LTC CORPORATION LIMITED

# ANNUAL REPORT 2018

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# CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of LTC Corporation Limited, I am pleased to present the Annual Report and Financial Statements for the financial year ended 30 June 2018. Rising steel prices boosted the turnover and performance of the steel business in Singapore but caused losses to deepen for the operations in Malaysia. On the Singapore property scene, the Government has imposed new private property cooling measures that will tame the upswing in private residential prices in the 1st half of the year. In the retail operations, the flagship store has been renovated. New openings are coming down the pipeline with new merchandise available at the new stores. In addition, with the Malaysia GST being zero-rated, we expect sales to grow.

**FINANCIAL HIGHLIGHTS**

**OUTLOOK**

*Steel Trading*

The Group's steel business is expected to remain challenging in the coming year due to the consolidation and stiff competition from the market players.

During the year under review, the Group completed a few landmark projects such as LTA project C923 – Upper Changi Station and tunnels, and C922 – Expo Station and Overrun Tunnels for Downtown Line Stage 3.

The Building & Construction Authority has projected a higher contract value between $26b and $31b to be awarded for 2018, with the public construction demand strengthening from $15.5b in Year 2017 to between $16b and $19b in Year 2018.

In the months to come, we are expecting more construction projects to be released by the public sector such as North-South Corridor Projects and a new Ministry of Home Affairs Building at Neil Road as well as the Changi Airport runway project package.

For FY2019, the demand for steel is expected to remain stable. However, the volatility of foreign exchange rates, current uncertain international economic conditions as well as volatility of commodity prices may pose uncertainties in our earnings outlook.

*Property Development*

**Singapore**

Urban Redevelopment Authority data indicated that private residential property prices increased by 3.4% in Q2 2018, compared with the 3.9% increase in the previous quarter, bringing the total to 7.3% in 1H 2018. This marks the fourth consecutive quarter of price growth pointing to a recovery of the private residential market, affirming that prices have bottomed out after 15 consecutive quarters of price decline from Q3 2013 to Q2 2017. This increase registered a cumulative 9.1% improvement in private home prices since Q2 2017.

However, on 5 July 2018, the Government introduced new round of property cooling measures in a bid to cool the property market and keep prices in line with economic fundamentals, which may result in a slowdown in price growth for the rest of the year.

Despite the challenging conditions facing property developers in Singapore, the Group will continue to look out for opportunities to acquire development property.

**Malaysia**

For FY2018, the overall Malaysian economy posted a better growth than previous year due to private sector spending and export boom. The subdued property market however has yet to make a comeback. The local political issues and weak ringgit have further dampened investment sentiments. The stringent lending policy of financial institutions has made it difficult for residential property buyers to get loan approvals.

The Group's Mahkota Industrial Park development in Banting reported slow sales growth as investors' sentiment worsened due to political changes.

In Melaka, we have obtained the building plan approval for the 38-storey high rise apartment beside the Melaka River. The construction of the sales gallery is on-going and will be completed soon. We plan to launch this project in FY2019 when the market is favourable.

In Penang, the Group's joint venture company, Regata Maju Sdn Bhd, has a mixed development project at Seberang Prai, comprising 978 apartment units and 15 shop lots in four 38-storey towers. The 1st phase of the project was launched in February 2018 and the response was favourable.

**The People's Republic of China ("PRC")**

We are clearing the residual stock of commercial shops through various marketing channels in Shenyang City, Liaoning Province, PRC. The Company will continue to review new sites for investment and development. The China property market is still facing government's interventions which has negatively influenced buyers' sentiments.

*Property Rental*

The Industrial property prices and rentals continued to stabilise in the 2nd quarter of 2018, according to JTC's latest quarterly market report.

In Q2 2018, industrial prices were unchanged from the first quarter, while they fell by 2.1% from a year ago. Industrial rents dipped by 0.1% from the previous quarter and fell 1.4% year-on-year. Occupancy rates fell 0.3% from the previous quarter to 88.7%, but were unchanged from a year ago.

Rental income from the Company's investment properties in Singapore is not expected to change significantly.

*Retail Operations*

During the year under review, the retail operations have seen positive sales growth after the first phase of renovations in our flagship store in early November 2017 which involved extensive makeovers in three and a half floors of the eight-level building.

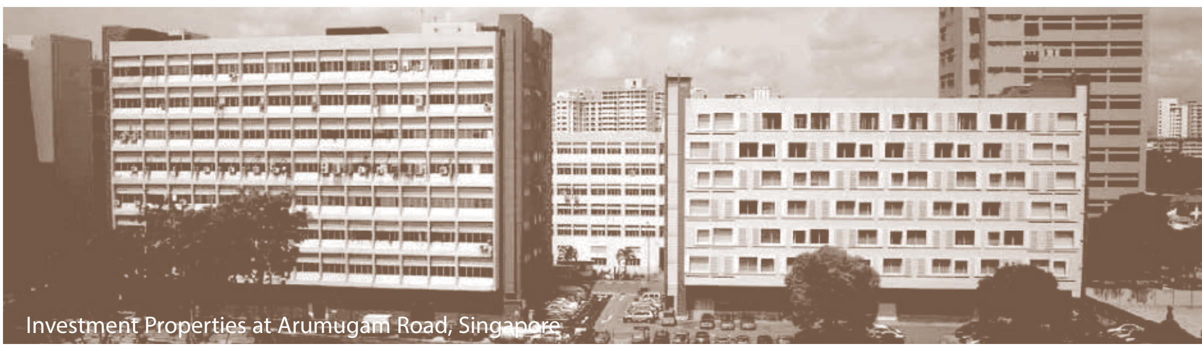
The retail division has signed up 6 new locations to operate new stores. New openings are coming down the pipeline. A second store is slated to open in Tebrau, Johor Bahru, and the third in Shah Alam, Selangor, towards the end of 2018.

The Malaysian Government has scrapped the 6% Goods and Services Tax ("GST") on 1 June 2018. The move is positive for consumers as they are more willing to spend with the GST being zero-rated. With this expected increased consumer spending, the renovation of our flagship store, as well as opening of new stores with new merchandise and innovative marketing strategies, we expect retail sales to improve significantly in the forthcoming financial year.

**ACKNOWLEDGEMENT**

On behalf of the Board, I wish to thank all our management and staff for their achievements and contributions to our performance. I would also like to express my sincere appreciation to our customers, suppliers, shareholders and business associates for their continuing support. I am grateful to Members of the Audit Committee and my fellow Directors for their counsel and commitment.

**Cheng Theng Kee**
Chairman



Investment Properties at Arumugam Road, Singapore


Outram Community Hospital

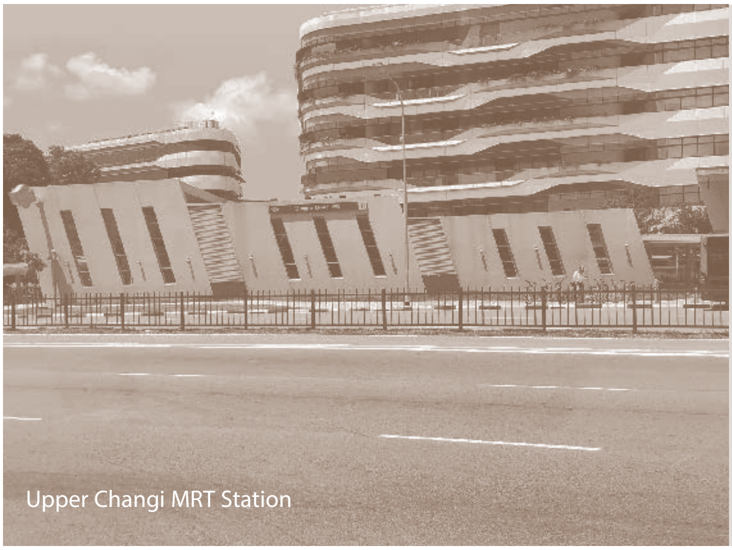
National Centre for Infectious Diseases

# STEEL

## STEEL PROJECTS

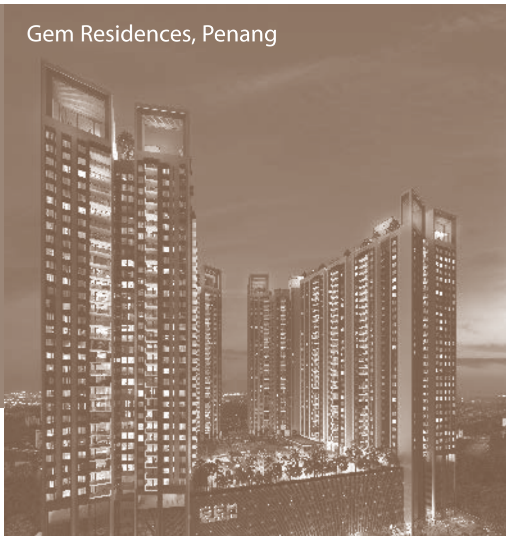
### Steel Trading

Steel turnover increased by $13.5m from $107.5m to $121m due to higher turnover in Singapore. Net operating profit for steel remained unchanged at $6.1m with higher profits in Singapore offset by losses in Malaysia.



Upper Changi MRT Station

Upper Changi MRT Station


Gem Residences, Penang


Proposed swimming pool at Gem Residences, Penang

# PROPERTY

## PROPERTY PROJECTS

**Regional Property Development & Management**

Turnover for property development decreased by $18.3m from $18.8m for FY17 to $0.5m mainly due to lower turnover for Singapore.

Property rental turnover decreased by $0.1m to $7.7m from $7.8m for FY17. Net operating profit increased by $0.2m to $4.2m from $4.0m for FY17 due to a lower fair value loss on investment properties.

# RETAIL

## RETAIL OPERATIONS

The Group's share of results of the joint venture in Retail Operations improved by $0.9m due to improved operating results of the joint venture and lower amortization charge at the Group.

Sogo (K.L.) Department Store

Renovated Food Garden at Sogo (K.L.) Department Store

# PROFILE OF DIRECTORS

**MR CHENG THENG KEE**, Chairman of the Group, was appointed to the Board on 24 February 1997. He is an Executive Director and also an entrepreneur with considerable experience in manufacturing, trading, property investment and development.

Mr Cheng was educated at the Chinese High School. He helped to steer and expand the Group's construction and property arm to its current position today. He was also responsible for the development of the Teck Chiang Industrial Complex at Arumugam Road, Singapore.

**MR CHENG YONG LIANG** joined the Board since 24 February 1997 and is the Managing Director of the Group. He is also a member of the Nominating Committee.

Mr Cheng graduated with a Bachelor of Science Degree in Business Administration from the University of San Francisco and a Diploma in Building from Singapore Polytechnic. He has been involved with The Lion Group for more than 25 years, primarily in The Lion Group's Property Division.

**DATO' MAZLAN BIN DATO' SERI HARUN** joined the Board on 31 January 1986. He is a Non-Executive Director and Independent Director. He is a member of the Audit Committee and Remuneration Committee.

Dato' Mazlan holds a Second Class Honours Degree in Economics and Political Science from the University of Exeter, England.

Dato' Mazlan was previously elected to the Selangor State Assembly to represent the Seri Setia (Sungai Way) (1982 to 1986) and the Lindungan (1987 to 1990) constituencies. Dato' Mazlan was also the Chairman of several committees in the Selangor State Development Corporation (PKNS) and the Chairman of the Selangor State Public Accounts Committee from 1982 to 1990.

He is currently involved in property development, operating golf club, manufacturing of recycled paper and selling big super motorcycles.

**MR CHAY YEE** joined the Board on 24 February 1997 and is a Non-Executive and Independent Director. He is the Chairman of the Remuneration Committee and a member of the Audit Committee and Nominating Committee.

Mr Chay graduated with a B.A. (Hons), University of Malaya, and M. Soc. Sc. from the University of Hong Kong. He served in the Singapore Administrative Service and worked in the Ministry of Finance for 5 years before joining the Central Provident Fund Board where he served as its Deputy General Manager for 12 years. He has also served as a Board member of the Community Chest of Singapore for 16 years.

Since leaving the public service, he has been engaged in the provision of advisory and consultancy services internationally to governments of the less developed countries as well as providing training and education services through various institutions under his charge.

**MR ONG TEONG WAN** joined the Board on 28 July 1998. He is a Non-Executive and Lead Independent Director. He is the Chairman of the Audit Committee and Nominating Committee and a member of the Remuneration Committee.

Mr Ong holds an MBA (International Business) from the University of Southern California. He is currently Director and Managing Consultant of ManagementWise (International) Pte. Ltd.

He has been a Board Member of the Economic Development Board and the National Productivity Board. He was accorded the Friend of Labour Award by the National Trades Union Congress. He was in government service for more than 10 years and worked for two American multi-national companies at director level for 12 years. He has been a Corporate Consultant for more than 25 years at the Singapore Institute of Management. He was an Independent Director of Vicom Ltd and served on the Audit Committee and the Nominating Committee.

## KEY MANAGEMENT STAFF

**MR CHENG THENG HOW** is a Director and General Manager of Angkasa Amsteel Pte. Ltd.. Mr Cheng is currently the Group Director in The Lion Group and Executive Director of Antara Steel Mills Sdn Bhd. He is also a Non-Executive Director of Lion Asiapac Limited. His expertise and responsibilities in the Group cover steel marketing and trading, project management, the maintenance of plant and machinery and rebar fabrication. He has more than 20 years of experience in steel milling operations. He holds a Diploma in Mechanical Engineering from Singapore Polytechnic.

**DATUK CHENG YOONG CHOONG** is the Director of Business Development. He is overall in charge of Business Development and Retail operations in the Group and currently also holds the position of Group Managing Director of Sogo (K. L.) Department Store Sdn. Bhd.. Datuk Cheng was previously the Group Managing Director of Parkson Retail Asia Limited and Parkson Retail Group Limited and was actively involved in the South East Asia and China retail scene. He was Chairman of the Malaysia Retailers Association in 1996 and 1999 and was a member of the Executive Board of the Intercontinental Group of Department Stores in 1998 and 1999. Datuk Cheng holds a Bachelor of Science degree in Business Administration and a Master of Business Administration degree, both from the University of San Francisco.

**MR LEE KHIAN LAI** is the General Manager in the Property Development Department, Malaysia. He has more than 30 years of working experience in construction and property development industry. After graduation, he spent 8 years in construction companies before joining The Lion Group in 1990. He was involved in a number of comprehensive property development projects in The Lion Group's Property Division. He holds a Bachelor of Science degree in Civil Engineering from Teesside University, United Kingdom.

**MR FREDDY MOK** is the Group Accountant. He is responsible for the overall financial accounting, treasury and corporate finance affairs of the Group. He holds a Bachelor of Accountancy Degree from National University of Singapore.

**MR JASON FOON LANG YEOW** is the Assistant General Manager of Angkasa Amsteel Pte. Ltd.. He has over 20 years of experience in steel fabrication and related engineering works. He is in charge of overall day-to-day operations for cut and bend, pre-cagging, repairs and maintenance, wire mesh and factory safety.

**MR TAY HUI SIANG** is the Project Manager in the Property Development Department. He is responsible for the co-ordination and development of residential property projects in Singapore. He has been in construction related fields for more than 20 years. He holds a Bachelor of Science Degree in Construction Management and a Specialist Diploma in M&E Co-ordination.

**MS WONG CHOY LING** is the Manager in the Property Management Department. Ms Wong is responsible for the administration of leases and management of the investment properties at Arumugam Road, Singapore. She holds a Bachelor of Science Honours Degree in Real Estate Management.

## CORPORATE INFORMATION

**Board of Directors**
Cheng Theng Kee (Chairman)
Cheng Yong Liang (Managing Director)
Ong Teong Wan (Lead Independent Director)
Dato' Mazlan Bin Dato' Seri Harun (Independent Director)
Chay Yee (Independent Director)

**Audit Committee**
Ong Teong Wan (Chairman)
Chay Yee
Dato' Mazlan Bin Dato' Seri Harun

**Nominating Committee**
Ong Teong Wan (Chairman)
Chay Yee
Cheng Yong Liang

**Remuneration Committee**
Chay Yee (Chairman)
Ong Teong Wan
Dato' Mazlan Bin Dato' Seri Harun

**Company Secretaries**
Silvester Bernard Grant, ACIS
Lah Ling San, ACIS

**Investor Relations**
Silvester Bernard Grant
Company Secretary
E-mail : enquiry@ltcgroup.com.sg
Tel : (65) 6745 9677
Fax : (65) 6747 9493

**Registered Office**
10 Arumugam Road #10-00
LTC Building A
Singapore 409957
Tel : (65) 6745 9677
Fax : (65) 6747 9493
Website : www.ltcgroup.com.sg

**Registrar and Share Transfer Office**
B.A.C.S. Private Limited
8 Robinson Road #03-00
ASO Building
Singapore 048544
Tel : (65) 6593 4848
Fax : (65) 6593 4847

**Auditors**
Ernst & Young LLP
Public Accountants and Chartered Accountants
One Raffles Quay
Level 18, North Tower
Singapore 048583
Tel : (65) 6535 7777
Fax : (65) 6532 7662
Partner in charge : Mr Low Bek Teng
(Appointed during the financial year ended 30 June 2016)

**Solicitors**
WongPartnership LLP
12 Marina Boulevard Level 28
Marina Bay Financial Centre Tower 3
Singapore 018982
Tel : (65) 6416 8000
Fax : (65) 6532 5711

**Principal Bankers**
DBS Bank Limited
Malayan Banking Berhad
Oversea-Chinese Banking Corporation Limited

# FINANCIAL SUMMARY

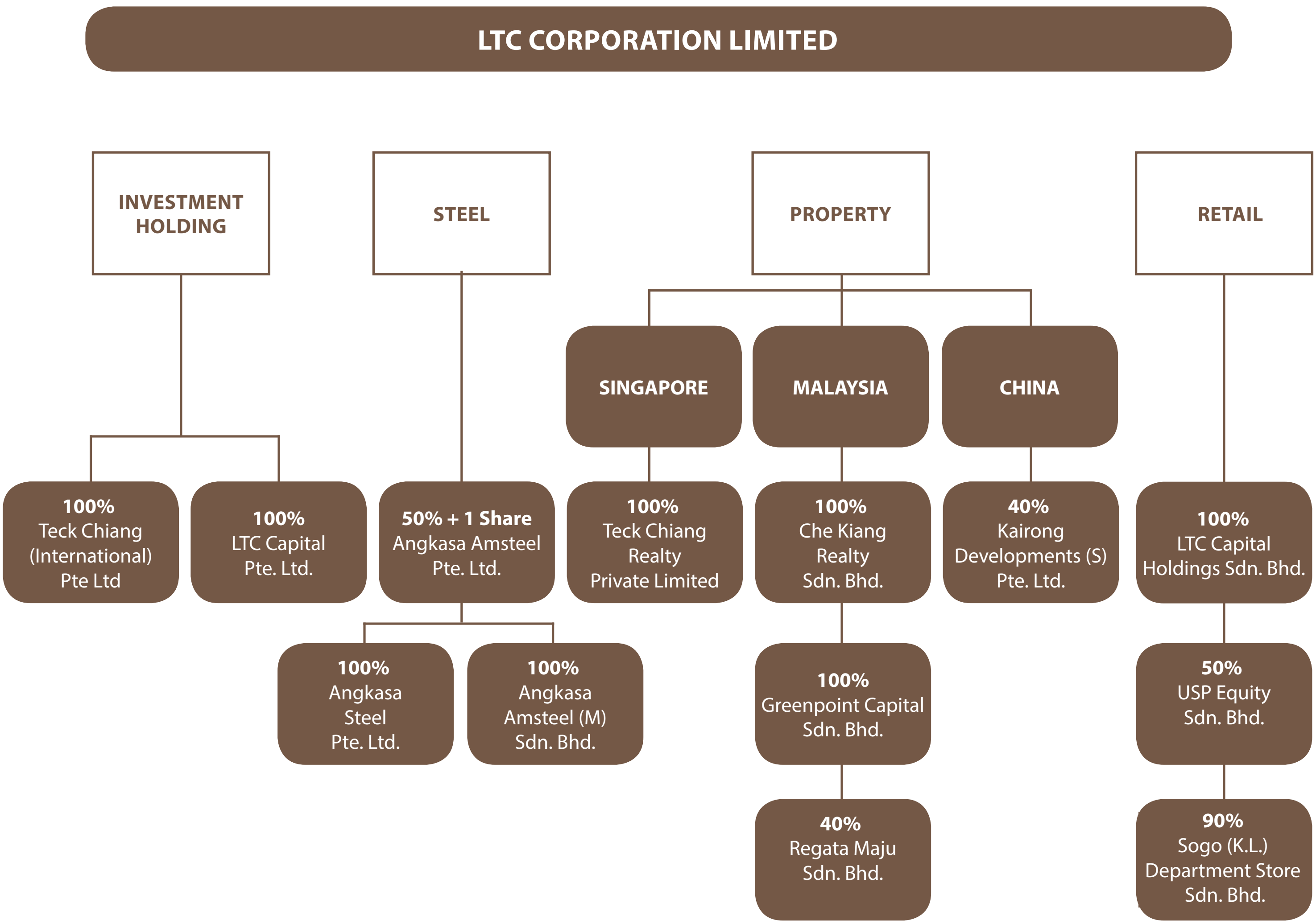
| FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE | 2018 | 2017 |
|---|---|---|
| | S$'000 | S$'000 |
| **Turnover** | | |
| Steel trading | **120,976** | 107,475 |
| Property development | **539** | 18,798 |
| Property rental | **7,657** | 7,803 |
| Investment holding | **36** | 30 |
| Total | **129,208** | **134,106** |
| | | |
| **Net operating profit** | | |
| Steel trading | **6,097** | 6,117 |
| Property development | **(1,319)** | 3,881 |
| Property rental | **4,249** | 4,055 |
| Investment holding | **(2,220)** | (845) |
| Total | **6,807** | **13,208** |

| FINANCIAL POSITION AS AT 30 JUNE | 2018 | 2017 |
|---|---|---|
| | S$'000 | $'000 |
| Investment properties | **118,000** | 118,000 |
| Property, plant & equipment | **25,856** | 27,300 |
| Joint venture company | **36,631** | 22,237 |
| Associated company | **6,861** | 7,162 |
| Properties under development | **15,699** | 14,128 |
| Completed properties | **13,878** | 13,279 |
| Inventories | **45,046** | 50,225 |
| Other assets | **74,937** | 76,814 |
| Borrowings | **(15)** | (6) |
| Other liabilities | **(38,492)** | (39,535) |
| **Net assets** | **298,401** | **289,604** |
| | | |
| Share capital | **150,113** | 150,113 |
| Reserves | **(22,583)** | (27,899) |
| Accumulated profits | **133,086** | 132,317 |
| Shareholders' funds | **260,616** | 254,531 |
| Non-controlling interests | **37,785** | 35,073 |
| **Total equity** | **298,401** | **289,604** |

## 5-YEAR FINANCIAL HIGHLIGHTS

| | 2014<br>$'000 | 2015<br>$'000 | 2016<br>$'000 | 2017<br>$'000 | **2018**<br>**$'000** |
|---|---|---|---|---|---|
| Revenue | 165,659 | 168,457 | 129,601 | 134,106 | **129,208** |
| Net profit | 8,489 | 10,046 | 6,929 | 8,470 | **2,334** |
| Owners equity | 241,264 | 248,651 | 251,539 | 254,531 | **260,616** |
| Earnings per share (cents) | 5.4 | 6.4 | 4.4 | 5.4 | **1.5** |
| Net asset value per share ($) | 1.54 | 1.59 | 1.61 | 1.63 | **1.67** |

## CORPORATE STRUCTURE



# CORPORATE GOVERNANCE

LTC Corporation Limited ("LTC" or the "Company") believes in maintaining a high standard of corporate governance, and is committed to making sure that effective self–regulatory corporate practices exist to protect the interest of the shareholders.

This report sets out the Company's corporate governance processes and activities which are in line with the Code of Corporate Governance 2012 (the "Code"). Where the Company's practices differ from the recommendations under the Code, the Company's positions in respect of the same is also set out in this report.

## BOARD MATTERS

### Principle 1: The Board's Conduct of Affairs

The Board is responsible for the overall strategy and direction of the Group. It provides entrepreneurial leadership, sets strategic aims, and ensures that the necessary financial and human resources are in places for the Company to meet its objectives. It also ensures that the Company's strategies are in the interest of the Company and its shareholders.

The Board supervises management and reviews management performance, as well as establishes a framework of prudent and effective controls which enables risk to be assessed and managed. It sets the Company's values and standards, and ensures that obligations to shareholders and others are understood and met.

During the financial year, the Board met 4 times. The Board reviews and approves appropriate strategic plans, key operational and financial matters, major acquisitions and divestment plans, major expenditure projects and funding decisions.

### Principle 2: Board Composition and Guidance

The Board comprises 5 members, 2 of whom are Executives and 3 Independent Directors. The Directors are professionals in business, commerce and manufacturing. The strong independent element of the Board ensures that it is able to exercise objective and independent judgement on corporate affairs.

The members of the Board are as follows:

| Executive | Non–Executive | |
|---|---|---|
| Cheng Theng Kee | Ong Teong Wan | (Lead Independent Director) |
| Cheng Yong Liang | Chay Yee | (Independent Director) |
| | Dato' Mazlan Bin Dato' Seri Harun | (Independent Director) |

Certain functions have been delegated by the Board to various Board Committees, which operate under clearly defined terms of reference.

*Delegation of Authority*

The Board accepts that while these Board Committees have the authority to examine particular issues and will report back to the Board with their decision and/or recommendations, the ultimate responsibility for all matters lies with the entire Board.

The Board has delegated day–to–day operations to the management while reserving certain key matters for its approvals. Matters that require Board approval are Group's financial results, interested person transactions, material acquisition and disposal of assets, corporate or financial restructuring, share issuance and dividend payment.

*Directors' Fiduciary Duties*

All Directors are aware of their fiduciary duties and exercise due diligence and independent judgement in ensuring that their decisions are objective and in the best interests of the Company.

*Directors' Training*

All the Directors are informed and are encouraged to attend seminars, courses and other programmes, particularly on relevant new laws, regulations and changing commercial risks, from time to time, in order to discharge their duties as Directors. All the costs are to be borne by the Company.

*Board Diversity*

We are committed to promoting diversity as a key attribute of a well–functioning and effective Board. We believe that a diverse Board will enhance decision making by harnessing the variety of skills, industry and business experiences, age, ethnicity and culture, geographical background and nationalities, tenure of service and other distinguishing qualities of the members of the Board.

**Principle 3: Board Membership and Board Performance**

*Directors' Attendance*

The attendance of each Director at Board meetings and Board Committee meetings during the financial year ended 30 June 2018 is as follows:

| | BOARD | AUDIT COMMITTEE | REMUNERATION COMMITTEE | NOMINATING COMMITTEE |
|---|---|---|---|---|
| **Number of Meetings Held:** | 4 | 4 | 1 | 1 |
| **Name** | **Number of Meetings Attended** | **Number of Meetings Attended** | **Number of Meetings Attended** | **Number of Meetings Attended** |
| Cheng Theng Kee (Chairman) | 4 | NA | NA | NA |
| Cheng Yong Liang (Managing Director) | 4 | 4* | 1* | 1 |
| Ong Teong Wan (Lead Independent Director) | 4 | 4 | 1 | 1 |
| Chay Yee (Independent Director) | 4 | 4 | 1 | 1 |
| Dato' Mazlan Bin Dato' Seri Harun (Independent Director) | 4 | 4 | 1 | NA |

* Attendance by invitation of the relevant Committee
NA : Not applicable

The Directors are updated on the regulations of the Singapore Exchange Securities Trading Limited ("SGX–ST"), the Companies Act (Chapter 50 of Singapore) (the "Companies Act") and other statutory requirements when the need arises.

## NOMINATING COMMITTEE

The Nominating Committee ("NC") comprises 3 Directors, 2 of whom, including its Chairman, are Independent Directors. The NC members are:

Mr Ong Teong Wan (Chairman)
Mr Chay Yee
Mr Cheng Yong Liang

The NC meets at least once a year and serves to provide a formal, transparent and objective procedure for appointing Board members and evaluating each Board member's performance. The NC performs the following functions:

1. To recommend appointment and re–appointment of Directors in accordance with the Constitution of the Company.

2. To re–nominate Directors, taking into account the individual Director's contribution and performance.

3. To determine annually whether or not a Director is independent, taking into account the relationship a Director may have with the company and its related companies.

4. To determine whether or not a Director is able to and has been adequately carrying out his/her duties as a Director of the company, in the event that a Director has multiple board representations.

5. To evaluate the Board's performance and the contribution by each Director to the effectiveness of the Board, and to adopt appropriate measures to assess performance.

The NC is of the view that the current Board comprises Directors who as a group provide core competencies such as commerce, business or management experience, industry knowledge, strategic planning experience and customer–based experience or knowledge.

*Alternate Director*

The Company has no alternate Directors on its Board.

*Selection of New Directors*

1. The NC reviews the needs of the Board by taking into account the scope and nature of the operations of the Group.

2. The NC will evaluate whether the composition and size of the Board is adequate. It also assesses whether additional competencies are required in the area when the appointment of new Directors is concerned.

Newly appointed Directors are provided orientation and training, if necessary, to enable them to familiarise with the Group's business activities and the relevant regulations and governance requirements.

*Independence of Director*

The NC which reviews the independence of each Director on an annual basis adopts the Code's definition of what constitutes an Independent Director. Each Independent Director is required to complete a confirmation on the Independent Directors Checklist, which is drawn up in accordance with the Code, and requires each Director to assess his own independence. The NC will then review the Independent Directors Checklist to determine whether a Director is independent.

For good corporate governance, the Board carries out rigorous review of the contributions and independence of Directors who have served on the Board beyond nine years from their first appointment, and if necessary, exercises its discretion to extend the tenures of these Directors.

The Code further requires the independence of any Director who has served on the Board beyond nine years to be rigorously reviewed. Mr Ong Teong Wan, Mr Chay Yee and Dato' Mazlan Bin Dato' Seri Harun have served as Independent Directors of the Company for more than nine years. They have contributed effectively by providing impartial and autonomous views, advice and judgement and have continued to demonstrate strong independence in character and mind.

The Board is of the opinion that their length of service has not, in any way diminished their independence. There were also no relationships with management or substantial shareholders or circumstances which were likely to affect, or could appear to affect their independence or impair their fair judgement. The Board also reviews the performance of the Directors and considers that the Directors who have gained valuable insight and good understanding of the Company through their years of involvement in the Company and together with their diverse experience and expertise, will be able to continue to greatly benefit the Company by providing impartial and autonomous views, advice and judgement.

The Board holds the view that continuity and stability of the Board is important and considers it is not currently in the interests of the Company and shareholders to require Directors who have served for nine years or longer to retire. The Board nevertheless will on a continual basis, review the need for progressive refreshing of its Board.

The Board is of the view that the current size of the Board is appropriate, taking into account the nature and scope of the Company's operations.

*Re–election/Re–appointment of Directors*

The Constitution of the Company requires one–third of the Directors, including a person holding the office of Managing Director, to retire from office by rotation at each Annual General Meeting. Accordingly, the NC recommended to the Board that Mr Cheng Yong Liang and Mr Chay Yee who are subjected to retire by rotation, nominated themselves for re–election at the forthcoming Annual General Meeting.

The date of initial appointment and last re–election/re–appointment of each Director, together with their directorship in other listed companies as at the date of this report are as below:

| Directors | Date of initial Appointment | Date of last re–election/ re–appointment | Current directorship in other listed companies | Past directorship in other listed companies in the preceding 3 years |
|---|---|---|---|---|
| Cheng Theng Kee | 24 February 1997 | 27 October 2017 | – | – |
| Cheng Yong Liang | 24 February 1997 | 27 October 2016 | – | – |
| Ong Teong Wan | 28 July 1998 | 27 October 2016 | – | Vicom Ltd |
| Dato' Mazlan Bin Dato' Seri Harun | 31 January 1986 | 23 October 2017 | – | – |
| Chay Yee | 24 February 1997 | 27 October 2016 | – | – |

*Review of Directors with Multiple Board Representations*

The NC is of the view that multiple listed company board appointments will not affect the Director's ability to carry out their duties as Directors of the Company and therefore, it would not be necessary to prescribe a maximum number of listed company board representations a Director may hold. The NC is satisfied that each Director has devoted sufficient time and attention to the Company's affairs to adequately and competently carry out his duties as a Director of the Company. The Board concurs with the view of the NC.

*Board Evaluation and Assessment of Director*

The NC has an established appraisal process to assess the performance and effectiveness of the Board as a whole as well as to assess the contribution of individual Directors.

The assessments of a Director are experience in being a Company Director, competence and knowledge, including level and quality of involvement during the course of the year, attendance record at meetings of the Board and Board Committees, intensity of participation at meetings, the quality of interventions and special contributions.

On an annual basis, each Director will assess the effectiveness and performance of the Board as a whole and fellow Directors' performance based on the assessments adopted by the Board. The Chairman, in consultation with the NC, would evaluate and act on the results of the assessments and where appropriate, propose new members to be appointed to the Board or seek the resignation of Directors.

Each member of the Board has and will continue to have full access to the management and records.

**Principle 4: Chairman and Managing Director**

In compliance with the Code, the Chairman and the Managing Director ("MD") are separate persons. The Chairman is Mr Cheng Theng Kee, while the MD is Mr Cheng Yong Liang. Both Chairman and MD are related to each other, in that the MD is the son of the Chairman.

The roles of the Chairman and the MD are separate. This is to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision–making. The Chairman facilitates effective communication between the Board and management, engaging them in important matters relating to strategic issues and provides overall leadership for the Group. The Board has delegated the day–to–day management to the MD. The MD is the overall coordinator of the management team for the effective implementation of business strategies and policies and is supported by the respective Heads of Departments. The MD also assists in ensuring compliance with the Company's guidelines on corporate governance.

*Lead Independent Director*

As recommended by the Code, on 23 August 2013 the Board had appointed Independent Director, Mr Ong Teong Wan as Lead Independent Director. The Lead Independent Director shall be available to shareholders where they have concerns for which contact through the normal channels of the Chairman and MD has failed to resolve or for which such contact is inappropriate.

Where necessary the Independent Directors shall meet without the presence of the other Directors and the Lead Independent Director shall provide feedback to the Chairman after such meetings.

**Principle 5: Access to Personnel and Information**

Prior to each Board meeting, all Directors are provided with Board reports. These reports provide information on the Company's performance, financial position and significant issues.

All Directors are updated on an on–going basis via Board meetings and by way of circulars on matters relating to changes to the regulations of the SGX–ST, Companies Act, accounting standards and other statutory requirements. The phone numbers and email addresses of each Director and Company Secretary have also been provided to facilitate access to any required information.

All Directors have independent access to the senior management of the Company and also the Company Secretary. The Company Secretary attends all Board meetings and ensures that Board procedures are followed and that applicable rules and regulations are complied with. The Company Secretary is responsible for assisting the Company in its compliance with the requirement of the Companies Act, rules of the SGX–ST Listing Manual and other applicable regulations. The Company Secretary shall ensure good information flows within the Board and its committees, as well as between senior management and Non–Executive Directors, and shall facilitate orientation and assist in professional development when required. The appointment and removal of the Company Secretary are subject to Board approval.

*Independent Advice*

Each member of the Board has direct access to the Group's independent professional advisors as and when necessary to enable each member to discharge his responsibility effectively. Any cost of obtaining professional advice will be borne by the Company.

## REMUNERATION MATTERS

**Principle 6: Procedures for Developing Remuneration Policies**

The Remuneration Committee ("RC") comprises 3 Independent Non–Executive Directors. The RC members are:

Mr Chay Yee (Chairman)
Mr Ong Teong Wan
Dato' Mazlan Bin Dato' Seri Harun

The RC meets at least once a year and their responsibilities include:

1. Recommend to the Board a framework of remuneration for the Directors and key executives.

2. Ensure that the remuneration package are in line with the Group's staff remuneration guidelines and commensurate with their respective job scopes and levels of responsibilities.

**Principle 7: Level and Mix of Remuneration**

The RC ensures that the level of remuneration is appropriate to attract, retain and motivate the Directors and key management needed to run the Company successfully, and is linked to the Company's relative performance and individual performance. It covers all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses and benefits–in–kind.

*Long–term Incentive Schemes*

The Company does not have any long–term incentive schemes.

*Employee Share Schemes*

The Company does not have any employee share schemes.

*Level and Mix of Remuneration*

The Non–Executive Directors are remunerated with Directors' fees, which are set in accordance with a remuneration framework comprising basic fees, committee fees and attendance fees, taking into account their effort, time spent and responsibilities. Such remuneration framework is reviewed by the RC on an annual basis and recommended to the Board for endorsement. The aggregate amount of Directors' fees for each financial year is subject to the approval of shareholders at the Annual General Meeting ("AGM") of the Company.

The RC ensures remuneration package for the Executive Directors takes into consideration the Company's relative performance and the performance of individual Directors. Such remuneration framework is reviewed by the RC on an annual basic and recommended to the Board for approval.

The RC determines the remuneration package for key management based on the Company's relative performance and the performance of individual key management, and in accordance with a remuneration framework comprising basic salary, bonus and benefits–in–kind. Such remuneration framework is reviewed by the RC on an annual basis and recommended to the Board for approval.

During the financial period under review, only Non–Executive Directors are paid Directors' fees. The payment of such fee is recommended for approval at the AGM of the Company. No Director is involved in deciding his own remuneration.

The level and mix of the Directors' remuneration in bands of $250,000 for FY2018 are set out below:

| Remuneration Band | Salary[1] | Fees | Bonus | Benefits–in–kind[2] | Total |
|---|---|---|---|---|---|
| | % | % | % | % | % |
| **Directors' Remuneration** | | | | | |
| **($500,000 to below $750,000)** | | | | | |
| Cheng Yong Liang | 50.3 | – | 47.8 | 1.9 | 100 |
| **($250,000 to below $500,000)** | | | | | |
| Cheng Theng Kee | 75.6 | – | 22.1 | 2.3 | 100 |
| **(Below $250,000)** | | | | | |
| Ong Teong Wan | – | 100 | – | – | 100 |
| Chay Yee | – | 100 | – | – | 100 |
| Dato' Mazlan Bin Dato' Seri Harun | – | 100 | – | – | 100 |

Having considered the recommendation in the Code on disclosure of Director's remuneration, the Board does not believe it is in the interest of Company to disclose the Directors' remuneration to the nearest thousand dollars, and that the current disclosure on a named basis and in bands of $250,000 including the provision of a break down in percentage terms is sufficient.

**Notes:**

1. Salary includes basic salary and employer's CPF
2. Benefits–in–kind includes car and club membership

The level and mix of the remuneration of the key management personnel who are not Directors or the CEO/MD for FY2018 and are immediate family members of a Director for FY2018 are set out in bands of $50,000 below:

| Remuneration Band | Salary[1] | Fees | Bonus | Benefits–in–kind[2] | Total |
|---|---|---|---|---|---|
| | % | % | % | % | % |
| **Key Management's Remuneration** | | | | | |
| **($300,000 to below $350,000)** | | | | | |
| Datuk Cheng Yoong Choong | 74.3 | – | 25.7 | – | 100 |
| **($250,000 to below $300,000)** | | | | | |
| Cheng Theng How | 61.0 | – | 33.5 | 5.5 | 100 |

**Notes:**

1. Salary includes basic salary and employer's CPF
2. Benefits–in–kind includes car and club membership

Apart from Mr Cheng Theng How, who is a brother to Mr Cheng Theng Kee and uncle of Mr Cheng Yong Liang and Datuk Cheng Yoong Choong, who is a son of Mr Cheng Theng Kee and a brother to Mr Cheng Yong Liang, there are no other employees who are immediate family members of a Director whose remuneration exceeds $50,000 during the year.

The level and mix of the remuneration of the key management personnel who are not Directors or the CEO/MD for FY2018 are set out in bands of $250,000 below:

| Remuneration Band | Salary[1] | Fees | Bonus | Benefits–in–kind[2] | Total |
|---|---|---|---|---|---|
| | % | % | % | % | % |
| **Key Management's Remuneration** | | | | | |
| **(Below $250,000)** | | | | | |
| Lee Khian Lai | 74.7 | – | 21.4 | 3.9 | 100 |
| Freddy Mok | 83.6 | – | 16.4 | – | 100 |
| Jason Foon Lang Yeow | 66.0 | – | 34.0 | – | 100 |
| Tay Hui Siang | 85.7 | – | 14.3 | – | 100 |
| Wong Choy Ling | 81.7 | – | 18.3 | – | 100 |

**Notes:**

1. Salary includes basic salary and employer's CPF
2. Benefits–in–kind includes car and club membership

The remuneration of the key management personnel is not disclosed to the nearest thousand dollars in the Annual Report due to the opinion of the Company that the key management remuneration package is competitive advantage of the Group. The aggregate amount of the total remuneration for the top key management personnel was approximately $1,279,000.

*Expert Advice*

The RC members are familiar with the executive compensation matters as they manage their own businesses and/or are holding directorship in the board of other listed company. The RC has access to appropriate external expert advice in the field of executive compensation, if necessary. Any cost of obtaining external expert advice will be borne by the Company.

**Principle 8: Accountability and Audit**

It is the aim of the Board to provide shareholders with explanation and assessment of the Group's financial position and prospects. The Directors have access to senior management at all times.

**Principle 9: Audit Committee**

The Audit Committee ("AC") comprises 3 members, all of whom are Independent Non–Executive Directors. The AC members are:

Mr Ong Teong Wan (Chairman)
Mr Chay Yee
Dato' Mazlan Bin Dato' Seri Harun

The AC meets at least 4 times a year to perform the following functions:

1. To review with the external auditors the audit plan, and the results of their examination and evaluation of the Group's system of internal accounting controls.

2. To review the Group's financial and operating results and accounting policies.

3. To review with the internal auditors, the scope and results of the internal audit procedures and to monitor the response to their findings to ensure that appropriate follow–up measures are taken.

4. To review compliance with the corporate governance guidelines on processes and activities adopted by the Board.

5. To review the Risk Management of the Group and to ensure that there are adequate controls in place.

6. To review Interested Person Transactions ("IPTs").

7. To make recommendations to the Board on the nominating of the external auditors, as well as reviewing the remuneration and terms of engagement of the external auditors.

The AC has full access to both the external and internal auditors. The internal audit plan is reviewed by the AC in consultation with the external auditors.

Both the AC and the Board of the Company have reviewed the appointment of different auditors. Based on their review, the AC and the Board are satisfied that the appointment of different auditors would not compromise the standard and effectiveness of the audit of the consolidated financial statements of the Group.

The AC and the Board of the Company confirmed that in appointing the auditing firms for the Company's significant subsidiaries and associated companies (whether incorporated in Singapore or elsewhere); the Group has complied with SGX–ST Listing Rules 712 and 716 respectively.

The AC has reviewed the non–audit services provided by the external auditors to the Group to assess the independence and objectivity of the external auditors. During the year under review, the aggregate amount of fees paid to the external auditors for audit and non–audit services amounted to $201,000 and $NIL respectively. The AC is satisfied that the nature and extent of non–audit services have not prejudiced the independence and objectivity of the external auditors. The AC has recommended and the Board had approved the re–appointment of Ernst & Young LLP as auditors at the forthcoming AGM.

*Significant Financial Reporting Matters*

In the review of the financial statements of the Group, the Audit Committee considered the following key audit matters:

| Significant Matters | Review of significant matters by Audit Committee |
|---|---|
| Equity accounting for joint venture companies | The AC considered the involvement of the auditors in the work of the component auditors and their procedures to obtain their assurance. |
| Impairment assessment of investment in USP Equity Sdn Bhd | The AC considered the procedures of the auditors used in their assessment and the involvement of internal specialist. |
| Assessment of purchase price allocation for the acquisition of Regata Maju Sdn Bhd | The AC considered the qualifications, experience and independence of the valuation expert and their report and Management's assumptions used in the assessment. The AC also reviewed the procedures used by the External Auditors to obtain their assurance. |
| Valuation of provision for onerous contracts | After review and discussion with Management and the External Auditors, the AC has considered the approach and method used in the assessment to be consistent and reasonable. |
| Valuation of investment properties | The AC considered the qualifications, experience and independence of the valuation expert and their report and reviewed the procedures carried out by the External Auditors. |

*AC Meeting with Auditors*

The AC meets with the external auditors, without the presence of the Company's management, at least once a year. These meetings enable the external auditors to raise issues encountered in the course of their work directly to the AC.

*AC Members' Qualifications*

The AC members were selected based on their expertise and prior experience in the area of financial management. The Board is of the view that all the members of the AC have the related financial management expertise and experience to discharge their responsibilities as members of the AC.

*AC Members' Restrictions*

No former partner or Director of the Company's existing auditing firm or auditing corporation is a member of the AC.

*Whistle Blowing Policy*

There is a whistle blowing policy for the Group and policies and procedures are in place for any staff of the Group who may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. Arrangements are also in place for the independent investigation of such matters and for appropriate follow up action. Such policies and procedures have been reviewed by the AC.

**Principle 10: Risk Management**

*Risk Management and Internal Controls*

An Enterprise Risk Management framework has been established by management to formalise and documents the internal processes to enable significant strategic, financial, operation, compliance and information technology risks control within the Group. Strong emphasis is placed on creating risk awareness, promoting accountability and setting the appropriate tone at the top.

The Risk Management Committee of the Group is set up to implement and maintain risk policies and initiatives within the Group. The Risk Management Committee reports yearly to the AC. On an ongoing basis, management reviews the Group's business operations to identify key risk areas and risk mitigating strategies so as to ensure that risks are adequately managed within the Group's risk tolerance limits. Risk management training is conducted to communicate and enhance the Group's risk culture.

On an annual basis, the internal auditors will conduct a review of the internal controls which address the risks identified by the Risk Management Committee. Any material non–compliance or lapses in internal controls, together with recommendations for improvement are reported to the AC.

The AC has reviewed the Group's risk management process and is satisfied that there are adequate internal controls in place to manage any risks identified.

The Board will also review the Risk Management Committee reports yearly for follow up actions and high risk areas addressed immediately.

***Other risk factors***

Factors affecting the Group's property development activity in Singapore and Malaysia include the general state of the economy in the country where the project is located, the availability of suitable land banks for future development, level of interest rates and other factors that affect housing affordability. The prospects for the Group are also dependent upon levels of infrastructure development, which in turn would affect the demand and supply of residential property, timing of development of properties and the property sales price.

In the property investment sector, rental and occupancy rates of industrial space are affected by the state of the Singapore economy, the future supply of industrial spaces and overall rental rates.

In the steel business activity, factors which affect the price of steel include the state of the construction industry, cost of raw materials and the international demand and supply of rebars.

During periods of slowdown in the construction industry, the collection of trade receivables generally takes longer and the rate of default also tends to increase.  Any significant default in payment by trade debtors will have a negative impact on our earnings and cash flow position.

In the retail operations, factors which affect the business are customers' preferences and seasonality, competition from existing competitors and new entrants, fluctuations in foreign exchange risk and changes in political, social, economic climate and government regulations.

**Principle 11: Internal Controls and Internal Audit**

The Board is responsible for ensuring that management maintains a sound system of internal controls to safeguard shareholders' investments and the Group's assets.

An internal audit team is in place to review, at least once annually, the risks incurred by the Group in its activities and promote continuous improvement to the Group's operations. The internal audit team reports the AC on any material non–compliance and internal control weakness.

The internal auditor reports directly to the Chairman of the AC on audit matters and to the management on administrative matters.

The AC reviews, on an annual basis, the adequacy of the internal audit function.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, and reviews performed by management, 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 systems were adequate and effective as at 30 June 2018 to meet the needs of the Group in its current business environment.

The Board had received assurance from the MD and Group Accountant that (i) the financial records as at 30 June 2018 have been properly maintained and the financial statements for the financial year ended 30 June 2018 give a true and fair view of the Company's operations and finances; and (ii) the Company's risk management and internal control systems are adequate and effective.

*Audit Committee to ensure internal audit function is adequately resourced*

The Board recognises that it is responsible for maintaining a system of internal controls to safeguard shareholders' investments and the Company's businesses and assets, while the management is responsible for establishing and implementing the internal control procedures. The role of the internal auditors is to assist the AC in ensuring that the controls are effective and functioning as intended, to undertake investigations as directed by the AC and to conduct regular in–depth audits of high risk areas. The AC is satisfied that the internal audit function is adequately resourced and has appropriate standing within the Company.

*Qualifications and experience of members of the Internal Audit*

The AC is satisfied that the Internal Auditors is staffed by suitably qualified and experienced personnel with relevant professional accounting bodies.

**Principle 12: Communication and Conduct of Shareholders' Meeting**

*Investor Relations and Shareholders' Participation*

The Company's investor relations policy is that all shareholders should be informed of all major developments and events that impact the Company in a timely manner. Results and annual reports are announced or issued within the mandatory period.

To promote a better understanding of shareholders' views, the Board actively encourages shareholders to participate during the Company's general meetings. At these meetings, shareholders are given the opportunity to voice their views and raise issues formally and informally.

The Company's main forum for dialogue with shareholders takes place at its Annual General Meeting, where members of the Board, the chairpersons of the Audit, Nominating and Remuneration Committees, senior management and the external auditors are in attendance. The Company's Constitution allows a shareholder to appoint up to two proxies to attend and vote in his place. Pursuant to the introduction of the multiples proxies regime under the Companies Act, Amendment 2014 (Chapter 50 of Singapore), indirect investors who hold the Company's shares through a nominee company or custodian bank or through a CPF agent bank may attend and vote at the Annual General Meeting.

*Website*

The Company's website www.ltcgroup.com.sg is another channel to update the shareholders of the Group's projects and activities.

*Separate Resolutions*

The Board notes that there should be separate resolutions at general meetings on each substantially separate issue and supports the Code's principle regarding "bundling" of resolutions. In the event that there are resolutions which are interlinked, the Board will explain the reasons and material implications.

*Poll Voting*

To have greater transparency in the voting process, the Company has adopted the voting of all its resolutions by poll at its general meeting. The detailed voting results of each of the resolutions tabled will be announced immediately at the meeting. The total number of votes cast for or against the resolutions will be announced after the meeting via SGXNet.

*Dealing in Securities*

The Group has adopted an Internal Compliance Code on Securities Transaction ("Compliance Code") which provides guidance and internal regulation with regards to the Company's securities by its Directors and officers. These guidelines prohibit dealing in the Company's securities while in possession of unpublished material price–sensitive information in relation to such securities and during the "close period", which is defined as 2 weeks before the date of announcement of results for each of the first 3 quarters of the Company's financial year and one month before the date of announcement of the full year financial results.

The Compliance Code discourages all Directors and officers of the Group to deal in securities on short–term considerations.

*Dividend Policy*

The Company does not have a formal dividend policy. The form, frequency and amount of dividends will depend on the Group's earnings, financial position, results of operations, capital needs, plans for expansion, and others as the Board may deem appropriate.

## INTERESTED PERSON TRANSACTIONS

The aggregate value of IPT entered into during the financial period under review pursuant to the Shareholders' Mandate obtained under Chapter 9 of the Listing Manual were as follows:

| Name of interested person | Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under Shareholders' Mandate pursuant to Rule 920) $'000 | Aggregate value of all interested person transactions conducted under Shareholders' Mandate pursuant to Rule 920 (excluding transactions less than $100,000) $'000 |
|---|---|---|
| Antara Steel Mills Sdn Bhd | – | 9,920 |
| Amsteel Mills Marketing Sdn Bhd | – | 1,886 |

# FINANCIAL STATEMENTS

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of LTC Corporation Limited (the "Company") and its subsidiary companies (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 30 June 2018.

## Opinion of the directors

In the opinion of the directors,

(a) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2018 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and

(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:

| | |
|---|---|
| Cheng Theng Kee | (Chairman) |
| Cheng Yong Liang | (Managing Director) |
| Dato' Mazlan Bin Dato' Seri Harun | |
| Ong Teong Wan | |
| Chay Yee | |

## Arrangements to enable directors to acquire shares and debentures

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

## Directors' interests in shares and debentures

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Chapter 50, an interest in shares and share options of the Company and its related corporation, as stated below:

| | Direct interest | | | Deemed interest | | |
|---|---|---|---|---|---|---|
| **Name of Directors** | **At beginning of the year** | **At end of the year** | **At 21 July 2018** | **At beginning of the year** | **At end of the year** | **At 21 July 2018** |
| ***Ordinary shares of the Company*** | | | | | | |
| Cheng Theng Kee | 300,000 | – | – | 34,000 | – | – |
| Cheng Yong Liang | 150,000 | – | – | – | – | – |

### Directors' interests in shares and debentures (cont'd)

| Name of Directors | Direct interest<br>At beginning of the year | <br>At end of the year | <br>At 21 July 2018 | Deemed interest<br>At beginning of the year | <br>At end of the year | <br>At 21 July 2018 |
|---|---|---|---|---|---|---|
| ***Ordinary shares of the immediate holding company*** | | | | | | |
| Cheng Yong Liang | – | 1 | 1 | – | – | – |
| ***Ordinary shares of the ultimate holding company*** | | | | | | |
| Cheng Yong Liang | – | 182,220 | 182,220 | – | – | – |

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

### Share options

During the financial year, there were:

(i) no options granted by the Company to any person to take up unissued shares in the Company; and

(ii) no shares issued by virtue of any exercise of option to take up unissued shares of the Company.

As at the end of the financial year, there were no unissued shares of the Company under option.

### Audit Committee

The Audit Committee comprises the following members:

| | |
|---|---|
| Ong Teong Wan (Chairman) | (Non–executive and independent director) |
| Chay Yee | (Non–executive and independent director) |
| Dato' Mazlan Bin Dato' Seri Harun | (Non–executive and independent director) |

The Audit Committee carries out its functions in accordance with Section 201B (5) of the Singapore Companies Act, Chapter 50, including a review of the financial statements of the Company and of the Group for the financial year and the Auditor's report thereon.

Pursuant to Rule 1207(6) of the Listing Manual of Singapore Exchange Securities Trading Limited, the Committee has conducted an annual review of the non–audit services provided by its external auditors to satisfy itself that the nature and extent of such services will not prejudice the independence of the external auditors. It has recommended to the Board of directors the nomination of Ernst & Young LLP as external auditors at the forthcoming Annual General Meeting of the Company.

The functions performed are detailed in the Report on Corporate Governance.

### Auditor

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

On behalf of the board of directors:

| | |
|---|---|
| **Cheng Theng Kee**<br>Director | **Cheng Yong Liang**<br>Director |

Singapore
3 October 2018

## Report on the audit of the financial statements

### Opinion

We have audited the financial statements of LTC Corporation Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 30 June 2018, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore (the "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 30 June 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

### Basis for Opinion

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

## Key Audit Matters

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

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

***Equity accounting for joint venture companies***

As at 30 June 2018, the carrying value of the investment in the Group's joint venture companies amounted to $36.6 million, representing 18% of non–current assets and 11% of total assets of the Group. The Group accounts for its joint venture companies using the equity method. The joint venture companies have different financial year–ends and accounting policies. Management judgment is required to ensure the completeness and accuracy of the management accounts used for consolidation at each reporting period and that appropriate adjustments are made to align with the Group accounting policies. Given the significant carrying amount of the joint venture companies as at 30 June 2018, we determined the equity accounting for investments in joint venture companies to be a key audit matter.

## Key Audit Matters (cont'd)

***Equity accounting for joint venture companies (cont'd)***

As part of our audit procedures, we reviewed the equity accounting workings and adjustments prepared by management to align the financial reporting periods of the joint venture companies by comparing them to the financial statements of the relevant joint venture companies, and assessed if effects of the transactions between the Group and joint ventures for the financial year are properly reflected. We also evaluated the significant accounting policies of the joint venture companies to ensure alignment with the group accounting policy. We assessed the financial results of the joint venture companies through our involvement in the work of the component auditors. We discussed with component auditors on the significant risks of misstatements identified, and reviewed the nature, timing and extent of audit procedures performed to address these risks. In addition, we also assessed the adequacy of the disclosure on the Group's investment in joint venture companies in Note 7 to the financial statements.

***Impairment assessment of investment in USP Equity Sdn Bhd ("USP Equity")***

As at 30 June 2018, the carrying value of the Group's investment in USP Equity, a joint venture company, amounted to $23.3 million. This includes goodwill and intangible assets on acquisition of $3.9 million and $5.2 million respectively. The recoverability of the investment in USP Equity is assessed based on its future projected cash flows, which is dependent on a number of factors including the strength of the economy in Malaysia, government policies, future outlook of the retail industry and consumer's demand. Accordingly, we determined this to be a key audit matter.

As part of our audit procedures, we discussed with the Group's management to obtain an understanding of the business plans and the impact of future market conditions in Malaysia's retail sector on USP Equity's business. We reviewed the discounted cash flow projection used in determining the recoverable value by testing the reasonableness of the revenue and profitability forecast of the retail department store owned by USP Equity by considering historical earnings profile and expected future growth based on our understanding of the business. On the other key inputs and assumptions such as terminal growth rate and discount rate, we involved our internal specialist in testing the reasonableness.

Further, we assessed the adequacy of the disclosures in Note 7 to the financial statements relating to impairment on investment in joint venture.

***Assessment of purchase price allocation for the acquisition of Regata Maju Sdn Bhd ("Regata Maju")***

In July 2017, the Group acquired 40% interest in Regata Maju, a joint venture company, for RM25.9 million (equivalent to $8.2 million). Details of the Purchase Price Allocation ("PPA") are disclosed in Note 7 to the financial statements.

Due to the quantitative materiality of the acquisition and the significant management judgement involved in the PPA, which include the identification of the acquired assets and liabilities and their respective fair values, we have determined it to be a key audit matter.

Management has completed the PPA by engaging an external specialist to assist in the determination of the fair values of the assets and liabilities acquired. As part of our audit procedures, we read the share purchase agreement and joint venture agreement to verify consideration paid, and understand the structure of the acquisition and their key terms.

We involved our internal valuation specialist in reviewing the valuation methodologies, key assumptions and inputs used by management and their specialist in the identification and fair valuation of the acquired assets and liabilities. We discussed with the external specialist to assess the reasonableness of valuation method, assumptions and inputs applied and understand their basis of conclusion arrived in the valuation report. We also considered the competency, capabilities and objectivity of the external specialist by reference to their qualification and experience.

Further, we assess the adequacy of the related disclosures in Notes 3.2 (h) and 7 to the financial statements.

## Key Audit Matters (cont'd)

***Valuation of provision for onerous contracts***

As at 30 June 2018, the Group recognised provision for onerous contracts amounting to $0.8 million due to certain contracted selling prices of steel being lower than the average cost of inventory. The Group contracted with customers to supply steel at a fixed price. The timing of supply of steel is determined by the customer over an agreed period. Significant management judgment is required to estimate the amount of provision for onerous contract as this is dependent on market prices for steel, length of contract period, volume committed by the Group and its corresponding draw down date. Accordingly, we identified this as a key audit matter.

We assessed the Group's process for the identification of onerous contracts and tested the completeness against open sales order, available inventories, underlying contracts, and board resolutions and minutes. We compared the forecasted market price of steel products to information published by industry's regulator. We evaluated management's assessment for the mismatches in contracted price and volume between the Group's committed supply contracts and sales contracts and the unavoidable costs in meeting the obligations under these contracts.

We further assessed the adequacy of the Group's disclosures on provision for onerous contracts in Notes 2.21, 3.2(e), 23 and 38(iii) to the financial statements.

***Valuation of investment properties***

As at 30 June 2018, the Group's investment properties carried at fair value amounted to $118.0 million. The investment properties used as industrial buildings is the single largest category of assets on the balance sheet, representing 56% and 35% of non–current assets and total assets, respectively.

The Group engaged an independent valuation specialist to determine the fair value using capitalisation method, and applied the sales comparison method to supplement the assessed value. The valuation using capitalisation method is dependent on estimates and assumptions such as capitalisation and yield rates. For sales comparison method, specialist judgements are required as the recently transacted price of comparable properties are adjusted for differences in location, size, existing use, age and condition of the comparable properties.

Given the magnitude of investment properties and the complexity and judgment involved in their valuation, we have identified this as a key audit matter.

As part of our audit procedures, we assessed the objectivity, capabilities and competency of the valuation specialist. We held discussions with the specialist to understand the appropriateness of valuation methodologies used in the valuations and results of their work. We assessed the reasonableness of the key inputs and assumptions supporting the valuation, by comparing to historical rates, available industry comparative data and market factors such as expected vacancy rates.

We also assessed the adequacy of the related disclosures in Notes 2.7, 3.2(f), 4 and 42(D) of the financial statements.

## 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 regard.

## Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and the 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 the SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

### Report on Other Legal and Regulatory Requirements

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

The engagement partner on the audit resulting in this independent auditor's report is Low Bek Teng.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

3 October 2018

# BALANCE SHEETS

AS AT 30 JUNE 2018

| | Note | Group 2018 $'000 | Group 2017 $'000 | Company 2018 $'000 | Company 2017 $'000 |
|---|---|---|---|---|---|
| **Non–current assets** | | | | | |
| Investment properties | 4 | 118,000 | 118,000 | – | – |
| Property, plant and equipment | 5 | 25,856 | 27,300 | – | – |
| Subsidiary companies | 6 | – | – | 130,170 | 130,170 |
| Due from subsidiary companies | 16 | – | – | 45,835 | 48,492 |
| Joint venture companies | 7 | 36,631 | 22,237 | – | – |
| Associated company | 8 | 6,861 | 7,162 | – | – |
| Long–term investments | 9 | 4,678 | 4,780 | 380 | 380 |
| Properties under development | 10 | 15,699 | 14,128 | – | – |
| Deferred tax assets | 11 | 71 | 327 | – | – |
| | | 207,796 | 193,934 | 176,385 | 179,042 |
| **Current assets** | | | | | |
| Completed properties held for sale | 12 | 13,878 | 13,279 | – | – |
| Inventories | 13 | 45,046 | 50,225 | – | – |
| Prepayments | | 92 | 89 | 1 | 1 |
| Trade debtors | 14 | 26,926 | 19,482 | – | – |
| Other debtors | 15 | 364 | 1,222 | – | – |
| Due from subsidiary company | 16 | – | – | 3 | 1,005 |
| Due from related parties | 17 | 107 | 1,475 | – | – |
| Tax recoverable | | 1,252 | 585 | – | – |
| Derivatives | 42 | 128 | – | – | – |
| Fixed deposits | 18 | 26,196 | 33,915 | 1,000 | – |
| Cash and bank balances | 18 | 15,123 | 14,939 | 85 | 26 |
| | | 129,112 | 135,211 | 1,089 | 1,032 |
| **Current liabilities** | | | | | |
| Trade creditors | 19 | 27,658 | 28,480 | – | – |
| Other creditors | 20 | 3,710 | 3,405 | 310 | 222 |
| Due to related parties | 21 | 295 | 1,190 | 10 | 20 |
| Interest–bearing loans and borrowings | 22 | 15 | 6 | – | – |
| Provisions | 23 | 803 | 1,173 | – | – |
| Derivatives | 42 | – | 75 | – | – |
| Provision for taxation | | 2,240 | 540 | – | – |
| | | 34,721 | 34,869 | 320 | 242 |
| **Net current assets** | | 94,391 | 100,342 | 769 | 790 |
| **Non–current liabilities** | | | | | |
| Trade creditors | 19 | 580 | 1,060 | – | – |
| Due to subsidiary companies | 24 | – | – | 22,254 | 21,123 |
| Deferred tax liabilities | 11 | 3,206 | 3,612 | – | – |
| | | 3,786 | 4,672 | 22,254 | 21,123 |
| **Net assets** | | 298,401 | 289,604 | 154,900 | 158,709 |
| **Equity attributable to owners of the Company** | | | | | |
| Share capital | 25 | 150,113 | 150,113 | 150,113 | 150,113 |
| Capital reserve | 26 | 6,639 | 6,354 | – | – |
| Exchange translation reserve | 26 | (29,222) | (34,253) | – | – |
| Accumulated profits | | 133,086 | 132,317 | 4,787 | 8,596 |
| | | 260,616 | 254,531 | 154,900 | 158,709 |
| **Non–controlling interests** | | 37,785 | 35,073 | – | – |
| | | 298,401 | 289,604 | 154,900 | 158,709 |

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

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

| | Note | 2018<br>$'000 | 2017<br>$'000 |
|---|---|---|---|
| **Revenue** | 27 | 129,208 | 134,106 |
| Cost of sales | 28 | (111,558) | (111,537) |
| **Gross profit** | | 17,650 | 22,569 |
| Other income | 29 | 1,057 | 888 |
| Selling and distribution expenses | | (1,240) | (1,354) |
| Administrative expenses | | (10,527) | (9,229) |
| Other operating income | 31 | 385 | 1,586 |
| Share of results of joint venture companies | | (144) | (849) |
| Share of results of associated company | | (265) | 396 |
| Fair value changes in investment properties | 4 | (109) | (799) |
| **Operating profit** | | 6,807 | 13,208 |
| Finance income | 30 | 438 | 637 |
| Finance costs | 30 | (714) | (798) |
| **Profit before taxation** | 32 | 6,531 | 13,047 |
| Taxation | 34 | (1,900) | (2,222) |
| **Profit for the financial year** | | 4,631 | 10,825 |
| **Other comprehensive income** | | | |
| *Items that will not be reclassified subsequently to profit or loss:* | | | |
| Net surplus on revaluation of industrial buildings | | 774 | – |
| *Items that may be reclassified subsequently to profit or loss:* | | | |
| Other capital reserve | | (102) | 129 |
| Exchange differences on consolidation | | 4,977 | (4,089) |
| Share of other comprehensive income of associated company | | 82 | (9) |
| **Other comprehensive income/(expense), net of tax** | | 5,731 | (3,969) |
| **Total comprehensive income for the financial year** | | 10,362 | 6,856 |
| **Profit for the year attributable to:** | | | |
| Owners of the Company | | 2,334 | 8,470 |
| Non–controlling interests | | 2,297 | 2,355 |
| | | 4,631 | 10,825 |
| **Total comprehensive income attributable to:** | | | |
| Owners of the Company | | 7,650 | 4,556 |
| Non–controlling interests | | 2,712 | 2,300 |
| | | 10,362 | 6,856 |
| **Earnings per share attributable to owners of the Company (cents per share)** | | | |
| – Basic and diluted | 35 | 1.5 | 5.4 |

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

| | Attributable to owners of the Company | | | | | | |
|---|---|---|---|---|---|---|---|
| | Share capital | Capital reserve | Exchange translation reserve | Accumulated profits | Equity attributable to owners of the Company | Non–controlling interests | Total equity |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Group** | | | | | | | |
| **Balance as at 30 June 2016 and 1 July 2016** | 150,113 | 6,225 | (30,210) | 125,411 | 251,539 | 34,525 | 286,064 |
| Profit for the financial year | – | – | – | 8,470 | 8,470 | 2,355 | 10,825 |
| Other comprehensive income for the financial year | | | | | | | |
| Other capital reserve | – | 129 | – | – | 129 | – | 129 |
| Exchange differences on consolidation | – | – | (4,034) | – | (4,034) | (55) | (4,089) |
| Share of other comprehensive income of associated company | – | – | (9) | – | (9) | – | (9) |
| Total comprehensive income/(loss) for the financial year | – | 129 | (4,043) | 8,470 | 4,556 | 2,300 | 6,856 |
| Dividends paid | – | – | – | (1,564) | (1,564) | – | (1,564) |
| Dividends paid to non–controlling shareholder of a subsidiary company | – | – | – | – | – | (1,752) | (1,752) |
| Balance as at 30 June 2017 | 150,113 | 6,354 | (34,253) | 132,317 | 254,531 | 35,073 | 289,604 |
| **Balance as at 30 June 2017 and 1 July 2017** | 150,113 | 6,354 | (34,253) | 132,317 | 254,531 | 35,073 | 289,604 |
| Profit for the financial year | – | – | – | 2,334 | 2,334 | 2,297 | 4,631 |
| Other comprehensive income for the financial year | | | | | | | |
| Other capital reserve | – | (102) | – | – | (102) | – | (102) |
| Revaluation of industrial buildings | – | 387 | – | – | 387 | 387 | 774 |
| Exchange differences on consolidation | – | – | 4,949 | – | 4,949 | 28 | 4,977 |
| Share of other comprehensive income of associated company | – | – | 82 | – | 82 | – | 82 |
| Total comprehensive income for the financial year | – | 285 | 5,031 | 2,334 | 7,650 | 2,712 | 10,362 |
| Dividends paid | – | – | – | (1,565) | (1,565) | – | (1,565) |
| Balance as at 30 June 2018 | 150,113 | 6,639 | (29,222) | 133,086 | 260,616 | 37,785 | 298,401 |

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

# STATEMENTS OF CHANGES IN EQUITY

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

| | Share capital | Accumulated profits | Total |
|---|---|---|---|
| | $'000 | $'000 | $'000 |
| **Company** | | | |
| **Balance as at 1 July 2016** | 150,113 | 8,393 | 158,506 |
| Profit for the financial year | – | 1,767 | 1,767 |
| Total comprehensive income for the financial year | – | 1,767 | 1,767 |
| Dividends paid | – | (1,564) | (1,564) |
| **Balance as at 30 June 2017 and 1 July 2017** | 150,113 | 8,596 | 158,709 |
| Loss for the financial year | – | (2,244) | (2,244) |
| Total comprehensive income for the financial year | – | (2,244) | (2,244) |
| Dividends paid | – | (1,565) | (1,565) |
| **Balance as at 30 June 2018** | 150,113 | 4,787 | 154,900 |

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

# CONSOLIDATED CASH FLOW STATEMENT

**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

| | Note | 2018 | 2017 |
|---|---|---|---|
| | | $'000 | $'000 |
| **Cash flows from operating activities:** | | | |
| Profit before tax | | 6,531 | 13,047 |
| Adjustments for: | | | |
| Fair value changes in investment properties | | 109 | 799 |
| Depreciation of property, plant and equipment | | 2,792 | 2,874 |
| Write–back of provision for foreseeable loss | 31 | (252) | – |
| Write–back of impairment of property under development | 31 | (333) | – |
| Dividend income from long–term investments | 27/29 | (96) | (68) |
| Write–back of provision for inventories obsolescence | 28 | – | (53) |
| (Write–back)/provision for onerous contracts | 28 | (152) | 775 |
| Interest income | | (438) | (637) |
| Gain on disposal of property, plant and equipment | 29 | (102) | (122) |
| Finance and related costs | | 738 | 841 |
| Write–back for impairment of completed properties | 31 | – | (2,101) |
| Write–back of allowance for doubtful debts, net | 32 | – | (27) |
| Gain on fair value changes on derivatives | 32 | (203) | (127) |
| Share of results of joint venture company | | 144 | 849 |
| Share of results of associated company | | 265 | (396) |
| **Operating cash flows before changes in working capital** | | 9,003 | 15,654 |
| Decrease/(increase) in inventories | | 5,179 | (10,460) |
| Increase in debtors and prepayments | | (6,589) | (3,879) |
| (Decrease)/increase in creditors | | (997) | 5,207 |
| Increase in properties under development | | (490) | (1,605) |
| Decrease in completed properties held for sale | | 104 | 16,166 |
| Currency realignment | | 414 | (960) |
| **Cash flows from operations** | | 6,624 | 20,123 |
| Interest paid | | (706) | (693) |
| Income taxes paid | | (1,175) | (1,843) |
| **Net cash flows generated from operating activities** | | 4,743 | 17,587 |
| **Cash flows from investing activities:** | | | |
| Interest received | | 438 | 637 |
| Dividend received from long–term investments | 27/29 | 96 | 68 |
| Capital expenditure on investment properties | 4 | (109) | (154) |
| Proceeds from disposal of property, plant and equipment | | 102 | 122 |
| Purchase of property, plant and equipment | 5 | (390) | (960) |
| Investment in joint venture company | | (8,238) | – |
| Loan to joint venture company | | (4,558) | – |
| Loan repayment from associated company | | 117 | 2,122 |
| Dividends received from joint venture company | | 166 | – |
| **Net cash flows (used in)/generated from investing activities** | | (12,376) | 1,835 |

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

# CONSOLIDATED CASH FLOW STATEMENT

**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

| | Note | 2018 | 2017 |
|---|---|---|---|
| | | $'000 | $'000 |
| **Cash flows from financing activities:** | | | |
| Repayment of finance lease obligations | | (6) | (56) |
| Withdrawal of deposits | | – | 78 |
| Settlement of interest rate swap | | (32) | (148) |
| Increase/(decrease) in amounts due to related parties | | 107 | (346) |
| Decrease/(increase) in amounts due from related parties | | 1,368 | (1,080) |
| Dividend paid to non–controlling shareholder of a subsidiary company | | (1,002) | (750) |
| Dividend paid | 36 | (1,565) | (1,564) |
| **Net cash flows used in financing activities** | | (1,130) | (3,866) |
| **Net (decrease)/increase in cash and cash equivalents** | | (8,763) | 15,556 |
| Effect of exchange rate changes on cash and cash equivalents | | 1,228 | (1,012) |
| Cash and cash equivalents at beginning of financial year | | 48,854 | 34,310 |
| **Cash and cash equivalents at end of financial year** | 18 | 41,319 | 48,854 |

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

## 1. Corporate information

LTC Corporation Limited (the "Company") is a limited liability company incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited ("SGX–ST"). Subsequent to the closure of the voluntary conditional cash offer for all the shares of the Company on 25 June 2018, Mountbatten Enterprises Pte. Ltd. owns 88.44% equity interest in the Company. The immediate and ultimate holding companies of the Company are Mountbatten Enterprises Pte. Ltd. and Lion Investment (Singapore) Pte. Ltd., respectively.

On 7 September 2018, the Company and Mountbatten Resources Pte. Ltd. (the "Offeror") had announced that the Offeror had presented to the directors of LTC a proposal to seek the privatisation of LTC by way of a voluntary delisting from the Official List of the SGX–ST.

The registered office and principal place of business of the Company is located at 10 Arumugam Road #10–00, LTC Building A, Singapore 409957.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiary, joint venture and associated companies are disclosed in Note 40.

## 2. Summary of significant accounting policies

### 2.1 *Basis of preparation*

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

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

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

Convergence with International Financial Reporting Standards

For annual financial period beginning on or after 1 January 2018, Singapore–incorporated companies listed on the Singapore Exchange will apply Singapore Financial Reporting Standards (International) ("SFRS(I)"), a new financial reporting framework identical to the International Financial Reporting Standards. The Group will adopt SFRS(I) on 1 July 2018.

Other than the effects described in Note 2.3, the Group expects that the adoption of the new financial reporting framework will have no material impact on the financial statements in the year of initial application.

### 2.2 *Changes in accounting policies*

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 July 2017, including the Amendments to FRS 7 Disclosure Initiative. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

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

### 2.3 *Standards issued but not yet effective*

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

| **Description** | **Effective for annual periods beginning on or after** |
|---|---|
| Amendments to FRS 110 & FRS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* | Date to be determined |
| Amendments to FRS 28 *Investments in Associated Company and Joint Venture Companies* | 1 July 2018 |
| Amendments to FRS 40 *Transfers of Investment Property* | 1 July 2018 |
| FRS 115 *Revenue from Contracts with Customers* | 1 July 2018 |
| FRS 109 *Financial Instruments* | 1 July 2018 |
| Amendments to FRS 115 *Clarifications to FRS 115 Revenue from Contracts with Customers* | 1 July 2018 |
| Amendments to FRS 102 *Classifications and Measurement of Share–Based Payment Transaction* | 1 July 2018 |
| Amendments to FRS 40 *Transfers of Investment Property* | 1 July 2018 |
| Amendments to FRS 104 Apply FRS 109 *Financial Instruments with FRS 104 Insurance Contracts* | 1 July 2018 |
| FRS 116 *Leases* | 1 July 2019 |

As disclosed in Note 2.1, the Group will adopt SFRS(I) on 1 July 2018. Upon adoption of SFRS(I) on 1 July 2018, the SFRS(I) equivalent of the above standards that are effective on 1 July 2018 will be adopted at the same time.

The directors expect that the adoption of the SFRS(I) equivalent of the above standards will have no material impact on the financial statements in the period of initial application except as discussed below:

FRS 115 *Revenue from Contracts with Customers*

FRS 115 establishes a five–step model that will apply to revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in FRS 115 provide a structured approach to measuring and recognising revenue when the promised goods and services are transferred to the customer i.e. when performance obligations are satisfied.

Key issues for the Group include identifying performance obligations, accounting for contract modifications, applying the constraint to variable consideration, evaluating significant financing components, measuring progress toward satisfaction of a performance obligation, recognising contract cost assets and addressing disclosure requirements.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 July 2018 with early adoption permitted. The Group has performed a preliminary impact assessment of adopting FRS 115 based on currently available information. The Group does not expect any significant impact to arise from these changes. This assessment may be subject to changes arising from ongoing analysis, until the Group adopts FRS 115 in 2018.

FRS 109 *Financial Instruments*

FRS 109 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting and is effective for annual periods beginning on or after 1 July 2018. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model.

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

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

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

FRS 109 *Financial Instruments* (cont'd)

The Group has performed a preliminary impact assessment of adopting FRS 109 based on currently available information. This assessment may be subject to changes arising from ongoing analysis, until the Group adopts FRS 109 in 2018.

*Classification and measurement*

The Group will continue to measure its quoted equity investments at fair value through other comprehensive income ("FVOCI"). The Group currently measures its unquoted equity investments and other investments at cost. Under FRS 109, the Group will elect to measure its currently unquoted equity investments and other investments amounting to $3,878,000 at fair value through other comprehensive income. The impairment loss of $148,000 previously recognised in profit or loss will be adjusted against revenue reserve when the Group applies FRS109.

FRS 116 *Leases*

FRS 116 requires lessees to recognise for most leases, a liability to pay rentals with a corresponding asset, and recognise interest expense and depreciation separately. FRS 116 is effective for annual periods beginning on or after 1 July 2019.

The Group is currently assessing the impact of the new standard and plans to adopt the new standard on the required effective date.

### 2.4 *Basis of consolidation and business combinations*

*Basis of consolidation*

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

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

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

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

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

– de–recognises the assets (including goodwill) and liabilities of the subsidiary company at their carrying amounts at the date when control is lost;

– de–recognises the carrying amount of any non–controlling interest;

– de–recognises the cumulative translation differences recorded in equity;

– recognises the fair value of the consideration received;

– recognises the fair value of any investment retained;

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

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

*Basis of consolidation (cont'd)*

– recognises any surplus or deficit in profit or loss;

– re–classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

*Business combinations and goodwill*

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

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

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

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

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

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

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

### 2.5 *Transactions with non–controlling interests*

Non–controlling interest represents the equity in subsidiary companies not attributable, directly or indirectly, to owners of the Company.

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

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

### 2.6 *Foreign currency*

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

(a) *Transactions and balances*

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

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

(b) *Consolidated financial statements*

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

### 2.7 *Investment properties*

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

Investment properties are measured initially at cost, including transaction costs.

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

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

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in Note 2.8 up to the date of change in use.

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

### 2.8 *Property, plant and equipment*

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment other than industrial buildings are measured at cost less accumulated depreciation and accumulated impairment losses. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The accounting policy for borrowing costs is set out in Note 2.23. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Industrial buildings are measured at fair value less accumulated depreciation and impairment losses recognised after the date of the revaluation. Valuations are performed by an independent professional valuer at least once every five years to ensure that the carrying amount does not differ materially from the fair value of the industrial buildings at the balance sheet date.

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

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The revaluation surplus included in the capital reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset. Depreciation of an asset begins when it is available for use and is computed on a straight–line basis over the estimated useful life of the asset as follows:

| | | |
|---|---|---|
| Industrial buildings | – | Over period of the lease (ranging 5 to 60 years) |
| Plant and machinery | – | 3 – 10 years |
| Renovation | – | 5 – 10 years |
| Furniture and fittings | – | 5 – 10 years |
| Office equipment | – | 5 – 10 years |
| Electrical fittings | – | 3 years |
| Computers | – | 5 years |
| Motor vehicles | – | 5 – 10 years |

Assets under construction (or construction in progress) are not depreciated as these assets are not yet available for use. The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The residual value, useful life and depreciation method are reviewed at each financial year–end, and adjusted prospectively, if appropriate.

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

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

### 2.9 *Intangible assets*

*Goodwill*

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

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

The cash–generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash–generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash–generating unit (or group of cash–generating units) to which the goodwill relates. Where the recoverable amount of the cash–generating unit is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash–generating unit and part of the operation within that cash–generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash–generating unit retained.

### 2.10 *Impairment of non–financial assets*

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

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

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

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

### 2.11 *Subsidiary companies*

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

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

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

### 2.12 *Joint arrangements*

A joint arrangement is a contractual arrangement whereby two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint arrangement is classified either as joint operation or joint venture, based on the rights and obligations of the parties to the arrangement.

To the extent the joint arrangement provides the Group with rights to the assets and obligations for the liabilities relating to the arrangement, the arrangement is a joint operation. To the extent the joint arrangement provides the Group with rights to the net assets of the arrangement, the arrangement is a joint venture.

***Joint venture companies***

The Group recognises its interest in joint venture companies as an investment and accounts for the investment using the equity method. The accounting policy for investment in joint venture companies is set out in Note 2.13.

### 2.13 *Joint venture companies and associated company*

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

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

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

Under the equity method, the investment in associated company or joint venture companies is carried in the balance sheet at cost plus post–acquisition changes in the Group's share of net assets of the associated company or joint venture companies. The profit or loss reflects the share of results of the operations of the associated company or joint venture companies. Distributions received from associated company or joint venture companies reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the associated company or joint venture companies, the Group recognises its share of such changes in other comprehensive income.

Unrealised gains and losses resulting from transactions between the Group and associated company or joint venture companies are eliminated to the extent of the interest in the associated company or joint venture companies.

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

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

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

### 2.13 *Joint venture companies and associated company (cont'd)*

The most recent available audited financial statements of the associated company or joint venture companies are used by the Group in applying the equity method. Where the date of the audited financial statements used is not co–terminus with that of the Group, the share of results is arrived at from the last audited financial statements available and unaudited management financial statements to the end of the financial year.

### 2.14 *Financial assets*

**Initial recognition and measurement**

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

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

**Subsequent measurement**

The subsequent measurement of financial assets depends on their classification as follows:

*Loans and receivables*

Non–derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

*Available–for–sale financial assets*

Available–for–sale financial assets include equity and debt securities. Equity investments classified as available–for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available–for–sale financial assets are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

*Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group. Derivatives, including separated embedded derivatives are also classified as held for trading.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss include exchange differences, interest and dividend income.

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

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

**De–recognition**

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On de–recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that has been recognised in other comprehensive income is recognised in profit or loss.

2.15 ***Financial liabilities***

*Initial recognition and measurement*

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

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

**Subsequent measurement**

The measurement of financial liabilities depends on their classification as follows:

*Financial liabilities carried at amortised cost*

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

*Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognised in profit or loss.

**De–recognition**

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

**Offsetting of financial instruments**

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

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

### 2.16 *Impairment of financial assets*

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

*Financial assets carried at amortised cost*

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

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

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

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

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

*Financial assets carried at cost*

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost had been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

*Available–for–sale financial assets*

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

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

### 2.16 *Impairment of financial assets (cont'd)*

*Available–for–sale financial assets (cont'd)*

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

In the case of debt instruments classified as available–for–sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increases can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed in profit or loss.

### 2.17 *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand, bank deposits and short–term, highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

### 2.18 *Development properties*

Development properties are properties held and developed for sale in the ordinary course of business, rather than held for the Group's own use, rental or capital appreciation.

Development properties are held as inventories and are stated at the lower of cost and net realisable value. The costs are assigned by using specific identification. Net realisable value of development properties represents the estimated selling price in the ordinary course of business, based on market prices at the reporting date and discounted for time value of money if material, less the estimated costs of completion and the estimated costs necessary to make the sale.

Costs of properties under development include land cost, development and construction expenditure, borrowing costs and other related expenditure. Borrowing costs payable on loans funding development properties are capitalised as cost of the development property until the date of its practical completion, which is taken to be the date of issue of the Temporary Occupation Permit ("TOP").

By reference to the stage of completion of the development property at the end of the reporting period (the percentage of completion method), costs associated with the development properties for projects under progressive payment scheme and deferred payment scheme are recognised as expenses or capitalised respectively in the period which they are incurred, when the outcome of the construction contract can be estimated reliably.

When it is probable that total development costs will exceed total revenue of the construction contract, provision for expected loss is recognised as an expense immediately. Revenue of the construction contract comprises the initial amount of revenue agreed in the contract and variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

The development property will be transferred to completed properties held for sale when it has been completed, the TOP has been obtained and it is available for sale.

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

### 2.19 *Completed properties for sale*

Completed properties are properties held and developed for sale in the ordinary course of business, rather than held for the Company's own use, rental or capital appreciation.

Completed properties held for sale are stated at the lower of cost and net realisable value. The costs are assigned by using specific identification. Net realisable value represents the estimated selling price in the ordinary course of business, based on market prices at the reporting date and discounted for time value of money if material, less the estimated costs of completion and the estimated costs necessary to make the sale.

When it is probable that total development costs will exceed total revenue of the construction contract, provision for expected loss is recognised as an expense immediately. Revenue of the construction contract comprises the initial amount of revenue agreed in the contract and variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

The costs of completed properties held for sale recognised in profit or loss on disposal are determined with reference to the specific costs incurred on the property sold and an allocation of any non–specific costs based on the relative size of the property sold.

### 2.20 *Inventories*

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- Raw materials – purchase cost on a weighted average cost formula; and
- Trading stocks (include finished goods) – cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a weighted average cost formula.

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

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

### 2.21 *Provisions*

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

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

<u>Provision for onerous contracts</u>

The Group recognises a provision for onerous contracts when the unavoidable costs of meeting the obligations under existing sales contracts exceed the economic benefits expected to be received under them. The provision has been calculated based on the estimated cost less the selling price.

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

### 2.22 *Financial guarantee*

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

Financial guarantees are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are recognised as income in profit or loss over the period of the guarantee. If it is probable that the liability will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to profit or loss.

### 2.23 *Borrowing costs*

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

### 2.24 *Employee benefits*

*Defined contribution plan*

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

*Employee leave entitlements*

Employee entitlements to annual leave are recognised as a liability when they are accrued to the employees. The estimated liability for leave is recognised for services rendered by employees up to balance sheet date.

### 2.25 *Leases*

*As lessee*

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

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight–line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight–line basis.

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

### 2.25 *Leases (cont'd)*

*As lessor*

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.26. Contingent rents are recognised as revenue in the period in which they are earned.

### 2.26 *Revenue*

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

*Sales from property development*

The Group recognised income on property development projects when the significant risks and rewards of ownership have been transferred to the purchasers.

For development projects under progressive payment scheme in Singapore, whereby the legal terms in the sale contracts result in continuous transfer of work–in–progress to the purchasers, revenue is recognised based on the percentage of completion method. Under the percentage of completion method, profit is brought into profit or loss only in respect of sales procured and to the extent that such profit relates to the progress of construction work. The progress of construction work is measured by the proportion of the construction costs incurred to date to the estimated total construction costs for each project.

For development projects under deferred payment scheme in Singapore and overseas development projects, the revenue will be recognised upon the transfer of significant risks and rewards of ownership, which generally coincides with the time the development units are delivered to the purchasers.

Revenue excludes goods and services or other sale taxes and is after deduction of any trade discounts. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of unit sold.

*Sale of goods*

Revenue from the sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer which generally coincides with delivery and acceptance of the goods sold. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

*Rental and service income*

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

*Dividend income*

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

*Interest income*

Interest income is recognised using the effective interest method.

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

### 2.27 *Taxes*

(a) *Current income tax*

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

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

(b) *Deferred tax*

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

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

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

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

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

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

- In respect of deductible temporary differences associated with investments in subsidiary companies, associated company and interests in joint venture companies, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

### 2.27 *Taxes (cont'd)*

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

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

(c) *Sales tax*

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

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

– Receivables and payables that are stated with the amount of sales tax included.

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

### 2.28 *Share capital and share issuance expenses*

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

### 2.29 *Contingencies*

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non–occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

(i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) The amount of the obligation cannot be measured with sufficient reliability.

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

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

## 3. Significant accounting estimates and judgments

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

### 3.1 *Judgments made in applying accounting policies*

The management has not made any significant judgments in applying accounting policies that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period.

### 3.2 *Key sources of estimation uncertainty*

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

(a) *Useful lives of property, plant and equipment*

Property, plant and equipment are depreciated on a straight–line basis over their useful lives. Management estimates the useful lives of these property, plant and equipment to be between 3 to 60 years. The carrying amount of the Group's property, plant and equipment at 30 June 2018 was $25,856,000 (2017: $27,300,000). Changes in the expected level of usage could impact the economic useful lives and the residual values of these assets. As a result, future depreciation charges could be revised. A 5% difference in the expected useful lives of these assets from management's estimates would result in approximately 2% or $133,000 (2017: 1.1% or $137,000) variance in the Group's profit before taxation.

(b) *Income taxes*

The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authority in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the timing and level of future taxable profits together with the future tax planning strategies. Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised.

The carrying amount of the Group's provision for taxes and tax recoverable at 30 June 2018 was $2,240,000 (2017: $540,000) and $1,252,000 (2017: $585,000) respectively. The carrying amount of the Group›s deferred tax assets and deferred tax liabilities at 30 June 2018 was $71,000 (2017: $327,000) and $3,206,000 (2017: $3,612,000) respectively.

## 3. Significant accounting estimates and judgments (cont'd)

### 3.2 *Key sources of estimation uncertainty (cont'd)*

(c) *Impairment of loans and receivables*

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. In determining whether there is objective evidence of impairment, the Group considers whether there is observable data indicating that there have been significant changes in the debtor's payment ability or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the balance sheet date is disclosed in Note 42 to the financial statements.

(d) *Impairment of non–financial assets*

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

The Group assesses whether there are any indicators of impairment for all non–financial assets at the end of each reporting period.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash–generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

(e) *Provision for onerous contracts*

The Group recognises a provision for onerous contracts when the unavoidable costs of meeting the obligations under existing sales contracts exceed the economic benefits to be received under them. In determining the amount of the provision, assumptions and estimates are made in relation to the costs necessary to meet the obligations. The carrying amount of the Group's provision for onerous contracts at the end of the reporting period is disclosed in Note 23 to the financial statements.

(f) *Valuation of investment properties*

The Group measures its investment properties at fair value, with changes in fair values being recognised in profit or loss. The Group engaged real estate independent valuation specialist to assess fair value as at 30 June 2018. The fair value of investment properties is determined by valuation specialist using recognised valuation techniques. These valuation techniques comprise capitalisation method, and the sales comparison method to supplement the assessed value. The key inputs and assumptions used to determine the fair value of these investment properties and sensitivity analysis are provided in Note 4 and Note 42(D) respectively. The carrying amount of the investment properties carried at fair value as at 30 June 2018 is $118,000,000 (2017: $118,000,000).

## 3. Significant accounting estimates and judgments (cont'd)

### 3.2 *Key sources of estimation uncertainty (cont'd)*

(g) *Valuation of industrial buildings*

The Group measures its industrial buildings at fair value, with changes in fair values being recognised in other comprehensive income. The Group engaged real estate independent valuation specialist to assess fair value as at 30 June 2018. The fair value of the industrial buildings is determined by valuation specialist using recognised valuation technique. The valuation technique used is comparable sales method. The key inputs and assumptions used to determine the fair value of these industrial buildings are provided in Note 5 and Note 42(C) respectively. The carrying amount of the industrial buildings carried at fair value as at 30 June 2018 is $18,890,000 (2017: $19,250,000).

(h) *Purchase price allocation review*

The Group has exercised significant judgement regarding the allocation of the purchase price to the assets acquired, including judgement made relating to the accounting for acquisition of 50% interest in USP Equity Sdn Bhd ("USP Equity") and 40% interest in Regata Maju Sdn Bhd ("Regata Maju"), and identification of intangible assets during the purchase price allocation.

In addition, purchase price accounting requires extensive use of accounting estimate to allocate the purchase price to the fair market values of the assets and liabilities purchased. Significant accounting estimates have been made to determine the fair value of intangible assets identified.

The purchase price allocation exercise was completed within one year from the respective date of acquisition, and the embedded goodwill in the carrying amount of the Group's investment in joint venture companies is disclosed in Note 7.

## 4. Investment properties

| | Group | |
|---|---|---|
| | **2018** | **2017** |
| | $'000 | $'000 |
| **Balance sheet:** | | |
| At 1 July | 118,000 | 118,000 |
| Additions | 109 | 154 |
| Transfer from property, plant and equipment (Note 5) | – | 645 |
| Net loss from fair value adjustment recognised in profit or loss | (109) | (799) |
| At 30 June | 118,000 | 118,000 |
| **Consolidated statement of comprehensive income:** | | |
| Rental and service income from investment properties | 7,657 | 7,803 |
| Direct operating expenses (including repairs and maintenance) arising from: | | |
| – Rental generating properties | 197 | 232 |
| – Non–rental generating properties | 7 | 8 |

## 4. Investment properties (cont'd)

The details of the Group's investment properties are as follows:

| | Location | Tenure of land | Approximate lettable area | Description and existing use |
|---|---|---|---|---|
| (i) | 10 Arumugam Road Singapore 409957 | Freehold | 4,970 sq.m. | LTC Building A / Industrial |
| (ii) | 12 Arumugam Road Singapore 409958 | Freehold | 8,500 sq.m. | LTC Building B / Industrial |
| (iii) | 14 Arumugam Road Singapore 409959 | Freehold | 8,630 sq.m. | LTC Building C / Industrial |
| (iv) | 16 Arumugam Road Singapore 409961 | Freehold | 5,031 sq.m. | LTC Building D / Industrial |

Valuation of investment properties

Investment properties are stated at fair value, which has been determined based on valuation at the end of reporting period. Valuations are performed by Knight Frank Pte Ltd an independent valuer with a recognised and relevant professional qualification and with recent experience in the location and category of the properties being valued.

Details of valuation techniques and inputs used are disclosed in Note 42.

## 5. Property, plant and equipment

| | At valuation | At cost | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Group | Industrial buildings | Plant and machinery | Reno–vation | Furniture and fittings | Office equipment | Electrical fittings | Computers | Motor vehicles | Construction in progress | Total |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Cost or valuation:** | | | | | | | | | | |
| At 1 July 2016 | 22,000 | 12,935 | 1,335 | 284 | 745 | 219 | 643 | 1,699 | 621 | 40,481 |
| Additions | – | 446 | – | 2 | 22 | – | 4 | 462 | 24 | 960 |
| Disposals | – | – | – | – | – | – | (29) | (347) | – | (376) |
| Transfer to investment properties | – | – | – | – | – | – | – | – | (645) | (645) |
| Currency alignment | – | – | (9) | – | (2) | (3) | – | (3) | – | (17) |
| At 30 June 2017 and 1 July 2017 | 22,000 | 13,381 | 1,326 | 286 | 765 | 216 | 618 | 1,811 | – | 40,403 |
| Additions | – | 13 | 36 | 2 | 13 | – | 1 | 345 | – | 410 |
| Disposals | – | – | – | – | – | – | – | (333) | – | (333) |
| Revaluation surplus | 932 | – | – | – | – | – | – | – | – | 932 |
| Elimination of accumulated depreciation on revaluation | (3,632) | – | – | – | – | – | – | – | – | (3,632) |
| Currency alignment | – | 1 | 11 | – | 2 | 2 | – | 3 | – | 19 |
| At 30 June 2018 | 19,300 | 13,395 | 1,373 | 288 | 780 | 218 | 619 | 1,826 | – | 37,799 |
| **Accumulated depreciation:** | | | | | | | | | | |
| At 1 July 2016 | 1,377 | 6,150 | 830 | 225 | 291 | 115 | 614 | 1,008 | – | 10,610 |
| Charge for the financial year | 1,377 | 989 | 71 | 16 | 66 | 53 | 13 | 289 | – | 2,874 |
| Disposals | – | – | – | – | – | – | (29) | (347) | – | (376) |
| Currency alignment | – | – | (2) | – | (1) | (1) | – | (1) | – | (5) |
| At 30 June 2017 and 1 July 2017 | 2,754 | 7,139 | 899 | 241 | 356 | 167 | 598 | 949 | – | 13,103 |
| Charge for the financial year | 1,288 | 1,001 | 73 | 17 | 60 | 22 | 10 | 321 | – | 2,792 |
| Disposals | – | – | – | – | – | – | – | (328) | – | (328) |
| Elimination of accumulated depreciation on revaluation | (3,632) | – | – | – | – | – | – | – | – | (3,632) |
| Currency alignment | – | – | 4 | – | 1 | 1 | – | 2 | – | 8 |
| At 30 June 2018 | 410 | 8,140 | 976 | 258 | 417 | 190 | 608 | 944 | – | 11,943 |
| **Net carrying amount** | | | | | | | | | | |
| At 30 June 2017 | 19,246 | 6,242 | 427 | 45 | 409 | 49 | 20 | 862 | – | 27,300 |
| At 30 June 2018 | 18,890 | 5,255 | 397 | 30 | 363 | 28 | 11 | 882 | – | 25,856 |

## 5. Property, plant and equipment (cont'd)

| | Computers 2018 | Computers 2017 |
|---|---|---|
| | $'000 | $'000 |
| **Company** | | |
| **Cost:** | | |
| At 1 July | 1 | 1 |
| Disposals | (1) | – |
| At 30 June | – | 1 |
| **Accumulated depreciation:** | | |
| As at 1 July | 1 | 1 |
| Disposals | (1) | – |
| At 30 June | – | 1 |
| **Net carrying amount** | | |
| As at 30 June | – | – |

Revaluation of industrial buildings

The Group engaged Knight Frank Pte Ltd, an independent valuer to determine the fair value of industrial buildings. The valuations were based on the comparative sales method that considers sales of similar properties that have been transacted in the open market. During the current financial year, management were of the opinion that the fair values of the industrial buildings were close approximation of the net carrying amounts of the industrial buildings.

The following are industrial buildings held by the Group:

| Location | Description | Approx. site area | Tenure of land |
|---|---|---|---|
| 20 Woodlands Loop, Singapore | Factory and office building | 11,203 sq.m. | 30–year leasehold commencing 1 October 1994, with option to renew another 30 years |
| 22 Woodlands Loop, Singapore | Plant | 9,007 sq.m. | 30–year leasehold commencing 1 September 2002 |
| 37 Senoko Drive, Singapore | Factory | 7,021 sq.m. | 6–year leasehold commencing 23 September 2014 |

If the industrial buildings were measured using the cost model, the carrying amounts would be $6,439,000 (2017: $7,286,000).

Assets held under finance leases

During the financial year ended 30 June 2018, the Group acquired property, plant and equipment with a finance lease of $20,000 (2017: $Nil). The cash outflow on acquisition of property, plant and equipment amounted to $390,000 (2017: $960,000).

The carrying amount of property, plant and equipment held under finance leases at the balance sheet date was $68,000 (2017: $514,000) respectively.

Leased assets are pledged as security for the related finance lease liabilities (Note 22).

## 5. Property, plant and equipment (cont'd)

Assets pledged as security

In addition to assets held under finance leases, property, plant and equipment with a carrying amount of $25,182,000 (2017: $26,533,000) are subject to a floating charge to secure the Group's bills payable (Note 19).

## 6. Subsidiary companies

| | Company | |
|---|---|---|
| | **2018** | **2017** |
| | $'000 | $'000 |
| Investment in shares, at cost | 130,170 | 130,170 |

Subsidiary companies are detailed in Note 40.

*Interest in subsidiary companies with material non–controlling interest (NCI)*

| Name of Subsidiary | Principal place of business | Proportion of ownership interest held by non–controlling interest | Profit allocated to NCI during the reporting period $'000 | Accumulated NCI at the end of reporting period $'000 | Dividends paid to NCI $'000 |
|---|---|---|---|---|---|
| **30 June 2018:** | | | | | |
| Angkasa Amsteel Pte. Ltd. and its subsidiary companies | Singapore | 50 less 1 share | 2,297 | 37,784 | – |
| **30 June 2017:** | | | | | |
| Angkasa Amsteel Pte. Ltd. and its subsidiary companies | Singapore | 50 less 1 share | 2,355 | 35,072 | 1,752 |

Significant restrictions:

The Group will not extend financial assistance to its subsidiary companies with material NCI nor receive such assistance from it unless such assistance is concurrently extended or received by the NCI proportionate to the respective shareholdings.

## 6. Subsidiary companies (cont'd)

_Summarised financial information about subsidiary companies with material NCI_

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

**Summarised balance sheets**

| | Angkasa Amsteel Pte. Ltd. and its subsidiary companies | |
|---|---|---|
| | **2018** | **2017** |
| | $'000 | $'000 |
| **Current** | | |
| Assets | 83,987 | 79,510 |
| Liabilities | (30,395) | (32,287) |
| Net current assets | 53,592 | 47,223 |
| **Non–current** | | |
| Assets | 25,182 | 26,533 |
| Liabilities | (3,206) | (3,612) |
| Net non–current assets | 21,976 | 22,921 |
| Net assets | 75,568 | 70,144 |

**Summarised statement of comprehensive income**

| | Angkasa Amsteel Pte. Ltd. and its subsidiary companies | |
|---|---|---|
| | **2018** | **2017** |
| | $'000 | $'000 |
| Profit before income tax | 5,392 | 5,433 |
| Income tax expense | (799) | (723) |
| Profit after tax | 4,593 | 4,710 |
| Other comprehensive income | 831 | (110) |
| Total comprehensive income | 5,424 | 4,600 |

**Other summarised information**

| | Angkasa Amsteel Pte. Ltd. and its subsidiary companies | |
|---|---|---|
| | **2018** | **2017** |
| | $'000 | $'000 |
| Net cash flows from/(used in) operations | 5,690 | (415) |
| Acquisition of significant property, plant and equipment | 330 | 469 |

## 7. Joint venture companies

| | Group 2018 $'000 | Group 2017 $'000 |
|---|---|---|
| Unquoted shares, at cost | 31,383 | 23,145 |
| Shareholders' loan | 4,739 | – |
| Share of post–acquisition reserves | (654) | (344) |
| Exchange adjustment | 1,163 | (564) |
| | 36,631 | 22,237 |

Joint venture companies are detailed in Note 40.

*Regata Maju Sdn. Bhd. ("Regata Maju")*

On 25 July 2017, the Group acquired 40% interest in Regata Maju that is held through a subsidiary for a total consideration of $8,238,000. This joint venture is incorporated in Malaysia and the principal activity of Regata Maju is undertaking a mixed property development in Penang.

During the financial year, the Group has performed a PPA and have computed that there was no goodwill based on the valuation for the land held for development.

The Group has computed intangible assets identified as below:–

| | Useful life | Regata Maju | USP Equity | | |
|---|---|---|---|---|---|
| | | Development properties | Departmental Store | Carpark | Total |
| | | $'000 | $'000 | $'000 | $'000 |
| Purchase consideration | | 8,238 | 22,646 | 499 | 31,383 |
| Less: fair value of the Group's share of net tangible assets at date of acquisition | | (8,238) | (12,378) | (273) | (20,889) |
| Excess of purchase consideration over Group's share of net tangible assets | | – | 10,268 | 226 | 10,494 |
| Less: SOGO license (intangible asset identified) | 6 years and 5 months | – | (1,951) | – | (1,951) |
| Less: Rental savings (intangible asset identified) | 19 years and 7 months | – | (4,644) | – | (4,644) |
| Goodwill on acquisition | | – | 3,673 | 226 | 3,899 |

## 7. Joint venture companies (cont'd)

*Impairment testing of USP Equity*

The recovery amounts of USP Equity have been determined based on value in use calculations using cash flow projections from financial budgets approved by management covering a five–year period for the cash generating units ("CGU") which includes the departmental stores and carpark segments. The key variables, which are post–tax discount rate applied to the cash flow projections and the forecasted growth rates used to extrapolate cash flow projection beyond the five–year period are as follows:

| | Departmental stores and carpark | |
|---|---|---|
| | **2018** | **2017** |
| Short–term growth rates | 3% | 3% |
| Terminal growth rates | 0% | 0% |
| Post–tax discount rates | 12% | 12% |

Management determined the quantum of key variables and base operating cash flow in accordance to past performance and its expectations on the market development.

The following key assumptions are made to the cash flow projections:

(i) The terminal growth rate is capped at constant zero percent, it is based on published industry research and did not exceed the long term average growth rate for the industry.

(ii) The post–tax discount rates represented the current market assessment of the risks specific to USP Equity, based on Malaysia cost of capital for similar investment.

The cash flow projection also assumed there will not be a change in the Malaysia corporate tax rate of 24% in future and the Sogo (K.L.) Department Store Sdn. Bhd. ("SOGO") license and rental tenancy are set to be renewed upon expiry.

Sensitivity to changes in key assumptions

With regards to the assessment of value in use for USP Equity, management believes that no reasonably possible changes in any of the above key assumptions would cause the carrying amount of the investment to materially exceed its recoverable amount.

At the end of the reporting period, the implication of key assumptions for the recoverable amount is discussed below:–

Growth rate – If the Group sets no growth on its net operating cash flow in the projection with all other variables held constant, the recoverable amount would decrease by $5,248,000 (2017: $2,678,000).

Discount rates – If the discount rates had been 100 (2017: 100) basis points lower/higher with all other variables held constant, the recoverable amount would decrease by $1,712,000 (2017: $1,859,000).

The assumed movement for discount rates and terminal growth rates in the sensitivity analysis is based on the currently observable market environment.

## 7. Joint venture companies (cont'd)

Summarised financial information in respect of USP Equity and Regata Maju based on its FRS financial statements, and reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

**Summarised balance sheet**

| | USP Equity | | Regata Maju |
|---|---|---|---|
| | 2018 | 2017 | 2018 |
| | $'000 | $'000 | $'000 |
| Inventories | 4,456 | 3,860 | – |
| Trade and other debtors | 8,396 | 5,226 | 17 |
| Cash and cash equivalents | 35,617 | 29,003 | 1,052 |
| Other current assets | 851 | 1,945 | 171 |
| **Current assets** | 49,320 | 40,034 | 1,240 |
| **Non–current assets** | 24,459 | 26,073 | 45,971 |
| **Total assets** | 73,779 | 66,107 | 47,211 |
| Trade payables | (31,831) | (26,153) | (1,140) |
| Other payables | (9,977) | (9,670) | (14,526) |
| **Current liabilities** | (41,808) | (35,823) | (15,666) |
| **Non–current liabilities** | (237) | (1,336) | (9,996) |
| **Total liabilities** | (42,045) | (37,159) | (25,662) |
| **Net assets** | 31,734 | 28,948 | 21,549 |
| Less: Non–controlling interests | (3,089) | (2,871) | – |
| Net assets attributable to owners | 28,645 | 26,077 | 21,549 |
| Proportion of the Group's ownership | 50% | 50% | 40% |
| Group's share of net assets | 14,323 | 13,038 | 8,620 |
| Add: Adjustments at Group level | | | |
| – Intangible assets | 5,189 | 5,718 | – |
| – Goodwill on acquisition | 3,929 | 3,731 | – |
| – Shareholder's loan (based on shareholding interests) | – | – | 4,739 |
| – Foreign currency adjustments | (169) | (250) | – |
| Carrying amount of the investments | 23,272 | 22,237 | 13,359 |

## 7. Joint venture companies (cont'd)

**Summarised statement of comprehensive income**

| | USP Equity | | Regata Maju |
|---|---|---|---|
| | **2018** | **2017** | **2018** |
| | $'000 | $'000 | $'000 |
| Revenue | 61,168 | 60,880 | – |
| Other income | 2,878 | 2,608 | 47 |
| Change in inventories | 764 | (1,596) | – |
| Inventories purchased | (21,492) | (19,174) | – |
| Staff costs | (13,988) | (13,502) | – |
| Rental of premises | (8,888) | (8,788) | – |
| Depreciation | (5,529) | (5,086) | – |
| Other operating costs | (12,785) | (14,207) | (700) |
| Interest income | 617 | 435 | – |
| Interest expense | (20) | (18) | – |
| **Profit/(loss) before income tax** | 2,725 | 1,552 | (653) |
| Income tax (expense)/credit | (1,535) | (1,520) | 277 |
| Profit after tax, representing total comprehensive income | 1,190 | 32 | (376) |
| Less: Non–controlling interests | (104) | 25 | – |
| | 1,086 | 57 | (376) |
| Proportion of the Group's ownership | 50% | 50% | 40% |
| Group's share of results | 543 | 28 | (150) |
| Add: Adjustments at Group level | | | |
| – Amortisation of intangible assets | (537) | (877) | – |
| Share of results of joint venture companies after adjustment | 6 | (849) | (150) |

Dividends of $166,000 (2017: nil) were received from USP Equity.

## 8. Associated company

| | Group | |
|---|---|---|
| | **2018** | **2017** |
| | $'000 | $'000 |
| Shareholders' loan | 4,074 | 4,192 |
| Share of reserves | 2,787 | 2,970 |
| | 6,861 | 7,162 |

## 8. Associated company (cont'd)

Associated company is detailed in Note 40.

Summarised financial information in respect of the associated company based on its FRS financial statements, and reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

| | Kairong Developments (S) Pte. Ltd. and its subsidiary company | |
|---|---|---|
| | **2018** | **2017** |
| | $'000 | $'000 |
| **Summarised balance sheet:** | | |
| Current assets | 17,689 | 19,383 |
| Non–current assets | 19 | 19 |
| Total assets | 17,708 | 19,402 |
| Current liabilities | 10,741 | 11,976 |
| Non–current liabilities | – | – |
| Total liabilities | 10,741 | 11,976 |
| Net assets | 6,967 | 7,426 |
| Proportion of the Group's ownership | 40% | 40% |
| Group's share of net assets | 2,787 | 2,970 |
| Shareholders' loan | 4,074 | 4,192 |
| Carrying amount of the investment | 6,861 | 7,162 |
| **Summarised statement of comprehensive income:** | | |
| Revenue | 3,063 | 3,151 |
| Profit after tax | (664) | 989 |
| Other comprehensive income | 205 | (23) |
| Total comprehensive income | (459) | 966 |

## 9. Long–term investments

| | Group | | Company | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| | $'000 | $'000 | $'000 | $'000 |
| At fair value through other comprehensive income | | | | |
| – Quoted, equity investments | 948 | 1,050 | – | – |
| | 948 | 1,050 | – | – |
| At cost | | | | |
| Unquoted equity investments | 3,685 | 3,685 | 380 | 380 |
| Club memberships | 193 | 193 | – | – |
| | 3,878 | 3,878 | 380 | 380 |
| Less: Impairment losses | (148) | (148) | – | – |
| | 3,730 | 3,730 | 380 | 380 |
| | 4,678 | 4,780 | 380 | 380 |

## 10. Properties under development

| | Group 2018 $'000 | Group 2017 $'000 |
|---|---|---|
| Land | 6,864 | 6,677 |
| Development costs | 8,835 | 7,775 |
| | 15,699 | 14,452 |
| Less: Provision for impairment | – | (324) |
| | 15,699 | 14,128 |
| Analysis of provision for impairment: | | |
| At 1 July | (324) | (338) |
| Written–back | 333 | – |
| Exchange differences | (9) | 14 |
| At 30 June | – | (324) |

As at 30 June 2018, a parcel of land, which is in the planning stage of development, is held under the names of related parties on behalf of the Group. The land and development costs incurred on this piece of land amounted to $2,848,000 (2017: $1,749,000).

The details of the Group's properties under development are as follows:

| | Property | Tenure of land | Percentage of completion at 30.6.2018/ expected date of completion | Site area/ gross floor area | Group's effective interest | Description and existing use |
|---|---|---|---|---|---|---|
| | ***Malaysia*** | | | | | |
| (i) | Kawasan Bandar XLII District of Melaka Tengah | 99 years | Planning Stage | 0.65 hectare | 100% | Commercial land |
| (ii) | Lot 8243 (formerly Lot 1916) Mukim Tanjung Duabelas, District of Kuala Langat, Selangor (Mahkota Industrial Park, Banting) | Freehold | Planning Stage | 53.07 hectare | 100% | Industrial land |
| (iii) | Mukim Tanjung Duabelas, District of Kuala Langat, Selangor | Freehold | Planning Stage | 4.70 hectare | 100% | Commercial land |
| (iv) | Mukim Tanjung Duabelas, District of Kuala Langat, Selangor (No. PT 41539) | Freehold | Planning Stage | 3.43 hectare | 100% | Industrial land |

## 11. Deferred taxation

| | Group 2018 $'000 | Group 2017 $'000 |
|---|---|---|
| ***Deferred tax assets*** | | |
| At 1 July | 327 | 589 |
| Reversal made during the financial year | (267) | (248) |
| Currency alignment | 11 | (14) |
| At 30 June | 71 | 327 |
| ***Deferred tax liabilities*** | | |
| At 1 July | 3,612 | 3,139 |
| (Reversal)/provision made during the financial year | (406) | 473 |
| At 30 June | 3,206 | 3,612 |

| | Group | | | |
|---|---|---|---|---|
| | Consolidated balance sheet | | Consolidated statement of comprehensive income | |
| | 2018 $'000 | 2017 $'000 | 2018 $'000 | 2017 $'000 |
| ***Deferred tax assets*** | | | | |
| Provisions | 71 | 327 | 267 | 248 |
| ***Deferred tax liabilities*** | | | | |
| Differences in depreciation for tax purposes | 1,109 | 1,190 | (81) | 264 |
| Unutilised tax losses | – | – | – | 372 |
| Revaluation on industrial buildings | 2,097 | 2,422 | (325) | (163) |
| | 3,206 | 3,612 | (406) | 473 |
| Deferred income tax (Note 34) | | | (139) | 721 |

## 12. Completed properties held for sale

| | Group 2018 $'000 | Group 2017 $'000 |
|---|---|---|
| Freehold and leasehold land cost | 3,204 | 3,068 |
| Construction costs | 9,665 | 9,253 |
| Borrowing costs capitalised | 1,009 | 958 |
| | 13,878 | 13,279 |
| ***Movement in allowance account:*** | | |
| At 1 July | – | 2,101 |
| Written–back | – | (2,101) |
| At 30 June | – | – |

Certain properties included in completed properties held for sale are rented out and are generating rental income. It is the intention of the Group to dispose of these properties and as such, they have been retained as completed properties held for sale on the reporting date.

Certain land, amounting to $552,000 (2017: $624,000) are held under the names of related parties of the Group.

The Group estimates the allowance for impairment loss by taking into account the estimated selling prices against the carrying value of the completed properties held for sale.

The Group's completed properties held for sale comprise mainly of unsold units in the following projects:

| | Property | Tenure of land | Site area/ gross floor area | Group's effective interest | Description and existing use |
|---|---|---|---|---|---|
| | ***Malaysia*** | | | | |
| (i) | Kawasan Bandar XLII District of Melaka Tengah | 99 years lease (expiring in 2090) | 8.92 hectare/ 104,516 sq.m. | 100% | 280 units of 4–storey shop/office[(a)] |
| (ii) | Lot 3066 & 3067 Mukim Tebrau District of Johor Bahru, Johor | Freehold | 3.19 hectare/ 20,241 sq.m. | 100% | Hypermarket |
| | | | 0.79 hectare/ 15,080 sq.m. | 100% | 48 units of shop houses[(b)] |

(a) 3 units unsold (2017: 4 units unsold)

(b) 1 unit unsold (2017: 1 unit unsold)

## 13. Inventories

| | Group | |
|---|---|---|
| | **2018** | **2017** |
| | $'000 | $'000 |
| **Balance sheet:** | | |
| Trading stocks | 45,040 | 39,760 |
| Goods in transit | – | 10,444 |
| Remnant | 6 | 21 |
| Total inventories at lower of cost and net realisable value | 45,046 | 50,225 |
| **Consolidated statement of comprehensive income:** | | |
| Inventories recognised as expense in cost of sales (Note 28) | 102,528 | 86,329 |
| Write–back of provision for inventories obsolescence (Note 28) | – | (53) |

The Group has pledged a floating charge over the inventories as security over the bills payable (Note 19).

## 14. Trade debtors

| | Group | |
|---|---|---|
| | **2018** | **2017** |
| | $'000 | $'000 |
| Trade debtors | 26,940 | 19,496 |
| Less: Allowance for doubtful debts | (14) | (14) |
| Total trade debtors | 26,926 | 19,482 |
| Less: Sales tax receivables | (521) | – |
| Total trade debtors (excluding sales tax receivables) | 26,405 | 19,482 |

Trade receivables are non–interest bearing and are generally on 30 to 90 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

The Group has pledged a floating charge over the trade debtors, net of allowance for uncollectible amounts, amounting to $25,694,000 (2017: $18,941,000) as security over the bills payable (Note 19).

The Group held security deposits of $1,881,000 as at 30 June 2018 (2017: $1,866,000) from tenants against the trade debtors of its property rental business.

## 14. Trade debtors (cont'd)

Debts that are past due but not impaired

The Group has trade debtors amounting to $12,475,000 (2017: $9,091,000) that are past due at the balance sheet date but not impaired. These debts are unsecured and the analysis of their ageing at the balance sheet date is as follows:

| | Group | |
|---|---|---|
| | **2018** | **2017** |
| | $'000 | $'000 |
| ***Trade debtors past due:*** | | |
| Less than 30 days | 6,583 | 5,680 |
| 30 to 60 days | 4,598 | 2,441 |
| 60 to 90 days | 833 | 941 |
| More than 90 days | 461 | 29 |
| | 12,475 | 9,091 |

Debts that are impaired

The Group's trade debtors that are individually impaired at the balance sheet date and the movement of the allowance accounts used to record the impairment are as follows:

| | Group | |
|---|---|---|
| | **2018** | **2017** |
| | $'000 | $'000 |
| Trade debtors – nominal amounts | 14 | 14 |
| Less: Allowance for doubtful debts | (14) | (14) |
| | – | – |
| ***Movement in allowance accounts:*** | | |
| At 1 July | 14 | 41 |
| Written–back | – | (27) |
| At 30 June | 14 | 14 |

Trade debtors that are individually determined to be impaired at the end of reporting period relate to debtors that have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

## 15. Other debtors

| | Group 2018 $'000 | Group 2017 $'000 |
|---|---|---|
| Deposits | 235 | 923 |
| Sundry debtors | 129 | 299 |
| | 364 | 1,222 |

The Group has pledged a floating charge over the other debtors, amounting to $157,000 (2017: $150,000) as security over the bills payable (Note 19).

## 16. Due from subsidiary companies

Non–current

Amounts due from subsidiary companies are non–trade related, unsecured, non–interest bearing, and are not expected to be repaid within the next twelve months. The amount is to be settled in cash.

Current

The amount due from subsidiary company is unsecured, non–interest bearing and is repayable on demand. The amounts are to be settled in cash.

## 17. Due from related parties

| | Group 2018 $'000 | Group 2017 $'000 |
|---|---|---|
| Trade related | 13 | 1,321 |
| Non–trade related | 94 | 154 |
| | 107 | 1,475 |

Trade related amounts are unsecured, non–interest bearing, and repayable within trade credit terms. The amounts are to be settled in cash.

Non–trade related amounts are unsecured, non–interest bearing and repayable on demand. The amounts are to be settled in cash.

## 18. Cash and cash equivalents

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | $'000 | $'000 | $'000 | $'000 |
| Fixed deposits | 26,196 | 33,915 | 1,000 | – |
| Cash and bank balances | 15,123 | 14,939 | 85 | 26 |
| Total cash and cash equivalents | 41,319 | 48,854 | 1,085 | 26 |

Cash at bank earns interest at floating rates based on daily bank deposit rates. The weighted average effective interest rate on fixed deposits was 1.54% (2017: 1.92%) per annum. The average maturity dates of these deposits were 60 (2017: 75) days.

Included in the cash and bank balances is an amount of $1,769,000 (2017: $4,810,000) held pursuant to local and foreign Housing Development Act and therefore restricted from use in other operations. In the previous financial year, $474,000 of the amount is held under the names of director related companies, of which the Group is the beneficiary and has control.

The Group has pledged a floating charge over the cash and bank balances and fixed deposits, amounting to $11,981,000 (2017: $8,455,000) and $52,000 (2017: $15,000) as security over the bills payable (Note 19) and unutilised credit facilities respectively.

## 19. Trade creditors

| | Group | |
|---|---|---|
| | 2018 | 2017 |
| | $'000 | $'000 |
| **Current:** | | |
| Trade creditors | 853 | 1,079 |
| Bills payable | 25,399 | 26,328 |
| Retention sum | 77 | 141 |
| Rental deposits | 1,329 | 932 |
| Total trade creditors | 27,658 | 28,480 |
| Less: Sales tax payables | (361) | (690) |
| Total trade creditors (excluding sales tax payables) | 27,297 | 27,790 |
| **Non–current:** | | |
| Retention sum | 28 | 126 |
| Rental deposits | 552 | 934 |
| | 580 | 1,060 |

Trade payables are non–interest bearing and are normally settled on 30 day terms.

Bills payable of the Group is secured by letters of comfort from the Company and a floating charge over all assets of a subsidiary company. They bear interest ranging from 3.26% to 3.55% (2017: 2.82% to 2.92%) per annum and mature from 9 July 2018 to 5 December 2018 (2017: 5 September 2017 to 20 December 2017).

## 20. Other creditors

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | $'000 | $'000 | $'000 | $'000 |
| Deposits received | 780 | 6 | – | – |
| Sundry creditors | 558 | 430 | 88 | 2 |
| Accruals | 2,184 | 2,297 | 222 | 220 |
| Accrued development cost | 188 | 672 | – | – |
| | 3,710 | 3,405 | 310 | 222 |

## 21. Due to related parties

Amounts due to related parties are non–trade related, unsecured, non–interest bearing, and are repayable on demand. The amounts are to be settled in cash.

## 22. Interest–bearing loans and borrowings

| | Group | |
|---|---|---|
| | 2018 | 2017 |
| | $'000 | $'000 |
| Current: | | |
| – Obligations under finance leases | 15 | 6 |
| Total interest–bearing loans and borrowings | 15 | 6 |

Obligations under finance leases

These obligations are secured by a charge over the leased assets (Note 5). The average discount rate implicit in the leases is 5.64% (2017: 4.61%) per annum. These obligations are denominated in the respective functional currencies of the relevant entities in the Group. There are no restrictions placed upon the Group by entering into these leases.

The future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

| | Group | | | |
|---|---|---|---|---|
| | 2018 | | 2017 | |
| | Minimum payments | Present value of payments | Minimum payments | Present value of payments |
| | $'000 | $'000 | $'000 | $'000 |
| Within one year | 15 | 15 | 6 | 6 |
| Total minimum lease payments | 15 | 15 | 6 | 6 |
| Less: Amount representing finance charges | –* | – | –* | – |
| Present value of minimum lease payments | 15 | 15 | 6 | 6 |

*Amounts are less than $1,000

## 23. Provisions

| | Group | | |
|---|---|---|---|
| | Onerous contracts | Foreseeable losses | Total |
| | $'000 | $'000 | $'000 |
| At 1 July 2016 | 159 | 256 | 415 |
| Arose during the financial year | 775 | – | 775 |
| Exchange differences | (6) | (11) | (17) |
| At 30 June 2017 | 928 | 245 | 1,173 |
| At 1 July 2017 | 928 | 245 | 1,173 |
| Write–back during the year | (152) | (252) | (404) |
| Exchange differences | 27 | 7 | 34 |
| At 30 June 2018 | 803 | – | 803 |

Provision for onerous contracts

Provision for onerous contracts is made when the unavoidable costs of meeting the obligations under existing sales contracts exceed the economic benefits expected to be received under them. Movement in provision for onerous contracts is included in "Cost of sales" in the consolidated statement of comprehensive income.

Provision for foreseeable losses

The foreseeable losses in the previous financial year was based on the Group's obligation to develop 80 units of low cost flats. The provision takes into account the expected net selling prices and development expenditure as well as the location of property. During the financial year, the land was disposed to a third party.

## 24. Due to subsidiary companies

Amounts due to subsidiary companies are non-trade related, unsecured, non-interest bearing and are not due for repayment within the next 12 months. The amounts are to be settled in cash.

## 25. Share capital

| | Company | |
|---|---|---|
| | 2018 | 2017 |
| | $'000 | $'000 |
| Issued and fully paid: | | |
| Balance at beginning and end of year: | | |
| 156,453,000 ordinary shares | 150,113 | 150,113 |

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

## 26. Capital reserve and exchange translation reserve

Capital reserve

Capital reserve comprises revaluation reserves for industrial buildings and fair value gain arising from available-for-sale investments.

Exchange translation reserve

The exchange translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

## 27. Revenue

| | Group | |
|---|---|---|
| | **2018** | **2017** |
| | $'000 | $'000 |
| Sales of goods | 120,976 | 107,475 |
| Sales from property development | 539 | 18,798 |
| Rental and service revenue | 7,657 | 7,803 |
| Dividend income from long-term investments | 36 | 30 |
| | 129,208 | 134,106 |

## 28. Cost of sales

Included in cost of sales are the following items:

| | Group | |
|---|---|---|
| | **2018** | **2017** |
| | $'000 | $'000 |
| Direct labour and related costs | 3,761 | 3,592 |
| Write-back of provision for inventories obsolescence | – | (53) |
| (Write-back)/provision for onerous contracts | (152) | 775 |
| Inventories recognised as an expense in cost of sales | 102,528 | 86,329 |

## 29. Other income

Included in other income are the following items:

| | Group | |
|---|---|---|
| | 2018 | 2017 |
| | $'000 | $'000 |
| Dividend income from long-term investments | 60 | 38 |
| Gain on disposal of property, plant and equipment | 102 | 122 |
| Service income | 217 | 192 |
| Sundry income | 678 | 536 |
| | 1,057 | 888 |

## 30. Finance income/(costs)

| | Group | |
|---|---|---|
| | 2018 | 2017 |
| | $'000 | $'000 |
| ***Finance income*** | | |
| Interest income from fixed deposits | 438 | 637 |
| ***Finance costs*** | | |
| Hire purchases | – | (4) |
| Trust receipts | (706) | (681) |
| Gain/(loss) on interest rate swap | 7 | (43) |
| Commitment fee | (15) | (62) |
| Others | – | (8) |
| | (714) | (798) |

## 31. Other operating income

| | Group | |
|---|---|---|
| | 2018 | 2017 |
| | $'000 | $'000 |
| Foreign currency loss, net | (200) | (515) |
| Write-back of impairment of property under development | 333 | – |
| Write-back of provision for foreseeable loss | 252 | – |
| Write-back for impairment of completed properties | – | 2,101 |
| | 385 | 1,586 |

## 32. Profit before taxation

This is determined after charging/(crediting) the following:

| | Group 2018 $'000 | Group 2017 $'000 |
|---|---|---|
| Audit fees paid to: | | |
| - Auditors of the Company | 195 | 190 |
| - Other auditors | 17 | 13 |
| Non-audit fees paid to other auditors | – | 1 |
| Depreciation of property, plant and equipment (Note 5) | 2,792 | 2,874 |
| Staff costs (Note 33) | 5,940 | 5,220 |
| Gain on fair value changes on derivatives | (203) | (127) |
| Write-back of allowance for doubtful debts, net (Note 14) | – | (27) |

## 33. Staff costs

| | Group 2018 $'000 | Group 2017 $'000 |
|---|---|---|
| Directors of the Company | | |
| - Directors' remuneration | 832 | 789 |
| - CPF contributions | 26 | 34 |
| Key management personnel of the Company and its subsidiary companies | | |
| - Employees' remuneration | 1,173 | 1,103 |
| - CPF contributions | 106 | 107 |
| Staff costs | | |
| - Salaries and other benefits | 3,416 | 2,748 |
| - CPF and other defined contributions | 387 | 439 |
| | 5,940 | 5,220 |

## 33. Staff costs (cont'd)

The remuneration is paid to directors and key management officers in their capacity as employees.

| | Group | |
|---|---|---|
| | 2018 | 2017 |
| | $'000 | $'000 |
| Number of directors in remuneration bands: | | |
| Above $500,000 | 1 | 1 |
| $250,000 to below $500,000 | 1 | 1 |
| Below $250,000 | 3 | 3 |
| | 5 | 5 |
| Number of key management officers in remuneration bands: | | |
| $250,000 to below $500,000 | 2 | 2 |
| Below $250,000 | 5 | 5 |
| | 7 | 7 |

## 34. Taxation

*Major components of taxation*

Major components of income tax expense for the financial years ended 30 June were:

| | Group | |
|---|---|---|
| | 2018 | 2017 |
| | $'000 | $'000 |
| Current income tax: | | |
| - Singapore | 2,144 | 753 |
| - Foreign | – | 830 |
| - Under/(over) provision in respect of previous financial years | 53 | (82) |
| | 2,197 | 1,501 |
| Deferred income tax: | | |
| - Origination and reversal of temporary differences | (374) | 349 |
| - Under provision in respect of previous financial years | 77 | – |
| - Utilisation of previously recognised tax losses | – | 372 |
| | (297) | 721 |
| Income tax expense recognised in profit or loss | 1,900 | 2,222 |
| **Statement of comprehensive income** | | |
| Deferred income tax related to other comprehensive income: | | |
| - Net surplus on revaluation of industrial buildings | 158 | – |
| | 158 | – |

## 34. Taxation (cont'd)

*Relationship between tax expense and accounting profit*

A reconciliation between the tax expense and the product of accounting profit multiplied by the applicable tax rates is as follows:

| | Group | |
|---|---|---|
| | **2018** | **2017** |
| | $'000 | $'000 |
| Accounting profit before tax | 6,531 | 13,047 |
| Tax at statutory rate of 17% (2017: 17%) | 1,110 | 2,218 |
| *Adjustments:* | | |
| Tax effect on different tax rate of other country | (162) | 306 |
| Non-deductible expenses | 826 | 250 |
| Income not subjected to tax | (90) | (271) |
| Under/(over) provision in respect of previous financial years | 130 | (82) |
| Effect of partial tax exemption and tax relief | (703) | (267) |
| Tax effect on benefit from operating losses not recorded | 729 | – |
| Share of results of associated company and joint venture companies | 70 | 77 |
| Others | (10) | (9) |
| Income tax expense recognised in profit or loss | 1,900 | 2,222 |

The Company and its subsidiary companies incorporated in Singapore are subject to income tax at the statutory tax rate of 17% for the financial years ended 30 June 2018 and 2017. The subsidiary companies incorporated in Malaysia are subject to income tax at the statutory tax rate of 24% for the financial years ended 30 June 2018 and 2017.

*Unrecognised tax losses*

As at 30 June 2018, the Group has tax losses of approximately $3,075,000 (2017: $63,000) that are available for offset against future taxable profits of the company in which the losses arose, for which no deferred tax assets is recognised due to uncertainty of its recoverability. The use of the tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the country in which the company operates. The tax loss has no expiry date.

## 35. Earnings per share

| | Group | |
|---|---|---|
| | **2018** | **2017** |
| | $'000 | $'000 |
| Net earnings attributable to ordinary shareholders | 2,334 | 8,470 |
| Weighted average number of ordinary shares for calculation of basic and fully diluted earnings per share ('000) | 156,453 | 156,453 |
| | Cents | Cents |
| Earnings per share - basic and diluted | 1.5 | 5.4 |

## 36. Dividends

| | Group and Company | |
|---|---|---|
| | 2018 | 2017 |
| | $'000 | $'000 |
| Declared and paid during the financial year: | | |
| Dividends on ordinary shares: | | |
| Final one-tier tax exempt dividend for 2017: 1.00 cent (2016: 1.00 cent) | 1,565 | 1,564 |

## 37. Related party transactions

Sale and purchase of goods and services

In addition to the related party information disclosed elsewhere in the financial statements, the following are the transactions entered into by the Group and the Company with related parties:

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | $'000 | $'000 | $'000 | $'000 |
| Dividend income received from a subsidiary company | – | – | – | (1,752) |
| Management fee received from related company | – | – | (42) | (40) |
| Management fee paid to related company | 134 | 126 | 84 | 80 |
| Purchase of goods from related parties | 7,277 | 8,189 | – | – |
| Rental paid to related company | – | – | 52 | 52 |
| Recovery of expenses from related companies | (135) | (383) | – | – |
| Rental and service income from related companies | (143) | (148) | – | – |

Compensation of key management personnel

The details of the remuneration are in Note 33.

## 38. Commitments and contingencies

(i) ***Operating lease commitments - as lessee***

The Group's industrial buildings, used for its steel business, are constructed on land leased under operating leases. The three (2017: three) plots of leasehold land have remaining non-cancellable lease terms of 2, 6 and 14 years. The leases include a clause that enables revision of the rental charge on an annual basis based on prevailing market conditions. There are no restrictions placed upon the Group by entering into these leases. Operating lease payments recognised in the consolidated statement of comprehensive income during the financial year amounted to $699,000 (2017: $737,000). Future minimum lease payments payable under these non-cancellable leases as at the balance sheet date are as follows:

## 38. Commitments and contingencies (cont'd)

(i) ***Operating lease commitments - as lessee (cont'd)***

| | Group | |
|---|---|---|
| | **2018** | **2017** |
| | $'000 | $'000 |
| Within one year | 701 | 661 |
| After one year but not more than five years | 2,152 | 2,055 |
| More than five years | 2,229 | 2,695 |
| | 5,082 | 5,411 |

(ii) ***Operating lease commitments - as lessor***

The Group has entered into property leases on its investment properties in Singapore and a completed property held for sale in Malaysia. These non-cancellable leases have remaining lease terms of less than three years. Some leases have specified higher rental charges applicable as the leases progress.

Future minimum lease payments receivable under the leases as at the balance sheet date are as follows:

| | Group | |
|---|---|---|
| | **2018** | **2017** |
| | $'000 | $'000 |
| Not later than one year | 4,024 | 4,858 |
| Later than one year but not later than five years | 1,125 | 1,612 |
| | 5,149 | 6,470 |

(iii) ***Significant commitments***

During the financial year, a significant portion of new orders for the Group's steel business were contracted on a variable-price basis. The price is pegged to the cost of steel as published by the Building Construction Authority. At the end of the financial year, total steel deliverable to customers on variable-price contracts ("VPC") amounted to 95% (2017: 81%) of its total contracts on hand. The remaining relates to the fixed-price contracts ("FPC").

As the selling prices for VPC are not fixed, the economic benefits to be received cannot be ascertained. Due to the long duration of VPC and its re-pricing nature, the purchases of supplies to fulfil such contracts are not yet committed. As such it is also not possible to determine the costs of meeting the Group's obligations on VPC.

The selling prices for FPC are fixed but the purchases of supplies to fulfil such contracts are not yet committed. As such, it is also not possible to determine the costs of meeting the Group's obligations on FPC. However the Group will assess for provision for onerous contracts in respect of its inventories using the selling prices of FPC (Note 13).

## 38. Commitments and contingencies (cont'd)

(iv) ***Contingent liabilities***

Charges

The Group has a charge on its fixed deposits of $52,000 (2017: $15,000) in relation to a bank guarantee bond in connection with works carried out on properties under development.

Guarantees

| | Company | |
|---|---|---|
| | **2018** | **2017** |
| | $'000 | $'000 |
| Guarantees given by the Company to banks in connection with bank facilities provided to subsidiary company | 8,000 | 45,000 |
| Amount utilised in respect of guarantees issued at 30 June | – | – |

Letters of credit

A subsidiary of the Group has given letters of credit which amounted to $1,143,000 (2017: $5,835,000) in favour of suppliers in relation to purchases.

Financial support to certain subsidiary companies

In addition to the above, in the ordinary course of business to enable certain of its subsidiary companies to operate as going concerns, the Group has given undertakings to provide continuing financial support to these subsidiary companies to enable them to meet their liabilities as and when they fall due.

## 39. Segment information

For management purposes, the Group is organized into business units based on their products and services, and has four reportable segments as follows:

(i) The steel trading segment is a supplier of steel reinforcement bars (rebars) for building construction and civil works. It also provides services to cut, bend or assemble the rebars to customer requirements.

(ii) The property development segment is in the business of building residential, commercial and industrial properties for sale.

(iii) The property rental segment owns, manages and leases industrial and commercial properties.

(iv) The investment holding segment manages the Group's long-term investments.

Management monitors the operating results of its business segments separately for making decisions on resource allocation and performance assessment. Segment performance is evaluated on operating profit or loss. Group financing (including finance costs) and taxation are managed on a group basis and are not allocated to the segments. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

## 39. Segment information (cont'd)

| | Steel trading | | Property development | | Property rental | | Investment Holding | | Eliminations | | Consolidated | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 207 |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Revenues:** | | | | | | | | | | | | |
| Sales to external customers | 120,976 | 107,475 | 539 | 18,798 | 7,657 | 7,803 | – | – | – | – | 129,172 | 134,076 |
| Dividend income | – | – | – | – | – | – | 36 | 30 | – | – | 36 | 30 |
| Inter-segment sales | – | – | – | – | 52 | 52 | – | – | (52) | (52) | – | – |
| Total revenues | 120,976 | 107,475 | 539 | 18,798 | 7,709 | 7,855 | 36 | 30 | (52) | (52) | 129,208 | 134,106 |
| **Results:** | | | | | | | | | | | | |
| Interest income | 2 | 4 | 277 | 519 | 159 | 114 | – | – | – | – | 438 | 637 |
| Depreciation of property, plant and equipment | (2,613) | (2,739) | (38) | (39) | (141) | (96) | – | – | – | – | (2,792) | (2,874) |
| Write-back/(provision) for onerous contracts | 152 | (775) | – | – | – | – | – | – | – | – | 152 | (775) |
| Write-back impairment of completed properties | – | – | – | 2,101 | – | – | – | – | – | – | – | 2,101 |
| Write-back impairment of property under development | – | – | 333 | – | – | – | – | – | – | – | 333 | – |
| Write-back provision for inventory obsolescence | – | 53 | – | – | – | – | – | – | – | – | – | 53 |
| Write-back of provision for foreseeable loss | – | – | 252 | – | – | – | – | – | – | – | 252 | – |
| Fair value changes in investment properties | – | – | – | – | (109) | (799) | | – | | – | (109) | (799) |
| Share of results of joint venture company | – | – | (150) | – | – | – | 6 | (849) | – | – | (144) | (849) |
| Share of results of associated company | – | – | (265) | 396 | | – | – | – | – | – | (265) | 396 |
| Gain on fair value changes on derivatives | 164 | 106 | – | – | 39 | 21 | – | – | – | – | 203 | 127 |
| Gain on disposal of property, plant and equipment | 96 | – | 6 | – | – | 122 | – | – | – | – | 102 | 122 |
| Operating profit/(loss) | 6,097 | 6,117 | (1,319) | 3,881 | 4,249 | 4,055 | (2,220) | 907 | – | (1,752) | 6,807 | 13,208 |
| Finance income | | | | | | | | | | | 438 | 637 |
| Finance costs | | | | | | | | | | | (714) | (798) |
| Profit before tax | | | | | | | | | | | 6,531 | 13,047 |
| Taxation | | | | | | | | | | | (1,900) | (2,222) |
| Profit for the financial year | | | | | | | | | | | 4,631 | 10,825 |

## 39. Segment information (cont'd)

| | Steel trading | | Property development | | Property rental | | Investment holding | | Eliminations | | Consolidated | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Assets and liabilities:** | | | | | | | | | | | | |
| Segment assets | 108,771 | 105,677 | 59,179 | 58,083 | 151,448 | 149,388 | 52,917 | 54,387 | (36,730) | (39,302) | 335,585 | 328,233 |
| Current and deferred tax assets | | | | | | | | | | | 1,323 | 912 |
| Total assets | | | | | | | | | | | 336,908 | 329,145 |
| Segment liabilities | 28,977 | 32,172 | 1,383 | 1,591 | 26,017 | 28,634 | 13,399 | 12,288 | (36,730) | (39,302) | 33,046 | 35,383 |
| Current and deferred tax liabilities | | | | | | | | | | | 5,446 | 4,152 |
| Loans and borrowings | | | | | | | | | | | 15 | 6 |
| Total liabilities | | | | | | | | | | | 38,507 | 39,541 |
| **Other segment information:** | | | | | | | | | | | | |
| Capital expenditure | 330 | 469 | – | 1 | 80 | 490 | – | – | – | – | 410 | 960 |
| Joint venture companies | – | – | 13,359 | – | – | – | 23,272 | 22,237 | – | – | 36,631 | 22,237 |
| Associated company | – | – | 6,861 | 7,162 | – | – | – | – | – | – | 6,861 | 7,162 |

A Inter-segment revenues are eliminated on consolidation.
B Inter-segment transactions are eliminated on consolidation.
C Inter-segment balances are eliminated on consolidation.
D Capital expenditure consists of additions to property, plant and equipment.

Geographical information

Revenue and non-current assets information based on the entity's country of domicile and geographical location of assets respectively are as follows:

| | Singapore | | Malaysia | | People's Republic of China | | Consolidated | |
|---|---|---|---|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Segment revenue | 98,347 | 99,133 | 30,861 | 34,973 | – | – | 129,208 | 134,106 |
| Non-current assets | 148,355 | 149,868 | 15,949 | 14,667 | – | – | 164,304 | 164,535 |
| Investment in joint venture companies | – | – | 36,631 | 22,237 | – | – | 36,631 | 22,237 |
| Investment in associated company | – | – | – | – | 6,861 | 7,162 | 6,861 | 7,162 |

Non-current assets information presented above consist of investment properties, property, plant and equipment, long-term investments, properties under development and deferred tax assets as presented in the consolidated balance sheet.

## 40. Subsidiary, joint venture and associated companies

*Investment in subsidiary companies*

The Group has the following significant investments in subsidiary companies.

| | Name of company | Principal activities | Principal place of business | Proportion of ownership interest held 2018 % | 2017 % |
|---|---|---|---|---|---|
| | **Subsidiary companies:** | | | | |
| **(i)** | ***Held by the Company*** | | | | |
| (b) | Che Kiang Realty Sdn. Bhd. | Property development | Malaysia | 100 | 100 |
| (a) | Teck Chiang Realty Private Limited | Investment holding, property investment and development and general merchants | Singapore | 100 | 100 |
| (a) | Angkasa Amsteel Pte. Ltd. | Importers, exporters and distributors of steel and iron products and commission agents | Singapore | 50 plus 1 share | 50 plus 1 share |
| (a) | LTC Capital Pte. Ltd. | Investment holding | Singapore | 100 | 100 |
| (a) | LTC Development Pte. Ltd. | Investment holding | Singapore | 100 | 100 |
| **(ii)** | ***Held through Che Kiang Realty Sdn. Bhd.*** | | | | |
| (b) | Greenpoint Capital Sdn. Bhd. | Investment holding | Malaysia | 100 | 100 |
| **(iii)** | ***Held through Teck Chiang Realty Private Limited*** | | | | |
| (a) | Teck Chiang (International) Pte Ltd | Investment holding | Singapore | 100 | 100 |
| **(iv)** | ***Held through Angkasa Amsteel Pte. Ltd.*** | | | | |
| (a) | Angkasa Welded Mesh Pte Ltd | Dormant | Singapore | 100 | 100 |
| (a) | Angkasa Steel Pte. Ltd. | Steel trader | Singapore | 100 | 100 |
| (b) | Angkasa Amsteel (M) Sdn. Bhd. | Steel trader | Malaysia | 100 | 100 |
| (b) | Angkasa Steel Sdn. Bhd. | Dormant | Malaysia | 100 | 100 |
| **(v)** | ***Held through LTC Capital Pte. Ltd.*** | | | | |
| (b) | LTC Capital Holdings Sdn. Bhd. | Dormant | Malaysia | 100 | 100 |

(a) Audited by Ernst & Young LLP, Singapore.
(b) Audited by Ernst & Young, Chartered Accountants, Malaysia.

## 40. Subsidiary, joint venture and associated companies (cont'd)

*Investment in joint venture companies*

The Group has the following significant investments in joint venture companies:

| | Name of company | Principal activities | Country of incorporation and place of business | Proportion of ownership interest held | |
|---|---|---|---|---|---|
| | | | | 2018 | 2017 |
| | | | | % | % |
| (i) | ***Held by LTC Capital Holdings Sdn. Bhd.*** | | | | |
| A | USP Equity Sdn. Bhd. | Investment holding | Malaysia | 50 | 50 |
| (ii) | ***Held by USP Equity Sdn. Bhd.*** | | | | |
| A | Sogo (K.L.) Department Store Sdn. Bhd. | Operations of department store and related trading activities | Malaysia | 90 | 90 |
| (iii) | ***Held by Sogo (K.L.) Department Store Sdn. Bhd.*** | | | | |
| A | Venus Arch Sdn. Bhd. | Operating car parking facility | Malaysia | 100 | 100 |
| A | Xingpao Enterprise Sdn. Bhd. | Food court operator | Malaysia | 90 | 90 |
| A | Mayang Mall Sdn. Bhd. | Food court operator | Malaysia | 100 | 100 |
| (iv) | ***Held by Greenpoint Capital Sdn. Bhd.*** | | | | |
| B | Regata Maju Sdn. Bhd. | Property development | Malaysia | 40 | – |

A Audited by Ernst & Young LLP, Chartered Accountants, Malaysia. Financial year end 31 March.
B Audited by KCK & Associates, Malaysia. Financial year end 31 December.

*Investment in associated company*

| | Name of company | Principal activities | Country of incorporation and place of business | Proportion of ownership interest held | |
|---|---|---|---|---|---|
| | | | | 2018 | 2017 |
| | | | | % | % |
| | ***Held by Teck Chiang (International) Pte Ltd*** | | | | |
| A | Kairong Developments (S) Pte. Ltd. | Investment holding | Singapore | 40 | 40 |
| | ***Held through Kairong Developments (S) Pte. Ltd.*** | | | | |
| B | Kairong Developments (Shenyang) Co., Ltd. | Property development | People's Republic of China | 100 | 100 |

A Audited by KPMG, Singapore. Financial year end 31 December.
B Audited by Nexia TS, (Shanghai) Co., Ltd. Financial year end 31 December.

## 41. Financial risk management objectives and policies

The Group and the Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk. The board of directors reviews and agrees policies and procedures for the management of these risks. The Audit Committee provides independent oversight to the effectiveness of the risk management process. It is, and has been throughout the current and previous financial year the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Group and the Company do not apply hedge accounting.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

### (a) *Credit risk*

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade debtors. For other financial assets (including cash and cash equivalents and derivatives), the Group and the Company minimise credit risk by dealing with high credit rating counterparties.

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

*Excessive risk concentration*

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

*Exposure to credit risk*

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the balance sheets, including derivatives with positive fair values.

Information regarding credit enhancements for trade debtors is disclosed in Note 14.

## 41. Financial risk management objectives and policies (cont'd)

### (a) ***Credit risk*** **(cont'd)**

*Credit risk concentration profile*

The Group determines concentration of credit risk by monitoring the country and industrial sector profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade debtors at the end of the reporting period are as follows:

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | $'000 | % of total | $'000 | % of total |
| **Group** | | | | |
| **By geographical:** | | | | |
| Singapore | 20,591 | 76 | 15,446 | 79 |
| Malaysia | 6,335 | 24 | 4,036 | 21 |
| | 26,926 | 100 | 19,482 | 100 |
| **By business:** | | | | |
| Steel trading | 26,202 | 97 | 18,941 | 97 |
| Property development | 224 | 1 | 27 | – |
| Property rental | 500 | 2 | 514 | 3 |
| | 26,926 | 100 | 19,482 | 100 |

The Group determines credit risk concentration for its Steel and Property related businesses separately.

Property development and property rental business

Trade debtors for these business segments do not have concentration of credit risk as the customers are individuals or corporates of diverse background or nature.

Steel business

There is no significant concentration of credit risk except that customers are predominantly in the construction industry. As at 30 June 2018, approximately 66% (2017: 81%) of the trade debtors of the Steel business are due from 6 (2017: 5) customers who are key players in the construction industry.

*Financial assets that are neither past due nor impaired*

Trade and other debtors that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and cash equivalents and derivatives that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies.

*Financial assets that are either past due or impaired*

Information regarding financial assets that are either past due or impaired is disclosed in Note 14.

## 41. Financial risk management objectives and policies (cont'd)

### (b) *Liquidity risk*

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Board and the management of the Group constantly reviews its cash and borrowing position to ensure that the Group maintains sufficient liquidity to meet its obligations as and when they fall due.

The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and the Group does not have any debt maturing within 12 months from the end of the reporting period other than the finance leases obligations.

The table below summarises the maturity profile of the Group's and the Company's financial assets and liabilities at the balance sheet date based on contractual undiscounted repayment obligations.

| | 2018 | | | | 2017 | | | |
|---|---|---|---|---|---|---|---|---|
| | 1 year or less | 1 to 5 years | Over 5 Years | Total | 1 year or less | 1 to 5 years | Over 5 years | Total |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Group** | | | | | | | | |
| **Financial assets** | | | | | | | | |
| Long-term investments | – | – | 4,678 | 4,678 | – | – | 4,780 | 4,780 |
| Trade debtors (excluding sales tax receivables) | 26,405 | – | – | 26,405 | 19,482 | – | – | 19,482 |
| Other debtors | 364 | – | – | 364 | 1,222 | – | – | 1,222 |
| Due from related parties | 107 | – | – | 107 | 1,475 | – | – | 1,475 |
| Derivatives | 128 | – | – | 128 | – | – | – | – |
| Fixed deposits | 26,196 | – | – | 26,196 | 33,915 | – | – | 33,915 |
| Cash and bank balances | 15,123 | – | – | 15,123 | 14,939 | – | – | 14,939 |
| Total undiscounted financial assets | 68,323 | – | 4,678 | 73,001 | 71,033 | – | 4,780 | 75,813 |
| **Financial liabilities** | | | | | | | | |
| Trade creditors (excluding sales tax payables) | 27,297 | 580 | – | 27,877 | 27,790 | 1,060 | – | 28,850 |
| Other creditors | 3,710 | – | – | 3,710 | 3,405 | – | – | 3,405 |
| Due to related parties | 295 | – | – | 295 | 1,190 | – | – | 1,190 |
| Interest-bearing loans and borrowings | 15 | – | – | 15 | 6 | – | – | 6 |
| Derivatives | – | – | – | – | 75 | – | – | 75 |
| Total undiscounted financial liabilities | 31,317 | 580 | – | 31,897 | 32,466 | 1,060 | – | 33,526 |
| Total net undiscounted financial assets/(liabilities) | 37,006 | (580) | 4,678 | 41,104 | 38,567 | (1,060) | 4,780 | 42,287 |

## 41. Financial risk management objectives and policies (cont'd)

### *(b) Liquidity risk (cont'd)*

| | 2018 | | | | 2017 | | | |
|---|---|---|---|---|---|---|---|---|
| | 1 year or less | 1 to 5 years | Over 5 years | Total | 1 year or less | 1 to 5 years | Over 5 years | Total |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Company** | | | | | | | | |
| **Financial assets** | | | | | | | | |
| Due from subsidiary company | 3 | – | 45,835 | 45,838 | 1,005 | – | 48,492 | 49,497 |
| Long-term investments | – | – | 380 | 380 | – | – | 380 | 380 |
| Fixed deposits | 1,000 | – | – | 1,000 | – | – | – | |
| Cash and bank balances | 85 | – | – | 85 | 26 | – | – | 26 |
| Total undiscounted financial assets | 1,088 | – | 46,215 | 47,303 | 1,031 | – | 48,872 | 49,903 |
| **Financial liabilities** | | | | | | | | |
| Other creditors | 310 | – | – | 310 | 222 | – | – | 222 |
| Due to related parties | 10 | – | – | 10 | 20 | – | – | 20 |
| Due to subsidiary companies | – | – | 22,254 | 22,254 | – | – | 21,123 | 21,123 |
| Total undiscounted financial liabilities | 320 | – | 22,254 | 22,574 | 242 | – | 21,123 | 21,365 |
| Total net undiscounted financial assets | 768 | – | 23,961 | 24,729 | 789 | – | 27,749 | 28,538 |

### (c) *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from their interest-bearing financial liabilities.

The Group's policy is to manage interest cost using a mix of fixed and floating rate debts. To manage this mix in a cost-efficient manner, the Group enters into interest rate swap unless market interest rates are persistently low. At the balance sheet date the Group has no interest-bearing financial liabilities that are at floating interest rates.

The Group does not apply hedge accounting.

*Sensitivity analysis for interest rate risk*

At the balance sheet date, if interest rates had been 75 (2017: 75) basis points lower/higher with all other variables held constant, the Group's profit before tax would have been $191,000 (2017: $161,000) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate interest-bearing financial liabilities.

## 41. Financial risk management objectives and policies (cont'd)

(d) ***Foreign currency risk***

The Group enters into fixed price contracts, mainly in US Dollars (USD) and Malaysian Ringgit (RM), with its suppliers for the purchase of steel. The Group is thus exposed to transactional foreign currency exposure dependent on the timing of its future purchases and when the liabilities are settled or are converted into the functional currency. Approximately 100% (2017: 100%) of the Group's steel purchases is denominated in foreign currencies.

The Group also holds cash and cash equivalents denominated in foreign currencies for working capital purposes. At balance sheet date, such foreign currency balances amount to $95,000 (2017: $24,000) and $118,000 (2017: $1,794,000) in USD and RM respectively. At balance sheet date, the Group has trade debts denominated in RM which amount to $6,335,000 (2017: $4,036,000).

Unless there is persistent weakness in the trend of the USD, the Group uses forward currency contracts to hedge between 50% to 100% of its anticipated steel purchases denominated in USD.

At 30 June 2018, the Group had hedged 50% (2017: 95%) of its foreign currency denominated purchases. The Group does not apply hedge accounting for such foreign currency denominated purchases.

The Group is also exposed to currency translation risk arising from its net investments in foreign operations. The Group uses its borrowings from the subsidiary company denominated in RM as a natural partial hedge against its cost of investment.

*Sensitivity analysis for foreign currency risk*

The following table demonstrates the sensitivity to a reasonably possible change in the USD and RM exchange rate (against SGD), with all other variables held constant, on the Group's profit before tax.

| | Profit before tax | |
|---|---|---|
| | **2018** | **2017** |
| | $'000 | $'000 |
| **USD** | | |
| - strengthened 2% (2017: 3%) | 176 | 156 |
| - weakened 2% (2017: 3%) | (176) | (156) |
| **RM** | | |
| - strengthened 4% (2017: 3%) | (210) | (417) |
| - weakened 4% (2017: 3%) | 210 | 417 |

## 42. Financial instruments

### Classification of financial instruments

Set out below is a comparison by category of carrying amounts of all the Group's and Company's financial instruments that are carried in the financial statements:

| | Note | Group 2018 $'000 | Group 2017 $'000 | Company 2018 $'000 | Company 2017 $'000 |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| **Fair value through profit or loss** | | | | | |
| Foreign currency contracts | 42C | 128 | – | – | – |
| **Available-for-sale** | | | | | |
| Long-term investments | 9 | 4,678 | 4,780 | 380 | 380 |
| **Loan and receivables** | | | | | |
| Due from subsidiary companies | 16 | – | – | 45,838 | 49,497 |
| Trade debtors (excluding sales tax receivables) | 14 | 26,405 | 19,482 | – | – |
| Other debtors | 15 | 364 | 1,222 | – | – |
| Due from related parties | 17 | 107 | 1,475 | – | – |
| Fixed deposits | 18 | 26,196 | 33,915 | 1,000 | – |
| Cash and bank balances | 18 | 15,123 | 14,939 | 85 | 26 |
| | | 68,195 | 71,033 | 46,923 | 49,523 |
| **Financial liabilities** | | | | | |
| **Fair value through profit or loss** | | | | | |
| Foreign currency contracts | 42C | – | 36 | – | – |
| Interest rate swap | 42C | – | 39 | – | – |
| | | – | 75 | – | – |
| **Carried at amortised cost** | | | | | |
| Trade creditors (excluding sales tax payables) | 19 | 27,297 | 27,790 | – | – |
| Other creditors | 20 | 3,710 | 3,405 | 310 | 222 |
| Due to related parties | 21 | 295 | 1,190 | 10 | 20 |
| Interest-bearing loans and borrowings | 22 | 15 | 6 | – | – |
| Due to subsidiary companies | 24 | – | – | 22,254 | 21,123 |
| | | 31,317 | 32,391 | 22,574 | 21,365 |

## 42. Financial instruments (cont'd)

### A. Fair value hierarchy

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

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and
- Level 3 – Unobservable inputs for the asset or liability

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

### B. Assets and liabilities measured at fair value

| | | Group | | | |
|---|---|---|---|---|---|
| | Note | Quoted price in active markets for identical instruments Level 1 | Significant observable inputs other than quoted prices Level 2 | Significant unobservable inputs Level 3 | Total |
| | | $'000 | $'000 | $'000 | $'000 |
| **2018** | | | | | |
| **Financial assets** | | | | | |
| **Fair value through profit or loss** | | | | | |
| Forward currency contracts | 42C | – | 128 | – | 128 |
| **Available-for-sale financial assets** | | | | | |
| Quoted equity investments | 9 | 948 | – | – | 948 |
| Financial assets as at 30 June | | 948 | 128 | – | 1,076 |
| **Non-financial assets** | | | | | |
| **Property, plant and equipment** | | | | | |
| Industrial buildings | 5 | – | 18,890 | – | 18,890 |
| **Investment properties** | | | | | |
| Industrial | 4 | – | – | 118,000 | 118,000 |
| Non-financial assets as at 30 June | | – | 18,890 | 118,000 | 136,890 |

## 42. Financial instruments (cont'd)

### B. Assets and liabilities measured at fair value (cont'd)

| | | Group | | | |
|---|---|---|---|---|---|
| | Note | Quoted price in active markets for identical instruments Level 1 | Significant observable inputs other than quoted prices Level 2 | Significant unobservable inputs Level 3 | Total |
| | | $'000 | $'000 | $'000 | $'000 |
| **2017** | | | | | |
| **Financial assets** | | | | | |
| **Available-for-sale financial assets** | | | | | |
| Quoted equity investments | 9 | 1,050 | – | – | 1,050 |
| Financial assets as at 30 June | | 1,050 | – | – | 1,050 |
| **Non-financial assets** | | | | | |
| **Property, plant and equipment** | | | | | |
| Industrial buildings | 5 | – | 19,246 | – | 19,246 |
| **Investment properties** | | | | | |
| Industrial | 4 | – | – | 118,000 | 118,000 |
| Non-financial assets as at 30 June | | – | 19,246 | 118,000 | 137,246 |
| **Financial liabilities** | | | | | |
| **Fair value through profit or loss** | | | | | |
| Forward currency contracts | 42C | – | 36 | – | 36 |
| Interest rate swap | 42C | – | 39 | – | 39 |
| Financial liabilities as at 30 June | | – | 75 | – | 75 |

There have been no transfers between Level 1, Level 2 and Level 3 during 2018 and 2017.

### C. Level 2 fair value measurements

*Derivatives*

| | Group | | | |
|---|---|---|---|---|
| | 2018 | | 2017 | |
| | Assets | Liabilities | Assets | Liabilities |
| | $'000 | $'000 | $'000 | $'000 |
| Forward currency contracts | 128 | – | – | (36) |
| Interest rate swap | – | – | – | (39) |
| | 128 | – | – | (75) |

## 42. Financial instruments (cont'd)

### C. Level 2 fair value measurements (cont'd)

Forward currency contracts and interest rate swap contract are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, interest rate curves and forward rate curves.

The notional amounts of derivative instruments are as follows:

| | Group | |
|---|---|---|
| | Notional amount | |
| | 2018 | 2017 |
| | $'000 | $'000 |
| Forward currency contracts | 8,690 | 5,205 |
| Interest rate swap | – | 10,000 |

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

The interest rate swap received floating interest linked to Singapore Offer Rate and paid a rate of interest of 2.19% during the year (2017: 1.77% to 2.19%). The maturity period of this swap was 16 September 2017.

*Industrial buildings*

The fair value of industrial buildings is based on comparable market transactions that consider sales of similar properties that have been transacted in the open market. The most significant input into this valuation approached is the selling price per square foot.

### D. Level 3 fair value measurements

The following table presents the information about fair value measurements using significant unobservable inputs:

| Description | Fair value as at 30 June<br>$ | Valuation technique(s) | Key unobservable inputs | Range |
|---|---|---|---|---|
| **2018** | | | | |
| Investment properties – Industrial buildings | 118,000,000 | Capitalisation method | Capitalisation rate | 5% |
| **2017** | | | | |
| Investment properties – Industrial buildings | 118,000,000 | Comparable sales method | Transacted price of comparable properties (psm). | $8,298- $8,928 |

The valuations of the investment properties are generally sensitive to changes in transacted price (psm) and yield rates. A significant increase/(decrease) in transacted price (psm) and yield rates would result in a significantly higher/(lower) fair value measurement.

The movement for Level 3 non-financial asset is detailed in Note 4 to the financial statements.

## 42. Financial instruments (cont'd)

### E. Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

Due from subsidiary company (Note 16) and Due to subsidiary companies (Note 24): The fair value information has not been disclosed due to uncertain timing of the future cash flow repatriation and hence fair value cannot be estimated reliably.

Long-term investments (Note 9): Fair value information has not been disclosed for the Group's investments in unquoted equity instruments that are carried at cost because fair value cannot be measured reliably. These unquoted equity instruments represent ordinary shares in the investee's companies that are not quoted on any market and do not have any comparable industry peer that is listed. In addition, the variability in the range of reasonable fair value estimates derived from valuation techniques is significant. The Group does not intend to dispose of this investment in the foreseeable future.

### F. Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

Current trade and other debtors, due from subsidiary company, due from related parties, fixed deposits, cash and bank balances, current trade and other creditors, due to related parties, interest-bearing loans and borrowings.

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either repayable on demand, due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the balance sheet.

## 43. Capital management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 30 June 2018 and 2017.

The Group monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. The Group's policy is to keep the gearing ratio below 50%. The Group includes within net debt, provisions, interest-bearing loans and borrowings, trade and other creditors (excluding derivative instruments), amounts due to related parties, less cash, bank balances and fixed deposits. Equity includes equity attributable to the owners of the Company. The Group is not subjected to any externally imposed capital requirement.

## 43. Capital management (cont'd)

| | Group 2018 $'000 | Group 2017 $'000 |
|---|---|---|
| Trade creditors | 27,658 | 28,480 |
| Other creditors | 3,710 | 3,405 |
| Due to related parties | 295 | 1,190 |
| Interest-bearing loans and borrowings | 15 | 6 |
| Provisions | 803 | 1,173 |
| Fixed deposits | (26,196) | (33,915) |
| Cash and bank balances | (15,123) | (14,939) |
| Net debt | (8,838) | (14,600) |
| Total equity | 260,616 | 254,531 |
| Equity and net debt | 251,778 | 239,931 |

## 44. Authorisation of financial statements

The financial statements for the financial year ended 30 June 2018 were authorised for issue in accordance with a resolution of the Directors on 3 October 2018.

# ANALYSIS OF SHAREHOLDINGS

## AS AT 18 SEPTEMBER 2018

| | | |
|---|---|---|
| Issued and fully paid–up capital | : | S$150,112,500 |
| No. of shares issued | : | 156,453,000 ordinary shares |
| Class of shares | : | Ordinary shares fully paid |
| Voting rights | : | 1 Vote per share |
| No. of treasury shares and subsidiary holdings held | : | Nil |

### DISTRIBUTION OF SHAREHOLDINGS AS AT 18 SEPTEMBER 2018

| | No of Shareholders | % | No of Shares | % |
|---|---|---|---|---|
| 1 – 99 | 88 | 3.76 | 4,243 | 0.00 |
| 100 – 1,000 | 1,752 | 74.97 | 1,202,890 | 0.77 |
| 1,001 – 10,000 | 399 | 17.07 | 1,365,555 | 0.87 |
| 10,001 – 1,000,000 | 95 | 4.07 | 7,148,344 | 4.57 |
| 1,000,001 and above | 3 | 0.13 | 146,731,968 | 93.79 |
| Total | 2,337 | 100.00 | 156,453,000 | 100.00 |

### TWENTY LARGEST SHAREHOLDERS AS AT 18 SEPTEMBER 2018

| No. | Name | No. of Shares | % |
|---|---|---|---|
| 1 | Mountbatten Enterprises Pte. Ltd. | 138,366,568 | 88.44 |
| 2 | Phillip Securities Pte Ltd | 5,401,400 | 3.45 |
| 3 | Leh Bee Hoe | 2,964,000 | 1.90 |
| 4 | Tan Boon Kay | 965,000 | 0.62 |
| 5 | Chiam Hock Poh | 880,000 | 0.56 |
| 6 | Teo Ek Hoon | 406,000 | 0.26 |
| 7 | Peh Kok Wah @ Peh Wah Chye | 382,000 | 0.24 |
| 8 | See Beng Lian Janice | 377,300 | 0.24 |
| 9 | Soong Kok Fong | 290,400 | 0.19 |
| 10 | Lim Tian Han | 265,000 | 0.17 |
| 11 | DBS Nominees Pte Ltd | 250,400 | 0.16 |
| 12 | Soh Eng Tai | 225,000 | 0.14 |
| 13 | Ho Shee Jan | 189,000 | 0.12 |
| 14 | Chin Thin Koon | 170,000 | 0.11 |
| 15 | Tan Geck Lin | 165,000 | 0.10 |
| 16 | Goh Eng Seng | 153,000 | 0.10 |
| 17 | DBS Vickers Securities (S) Pte Ltd | 150,000 | 0.09 |
| 18 | Lim Thian Lian | 128,000 | 0.08 |
| 19 | OCBC Nominees Singapore Pte Ltd | 103,000 | 0.07 |
| 20 | Sim Sock Hiang | 90,000 | 0.06 |
| | | 151,921,068 | 97.10 |

### SHAREHOLDINGS IN THE HAND OF PUBLIC AS AT 18 SEPTEMBER 2018

On the basis of the information available to the Company, approximately 11.56% of the equity securities of the Company are held in the hands of the public. This is in compliance with Rule 723 of the Listing Manual of the SGX–ST, which requires at least 10% of a listed issuer's equity securities to be held by the public.

# SUBSTANTIAL SHAREHOLDERS

## AS AT 18 SEPTEMBER 2018

| Name of Shareholder | Direct Interest No. of Shares | Direct Interest Percentage | Deemed Interest No. of Shares | Deemed Interest Percentage |
|---|---|---|---|---|
| Mountbatten Enterprises Pte. Ltd. | 138,366,568 | 88.44% | – | – |
| Lion Investment (Singapore) Pte. Ltd. (1) | – | – | 138,366,568 | 88.44% |
| Lion Realty Private Limited (2) | – | – | 138,366,568 | 88.44% |
| Tan Sri Cheng Yong Kim (3) | – | – | 138,366,568 | 88.44% |
| Datuk Cheng Yoong Choong (4) | – | – | 138,366,568 | 88.44% |

(1) Lion Investment (Singapore) Pte. Ltd. is deemed to be interested in 138,366,568 shares held by Mountbatten Enterprises Pte. Ltd.

(2) Lion Realty Private Limited is deemed to be interrested in 138,366,568 shares held by Mountbatten Enterprises Pte. Ltd.

(3) Tan Sri Cheng Yong Kim, who is a son of Mr Cheng Theng Kee, is deemed to be interested in 138,366,568 shares held by Mountbatten Enterprises Pte. Ltd.

(4) Datuk Cheng Yoong Choong, who is a son of Mr Cheng Theng Kee, is deemed to be interested in 138,366,568 shares held by Mountbatten Enterprises Pte. Ltd.

**NOTICE IS HEREBY GIVEN THAT** the Annual General Meeting of LTC Corporation Limited (the "Company") will be held at The Conference Room, 10 Arumugam Road, #10–00 LTC Building A, Singapore 409957 on Tuesday, 30 October 2018 at 9.30 a.m. to transact the following business:

## AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and Audited Financial Statements of the Company for the financial year ended 30 June 2018 together with the Auditors' Report thereon. (Resolution 1)

2. To re–elect Mr Cheng Yong Liang, a Director retiring pursuant to Article 91 of the Constitution of the Company. (Resolution 2)

3. To re–elect Mr Chay Yee, a Director retiring pursuant to Article 91 of the Constitution of the Company. (Resolution 3)

   *Mr Chay Yee will, upon re–appointment, remain as the Chairman of the Remuneration Committee and as a member of the Audit Committee and Nominating Committee and will be considered independent.*

4. To approve the payment of Directors' fees of S$112,000 for the financial year ended 30 June 2018 (2017: S$111,500). (Resolution 4)

5. To re–appoint Messrs Ernst & Young LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. (Resolution 5)

## AS SPECIAL BUSINESS

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

6. **General Mandate to Directors to Issue Shares**

   THAT pursuant to Section 161 of the Companies Act (Chapter 50 of Singapore) (the "Companies Act"), authority be and is hereby given to the Directors of the Company to:–

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

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

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

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

   provided that:

   (1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub–paragraph (2) below), of which the aggregate number of shares to be issued other than on a *pro rata* basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 20% of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub–paragraph (2) below);

(2) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited ("SGX–ST")) for the purpose of determining the aggregate number of shares that may be issued under sub–paragraph (1) above, the total number of issued shares (excluding treasury shares) shall be based on the total number of issued shares (excluding treasury shares) 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 any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and

(ii) any subsequent bonus issue, consolidation or subdivision of shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Companies Act, the Listing Manual of the SGX–ST for the time being in force (unless such compliance has been waived by the SGX–ST) and the Constitution of the Company for the time being in force; and

(4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.
*(See Explanatory Note)* (Resolution 6)

7. To transact such other ordinary business as can be transacted at an Annual General Meeting of the Company.

By Order of the Board

Silvester Bernard Grant
Company Secretary

Singapore, 12 October 2018

*Explanatory Note:*

Resolution 6 proposed in item 6 above, if passed, authorises the Directors of the Company to issue shares in the capital of the Company and to make or grant instruments (such as warrants or debentures) convertible into shares, and to issue shares in pursuance of such instruments, up to an amount not exceeding in total 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company, with a sub–limit of 20% of the total number of issued shares (excluding treasury shares) in the capital of the Company for issues other than on a *pro rata* basis to its shareholders.

**Notes:**

A member of the Company entitled to attend and vote at the above meeting, and who is not a Relevant Intermediary (which has the meaning ascribed to it in Section 181 of the Companies Act) is entitled to appoint not more than two proxies to attend and vote in his place. Where a member appoints more than one proxy, he shall specify the proportion of his shareholding to be represented by each proxy. A member of the Company who is a Relevant Intermediary is entitled to appoint more than two proxies to attend and vote in his place, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. A proxy need not be a member of the Company.

The instrument appointing a proxy must be deposited at the Registered Office of the Company at 10 Arumugam Road, #10–00 LTC Building A, Singapore 409957, not less than 48 hours before the time appointed for holding the meeting.

**Personal data privacy:**

Where a member submits an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the meeting and/or any adjournment thereof, a member (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 proxy(ies) and/or representative(s) appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) 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.

**PROXY FORM**

# LTC CORPORATION LIMITED

Company Registration No. 196400176K
(Incorporated in the Republic of Singapore)

**IMPORTANT**:
1. Relevant Intermediaries (as defined in Section 181 of the Companies Act (Chapter 50 of Singapore)) may appoint more than two proxies to attend and vote at the AGM.
2. For CPF investors who have used their CPF monies to buy shares in the capital of the Company, this Annual Report is forwarded to you at the request of your CPF Agent Bank and is sent **SOLELY FOR YOUR INFORMATION ONLY**.
3. This Proxy Form is therefore not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
4. A CPF investor who wishes to attend the AGM as proxy must submit his request to his CPF Agent Bank so that his CPF Agent Bank may appoint him as its proxy within the time frame specified. (CPF Agent Bank: Please refer to Notes 3 and 4 on the reverse side of this form on the required details.)

I/We, ______________________________ (Name), NRIC/Passport No. ____________________

of ______________________________________________________________ (Address)

being a member/members of LTC CORPORATION LIMITED (the "Company"), hereby appoint:

| Name | NRIC/ Passport No. | Proportion of Shareholdings | |
|---|---|---|---|
| | | No. of Shares | % |
| Address | | | |

and/or (delete as appropriate)

| Name | NRIC/ Passport No. | Proportion of Shareholdings | |
|---|---|---|---|
| | | No. of Shares | % |
| Address | | | |

or failing him/her/them, the chairman of the annual general meeting (the "AGM") as my/our proxy/proxies to vote for me/us on my/our behalf at the AGM of the Company to be held at The Conference Room, 10 Arumugam Road, #10–00 LTC Building A, Singapore 409957 on Tuesday, 30 October 2018 at 9.30 a.m.

I/We direct my/our proxy/proxies to vote for or against the Resolution to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/her/their discretion, as he/she/they will on any other matter arising at the AGM and at any adjournment thereof.

| No. | Ordinary Resolutions: | For* | Against* |
|---|---|---|---|
| 1. | Adoption of Directors' Statement, Audited Financial Statements and Auditors' Report | | |
| 2. | Re–election of Mr Cheng Yong Liang as a Director of the Company | | |
| 3. | Re–election of Mr Chay Yee as a Director of the Company | | |
| 4. | Approval of Directors' Fees | | |
| 5. | Re–appointment of Messrs Ernst & Young LLP as Auditors of the Company and to authorise the Directors to fix their remuneration | | |
| 6. | General Mandate to Directors to issue shares and convertible securities | | |

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

Dated this ________ day of ____________________ 2018.

| Total No. of Shares in: | No. of Shares |
|---|---|
| (1) CDP Register | |
| (2) Register of Members | |

______________________________________
Signature(s) of Member(s)/Corporation's Common Seal

**IMPORTANT: PLEASE READ NOTES OVERLEAF**

**Notes:**

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Part IIIAA 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 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 shall be deemed to relate to all the shares held by you.

2. A member of the Company entitled to attend and vote at a meeting of the Company, and who is not a Relevant Intermediary (which has the meaning ascribed to it in Section 181 of the Companies Act (Chapter 50 of Singapore) (the "Companies Act")) is entitled to appoint one or two proxies to attend and vote in his stead and such proxy need not be a member of the Company. Where a member appoints more than one proxy, the appointments shall be invalid unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.

3. A member of the Company who is a Relevant Intermediary is entitled to appoint more than two proxies to attend and vote in his stead at a meeting of the Company, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where more than one proxy is appointed, the number of shares in relation to which each proxy has been appointed shall be specified in the proxy form. In relation to a Relevant Intermediary who wishes to appoint more than two proxies, it should annex to the proxy form the list of proxies, setting out, in respect of each proxy, the name, address, NRIC/Passport Number and proportion of shareholding (number of shares and percentage) in relation to which the proxy has been appointed. For the avoidance of doubt, a CPF Agent Bank who intends to appoint CPF investors as its proxies shall comply with this Note.

4. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 10 Arumugam Road, #10–00 LTC Building A, Singapore 409957, not less than 48 hours before the time appointed for the AGM.

5. The instrument appointing a proxy or proxies must be under the hand of the appointor or of 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 seal or under the hand of an officer or attorney duly authorised.

6. A corporation which 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 AGM, in accordance with its Constitution and Section 179 of the Companies Act.

7. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member (being the appointor) is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

8. 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 AGM dated 12 October 2018.

AGM
Proxy Form

Affix
postage
stamp

The Company Secretary
**LTC CORPORATION LIMITED**
10 Arumugam Road
#10–00 LTC Building A
Singapore 409957

**LTC CORPORATION LIMITED**
(Co. Reg. No. 196400176K)
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LTCGROUP
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