	-	-	17,230,916	17,230,918
Property, plant and equipment	19	21,748,896	20,936,132	43,277	60,974
Investment properties	20	170,470,001	171,702,103	13,500,000	13,500,000
		<u>248,513,175</u>	<u>247,211,824</u>	<u>256,085,624</u>	<u>246,817,065</u>
<b>Total assets</b>		<u>305,375,772</u>	<u>312,803,319</u>	<u>267,004,619</u>	<u>258,461,548</u>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Trade payables	21	2,243,152	4,246,586	223,568	250,065
Other payables	22	796,040	2,203,293	643,741	1,920,187
Borrowings	23	39,100,000	42,914,178	39,100,000	23,912,422
Current income tax liabilities		610,744	957,049	144,105	-
		<u>42,749,936</u>	<u>50,321,106</u>	<u>40,111,414</u>	<u>26,082,674</u>
<b>Non-current liabilities</b>					
Borrowings	23	-	2,875,690	-	2,875,690
Deferred income tax liabilities	24	365,748	251,612	7,357	9,187
		<u>365,748</u>	<u>3,127,302</u>	<u>7,357</u>	<u>2,884,877</u>
<b>Total liabilities</b>		<u>43,115,684</u>	<u>53,448,408</u>	<u>40,118,771</u>	<u>28,967,551</u>
<b>Net assets</b>		<u>262,260,088</u>	<u>259,354,911</u>	<u>226,885,848</u>	<u>229,493,997</u>
<b>EQUITY</b>					
<b>Capital and reserves attributable to equity holders of the Company</b>					
Share capital	25	138,247,722	137,107,804	138,247,722	137,107,804
Retained profits	26	117,927,412	112,283,737	83,350,176	83,571,538
Other reserves	27	6,084,954	9,963,370	5,287,950	8,814,655
<b>Total equity</b>		<u>262,260,088</u>	<u>259,354,911</u>	<u>226,885,848</u>	<u>229,493,997</u>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2018

← Other reserves\* →

		Share capital	Retained profits	Fair value reserve	Asset revaluation reserve	Currency translation reserve	Total other reserves	Total equity
Note	\$	\$	\$	\$	\$	\$	\$	\$
<b>2018</b>								
<b>Beginning of financial year</b>		137,107,804	112,283,737	8,788,606	7,847,710	(6,672,946)	9,963,370	259,354,911
Issue of share capital	25	1,139,918	-	-	-	-	-	1,139,918
Cash dividend paid	28	-	(2,265,098)	-	-	-	-	(2,265,098)
Total comprehensive income/(loss) for the financial year		-	7,908,773	(4,963,000)	114,934	969,650	(3,878,416)	4,030,357
<b>End of financial year</b>		138,247,722	117,927,412	3,825,606	7,962,644	(5,703,296)	6,084,954	262,260,088
<b>2017</b>								
<b>Beginning of financial year</b>		138,319,385	104,317,488	9,607,368	9,438,210	(5,428,003)	13,617,575	256,254,448
Share buyback	25	(1,593,706)	-	-	-	-	-	(1,593,706)
Issue of share capital	25	382,125	-	-	-	-	-	382,125
Cash dividend paid	28	-	(1,510,792)	-	-	-	-	(1,510,792)
Total comprehensive income/(loss) for the financial year		-	9,477,041	(818,762)	(1,590,500)	(1,244,943)	(3,654,205)	5,822,836
<b>End of financial year</b>		137,107,804	112,283,737	8,788,606	7,847,710	(6,672,946)	9,963,370	259,354,911

\* Other reserves are non-distributable.

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2018

	Note	2018 \$	2017 \$
<b>Cash flows from operating activities</b>			
Net profit		7,908,773	9,477,041
Adjustments for:			
- Income tax expense	9	909,510	501,980
- Bad debt written off	5	23,188	-
- Depreciation of property, plant and equipment	7	168,394	320,189
- Gain on disposal of investment properties	5	(750,333)	-
- Gain on disposal of available-for-sale financial assets	5	(6,876)	(2,245,215)
- Fair value (gain)/loss on investment properties	5	(789,300)	2,442,535
- Interest income from bank deposits	5	(316,912)	(190,264)
- Gain on disposal of property, plant and equipment	5	(11,856)	-
- Finance expense	6	642,602	711,348
- Property, plant and equipment written off	7	117,232	557,259
- Unrealised currency translation differences		(92,969)	411,622
		<b>7,801,453</b>	<b>11,986,495</b>
Changes in working capital:			
- Financial assets, at fair value through profit or loss		1,573,285	1,868,054
- Trade and other receivables		208,600	145,250
- Inventories		1,665,243	450,116
- Other current assets		82,093	163,820
- Trade and other payables		(3,425,215)	2,162,976
Net cash generated from operations		7,905,459	16,776,711
Interest received		316,912	190,264
Interest paid		(702,742)	(717,253)
Income tax paid		(1,073,012)	(178,730)
<b>Net cash provided by operating activities</b>		<b>6,446,617</b>	<b>16,070,992</b>
<b>Cash flows from investing activities</b>			
Proceeds from disposal of available-for-sale financial assets		707,595	7,017,124
Proceeds from disposal of investment properties		12,277,847	-
Proceeds from disposal of property, plant and equipment		13,632	-
Purchases of available-for-sale financial assets	17	(7,384,408)	(6,209,615)
Additions to investment property	20	(10,700)	-
Additions to property, plant and equipment	19	(8,971)	(167,216)
<b>Net cash provided by investing activities</b>		<b>5,594,995</b>	<b>640,293</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		1,139,918	382,125
Cash used for share buyback		-	(1,593,706)
Proceeds from bank borrowings		156,765,821	103,000,052
Repayment of bank borrowings		(163,395,548)	(115,963,253)
Cash dividends paid to equity holders of the Company		(2,265,098)	(1,510,792)
<b>Net cash used in financing activities</b>		<b>(7,754,907)</b>	<b>(15,685,574)</b>
<b>Net increase in cash and bank balances</b>		4,286,705	1,025,711
<b>Cash and bank balances</b>			
Beginning of financial year		6,517,319	5,491,608
<b>End of financial year</b>		<b>10,804,024</b>	<b>6,517,319</b>

## Reconciliation of liabilities arising from financing activities

	1 September 2017 \$	Principal and interest payments \$	Non-cash changes \$		31 August 2018 \$
			Interest Expense	Foreign exchange movement	
Bank borrowings	45,789,868	(7,332,470)	699,078	(56,476)	39,100,000



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2018

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Second Chance Properties Ltd on 30 November 2018.

## 1. General information

Second Chance Properties Ltd (the "Company") is listed on the Main Board of Singapore Exchange Securities Trading Limited ("SGX-ST") and incorporated and domiciled in Singapore. The address of its registered office and principal place of business is at 845 Geylang Road, #04-22 Tanjong Katong Complex, Singapore 400845.

The principal activities of the Company are those of an investment holding company, retailing of ready-made garments, holding of property as investment for rental income and investing in securities. The principal activities of the subsidiary corporations are set out in Note 18 to the financial statements.

## 2. Significant accounting policies

### 2.1 Basis of preparation

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS") under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where estimates and assumptions are significant to the financial statements are disclosed in Note 3.

#### ***Interpretations and amendments to published standards effective in 2017***

On 1 September 2017, the Group adopted the new or amended FRS and Interpretations of FRS ("INT FRS") that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS.

The adoption of these new or amended FRS did not result in substantial changes to the accounting policies of the Group and the Company and had no material effect on the amounts reported for the current or prior financial years.

### 2.2 Revenue recognition

Sales comprise the fair value of the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of the Group's activities. Sales are presented, net of value-added tax, rebates and discounts, and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that the collectability of the related receivables is reasonably assured and when the specific criteria for each of the Group's activities are met as follows:

(a) Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

## **2. Significant accounting policies**

### **2.2 Revenue recognition**

(b) Rental income

Rental income arising on investment properties from operating leases (net of any incentives given to the lessees) is recognised on a straight-line basis over the lease terms.

(c) Dividend/Coupon income

Dividend/Coupon income from investments in equity shares and bonds is recognised when the right to receive payment has been established.

(d) Interest income

Interest income is recognised using the effective interest method.

### **2.3 Government grants**

Grants from the government are recognised as a receivable at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants receivable are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are shown separately as other income.

Government grant relating to assets is deducted against the carrying amount of the assets.

### **2.4 Group accounting**

#### *Subsidiary corporations*

(i) *Consolidation*

Subsidiary corporations are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiary corporations are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiary corporations have been changed where necessary to ensure consistency with the policies adopted by the Group.

(ii) *Acquisitions*

The acquisition method of accounting is used to account for business combinations entered into by the Group.

The consideration transferred for the acquisition of a subsidiary corporation or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes any contingent consideration arrangement and any pre-existing equity interest in the subsidiary corporation measured at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2018

## 2. Significant accounting policies

### 2.4 Group accounting

#### *Subsidiary corporations*

#### *(ii) Acquisitions*

The excess of (a) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (b) fair value of the identifiable net assets acquired, is recorded as goodwill.

#### *(iii) Disposals*

When a change in the Group's ownership interest in a subsidiary corporation results in a loss of control over the subsidiary corporation, the assets and liabilities of the subsidiary corporation including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained profits if required by a specific Standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

Please refer to "Investments in subsidiary corporations" for the accounting policy on investments in subsidiary corporations in the separate financial statements of the Company.

### 2.5 Property, plant and equipment

#### *(a) Measurement*

#### *(i) Land and buildings*

Land and buildings are initially recognised at cost. Freehold land is subsequently carried at the revalued amount less accumulated impairment losses. Buildings are subsequently carried at the revalued amounts less accumulated depreciation and accumulated impairment losses.

Land and buildings are revalued by independent professional valuers on annual basis (full valuation every 3 years and desktop valuation on the intervening years) or whenever their carrying amounts are likely to differ materially from their revalued amounts. When an asset is revalued, any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset. The net amount is then restated to the revalued amount of the asset.

Increase in carrying amounts arising from revaluation, including currency translation differences, are recognised in other comprehensive income, unless they offset previous decreases in the carrying amounts of the same asset, in which case, they are recognised in profit or loss. Decreases in carrying amounts that offset previous increases of the same asset are recognised in other comprehensive income. All other decreases in carrying amounts are recognised in profit or loss.

#### *(ii) Other property, plant and equipment*

All other items of property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

#### *(iii) Components of costs*

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

## 2. Significant accounting policies

### 2.5 Property, plant and equipment

#### (b) Depreciation

Freehold land is not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

	<u>Depreciation rate</u>
Freehold buildings	2.0% to 2.5%
Renovation, furniture and fittings	8.3% to 10.0%
Shop and office equipment	10.0% to 12.5%
Computers and peripherals	20.0% to 33.3%
Motor vehicles	10.0% to 16.6%

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed and adjusted as appropriate at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

#### (c) Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when 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. All other repair and maintenance expenses are recognised in profit or loss when incurred.

#### (d) Disposal

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss. Any amount in revaluation reserve relating to that asset is transferred to retained profits directly.

### 2.6 Investment properties

Investment properties include properties that are held for long-term rental yields and/or for capital appreciation.

Investment properties are initially recognised at cost and subsequently carried at fair value which is determined by independent professional valuers annually (full valuation every 3 years and desktop valuation on the intervening years). Changes in fair values are recognised in profit or loss.

Investment properties are subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised as addition and the carrying amounts of the replaced components are recognised in profit or loss. The cost of maintenance, repairs and minor improvement is recognised in profit or loss when incurred.

On disposal of an investment property, the difference between the disposal proceeds and the carrying amount is recognised in profit or loss.

### 2.7 Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest.

### 2.8 Investments in subsidiary corporations

Investments in subsidiary corporations are carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of investments in subsidiary corporations, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2018

## 2. Significant accounting policies

### 2.9 Impairment of non-financial assets

*Property, plant and equipment*  
*Investments in subsidiary corporations*

Property, plant and equipment and investments in subsidiary corporations are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash-generating units ("CGU") to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss, unless the asset is carried at revalued amount, in which case, such impairment loss is treated as a revaluation decrease. Please refer to the paragraph "Property, plant and equipment" for the treatment of revaluation decrease.

An impairment loss for an asset 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. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense, a reversal of that impairment is also credited to profit or loss.

### 2.10 Financial assets

#### (a) Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity, and available-for-sale. The classification depends on the nature of the asset and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

As at balance sheet date, the Group has financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets.

#### (i) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified as held for trading if it is acquired principally for the purpose of selling in the short term. Financial assets designated as at fair value through profit or loss at inception are those that are managed and their performances are evaluated on a fair value basis, in accordance with a documented Group investment strategy. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are presented as current assets if they are either held for trading or are expected to be realised within 12 months after the balance sheet date.

#### (ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the balance sheet date which are presented as non-current assets. Loans and receivables include cash and cash equivalents, trade and other receivables, amount due from subsidiary corporations, and deposits under other current assets accounts.



## 2. Significant accounting policies

### 2.10 Financial assets

(a) *Classification*

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are presented as non-current assets unless the investment matures or management intends to dispose of the assets within 12 months after the balance sheet date.

(b) *Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on trade date - the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is transferred to profit or loss.

(c) *Initial measurement*

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit or loss are recognised immediately as expenses.

(d) *Subsequent measurement*

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in fair values of financial assets at fair value through profit or loss including the effects of currency translation, interest and dividends, are recognised in profit or loss when changes arise.

Interest and dividend income on available-for-sale financial assets are recognised separately in profit or loss. Changes in fair values of available-for-sale equity securities are recognised in other comprehensive income and accumulated in the fair value reserve, together with the related currency translation differences, if any.

(e) *Impairment*

The Group assesses at each balance sheet date whether there is an objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

(i) Loans and receivables

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written-off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2018

## 2. Significant accounting policies

### 2.10 Financial assets

#### (e) Impairment

##### (i) Loans and receivables

The impairment allowance is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

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

Significant or prolonged declines in the fair value of the equity securities below its cost is considered as an indicator that the available-for-sale financial asset is impaired.

If any evidence of impairment exists, the cumulative loss that was recognised in other comprehensive income is reclassified to profit or loss. The cumulative loss is measured as the difference between the acquisition cost (net of any principal repayments and amortisation) and the current fair value, less any impairment loss previously recognised as an expense. The impairment losses recognised as an expense on equity securities are not reversed through profit or loss.

### 2.11 Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date, in which case they are presented as non-current liabilities.

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

### 2.12 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in normal operating cycle of the business if longer). Otherwise they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

### 2.13 Fair value estimation of financial assets and liabilities

The fair values of financial instruments traded in active markets (such as exchange-traded and over-the-counter securities) are based on quoted market prices at the balance sheet date. The quoted market prices used for financial assets are the closing prices.

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

## **2. Significant accounting policies**

### **2.14 Leases**

*(a) When the Group is the lessee – operating lease:*

The Group leases office and warehouses under operating leases from non-related party.

Leases where substantially all risks and rewards incidental to ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

Contingent rents are recognised as an expense in profit or loss when incurred.

*(b) When the Group is the lessor – operating lease:*

The Group leases out retail spaces and office buildings under operating lease to non-related parties.

Leases of investment properties where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in profit or loss on a straight-line basis over the period of the lease.

Contingent rents are recognised as income in profit or loss when earned.

### **2.15 Inventories**

Inventories are carried at the lower of cost (specific identification method and weighted average method) and net realisable value. Cost comprises direct materials and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

### **2.16 Income taxes**

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiary corporations, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

- (i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and
- (ii) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities except for investment properties. Investment property measured at fair value is presumed to be recovered entirely through sale.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2018

## 2. Significant accounting policies

### 2.16 Income taxes

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity.

The Group accounts for investment tax credits (for example, productivity and innovative credit) similar to accounting for other tax credits where deferred tax asset is recognised for unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax credit can be utilised.

### 2.17 Provisions for other liabilities and charges

Provisions for other liabilities and charges are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

### 2.18 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

### 2.19 Employee compensation

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

#### (a) *Defined contribution plans*

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The Group's contributions are recognised as employee compensation expense when they are due.

#### (b) *Profit sharing and bonus plans*

The Group recognises a liability and an expense for bonuses and profit-sharing. The Group recognises a provision when contractually obliged to pay or when there is a past practice that has created a constructive obligation to pay.

#### (c) *Employee leave entitlement*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

### 2.20 Currency translation

#### (a) *Functional and presentation currency*

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements are presented in Singapore Dollar, which is the functional currency of the Company.

## **2. Significant accounting policies**

### **2.20 Currency translation**

#### *(b) Transactions and balances*

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss. However, in the consolidated financial statements, currency translation differences arising from net investment in foreign operations is recognised in other comprehensive income and accumulated in the currency translation reserve.

When a foreign operation is disposed of or any loan forming part of the net investment of the foreign operation is repaid, a proportionate share of the accumulated currency translation differences is reclassified to profit or loss, as part of the gain or loss on disposal.

Foreign exchange gain and losses that relate to borrowings are presented in the statement of comprehensive income within "finance cost". All other foreign exchange gains and losses impacting profit or loss are presented in the income statement within "Other income-net".

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

#### *(c) Translation of Group entities' financial statements*

The financial performance and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities are translated at the closing exchange rates at the reporting date;
- (ii) income and expense are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case, income and expenses are translated using the exchange rates at the dates of the transactions); and
- (iii) all resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal of the entity giving rise to such reserve.

### **2.21 Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

### **2.22 Dividends to Company's shareholders**

Dividends to the Company's shareholders are recognised when the dividends are approved for payment.

### **2.23 Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the Board of Directors who are responsible for allocating resources and assessing performance of the operating segments.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2018

## 2. Significant accounting policies

### 2.24 Non-current assets (or disposal groups) held-for-sale

Non-current assets (or disposal groups) are classified as assets held-for-sale and carried at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use. The assets are not depreciated or amortised while they are classified as held-for-sale. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

## 3. Critical accounting estimates, assumptions and judgements

In the application of the Group's accounting policies, which are described in Note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### a) Critical judgements made in applying accounting policies

In the process of applying the Group's accounting policies, which are described in Note 2, management has not made any judgements that will have a significant effect on the amounts recognised in the financial statements, except for the valuation of freehold land and building and investment properties as disclosed in Note 19 and 20 to the financial statements.

### b) Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities include the below:

- i) the determination of useful lives of property, plant and equipment (Note 19);
- ii) the assessment of adequacy of provisions for current and deferred income taxes (Notes 9 and 24 respectively);
- iii) the determination of net realisable value of inventories (Note 13).

These estimates, judgements and assumptions are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### 4. Revenue

	<b>The Group</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Sale of goods	20,540,193	23,328,720
Rental income	6,575,005	7,492,736
Dividend/coupon income	4,498,634	3,990,324
	<u>31,613,832</u>	<u>34,811,780</u>

#### 5. Other income- net

	<b>The Group</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Fair value gain/(loss) on investment properties (Note 20)	789,300	(2,442,535)
Fair value (loss)/gain on financial assets, at fair value through profit or loss	(2,350,722)	1,417,786
Gain on disposal of financial assets, at fair value through profit or loss	9,100	264,180
Gain on disposal of available-for-sale financial assets		
- Gain on disposal	17,056	92,060
- Reclassification from other comprehensive income on disposal (Note 27(b)(i))	(10,180)	2,153,155
	6,876	2,245,215
Gain on disposal of investment properties	750,333	-
Gain on disposal of property, plant and equipment	11,856	-
Interest income from bank deposits	316,912	190,264
Bad debts written off	(23,188)	-
Currency exchange gain/(loss) - net	548,874	(706,960)
Others	98,291	224,805
	<u>157,632</u>	<u>1,192,755</u>

#### 6. Finance expense

	<b>The Group</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Interest on bank borrowings	699,078	717,273
Currency exchange gains - net	(56,476)	(5,925)
	<u>642,602</u>	<u>711,348</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2018

## 7. Expenses by nature

	<b>The Group</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Purchases of inventories	14,336,751	16,313,470
Employee compensation (Note 8)	2,903,526	3,330,043
Rental on operating leases	674,803	1,063,679
Property tax	608,163	666,793
Changes in inventories	1,665,243	702,483
Advertising	485,434	570,428
Property, plant and equipment written off	117,232	557,259
Depreciation of property, plant and equipment (Note 19)	168,394	320,189
Commission	135,990	87,197
Fees on audit services paid/payable to:		
- Auditor of the Company	59,700	61,700
- Other auditor	8,638	6,444
Other expenses	1,146,705	1,634,481
	22,310,579	25,314,166

## 8. Employee compensation

	<b>The Group</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Salaries and wages	2,627,425	2,944,253
Employer's contribution to defined contribution plans	203,629	244,316
Other benefits	72,472	141,474
	2,903,526	3,330,043

## 9. Income taxes

	<b>The Group</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
(a) Tax expense attributable to profit is made up of:		
Profit for the financial year:		
Current income tax	758,634	963,730
Deferred income tax (Note 24)	124,531	108,879
	<u>883,165</u>	<u>1,072,609</u>
Under/(over) provision in prior financial years:		
Current income tax		
- Singapore	(17,346)	(570,629)
- Malaysia	65,402	-
Deferred income tax (Note 24)		
- Malaysia	(21,711)	-
	<u>26,345</u>	<u>(570,629)</u>
	<u>909,510</u>	<u>501,980</u>

The tax on Group's profit before income tax differs from the theoretical amount that would arise using the Singapore standard rate of income tax as follows:

	<b>The Group</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Profit before income tax	<u>8,818,283</u>	<u>9,979,021</u>
Tax calculated at tax rate of 17% (2017:17%)	1,499,108	1,696,434
Effects of:		
- expenses not deductible for tax purposes	105,115	530,475
- income not subject to tax	(715,528)	(721,449)
- effect of different tax rate for a subsidiary corporation in another jurisdiction	57,141	(41,503)
- deferred tax assets not recognised	307,744	89,026
- over provision of deferred tax in prior years	(21,711)	-
- tax incentives	(371,486)	(442,632)
- under/(over) provision of tax in prior years	48,056	(570,629)
- others	1,071	(37,742)
	<u>909,510</u>	<u>501,980</u>

The Group has unrecognised tax losses of approximately \$3,411,386 (2017: \$1,601,127) at the balance sheet date which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements. The tax losses have no expiry date.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2018

## 9. Income taxes

(b) The tax charge relating to each component of other comprehensive income is as follows:

	<b>The Group</b>					
	← 2018 →			← 2017 →		
	<b>Before Tax</b>	<b>Tax charge</b>	<b>After Tax</b>	<b>Before Tax</b>	<b>Tax charge</b>	<b>After Tax</b>
	\$	\$	\$	\$	\$	\$
Fair value gain on available-for-sale financial assets	(4,963,000)	-	(4,963,000)	1,344,393	-	1,344,393
Currency translation differences arising from consolidation	969,650	-	969,650	(1,244,943)	-	(1,244,943)
Revaluation gain on property, plant and equipment	114,934	-	114,934	(1,590,500)	-	(1,590,500)

## 10. Earnings per share

*Basic and diluted earnings per share*

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

For the purpose of calculating diluted earnings per share, profit attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding are adjusted for the effect of all dilutive potential ordinary shares. The Company's outstanding warrants are non-dilutive.

	<b>The Group</b>	
	<b>2018</b>	<b>2017</b>
Net profit attributable to equity holders of the Company (\$)	7,908,773	9,477,041
Weighted average number of ordinary shares outstanding for basic earnings per share	754,580,213	751,428,169
Weighted average number of ordinary shares outstanding for diluted earnings per share	754,580,213	753,794,702
Basic earnings per share (cents per share)	1.05	1.26
Diluted earnings per share (cents per share)	1.05	1.26



## 11. Financial assets, at fair value through profit or loss

	The Group		The Company	
	2018	2017	2018	2017
	\$	\$	\$	\$
<i>Held for trading</i>				
Listed securities:				
Equity securities – Singapore	23,043,372	19,947,836	-	-
Bonds – Singapore	8,157,312	12,826,133	-	-
	<u>31,200,684</u>	<u>32,773,969</u>	<u>-</u>	<u>-</u>

The bonds bear interest ranging from 3.250% to 8.625% (2017: 2.625% to 8.625%) per annum and have maturity dates from 8 months to perpetuity (2017: 3 months to perpetuity) from the balance sheet date.

The financial assets, at fair value through profit or loss are used as security for bank borrowings (Note 23).

## 12. Trade and other receivables

	The Group		The Company	
	2018	2017	2018	2017
	\$	\$	\$	\$
Trade receivables				
- subsidiary corporations	-	-	9,472,208	10,073,028
- non-related parties	312,871	648,300	15,911	132,872
	<u>312,871</u>	<u>648,300</u>	<u>9,488,119</u>	<u>10,205,900</u>
Less: Allowance for impairment of receivables – non-related parties (Note 30(b)(ii))	-	(71,230)	-	-
Trade receivables – net	312,871	577,070	9,488,119	10,205,900
Other receivables				
- non-related parties	105,443	69,741	62,130	87,876
	<u>418,314</u>	<u>646,811</u>	<u>9,550,249</u>	<u>10,293,776</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2018

## 13. Inventories

	The Group		The Company	
	2018	2017	2018	2017
	\$	\$	\$	\$
Finished goods	14,050,571	15,715,814	795,934	1,005,096

The cost of inventories recognised as an expense and included in "cost of sales" amounted to \$16,001,994 (2017: \$17,015,953).

## 14. Other current assets

	The Group		The Company	
	2018	2017	2018	2017
	\$	\$	\$	\$
Deposits	306,770	381,141	137,321	169,968
Prepayment	20,408	20,861	-	-
	327,178	402,002	137,321	169,968

## 15. Property held-for-sale

In year 2017, a Subsidiary corporation and a prospective Buyer entered into an option to purchase the subsidiary corporation's investment property with an option price of \$10,000,000. As at 31 August 2017, no sale and purchase agreement has been entered into and the subsidiary corporation has not recognised the sale and corresponding gain or loss, if any. The investment property was transferred to property held-for-sale account at the lower of its carrying amount and fair value less cost to sell.

The disposal was subsequently completed on 4 October 2017.

## 16. Amounts due from subsidiary corporations

The amounts due from subsidiary corporations in the Company's balance sheet are non-trade, unsecured, and bear effective interest of 1.75% (2017: 1.50%) per annum. These amounts are not expected to be paid within the next 12 months from the balance sheet date.

The management is of the opinion that the carrying amounts approximate their fair values.

## 17. Available-for-sale financial assets

	<b>The Group</b>		<b>The Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Beginning of financial year	54,573,589	53,954,644	47,731,360	47,712,572
Additions	7,384,408	6,209,615	455,013	226,617
Fair value (loss)/gain recognised in other comprehensive income (Note 27(b)(i))	(4,963,000)	1,334,393	(3,526,705)	88,914
Redeemed by issuers	(335,024)	(296,743)	(335,024)	(296,743)
Disposals	(365,695)	(6,628,320)	(365,695)	-
End of financial year	<u>56,294,278</u>	<u>54,573,589</u>	<u>43,958,949</u>	<u>47,731,360</u>

Available-for-sale financial assets are analysed as follows:

	<b>The Group</b>		<b>The Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Listed equity securities - Singapore	<u>56,294,278</u>	<u>54,573,589</u>	<u>43,958,949</u>	<u>47,731,360</u>

The available-for-sale financial assets are used as security for bank borrowings (Note 23).

## 18. Investments in subsidiary corporations

	<b>The Company</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Unquoted equity investments at cost	<u>17,230,916</u>	<u>17,230,918</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2018

## 18. Investments in subsidiary corporations

Details of subsidiary corporations are as follows:

Name of companies	Principal activities	Country of business/ incorporation	Equity holding	
			2018	2017
			%	%
<i>Held by the Company</i>				
Winning Chance Investments Pte Ltd <sup>(1)</sup>	Holding of properties as investments for rental income	Singapore	100	100
Another Chance Properties Pte Ltd <sup>(1)</sup>	Holding of properties as investments for rental income	Singapore	100	100
Best Chance Properties Pte Ltd <sup>(1)</sup>	Holding of properties as investments for rental income	Singapore	100	100
Better Chance Properties Pte Ltd <sup>(1)</sup>	Holding of properties as investments for rental income	Singapore	100	100
Double Chance Properties Pte Ltd <sup>(1)</sup>	Holding of properties as investments for rental income	Singapore	100	100
Equal Chance Properties Pte Ltd <sup>(1)</sup>	Holding of properties as investments for rental income	Singapore	100	100
Fair Chance Properties Pte Ltd <sup>(1)</sup>	Holding of properties as investments for rental income	Singapore	100	100
First Lady Apparels (Malaysia) Sdn Bhd <sup>(2)</sup>	Retail of ready-made garments	Malaysia	100	100
Golden Chance Goldsmith Pte Ltd <sup>(1)</sup>	Retail of gold and jewellery, holding of properties as investments for rental income and holding of bonds and equity securities	Singapore	100	100
Good Chance Properties Pte Ltd <sup>(1)</sup>	Holding of properties as investments for rental income	Singapore	100	100

## 18. Investments in subsidiary corporations

Details of subsidiary corporations are as follows:

Name of companies	Principal activities	Country of business/ incorporation	Equity holding	
			2018	2017
			%	%
<i>Held by the Company</i>				
New Chance Properties Pte Ltd <sup>(1)</sup>	Holding of properties as investments for rental income	Singapore	100	100
Top Chance Properties Pte Ltd <sup>(1)</sup>	Holding of properties as investments for rental income	Singapore	100	100
Second Chance Investments Pte Ltd <sup>(1)</sup>	Holding of properties as investments for rental income	Singapore	100	100
Super Chance Properties Pte Ltd <sup>(1)</sup>	Holding of properties as investments for rental income and trading of bonds and equity securities	Singapore	100	100
Classic Chance Properties Pte Ltd <sup>(1)</sup>	Holding of properties as investments for rental income	Singapore	100	100
Great Chance Properties Pte Ltd <sup>(1)</sup>	Holding of properties as investments for rental income	Singapore	100	100
Prime Chance Properties Pte Ltd <sup>(1)</sup>	Holding of properties as investments for rental income	Singapore	100	100
Easy Chance Properties Pte Ltd <sup>(3)</sup>	Holding of properties as investments for rental income	Singapore	-	100
One Chance Properties Pte Ltd <sup>(1)</sup>	Holding of properties as investments for rental income	Singapore	100	100

(1) Audited by Nexia TS Public Accounting Corporation, Singapore, an independent member firm of Nexia International.

(2) Audited by Soong and Associates, Malaysia.

(3) On 25 July 2018, Easy Chance Properties Pte Ltd was strike-off.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2018

## 19. Property, plant and equipment

	Freehold land	Freehold buildings	Renovation, furniture and fittings	Shop and office equipment	Computers and peripherals	Motor vehicles	Total
	\$	\$	\$	\$	\$	\$	\$
<b>The Group</b>							
<b>2018</b>							
<i>Cost or valuation</i>							
Beginning of financial year							
Cost	-	-	2,125,787	221,581	950,999	113,708	3,412,075
Valuation	14,710,127	5,971,974	-	-	-	-	20,682,101
	14,710,127	5,971,974	2,125,787	221,581	950,999	113,708	24,094,176
Currency translation differences	700,300	382,960	43,889	1,641	18,423	1,111	1,148,324
Additions	-	5,041	-	-	3,930	-	8,971
Revaluation adjustments	-	(119,801)	-	-	-	-	(119,801)
Disposal	-	-	-	-	-	(25,603)	(25,603)
Written-off	-	-	(340,664)	-	-	-	(340,664)
End of financial year	15,410,427	6,240,174	1,829,012	223,222	973,352	89,216	24,765,403
Representing:							
Cost	-	-	1,829,012	223,222	973,352	89,216	3,114,802
Valuation	15,410,427	6,240,174	-	-	-	-	21,650,601
	15,410,427	6,240,174	1,829,012	223,222	973,352	89,216	24,765,403
<i>Accumulated depreciation</i>							
Beginning of financial year	-	5,600	1,943,072	196,931	901,049	111,392	3,158,044
Currency translation differences	-	-	37,309	1,496	17,319	1,004	57,128
Depreciation charge (Note 7)	-	119,801	22,009	7,842	18,096	646	168,394
Disposal	-	-	-	-	-	(23,826)	(23,826)
Written-off	-	-	(223,432)	-	-	-	(223,432)
Revaluation adjustments	-	(119,801)	-	-	-	-	(119,801)
End of financial year	-	5,600	1,778,958	206,269	936,464	89,216	3,016,507
<b>Net book value</b>							
<b>End of financial year</b>	<b>15,410,427</b>	<b>6,234,574</b>	<b>50,054</b>	<b>16,953</b>	<b>36,888</b>	<b>-</b>	<b>21,748,896</b>

## 19. Property, plant and equipment

	Freehold land	Freehold buildings	Renovation, furniture and fittings	Shop and office equipment	Computers and peripherals	Motor vehicles	Total
	\$	\$	\$	\$	\$	\$	\$
<b>The Group</b>							
<b>2017</b>							
<i>Cost or valuation</i>							
Beginning of financial year							
Cost	-	-	3,085,283	214,895	934,715	115,125	4,350,018
Valuation	17,257,427	6,303,174	-	-	-	-	23,560,601
	17,257,427	6,303,174	3,085,283	214,895	934,715	115,125	27,910,619
Currency translation differences	(956,800)	(332,403)	(93,335)	(2,002)	(21,463)	(1,417)	(1,407,420)
Additions	-	119,087	1,694	8,688	37,747	-	167,216
Revaluation loss (Note 27)	(1,590,500)	-	-	-	-	-	(1,590,500)
Revaluation adjustments	-	(117,884)	-	-	-	-	(117,884)
Written-off	-	-	(867,855)	-	-	-	(867,855)
End of financial year	14,710,127	5,971,974	2,125,787	221,581	950,999	113,708	24,094,176
Representing:							
Cost	-	-	2,125,787	221,581	950,999	113,708	3,412,075
Valuation	14,710,127	5,971,974	-	-	-	-	20,682,101
	14,710,127	5,971,974	2,125,787	221,581	950,999	113,708	24,094,176
<i>Accumulated depreciation</i>							
Beginning of financial year	-	5,600	2,153,646	191,453	882,580	110,060	3,343,339
Currency translation differences	-	-	(53,946)	(1,669)	(20,218)	(1,171)	(77,004)
Depreciation charge (Note 7)	-	117,884	153,968	7,147	38,687	2,503	320,189
Written-off	-	-	(310,596)	-	-	-	(310,596)
Revaluation adjustments	-	(117,884)	-	-	-	-	(117,884)
End of financial year	-	5,600	1,943,072	196,931	901,049	111,392	3,158,044
<b>Net book value</b>							
<b>End of financial year</b>	<b>14,710,127</b>	<b>5,966,374</b>	<b>182,715</b>	<b>24,650</b>	<b>49,950</b>	<b>2,316</b>	<b>20,936,132</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2018

## 19. Property, plant and equipment

	Renovation, furniture and fittings	Shop and office equipment	Computers and peripherals	Motor vehicles	Total
	\$	\$	\$	\$	\$
<b>The Company</b>					
<b>2018</b>					
<i>Cost</i>					
Beginning of financial year	822,296	87,574	377,556	89,216	1,376,642
End of financial year	822,296	87,574	377,556	89,216	1,376,642
<i>Accumulated depreciation</i>					
Beginning of financial year	796,100	77,230	353,122	89,216	1,315,668
Depreciation charge	4,509	2,184	11,004	-	17,697
End of financial year	800,609	79,414	364,126	89,216	1,333,365
<b>Net book value</b>					
<b>End of financial year</b>	<b>21,687</b>	<b>8,160</b>	<b>13,430</b>	<b>-</b>	<b>43,277</b>
<b>2017</b>					
<i>Cost</i>					
Beginning of financial year	822,296	80,484	368,615	89,216	1,360,611
Additions	-	7,090	8,941	-	16,031
End of financial year	822,296	87,574	377,556	89,216	1,376,642
<i>Accumulated depreciation</i>					
Beginning of financial year	787,189	75,022	342,295	89,216	1,293,722
Depreciation charge	8,911	2,208	10,827	-	21,946
End of financial year	796,100	77,230	353,122	89,216	1,315,668
<b>Net book value</b>					
<b>End of financial year</b>	<b>26,196</b>	<b>10,344</b>	<b>24,434</b>	<b>-</b>	<b>60,974</b>

## 19. Property, plant and equipment

- (a) Fair value of freehold land and buildings

### *Fair value hierarchy*

As at 31 August 2018, freehold land and buildings are measured at fair value under Level 2 measurement hierarchy.

### *Valuation techniques used to derive Level 2 fair values*

Level 2 fair values of the Group's freehold land and buildings have been generally derived using the sales comparison approach. Sales prices and rental yield of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is selling price per square metre and rental yield per square metre.

### *Valuation process of the Group*

The Group engages external, independent and qualified valuers to determine the fair value of the Group's properties at the end of the financial year based on the properties' highest-and-best-use. As at 31 August 2018 and 2017, the fair values of the properties have been determined by Jones Lang Lasalle Property Consultants Pte Ltd.

Changes in Level 2 fair values are analysed at each reporting date during the board meeting. As part of the discussion, the management presents a report that explains the reason for the fair value movements.

- (b) If the land and buildings stated at valuation were included in the financial statements at cost less accumulated depreciation, their net book values would be:

	<b>The Group</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Freehold land	12,699,639	12,131,397
Buildings	7,229,976	7,039,083

Under the Land Title (Strata) Act for properties located in Singapore, the subsidiary proprietors own a share of the common properties according to the share allotment which includes land. Accordingly, the properties are apportioned into freehold land and building. The apportionment was carried out by an independent property consultant, Jones Lang Lasalle Property Consultants Pte Ltd, in accordance with the Royal Institute of Chartered Surveyors practices.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2018

## 20. Investment properties

	<b>Freehold properties</b>	<b>Leasehold properties /improvement</b>	<b>Total</b>
	\$	\$	\$
<b><u>The Group</u></b>			
<b>2018</b>			
Beginning of financial year	57,459,926	114,242,177	171,702,103
Currency translation differences	95,185	-	95,185
Disposal of property	(2,127,287)	-	(2,127,287)
Additions to investment property	-	10,700	10,700
Fair value gain (Note 5)	600,000	189,300	789,300
End of financial year	<u>56,027,824</u>	<u>114,442,177</u>	<u>170,470,001</u>
<b>2017</b>			
Beginning of financial year	58,010,502	125,642,177	183,652,679
Currency translation differences	(108,041)	-	(108,041)
Reclassified to property held-for -sale (Note 15)	-	(9,400,000)	(9,400,000)
Fair value loss (Note 5)	(442,535)	(2,000,000)	(2,442,535)
End of financial year	<u>57,459,926</u>	<u>114,242,177</u>	<u>171,702,103</u>
		<b><u>Leasehold property</u></b>	<b>\$</b>

### **The Company**

#### **2018 and 2017**

Beginning and end of financial year	<u>13,500,000</u>
-------------------------------------	-------------------

The property rental income earned by the Group from its investment properties, all of which are leased out to non-related parties under operating leases, amounted to \$6,575,005 (2017: \$7,492,736) (Note 4). Direct operating expenses arising on the investment properties during the year amounted to \$ 999,981 (2017: \$1,119,314).

As at 31 August 2018 and 2017, the Group has mortgaged investment properties and assigned the rental proceeds from all of these properties to secure bank overdraft, short-term and long-term bank loan facilities (Note 23).

## 20. Investment properties

### Fair value hierarchy

	Fair value measurement at 31 August 2018 using		
	Quoted price in active markets for identical asset	Significant other observable inputs	Significant unobservable inputs
	(Level 1)	(Level 2)	(Level 3)
	\$	\$	\$
Recurring fair value measurement			
Investment properties:			
- Retail spaces - Singapore	-	160,955,001	-
- Office buildings - Singapore	-	9,515,000	-
	Fair value measurement at 31 August 2017 using		
	Quoted price in active markets for identical asset	Significant other observable inputs	Significant unobservable inputs
	(Level 1)	(Level 2)	(Level 3)
	\$	\$	\$
Recurring fair value measurement			
Investment properties:			
- Retail spaces - Singapore	-	159,655,000	-
- Office buildings - Singapore	-	10,015,000	-
- Retail spaces - Malaysia	-	2,032,103	-

As at 31 August 2018 and 2017, the investment properties of the Group were valued by an independent professional valuer based on properties' highest-and-best-use using sales comparison approach. These are regarded as Level 2 fair values. A description of the valuation technique and valuation processes of the Group are provided in Note 19(a).



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2018

## 20. Investment properties

The Group's investment properties consist of the following:

Location of properties	Description	Tenure of land	Valuation \$
<u>The Company</u>			
Blk 190 Toa Payoh Lorong 6 #01-560 Singapore 310190	A leasehold unit of approximately 137 square metres	79-year lease from July 1992	13,500,000
<u>Subsidiary corporations</u>			
Blk 710A Ang Mo Kio Avenue 8 #01-2625 Singapore 561710	A leasehold unit of approximately 332 square metres	86-year lease from July 1993	10,000,000
Blk 214 Bedok North Street 1 #01-161 Singapore 460214	A leasehold unit of approximately 148 square metres	86-year lease from October 1992	3,700,000
No. 810 Geylang Road City Plaza #01-43/44/45/46/47/56/57 /60/61/81/107 #02-49/50/51/81/82/86/88/105-108 Singapore 409286	22 freehold units of approximately 937 square metres	Freehold	39,050,001
111 North Bridge Road Peninsula Plaza #01-28/28A/29/38/44/ 45A/45B Singapore 179098	5 leasehold units of approximately 253 square metres	999-year lease from October 1829	22,450,000
No. 304 Orchard Road Lucky Plaza #01-56/57/58/59 Singapore 238863	4 freehold units of approximately 76 square metres	Freehold	11,600,000
1 Park Road #01-32/33 People's Park Complex Singapore 059108	2 leasehold units of approximately 76 square metres	99-year lease from March 1968	4,830,000
No. 14 Scotts Road Far East Plaza #02-40/42 Singapore 228213	2 freehold units of approximately 70 square metres	Freehold	5,700,000
Blk 190 Toa Payoh Lorong 6 #01-562 Singapore 310190	A leasehold unit of approximately 96 square metres	79-year lease from July 1992	11,000,000
Blk 201B Tampines St 21 #01-1063 Singapore 522201	A leasehold unit of approximately 184 square metres	92-year lease from October 1992	4,300,000
Blk 505 Tampines Central 1 #01-355 Singapore 520505	A leasehold unit of approximately 55 square metres	99-year lease from January 1991	3,200,000

## 20. Investment properties

The Group's investment properties consist of the following:

Location of properties	Description	Tenure of land	Valuation \$
<u>Subsidiary corporations</u>			
Blk 505 Tampines Central 1 #01-357 Singapore 520505	A leasehold unit of approximately 53 square metres	99-year lease from January 1991	3,000,000
Blk 221 Boon Lay Shopping Centre #01-114 Singapore 640221	A leasehold unit of approximately 55 square metres	85-year lease from April 1993	3,150,000
Blk 221 Boon Lay Shopping Centre #01-122 Singapore 640221	A leasehold unit of approximately 55 square metres	85-year lease from April 1993	2,900,000
#05-53/54 Sim Lim Square 1 Rochor Canal Road Singapore 188504	2 leasehold units of approximately 92 square metres	99-year lease from April 1983	3,780,000
#05-36/62/63 Sim Lim Square 1 Rochor Canal Road Singapore 188504	3 leasehold units of approximately 117 square metres	99-year lease from April 1983	5,150,000
#05-64/65 Sim Lim Square 1 Rochor Canal Road Singapore 188504	2 leasehold units of approximately 89 square metres	103-year lease from December 1982	4,040,000
#05-60/61 Sim Lim Square 1 Rochor Canal Road Singapore 188504	2 leasehold units of approximately 69 square metres	99-year lease from April 1983	3,440,000
#05-73/74 Sim Lim Square 1 Rochor Canal Road Singapore 188504	2 leasehold units of approximately 93 square metres	103-year lease from December 1982	4,125,000
#05-72 Sim Lim Square 1 Rochor Canal Road Singapore 188504	A leasehold units of approximately 46 square metres	99-year lease from April 1983	2,040,000
91 Bencoolen Street, #07-01/02/03/04/05 Sunshine Plaza, Singapore 189652	5 leasehold units of approximately 523 square metres	99-year lease from March 1997	9,515,000

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2018

## 21. Trade payables

	The Group		The Company	
	2018	2017	2018	2017
	\$	\$	\$	\$
Trade payables				
- non-related parties	390,501	2,323,527	73,176	101,496
Rental deposits	1,626,425	1,790,235	146,298	146,299
Rental received in advance	88,029	66,502	4,094	2,270
Customers' deposits	5,735	4,485	-	-
Others	132,462	61,837	-	-
	<u>2,243,152</u>	<u>4,246,586</u>	<u>223,568</u>	<u>250,065</u>

## 22. Other payables

	The Group		The Company	
	2018	2017	2018	2017
	\$	\$	\$	\$
Accruals for operating expenses	246,056	278,757	101,829	116,651
Directors' bonus and fees payable	457,288	856,352	457,288	846,352
Amount due to director	12,121	886,414	12,121	886,414
Security deposits	38,500	30,500	30,500	30,500
Other payables - non-related parties	42,075	151,270	42,003	40,270
	<u>796,040</u>	<u>2,203,293</u>	<u>643,741</u>	<u>1,920,187</u>

The amount due to director is unsecured, interest-free and repayable upon demand.

## 23. Borrowings

	The Group		The Company	
	2018	2017	2018	2017
	\$	\$	\$	\$
Current				
Bank borrowings <sup>(i)</sup>	39,100,000	42,557,898	39,100,000	23,556,142
Current portion of long-term bank borrowings <sup>(iii)</sup>	-	356,280	-	356,280
	<u>39,100,000</u>	<u>42,914,178</u>	<u>39,100,000</u>	<u>23,912,422</u>
Non-current				
Long term bank borrowings <sup>(ii)</sup>	-	2,875,690	-	2,875,690
	<u>39,100,000</u>	<u>45,789,868</u>	<u>39,100,000</u>	<u>26,788,112</u>

The exposure of the borrowings of the Group and of the Company to interest rate changes and the contractual repricing dates at the balance sheet dates are as follows:

## 23. Borrowings

	The Group		The Company	
	2018	2017	2018	2017
	\$	\$	\$	\$
Less than 12 months	39,100,000	42,914,178	39,100,000	23,912,422
More than 12 months	-	2,875,690	-	2,875,690
	<u>39,100,000</u>	<u>45,789,868</u>	<u>39,100,000</u>	<u>26,788,112</u>

- (i) The current bank borrowings bear interest ranging from 1.30% to 2.15% (2017: 1.03% to 1.80%) per annum, which represent a fixed margin above the Singapore Interbank Offer Rate.
- (ii) The non-current bank borrowings bear interest ranging from 1.70% to 2.14% (2017: 1.09% to 1.73%) per annum, which represent a fixed margin above the Singapore Interbank Offer Rate. The facilities mature on 11 June 2026 (2017: 11 June 2026). These loans have been fully paid as at 31 August 2018.
- (a) Security granted

The bank borrowings of the Group and the Company are secured over financial assets, at fair value through profit or loss (Note 11), available-for-sale financial assets (Note 17), investment properties and assignment of rental proceeds from these properties (Note 20).

- (b) Fair value of non-current borrowings

	The Group		The Company	
	2018	2017	2018	2017
	\$	\$	\$	\$
Bank borrowings	-	2,560,276	-	2,560,276

The fair values above are determined from the cash flow analyses, discounted at market borrowing rates of an equivalent instrument at the balance sheet date which the directors expect to be available to the Group as follows:

	The Group		The Company	
	2018	2017	2018	2017
Bank borrowings	-	1.50%	-	1.50%

The fair values are within Level 2 of the fair values hierarchy (Note 30(e)).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2018

## 24. Deferred income taxes

Deferred income tax assets and liabilities are offset when there is legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts, determined after appropriate offsetting, are shown on the balance sheet as follows:

	The Group		The Company	
	2018	2017	2018	2017
	\$	\$	\$	\$
Deferred income tax liabilities				
- to be settled after one year	365,748	251,612	7,357	9,187

The movements in deferred income tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) are as follows:

	Accelerated tax depreciation	Asset revaluation reserve	Tax losses	Total
	\$	\$	\$	\$
<b>The Group</b>				
At 31 August 2016	181,427	722,749	(712,702)	191,474
Currency translation differences	-	(48,741)	-	(48,741)
Charged to profit or loss (Note 9(a))	609	(604,432)	712,702	108,879
At 31 August 2017	182,036	69,576	-	251,612
Currency translation differences	-	11,316	-	11,316
Charged to profit or loss (Note 9(a))	(2,781)	127,312	-	124,531
Over provision of deferred tax in prior years	-	(21,711)	-	(21,711)
At 31 August 2018	179,255	186,493	-	365,748

	Accelerated tax depreciation	Asset revaluation reserve	Tax losses	Total
	\$	\$	\$	\$
<b>The Company</b>				
At 31 August 2016	9,014	-	-	9,014
Credited to profit or loss	173	-	-	173
At 31 August 2017	9,187	-	-	9,187
Credited to profit or loss	(1,830)	-	-	(1,830)
At 31 August 2018	7,357	-	-	7,357

## 25. Share capital

	No. of ordinary shares		Amount	
	2018	2017	2018 \$	2017 \$
<u>The Group and the Company:</u>				
At beginning of financial year	750,472,552	755,396,152	137,107,804	138,319,385
Shares issued	4,559,672	1,528,500	1,139,918	382,125
Shares bought back	-	(6,452,100)	-	(1,593,706)
At end of financial year	<u>755,032,224</u>	<u>750,472,552</u>	<u>138,247,722</u>	<u>137,107,804</u>

All issued ordinary shares are fully paid. There is no par value for these ordinary shares.

Fully paid ordinary shares carry one vote per share and carry a right to dividends as and when declared by the Company.

As at 31 August 2017, there are outstanding warrants of 752,268,852, with each warrant carrying the right to subscribe for one new share at an exercise price of \$0.25. The warrants were issued on 23 January 2017 and can be exercised with effect from 23 July 2017 and will expire on 23 January 2020.

As at 31 August 2018, there are outstanding warrants of 747,709,180, with each warrant carrying the right to subscribe for one new share at an exercise price of \$0.25. The warrants were issued on 23 January 2017 and can be exercised with effect from 23 July 2017 and will expire on 23 January 2020.

## 26. Retained profits

- (a) Retained profits of the Group and of the Company are distributable.
- (b) Movements in retained profits for the Group and the Company are as follows:

	The Group		The Company	
	2018 \$	2017 \$	2018 \$	2017 \$
Beginning of financial year	112,283,737	104,317,488	83,571,538	84,286,589
Net profit	7,908,773	9,477,041	2,043,736	795,741
Dividends declared and paid (Note 28)	<u>(2,265,098)</u>	<u>(1,510,792)</u>	<u>(2,265,098)</u>	<u>(1,510,792)</u>
End of financial year	<u>117,927,412</u>	<u>112,283,737</u>	<u>83,350,176</u>	<u>83,571,538</u>



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2018

## 27. Other reserves

(a) Composition:

	The Group		The Company	
	2018	2017	2018	2017
	\$	\$	\$	\$
Fair value reserve	3,825,606	8,788,606	5,287,950	8,814,655
Asset revaluation reserve	7,962,644	7,847,710	-	-
Currency translation reserve	(5,703,296)	(6,672,946)	-	-
	<u>6,084,954</u>	<u>9,963,370</u>	<u>5,287,950</u>	<u>8,814,655</u>

(b) Movements:

	The Group		The Company	
	2018	2017	2018	2017
	\$	\$	\$	\$
<b>(i) Fair value reserve</b>				
Beginning of financial year	8,788,606	9,607,368	8,814,655	8,725,741
Available-for-sale financial assets				
- Fair value (loss)/gain (Note 17)	(4,952,820)	1,334,393	(3,516,525)	88,914
- Reclassification to profit or loss (Note 5)	(10,180)	(2,153,155)	(10,180)	-
	<u>(4,963,000)</u>	<u>(818,762)</u>	<u>(3,526,705)</u>	<u>88,914</u>
End of financial year	<u>3,825,606</u>	<u>8,788,606</u>	<u>5,287,950</u>	<u>8,814,655</u>
<b>(ii) Asset revaluation reserve</b>				
Beginning of financial year	7,847,710	9,438,210	-	-
Revaluation gain/(loss) (Note 19)	114,934	(1,590,500)	-	-
	<u>114,934</u>	<u>(1,590,500)</u>	<u>-</u>	<u>-</u>
End of financial year	<u>7,962,644</u>	<u>7,847,710</u>	<u>-</u>	<u>-</u>
<b>(iii) Currency translation reserve</b>				
Beginning of financial year	(6,672,946)	(5,428,003)	-	-
Net currency translation difference of financial statements for foreign subsidiary corporation	969,650	(1,244,943)	-	-
	<u>969,650</u>	<u>(1,244,943)</u>	<u>-</u>	<u>-</u>
End of financial year	<u>(5,703,296)</u>	<u>(6,672,946)</u>	<u>-</u>	<u>-</u>

## 28. Dividends

The directors declared one tier tax-exempt dividend as follows:

	<b>The Group and the Company</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
One-tier tax-exempt cash dividend of 0.20 cents per share in respect of financial year ended 31 August 2016	-	1,510,792
One-tier tax-exempt cash dividend of 0.30 cents per share in respect of financial year ended 31 August 2017	2,265,098	-
	<u>2,265,098</u>	<u>1,510,792</u>

## 29. Commitments

- (a) Operating lease commitments - where the Group is a lessee

The Group and the Company leases offices and warehouses from non-related parties under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future minimum lease payables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as liabilities, are as follows:

	<b>The Group</b>		<b>The Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Not later than one year	157,095	370,677	137,559	277,562
Between one and five years	-	70,002	-	70,002
	<u>157,095</u>	<u>440,679</u>	<u>137,559</u>	<u>347,564</u>

- (b) Operating lease commitments - where the Group is a lessor

The Group and the Company lease out retail spaces and office buildings to non-related parties under non-cancellable operating leases. The lessees are required to pay either absolute amounts or fixed annual increases to the lease payments.

The future minimum lease receivables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as receivables, are as follows:

	<b>The Group</b>		<b>The Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Not later than one year	5,520,089	6,139,190	448,400	637,200
Between one and five years	3,378,614	5,200,973	132,750	581,150
	<u>8,898,703</u>	<u>11,340,163</u>	<u>581,150</u>	<u>1,218,350</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2018

## 30. Financial risk management

### Financial risk factors

The Group's activities expose it to market risk (including currency risk, price risk, and interest rate risk), credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise adverse effects from the unpredictability of financial markets on the Group's financial performance.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group and this includes establishing detailed policies, such as authority levels, oversight responsibilities, risk identification and measurement, and exposure limits in accordance with the objectives and underlying principles approved by the Board of Directors.

#### (a) Market risk

##### (i) Currency risk

The Group operates in Singapore and Malaysia. Revenue and expenses are predominantly denominated in Singapore Dollar ("SGD") and Malaysia Ringgit ("MYR").

Currency risk arises within entities in the Group when transactions are denominated in foreign currencies such as United States Dollar ("USD").

In addition, the Group is exposed to currency translation risk on the net assets in Malaysia.

The Group's currency exposure based on the information provided to key management is as follows:

	SGD \$	USD \$	MYR \$	Others \$	Total \$
<u>At 31 August 2018</u>					
<b>Financial assets</b>					
Cash and cash equivalents, financial assets, at fair value through profit or loss and available-for-sale	81,022,808	6,552,158	10,074,135	649,885	98,298,986
Trade and other receivables	352,599	-	65,715	-	418,314
Receivables from subsidiary corporations	179,748,445	-	11,076,245	-	190,824,690
Other current assets	187,869	-	118,901	-	306,770
	<u>261,311,721</u>	<u>6,552,158</u>	<u>21,334,996</u>	<u>649,885</u>	<u>289,848,760</u>
<b>Financial liabilities</b>					
Borrowings	(39,100,000)	-	-	-	(39,100,000)
Trade and other payables	(2,723,280)	-	(227,883)	-	(2,951,163)
Payables to subsidiary corporations	(179,748,445)	-	(11,076,245)	-	(190,824,690)
	<u>(221,571,725)</u>	<u>-</u>	<u>(11,304,128)</u>	<u>-</u>	<u>(232,875,853)</u>
<b>Net financial assets</b>	<b>39,739,996</b>	<b>6,552,158</b>	<b>10,030,868</b>	<b>649,885</b>	<b>56,972,907</b>
Add: Net non-financial assets	181,935,687	-	23,351,494	-	205,287,181
<b>Currency profile including non-financial assets and liabilities</b>	<b>221,675,683</b>	<b>6,552,158</b>	<b>33,382,362</b>	<b>649,885</b>	<b>262,260,088</b>
<b>Currency exposure of financial assets net of those denominated in the respective entities' functional currencies</b>	<b>-</b>	<b>6,552,158</b>	<b>11,076,245</b>	<b>649,885</b>	<b>18,278,288</b>

### 30. Financial risk management

(a) Market risk

(i) Currency risk

	SGD	USD	MYR	Others	Total
	\$	\$	\$	\$	\$
<u>At 31 August 2017</u>					
<b>Financial assets</b>					
Cash and cash equivalents, financial assets, at fair value through profit or loss and available-for-sale	77,214,741	9,516,461	6,234,703	898,972	93,864,877
Trade and other receivables	576,542	-	70,269	-	646,811
Receivables from subsidiary corporations	166,761,548	-	11,605,293	-	178,366,841
Other current assets	225,945	-	155,196	-	381,141
	<u>244,778,776</u>	<u>9,516,461</u>	<u>18,065,461</u>	<u>898,972</u>	<u>273,259,670</u>
<b>Financial liabilities</b>					
Borrowings	(43,609,244)	(2,180,624)	-	-	(45,789,868)
Trade and other payables	(4,540,958)	-	(1,842,419)	-	(6,383,377)
Payables to subsidiary corporations	(166,761,548)	-	(11,605,293)	-	(178,366,841)
	<u>(214,911,750)</u>	<u>(2,180,624)</u>	<u>(13,447,712)</u>	<u>-</u>	<u>(230,540,086)</u>
<b>Net financial assets</b>	<b>29,867,026</b>	<b>7,335,837</b>	<b>4,617,749</b>	<b>898,972</b>	<b>42,719,584</b>
Add: Net non-financial assets	190,497,258	-	26,138,069	-	216,635,327
<b>Currency profile including non-financial assets and liabilities</b>	<b>220,364,284</b>	<b>7,335,837</b>	<b>30,755,818</b>	<b>898,972</b>	<b>259,354,911</b>
<b>Currency exposure of financial assets net of those denominated in the respective entities' functional currencies</b>	<b>-</b>	<b>7,335,837</b>	<b>11,605,293</b>	<b>898,972</b>	<b>19,840,102</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2018

## 30. Financial risk management

(a) Market risk

(i) Currency risk

The Company's currency exposure based on the information provided to key management is as follows:

	SGD	USD	MYR	Total
	\$	\$	\$	\$
<u>At 31 August 2018</u>				
<b>Financial assets</b>				
Cash and cash equivalents, and available-for-sale financial assets	44,394,337	103	-	44,394,440
Trade and other receivables	78,041	-	9,472,208	9,550,249
Amount due from subsidiary corporations	179,748,445	-	1,604,037	181,352,482
Other current assets	137,321	-	-	137,321
	<u>224,358,144</u>	<u>103</u>	<u>11,076,245</u>	<u>235,434,492</u>
<b>Financial liabilities</b>				
Borrowings	(39,100,000)	-	-	(39,100,000)
Trade and other payables	(863,215)	-	-	(863,215)
	<u>(39,963,215)</u>	<u>-</u>	<u>-</u>	<u>(39,963,215)</u>
<b>Net financial assets</b>	<b>184,394,929</b>	<b>103</b>	<b>11,076,245</b>	<b>195,471,277</b>
Add: Net non-financial assets	31,414,571	-	-	31,414,571
<b>Currency profile including non-financial assets</b>	<b>215,809,500</b>	<b>103</b>	<b>11,076,245</b>	<b>226,885,848</b>
<b>Net currency exposure of financial assets net of those denominated in Company's functional currency</b>	<b>-</b>	<b>103</b>	<b>11,076,245</b>	<b>11,076,348</b>

### 30. Financial risk management

(a) Market risk

(i) Currency risk

	<b>SGD</b>	<b>USD</b>	<b>MYR</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<u>At 31 August 2017</u>				
<b>Financial assets</b>				
Cash and cash equivalents, and available-for-sale financial assets	47,906,900	103	-	47,907,003
Trade and other receivables	220,748	-	10,073,028	10,293,776
Amount due from subsidiary corporations	166,761,548	-	1,532,265	168,293,813
Other current assets	169,968	-	-	169,968
	<u>215,059,164</u>	<u>103</u>	<u>11,605,293</u>	<u>226,664,560</u>
<b>Financial liabilities</b>				
Borrowings	(26,788,112)	-	-	(26,788,112)
Trade and other payables	(2,167,982)	-	-	(2,167,982)
	<u>(28,956,094)</u>	<u>-</u>	<u>-</u>	<u>(28,956,094)</u>
<b>Net financial assets</b>	<b>186,103,070</b>	<b>103</b>	<b>11,605,293</b>	<b>197,708,466</b>
Add: Net non-financial assets	31,785,531	-	-	31,785,531
<b>Currency profile including non-financial assets</b>	<b>217,888,601</b>	<b>103</b>	<b>11,605,293</b>	<b>229,493,997</b>
<b>Net currency exposure of financial assets net of those denominated in Company's functional currency</b>	<b>-</b>	<b>103</b>	<b>11,605,293</b>	<b>11,605,396</b>



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2018

## 30. Financial risk management

(a) Market risk

(i) Currency risk

If the USD and MYR change against SGD by 4% (2017: 7%) and 7% (2017: 6%) respectively with all other variables including tax rate being held constant, the effects arising from the net financial asset position will be as follows:

	2018		2017	
	Net profit	Other comprehensive income	Net profit	Other comprehensive income
	\$	\$	\$	\$
← Increase/(Decrease) →				
<u>The Group</u>				
USD against SGD				
-Strengthened	217,532	-	426,212	-
-Weakened	(217,532)	-	(426,212)	-
MYR against SGD				
- Strengthened	-	643,530	-	577,944
- Weakened	-	(643,530)	-	(577,944)
<u>The Company</u>				
USD against SGD				
-Strengthened	4	-	6	-
-Weakened	(4)	-	(6)	-
MYR against SGD				
- Strengthened	-	643,530	-	577,944
- Weakened	-	(643,530)	-	(577,944)

Changes in other currency will not have significant effect on the net profit.

(ii) Price risk

The Group is exposed to equity securities and bonds price risk arising from the investments held by the Group which are classified in the balance sheets as available-for-sale financial assets and financial assets, at fair value through profit or loss. These securities are listed in Singapore. To manage its price risk arising from investments in equity securities and bonds, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

### 30. Financial risk management

(a) Market risk

(ii) Price risk

If prices for equity securities and bonds listed in Singapore had changed by 5% (2017: 5%) with all other variables including tax rate being held constant, the effects on profit after tax and equity would have been:

	2018		2017	
	← Increase/(Decrease) →			
	Net profit	Equity	Net profit	Equity
	\$	\$	\$	\$'
<u>The Group</u>				
Listed in Singapore				
- increased by	1,294,828	2,814,714	1,360,120	2,728,679
- decreased by	(1,294,828)	(2,814,714)	(1,360,120)	(2,728,679)
<u>The Company</u>				
Listed in Singapore				
- increased by	-	2,197,947	-	2,386,568
- decreased by	-	(2,197,947)	-	(2,386,568)

(iii) Cash flow and fair value interest rate risks

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

The Group's exposure to cash flow interest rate risks arises mainly from variable-rate borrowings mainly denominated in SGD and USD. The Company's exposure to cash flow interest rate risks arises mainly from borrowings and loans to subsidiary corporations at variable rates. The Group manages its interest rate risk by keeping bank borrowings to the minimum required to sustain operations of the Group.

If the SGD interest rates had increased/decreased by 0.5% (2017: 0.5%) with all other variables including tax rate being held constant, the profit after tax would have been lower/higher by \$162,265 (2017: \$180,978) as a result of higher/lower interest expense on these borrowings.

If the USD interest rates had increased/decreased by 0.5% (2017: 0.5%) with all other variables including tax rate being held constant, the profit after tax would have been lower/higher by \$27,191 (2017: \$30,444) as a result of higher/lower interest expense on these borrowings.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2018

## 30. Financial risk management

### (b) Credit risk

Concentration of credit risk exist when changes in economic, industry and geographic factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Group's total credit exposure. The Group's portfolio of financial instruments is broadly diversified along industry and product lines, and transactions are entered into with diverse credit-worthy counterparties, thereby mitigating any significant concentration of credit risk.

Credit risk arising from the inability of a counterparty to meet the terms of the Group's financial instruments contracts is generally limited to the amounts, if any, by which the counterparty's obligations exceeds the obligations of the Group. It is the Group's policy to enter into transactions with a diversity of credit-worthy counterparties.

As the Group and Company does not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet.

No concentration of risk with respect to trade receivables exist. The Group's and the Company's trade receivables are primarily due from tenants in respect of their rental income receivable. The management monitor these trade receivables closely and consider the risk of default by these customers to be minimal.

The profile of trade receivables based on the information provided to key management is as follows:

	<b>The Group</b>		<b>The Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<u>By types of customers</u>				
Non-related parties				
- Individuals	124,504	116,323	-	-
- Other corporations	188,367	460,747	15,910	132,872
Subsidiary corporations	-	-	9,472,208	10,073,028
	<u>312,871</u>	<u>577,070</u>	<u>9,488,118</u>	<u>10,205,900</u>

### (i) Financial assets that are neither past due nor impaired

Bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit-ratings assigned by international credit-rating agencies. Trade receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group.

### (ii) Financial assets that are past due and/or impaired

There is no other class of financial assets that is past due and/or impaired except for trade receivables.

### 30. Financial risk management

(b) Credit risk

(ii) *Financial assets that are past due and/or impaired*

The age analysis of trade receivables past due but not impaired is as follows:

	<b>The Group</b>		<b>The Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Past due < 3 months	110,418	238,763	-	-
Past due 3 to 6 months	46,129	3,184	-	-
Past due over 6 months	16,920	106,995	15,910	27,910
	<u>173,467</u>	<u>348,942</u>	<u>15,910</u>	<u>27,910</u>

The carrying amount of trade receivables individually determined to be impaired and the movement in the related allowance for impairment are as follows:

	<b>The Group</b>		<b>The Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Past due over 6 months	-	71,230	-	-
Less: Allowance for impairment	-	(71,230)	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Movement in allowance for impairment is as follows:				
Beginning of financial year	71,230	71,230	-	-
Write off during the financial year	(71,230)	-	-	-
End of financial year	<u>-</u>	<u>71,230</u>	<u>-</u>	<u>-</u>

In prior financial year, the impaired trade receivables arise mainly from rental income from tenants which has suffered significant losses on its operations and management are of the opinion that repayments are not forthcoming.

(c) Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in meeting obligations associated with financial liabilities. The Group manages liquidity risks by monitoring its liquidity position through periodic preparation of cash flows and cash balances forecasts and periodic evaluation of the ability of the Group to meet its financial obligations, measured by the debt-to-equity ratio.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2018

## 30. Financial risk management

### (c) Liquidity risk

The table below analyses non-derivative financial liabilities of the Group and the Company into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

	Less than 1 year \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$
<u>The Group</u>				
<b>At 31 August 2018</b>				
Trade and other payables	2,951,163	-	-	-
Borrowings	39,100,000	-	-	-
<b>At 31 August 2017</b>				
Trade and other payables	6,383,377	-	-	-
Borrowings	42,914,178	396,966	1,534,422	1,120,184
<u>The Company</u>				
<b>At 31 August 2018</b>				
Trade and other payables	863,215	-	-	-
Borrowings	39,100,000	-	-	-
<b>At 31 August 2017</b>				
Trade and other payables	2,167,982	-	-	-
Borrowings	23,912,422	396,966	1,534,422	1,120,184

### (d) Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings.

Management monitors capital based on a gearing ratio.

The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings plus trade and other payables less cash and cash equivalents. Total capital is calculated as equity plus net debt.

	<b>The Group</b>		<b>The Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Net debt	31,335,168	45,722,428	39,531,818	28,782,721
Total equity	262,260,088	259,354,911	226,885,848	229,493,997
Total capital	293,595,256	305,077,339	266,417,666	258,276,718
<b>Gearing ratio</b>	11%	15%	15%	11%

The Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 2018 and 2017.

### 30. Financial risk management

#### (e) Fair value measurement

The Group presents assets and liabilities measured and carried at fair value according to the following level of fair value measurement hierarchy:

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

See Note 19 for disclosure of the property, plant and equipment that are measured at fair value under level 2. See Note 20 for disclosure of the investment properties that are measured at fair value under level 2.

As at 31 August 2017 and 2018, the Group and Company have only 1 class of measurement hierarchy, which is under level 1, relating to financial assets, available-for-sale and at fair value through profit or loss. The fair value of financial instrument traded in active market (available-for-sale and held for trading equity securities and bonds) is based on quoted market price at the balance sheet date. The quoted market price used for financial asset held by the Company is the closing price.

The carrying amount less impairment provision of current trade receivables and payables are assumed to approximate their fair values. The carrying amount of current borrowings approximates their fair value.

The fair value of non-current borrowings is disclosed in Note 23.

#### (f) Financial instruments by category

The carrying amount of the different categories of financial instruments is as disclosed on the face of the balance sheet and in Notes 11 and 17 to the financial statements, except for the following:

	<b>The Group</b>		<b>The Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Loans and receivables	11,529,108	7,545,271	191,475,543	178,933,200
Financial liabilities at amortised cost	<u>42,051,163</u>	<u>52,173,245</u>	<u>39,963,215</u>	<u>28,956,094</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2018

## 31. Related party transactions

No transactions took place between the Group and related parties other than those disclosed elsewhere in the financial statements.

- (a) Outstanding balances as at 31 August 2018, arising from sales of goods and services, are unsecured and receivable within 12 months from the balance sheet date and disclosed in Note 12 to the financial statements.
- (b) Key management personnel compensation

	<b>The Group</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<u>Directors' remuneration:</u>		
Salaries, bonus and fees	1,372,780	1,389,472
Employer's contribution to defined contribution plans	26,011	29,331
	1,398,791	1,418,803

## 32. Segment information

Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions.

The Board of Directors considers the business from both a geographic and business segment perspective. Geographically, management manages and monitors the business in the two geographic areas: Singapore and Malaysia. The segment in Malaysia derives revenue from sale of apparel, while the Singapore segment derives revenue from sale of apparel, gold and jewellery, investment dealing and rental of investment properties.



### 32. Segment information

The segment information provided to the Board of Directors for the reportable segments are as follows:

	← Singapore →				Malaysia	The Group
	Wearing apparel	Gold and jewellery	Investment dealing	Property rental	Wearing apparel	
<b>2018</b>	\$	\$	\$	\$	\$	\$
<u>The Group</u>						
<b>Revenue</b>						
- external parties	1,849,214	15,134,696	4,498,634	6,575,005	3,556,283	31,613,832
Segment results	(373,781)	1,855,421	2,148,079	7,055,303	89,189	10,774,211
<b>Expenses</b>						
Administrative and other operating expenses						(1,313,326)
Finance expenses						(642,602)
Profit before income tax						8,818,283
Income tax expense						(909,510)
<b>Net profit</b>						<u>7,908,773</u>
Net profit includes:						
Depreciation	17,697	5,593	-	-	145,104	168,394
<b>Segment assets</b>	1,093,622	11,455,868	88,036,267	170,794,052	33,995,964	<u>305,375,773</u>
Segment assets includes:						
Additions to property, plant and equipment	-	-	-	-	8,971	8,971
<b>Segment liabilities</b>	429,335	333,055	-	40,857,244	50,149	<u>41,669,783</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2018

## 32. Segment information

	← Singapore →				Malaysia	The Group
	Wearing apparel	Gold and jewellery	Investment dealing	Property rental	Wearing apparel	
<b>2017</b>	\$	\$	\$	\$	\$	\$
<u>The Group</u>						
<b>Revenue</b>						
- external parties	2,095,751	15,740,116	3,990,323	7,492,736	5,492,854	34,811,780
Segment results	(1,155,289)	2,023,924	7,889,271	4,090,878	(705,301)	12,143,483
<b>Expenses</b>						
Administrative and other operating expenses						(1,453,114)
Finance expenses						(711,348)
Profit before income tax						9,979,021
Income tax expense						(501,980)
<b>Net profit</b>						<u>9,477,041</u>
Net profit includes:						
Depreciation	21,946	5,894	-	-	292,349	320,189
<b>Segment assets</b>	<u>1,507,011</u>	<u>11,519,468</u>	<u>87,464,660</u>	<u>181,507,830</u>	<u>30,804,350</u>	<u>312,803,319</u>
Segment assets includes:						
Additions to property, plant and equipment	16,031	1,790	-	-	125,078	142,899
<b>Segment liabilities</b>	<u>527,284</u>	<u>2,161,023</u>	<u>35,707,898</u>	<u>12,026,719</u>	<u>74,057</u>	<u>50,496,981</u>

Sales between segments are carried out at terms agreed between the segments. The revenue from external parties reported to the Board of Directors is measured in a manner consistent with that in the statement of comprehensive income.

### Reconciliation of reportable segments' liabilities to total liabilities

The amounts provided to the Board of Directors with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment. All liabilities are allocated to the reportable segments other than director's fees and bonus payable, amount due to director, current income tax liabilities and deferred income tax liabilities.

	<b>2018</b>	<b>2017</b>
	\$	\$
Segment liabilities for reportable segments	41,669,783	50,496,981
Unallocated:		
Director's fees and bonus payable	457,288	856,352
Amount due to director	12,121	886,414
Current income tax liabilities	682,661	957,049
Deferred income tax liabilities	293,831	251,612
	<u>43,115,684</u>	<u>53,448,408</u>

### 32. Segment information

#### Geographical information

The Group's four business segments operate in two main geographical areas:

- Singapore - the Company is headquartered and has operations in Singapore. The operations in this area are principally the sale of apparel, gold and jewellery, investment dealing and rental of properties;
- Malaysia - the operations in this area are principally the sale of apparel.

	Revenue	
	2018	2017
	\$	\$
Singapore	28,057,549	29,005,668
Malaysia	3,556,283	5,806,112
	<u>31,613,832</u>	<u>34,811,780</u>

	Non-current assets	
	2018	2017
	\$	\$
Singapore	226,826,724	224,329,324
Malaysia	21,686,451	22,882,500
	<u>248,513,175</u>	<u>247,211,824</u>

There is no revenue from single external customer that contributed 10% or more of the Group's total revenue.

### 33. New or revised accounting standards

Below are the new standards and amendments to existing standards that have been published and relevant for the Group's accounting period beginning on or after 1 September 2018 which have not been early adopted:

- FRS 115 *Revenue from Contracts with Customers* (effective for annual periods beginning on or after 1 January 2018)

This is the converged standard on revenue recognition. It replaces FRS 11 *Construction contracts*, FRS 18 *Revenue*, and related interpretations. Revenue is recognised when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service. The core principle of FRS 115 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognizes revenue in accordance with that core principle by applying the following steps:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2018

## 33. New or revised accounting standards

- FRS 115 *Revenue from Contracts with Customers* (effective for annual periods beginning on or after 1 January 2018)

FRS 115 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

This amendment is not expected to have any significant impact on the financial statements of the Group.

- FRS 109 *Financial instruments* (effective for annual periods beginning on or after 1 January 2018)

The complete version of FRS 109 replaces most of the guidance in FRS 39. FRS 109 retains the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through Other Comprehensive Income ("OCI") and fair value through Profit or Loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investment in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI.

While the Group has yet to undertake a detailed assessment of the classification and measurement of financial assets, the financial assets of the Group would appear to satisfy the conditions for classification as amortised cost and hence there will be no change to the accounting for these assets.

Accordingly, the Group does not expect the new guidance to have a significant impact on the classification of its financial assets.

The other financial assets held by the Group include:

- equity instruments currently classified as AFS for which fair value through OCI election is available; and
- equity investments currently measured at fair value through profit or loss which would likely to continue to be measured on the same basis under FRS 109;

For financial liabilities, there were no changes to classification and measurement except for the recognition of changes in own credit risk in OCI, for liabilities designed at fair value through profit or loss. There will be no impact on the Group's accounting for financial liabilities as the Group does not have any such liabilities.

There is now a new expected credit losses model that replaces the incurred loss impairment model used in FRS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through OCI, contract assets under FRS 115 Revenue from contracts with customers, lease receivables, loan commitments and certain financial guarantee contracts. While the Group has not yet undertaken a detailed assessment on how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

### 33. New or revised accounting standards

- FRS 116 *Leases* (effective for annual periods beginning on or after 1 January 2019)

FRS 116 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not change significantly.

The standard will affect primarily the accounting for the Group's operating leases. As at 31 August 2018, the Group has non-cancellable operating lease commitments of \$157,095 (2017: \$440,679) (Note 29). However, the Group has yet to determine to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under FRS 116.

IFRS CONVERGENCE IN 2018 - Singapore-incorporated companies listed on the Singapore Exchange ("SGX") will be required to apply a new Singapore financial reporting framework that is identical to the International Financial Reporting Standards ("IFRS") for annual periods beginning on or after 1 January 2018. The Group will be adopting the new framework for the first time for financial year ending 31 August 2019, with retrospective application to the comparative financial year ending 31 August 2018 and the opening statement of financial position as at 1 September 2017 (date of transition).

Management expects the potential impact arising from new/amended IFRSs will be consistent with those described above. Management is currently performing a detailed analysis of the transition options and other requirements of IFRS 1

# STATISTICS OF SHAREHOLDINGS

AS AT 16 NOVEMBER 2018

ISSUED AND FULLY PAID-UP CAPITAL	:	S\$138,247,721.66
NO. OF SHARES ISSUED	:	755,032,224
CLASS OF SHARES	:	Ordinary Shares
VOTING RIGHTS	:	One vote per share
NO. OF TREASURY SHARES	:	Nil
NO. OF SUBSIDIARY HOLDINGS HELD	:	Nil

## ANALYSIS OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS AS AT 16 NOVEMBER 2018

SIZE OF SHAREHOLDINGS	NO. OF HOLDERS	% OF HOLDERS	NO. OF SHARES	% OF SHARES
<b>1 - 99</b>	96	3.49	4,092	0.00
<b>100 - 1,000</b>	213	7.75	126,527	0.02
<b>1,001 - 10,000</b>	943	34.32	5,104,358	0.68
<b>10,001 - 1,000,000</b>	1,466	53.35	93,569,655	12.39
<b>1,000,001 - and above</b>	30	1.09	656,227,592	86.91
<b>Grand Total</b>	<b>2,748</b>	<b>100.00</b>	<b>755,032,224</b>	<b>100.00</b>

## SHAREHOLDINGS HELD IN HANDS OF PUBLIC

Based on the information provided and to the best knowledge of the Directors, approximately 20.07% of the issued ordinary shares of the Company is held in the hands of the public as at 16 November 2018 and therefore Rule 723 of the Listing Manual of Singapore Exchange Securities Trading Limited is complied with.

## SUBSTANTIAL SHAREHOLDERS (as recorded in the Register of Substantial Shareholders)

Name	No. of Shares Held	
	Direct Interest	Deemed Interest
Mohamed Salleh s/o Kadir Mohideen Saibu Maricar	443,806,934	63,187,785

Note:

\* The shares are pledged with the banks and are beneficially owned by Mr Mohamed Salleh s/o Kadir Mohideen Saibu Maricar. Also, some shares are held by his spouse. The details are as below:

	No. of Shares
DB Nominees (S) Pte Ltd	56,841,627
Mdm. Sapiyah Abu Bakar	6,346,158
	<u>63,187,785</u>

**THIRTY LARGEST SHAREHOLDERS  
AS AT 16 NOVEMBER 2018**

<b>NO.</b>	<b>NAME OF SHAREHOLDER</b>	<b>NO. OF SHARES</b>	<b>% OF SHARES</b>
1	MOHAMED SALLEH S/O KADIR MOHIDEEN SAIBU MARICAR	443,806,934	58.78
2	DB NOMINEES (SINGAPORE) PTE LTD	56,841,627	7.53
3	OCBC SECURITIES PRIVATE LTD	31,356,064	4.15
4	RADIAH BINTE MOHAMED SALLEH MARICAR	25,395,353	3.36
5	SOFIA BINTE MOHAMED SALLEH MARICAR	17,540,950	2.32
6	DBS NOMINEES PTE LTD	10,846,904	1.44
7	MOHAMED AMAL BIN MOHAMED SALLEH MARICAR	7,045,156	0.93
8	LIEW CHIAP KONG	6,661,832	0.88
9	NADIA D/O MOHAMED SALLEH MARICAR OR SAPIYAH ABU BAKAR	6,346,158	0.84
10	MOHAMED HASAN MARICAN OR SALEHA BINTE ABDUL KADER	6,300,688	0.83
11	KOH CHENG TECK OR PNG PECK ENG	5,275,360	0.70
12	DEVNARAYANAN S/O K R PISHARODY @ SHAH ABDULLAH PISHARODY	4,370,816	0.58
13	JOHARABEE BINTE KADIR MAIDEEN SAIBOO MARICAN	4,001,065	0.53
14	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	3,183,007	0.42
15	WEE HIAN KOK	3,158,378	0.42
16	TAN WOI @TAN SIEW HWA	2,964,729	0.39
17	KHONG LAI CHEONG	2,416,011	0.32
18	OCBC NOMINEES SINGAPORE PTE LTD	1,966,707	0.26
19	LEAU CHIAP KIN	1,878,000	0.25
20	RAFFLES NOMINEES (PTE) LTD	1,850,445	0.25
21	LAU CHEE PENG	1,691,400	0.22
22	KUANG SHIHAO	1,681,702	0.22
23	CITIBANK NOMINEES SINGAPORE PTE LTD	1,567,842	0.21
24	CHENG HOOI TIANG	1,354,570	0.18
25	WONG KAI YEEN	1,354,232	0.18
26	TAN CHUAN SENG	1,238,000	0.16
27	NG LENG SAN	1,058,700	0.14
28	RAHAMAT BIN MOHD ISMAIL	1,048,425	0.14
29	HARRY HALIM @ LIM ENG LIAN	1,024,946	0.14
30	TAN BOON SON @TAN TECK LONG	1,001,591	0.13
	<b>TOTAL:</b>	<b>656,227,592</b>	<b>86.90</b>



# STATISTICS OF WARRANTHOLDERS

## DISTRIBUTION OF WARRANTHOLDERS BY SIZE OF WARRANTHOLDINGS (W200123) AS AT 16 NOVEMBER 2018

SIZE OF WARRANTHOLDINGS	NO. OF WARRANTHOLDERS	%	NO. OF WARRANTS	%
1 - 99	181	6.51	7,667	0.00
100 - 1,000	202	7.26	118,654	0.02
1,001 - 10,000	944	33.94	4,970,110	0.66
10,001 - 1,000,000	1,344	48.33	144,132,997	19.28
1,000,001 - and above	110	3.96	598,479,752	80.04
<b>Grand Total</b>	<b>2,781</b>	<b>100.00</b>	<b>747,709,180</b>	<b>100.00</b>

## THIRTY LARGEST WARRANTHOLDERS (W200123) AS AT 16 NOVEMBER 2018

NO.	NAME OF SHAREHOLDER	NO. OF WARRANTS	% OF WARRANTS
1	DBS NOMINEES PTE LTD	105,461,627	14.10
2	PEH KWEE CHIM	59,650,000	7.98
3	OCBC SECURITIES PRIVATE LTD	33,883,565	4.53
4	RAFFLES NOMINEES (PTE) LTD	26,058,888	3.49
5	TAN KIM WAH JACOB	20,000,000	2.67
6	MAYBANK KIM ENG SECURITIES PTE LTD	17,851,763	2.39
7	HE JIANPENG	16,888,800	2.26
8	TAN CHIN WAH	15,000,000	2.01
9	TAN KWANG HUAT (CHEN GUANGFA)	15,000,000	2.01
10	PHILLIP SECURITIES PTE LTD	11,997,117	1.60
11	ANG SOON PENG	8,000,000	1.07
12	YEO CHIEN PENG (YANG JIANPING)	7,504,700	1.00
13	HENG KHEE NGEE	7,500,937	1.00
14	UOB KAY HIAN PTE LTD	7,440,780	1.00
15	ONG SZE WANG (WANG SIYUAN)	7,000,200	0.94
16	LONG LIH WEN SERENE	6,821,100	0.91
17	WONG HAN MENG	6,524,600	0.87
18	CITIBANK NOMINEES SINGAPORE PTE LTD	6,436,917	0.86
19	LIM SIEW LENG	6,000,000	0.80
20	TENG JEE HUM	5,300,000	0.71
21	TEOH HAI THOW	5,004,000	0.67
22	CHANG YEH HONG	5,000,000	0.67
23	LIM BEE LING	5,000,000	0.67
24	LOH RHU FONG	5,000,000	0.67
25	SEO ZHENG HAO (XIAO ZHENGHAO)	5,000,000	0.67
26	TAN CHUAN HEONG	5,000,000	0.67
27	EDWIN SEAH POH SAN (EDWIN XIE BAOSHAN)	4,632,200	0.62
28	TEGUH ANDY	4,504,400	0.60
29	DEVNARAYANAN S/O K R PISHARODY @SHAH ABDULLAH PISHARODY	4,370,816	0.58
30	LOW CHEN PENG	4,342,900	0.58
<b>TOTAL:</b>		<b>438,175,310</b>	<b>58.60</b>

# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Second Chance Properties Ltd (the "**Company**") will be held at The Orange Ballroom, 845 Geylang Road, #03-16 Tanjong Katong Complex, Singapore 400485 on Thursday, 27 December 2018 at 11.00 a.m. to transact the following business:

## AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements for the financial year ended 31 August 2018 together with the Auditors' Report thereon. **(Resolution 1)**
2. To declare a first and final one-tier tax exempt dividend of 0.3 cent per ordinary share for the financial year ended 31 August 2018. **(Resolution 2)**
3. To approve the payment of Directors' fees of S\$108,010 for the financial year ended 31 August 2018. (2017: S\$105,554.84) **(Resolution 3)**
4. To re-elect Mr Devnarayanan s/o K R Pisharody, who retires by rotation pursuant to Article 107 of the Company's Constitution, as Director of the Company. [See Explanatory Note (i)] **(Resolution 4)**
5. To re-elect Ms Geetha Padmanabhan, who retires by rotation pursuant to Article 107 of the Company's Constitution, as Director of the Company. [See Explanatory Note (ii)] **(Resolution 5)**
6. To re-appoint Messrs Nexia TS Public Accounting Corporation, Certified Public Accountants as Auditors of the Company and to authorize the Directors to fix their remuneration. **(Resolution 6)**
7. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

## AS SPECIAL BUSINESS

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

8. **General Mandate to Directors to Issue Shares** **(Resolution 7)**

"That, pursuant to Section 161 of the Companies Act, Cap. 50 (the "**Companies Act**") and the rules, guidelines and measures issued by 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 whether by way of rights, bonus or otherwise;  
(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,  
(iii) issue additional Instruments arising from adjustments made to the number of Instruments previously issued in the event of rights, bonus or capitalization issues,

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 Instruments made or granted by the Directors while this Resolution was in force,

provided that:

- (a) 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 per cent of the total number of issued shares excluding treasury shares and subsidiary holdings (as calculated in accordance with sub-paragraph (b) below), and provided further that where shareholders of the Company are not given the opportunity to participate in the same on a pro rata basis, then the aggregate number of shares to be issued under such circumstances (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 20 per cent of the total number of issued shares excluding treasury shares and subsidiary holdings (as calculated in accordance with sub-paragraph (b) below); and

# NOTICE OF ANNUAL GENERAL MEETING

- (b) (subject to such manner of calculation and adjustments as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (a) above, the percentage of issued shares shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time this Resolution is passed, after adjusting for:
- (i) new shares arising from the conversion or exercise of convertible securities;
  - (ii) (where applicable) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution, provided the options or awards were granted in compliance with the Listing Manual of the SGX-ST; and
  - (iii) any subsequent bonus issue, consolidation or subdivision of shares;
- (c) in exercising the authority conferred by this Resolution, the Company shall comply with the rules, guidelines and measures issued by 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
- (d) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier."

*[See Explanatory Note (iii)]*

BY ORDER OF THE BOARD

**Sin Chee Mei**  
Company Secretary

Singapore  
11 December 2018

## EXPLANATORY NOTES:

- (i) Detailed information on Mr Devnarayanan s/o K R Pisharody can be found in the Company's Annual Report 2018. Mr Devnarayanan s/o K R Pisharody will, upon re-election as a Director, continue as Executive Director of the Company. There are no relationships (including immediate family relationships) between Mr Devnarayanan s/o K R Pisharody and the other Directors of the Company, the Company or its 10% Shareholders.
- (ii) Detailed information on Ms Geetha Padmanabhan can be found in the Company's Annual Report 2018. Ms Geetha Padmanabhan will, upon re-election as a Director, continue as the Chairman of the Audit Committee, and a member of Nominating and Remuneration Committees. She is considered an independent Director in accordance with Rule 704(8) of the Listing Manual. There are no relationships (including immediate family relationships) between Ms Geetha Padmanabhan and the other Directors of the Company, the Company or its 10% Shareholders.
- (iii) The ordinary Resolution 7 proposed in item 8, if passed, will authorise and empower the Directors of the Company from the date of the Annual General Meeting until the date of the next Annual General Meeting, to issue further shares and to make or grant convertible securities (such as warrants) convertible into shares, and to issue shares in pursuance of such instruments, up to an amount not exceeding in aggregate 50 per cent of the total number of issued shares (excluding treasury shares and subsidiary holdings) of which the total number of shares and convertible securities issued other than on a pro-rata basis to existing shareholders shall not exceed 20 per cent of the total number of issued shares (excluding treasury shares and subsidiary holdings) at the time the resolution is passed, for such purposes as they consider would be in the interests of the Company. This authority will, unless revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.

## Notes:

1. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the Annual General Meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.
- (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Annual General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

"Relevant Intermediary" means:

- (i) 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;
  - (ii) a person holding a capital markets services license to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore and who holds shares in that capacity; or
  - (iii) 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 Companies 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.
2. A proxy need not be a member of a company.
  3. If the appointor is a corporation, the instrument appointing proxy or proxies must be executed either under its common seal or signed under the hand of its attorney duly authorised on behalf of the corporation.
  4. The instrument appointing a proxy or proxies, duly executed, must be deposited at the Registered Office of the Company at 845 Geylang Road, #04-22 Tanjong Katong Complex, Singapore 400845 not less than 72 hours before the time appointed for the holding of the Annual General Meeting of the Company.
  5. 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 holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.

## PERSONAL DATA PRIVACY

"Personal data" in this notice of Annual General Meeting has the same meaning as "personal data" in the Personal Data Protection Act 2012, which includes your name and your proxy's and/or representative's name, address and NRIC/Passport number. 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) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty. Your personal data and your proxy's and/or representative's personal data may be disclosed or transferred by the Company to its subsidiaries, its share registrar and/or other agents or bodies for any of the Purposes, and retained for such period as may be necessary for the Company's verification and record purposes.

**IMPORTANT**

1. Relevant Intermediaries as defined in Section 181 of the Companies Act, Chapter 50 may appoint more than two proxies to attend, speak and vote at the Annual General Meeting.
2. For CPF/SRS Investors who have used their CPF/SRS monies to buy shares in Second Chance Properties Ltd, this form of proxy is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS Investors should contact their respective Agent Banks/SRS Operators if they have any queries regarding their appointment as proxies.
3. By submitting an instrument appointing a proxy(ies) and/or representative(s), the Member accepts and agrees to the personal data privacy terms set out in the accompanying Notice of Annual General Meeting dated 11 December 2018.

# PROXY FORM

\*I/We, \_\_\_\_\_ \*NRIC/Passport No. \_\_\_\_\_

of \_\_\_\_\_ (Address) being a

\*member/members of **Second Chance Properties Ltd** (the "Company"), hereby appoint:

Name	Address	NRIC/ Passport No.	Proportion of Shareholdings (%)

\*and/or

Name	Address	NRIC/ Passport No.	Proportion of Shareholdings (%)

or failing \*him/her/them or if no person is named above, the Chairman of the Meeting, as \*my/our proxy/proxies to attend, speak and vote for \*me/us on \*my/our behalf at the Annual General Meeting ("AGM") of the Company to be held at The Orange Ballroom, 845 Geylang Road #03-16 Tanjong Katong Complex, Singapore 400485 on Thursday, 27 December 2018 at 11:00 a.m. and at any adjournment thereof.

\*I/We direct \*my/our proxy/proxies to vote for or against the Resolutions to be proposed at the AGM as indicated hereunder. In the absence of specific directions, the \*proxy/proxies will vote or abstain from voting as \*he/she/they may think fit, as he/she/they will on any other matter arising at the AGM and at any adjournment thereof.

**Note:** Voting will be conducted by poll. If you wish to vote all your shares "For" or "Against" the relevant resolution, please indicate with an "X" in the spaces provided below. Alternatively, if you wish to vote some of your shares "For" and some of your shares "Against" the relevant resolution, please insert the relevant number of shares in the relevant boxes provided below.

No.	Resolutions relating to:	For	Against
	<b>Ordinary Business</b>		
1.	To receive and adopt the Directors' Statement and the Audited Financial Statements for the financial year ended 31 August 2018 together with the Auditors' Report thereon		
2.	To declare a first and final one-tier tax exempt dividend		
3.	To approve the payment of Directors' fees		
4.	To re-elect Mr Devnarayanan s/o K R Pisharody as a Director		
5.	To re-elect Ms Geetha Padmanabhan as a Director		
6.	Re-appointment of Messrs Nexia TS Public Accounting Corporation as Auditors		
	<b>Special Business</b>		
7.	General mandate to directors to issue shares		

**Note:** Please note that the short descriptions given above of the Resolutions to be passed do not in any way whatsoever reflect the intent and purpose of the Resolutions. The short descriptions have been inserted for convenience only. Shareholders are encouraged to refer to the Notice of Annual General Meeting for the full purpose and intent of the Resolutions to be passed.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2018

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

\_\_\_\_\_  
Signature of Member(s)/  
and, Common Seal of Corporate Shareholder

\*Delete as appropriate

**IMPORTANT: PLEASE READ NOTES OVERLEAF**



## IMPORTANT NOTES TO PROXY FORM:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares registered entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies will be deemed to relate to all the Shares held by you.
2. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the Annual General Meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.  
  
(b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Annual General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.  
  
"Relevant Intermediary" means:
  - (i) 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;
  - (ii) a person holding a capital markets services license to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore and who holds shares in that capacity; or
  - (iii) the Central Provident Fund Board ("CPF Board") established by the Central Provident Fund Act, Chapter 36 of Singapore (the "Act"), 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. A proxy need not be a member of the Company.
4. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 845 Geylang Road, #04-22 Tanjong Katong Complex, Singapore 400845 not less than 72 hours before the time appointed for the Annual General Meeting.
5. Where a Member appoints more than one proxy, he/she shall specify the proportion of his/her 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.
6. Completion and return of an instrument appointing a proxy or proxies shall not preclude a member from attending, speaking and voting at the Annual General Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the Annual General Meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the relevant instrument appointing a proxy or proxies, to the Annual General Meeting.
7. The instrument appointing a proxy or proxies must be under the hand of the appointer or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
8. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof shall (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
9. A corporation that is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the meeting, in accordance with Section 179 of the Companies Act, Cap. 50.
10. The Company shall be entitled to reject an instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointer are not ascertainable from the instructions of the appointer specified in the instrument of proxy. In addition, in the case of shares entered in the Depository Register, the Company may reject an instrument of proxy if the member, being the appointer, is not shown to have shares against his name in the Depository Register as at 72 hours before the time appointed for holding the meeting, as certified by The Central Depository (Pte) Limited to the Company.

## PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 11 December 2018.

AFFIX  
STAMP

The Company Secretary  
**SECOND CHANCE PROPERTIES LTD**  
845 GEYLANG ROAD  
#04-22 TANJONG KATONG COMPLEX  
SINGAPORE 400845



# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Founder & CEO

Mohamed Salleh s/o Kadir Mohideen Saibu Maricar

### Deputy CEO

Mohamed Hasan Marican s/o Kadir Mohideen Saibu Maricar

### Executive Director

Devnarayanan s/o K.R. Pisharody

### Lead Independent Non-Executive Director

Dr Ahmad Magad

### Independent Non-Executive Director

Geetha Padmanabhan

### Independent Non-Executive Director

Tan Lye Heng Paul

## AUDIT COMMITTEE

Geetha Padmanabhan - Chairman  
Dr Ahmad Magad  
Tan Lye Heng Paul

## REMUNERATION COMMITTEE

Tan Lye Heng Paul - Chairman  
Dr Ahmad Magad  
Geetha Padmanabhan

## NOMINATING COMMITTEE

Dr Ahmad Magad - Chairman  
Geetha Padmanabhan  
Tan Lye Heng Paul

## MANAGEMENT

### Finance Advisor

Reema Agrawal

### Accounts Manager

Jainulabedeem Raj Mohamed

### Executive Director of First Lady Apparels (Malaysia) Sdn Bhd

Amal Marican

### Field Manager

Safie Bin Haji Hussain

### Management Executive

Azlan Bin Mohd Shafie

## COMPANY SECRETARY

Sin Chee Mei

## SHARE REGISTRAR AND WARRANT AGENT

Tricor Barbinder Share Registration Services

80 Robinson Road #11-02

Singapore 068898

Tel: 62363333

## AUDITORS

Nexia TS Public Accounting Corporation  
Director-in-charge

Ross Yu Limjoco

(appointed since the financial year ended 31 August 2016)

## PRINCIPAL BANKERS

DBS Bank Limited

Oversea-Chinese Banking Corporation Ltd

United Overseas Bank Limited

Bank of Singapore

Credit Suisse AG Singapore

## REGISTERED OFFICE

845 Geylang Road #04-22 Tanjong Katong Complex Singapore 400845

Telephone : 67456911

Facsimile: 67456955

Email: [contact@secondchance.com.sg](mailto:contact@secondchance.com.sg)



**SECOND CHANCE PROPERTIES LTD**

Company Registration No.: 198103193M  
Incorporated in the Republic of Singapore

Tel: 6745 6911 Fax: 6745 6955  
Email: [contact@secondchance.com.sg](mailto:contact@secondchance.com.sg)

845 Geylang Road #04-22  
Tanjong Katong Complex, Singapore 400845