FKT Holdings Limited
and its subsidiaries

Illustrative Financial Statements

31 December 2017

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FKT Holdings Limited
and its subsidiaries

31 December 2017

IMPORTANT NOTE:
These illustrative financial statements have been prepared to assist preparers of financial statements in complying with the disclosure requirements of the Singapore Companies Act, Singapore Financial Reporting Standards and Singapore Exchange Limited Listing manual.

The illustrative financial statements contained in this publication are not substitutes for reading the legislation or standards themselves, or for professional judgement as to fairness of presentation.
Whilst every care has been taken in its preparation, reference to the Companies Act, Financial Reporting Standards ("FRS") and Interpretations to FRS ("INT-FRS") issued by the Accounting Standards Council ("ASC") and other authoritative publications should be made, and specific advice sought where necessary.

These illustrative financial statements do not cover every circumstance and does not address situations where alternative accounting treatments and disclosures are required or necessary. The information in this publication does not constitute professional advice. If professional advice is required, the services of a competent professional should be sought. Neither Foo Kon Tan LLP nor any employee of the firm shall be liable for any damage or loss of any kind on any ground whatsoever suffered as a result of any use of or reliance on this publication.

This 2017 edition includes edition includes Amendments to *FRS 7 Statement of Cash Flows - Disclosure Initiative*, Amendments to FRS 12 *Recognition of deferred tax assets for unrealised losses and Improvements to FRSs (issued in December 2016) FRS 112 Disclosure of Interests in Other Entities, ,* which are effective for periods beginning on or after 1 January 2017. In addition, it also includes the following appendices:

- Appendix A: Statement of Profit or Loss and Other Comprehensive Income presented in a Single Statement,
- Appendix B: Employee Benefits,
- Appendix C: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities
- Appendix D: Disclosure of *Revenue from contracts with Customers*
- Appendix E-1: *Financial Instruments*
- *Appendix E-2: Hedge Accounting*
- Appendix F: Comparison between Singapore Financial Reporting Standards (SFRS) and International Financial Reporting Standards (IFRS) and Interpretations of Financial Reporting Standards (INT FRS) and International Financial Reporting Interpretations Committee (IFRIC) Interpretations and
- Appendix G: Areas of Changes in FRS

Company information

		Reference
Company registration number	198001234R	
Registered office	20 FKT Road #02-00 FKT Building Singapore 888820	SGX 1207.2
Directors	Tan Kian Beng Yeo Heng Hian Chia Boon Tong Cheong Chee Mei (Independent director) Lok Soh Yun (Independent director) Lee Boon Fui (Independent director)	
Audit committee	Lok Soh Yun (Chairman) Cheong Chee Mei Lee Boon Fui	
Nominating committee	Lee Boon Fui (Chairman) Tan Kian Beng Lok Soh Yun	
Remuneration committee	Cheong Chee Mei (Chairman) Lok Soh Yun Lee Boon Fui	
Company Secretary	Chan Gek Yoke	SGX 1207.1
Share Registrar	Tan Associates Pte Ltd 5 Registrar Road #11-88 Singapore 123456	SGX 1207.3
Bankers	ABC Bank Limited XYZ Bank Limited	
Solicitor	Solicitors & Partners, LLC	
Auditor	Foo Kon Tan LLP Chartered Accountants 24 Raffles Place #07-03 Clifford Centre Singapore 048621	SGX 713
	Partner-in-charge: Mr Foo Lee Lim (since financial year 2013)	SGX 713.1

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Notes:

FRS 1 permits an entity to present:

A single statement of profit or loss and other comprehensive income, with profit or loss and other comprehensive income presented in two sections. The sections shall be presented together, with the section presented first followed directly by the other comprehensive income section.

The profit or loss section in a separate statement of profit or loss. If so, the separate statement of profit or loss shall immediately precede the statement presenting comprehensive income, which shall begin with profit or loss

Option (b) is adopted for these illustrative financial statements. The illustration for option (a), a single statement presentation is shown in Appendix A.

Reference

FRS 1.10A

Directors' statement
for the financial year ended 31 December 2017

Reference

We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 31 December 2017.

In our opinion:

(a) the accompanying financial statements of the Group and Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; CA Twelve Schedule 1(a)

(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. CA Twelve Schedule 1 (b)

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

Names of directors
The directors of the Company to office at the date of this report are: CA Twelve Schedule (7)

Tan Kian Beng
Yeo Heng Hian
Chia Boon Tong
Cheong Chee Mei (Independent director)
Lok Soh Yun (Independent director)
Lee Boon Fui (Independent director)

Directors' interest in shares or debentures

(i) According to the Register of Directors' Shareholdings kept by the Company under Section 164 of the Companies Act, Cap. 50, none of the directors who held office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows: CA Twelve Schedule (9)

Notes: CA Twelve Schedule (8)

1. Only if there is such an arrangement, provide details of:
   - effect of the arrangement; and
   - names of persons who are or were directors and who held, or whose nominees held, shares or debentures acquired under the arrangements.

2. If all the directors hold all classes of shares, the wording is:

   "According to the Register of Directors' Shareholdings kept by the Company under Section 164 of the Companies Act, Cap. 50, the directors who held office at the end of the financial year had interest in the shares or debentures of the Company or its related corporations."

Directors' statement
for the financial year ended 31 December 2017 (Cont'd)

Directors' interest in shares or debentures (Cont'd)

	Holdings registered in the name of director or nominee		Holdings in which director is deemed to have an interest	
	As at 1.1.2017 or date of appointment, if later	**As at 31.12.2017 and 21.1.2018#**	As at 1.1.2017 or date of appointment, if later	**As at 31.12.2017 and 21.1.2018#**
The Company – FKT Holdings Limited	Number of ordinary shares			
Tan Kian Beng	*56,000	****12,270,000**	127,650,000	**127,650,000**
Yeo Heng Hian	-	**20,000**	-	**-**
Chia Boon Tong	40,000	**40,000**	-	**-**
The ultimate holding company FKT Holdings Limited	Number of 8% Convertible Unsecured Loan Stock of £1.00 each			
Tan Kian Beng	-	**-**	8,255,627	**-**
The ultimate holding company FKT Holdings Limited	Number of shares of £1.00 each			
Tan Kian Beng	871,068	**4,126,695**	33,272,607	**38,272,607**

* *Held in the name of nominees*

** *16,000 shares held in the name of nominees*

Mr. Tan Kian Beng, by virtue of the provisions of Section 7 of the Companies Act, Cap. 50, is deemed to have an interest in the whole of the issued share capital of all the wholly-owned subsidiaries of FKT Holdings Limited and FKT Plc, and in the shares held by the Company in the following subsidiaries that are not wholly owned by the Group.

	As at 1.1.2017 or date of appointment, if later	**As at 31.12.2017**
	Number of ordinary shares	
FKT International Pte Ltd	4,000,000	**4,000,000**
FKT Hotel (Pte.) Ltd	9,000,000	**9,000,000**
FKT Properties Sdn Bhd	5,000,000	**5,000,000**

There are no changes to the above shareholdings as at 21 January 2017 *(applicable for public listed company only).* SGX 1207.7

Directors' statement
for the financial year ended 31 December 2017 (Cont'd)

Directors' interest in shares or debentures (cont'd)

According to the register of directors' shareholdings, certain directors holding office at the end of the financial year had interests in options to subscribe for ordinary shares of the Company granted pursuant to the Employee Share Option Scheme as set out below and under the paragraph "Share options scheme" of this report.

CA Twelve Schedule (8)

	As at 1.1.2017 or date of appointment, if later	**As at 31.12.2017**
The Company – FKT Holdings Limited	Number of unissued ordinary shares under option	
Yeo Heng Hian	-	**20,000**
Chia Boon Tong	-	**20,000**

Notes:

Where directors have no interest, the following is applicable:

"None of the directors who held office at the end of the financial year had any interests in shares or debentures of the Company or its related corporations."

Share option scheme

At an Extraordinary General Meeting of the Company held on 13 May 2009, shareholders approved the FKT Holdings Limited Employees' Share Option Scheme (the "Scheme"). Under the Scheme, the Company may grant options to employees of the parent group who have contributed to the success and development of the Company and its subsidiaries, and the Company or its subsidiaries holding office of the rank (or equivalent or analogues rank) of Executive or Section Head and above, and directors of the Company and its subsidiaries, whether holding office in an executive or non-executive capacity, or who are also controlling shareholders (as defined in the SGX listing manual) to subscribe for ordinary shares in the Company provided that the number of shares in respect of which options may be granted to:

SGX 852

(i) Any individual employee or director shall not exceed 25% of the total number of shares in respect of which the Company may grant options pursuant to the Scheme;

CA Twelve Schedule (5)
SGX 852.1.b.i

(ii) Any controlling shareholder and their associates (as defined in the SGX listing manual) shall not exceed 25% of the total number of shares in respect of which the Company may grant options pursuant to the Scheme;

SGX 845.2

(iii) Each individual controlling shareholder or his associate shall not exceed 10% of the total number of shares in respect of which the Company may grant options pursuant to the Scheme;

SGX 845.3

Directors' statement
for the financial year ended 31 December 2017 (Cont'd)

Share option scheme (cont'd)

(iv) Each employee in any one year shall not exceed the following limits:

Rank (or equivalent or analogous rank)	Number of shares
Executive Directors/Division Managers	60,000
Department Managers/Project Managers	15,000
Section Heads/Executives	7,000

(v) All parent group employees in aggregate shall not exceed 20% of the total number of shares in respect of which the Company may grant options pursuant to the Scheme. SGX 845.4

The Scheme presently does not extend to directors and employees of associates.

The Scheme is administered by a Remuneration Committee comprising Cheong Chee Mei (Chairman) Lok Soh Yun and Lee Boon Fui, all directors of the Company. SGX 852.1.a

Notes:

The following is alternative wordings:

"The FKT Holdings Limited Employees' Share Option Scheme (the "Scheme") was approved by shareholders at an Extraordinary General Meeting held on 13 May 2007, details of which are given in the Directors' Report for the financial year ended 31 December 2007."

Share options granted

On 30 June 2017, the Company granted options to subscribe 110,000 ordinary shares of the Company at exercise price of $3.30 per share ("2017 Options"). The 2017 Options are exercisable from 1 July 2017 and expire on 30 June 2019. The total fair value of the 2017 Options granted was estimated to be $176,000, using the Binomial Option Pricing Model. Particulars of 2017 Options granted to directors during the financial year are:

SGX 852.1.b,c

	No. of unissued ordinary shares for the Company under option			
Name of directors	Options granted during the financial year ended 31.12.2017	Aggregate options granted since commencement of Scheme to 31.12.2017	Aggregate options exercised since commencement of Scheme to 31.12.2017	Aggregate options outstanding as at 31.12.2017
Yeo Heng Hian	**20,000**	**60,000**	**(40,000)**	**20,000**
Chia Boon Tiong	**20,000**	**60,000**	**(40,000)**	**20,000**

The options may be exercised in full or in respect of 1,000 shares or a multiple thereof, on payment of the exercise price at any time after the second anniversary of the grant, but before the fifth anniversary.

Directors' statement
for the financial year ended 31 December 2017 (Cont'd)

Share options granted (cont'd)

The persons to whom the options have been issued have no right to participate by virtue of the options in any share issue of any other Company.

There have been no options granted to the controlling shareholders of the Company or their associates (as defined in the Listing Manual of Singapore Exchange Securities Trading Limited) or to parent group employees. No employee, other than Mr Yeo Heng Hian and Mr Chia Boon Tong disclosed above, has received 5% or more of the total number of options available under the Scheme.

S 201.11.e
CA Twelve Schedule.(2)(d)

No options to take up unissued shares of the subsidiaries have been granted during the financial year.

Notes:

1. Where these particulars have been stated in a previous directors' report, they may be stated by reference to that report, for example:

   "Details of options granted previously in 2012, 2016 and 2017 have been disclosed in the Report of the Directors for the previous financial year(s)."

2. Under CA Twelve Schedule (2) & (4) if a subsidiary has a share option scheme; similar details have to be stated for that subsidiary as well.

Share options exercised

Particulars of shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company, whether granted before or during the financial year are as follows:

Company	Number and Class of share issued	Person to * whom issued	Amount paid per share
[Company name]	[•]	[name]	[•]

To name directors, controlling shareholders and their associates and employees who received 5% or more of the total options available under the Scheme.

Notes:

SGX 852.1.c.i

Alternatively, if there were no issues by virtue of the exercise of options, the note will be:

"No shares were issued during the financial year to which this report relates by virtue of the exercise of the exercise of the options to take up unissued shares of the Company or any subsidiary."

Directors' statement
for the financial year ended 31 December 2017 (Cont'd)

Unissued shares under option

The unissued shares under option at the end of the financial year are as follows:

Date options granted	Balance at 1.1. 2017	Granted/ (forfeited) during the year	Exercised during the year	Balance at 31.12. 2017	Exercise price per share	No. of option holders at 31.12. 2017	Period exercisable	Total
								$
30.06.2012	10,000	(6,000)	-	**4,000**	$3.70	**2**	01.07.2012 - 30.06.2017	
30.06.2016	51,000	(9,000)	(12,000)	**30,000**	$3.60	**10**	01.07.2016 - 30.06.2018	
30.06.2017	108,000	(58,000)	-	**50,000**	$3.50	**21**	01.07.2017 - 30.06.2019	
30.06.2017	-	110,000	-	**110,000**	$3.30	**22**	01.07.2017 - 30.06.2020	(3,325)
	169,000	37,000	(12,000)	**194,000**				2,597,812

SGX 852.1c.ii

SGX 852.1.c.i

There were no unissued shares of subsidiaries under option at 31 December 2017.

Mr Yeo Heng Hian and Mr Chia Boon Tong, both directors, are interested in 20,000 options each at the end of the financial year and at 21 January 2017.

Notes:

If there are other options granted previously but still outstanding at the end of the financial year, the above table would include those as well.

Where these unissued options give the option holders a right to participate in any share issue of any other company, these rights should be stated.

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Directors' statement
for the financial year ended 31 December 2017 (Cont'd)

Audit Committee

The audit committee at the end of the financial year comprises the following members. CA 201B.1

Lok Soh Yun (Chairman) CA 201B.2.a
Cheong Chee Mei
Lee Boon Fui

The audit committee performs the functions set out in Section 201B (5) of the Companies Act, Cap.50, the SGX Listing Manual and the Code of Corporate Governance. In performing those functions, the committee reviewed the following: CA 201B.5,9

(i) overall scope of both the internal and external audits and the assistance given by the Company's officers to the auditors. It met with the Company's internal and external auditors to discuss the results of their respective examinations and their evaluation of the Company's system of internal accounting controls;

(ii) the audit plan of the Company's independent auditor and any recommendations on internal accounting controls arising from the statutory audit;

(iii) the quarterly financial information (where applicable) and the statement of financial position of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2017 as well as the auditor's report thereon;

(iv) effectiveness of the Company's material internal controls, including financial, operational and compliance controls and information technology controls and risk management systems via reviews carried out by the internal auditors; Code of Principle 11.2

(v) met with the external auditor, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the Audit Committee;

(vi) reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;

(vii) reviewed the cost effectiveness and the independence and objectivity of the external auditor;

(viii) reviewed the nature and extent of non-audit services provided by the external auditor;

(ix) recommended to the board of directors the external auditor to be nominated, approved the compensation of the external auditor, and reviewed the scope and results of the audit;

(x) reported actions and minutes of the Audit Committee to the board of directors with such recommendations as the Audit Committee considered appropriate; and

(xi) interested person transactions (as defined in Chapter 9 of the Listing Manual of the Singapore Exchange).

Directors' statement

for the financial year ended 31 December 2017 (Cont'd)

Audit Committee (Cont'd)

The audit committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The audit committee also recommends the appointment of the external auditor and reviews the level of audit and non-audit fees.

The audit committee is satisfied with the independence and objectivity of the external auditor and has recommended to The Board of Directors that the auditor, Foo Kon Tan LLP, be nominated for re-appointment as auditor at the forthcoming Annual General Meeting of the Company.

Full details regarding the Audit Committee are provided in the Report on Corporate Governance. SGX 1207.6.b

In appointing our auditors for the Company, subsidiaries and significant associated companies, we have complied with Rules 712 and 715 of the SGX Listing Manual. SGX 1207.6.c

Notes:

(i) Section 201B (5) of the Companies Act requires a description of the nature and extent of the functions performed by the audit committee pursuant to Section 201B (5). If the nature and extent of the functions are described in the Report on Corporate Governance and the Directors' Report makes reference to the Report on Corporate Governance instead, the directors must ensure that the Report on Corporate Governance describes the functions pursuant to Section 201B(5) of the Companies Act.. CA 201.1b

(ii) SGX 1207.10 requires the opinion of the board with the concurrence of the audit committee on the adequacy of internal controls, addressing financial, operational and compliance risks. CA 201.3A.ai,aii SGX 1207.10 CA 202

(iii) Rule 715 of the listing manual states: CA 201.1a

(a) subject to Rule 716, an issuer must engage the same auditing firm based in Singapore to audit its accounts, and its Singapore-incorporated subsidiaries and significant associated companies

(b) an issuer must engagement a suitable auditing firm for its significant foreign-incorporated subsidiaries and associated companies.

(iv) Rule 716 states an issuer may appoint different auditing firms for its subsidiaries or significant associated companies (referred to in Rule 715 (1)) provided:

(a) the issuer's board and audit committee are satisfied that the appointment would not compromise the standard and effectiveness of the audit of the issuer; or

(b) the issuer's subsidiary or associated company is listed on a stock exchange.

In practice, listed companies would either comply with Rules 712 and 715 or Rules 712, 715 and 716.

Directors' statement
for the financial year ended 31 December 2017 (Cont'd)

Independent auditor

The independent auditor, Foo Kon Tan LLP, Chartered Accountants, has expressed its willingness to accept re-appointment.

On behalf of the Directors

………………………………
TAN KIAN BENG

………………………………
CHIA BOON TIONG

Dated: 28 February 2018

Notes:

1. The phrase "On behalf of the Directors" is not necessary if the Company has only two directors. The same applies to "Directors' report".

2. The Directors' report shall be made out and sent to all persons entitled to receive notice of general meetings of the Company not less than 14 days before the date of the Annual General Meeting ("AGM"). The report shall be made in accordance with a resolution of the Board of Directors, specifying the day on which it was made out and be signed by at least two directors. The same applies to the "Statement by directors". With effect from 1 July 2016, the disclosures previously contained in the directors' report have been moved to the enhanced directors' statement, which must comply with the requirements of the Twelve Schedule. CA 201.1b CA 201.3A.ai,aii SGX 707 CA 202

3. AGMs for SGX listed companies shall be held within four months after the end of their financial years. AGMs for non-listed companies shall be held within six months of the end of their financial years. CA 201.1a

Independent Auditor's Report

To the Shareholders of FKT Holdings Limited and its subsidiaries

Report on the Audit of the Financial Statements

Opinion

SSA 700 (Revised) .23 – 27

We have audited the financial statements of FKT Holdings Limited (the Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows 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 financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for Opinion

SSA (Revised) 700 (Revised).30 - 31
SSA 701.14

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

Key Audit Matters

SSA 700 (Revised).30 – 31
SSA 701.14

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.

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Independent Auditor's Report

To the Shareholders of FKT Holdings Limited and its subsidiaries (Cont'd)

Key Audit Matters (Cont'd)

SSA 700 (Revised).30 – 31

SSA 701.14

Key Audit Matter	Risk	Our responses and work performed
Valuation of development properties	The valuation of freehold properties is based on the assumptions regarding the selling price and costs of properties. Note 11 to the financial statements discloses the land cost and other related cost, development cost, attributable profits and progress billings. Significant judgement is required In determining total costs of properties, including construction costs and variation orders. These calculations are based on assumptions relating to the property price index and market sentiment, and adjustments will made in future market activity. As these estimates relate to future terms and the carrying amount of the development properties is material, the estimation uncertainty relating to the valuation of land held for freehold properties development is significant.	We have identified valuation of development properties as a key audit matter. During our audit, amongst others, we have assessed the calculations of the freehold properties' net realisable values and challenged the reasonableness and consistency of the assumptions used by management. We verified that management's assumptions around the possibilities for future residential property development are consistent with documentation which include the plans and decisions of government bodies and with the information included in external appraisals. We also compared management's assumptions concerning the development of residential apartment prices with independent expectations of external parties and institutions. Expected future costs and interest expenses are assessed based on underlying documentation and assessed based on reasonableness. A part of the land portfolio has also been appraised by external appraisers and we have involved our own appraisers as audit experts to assess the underlying assumptions and methodology of the appraisals. We also assessed whether the Group's disclosure adequately described the key judgements exercised.

Independent Auditor's Report

To the Shareholders of FKT Holdings Limited and its subsidiaries (Cont'd)

Key Audit Matters (Cont'd)

SSA 700 (Revised).30 – 31

SSA 701.14

Key Audit Matter	Risk	Our responses and work performed
Revenue recognition and valuation and recoverability of trade and other receivables	The Group's disclosures about revenue recognition and carrying amount of trade and other receivables are included in the significant accounting policies in Note 3 as well as in Note 14 to the consolidated financial statements. Revenue and profits from sale of development properties are recognised on the percentage of completion method based on architect's certification of construction work completed in respect of properties sold. Hence, the revenue recognition and corresponding results on contracts are affected by a variety of uncertainties that depend on the outcome of future events. They are sensitive to local contracts and to management's ability to appropriately manage these uncertainties. The process to measure the amount of revenue including the determination of the appropriate timing of recognition involves significant management judgment.	We have identified revenue recognition and the valuation of trade and other receivables as a key audit matter. Our audit procedures included, amongst others, evaluating management's controls relating to revenue recognition, including the determination of the percentage of completion and the timing of revenue recognition, and controls relating to the valuation of amounts due from and due to customers. In addition, we performed substantive testing and analytical procedures. These procedures included challenging the appropriateness of management's assumptions and management estimates in relation to revenue recognition and the valuation of amounts due from and due to customers. We also assessed whether the revenue recognition policies adopted complied with FRSs. We have: • discussed with management regarding the level and ageing of receivables and recoverability of amounts due from and due to customers, along with the consistency and appropriateness of receivables and recoverability of amounts due from and due to customers by assessing recoverability with reference to cash received in respect of debtors and billings raised against valuation of amounts due from and due to customers. In addition we have considered the Company's previous experience of bad debt exposure and the individual counterparty credit risk • assessed the recoverability of overdue unprovided debt with reference to the historical levels of bad debt expense and credit pro le of the counterparties • tested these balances on a sample basis through agreement to post period end invoicing, post period end cash receipt or agreement to the terms of the contract in place, as appropriate and

Independent Auditor's Report

To the Shareholders of FKT Holdings Limited and its subsidiaries (Cont'd)

SSA 700 (Revised).30 – 31

SSA 701.14

Key Audit Matters (Cont'd)

Key Audit Matter	Risk	Our responses and work performed
Revenue recognition and valuation and recoverability of trade and other receivables (Cont'd)		• Considered the consistency of judgments regarding the recoverability of trade receivables and accrued income made year on year to consider whether there is evidence of management bias through discussion with management on their rationale and obtaining evidence to support judgment areas. Based on the results of the above procedure, we assessed the reasonableness of impairment charge taken for the identified exposures. We also assessed the adequacy of the related disclosures in the notes to the financial statements.
Investment properties are valued at fair value, supported by valuation reports of independent valuators	Investment property comprises 15% of total assets and is measured at fair value. The determination of fair value involves using assumptions and estimates, to which a certain degree of subjectivity is inherent. As disclosed in Note 6 to the financial statements, fair values are supported by valuation reports prepared by independent valuators. Fair values involve estimates of expected future cash flows and risks.	We have identified investment property valued at fair value as a key audit matter. We examined the process of determining fair values and the internal controls included therein. We aimed our audit procedures, amongst others, at the engagements between the Group and the valuators, the methods and definitions applied and the internal analyses of the valuation results. We have audited the information provided by the Group to the valuators and the final results of the valuation process. We have involved our own valuation specialists to assess the models and assumptions used. We also assessed the adequacy of the related disclosures in the notes to the financial statements.

Independent Auditor's Report

To the Shareholders of FKT Holdings Limited and its subsidiaries (Cont'd)

Other Information [or another title if appropriate, such as "Information Other than the Financial Statements and Auditor's Report Thereon"]

SSA 720 Appendix 2

Management is responsible for the other information. The other information obtained at the date of this auditor's report is [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 on the other information obtained prior to the date of this auditor's report, 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.

When we read the annual report, if we conclude that there is a material misstatement therein, we are require to communicate the matter to those charged with governance and take appropriate actions in accordance with the SSAs.

Responsibilities of Management and Directors for the Financial Statements

SSA 700 (Revised).33 - 36

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

SSA 700 (Revised).37 - 40

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

Independent Auditor's Report

To the Shareholders of FKT Holdings Limited and its subsidiaries (Cont'd)

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

SSA 700 (Revised).37 – 40

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

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

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

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

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

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

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

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

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

SSA (Revised) 700.43 to 45

Independent Auditor's Report

To the Shareholders of FKT Holdings Limited and its subsidiaries (Cont'd)

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

SSA (Revised) 700.46

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.

SSA (Revised) 700.48 & 49

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 Foo Lee Lim.

Foo Kon Tan LLP
Public Accountants and Chartered Accountant
Singapore 31 March 2018

Notes:

1. **Presentation of Consolidated Statement of profit or loss in addition to Consolidated Statement of Comprehensive Income**

   If the group chooses to present a consolidated statement of profit or loss in addition to the consolidated statement of comprehensive income (2 statements approach), the Auditor's report will need to refer to the consolidated statement of profit or loss in addition to the consolidated statement of comprehensive income.

2. **Date of Independent Auditors' Reports**

   The directors are required to take reasonable steps to ensure that the accounts are audited not less than 14 days before the AGM of the Company. In general, the Independent Auditor's Report will be dated on the same date as the Directors' Report and the Statement by Directors. The auditor shall date the auditor's report no earlier than the date on which the auditor has obtained sufficient appropriate evidence on which to base the opinion on the financial statements. Sufficient audit evidence includes evidence that the entity's complete set of financial statements has been prepared and that those with the recognised authority have assessed that they have taken responsibility for them.

Independent Auditor's Report

To the Shareholders of FKT Holdings Limited and its subsidiaries (Cont'd)

Notes: (Cont'd)

3. **<u>For mandatory for</u>** audits of complete sets of general purpose financial statements of listed entities, voluntary application for entities other than **<u>listed entities</u>**, **<u>a new requirement for auditors of listed entities' financial statements to communicate 'Key Audit Matters' (KAM) that the auditor views as most significant</u>**, with an explanation of how they were addressed in the audit. SSA 701.9

   Key Audit Matters are that:

   - areas of higher assessed risks of material misstatement, or
   - significant risks identified in accordance with SSA 315 (Revised) Identifying and Assessing the Risks of Material Misstatements through Understanding the Entity and its Environment and
   - in the auditor's judgement, were of most significance in the audit of the current-period financial statements.

4. **Matters of most significance**

   Factors the auditor would consider in determining which matters are of most significance:

   - Significance of interactions between the auditor, management and the audit committee
   - The importance of the matter to understanding the financial statements as a whole
   - The materiality of the matter
   - Corrected and uncorrected misstatements relating to the matter and the nature of these;
   - The nature and extent of audit effort to address the matter, for example use of expert

5. **Interaction with modified opinion**

Modified Opinion	Key Audit Matters ("KAM")
Qualified	Include the usual KAM section and reference the Basis for Qualified Opinion in the KAM section. "In addition to the matter described in the Basis for Qualified Opinion section, we have determined the matters described below to be the key audit matters to be communicated in our report." [Description of each key audit matter]
Adverse	Include the usual KAM section and reference the Basis for Adverse Opinion in the KAM section. "In addition to the matter described in the Basis for Adverse Opinion section, we have determined the matters described below to be the key audit matters to be communicated in our report." [Description of each key audit matter]
Disclaimer	There must not be a KAM section.

Independent Auditor's Report

To the Shareholders of FKT Holdings Limited and its subsidiaries (Cont'd)

Notes: (Cont'd)

6. The following are some illustrative of KAMs where the balances in the illustrative financial statements is not most significance or not applicable:

SSA 700 (Revised).33 – 34

SSA 701.11

Key Audit Matter	Risk	Our responses and work performed
Impairment of Goodwill	*Goodwill represents X% of the balance sheet total and XX% of total equity. The annual impairment test was significant to our audit because the assessment process is complex and requires judgment.*	*We have identified the goodwill as a key audit matter. The Company used assumptions on margin development, revenue growth and the discount rate. We included in our team a valuation expert in order to assist us in evaluating the assumptions, methodologies and data used by the Company by comparing them to external data on the developments in the market, assessing the historical accuracy of management's estimates and the sensitivities in these. We specifically focused on the sensitivity in the available headroom of cash generating units where a reasonably possible change in assumptions could cause the carrying amount to exceed its recoverable amount.* *We also focused on the adequacy of the Company's disclosures about those assumptions to which the outcome of the impairment test is most sensitive. We refer to the Company's disclosures about goodwill and its recoverability included in Note X to the consolidated financial statements.*

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Independent Auditor's Report

To the Shareholders of FKT Holdings Limited and its subsidiaries (Cont'd)

Notes: (Cont'd)

6. (Cont'd)

Key Audit Matter	Risk	Our responses and work performed
Impairment of Non - Financial Assets Other than Goodwill (including Investment in Subsidiaries and Associates)	*Non - financial assets other than goodwill (including investment in subsidiaries and / or associates) are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is based on certain key assumptions, such as cash flow projections covering a five-year period and the perpetual growth rate and discount rate per cash generating unit. These assumptions which are determined by management are judgemental.*	*We have identified the valuation of non - financial assets other than goodwill (including investment in subsidiaries and / or associates) is significant to our audit. Our audit procedures included, among others, obtaining an understanding of the valuation model and assumptions used, challenging management's assumptions and involving independent valuation experts to support us in our evaluation of the model. We also focused on the adequacy of disclosures about key assumptions and sensitivity.* *Management's disclosures on the impairment of non-financial assets other than goodwill (including investment in subsidiaries and / or associates) will be included in notes to the consolidated financial statements.*
Inventory excess & obsolete provision	*The total inventory and related excess and obsolete provision as of December 31, 2017 amounts to S$ XXX million and S$ YYY million, respectively. The excess and obsolete provision mainly relates to raw materials and spare parts because finished products (and related work in process) are manufactured only when a client order is received.*	*We have identified inventory and related excess and obsolete provision as a key audit matter because the gross inventory and related provision are material to the financial statements, involve a high level of judgment and are subject to uncertainty due to rapid technological changes. We evaluated, amongst others, the analyses and assessments made by management with respect to slow moving and obsolete stock; the expected demand and market value related to service parts and raw materials; the provision for future purchase commitments; and the provision for lenses including anticipated repair costs.* We also assessed the adequacy of the related disclosures in the notes to the financial statements.

SSA 700 (Revised).33 – 34

SSA 701.11

Independent Auditor's Report

To the Shareholders of FKT Holdings Limited and its subsidiaries (Cont'd)

Notes: (Cont'd)

6. (Cont'd)

Key Audit Matter	Risk	Our responses and work performed
Accounting for discontinue the hotel and restaurant operations	*On 21 November 2017, the Group decided to discontinue the hotel and restaurant operations and dispose of the business by selling assets and settling its liabilities piecemeal. Note X to the financial statements discloses the result from the discontinued operations as well as the net assets to be disposed of.*	*The hotel and restaurant operation is significant to the Group and this intended disposal has therefore been identified as a key audit matter. We have identified the valuation and presentation of associated items as a key audit matter.* *Procedures were performed to assess whether the valuation and presentation as held for sale and discontinued operations is in accordance with FRSs. These procedures also included challenging management's assumptions used in determining fair value less cost to sell. We also assessed whether the Group's disclosure adequately described the key judgements exercised.*
Valuation of Financial Instruments	*The Company's investments in structured financial instruments represent (X%] of the total amount of its financial instruments.*	*We have identified valuation of financial instruments as a key audit matter. Due to their unique structure and terms, the valuation of these investments are based on entity-developed internal models and not on quoted prices in active markets. Therefore, there is significant measurement uncertainty involved in this valuation. As a result, the valuation of these instruments was significant to our audit.* *The Group's disclosures about its structured financial instruments are included in Note X to the financial statements.*

SSA 700 (Revised).33 – 34

SSA 701.11

Independent Auditor's Report

To the Shareholders of FKT Holdings Limited and its subsidiaries (Cont'd)

Notes: (Cont'd)

6. (Cont'd)

SSA 700 (Revised).33 – 34

SSA 701.11

Key Audit Matter	Risk	Our responses and work performed
Contingent liabilities and provisions from claims, proceedings and investigations	The Company and certain of its group companies and former group companies are involved as a party in legal proceedings, including regulatory and other governmental proceedings as well as investigations by authorities. Since the ultimate disposition of asserted claims and proceedings and investigations cannot be predicted with certainty, an adverse outcome could have a material adverse effect on the financial position, results of operations and cash flows, resulting in the identification of a significant financial statement risk.	The accounting for contingent liabilities from claims, proceedings and investigations is complex and judgemental, and the amounts involved are, or can be material to the financial statements as a whole. At December 31, 2017, the provisions from legal proceedings amount to S$ XX million, in case the company has a present legal or constructive obligation that cannot be estimated reliably, no provisions have been recognised. *We have identified contingent liabilities from claims, proceedings and investigations as a key audit matter. In response to these risks, our audit procedures included, amongst others, testing the effectiveness of the Company's controls around the identification and evaluation of claims, proceedings and investigations at different levels in the organization, and the recording and continuous re-assessment of the related contingent liabilities and provisions and disclosures, in accordance with SFRS. We also inquired with both legal and financial staff in respect of ongoing investigations or claims, proceedings and investigations, inspected relevant correspondence, inspected the minutes of the meetings of the Audit Committee, Supervisory Board and Executive Committee, requested external legal confirmation letters from a selection of external legal counsel and obtained a legal representation letter from the Company.* *We also assessed the disclosure regarding contingent liabilities from legal proceedings and investigations as contained in Note X Provisions, Note XX Other Liabilities and Note XXX Contingent assets and liabilities.*

Independent Auditor's Report

To the Shareholders of FKT Holdings Limited and its subsidiaries (Cont'd)

Notes: (Cont'd)

6. (Cont'd)

Key Audit Matter	Risk	Our responses and work performed
Classification of cumulative preference shares	*On dd/mm/yy, the Company issued X million convertible redeemable preference shares raising S$X million in proceeds for the Company.*	*The assessment of the Company as to classification of these cumulative preference shares as a financial liability was significant to our audit and has been identified as a key audit matter.* *We considered management's analysis regarding classification of the convertible finance preference shares and assessed whether the classification complied with SFRS for the consolidated financial statements* We also assessed the adequacy of the related disclosures in the notes to the financial statements.
Acquisition of XYZ Business	*As described in Note X, in December 20X1, the Group completed the acquisition of XYZ Business. XYZ Business was a division of a large private company. As of December 31, 20X1, the Group has completed the initial acquisition accounting on a preliminary basis. The Group will finalize the initial acquisition accounting during 20X2, and the amounts recorded as of December 31, 20X1 could change.*	*We focused on this transaction because it is material to the consolidated financial statements as a whole and the fact that values had not previously been assigned to the division as a standalone operation and has been identified as a key audit matter.* *In addition, determining the assumptions that underlie the initial acquisition accounting and the useful lives associated with the acquired intangible assets involves significant management judgment.* *We also assessed the disclosure regarding acquisition of XYZ Business.*

SSA 700 (Revised).33 – 34

SSA 701.11

Independent Auditor's Report

To the Shareholders of FKT Holdings Limited and its subsidiaries (Cont'd)

Notes: (Cont'd)

6. (Cont'd)

Key Audit Matter	Risk	Our responses and work performed
Accounting for Long Term Commodity Contracts	*The Group has a portfolio of individually material long term commodity contracts, which are accounted for as derivatives under FRS, and recorded at fair value on the statement of financial position. The Group is required to reassess the fair value of these contracts at each reporting period end date, and the initial and ongoing recognition of gains and losses from these contracts involves significant estimation uncertainty, assumptions about the future and the application of significant judgement.*	*During FY 2017, prices for most commodities have fallen significantly and this has increased performance risk within the contracts due to the economic impact of the depressed price environment on the businesses of the counterparties to the contracts. The Group has assessed a heightened risk of a lower commodity price environment existing for an extended period of time, and has reflected this in their valuations. This has had a material impact on the valuation of these contract and has been identified as a key audit matter.* *We also assessed the disclosure regarding accounting for long term commodity contracts.*
Put arrangements over non-controlling interests	*The Group has entered into a number of put arrangements whereby non-controlling shareholders are entitled to exchange the shares that they hold in a subsidiary for cash. The accounting policy for put arrangements over non-controlling interests is disclosed in note X, whilst the remaining disclosures are located in notes XX, XXX and XXXX*	*In accordance with FRS 32 Financial Instruments: Presentation, read with FRS 1 Presentation of Financial Statements, a liability is to be recognised for the amount which will be payable to the non-controlling interests when the shares of the subsidiary are put back to the Group. Initially, the non-controlling interest put option liability is recognised in equity. Any subsequent changes in the value of the liabilities are recognised in profit or loss. The non-controlling interest is allocated their share of the profits and underlying equity as they have the right to the benefits from these shares until such time as the put option is exercised.*

SSA 700 (Revised).33 – 34

SSA 701.11

Independent Auditor's Report

To the Shareholders of FKT Holdings Limited and its subsidiaries (Cont'd)

Notes: (Cont'd)

6. (Cont'd)

Key Audit Matter	Risk	Our responses and work performed
Put arrangements over non-controlling interests (Cont'd)		*There is a risk that the initial computation of the put option liabilities and the subsequent valuation thereof could be materially misstated because of the complexity of the calculation including the determination of the appropriate discount rate and assumptions which are made about future conditions such as the likelihooc of achievement of future earnings targets. Accordingly, it was identified as a key audit matter.* *We considered the appropriateness of the accounting treatment adopted by management, which we found to be conservative in terms of the alternative permitted under the accounting standards. Initial put arrangements ove non-controlling interests. We engagec internal specialists to independently recalculate the initial value of the liability at the acquisition dates, with a focus on:* • *The reasonability of the discount rate,* • *The reasonability of the earnings growth rate over the duration of the options, and* • *The mathematical accuracy of the calculation.* *Furthermore, the inputs into the calculation of the liability were tested b comparing them to external data sources and historical performance. Existing put arrangements over non-controlling interests. We recalculated the value of the liability at the end of th year and the related finance charge foi the year as a result of the unwinding oi the liability and the discount* *We also assessed the disclosure regarding put arrangements over non-controlling interests.*

SSA 700 (Revised).33 – 34

SSA 701.11

Independent Auditor's Report

To the Shareholders of FKT Holdings Limited and its subsidiaries (Cont'd)

Notes: (Cont'd)

6. (Cont'd)

SSA 700 (Revised).33 – 34

SSA 701.11

Key Audit Matter	Risk	Our responses and work performed
Pressure on and incentives for management to meet revised revenue and profit guidance	*The Group published a number of revisions to its revenue and profit guidance during the year with a generally decreasing trend in profit and revenue and there have been significant associated decreases in the Group's share price.*	*There is a pressure on and incentives for management to meet revised revenue and profit guidance which are made about future conditions such as the likelihood of achievement of future earnings targets. Accordingly, it was identified as a key audit matter.* *We assessed:* • *The reasonability of achievement of future earnings targets,* • *The mathematical accuracy of the calculation. We found the assumptions used by management to be balanced.* *The accounting treatment and related disclosures were in accordance with the FRSs. We also assessed the adequacy of the related disclosures in the notes to the financial statements.*
Recognition of deferred tax assets relating to losses	*The judgement and estimates are required to determine the level of future taxable profits that support recognition and the size of the recognised and unrecognised deferred tax assets relating to losses at the balance sheet date, S$xx and S$yyy million, respectively.*	*We focused on this area as it was identified as a key audit matter.* *We challenged and applied professional scepticism to management's rationale for the re-assessment of forecast models and considered the appropriateness of management's assumptions and estimates in relation to the likelihood of generating suitable future profits to support the recognition of deferred tax assets. We evaluated the historical accuracy of forecasting and the integrity of the forecast models and as a result of these procedures, we formed our own view on the Group's capacity to obtain effective relief for tax losses and other assets over the forecast period.* *In particular, we considered the interaction between the recognition of tax losses in the YYY and overseas jurisdictions to ensure consistency, since these are both impacted by the application of the YYY controlled foreign company legislation. We will assess the critical accounting policies and use of estimates and judgements.* We also assessed the adequacy of the related disclosures in the notes to the financial statements.

Independent Auditor's Report

To the Shareholders of FKT Holdings Limited and its subsidiaries (Cont'd)

Notes: (Cont'd)

7. **Interaction with Going Concern**

Matters related to going concern may be determined to be KAM. A material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern is, by it is by nature, a KAM but it is reported separately in the 'material uncertainty related to going concern section. .Emphasis of Matter paragraphs are no longer to be used for communications around going concern. The following table outlines the reporting for each type of going concern issue. SSA 700 (Revised).29

If the use of the going concern basis of accounting is inappropriate	• An adverse opinion • A description of this circumstance in the Basis for Adverse Opinion section • Reference the Basis for Adverse Opinion in the KAM section
When the use of the going concern basis of accounting is appropriate but a material uncertainty exists related to events or conditions that may cast significant doubt on an entity's ability to continue as a going concern and disclosures in the financial statements are adequate	• An unmodified opinion • A separate section when a material uncertainty exists, and is adequately disclosed, under the heading "Material Uncertainty Related to Going Concern' such as: • "**Material Uncertainty Related to Going Concern** *We draw attention to Note X in the financial statements, which indicates that the Group incurred a net loss of $XXX (2016: $XXX) and total comprehensive loss of $XXX (2016: $XXX) during the financial year ended 31 December 2017 and as at that date, the Company's current and total liabilities exceeded its current and total assets by $XXX (2016: $XXX) and $XXX (2016: $XXX) respectively stated in Note X. These events or conditions, along with other matters as set forth in Note X, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter."* • Reference the *Material Uncertainty Related to Going Concern* in the KAM section as follows: "In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report." [Description of each key audit matter]

SSA 570 (Revised).20

Independent Auditor's Report

To the Shareholders of FKT Holdings Limited and its subsidiaries (Cont'd)

Notes: (Cont'd)

7. **Interaction with Going Concern**

When the use of the going concern basis of accounting is appropriate but a material uncertainty exists related to events or conditions that may cast significant doubt on an entity's ability to continue as a going concern and disclosures in the financial statements are inadequate or omitted	• A qualified or adverse opinion as appropriate • A description of this circumstance in the *Basis for Qualified / Adverse Opinion* section • Reference the *Basis for Qualified / Adverse Opinion* in the KAM section
When the use of the going concern basis of accounting is appropriate but events or conditions were identified that may cast doubt on the entity's ability to continue as a going concern but, based on the audit evidence obtained the auditor concludes that no material uncertainty exists[1]	• An unmodified opinion • New requirement for the auditor to evaluate the adequacy of disclosures in "close call" situations, when events or conditions are identified that may cast significant doubt on an entity's ability to continue as a GC but no material uncertainty concluded. • FRS 1 requires disclosure of the judgements management has made, in the process of applying the entity's accounting policies that have the most significant effect on the amounts recognised in the financial statements. This would apply to judgements made in a situation where events or conditions were identified but management concluded that no material uncertainties exist.

FRS 1.122

[1] This is otherwise known as a "closecall"

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Independent Auditor's Report

To the Shareholders of FKT Holdings Limited and its subsidiaries (Cont'd)

Notes: (Cont'd)

8. **Statement about the Auditor's Independence and Fulfilment of Relevant Ethical Responsibilities** SSA 700.40.b

   Affirmative statement about the auditor's independence and fulfilment of relevant ethical responsibilities

9. **Disclosure of Name of Engagement Partner** SSA 700.46

   Disclosure of the name of the engagement partner for audits of financial statements of **listed entities**, with a "harm's way" exemption, i.e. disclosure is necessary unless, in rare circumstances, such disclosure is reasonably expected to lead to a significant personal security threat.

10. **Enhanced Description of the Responsibilities of the Auditor** SSA 700.37 to 39

    Enhanced description of the auditor's responsibilities and key features of an audit. Certain components of the description of the auditor's responsibilities may be presented in an appendix to the auditor's report or, where law, regulation or national auditing standards expressly permit, by reference in the auditor's report to a website of an appropriate authority.

11. **Ordering of Sections** SSA 700.A19

    "Opinion" section required to be presented first, followed by the "Basis for Opinion" section, unless law or regulation prescribe otherwise.

12. The section may be amended for situations where the Company's statement of comprehensive income, statement of changes in equity or the complete set of financial statements are also presented as follows:

    (A) Where the statement of comprehensive income of the Company is also presented, the following paragraphs would be appropriate:

    "We have audited the financial statements of FKT Holdings Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 20X6, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of comprehensive income of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

Independent Auditor's Report

To the Shareholders of FKT Holdings Limited and its subsidiaries (Cont'd)

Notes: (Cont'd)

12. (Cont'd)

(A) Where the statement of comprehensive income of the Company is also presented, the following paragraphs would be appropriate (Cont'd):

In our opinion, the accompanying financial statements of the Group and the statement of financial position and statement of comprehensive income of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 20X6 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the financial performance of the Company for the year ended on that date."

(B) Where the statement of changes in equity of the Company is also presented, the following paragraphs would be appropriate:

"We have audited the financial statements of FKT Holdings Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 20X6, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Group and the statement of financial position and 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 (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 20X6 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the changes in equity of the Company for the year ended on that date."

13. Section 201.16 of the Companies Act requires the financial statements of a Singapore incorporated company to be accompanied by a Directors' Statement. The Directors' Statement accompanies the financial statements and the auditor's report, and is therefore, other information (OI) within the scope of SSA 720 (Revised), The Auditor's Responsibilities Relating to Other Information. For many private companies, the Directors' Statement may be the only document that constitutes the OI. This is effective for audits of financial statements for periods ending on or after 15 December 2017. For this illustrative FS, it is assumed the other information is available after audit report date and the directors' statement and the auditor's report are consistent.

S 201.16 of Companies Act

Under the revised SSA 720, we are required to:

<u>If information is available **BEFORE** audit report date:</u>

- identify information received <u>before</u> report date;
- include an explicit statement that the auditor has nothing to report; OR that describes the uncorrected material misstatement of the other information, if any

<u>If information is available **AFTER** audit report date:</u>

- identify information received <u>after</u> report date;
- iinform users that we are required to communicate to TCWG

Independent Auditor's Report

To the Shareholders of FKT Holdings Limited and its subsidiaries (Cont'd)

Notes: (Cont'd)

13. (Cont'd)

The following table provides guidance on whether material inconsistencies exist for each of the circumstances described and how the auditor should report them:

S201.16 of Companies Act,

DIRECTORS' STATEMENT	AUDITOR'S REPORT	MATERIAL INCONSISTENCIES EXIST?	HOW TO REPORT? – REFER TO ILLUSTRATION 7 IN APPENDIX 2 OF SSA 720 (REVISED)
Scenario 1: Directors' Statement states that financial statements give a true and fair view; <u>Auditor's Report contains a qualified opinion due to a material misstatement in the financial statements</u>			
The directors opine that the financial statements are drawn up so as to give a true and fair view of the financial position and performance of the company.	The auditor issues a qualified opinion due to a material misstatement in the financial statements.	Yes, with respect to the matter giving rise to the qualified opinion.	**Other Information [or another title if appropriate, such as "Information Other than the Financial Statements and Auditor's Report Thereon"]** Management is responsible for the other information. The other information comprises the [information included in the X 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. As described in the Basis for Adverse Opinion section above, the Group should have provided for foreseeable losses on long-term contracts. We have concluded that the other information is materially misstated for the same reason with respect to the amounts or other items in the X report affected by the failure to provide for foreseeable losses on long-term contracts.

Appendix 2 of SSA 720 (Revised)

Independent Auditor's Report

To the Shareholders of FKT Holdings Limited and its subsidiaries (Cont'd)

Notes: (Cont'd)

13. (Cont'd)

The following table provides guidance on whether material inconsistencies exist for each of the circumstances described and how the auditor should report them:

S201.16 of Companies Act,

DIRECTORS' STATEMENT	AUDITOR'S REPORT	MATERIAL INCONSISTENCIES EXIST?	HOW TO REPORT? – REFER TO ILLUSTRATION 7 IN APPENDIX 2 OF SSA 720 (REVISED)
Scenario 2: Directors' Statement states that financial statements give a true and fair view; <u>Auditor's Report contains a qualified opinion due to inability to obtain sufficient appropriate audit evidence</u>			
The directors opine that the financial statements are drawn up so as to give a true and fair view of the financial position and performance of the company.	The auditor issues a qualified opinion due to an inability to obtain sufficient appropriate audit evidence.	The auditor would not be able to conclude whether or not the OI is materially misstated with respect to the matter giving rise to the qualified opinion.	**Other Information [or another title if appropriate, such as "Information Other than the Financial Statements and Auditor's Report Thereon"]** Management is responsible for the other information. The other information comprises the [information included in the X 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. As described in the Basis for Qualified Opinion section above, we were unable to obtain sufficient appropriate evidence about the carrying amount of the Company's investment in XYZ as at 31 December 20X1 and the Company's share of XYZ's net income for the year. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

Appendix 2 of SSA 720 (Revised)

Independent Auditor's Report

To the Shareholders of FKT Holdings Limited and its subsidiaries (Cont'd)

Notes: (Cont'd)

13. (Cont'd)

The following table provides guidance on whether material inconsistencies exist for each of the circumstances described and how the auditor should report them:

S201.16 of Companies Act,

Appendix 2 of SSA 720 (Revised)

DIRECTORS' STATEMENT	AUDITOR'S REPORT	MATERIAL INCONSISTENCIES EXIST?	HOW TO REPORT? – REFER TO ILLUSTRATION 7 IN APPENDIX 2 OF SSA 720 (REVISED)
Scenario 3: Directors' Statement states that financial statements give a true and fair view; <u>Auditor's Report contains an adverse opinion</u>			
The directors opine that the financial statements are drawn up so as to give a true and fair view of the financial position and performance of the company.	The auditor issues an adverse opinion.	Yes, with respect to the matter giving rise to the adverse opinion.	**Other Information [or another title if appropriate, such as "Information Other than the Financial Statements and Auditor's Report Thereon"]** Management is responsible for the other information. The other information comprises the [information included in the X 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. As described in the Basis for Adverse Opinion section above, the Group should have provided for foreseeable losses on long-term contracts. We have concluded that the other information is materially misstated for the same reason with respect to the amounts or other items in the X report affected by the failure to provide for foreseeable losses on long-term contracts.

Independent Auditor's Report

To the Shareholders of FKT Holdings Limited and its subsidiaries (Cont'd)

Notes: (Cont'd)

13. (Cont'd)

The following table provides guidance on whether material inconsistencies exist for each of the circumstances described and how the auditor should report them:

S201.16 of Companies Act,

DIRECTORS' STATEMENT	AUDITOR'S REPORT	MATERIAL INCONSISTENCIES EXIST?	HOW TO REPORT? – REFER TO ILLUSTRATION 7 IN APPENDIX 2 OF SSA 720 (REVISED)
Scenario 4: Directors' Statement states that the company can pay its debts as and when they fall due; Auditor's Report contains an unmodified opinion when a material uncertainty (MU) exists and disclosure in the financial statements is adequate			
The directors opine that there are reasonable grounds to believe that the company will be able to pay its debts as and when they fall due.	(a) The auditor concludes that management's use of the going concern basis of accounting is appropriate but a MU exists. (b) As adequate disclosure of the MU is made in the financial statements, the auditor issues an unmodified opinion and includes a "Material Uncertainty Related to Going Concern" section in the auditor's report.	No	Not applicable.

Appendix 2 of SSA 720 (Revised)

Independent Auditor's Report

To the Shareholders of FKT Holdings Limited and its subsidiaries (Cont'd)

Notes: (Cont'd)

13. (Cont'd)

The following table provides guidance on whether material inconsistencies exist for each of the circumstances described and how the auditor should report them:

S201.16 of Companies Act,

DIRECTORS' STATEMENT	AUDITOR'S REPORT	MATERIAL INCONSISTENCIES EXIST?	HOW TO REPORT? – REFER TO ILLUSTRATION 7 IN APPENDIX 2 OF SSA 720 (REVISED)
Scenario 5: Directors' Statement states that the company can pay its debts as and when they fall due; Auditor's Report contains an qualified opinion when a MU exists and financial statements are materially misstated due to inadequate disclosure			
The directors opine that there are reasonable grounds to believe that the company will be able to pay its debts as and when they fall due	(a) The auditor concludes that management's use of the going concern basis of accounting is appropriate but a MU exists. (b) As adequate disclosure of the MU is not made in the financial statements, the auditor issues a qualified opinion because the auditor concludes that the effects on the financial statements of the inadequate disclosure are material but not pervasive to the financial statements. (Same as scenarios 4 and 6 except for the inadequate disclosure of MU)	Yes, with respect to the matter giving rise to the adverse opinion.	**Other Information [or another title if appropriate, such as "Information Other than the Financial Statements and Auditor's Report Thereon"]** Management is responsible for the other information. The other information comprises the [information included in the X 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. As described in the Basis for Adverse Opinion section above, the Group should have provided for foreseeable losses on long-term contracts. We have concluded that the other information is materially misstated for the same reason with respect to the amounts or other items in the X report affected by the failure to provide for foreseeable losses on long-term contracts.

Appendix 2 of SSA 720 (Revised)

Independent Auditor's Report

To the Shareholders of FKT Holdings Limited and its subsidiaries (Cont'd)

Notes: (Cont'd)

13. (Cont'd)

The following table provides guidance on whether material inconsistencies exist for each of the circumstances described and how the auditor should report them:

S201.16 of Companies Act,

DIRECTORS' STATEMENT	AUDITOR'S REPORT	MATERIAL INCONSISTENCIES EXIST?	HOW TO REPORT? – REFER TO ILLUSTRATION 7 IN APPENDIX 2 OF SSA 720 (REVISED)
Scenario 6: Directors' Statement states that the company can pay its debts as and when they fall due; Auditor's Report contains an adverse opinion when MU exists and is not disclosed in the financial statements			
The directors opine that there are reasonable grounds to believe that the company will be able to pay its debts as and when they fall due.	(a) The auditor concludes that management's use of the going concern basis of accounting is appropriate but a MU exists. (b) As the financial statements omit the required disclosures relating to the MU, the auditor issues an adverse opinion because the effects on the financial statements of such omission are material and pervasive financial statements. (Same as scenarios 4 and 5 except for the inadequate disclosure of MU)	Non-disclosure of MU in the financial statements does not necessarily mean that the company will not be able to pay its debts. Hence, the matter giving rise to the adverse opinion may not create a material inconsistency with the directors' opinion on the company's ability to pay its debts. However, if the directors opine that the financial statements are drawn up so as to give a true and fair view of the financial position and performance of the company, this would be inconsistent with the adverse opinion issued by the auditor. In this case, this material inconsistency would need to be reported in the OI section of the auditor's report (See Scenario 3).	**Other Information [or another title if appropriate, such as "Information Other than the Financial Statements and Auditor's Report Thereon"]** Management is responsible for the other information. The other information comprises the [information included in the X 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. As described in the Basis for Adverse Opinion section above, the Group should have provided for foreseeable losses on long-term contracts. We have concluded that the other information is materially misstated for the same reason with respect to the amounts or other items in the X report affected by the failure to provide for foreseeable losses on long-term contracts.

Appendix 2 of SSA 720 (Revised)

Independent Auditor's Report

To the Shareholders of FKT Holdings Limited and its subsidiaries (Cont'd)

Notes: (Cont'd)

13. (Cont'd)

The following table provides guidance on whether material inconsistencies exist for each of the circumstances described and how the auditor should report them:

S201.16 of Companies Act,

DIRECTORS' STATEMENT	AUDITOR'S REPORT	MATERIAL INCONSISTENCIES EXIST?	HOW TO REPORT? – REFER TO ILLUSTRATION 7 IN APPENDIX 2 OF SSA 720 (REVISED)
Scenario 7: Directors' Statement states that the company can pay its debts as and when they fall due; Auditor's Report contains an adverse opinion as going concern basis of accounting is inappropriate			
The directors opine that there are reasonable grounds to believe that the company will be able to pay its debts as and when they fall due.	The auditor concludes that management's use of the going concern basis of accounting in the preparation of the financial statements is inappropriate and the auditor issues an adverse opinion.	Yes	**Other Information [or another title if appropriate, such as "Information Other than the Financial Statements and Auditor's Report Thereon"]** Management is responsible for the other information. The other information comprises the [information included in the X 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. As described in the Basis for Adverse Opinion section above, the Group should have provided for foreseeable losses on long-term contracts. We have concluded that the other information is materially misstated for the same reason with respect to the amounts or other items in the X report affected by the failure to provide for foreseeable losses on long-term contracts.

Appendix 2 of SSA 720 (Revised)

Statements of financial position
as at 31 December 2017

FRS 1.10.a
FRS 1.51.a,b,c,d,e

		The Company			The Group			
		31 December 2017	31 December 2016	1 January 2016 (Restaed)	**31 December 2017**	31 December 2016	1 January 2016 (Restated)	FRS 1.54.7 SGX 1207.5 SGX 1207.5
	Note	**$**	$	$	**$**	$	$	
ASSETS								
Non-Current Assets								FRS 1.60
Intangible assets	4	**-**	-	-	**80,000**	120,000	150,000	FRS 1.54.c
Property, plant and equipment	5	**5,471,605**	5,907,176	7,287,375	**9,468,249**	10,443,122	12,154,294	FRS 1.54.a
Investment properties	6	**4,860,430**	4,880,430	4,800,430	**29,620,609**	19,271,449	24,474,133	FRS 1.54.b
Subsidiaries	7	**15,373,296**	4,965,299	4,915,299	**-**	-	-	FRS 1.55
Associates	8	**49,300,793**	49,129,047	49,102,047	**56,976,604**	53,253,995	54,784,745	FRS 1.54.e
Other investments	9	**952,000**	289,200	289,200	**952,000**	289,200	289,200	FRS 1.54.d
Deferred tax assets	10	**-**	-	-	**300,000**	450,000	200,000	FRS .154.o
		75,958,124	65,171,152	66,394,351	**97,397,462**	83,827,766	92,052,372	
Current Assets								FRS 1.60
Development properties	11	**38,965,291**	12,800,000	20,300,000	**38,965,291**	12,800,000	20,300,000	FRS 2.36.b
Construction work-in-progress	12	**4,313,067**	3,644,400	142,347	**4,313,067**	3,644,400	142,347	FRS 11.42.a
Inventories	13	**3,288,807**	3,268,799	3,500,000	**3,288,758**	3,333,414	3,756,985	FRS 1.54.g
Trade and other receivables	14	**34,991,285**	46,302,757	37,508,490	**34,171,240**	48,094,835	45,545,204	FRS 1.54.h
Other investments	9	**816,600**	372,000	364,000	**816,600**	372,000	364,000	FRS 1.54.d
Cash and cash equivalents	15	**8,924,853**	34,975,540	3,600,000	**10,149,185**	35,293,076	4,210,188	FRS 1.54.i
		91,299,903	101,363,496	65,414,837	**91,704,141**	103,537,725	74,318,724	
Disposal group classified as Held-for-sale	16	**-**	-	-	**2,955,822**	-	-	FRS 1.54.j FRS 105.38
		91,299,903	101,363,496	65,414,837	**94,659,963**	103,537,725	74,318,724	
Total assets		**167,258,027**	166,534,648	131,809,188	**192,057,425**	187,365,491	166,371,096	
EQUITY AND LIABILITIES								
Capital and Reserves								FRS 1.54.r
Share capital	17	**72,919,205**	70,882,005	35,000,000	**72,919,205**	70,882,005	35,000,000	FRS 1.78.e
Treasury shares	18	**(1,418,000)**	-	-	**(1,418,000)**	-	-	FRS 1.78.e
Reserves	19	**31,727,207**	35,086,489	36,466,688	**34,850,328**	38,312,206	49,119,858	FRS1.78.e
		103,228,412	105,968,494	71,466,688	**106,351,533**	109,194,211	84,119,858	FRS 1.54.r
Non-controlling interests		**-**	-	-	**3,058,153**	1,253,455	339,078	FRS 1.54.q
Total equity		**103,228,412**	**105,968,494**	**71,466,688**	**109,409,686**	**110,447,666**	**84,458,936**	
Non-Current Liabilities								FRS 1.60
Borrowings	20	**23,096,250**	22,453,750	12,400,000	**23,469,620**	23,269,066	12,482,503	FRS 1.54.m
Redeemable preference shares	21	**5,000,000**	5,000,000	5,000,000	**5,000,000**	5,000,000	5,000,000	FRS 32.18
Deferred tax liabilities	10	**1,175,000**	805,000	360,000	**1,645,583**	1,262,518	642,431	FRS 1.54.o
Employee benefits	33	**701,500**	450,000	150,000	**701,500**	450,000	450,000	FRS 1.54.k
		29,972,750	28,708,750	17,910,000	**30,816,703**	29,981,584	18,574,934	
Current Liabilities								FRS 1.60
Trade and other payables	22	**31,215,233**	28,917,006	39,500,500	**31,908,972**	29,812,991	40,510,772	FRS 1.54.k
Borrowings	20	**1,273,222**	1,082,888	1,082,000	**14,757,507**	14,466,223	19,219,346	FRS 1.54.m
Provisions	23	**-**	-	-	**500,000**	-	-	FRS 1.54.i
Current tax payable		**680,410**	1,857,510	1,850,000	**1,521,557**	2,657,027	3,607,108	FRS 1.54.n
Dividend payable	30	**888,000**	-	-	**888,000**	-	-	FRS 10.13
		34,056,865	31,857,404	42,432,500	**49,576,036**	46,936,241	63,337,226	
Liabilities directly associated with disposal group classified as held-for-sale	16	**-**	-	-	**2,255,000**	-	-	FRS 1.54.p FRS 105.38
		34,056,865	31,857,404	42,432,500	**51,831,036**	46,936,241	63,337,226	
Total equity and liabilities		**167,258,027**	166,534,648	131,809,188	**192,057,425**	187,365,491	166,371,096	

Figures for statements of financial position as at 1 January 2016 are non-factual in the circumstances where a third statement of financial position is required. These illustrative financial statements do not show the notes which are required to accompany the third statement of financial position per FRS 1.39.

Statements of financial position
as at 31 December 2017 (Cont'd)

Notes:

1. An enterprise should present current and non-current assets and liabilities as separate classifications and if presentation based on liquidity provides information that is reliable and more relevant, assets and liabilities should be presented broadly in order of their liquidity. FRS 1.60

2. An asset shall be classified as current when it satisfies any of the following criteria: FRS 1.66

   a. it is expected to be realised in, or is intended for sale or consumption in, the entity's normal operating cycle;
   b. it is held primarily for the purpose of being traded;
   c. it is expected to be realised within twelve months after the end of reporting period; or
   d. it is cash or a cash equivalent (as defined in FRS 7 Cash Flow Statement) unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the end of reporting period. FRS 1.69

   All other liabilities shall be classified as non-current.

3. A liability shall be classified as current when it satisfies any of the following criteria:

   a. it is expected to be settled in the entity's normal operating cycle; FRS 1.54
   b. it is held primarily for the purpose of being traded;
   c. it is due to be settled within twelve months after the end of reporting period; or
   d. the entity does not have an unconditional right to defer settlement of the liability for at least twelve months after the end of reporting period.

   All other liabilities shall be classified as non-current.

4. As a minimum, the statement of financial position shall include line items that present the following amounts:

   a. property, plant and equipment;
   b. investment property;
   c. intangible assets;
   d. financial assets (excluding amounts shown under (c), (h)and (i) below);
   e. investments accounted for using the equity method;
   f. biological assets;
   g. inventories;
   h. trade and other receivables;
   i. cash and cash equivalents;
   j. the total of assets classified as held for sale and assets included in disposal groups classified as held for sale in accordance with FRS 105 Non-current Assets Held for Sale and Discontinued Operations;
   k. trade and other payables;
   l. provisions;
   m. financial liabilities (excluding amount shown under (k) and (l));
   n. liability and assets for current tax, as defined in FRS 12 Income Taxes;
   o. deferred tax liabilities and deferred tax assets, as defined in FRS 12;
   p. liabilities included in disposal groups classified as held for sale in accordance with FRS 105;
   q. non-controlling interest presented within equity; and
   r. issued capital and reserves attributable to equity holders of the parent.

5. Additional line items, headings and sub-total should be presented in the statement of financial position when a Financial Reporting Standard requires it, or when such presentation is relevant to an understanding of the entity's financial position. FRS 1.55

6. The format shown is that of Guidance on Implementation FRS 1 where "Assets" are shown first. It is possible for "Equity and Liabilities" to be shown before "Assets". FRS 1 Guidance

Statements of financial position
as at 31 December 2017 (Cont'd)

Notes (cont'd):

7. If dividends to holders of equity instruments as defined in FRS 32 are proposed or declared after the end of reporting period, an enterprise should not recognise those dividends as a liability at the end of reporting period. FRS 10.12

   An enterprise should disclose the proposed or declared in the notes to the financial statements. FRS 1.137

8. For each class of assets, disclose:

   (a) The amount of impairment losses on revalued assets recognised in other comprehensive income during the period. FRS 36.126.c
   (b) The amount of reversals of impairment losses on revalued assets recognised in other comprehensive income during the period FRS.36.126.d

9. Assets and liabilities, and income and expenses, should not be offset unless required or permitted by an FRS or INT FRS. FRS 1.32

10. A parent shall consolidate all subsidiaries in its consolidated statement of financial position. A parent is exempted from presenting consolidated financial statements if and only if the following conditions are all met: FRS 27.10 CA 201.3A.a, b

   (a) the parent is itself a wholly-owned subsidiary, or is a partially-owned subsidiary of another entity and its other owners, including those not otherwise entitled to vote, have been informed about, and do not object to, the parent not presenting consolidated financial statements;
   (b) the parent's debt or equity instruments are not traded in a public market (a domestic or foreign stock exchange or an over the counter market, including local and regional markets);
   (c) the parent did not file, nor is it in the process of filing, its consolidated financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market; and
   (d) the ultimate or any intermediate parent of the parent produces consolidated financial statements available for public use.

   If a parent company satisfies all the above conditions and elects not to present consolidated financial statements, it shall disclose the following: FRS 27.41

   (a) the fact that the financial statements are separate financial statements;
   (b) that the exemption from consolidation has been used;
   (c) the name and country of incorporation or residence of the entity whose consolidated financial statements have been produced for public use;
   (d) the address where those consolidated financial statements are obtainable; and
   (e) a list and description of significant investments in subsidiaries, jointly controlled entities and associates, including the name, country of incorporation or residence, proportion of ownership interest and, if different, proportion of voting power held.

11. Only the statement of financial position of the Company is required to be presented with the consolidated financial statements. CA 201.3A

12. This publication illustrates the presentation of three statements of financial position. When an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its consolidated financial statements or when it reclassifies items in its financial statements, it shall present, as a minimum, three statements of financial position, tow of each of the other statements, and related noted. An entity presents statements of financial position as at: FRS 1.39
   - The end of the current period,
   - The end of the previous period
   - The beginning of the earliest comparative period

Consolidated statement of profit or loss

for the financial year ended 31 December 2017

(Classification of expenses by function or cost of sales method)

FRS 1.10.b
FRS 1.99
FRS 1.103
FRS 1 (Guidance)

	Note	Year ended 31 December 2017 $	Year ended 31 December 2016 $	
Continuing operations				FRS 1.51.c, d, e
Revenue	3	**202,648,927**	132,171,093	FRS 1.82.a
Cost of Sales		**(121,996,552)**	(81,167,326)	FRS 2.36, FRS 1.103
				FRS 1.99
Gross profit		**80,652,375**	51,003,767	FRS 1.103
Other income	24	**2,639,302**	5,168,824	FRS 1.103
Distribution costs		**(38,234,512)**	(25,913,657)	FRS 1.103
Administrative expenses		**(38,965,974)**	(25,638,508)	FRS 1.103
Other expenses	25	**(317,723)**	-	FRS 1.86,87
Share of associates' results, net of tax		**1,209,580**	981,606	FRS 1.82.c
				FRS 28.38
Finance costs	26	**(1,903,935)**	(1,731,527)	FRS 1.82.b
Profit from continuing operations before taxation	27	**5,079,113**	**3,870,506**	
Taxation	28	**(621,652)**	(1,428,828)	FRS 12.77
				FRS1.82.d
Profit after taxation from continuing operations		**4,457,461**	2,441,678	FRS 1.82.f
Loss from discontinued operations, net of tax	16	**(3,198,898)**	(1,347,849)	FRS 105.33.a
Total profit for the year		**1,258,563**	1,093,829	FRS 1.82.f
Profit attributable to:				FRS 1.83.a
Owners of the parent				
- Profit from continuing operations, net of tax		**3,452,763**	6,998,832	FRS 105.33.b
- Loss from discontinued operation, net of tax		**(3,198,898)**	(1,347,849)	FRS 105.33.a
Profit attributable to the parent		**253,865**	5,650,983	
Non-controlling interests				
- Profit from continuing operations, net of tax		**1,004,698**	914,377	
- Loss from discontinued operation, net of tax		**-**	-	
Profit attributable to the non-controlling interests		**1,004,698**	914,377	FRS 1.83.a, i
		1,258,563	6,565,360	
Earnings/(loss) per share	31	**Cents**	Cents	FRS 33.66
From continuing operations attributable to equity holders of the Company				
- Basic		**2.91**	6.59	
- Diluted		**2.55**	5.99	
From discontinued operations attributable to equity holders of the Company				FRS 33.68
- Basic		**(2.69)**	(1.27)	
- Diluted		**(2.51)**	(1.19)	

Consolidated statement of profit or loss
for the financial year ended 31 December 2017
(Classification of expenses by nature)

FRS 1.10.b
FRS 1.99
FRS 1.103,
FRS 1 (Guidance)
SGX 1207.5.a

	Note	**Year ended 31 December 2017 $**	Year ended 31 December 2016 $	FRS 1.51.c, d, e
Continuing operations				
Revenue	3	**202,648,927**	132,171,093	FRS 1.82.a
Other income	24	**2,639,302**	5,168,824	FRS 1.102
Changes in inventories of work-in-progress		**(668,667)**	(1,443,231)	FRS 2.36.d FRS 1.102
Raw materials, components and subcontract cost		**(146,218,092)**	(89,521,547)	FRS 2.36.d, FRS1.102
Staff costs		**(29,377,896)**	(22,075,928)	FRS 1.102
Depreciation expenses	5	**(1,345,706)**	(1,622,282)	FRS 1.102
Impairment losses of:				
- Intangible assets	4	**(10,000)**	-	FRS 36.131
- Property, plant and equipment	5	**(823,807)**	-	FRS 36.131
Administrative expenses		**(20,752,870)**	(12,584,971)	
Oher expenses	25	**(317,723)**	**-**	FRS 1.86,87
Share of associates' results, net of tax		**1,209,580**	981,606	FRS 1.82.c FRS 28.38
Finance costs	26	**(1,903,935)**	(1,731,527)	FRS 1.82.b
Profit from continuing operations before taxation	27	**5,079,113**	9,342,037	
Taxation	28	**(621,652)**	(1,428,828)	FRS 12.77 FRS 1.82.d
Profit after taxation from continuing operations		**4,457,461**	7,913,209	FRS 1.82.f
Loss from discontinued operations, net of tax	16	**(3,198,898)**	(1,347,849)	FRS 105.33.a
Total prfoit for the year		**1,258,563**	6,565,360	FRS 1.82.f
Profit attributable to:				FRS 1.83.a
Owners of the parent				
- Profit from continuing operations, net of tax		**3,452,763**	6,998,832	FRS 105.33.b
- Loss from discontinued operation, net of tax		**(3,198,898)**	(1,347,849)	FRS 105.33.a
Profit attributable to the parent		**253,865**	5,650,983	
Non-controlling interests				
- Profit from continuing operations, net of tax		**1,004,698**	914,377	
- Loss from discontinued operation, net of tax		**-**	-	
Profit attributable to the non-controlling interests		**1,004,698**	914,377	FRS 1.83.a, i
		1,258,563	6,565,360	
Earnings/(loss) per share	31	**Cents**	Cents	FRS 33.66
From continuing operations attributable to equity holders of the Company				
- Basic		**2.91**	6.59	
- Diluted		**2.55**	5.99	
From discontinued operations attributable to equity holders of the Copany				FRS 33.68
- Basic		**(2.69)**	(1.27)	
- Diluted		**(2.51)**	(1.19)	

Consolidated statement of profit or loss

for the financial year ended 31 December 2017

(Classification of expenses by nature)

FRS 1.10.b
FRS 1.99
FRS 1.103
FRS 1 (Guidance)

	Note	Year ended 31 December 2017 $	Year ended 31 December 2016 $	
Total profit for the year		**1,258,563**	6,565,360	
				FRS 1.82f
Other comprehensive income after tax				
Items that will not be reclassified subsequently to profit or loss				FRS 1.82g
Revaluation gains on land and buildings		**-**	-	FRS1.82A.a(i)
Re-measurements in defined benefit plans		**-**	-	
Share of other comprehensive income of associates		**-**	-	
Items that may be reclassified subsequently				FRS 1.82A.b(i)
to profit or loss				
Available-for-sales financial assets				FRS 1.82A.a(ii)
- Fair value gain/(loss)		**59,000**	53,200	
- Reclassification and adjustments for gains in profit and loss		**-**	-	
Currency translation differences		**368,335**	(83,211)	
Net gain on fair value changes of hedging investments entered into for cash flow hedges		**-**	-	
Share of other comprehensive income of associates		**-**	-	
Other comprehensive income/(expenses) for the year, net of tax	29	**427,335**	(30,011)	FRS 1.82A.b(ii)
Total comprehensive income for the year		**1,685,898**	**6,535,349**	
Total comprehensive income attributable to:				FRS 1.82.h, i
Owners of the parent		**681,200**	5,620,972	
Non-controlling interests		**1,004,698**	914,377	
		1,685,898	6,535,349	FRS 105.33.b
				FRS 1.82.h, i

Consolidated statement of comprehensive income
for the financial year ended 31 December 2017

Notes:

(i) FRS 1 permits an entity to present: FRS 1.10A

(a) a single statement of profit or loss and other comprehensive income, with profit or loss and other comprehensive income presented in two sections. The sections shall be presented together, with the section presented first followed directly by the other comprehensive income section.

(b) profit or loss section in a separate statement of profit or loss. If so, the separate statement of profit or loss shall immediately precede the statement presenting, comprehensive income, which shall begin with profit or loss.

Option (b) is adopted for these illustrative financial statements. The illustration for option (a), a single statement presentation is shown in Appendix A. If option (a) is adopted, the statement by directors and auditor's report must describe as follows:-

*"………………, the accompanying statements of financial positions, **consolidated statement of profit or loss and comprehensive income**, consolidated statement of changes in equity and the consolidated statement of cash flows, ……….. to give a true and fair view of the state of affairs of the Company and the Group …….. and of the results of the business, changes in equity and cash flows of the Group ………………."*

(ii) Components of other comprehensive income are presented, net of tax. The income tax relating to each component of other comprehensive income is disclosed in the notes. Alternatively, components of other comprehensive income may be presented before tax with one amount shown for the aggregate amount of income tax relating to those components as follows: FRS 1.91.a FRS 1.91.b

Other comprehensive income after tax:

	2017 $	2016 $	
Items that may be reclassified subsequently to profit or loss:			FRS 1.82.A(a)(i)
Available-for-sales financial assets			
Fair value gain	**XX**	XX	
Reclassification and adjustments for gains included in profit and loss upon recognition	**XX**	XX	
Currency translation differences	**XX**	XX	
Net gain on fair value changes of hedging investments entered into for cash flow hedges	**XX**	XX	
Share of other comprehensive income of associates	**XX**	XX	
Income tax relating to components of other comprehensive income (ii)	**(XX)**	(XX)	FRS 1.82.B(b)(i)
	XX	XX	
Items that will not be reclassified subsequently to profit or loss:			
Revaluation gains on land and buildings	**XX**	XX	
Re-measurements in defined pension plans	**XX**	XX	FRS 1.82.A(a)(ii)
Share of other comprehensive income of associates (i)	**XX**	XX	
Income tax relating to components of other comprehensive income (ii)	**(XX)**	(XX)	FRS 1.82.B(b)(ii)
	XX	XX	
Other comprehensive income/(expenses) for the year, net of tax	**XX**	XX	

(i) Share of associates' other comprehensive income is after tax and non-controlling interest in the associates.
(ii) The income tax relating to each component of other comprehensive income is disclosed in the notes.

FRS 1.82.c

Consolidated statement of comprehensive income
for the financial year ended 31 December 2017 (Cont'd)

Notes: (cont'd)

(iii) FRS 1.90 permits a choice for disclosure of the amount of income tax relating to each component of other comprehensive income. In this example the entity presents components of other comprehensive income before tax with one amount shown for the aggregate amount of income tax relating to all components of other comprehensive income. When an entity selects alternative (b) of FRS 1.91, it shall allocate the tax between the items that might be reclassified subsequently to the profit or loss section and those that will not be reclassified subsequently to the profit or loss section — FRS 1.90; FRS 1.191.b

FRS 1 requires the entity to disclose reclassification adjustments and related tax effects relating to components of other comprehensive income. In this example, the entity presents reclassification adjustments and current year gains and losses relating to other comprehensive income on the face of the statement of comprehensive income. An entity may instead present reclassification adjustments in the notes, in which case the components of other comprehensive income are presented after any related reclassification adjustments. — FRS 1.92; FRS 1.94

(iv) FRS 1.82A requires items to be grouped into those that will not be reclassified subsequently to profit or loss and those that will be reclassified subsequently to profit or loss when specific conditions are met. — FRS 1.82A

Other notes:

1. As a minimum, the face of statement of profit or loss should include line items which present the following amounts:

   (a) revenue; — FRS 1.81A
   (b) finance costs; — FRS 1.81B
   (c) share of profits and losses of associates and joint ventures accounted for using the equity method; — FRS 1.82
   (d) tax expense; — FRS 1.82
   (e) a single amount discontinued operations (see FRS 105)

2. The other comprehensive income section shall present line items for amounts of other comprehensive income in the period, classified by nature (including share of the other comprehensive income of associates and joint ventures accounted for using the equity method) and grouped into those that, in accordance with other FRSs: — FRS 1.82A.a

   1. will not be reclassified subsequently to profit or loss; and
   2. will be classified subsequently to profit or loss when specific conditions are met.

   Additional line items, headings and sub totals should be presented in the statement of profit or loss and other comprehensive income when such presentation is relevant to understanding of the entity's financial performance. — FRS 1.85

3. An entity shall not present any items of income and expense as extraordinary items, in the statement of comprehensive income, or the separate income statement (if presented), or in the notes. — FRS 1.87

Consolidated statement of comprehensive income
for the financial year ended 31 December 2017 (Cont'd)

Other notes: (cont'd)

4. When items of income and expense are material, the nature and amount of such items should be disclosed separately in the statement of comprehensive income or in the notes to the financial statements. FRS 1.97

   Examples are: FRS 1.98
   - Write down/(Reversal) of inventories or property, plant and equipment
   - Provision/(Reversal) of restructuring costs
   - Profit(Loss) on disposal of property, plant and equipment
   - Profit/(Loss) on disposal of investments
   - Profit/(Loss) arising from discontinued operations
   - Profit/(Loss) from litigation settlements

5. If impairment losses recognised (reversed) during the period are material in aggregate to the financial statements as a whole, disclose a brief description of the following: FRS 36.131

   (a) the main classes of assets affected by impairment losses (reversals of impairment losses) for which no information is disclosed under FRS 36.130; and
   (b) the main events and circumstances that led to the recognition (reversal) of these impairment losses for which no information is disclosed under FRS 36.130.

6. Assets and liabilities or income and expenses, should not be offset unless required or permitted by an FRS or INT FRS. FRS 1.32

7. The Company should present both basic and diluted earnings per share on the profit and loss statement for each class of ordinary shares that has a different right to share in the net profit for the year. The basic and diluted earnings per share should be presented with equal prominence for all periods presented, even should the amounts disclosed be the same or be negative. Where the Company reports a discontinued operation, it shall disclose the basic and diluted earnings per share in the profit and loss statement or in the notes to the financial statements. FRS 33.66 FRS 33.69 FRS 33.68

8. If dividends to holders of equity instruments as defined in FRS 32 are proposed or declared after the end of reporting period, an enterprise should not recognise those dividends as a liability at the end of reporting period. An enterprise should disclose the proposed or declared dividends in the notes to the financial statements. FRS 10.13

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Consolidated statement of changes in equity

for the financial year ended 31 December 2017

	Attributable to equity holders of the Company											
	Share capital $	Treasury shares $	Capital reserve $	Exchange fluctuation reserve $	Share option reserve $	Fair value reserve $	Other reserves $	Retained profits $	Total attributable to equity holders of the parent $	Non-controlling interests $	Total equity $	FRS 1.51.c.d.e
Balance at 1 January 2017	70,882,005	-	5,156,250	(100,351)	60,324	53,200	3,984,400	29,158,383	109,194,211	1,253,455	110,447,666	
Profit for the year	-	-	-	-	-	-	-	253,865	253,865	1,004,698	1,258,563	FRS 1.106.d.i
Other comprehensive income	-	-	-	368,335	-	59,000	-		427,335	-	427,335	FRS 1.106.d.ii
Total comprehensive income for the year	-	-	-	368,335	-	59,000	-	253,865	681,200	1,004,698	1,685,898	
Purchase of treasury shares	-	(1,418,000)	-	-	-	-	-	-	(1,418,000)	-	(1,418,000)	FRS 32.33
Issue of ordinary shares	1,994,000	-	-	-	-	-	-	-	1,994,000	-	1,994,000	FRS 1.106.c
Issue of shares under share option scheme	43,200	-	-	-	(11,200)	-	-	-	32,000	-	32,000	
Value for employee services received for grant of share options	-	-	-	-	16,122	-	-	-	16,122	-	16,122	FRS102.45.a
2016 final tax-exempt (one-tier) dividend of 3.45 cents per share	-	-	-	-	-	-	-	(3,260,000)	(3,260,000)	-	(3,260,000)	FRS 1.107
2017interim tax-exempt (one tier) dividend of 0.74 cets per share	-	-	-	-	-	-	-	(888,000)	(888,000)	-	(888,000)	FRS 1.107
Acquisition of non-controlling interests	-	-	-	-	-	-	-	-	-	800,000	800,000	FRS 1.106.d
Transactions with owners	2,037,200	(1,418,000)	-	-	4,922	-	-	(4,148,000)	(3,523,878)	800,000	(2,723,878)	FRS 1.106.d.iii
Balance at 31 December 2017	72,919,205	(1,418,000)	5,156,250	267,984	65,246	112,200	3,984,400	25,264,248	106,351,533	3,058,153	109,409,686	

Consolidated statement of changes in equity
for the financial year ended 31 December 2017 (Cont'd)

	Attributable to equity holders of the Company										
	Share capital $	Capital reserve $	Exchange fluctuation reserve $	Share option reserve $	Fair value reserve $	Other reserves $	Retained profits $	Total attributable to equity holders of the parent $	Non-controlling interests $	Total equity $	FRS 1.51.c.c
Balance at 1 January 2016 as previously reported	35,000,000	5,156,250	(17,140)	20,157	-	-	43,767,800	83,927,067	339,078	84,266,145	
Prior year adjustment (Note 41)	-	-	-	-	-	-	(500,000)	(500,000)	-	(500,000)	
Balance at 1 January 2016 as restated	**35,000,000**	**5,156,250**	**(17,140)**	**20,157**	**-**	**-**	**43,267,800**	**83,427,067**	**339,078**	**83,766,145**	
Profit for the year	-	-	-	-	-	-	5,650,083	5,650,983	914,377	6,565,360	FRS 1.106.d
Other comprehensive income for the year	-	-	(83,211)	-	53,200	-	-	(30,011)	-	(30,011)	FRS 1.106.d
Total comprehensive income for the year	**-**	**-**	**(83,211)**	**-**	**53,200**	**-**	**5,650,083**	**5,620,972**	**914,377**	**6,535,349**	FRS 1.106.a
Value for employee services received for grant of share option:	-	-	-	40,167	-	-	-	40,167	-	40,167	FRS 102.45.
2012 final tax-exempt (one-tier) dividend of 2.22 cents per share	-	-	-	-	-	-	(1,776,000)	(1,776,000)	-	(1,776,000)	FRS 1.107
Issue of bonus shares	14,000,000			-			(14,000,000)				
Issue of ordinary shares	21,882,005	-	-	-	-	-	-	21,882,005	-	21,882,005	FRS 1.106.c
Net gain on disposal of an associate transferred to other reserve	-	-	-	-	-	3,984,400	(3,984,400)	-	-	-	
Transactions with owners	35,882,005	-	-	40,167	-	3,984,400	(19,760,400)	20,146,172	-	20,146,172	FRS 1.106.d
Balance at 31 December 2016	70,882,005	5,156,250	(100,351)	60,324	53,200	3,984,400	29,157,483	109,194,211	1,253,455	110,447,666	

Consolidated statement of changes in equity
for the financial year ended 31 December 2017 (Cont'd)

Notes:

1. An entity shall present. a statement of changes in equity ("SOCE") showing in the statement: FRS 1.106

   (a) total comprehensive income for the period, showing separately the total amounts attributable to owners of the parent and to non-controlling interest;

   (b) for each component of equity, the effects of retrospective application or retrospective restatement recognised in accordance with FRS 8;

   (c) for each component of equity, a reconciliation between the carrying amount at the beginning and the end of the period, separately disclosing changes resulting from: FRS 1.106.d

      (i) profit or loss;

      (ii) other comprehensive income; and

      (iii) transactions with owners in their capacity as owners, showing separately contributions by and distributions to owners and changes in ownership interests in subsidiaries that do not result in a loss of control.

   For each component of equity an entity shall present, either in the statement of changes in equity or in the notes, an analysis of other comprehensive income by item.

2. An entity shall present, either in the SOCE or in the notes, the amount of dividends recognised as distributions to owners during the period, and the related amount per share. FRS 1.106A

3. When an entity changes an accounting policy upon initial application of an FRS or INT FRS that does not include specific transitional provisions applying to that change, or changes an accounting policy voluntarily, it shall apply the change retrospectively. FRS 1.107
FRS 8.19.b

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Consolidated statement of cash flows
for the financial year ended 31 December 2017

FRS 1.10.d
SGX 1207.5.c

	Note	**Year ended 31 December 2017 $**	Year ended 31 December 2016 $	FRS 1.51.c, d FRS 7.1 SGX 1207.5.c
Cash Flows from Operating Activities				
Profit before taxation from continuing operations		**5,079,113**	9,342,037	FRS 7.10, 18.b
Loss before taxation from discontinued operations		**(3,198,898)**	(1,347,949)	
Total profit before taxation		**1,880,215**	7,994,088	
Adjustments for:				
Amortisation of bond discount	24	**(642,500)**	(557,500)	FRS 7.20.b
Amortisation of intangible assets	4	**60,000**	30,000	
Goodwill written off	27	**-**	15,444	
Depreciation of property, plant and equipment	5	**1,345,706**	1,622,282	
Net gain on disposal of an associate	24	**-**	(3,088,420)	
Impairment losses of intangible assets	4	**10,000**	-	
Impairment of property, plant and equipment	5	**823,807**	-	
Preliminary and pre-operation expenses written off	27	**158,697**	61,775	
Property, plant and equipment written off	27	**10,435**	-	
Profit on disposal of property, plant and equipment	24	**(68,096)**	(75,879)	
Fair value gain of investment properties	27	**(211,996)**	(80,000)	
Fair value gains on financial assets at fair value through profit or loss		**(950)**	(800)	
Share of associates' results		**(1,209,580)**	(981,606)	
Interest expense	26	**1,903,935**	1,731,527	
Interest income	24	**(1,571,766)**	(945,077)	
Operating profit before working capital changes		**2,487,907**	5,725,834	FRS7.31 - 33
(Increase)/Decrease in development properties		**(24,315,291)**	7,500,000	FRS 7.31 - 33
(Increase)/Decrease in inventories		**(204,467)**	423,571	FRS 7.20.a
Decrease/(Increase) in work-in-progress		**48,051**	(3,185,006)	
Decrease/(Increase) in operating receivables		**12,955,635**	(2,265,068)	
Increase/(Decrease) in operating payables		**3,971,403**	(8,585,353)	
Cash used in operations		**(5,056,762)**	(386,022)	
Interest paid		**(1,028,935)**	(1,294,027)	
Income taxes paid		**(1,224,057)**	(2,008,822)	
Payment for preliminary and pre-operation expenses		**(158,697)**	-	
Net cash used in operating activities		**(7,468,451)**	(3,688,871)	FRS 7.31
Cash Flows from Investing Activities				FRS 7.36
Acquisition of intangible assets	4	**(30,000)**	-	FRS 7.10, 21
Acquisition of property, plant and equipment (Note A)		**(2,750,701)**	(350,000)	FRS 7.16.a
Acquisition of investment properties	6	**(9,137,164)**	-	FRS 7.16.a
Acquisition of subsidiary, net of cash acquired	7	**(2,500,000)**	-	FRS 7.16.c
Proceeds from disposal of property, plant and equipment		**490,605**	347,722	FRS 7.16.c
Purchase of investments		**(841,500)**	-	FRS 7.16.b
Net proceeds from disposal of investment in subsidiary (Note B)		**-**	2,801,274	FRS 7.16.c
Acquisition of associate		**-**	(492,000)	FRS 7.16.d
Loans to associates		**(2,513,029)**	(753,896)	FRS 7.16.c
Proceeds from disposal of associate		**-**	6,846,672	FRS 7.16.c
Interest received		**1,571,766**	945,077	FRS 7.16.d
Net cash (used in)/generated from investing activities		**(15,710,023)**	9,344,849	FRS 7.31

Consolidated statement of cash flows

FRS 1.10.d

for the financial year ended 31 December 2017 (Cont'd)

	Note	Year ended 31 December 2017 $	Year ended 31 December 2016 $	FRS 1.51.c, d, e
Cash Flows from Financing Activities				FRS 7.10
Proceeds from shares issued		**2,037,200**	21,882,005	FRS 7.17a
Purchase of treasury shares		**(1,418,000)**	-	FRS 7.17b
Loans from bank and financial institutions repaid		**(245,475)**	(10,721,149)	FRS 7.17d
Payment to finance lease creditors		**(95,521)**	(147,732)	FRS 7.17d
Dividends paid		**(3,260,000)**	(1,776,000)	FRS 7.31
Bond interest paid		**(875,000)**	(437,500)	FRS 7.31
Proceeds from bond issue		**1,285,000**	25,000,000	FRS 7.17c
Payment of bond expenses		**-**	(1,988,750)	FRS 7.17c
Net cash (used in)/generated from financing activities		**(2,571,796)**	31,810,874	
Net cash used in discontinued operations	16	**(163,000)**	(784,600)	FRS 105.33.c
Net (decrease)/increase in cash and cash equivalents		**(25,913,270)**	36,682,352	FRS 7.45
Cash and cash equivalents at beginning		**34,210,188**	(2,574,129)	
Exchange differences on translation of cash and bank balances at beginning		**579,045**	101,965	FRS 7.28
Cash and cash equivalents at end	15	**8,875,963**	34,210,188	FRS 7.45

Notes:

A. Property, plant and equipment

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of $2,750,701 (2016 - $500,000) of which $Nil (2016 - $150,000) was acquired by means of finance leases. Cash payments of $2,750,701 (2016 - $350,000) were made to purchase property, plant and equipment

FRS 7.44.a

B. Disposal of subsidiaries

The Group disposed of certain subsidiaries in 2016. The carrying value of assets disposed of and liabilities discharged were as follows:

FRS 7.40

	2017	2016	
Net assets disposed of	$	$	
Leasehold property	-	5,282,684	FRS 7.40.d
Cash balance	-	7,126	
Other payables	-	(113,270)	
Amount owing to related companies	-	(2,368,140)	
Proceeds received	-	2,808,400	
Cash balance in subsidiary disposed of	-	(7,126)	
Cash inflow on disposal	-	2,801,274	FRS 7.40.a FRS 7.40.c FRS 7.40.b

Consolidated statement of cash flows

for the financial year ended 31 December 2017 (Cont'd)

FRS 1.10.d

Notes (cont'd):

C. Reconciliation of liabilities arising from financing activities

FRS 7.44B

With effective from 1 January 2017, the Amendments to IAS 7 *Statements of Cash Flow* comes with the objective that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The following is the disclosures of the reconciliation of items for which cash flows have been, or would be, classified as financing activities, excluding equity items:

	31 December 2016	Cash Flow	Non – cash changes				31 December 2017
			Acquisition	Disposal	Foreign exchange movement	New Leases	
	S$	S$	S$	S$	S$	S$	S$
Finance lease creditors	202,503	(95,521)	-	-	-	-	**106,982**
Borrowings	12,430,000	(195,890)	-	-	190,334	-	**12,424,444**
5.5% secured bonds 2018	22,453,750	410,000	-	-	232,500		**23,096,250**
Other bank borrowings	2,649,036	(49,585)	-	-	-	-	**2,599,451**

Consolidated statement of cash flows
for the financial year ended 31 December 2017 (Cont'd)

Notes:

1. Where the reporting entity acquires another subsidiary in the preceding financial year, the comparative information in respect of the assets acquired, liabilities assumed and related cash flows shall be disclosed. The same applies to disposal. FRS 7.40.c

2. The presentation and classification of items in the cash flow statement must be consistent from one period to the next unless there is a significant change in the nature of operations or the change will result in a more appropriate presentation or is required to be made by an FRS. When the presentation or classification of items is amended, comparatives should also be reclassified and the nature, amount of and reason for the reclassification should be disclosed, unless it is impracticable to do so, in which case the reason for not reclassifying the comparative should be disclosed together with the nature of the changes that would have been if the amounts were reclassified. FRS 1.45

3. An enterprise should report cash flows from the operating activities using either: FRS 7.18

   (a) the direct method, whereby major classes of gross cash receipts and gross cash payments are disclosed; or
   (b) the indirect method, whereby net profit or loss is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows.

4. An enterprise should report separately major classes of gross cash receipts and gross cash payments arising from investing and financing activities, except to the extent that cash flows described in FRS 7, paragraphs 22 and 24 are reported on a net basis. FRS 7.21

5. Cash flows arising from the following operating, investing or financing activities may be reported on a net basis: FRS 7.22

   (a) cash receipts and payments on behalf of customers when the cash flows reflect the activities of the customer rather than those of the enterprise; and
   (b) cash receipts and payments for items in which the turnover is quick, the amounts are large, and the maturities are short.

6. Cash flows arising from each of the following activities of a financial institution may be reported on a net basis: FRS 7.24

   (a) cash receipts and payments for the acceptance and repayment of deposits with a fixed maturity date;
   (b) the placement of deposits with and withdrawal of deposits from other financial institutions; and
   (c) cash advances and loans made to customers and the repayment of those advances and loans.

Consolidated statement of cash flows

for the financial year ended 31 December 2017 (Cont'd)

Notes (cont'd):

7. Cash flows from interest and dividends received and paid should each be disclosed separately. Each should be classified in a consistent manner from period to period as either operating investing or financing activities. FRS 7.31

8. Currency translation differences that arise on the translation of foreign currency cash and cash equivalents should be reported in the statement of cash flows in order to reconcile opening and closing balances of cash and cash equivalents, separately from operating, financing and investing cash flows. FRS 7.28

9. Investing and financing transactions that do not require the use of cash or cash equivalents should be excluded from a cash flow statement. Such transactions should be disclosed elsewhere in the financial statements in a way that provides all the relevant information about these investing and financing activities. FRS 7.43

   Examples are: FRS 7.44.b
   (a) The acquisition of an enterprise by means of an equity issue; and FRS 7.44.c
   (b) The conversion of debt to equity. FRS 7.34

10. Dividends paid may be classified as financing or operating, but the classifications should be consistent between periods.

11. Translation differences arising from consolidation of financial statements of foreign entities, which are taken to the exchange translation reserve, should be allocated to individual net assets. FRS 7.25, 26

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Notes to the financial statements

for the financial year ended 31 December 2017

Notes:

1. The notes shall:

   (a) present information about the basis of presentation of the financial statements and the specific accounting policies used; FRS 1.112

   (b) disclose the information required by FRS that is not presented elsewhere in the financial statements; and

   (c) provide information that is not presented elsewhere in the financial statements but is relevant to an understanding of any of them.

2. Notes shall be presented in a systematic manner. In determining a systematic manner, the entity shall consider the effect on the understandability and comparability of its financial statements. Each item in the statements of financial position, statement of profit or loss, statement of comprehensive income, separate income statement (if presented), statement of changes in equity and statement of cash flows should be cross-referenced to any related information in the notes. FRS 1.113

3. The accounting policies section should describe the measurement basis (or bases) used in preparing the financial statements and each specific accounting policy that is relevant to an understanding of the financial statements. FRS 1.117.a

4. An accounting policy may be significant because of the nature of the entity's operation even if amounts disclosed for the current and prior periods are immaterial. It is also appropriate to disclose each significant accounting policy that is not specifically required by FRS, but is selected and applied in accordance with FRS 8. FRS 1.117.b FRS 1.121

5. An entity shall disclose the judgments, apart from those involving estimates, that management has made in the process of applying the accounting policies and that have the most significant impact on the amounts recognised in the financial statement. FRS 1.122

6. An entity shall present additional line items <u>(including by disaggregating the line items listed in paragraph 82)</u>, headings and subtotals in the statement(s) presenting profit or loss and other comprehensive income when such presentation is relevant to an understanding of the entity's financial performance. FRS 1.85

7. Accounting policies should be disclosed in the order in which items appear in the statement of financial position. FRS 1.114

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

1 General information

The financial statements of the Company and of the Group for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the directors on the date of the Statement by Directors. FRS 1.10.c FRS 10.17

The Company is incorporated as a limited liability company and domiciled in Singapore.

The registered office (to *disclose the principal place of business if different from the registered office*) is located at 20 FKT Road #02-00, FKT Building, Singapore 888820. FRS 1.138.a FRS 1.138.a

Notes:

1. If the entity's owner or others have the power to amend the financial statements after the issuance, this fact should be disclosed. FRS 10.17

2. When an enterprise's end of reporting period changes and the financial statements are presented for a period longer or shorter than 12 months, disclosure is required of: (i) the period covered by the financial statements; (ii) the reason for the change; and (iii) the fact that amounts presented in the financial statements are not entirely comparable. For example: FRS 1.36.a, b

   "The Company and the Group have changed its financial year-end from 30 September to 31 December to coincide with that of its ultimate holding company, FKT Plc, following the change of the ultimate holding company's financial year-end/acquisition of the Company and the Group by FKT Plc. For the above reasons, the financial statements for the current period are not comparable to the previous financial year."

2(a) Basis of preparation

The financial statements are prepared in accordance with Singapore Financial Reporting Standards ("FRS") including related Interpretations promulgated by the Accounting Standards Council ("ASC"). The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below. FRS 1.16 SGX 1207.5.d FRS 1.117.a

Notes:

1. Financial statements should not be described as complying with FRS unless they comply with all the requirements of each applicable FRS and each applicable Interpretation of FRS. FRS 1.16

2. In appropriate accounting treatments are not rectified either by disclosure of the accounting policies used or by notes or explanatory material. FRS 1.18

3. Under the Companies Act, Singapore-incorporated companies need not comply with any requirements of the FRS if they have obtained approval of ACRA for such non-compliance. However, as this is still a non-compliance with FRS, the auditor's report will be qualified in this respect. Companies Act S201 (12)

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

2(a) Basis of preparation (cont'd)

Notes: (cont'd)

4. New financial reporting framework
With effect from 1 January 2018, all Singapore incorporated companies listed on Singapore Exchange will apply a new financial reporting framework identical to International Financial Reporting Standards. The deferral of IFRS 15 is effective from 1 January 2018 and will coincide with that of the convergence date for listed companies. Listed companies should apply equivalent of IFRS 1 First-time Adoption of IFRS on transition to new framework, whereby the modified retrospective method is not available for use by first – time adopters, assuming that these entities apply IFRS 15 on 1 January 2018.

FRS 1.19, 20

5. In the rare circumstances where the financial statements prepared in accordance with FRS do not present a true and fair view of the financial position or results of companies, non-compliance is allowed to the extent that non-compliance is necessary to give a true and fair view. In such cases, specific disclosures are required to be provided as follows:

FRS 8.29

- that management has concluded that the financial statements fairly present the enterprise's financial position, financial performance and cash flows;
- that it has complied in all material respects with applicable FRS except that it has departed from a standard in order to achieve a fair presentation;
- the standard from which it has departed, the nature of the departure, including the treatment that the standard would require, the reason why that treatment would be misleading in the circumstances and the treatment adopted; and
- the financial impact of the departure on net profit or loss, liabilities, equity and cash flows for each period presented.

FRS 8.28, 29

6. For voluntary changes in accounting policies that have an effect on current, prior or future periods, an entity should disclose, in addition to the nature and financial impact of the change, the reasons why the new accounting policy results in reliable and more relevant information.

If a change in accounting policy is not applied retrospectively to a particular prior period because it is impracticable to do so, then an entity should disclose the reasons for impracticability and how and as of what date the change in accounting policy was applied.

FRS 8.4

7. If any prior period errors are corrected in the current year's financials statements, then an entity should disclose the nature of the prior period error, to the extent practicable, the amount of the correction for each financial statement line item affected, and basic and diluted earnings per share for each prior period presented; the amount of the correction at the beginning of the earliest prior period presented; and if retrospective restatement is impracticable for a particular prior period, then the circumstances that led to the existence of that condition and a description of how and from when the error has been corrected.

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

2(a) Basis of preparation (cont'd)

The financial statements are presented in Singapore dollars which is the Company's functional currency. All financial information is presented in Singapore dollars, unless otherwise stated. FRS 1.51.d

Notes: (cont'd)

8. Functional and presentation currency

When the presentation currency is different from the functional currency of the Company that fact shall be stated, together with disclosure of the functional currency and the reasons for using a different presentation currency. FRS 21.53

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Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

2(a) Basis of preparation (cont'd)

Significant accounting estimates and judgements

The preparation of the financial statements in conformity with FRS requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates. FRS 1.122 FRS 1.125

The critical accounting estimates and assumptions used and areas involving a significant judgement are described below.

Notes:

The following are examples of the types of disclosures that might be required in this area. The matters disclosed will be dictated by the circumstances of the individual entity, and by the significance of judgements and estimates made to the results and financial position of the entity.

Instead of disclosing this information in a separate note, it may be more appropriate to include such disclosures in the relevant asset and liability notes, or as part of the relevant accounting policy disclosures.

Significant judgements in applying accounting policies FRS 1.122

(a) Development Properties (Note 11)

The Group has recognised revenue amounting to $5,214,145 for development property sold to a customer. The property was handed over to the customer in the month of July 2017, and shortly thereafter certain defects were identified by the customer. Following negotiations, a schedule of works was agreed, which will involve expenditure by the Group until 2017. In the light of the problems identified, management was required to consider whether it was appropriate to recognise the revenue from these transactions in the current year, in line with the Group's general policy of recognising revenue when goods are delivered, or whether it was more appropriate to defer recognition until the rectification work was complete.

In making its judgement, management considered the detailed criteria for the recognition of revenue from the sale of goods, set out in FRS 18 Revenue and, in particular, whether the Group had transferred to the buyer the significant risks and rewards of ownership of the goods. Following the detailed quantification of the Group's liability in respect of rectification work, and the agreed limitation on the customer's ability to require further work or to require replacement of the goods, the directors are satisfied that the significant risks and rewards have been transferred and that recognition of the revenue in the current year is appropriate, in conjunction with recognition of an appropriate provision for the rectification costs. FRS 37.85.a

Notes to the financial statements

for the financial year ended 31 December 2017 (Cont'd)

2(a) Basis of preparation (cont'd)

Significant judgements in applying accounting policies (Cont'd)

(a) Development Properties (Note 11) (Cont'd)

Significant judgement by management is applied when deciding whether the recognition requirements for developments costs have been met. This is necessary as the economic success of any product development is uncertain and may be subject to future technical problems at the time of recognition. Judgements are based on the information available at the end of each reporting period. In addition, all internal activities related to the research and development of new products or processes are continuously monitored by management. The carrying amount of the development properties is disclosed in Note 11 to the consolidated financial statements.

(b) Deferred taxation on investment properties (Note 10)

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under the business model whose objective is to consume substantially all of the economic benefits embodied the investment properties over time, rather than through sale. Therefore, in determining the Group's deferred taxation on investment properties, the directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As a result, the Group has not recognised any deferred taxes on changes in fair value of investment properties as the Group, is not subject to any income taxes on the fair value changes of the investment properties on disposal.

(c) Revaluation of Investment Properties (Note 6)

The Group carries its investment properties at fair value with changes in fair value being recognised in profit and loss account. In determining fair values, the valuers have used valuation techniques which involve certain estimates. The key assumptions to determine the fair value of investment properties include market corroborated capitalisation yield, terminal yield and discount rate. In relying on the valuation reports, management has exercised its judgement to ensure that the valuation methods and estimates are reflective of current market conditions. The carrying amount of investment properties and the key assumptions used to determine the fair value of the investment properties are disclosed in Note 6.

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

2(a) Basis of preparation (cont'd)

Significant judgements in applying accounting policies (Cont'd)

(d) Significant influence over Minute Investment Pte Ltd

Note 8 describes that Minute Investment Pte Ltd is an associate of the Group although the Group only owns 50 per cent ownership interest in Minute Investment Pte Ltd. The Group has significant influence over Minute Investment Pte Ltd by virtue of the contractual right to appoint two directors of that company. Further details are disclosed in Note 8 to the consolidated financial statements.

(e) Income taxes (Note 28)

The Group has exposure to income taxes in numerous jurisdictions. Significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issue 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.

FRS 112.7.a
FRS 112.9.a

(f) Control over FKT Hotel (Pte.) Ltd

Note 7 describes that FKT Hotel (Pte.) Ltd is a subsidiary of the Group although the Group has only 51 per cent ownership interest and voting right in FKT Hotel (Pte.) Ltd. FKT Hotel (Pte.) Ltd is listed on the Stock Exchange of Singapore. The Group has 51 per cent ownership since June 2009 and the remaining 49 per cent of shareholdings are owned by thousands of shareholders that are unrelated to the Group. Details of FKT Hotel (Pte.) Ltd are set out in Note 7. FRS 112.7

An entity shall disclose information about significant judgements and assumptions it has made (and changes to those judgements and assumptions) in determining.

FRS 112.9

(i) that is has control of another entity;

(ii) that it has joint control of an arrangement or significant influence over another entity; and

(iii) the type of joint arrangement (i.e. joint operation or joint venture) when the arrangement has been structured through a separate vehicle.

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

2(a) Basis of preparation (cont'd)

Significant judgements in applying accounting policies (Cont'd)

(f) Control over FKT Hotel (Pte.) Ltd (Cont'd)

Such disclosures, for example, includes significant judgements and assumptions made in determining that: FRS 112.8

(i) it does not control another entity even though it holds more than half of the voting rights of the other entity;
(ii) it controls another entity even though it olds less than half of the voting rights of the other entity;

(iii) it is an agent of a principal;

(iv) it does not have significant influence even though it holds 20% or more of the voting rights of another entity; and

(v) it has significant influence even though it holds less than 20% of the voting rights of another entity.

When changes in facts and circumstances are such that the conclusion about whether it has control, joint control or significant influence changes during the reporting period, an entity shall disclose the significant judgements and assumptions made by the entity as set out above.

The directors assessed whether or not the Group has control over FKT Hotel (Pte.) Ltd based on whether the Group has the practical ability to direct the relevant activities of FKT Hotel (Pte.) Ltd unilaterally in making their judgements, the directors considered the Group's absolute size of holding FKT Hotel (Pte.) Ltd and the relative size of and dispersion of the shareholdings owned by the other shareholders. After the assessment, the directors concluded that the Group has sufficiently dominant voting interest to direct the relevant activities of FKT Hotel (Pte.) Ltd and therefore the Group has control over FKT Hotel (Pte.) Ltd.

(g) Going Concern Uncertainty

Notwithstanding the Group has incurred net cash used in operating activities for year ended 31 December 2017 of S$7,468,451 (2016: S$ 3,688,871). FRS 1.25
Management has assessed for the assumptions of the use of going concern by performing a profitability and cash flow projection for the next one year based on sales and related forecast and sales of development properties of existing projects. Management has also reviewed the Group's ability to source of re-financing of borrowings. Based on these assessments, the use of going concern is appropriate. FRS 1.122

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

2(a) Basis of preparation (cont'd)

Significant judgements in applying accounting policies (Cont'd)

:**Notes: (Cont'd)**

1. Going concern uncertainty

When preparing financial statements, management shall make an assessment of an assessment of an entity's ability to continue as a going concern. Where the effect of the judgement made in relation to the entity's ability to continue as a going concern has significant effect on the amount recognised in the financial statements, the judgement made should be disclosed.

Financial statements shall be prepared on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so. When management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, those uncertainties shall be disclosed.

SSA 570.A24
FRS 1.25
FRS 1.122

In this illustrative FS, the Group has incurred net cash used in operating activities for year ended 31 December 2017 of S$7,468,451 (2016: S$ 3,688,871).The prospective financial statement discloses net cash used in operating activities of S$3,5000,000. Management has disclosed there is no material uncertainty as the notes to the financial statements as significant judgements made by management as part of its assessment of the entity's ability to continue as a going concern even there is no material uncertainty.

If there are material uncertainty, the following illustrative disclosures are as follows
Illustrative disclosure where the ability of the Company to continue as a going concern is dependent on the holding company undertaking to provide continuing financial support to the company to enable it to continue as a going concern:

"The Company incurred a net loss of $XXX (2016: $XXX) and total comprehensive loss of $XXX (2016: $XXX) during the financial year ended 31 December 2017 and as at that date, the Company's current and total liabilities exceeded its current and total assets by $XXX (2016: $XXX) and $XXX (2016: $XXX) respectively. These factors indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The ability of the Company to continue as a going concern depends on the holding company undertaking to provide continuing financial support to enable the Company to continue as a going concern or for the Company to generate significantly higher operating cash flows.

If the Company is unable to continue in operational existence for the foreseeable future, the Company may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheet. In addition, the Company may have to reclassify non-current assets and abilities as current assets and liabilities. No such adjustments have been made to these financial statements."

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

2(a) Basis of preparation (cont'd)

Significant judgements in applying accounting policies (Cont'd)

Notes: (Cont'd)

2. The following are illustrative disclosure of significant judgements where the balances is immaterial to disclose or not applicable:

Probability of Success of Litigation Cases

"The Group exercises judgement in measuring and recognising provisions and the exposures to contingent liabilities related to pending litigation or other outstanding claims subject to negotiated settlement, mediation, arbitration or government regulation, as well as other contingent liabilities.

An entity in the Group is a defendant in a legal action involving the alleged failure of the entity to supply goods, in accordance with the terms of the contract. The directors believe, based on legal advice, that there is a present obligation that will probably require an outflow of resources.

The provision as of 31 December 2017 amounted to $100,000 (2016: $Nil) in the consolidated financial statements. Further details are given in Note 7 to the consolidated financial statements."

Deferred income tax assets

"The Group recognises deferred income tax assets on carried forward tax losses to the extent there are sufficient estimated future taxable profits and/or taxable temporary differences against which the tax losses can be utilised and that the Group is able to satisfy the continuing ownership test.

During 2017, the Group recognised shareholdings of certain group entities, for which a deferred tax asset amounting to $XXX was recognised based on the anticipated future use of tax losses carried forward by those entities. If the tax authority regards the group entities as not satisfying the continuing ownership test, the deferred income tax asset will have to be written off as income tax expense."

Joint ventures

"The Group holds 50% of the ownership in XXX Pte Ltd, recognised in the consolidated accounts using the proportionate method whereby the income statement and the balance sheet are proportionately consolidated in accordance with the percentage owned, Management has assessed that the holdings are jointly controlled entities, and a contractual agreement between the parties establishes the joint control over the economic activity of the entity.

*The carrying amount of the interest in joint venture is **$XXX** (2016: $XXX). Details of these assets are set out in Note X to the consolidated financial statements."*

Notes to the financial statements

for the financial year ended 31 December 2017 (Cont'd)

2(a) Basis of preparation (cont'd)

Significant judgements in applying accounting policies (Cont'd)

Notes: (Cont'd)

Impairment of available-for-sales investments

"The Group reviews its debt securities classified as available-for-sales investments at each balance sheet date to assess whether they are impaired. The Group also records impairment charges on available-for-sales equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is "significant" or "prolonged" requires judgement in making his judgement, the Group evaluates, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost.

*For the financial year ended 31 December 2017, the amount of impairment loss recognised for available-for-sales financial assets was **$XXX** (2016: $XXX). Further details are given in Note X to the consolidated financial statements."*

Transfer from Development Properties (Note X) to PPE (Note XX) and Investment Properties (Note XXX)

"From time to time, the Group will transfer some of its properties held under Properties under Development to PPE and Investment Properties. In determining the amount of the properties to be classified as Investment Properties, the Group has consistently used the change of use and financial means test to evaluate whether it has the ability to retain these properties as the main criteria for the reclassification. On the date of the reclassification to PPE (Note XX) and Investment Properties (Note XXX), the property is measured at fair value by an independent firm of professional valuers. Any difference between the fair value of the property at that date and its previous carrying amount is recognised in profit or loss. The carrying amount of PPE and Investment Properties is disclosed in Notes XX and XXX to the financial statements."

Revenue – Gross Presentation

"The Group assesses at the end of the balance sheet date whether the Group acts as a principal or an agent to determine whether the Group acts as a principal, the Group considers factors such if the Group has primary responsibility for providing the goods or services to the customer, bears inventory risks before, or after the customer order, during shipping or on return, has latitude in establishing prices, either directly or indirectly and bears the customer's credit risks for the amount receivable from the customers.

The Group has determined, based on an evaluation of the terms and conditions of the sales arrangements, that the Group acts as a principal and so accounts the revenue as gross presentation in the statement of comprehensive income."

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

2(a) Basis of preparation (cont'd)

Significant judgements in applying accounting policies (Cont'd)

Determination of functional currency

"The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the entities in the Group, judgement is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices."

Determination of operating segments

"Management will first identify the Chief operating decision maker ("CODM"). Then it should identify their business activities (which may not necessarily earn revenue or incur expenses). Management will further determine whether discrete financial information is available for the business activities and whether that information is regularly reviewed by the CODM. Judgment is applied by management of the aggregation criteria to operating segments."

Classification of investment property arising from business combination

"As disclosed in Note 7, the Company has acquitted 80% of the issued share capital of FKT International Ltd ("FKTIL") for a cash consideration of $XX where the fair value of net assets acquired included investment property of $X. The Company has assessed whether the acquired property is an investment property under FRS 40 Investment Property and perform a separate assessment under FRS 103 Business Combination to determine whether the acquisition of the investment property constitutes a business combination. The Group has used judgement to determine the acquisition of an investment property is an acquisition of a business under FRS 103."

Assets held for sale and liabilities directly associated with assets held for sale

"In the wake of the decision to divest its business units, the Company reclassified the assets and liabilities pertaining to those activities to "held for sale" in accordance with FRS 105, Non-current Assets Held for Sale and Discontinued Operations. In distinguishing between the assets and liabilities pertaining to continuing operations and those pertaining to discontinued operations judgments had to be applied, as a part of those assets and liabilities are used by both types of activities. All assets and liabilities exclusively pertaining to one business unit were allocated to that business unit. In all other cases a critical assessment was conducted as to whether it could be reasonably expected that the asset or liability concerned would be transferred in a disposal. For those business units where a disposal contract already exists (hotel restaurant business) this contract was used as a basis. For the other business units this assessment was made based on past experience and most recent market developments. The allocation made may have to be adjusted when the disposals are actually consummated. Judgements and estimates had also to be applied for the valuation assumptions".

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

2(a) Basis of preparation (cont'd)

Significant judgements in applying accounting policies (Cont'd)

Notes: (Cont'd)

Allowance for Foreseeable Losses on Properties Held for Sale

"For properties held for sale, allowance for foreseeable losses is made when the net realisable value has fallen below cost. The carrying amount of properties held for sale and the key assumptions used in estimating net realisable value and total construction costs are disclosed in Note X."

Reclassification of financial assets

"The Group reclassifies financial assets available-for-sales into loans and receivables as disclosed in Note X to the consolidated financial statements. The appropriate classification of financial assets is determined at the time of initial recognition. In addition, under the Amendments to FRS 39 and FRS 107 Reclassification of Financial Assets. It is permissible to reclassify certain financial assets out of financial assets available for sale into the loans and receivable.

There must be a clear change in management intent with respect to the assets since initial recognition and the financial asset must meet the definition of a loan at the reclassification date. Additionally, there must be an intent and ability to hold the asset for the foreseeable future at the reclassification date. The change of intent to hold for the foreseeable future requires significant management judgement. Significant management judgement are also required to estimate the fair value of the assets identified (as described in "Fair Value Estimates") at the date of reclassification, which becomes the amortised cost base under the loan classification.

As at 31 December 2016, the carrying amount of the available-for-sales category transferred to the loans and receivables category as the entity has the intention and ability to hold that financial asset for the foreseeable future is $XXX (2016: $XXX)."

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Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

2(a) Basis of preparation (cont'd)

Critical accounting estimates and assumptions used in applying accounting policies FRS 1.122

Impairment tests for cash-generating units containing goodwill (Note 4)

Goodwill is allocated to the Group's cash-generating units ("CGU") identified according to business segments as follows:

FRS 36.80
FRS 36.134.A

	2017	2016
	$	$
Development properties	**20,000**	20,000
Investment properties	**-**	10,000
	20,000	30,000

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows belong the five-year period are extrapolated using the estimate rates stated below:

FRS 36.134.c,d

	Development properties	Investment properties
	%	%
Gross margin	6.0	2.1
Growth rate	3.1	(1)

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Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

2(a) Basis of preparation (cont'd)

Critical accounting estimates and assumptions used in applying accounting policies (Cont'd)

Impairment tests for cash-generating units containing goodwill (Note 4) (Cont'd)

The recoverable amounts of CGUs are determined from value-in-use calculations. The key assumptions for the value-in-use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

These assumptions have been used for the analysis of each CGU. Management determines the budgeted gross margin based on past performance and its expectation for market development. The weighted average growth rates used are consistent with industry reports. The discount rates used pre-tax and reflect specific risks relating to the business segments.

The above-estimates are particularly sensitive in the following areas: FRS 36.134.f

- An increase of one percentage point in the discount rate used would have increased the impairment loss by $10,000 (2016: $5,000). FRS 1.129

- A 5% decrease in future grow margin would have increased the impairment loss by $1,000 (2016: $1,500)

The carrying amount as at 31 December 2017 was disclosed in Note 4 to the consolidated financial statements.

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Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

2(a) Basis of preparation (cont'd)

Critical accounting estimates and assumptions used in applying accounting policies (Cont'd)

Impairment tests for cash-generating units containing goodwill (Note 4) (Cont'd)

Profit from development properties (Note 11)

The Group recognises revenue from development properties based on the percentage of completion method. The cost of sales charged to the profit or loss is measured by reference to the stage of completion as certified by the architects or quantity surveyors and estimated total development costs. Significant judgement is required in determining the estimated total development costs which includes an estimation of the variation works from the main contractor. The Group estimates the total project costs based on contracts awarded, if any, and the experience of qualified project managers.

An increase of 5% percentage point in the estimated total development costs would have decreased the profit from development properties by **$20,000** (2016: $15,000). The carrying amount of the development costs capitalised at the end of the year is disclosed in Note 11 to the consolidated financial statements.

Carrying value of development properties (Note 11) FRS 36.134.f

Significant judgement is required in assessing the recoverability of the carrying value of development properties. Analysis has been carried out based on assumptions regarding the selling price and costs of properties. Significant judgement is required in determining total costs of properties, including construction costs and variation orders. The Group estimates total construction costs based on contracts awarded and the experience of qualified project managers. The Group also closely monitors the property price index and market sentiment, and adjustments will be made in future market activity indicates that such adjustments are appropriate. The carrying value of development properties is stated in Note 11 to the consolidated financial statements. FRS 1.129

If the revenue on development properties increases/decreases by 10% from management's estimates, the Group's revenue will increase / decrease by $550,000 (2016: $450,000).

or

If the contract costs to be incurred increase/decrease by 10% from management's estimates, the Group's profit will decrease / increase by $450,000 (2016: $300,000).

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

2(a) Basis of preparation (cont'd)

Critical accounting estimates and assumptions used in applying accounting policies (Cont'd)

Allowance for inventory obsolescence (Note 13)

The Group reviews the ageing analysis of inventories at each reporting date, and makes provision for obsolete and slow moving inventory items identified that are no longer suitable for sale. The net realisable value for such inventories are estimated based primarily on the latest invoice prices and current market conditions. Possible changes in these estimates could result in revisions to the valuation of inventories.

If the net realisable values of the inventory increase/decrease by 10% from management's estimates, the Group' profit will decrease/increase by $365,000. The carrying amount of the inventory is disclosed in Note 13 to the consolidated financial statements.

Impairment of loans and receivables (Note 14)

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.

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 end of the reporting period is disclosed in Note 14 to the consolidated financial statements. If the present value of estimated future cash flows decrease by 10% from management's estimates, the Group's allowance for impairment will increase by **$20,000** (2016: increase by $15,000).

Fair value measurement of contingent consideration on business combination (Note 7)

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the consideration transferred for business combination. Where the contingent consideration meets the definition of a derivation and thus financial liability, it is subsequently re-measured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target and the discount factor. As part of the purchase price allocation for its acquisition of FKT International Pte Ltd the Group identified an element of contingent consideration. The carrying amount of the contingent consideration on business combination at the end of the reporting period is disclosed in Note 7 to the consolidated financial statements. If the probability of meeting the performance target decrease by 10% from management's estimates, the carrying amount of the contingent consideration would decrease by **$185,000** (2016: NIL).

Notes to the financial statements

for the financial year ended 31 December 2017 (Cont'd)

2(b) Interpretations and amendments to published standards effective in 2017

FRS 8.28

The directors do not anticipate that the adoption of the FRSs will have a material impact on the financial statements of the Group and the Company in the period of their initial adoption except for the following new or amended FRS and INT FRS issued and effective in year 2017:

Reference	Description	Effective date (Annual Periods beginning on)
Amendments to FRS 7	Statement of Cash Flows	1 January 2017
Amendments to FRS 12	Recognition of Deferred Tax Assets for Unrecognised Losses	1 January 2017
Improvements to FRSs (issued in December 2016) FRS 112	Disclosure of Interests in Other Entities	1 January 2017

Amendments to FRS 7 *Statement of Cash Flows*

The Amendments to FRS 7 *Statement of Cash Flows* required entities to reconcile cash flows arising from financing activities as reported in the statement of cash flows – excluding contributed equity – to the corresponding liabilities in the opening and closing statements of financial position and to disclose on any restrictions over the decisions of an entity to use cash and cash equivalent balances, in particular way - e.g. any tax liabilities that would arise on repatriation of foreign cash and cash equivalent balances. These amendments are effective on beginning or after 1 January 2017. As this is a disclosure standard, it will have no impact to the financial position and performance of the Group when applied in.

Amendments to FRS 12 *Recognition of Deferred Tax Assets for Unrecognised Losses*

The amendments to FRS 12 *Recognition of deferred tax assets for unrealised losses* clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value. The amendments to FRS 12 is effective for annual periods beginning on or after 1 January 2017. Management has reassessed all unrealised losses on debt instruments measured at fair value and there is no material impact.

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

2(b) Interpretations and amendments to published standards effective in 2017

Improvements to FRSs (issued in December 2016) FRS 112 *Disclosure of Interests in Other Entities*

These improvements to FRSs (issued in December 2016) FRS 112 *Disclosure of Interests in Other Entities* to clarify the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10–B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. These Improvements to FRSs (issued in December 2016) are effective for 1 January 2017. As this is a disclosure standard, it will have no impact to the financial position and performance of the Group when applied in.

2 (c) SFRS (I) not yet effective

The Accounting Standards Council ("ASC") announced on 29 May 2014 that Singapore incorporated companies listed on the Singapore Exchange will apply a new financial reporting framework identical to the International Financial Reporting Standards. The Group will adopt the new financial reporting framework on 1 January 2018 and thereafter Singapore Financial Reporting Standards (International) (SFRS(I)s) which refer to Singapore Financial Reporting Standards (International) and SFRS(I) Interpretations issued by the ASC.

FRS 8.31

The Group has performed an assessment of the impact of adopting the new financial reporting framework. Other than the adoption of the new standards that are effective on 1 January 2018, the Group expects that the adoption of the new framework will have no material impact on the financial statements in the year of initial application. The Group expects that the impact of adopting the new standards that are effective on 1 January 2018 will be similar to that as disclosed below.

Reference	**Description**	**Effective date (Annual Periods beginning on)**
Amendments to SFRS (I) 2	*Classification and Measurement of Share-based Payment Transactions*	1 January 2018
SFRS(I) 15	*Revenue from Contracts with Customers*	1 January 2018
Clarifications to SFRS (I)15	*Revenue from Contracts with Customers*	1 January 2018
SFRS (I) 9	*Financial Instruments*	1 January 2018
SFRS (I) 1 - 40	Amendments *Transfers of Investment Property*	*1 January 2018*
SFRS(I) INT 22	*Foreign Currency Transactions and Advance Consideration*	*1 January 2018*
SFRS (I) 16	*Leases*	1 January 2019

Notes to the financial statements

the financial year ended 31 December 2017 (Cont'd)

2(c) SFRS (I) not yet effective (Cont'd)

Amendments to SFRS (I) 2 *Classification and Measurement of Share-based Payment Transactions*

The amendments to SFRS(I) 2 *Share-based Payment*, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for:

(i) The effects of vesting and non-vesting conditions on the measurement of cash-settled share-
based payments

(ii) Share-based payment transactions with a net settlement feature for withholding tax obligations

(iii) A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity- settled.

Companies are required to apply the amendments for annual periods beginning on or after January 1, 2018. The Group is currently assessing the impact to the consolidated financial statements.

SFRS (I) 15 *Revenue Contracts with Customers*

SFRS (I) 15 *Revenue from Contracts with Customers* establishes a framework for determining when and how to recognise revenue. The objective of the standard is to establish the principles that an entity shall apply to report useful information about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. It established a new 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 to which an entity expects to be entitled in exchange for transferring goods and services to a customer.

The standard replaces FRS 11 *Construction Contracts*, FRS 18 *Revenue*, INT FRS 113 *Customer Loyalty Programmes*, INT FRS 115 *Agreements for Construction of Real Estate*, INT FRS 118 *Transfer of Assets from Customers* and INT FRS 31 *Revenue – Barter Transactions involving Advertising Services*. The new standard applies to contracts with customers. However, it does not apply to insurance contracts, financial instruments or lease contracts, which fall into the scope of other standards.

SFRS (I) 15 is effective for annual periods beginning on or after 1 January 2018.

During 2017, the Group completed its initial assessment of the impact on the Group's financial statements. Based on its initial assessment, the Group does not expect significant changes to the basis of revenue recognition for its development projects in Singapore and overseas. However, addditional disclosures for trade receivables and revenue may be required, including any significant judgement and estimation made,. The Group plans to adopt the standard when it becomes effective in 2018 using the full retrospective approach. The Group is currently performing a detailed analysis under SFRS (I) 15 to determine its election of the practical expedients and to quantity the transition adjustments on its financial statements. It is currently impracticable to disclose any further information on the known or reasonably estimable impact to the Group's financial statements in the period of initial application as the management has yet to complete its detailed assessment. Managenment does not plan to early adopt the new SFRS (I) 15.

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

2(c) FRS not yet effective (Cont'd)

Clarifications to SFRS(I) 15 *Revenue Contracts with Customers*

The amendments clarify how to:

- Identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract
- Determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided)
- Determine whether the revenue from granting a licence should be recognised at a point in time or over time.

The amendments have the same effective date as the Standard, SFRS 15(I), i.e. on 1 January 2018.

SFRS(I) 9 *Financial Instruments*

SFRS(I) 9 Financial Instruments replaces the FRS 39 and it is a package of improvements introduced by SFRS(I) 9 which include a logical model for:

- Classification and measurement;
- A single, forward – looking "expected loss" impairment model and
- A substantially reformed approach to hedge accounting

SFRS(I) 9 is effective for annual periods beginning on or after 1 January 2018.

During 2017, the Group has completed its initial assessment of the impact on the Group's financial statements. Overall, the Group does not expect a significant change to the measurement basis arising from adoption the new classification and measurement model under SFRS (I) 9.

Loans and receivables currently accounted for at amortised cost will continue to be accounted for using amortised cost model under SFRS (I) 9.

For financial assets currently held at fair value, the Group expects to continue measuring cost of thee assets at fair value under SFRS (I) 9.

Available – for – sale equity securities are held as long – term investments. For these, the Group expects to elect subsequent changes in fair value in OCI. Under SFRS (I) 9, only dividend income is recognised in profit or loss. Any subsequent fair value changes are recognised in OCI and will not be reclassified in profit or loss.

Impairment – The Group plans to apply the 12- month approach and record lifetime expected impairment losses on all trade receivables.

The Group is currently performing a detailed analysis under SFRS (I) 9 which will result in changes to the accounting policies relating to the impairment provisions of financial assets and liabilities. Management will consider whether the 12 – month or lifetime expected credit losses on financial assets and liabvilities should be recognised, which is dependent on whether there has been a significant increase in the credit risk of the assets and liabilitieis from initial recognition to the date of initial application of SFRS (I) 9. Additional disclosures will also be made. It is currently impracticable to disclose any further information on the known or reasonably estimable impact to the Group's financial statements in the period of initial application as the management has yet to complete its detailed assessment. Managenment does not plan to early adopt the new SFRS (I) 9.

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

2(c) SFRS(I) not yet effective (Cont'd)

SFRS(I) 16 *Leases*

SFRS (I) 16 *Leases* replaces accounting requirements introduced more than 30 years ago accordance with FRS 17 Leases that are no longer considered fit for purpose, and is a ma revision of the way in which companies where it is required lessees to recognise most leases their balance sheets. Lessor accounting is substantially unchanged from current accounting accordance with FRS 17. FRS 116 Leases will be effective for accounting periods beginning or after 1 January 2019. Early adoption will be permitted, provided the company has adopt SFRS (I) 15.

The Group has performed a preliminary assessment of the new standard on its existing operati lease arrangements as a lessee. Based on the preliminary assessment, the Group h warehouse and factory where they are operating leases. The Group expects these operati leases to be recognised as ROU assets with corresponding lease liabilities under the n standard. This would increase the gearing ratio of the Group. It is currently impracticable disclose any further information on the known or reasonable estimable impact to the entit financial statement. Management does not plan to early adopt the above new SFRS (I) 16.

Notes:

1. It is not required to list all SFRS (I)s that are issued but not effective. Only those relevant to the entity should be indicated. FRS 8.30 does not explicitly state whether the cut-off for these disclosures should be the end of reporting period or the date of authorisation of financial statements. However, the disclosures under FRS 8.30 should be as near as practicable to the date of authorisation of the financial statements. FRS 8.30 FRS 8.31 FRS 8.28

2. The above list of SFRS (I)s issued but not effective yet is complete as of 1 October 2017. The potential impact of any new or revised FRS and INT FRS after that date but before the issue of the financial statements should also be considered and disclosed. Where the Company early adopts any revised or new FRS and that early adoption has a material effect on the current period or any prior period presented, or may have a material effect in subsequent periods, the following disclosure should be made:.

   (a) the reasons for the change;
   (b) the amount of the adjustment recognised in net profit or loss in the current period; and
   (c) the amount of the adjustment included in each period for which pro forma information is presented and the amount of the adjustment relating to periods prior to those included in the financial statements. If it is impracticable to present pro forma information, this fact should be disclosed.

   The early adoption of a particular standard may necessitate early adoption of certain other standards as well.

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

2(c) SFRS(I) not yet effective (Cont'd)

1. In this illustration, there is no transfer of investment property or foreign currency transactions and advance consideration:

Below is the illustrative description of these FRSs issued but not yet effective**:**

Amendments to SFRS (I) 1 - 40 *Transfers of Investment Property*
Under the amendments to SFRS (I) 1 - 40 *Transfers of Investment Property* has been amended to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.

The amendments are effective on 1 January 2018. The Group is reassessing the impact to the consolidated financial statements

SFRS(I) INT 22 *Foreign Currency Transactions and Advance Consideration*
This Interpretation provides requirements about which exchange rate to use in reporting foreign currency transactions (such as revenue transactions) when payment is made or received in advance.

The Interpretations are effective from 1 January 2018. The Group is reassessing the impact to the consolidated financial statements.

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Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

2(d) Significant accounting policies

Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances. FRS 110.4 FRS 110.App A

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full. FRS110.B92 FRS 110.19 & B87

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control and continue to be consolidated until the date that such control ceases. FRS 110.B86(c) FRS 110.20 & B88

Losses and other comprehensive income are attributable to the non-controlling interest even if that results in a deficit balance. FRS 110.B94 FRS 110.23 FRS 110.B98

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

- de-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts as at that 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;
- 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.

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. FRS 110.6

Thus, the Group controls an investee if and only if the Group has all of the following:

- power over the investee; FRS 110.7
- exposure, or rights or variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. FRS 110.8

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

2(d) Significant accounting policies (Cont'd)

Consolidation (Cont'd)

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including: FRS 110.B41

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders; FRS 110.B42
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Acquisitions
The acquisition method of accounting is used to account for business combinations entered into by the Group. The consideration transferred for the acquisition of a subsidiary or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. FRS 103.4

The consideration transferred also includes any contingent consideration arrangement and any pre-existing equity interest in the subsidiary measured at their fair values at the acquisition date. FRS 103.37 FRS 103.39

Acquisition-related costs are expensed as incurred. FRS 103.53

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. FRS 103.18 FRS 103.20

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. FRS 103.19

The excess of (a) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (b) fair value of the identifiable net assets acquired is recorded as goodwill. Please refer to the paragraph "Intangible assets – Goodwill" for the subsequent accounting policy on goodwill. FRS 103.32

Disposal
Changes in the ownership interest Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Group. FRS 110.23

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

2(d) Significant accounting policies (Cont'd)

Disposal (Cont'd)

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable SFRS (I)). The fair value of any investment retained in the former subsidiary at the date when the control is lost is regarded as the fair value on the initial recognition for subsequent accounting under SFRS(I)9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture. FRS 110.25

Transactions with Non-Controlling Interest

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and are presented separately in the consolidated statement of comprehensive income and within equity in the balance sheet/consolidated statement of financial position (delete where applicable), separately from equity attributable to owners of the Company. FRS 110.App A

FRS 110.22

Changes in the Company owners' 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.

FRS 110.23

FRS 110.B96

Notes:

1. The financial statements of the parents and its subsidiaries used in the preparation of the consolidated financial statements shall be prepared as of the same reporting date. When the end of the reporting period of the parent is different from that of a subsidiary, the subsidiary prepares, for consolidation purposes, additional financial statements as of the same date as the financial statements of the parent, unless it is impracticable to do so. FRS 110.B92

2. When it is impracticable to do so, the parent may use the financial statements of a subsidiary prepared as of a reporting date different from that of a parent, provided adjustments are made for the effects of the significant transactions or events that occur between that date and the date of the parent's financial statements, and the difference between the reporting dates of the subsidiary and the parent is no more than three months. In addition, the length of the reporting periods and any difference in the reporting dates shall be the same from period to period. FRS110.B93

3. When the financial statements of a subsidiary used in the preparation of the consolidated financial statements are as of a date or for a period that is different from that of the consolidated financial statements, an entity shall disclose the date of the end of the reporting period of the financial statements of that subsidiary and the reason for using a different date or period. FRS 112.11

4. An entity shall attribute the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests. The entity shall also attribute total comprehensive income to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. FRS 110.B94

5. If a subsidiary has outstanding cumulative preference shares that are classified as equity and are held by non-controlling interests, the entity shall compute its share of profit or loss after adjusting for the dividends on such shares, whether or not such dividends have been declared. FRS 110.B95

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

2(d) Significant accounting policies (Cont'd)

Intangible assets

Intangible assets are accounted for using the cost model with the exception of goodwill. Capitalised costs are amortised on a straight-line basis over their estimated useful lives for those considered as finite useful lives. After initial recognition, they are carried at cost less accumulated amortisation and accumulated impairment losses, if any. In addition, they are subject to annual impairment testing. Indefinite life intangibles are not amortised but are subject to annual impairment testing. FRS 38.72 FRS 38.79 FRS 38.107

Intangible assets are written off where, in the opinion of the directors, no further future economic benefits are expected to arise. FRS 38.112

Goodwill

Goodwill on acquisition of subsidiaries on or after 1 January 2010 represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired. FRS 103.32

Goodwill on acquisition of subsidiaries prior to 1 January 2010 and on acquisition of joint ventures and associated companies represents the excess of the cost of the acquisition over the fair value of the Group's share of the net identifiable assets acquired. FRS 28.23.a

Goodwill on subsidiaries and joint ventures is recognised separately as intangible assets and carried at cost less accumulated impairment losses.
Goodwill on associated companies is included in the carrying amount of the investments. FRS 28.23.a

Gains and losses on the disposal of subsidiaries, joint ventures and associated companies include the carrying amount of goodwill relating to the entity sold, except for goodwill arising from acquisition prior to 1 January 2001. Such goodwill was adjusted against retained profits in the year of acquisition and is not recognised in profit or loss on disposal. FRS 38.118

Patents and licences

Costs relating to patents and licenses which are acquired are capitalised and amortised on straight-line basis over their useful life of three to five years. FRS 38.54 FRS 38.57

Research and development costs

Research costs are expensed as incurred, except for development costs which relates to the design and testing of new or improved materials, products or processes which are recognised as an asset to the extent that it is expected that such assets will generate future economic benefits. FRS 38.97

Development costs are accounted for using the cost model whereby capitalised costs are amortised on a straight-line basis over their estimated useful life of 3 to 5 years. FRS 38.118

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

2(d) Significant accounting policies (Cont'd)

Intangible assets (cont'd)

Capitalised costs that are directly attributable to the development phase are recognised as intangible assets provided that they meet the following recognition requirements. FRS 38.57

- demonstration of technical feasibility of the prospective product or processes for sale
- the intangible asset will generate probable economic benefits through sale
- sufficient technical, financial and other resources are available for completion
- the intangible asset can be reliably measured.

Directly attributable costs include direct raw material, employee costs incurred on product development with an appropriate portion of relevant overheads. However, until completion of the development of the products or processes, the assets are subject to impairment testing only. Amortisation commences upon the launch of the sales of the products or from the date the processes is put into use. FRS 38.66

Computer software

Costs relating to computer software acquired, which are not an integral part of related hardware, are capitalised and amortised on a straight-line basis over their useful life of 5 years. FRS 38.118.a, b

Notes:

1. If an intangible asset is assessed as having an indefinite useful life, the Standard requires an entity to disclose the carrying amount of that asset and the reasons supporting the indefinite useful life assessment FRS 38.122.a

2. The depreciable amount of an intangible asset should be allocated on a systematic basis over the nest estimate of its useful life. Amortisation should commence when the asset is available for use. FRS 38.88
3. The amortisation period should reflect the best estimate of the period during which future economic benefits are expected to flow to the enterprise.

4. The amortisation method used should reflect the pattern in which the future economic benefits arising from the intangible assets are expected to be consumed. The straight-line method should be adopted unless there is persuasive evidence that another method is more appropriate in the circumstances.

5. The amortisation for each period should be recognised as an expense.

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

2(d) Significant accounting policies (Cont'd)

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and accumulated impairment losses, if any. Freehold land is not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their depreciable amount over their estimated useful lives as follows: FRS 16.6 FRS 16.30 FRS 16.58

Plant, machinery and survey equipment	5 to 10 years
Motor vehicles	5 to 10 years
Furniture, fittings and equipment	5 to 10 years

The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the items. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. FRS 16.30 FRS 16.50

FRS 16.73.a, b, c

Subsequent expenditure relating to property, plant and equipment that have been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the standard of performance of the asset before the expenditure was made, will flow to the Group and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred. FRS 16.7

For acquisitions and disposals during the financial year, depreciation is provided from the month of acquisition and to the month before disposal respectively. Fully depreciated property, plant and equipment are retained in the books of accounts until they are no longer in use. FRS 16.12

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate, at each reporting date as a change in estimates. FRS 16.55

Where applicable:

Grants received or receivable for the acquisition of property, plant and equipment are deducted from the cost of the assets acquired to which the grant relates in arriving at the carrying amount of the asset. FRS 16.61

Alternatively, grants relating to assets, including non-monetary grants at fair value, could be presented in the statement of financial position by setting up the grant as deferred income. FRS 20.24

Land and buildings are initially recognised at cost and subsequently stated at their revalued amounts. The revalued amount is the fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses. Revaluations are carried out by independent professional valuers regularly such that the carrying amount of these assets does not differ materially from that which would be determined using fair values at the end of reporting period. FRS 16.31 FRS 16.15, 31 FRS 16.32

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

2(d) Significant accounting policies (Cont'd)

Property, plant and equipment and depreciation (cont'd)

Where applicable (cont'd):

When an asset is revalued, any increase in the carrying amount is credited directly to revaluation surplus unless it reverses a previous revaluation decrease relating to the same asset which was previously recognised as an expense. In these circumstances the increase is recognised as income to the extent of the previous write down. FRS 16.39

When an asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised as an expense unless it reverses a previous increment relating to that asset, in which case it is charged against any related revaluation surplus, to the extent that the decrease does not exceed the amount held in the revaluation surplus in respect of that same asset. Any balance remaining in the revaluation surplus in respect of an asset, is transferred directly to retained earnings when the asset is de-recognised. FRS 16.40

Notes:

Other examples of accounting policies:

a. For government grants relating to purchase of property, plant and equipment:

"Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to the profit or loss on the same basis as and over the expected lives of the related assets." FRS 20.24

b. For change of useful life:

"During the financial year, the Company revised the estimated useful life of the property, plant and equipment to better reflect the estimated periods during which the property, plant and equipment will remain in effective service. The effect of this change in estimate was an increase in the net profit for the financial year and the net book value of property, plant and equipment by $XX, XXX and a corresponding decrease in the accumulated depreciation account by the same amount." FRS 16.51, 61

c. Where there are different measurement bases of gross carrying amounts, the gross carrying amount for each basis in each category of property, plant and equipment should be disclosed, for example, at cost or at valuation. FRS 16.73.a

d. Where there are restoration costs relating to the site of property, plant or equipment, the accounting policy for the estimated costs of restoration must be disclosed. FRS 16.IN 7

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

2(d) Significant accounting policies (Cont'd)

Investment properties

Investment properties include those portions of office buildings that are held for long-term rental yields and/or for capital appreciation and land under operating leases that are held for long-term capital appreciation or for a currently indeterminate use, and where an insignificant portion is held for the group's own occupation. Investment properties comprise completed investment properties and properties under construction or development for future use as investment properties.

FRS 40.8
FRS 40.5, 10
FRS 40.75.b
FRS 40.8.b

Investment properties are initially recognised at cost and subsequently carried at fair value, determined annually by independent professional valuers on the highest- and best-use basis. Changes in fair values are recognised in the profit or loss.

FRS 40.20, 30
FRS 40.75.e
FRS 40.35

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

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

FRS 40.66
FRS 40.69

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment property when and only when, there is a change in use, evidenced by the commencement of owner-occupation or commencement of development with a view to sell.

FRS 40.57

Notes:

1. FRS 40 allows a policy choice of accounting for investment property using either fair value model (as described above) or the cost model which is similar to the accounting for property, plant and equipment at cost less accumulated depreciation and impairment.

FRS 40.75

2. When judgement is required to determine the portions of investment property, owner-occupied property and property held-for-sale in the ordinary course of business, the entity shall disclose the criteria used to distinguish them and the judgements involved.

FRS 40.75c
FRS 1.122

3. A property interest that is held by a lessee under an operating lease may be classified and accounted for as investment property if and only if:

   (a) the property will otherwise meet the definition of an investment property; and
   (b) the lessee uses the fair value model to account for its investment properties. Once this classification is selected for one such property, all properties classified as investment properties shall be accounted for using the fair value model.

FRS 40.6, 25

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

2(d) Significant accounting policies (Cont'd)

Investment properties (Cont'd)

Notes: (Cont'd)

4. A reporting entity can choose to apply the cost model, provided it does not classify any land held under operating leases as investment property. The following accounting policy may be adopted: FRS 40.30, 34

   "Investment properties comprise significant portions of freehold office buildings that are held for long-term rental yields and/or for capital appreciation. Investment properties are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated using [a straight-line] method to allocate the depreciable amounts over the estimated useful lives of [X] years. The residual values, useful lives and depreciation method of investment properties are reviewed, and adjusted as appropriate, at the end of each reporting period. The effects of any revision are included in the profit or loss when the changes arise…." FRS 40.79.a, b

5. When the cost model is applied, the fair value of investment property shall be disclosed at each reporting date. In the exceptional cases when an entity cannot determine the fair value of investment property reliably, it shall disclose:

   (a) a description of the investment property; FRS 40.79.c
   (b) an explanation of why fair value cannot be determined reliably; and
   (c) if possible, the range of estimates within which fair value is highly likely to lie.

Investment in subsidiaries

In the Company's separate financial statements, investments in subsidiaries are stated at cost less allowance for any impairment losses on an individual subsidiary basis. FRS 27R.17.c

Investment in associates

An associate is an entity over which the Group has the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. FRS 28R.3 FRS 28R.16

The Group account for its investments in associates using the equity method from the date on which it becomes an associate. FRS 28R.32

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities is accounted as goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate's profit or loss in the period in which the investment is acquired. FRS 28R.32

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

2(d) Significant accounting policies (Cont'd)

Investment in associates (cont'd)

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

FRS 28R.10
FRS 28R.28

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

FRS 28R.38, 39

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 associate. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

FRS 28R.40

The financial statements of the associates are prepared as the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

FRS 28R.33, 34
FRS 28R.35

Upon loss of significant influence or joint control over the associate, the Group measures the retained interest at fair value. Any difference between the fair value of the aggregate of the retained interest and proceeds from disposal and the carrying amount of the investment at the date the equity method was discontinued is recognised in profit or loss.

FRS 28R.22

The Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would have been required if that associate or joint venture had directly disposed of the related assets or liabilities.

FRS 28R.22.c

When an investment in an associate becomes an investment in a joint venture, the Group continues to apply the equity method and does not remeasure the retained interest.

FRS 28R.24

If the Group's ownership interest in an associate is reduced, but the Group continues to apply the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

FRS 28R.25

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

2(d) Significant accounting policies (Cont'd)

Investment in associates (cont'd)

Notes:

This accounting policy also applies to investment in joint venture. FRS 28R.38

1 The interest in an associate or a joint venture is the carrying amount of the investment in the associate or joint venture under the equity method together with any long-term interests that, in substance, form part of the investor's net investment in the associate or joint venture. For example, an item for which settlement is neither planned nor likely to occur in the foreseeable future is, in substance, an extension of the entity's investment in that associate or joint venture. Such items may include preference shares and long-term receivables or loans but do not include trade receivables, trade payables or any long-term receivables for which adequate collateral exists, such as secured loans.

2 The financial statements of the associate or joint venture are prepared as of the same reporting date as the Company unless it is impracticable to do so. When the financial statements of an associate or joint venture used in applying the equity method are prepared as of a different reporting date from that of the Company, adjustments are made for the effects of significant transactions or events that occur between that date and the reporting date of the Company. FRS 28R.33, 34

3 When the financial statements of an associate or a joint venture used in applying the equity method are as of a reporting date or for a period that is different from that of the Company, the reporting date of the financial statements of the associate or joint venture and the reason for using a different reporting date or different period shall be disclosed.

FRS 112.22.b

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Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

2(d) Significant accounting policies (Cont'd)

Financial assets FRS 107.21

Financial assets, other than hedging instruments, can be divided into the following categories: Financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sales financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the assets were acquired. The designation of financial assets is re-evaluated and classification may be changed at the reporting date with the exception that the designation of financial assets at fair value through profit or loss is not revocable.

FRS 39.9
FRS 39.50

All financial assets are recognised on their trade date – the date on which the Company and the Group commit to purchase or sell the asset. Financial assets are initially recognised at fair value, plus directly attributable transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value.

FRS 107 AppB5c
FRS 39.38
FRS 39.43

Derecognition of financial instruments occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. An assessment of impairment is undertaken at least at the end of each reporting period whether or not there is objective evidence that a financial asset or a group of financial assets is impaired.

FRS 39.17, 20

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. Non-compounding interest and other cash flows resulting from holding financial assets are recognised in profit or loss when received, regardless of how the related carrying amount of financial assets is measured.

FRS 32.42

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets that are either classified as held for trading or are designated by the entity to be carried at fair value through profit or loss upon initial recognition. In addition, derivative financial instruments that do not qualify for hedge accounting are classified as held for trading. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the end of reporting period.

FRS 107.6.AppB5a
FRS 39.9, 45
FRS 1.66, 68

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in profit or loss.

FRS 39.46, 55.a

Notes to the financial statements

for the financial year ended 31 December 2017 (Cont'd)

2(d) Significant accounting policies (Cont'd)

Financial assets (cont'd)

Held-to-maturity investments FRS 107.6

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and a fixed date of maturity that the Company has the positive intent and ability to hold to maturity. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest method. In addition, if there is objective evidence that the investment has been impaired, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment are recognised in profit or loss. Any reversal shall not result in a carrying amount that exceeds what the amortised cost would have been had any impairment loss not been recognised at the date the impairment is reversed. Any reversal is recognised in the profit or loss.

FRS 39.9, 45
FRS 39.46.b
FRS 39.65

Loans and receivables FRS 107.6

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for maturities greater than 12 months after the end of reporting period. These are classified as non-current assets.

FRS 39.9, 45
FRS 1.66, 68

Loans and receivables include trade and other receivables. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. If there is objective evidence that the asset has been impaired, the financial asset is measured at the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. The impairment or write back is recognised in the profit or loss.

FRS 39.46.a
FRS 39.65

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

2(d) Significant accounting policies (Cont'd)

Notes:

1. If Company factors its receivables: FRS 39.20

   "Trade receivables that are factored out to banks and other financial institutions with recourse to the Company are not derecognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions are recorded as borrowings."

   Disclosure requirements in accordance with FRS 107 Financial Instruments Disclosures on transfer of assets should be disclosed accordingly.

2. Impairment losses for certain financial assets carried at cost shall not be reversed. Such financial assets are equity instruments with no reliable fair value measurement (and derivatives linked to such equity instruments). FRS 107.42A, 42D & 42E FRS 39.66

3. If the Group have transfers of financial assets that are not derecognised in their entirety; or transfers of financial assets that are derecognised in their entirely but retains continuing involvement, please refer to the following disclosure requirements: FRS 107.42.D.d & e

Transferred financial assets that are not derecognised in their entirety

	Financial assets at fair value through profit or loss		**Loans and receivables**		**Available - for - sales financial assets**
	S$	S$	S$	S$	S$
	Trading securities	Derivatives	Mortgages	Consumer loans	Equity instruments
Carrying amount of assets	x	x	x	x	x
Carrying amount of associated liabilities	(x)	(x)	(x)	(x)	(x)
For those liabilities that have recourse only to the transferred assets:					
Fair value of assets	x	x	x	x	x
Fair value of associated liabilities	(x)	(x)	(x)	(x)	(x)
Net position	x	x	x	x	x

Notes to the financial statements

for the financial year ended 31 December 2017 (Cont'd)

2(d) Significant accounting policies (Cont'd)

Notes:

3. (Cont'd)

FRS 107.42E.a to d

	Transferred financial assets that are derecognised in their entirety						
	Cash outflows to repurchase transferred (derecognised) assets		Carrying amount of continuing involvement in statement of financial position		Fair value of continuing involvement		Maximum exposure to loss
	S$	S$	S$	S$	S$	S$	S$
Type of Continuing Involvement		**Held for trading**	**Available-for-sales financial assets**	**Financial liabilities at fair value through profit or loss**	**Assets**	**Liabilities**	
Written put options	(x)			(x)		(x)	x
Purchased call options	(x)	x			x		x
Securities lending	(x)					(x)	x
Total	x	x	x	(x)	x	x	x

Available-for-sales financial assets FRS 107.6

Available-for-sales financial assets include non-derivative financial assets that do not qualify for inclusion in any of the other categories of financial assets. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the end of reporting period. 107.AppB5b FRS 39.9, 45 FRS 1.66, 68

All financial assets within this category are subsequently measured at fair value with changes in value recognised in equity, net of any effects arising from income taxes, until the financial assets is disposed of or is determined to be impaired, at which time the cumulative gains or losses previously recognised in equity is included in the profit or loss for the period. FRS 39.46 FRS 39.55.b

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

2(d) Significant accounting policies (Cont'd)

Financial assets (cont'd) FRS 39.67

Available-for-sales financial assets (cont'd)

When a decline in the fair value of an available-for-sales financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity shall be removed from the equity and recognised in the profit or loss even though the financial asset has not been derecognised. FRS 39.68

The amount of the cumulative loss that is removed from equity and recognised in profit or loss shall be the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss for equity investments classified as available-for-sales are not subsequently reversed through profit or loss. Impairment losses recognised in profit or loss for debt instruments classified as available-for-sales are subsequently reversed in profit or loss if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss. FRS 39.69 FRS 39.70

Impairment losses recognised in a previous interim period in respect of available-for-sales equity investments are not reversed even if the impairment losses would have been reduced or avoided had the impairment assessment been made at a subsequent reporting period or end of reporting period. INT FRS 110.8

Determination of fair value

The fair values of quoted financial assets are based on current bid prices. If the market for a financial asset is not active, the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs. Where fair value of unquoted instruments cannot be measured reliably, fair value is determined by the transaction price. FRS 39. AG72 FRS 39.AG73 FRS 39.46.c FRS 107.21

Derivatives financial instruments and hedging activities

A derivative financial instrument is initially recognised at its fair value on the date the contract is entered into and its subsequently carried at its fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates each hedge as either: (a) fair value hedge; (b) cash flow hedge; or (c) net investment hedge. FRS 39.43, 47 FRS 39.71 FRS 39.86

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

2(d) Significant accounting policies (Cont'd)

Available-for-sales financial assets (cont'd) FRS 39.88

Derivatives financial instruments and hedging activities (cont'd) FRS 107.22

The Group documents at the inception of the transaction the relationship between the hedging instruments and hedged items, as well as its risk management objectives and strategies for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives designated as hedging instruments are highly effective in offsetting changes in fair values or cash flows of the hedged items.

The carrying amount of a derivative designated as a hedge is presented as a non-current asset or liability if the remaining expected life of the hedged item is more than 12 months and as a current asset or liability if the remaining expected life of the hedged item is less than 12 months. The fair value of a trading derivative is presented as a current asset or liability. FRS 1.66, 69 FRS 107.AppB.5.c

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recording in the profit or loss, together with any changes in the fair value of the hedged asset or liability that is attributable to the hedged risk. FRS 107.22 FRS 39.89

The Group has entered into forward foreign exchange contracts that are fair value hedges for foreign currency denominated receivables and payables. These derivatives qualify for hedge accounting.

Cash flow hedge

For cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised directly in the hedging reserve, while the ineffective portion is recognised in the profit or loss. FRS 107.22 FRS 39.95

Changes in the carrying amount of cash flow hedges are charged to the hedging reserve in equity. Amounts accumulated in equity are recycled to the profit or loss in the periods when the hedged item affects profit or loss. When the hedged transaction results in the recognition of a non-financial asset or liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. FRS 39.97 FRS 39.98.b

When a cash flow hedging instrument expires or sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transactions is ultimately recognised in the profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss reported in equity is immediately transferred to profit or loss. FRS 39.101

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

2(d) Significant accounting policies (Cont'd)

Derivatives financial instruments and hedging activities (cont'd)

Net investment hedge

The Group has foreign currency borrowings that qualify as net investment hedge in foreign operations. These hedging instruments are accounted for similarly to cash flow hedge. FRS 107.22 FRS 39.102

Any gain or loss on the borrowings relating to the effective portion of the hedge is recognised in the currency translation reserve within equity; the gain or loss relating to the ineffective portion is recognised immediately in the profit or loss. Gains and losses accumulated in the currency translation reserve within equity are included in the profit or loss when the foreign operation is disposed of.

Development properties

Development properties are properties being construed or developed for future sale. Costs capitalised include cost of land and other directly related development expenditure, including borrowing costs incurred in developing the properties. FRS 23.8

Capitalisation of borrowing costs ceases on issue of Temporary Occupation Permit. The capitalisation rate is determined by reference to the actual rate payable on borrowings for development property, weighted as applicable. FRS 23.19

Development properties are initially stated at cost plus attributable profit less progress billings. Where costs incurred and recognised profits (less recognised losses) exceed progress billings, the balance is shown as an asset. Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is shown as a liability.

Unsold development properties

Development properties that are unsold are carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less costs to complete development and selling expenses. FRS 2.9 FRS 2.6

Sold development properties

Revenue and cost on development properties that have been sold are recognised using the percentage of completion method. The stage of completion is measured by reference to the development costs incurred to-date to the estimated total costs for the property. When it is probable that the total development costs will exceed the total revenue, the expected loss is recognised as an expense immediately. INT FRS 115.20.6

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

2(d) Significant accounting policies (Cont'd)

Construction work-in-progress

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred where it is probable those costs will be recoverable. Contracts costs are recognised when incurred. When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised by using the percentage of completion method. Contract costs comprise materials, direct labour, sub-contractors' cost and an appropriate proportion of overheads.

FRS 11.32.a
FRS 11.31
FRS 11.22

The percentage of completion is based on architects' certification of construction work completed.

FRS 11.39.c

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately, irrespective of whether or not work has commenced.

FRS 11.36

The aggregated costs incurred and the profit/ (loss) recognised on each contract are compared against progress billings up to the financial year end. Where costs incurred and recognised profit (less recognised losses) exceed progress billings, the balance is shown as due from customers on construction contracts under 'construction work-in-progress'. Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is shown as due to customers on construction contracts under 'trade and other payables'. Customers advances are presented as "trade and other payables" in the statement of financial position.

FRS 11.43
FRS 11.44

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first-in, first-out basis, and includes all costs in bringing the inventories to their present location and condition. In the case of manufactured products, cost includes all direct expenditure and production overheads based on the normal level of activity.

FRS 2.9
FRS 2.36.a, 25

Provision is made for obsolete, slow-moving and defective inventories in arriving at the net realisable value.

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

FRS 2.6

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

2(d) Significant accounting policies (Cont'd)

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits (and highly liquid investments which are readily to cash and which are subject to an insignificant risk of changes in value). FRS 7.6

For the purpose of the consolidated statements of cash flows, cash and cash equivalents are presented net of bank overdrafts which are repayable on demand and which form an integral part of cash management. FRS 7.8

Notes:

Bank overdrafts should be removed if they are not an integral part of the entity's cash management system and thus, not part of cash equivalents.

Non-current assets (or disposal groups) held-for-sale and discontinued operations

FRS 105.6, 15
FRS 105.25
FRS 105.20
FRS 105.22

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

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held-for-sale and: FRS 105.32

(a) represents a separate major line of business or geographical area of operations; or
(b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
(c) is a subsidiary acquired exclusively with a view to resale.

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Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

2(d) Significant accounting policies (Cont'd)

Share capital and treasury shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account. FRS 32.35

When any entity within the Group purchases the Company's ordinary shares ("treasury shares"), the consideration paid including any directly attributable incremental cost is presented as a component within equity attributable to the Company's equity holders, until they are cancelled, sold or reissued. FRS 32.33

When treasury shares are subsequently cancelled, the cost of treasury shares are deducted against the share capital account if the shares are purchased out of capital of the Company, or against the retained earnings of the Company if the shares are purchased out of earnings of the Company. CA 76G

When treasury shares are subsequently sold or reissued pursuant to the employee share option scheme, the cost of treasury shares is reversed from the treasury share account and the realised gain or loss on sales or reissue, net of any directly attributable incremental transaction costs and related income tax, is recognised in the capital reserve of the Company. FRS 32.33

Notes:

FRS 32 requires directly attributable costs relating to equity transactions to be recognised in equity, but does not specify which equity account. Accordingly, these costs may also be recognised directly against retained earnings. FRS 32.35

Dividends

Final dividends proposed by the directors are not accounted for in shareholders' equity as an appropriation of retained profit, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability. FRS 10.12 FRS 10.13

Interim dividends are simultaneously proposed and declared, because the articles of association of the Company grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised directly as a liability when they are proposed and declared.

Financial liabilities

The Group's financial liabilities include borrowings, redeemable preference shares, trade and other payables and dividend payable. FRS 32.11

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

2(d) Significant accounting policies (Cont'd)

Financial liabilities (cont'd)

Financial liabilities are recognised when the Group becomes a party to the contractual agreements of the instrument. All interest-related charges are recognised as an expense in "finance cost" in the profit or loss. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled. FRS 39.14 FRS 39.39

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, an only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. FRS 107.21, FRS 32.42

Borrowings are recognised initially at the fair value of proceeds received less attributable transaction costs, if any. Borrowings are subsequently stated at amortised cost which is the initial fair value less any principal repayments. Any difference between the proceeds (net of transaction costs) and the redemption value is taken to the profit or loss over the period of the borrowings using the effective interest method. The interest expense is chargeable on the amortised cost over the period of the borrowings using the effective interest method. FRS 39.43, 47

Gains and losses are recognised in the profit or loss when the liabilities are derecognised as well as through the amortisation process. FRS 39.56

Borrowings which are due to be settled within 12 months after the end of reporting period are included in current borrowings in the statement of financial position even though the original terms was for a period longer than twelve months and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the end of reporting period. Borrowings to be settled within the Group's operating cycle are classified as current. Other borrowings due to be settled more than twelve months after the end of reporting period are included in non-current borrowings in the statement of financial position. FRS 1.61

Notes:

Borrowings

Amendments to FRS 1 Classification of Liabilities requires if an entity expects, and has the right discretion, to refinance or roll over an obligation for at least twelve months after the reporting period under an existing loan facility with the same lender or consortium of lenders, it classifies the obligation as non-current, even if it would otherwise be due within a shorter period. Amendments to FRS 1

However, when the entity has no right to refinancing or rolling over the obligation is not at the discretion of the entity (for example, there is no arrangement in place at the reporting date for refinancing or rolling over the loan with the same lender or consortium of lenders), the entity does not consider the potential to refinance the obligation with any other lender and classifies the obligation as current.

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

2(d) Significant accounting policies (Cont'd)

5.5% secured bonds due 2017

Proceeds from the bond cum warrants issue are allocated separately between the value of the bonds and the value of the warrants. The fair value of the liability portion is determined using the market interest rate for an equivalent non-convertible bond; this amount is recorded as a non-current liability on the amortised cost basis until it is extinguished on conversion or maturity of the bonds. The remainder of the proceeds is ascribed to the 7,2000,000 detachable warrants which are recognised as a capital reserve and an appropriate amount transferred to the share capital account as and when the warrants are exercised. The discount on the value of the bonds is amortised over the life of the bonds of 5 years and charged to the profit or loss using the effective interest rate method.

FRS 32.26
FRS 107.27.a
FRS 32.AG31.a
FRS 32.18.a

Redeemable preference shares

Preference shares, which are redeemable on a specific date or at the option of the shareholders on which carry non-discretionary dividend obligations, are classified as long-term liabilities. The dividends on these preference shares are recognised in the profit or loss as finance expenses.

FRS 32.36

Notes:

Generally, preference share capital is classified as equity if it is non-redeemable or is redeemable but only at the option of the Company at some future date and the dividend payments are discretionary. Dividends thereon are recognised as distribution within equity.

FRS 32.22

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Notes to the financial statements

for the financial year ended 31 December 2017 (Cont'd)

2(d) Significant accounting policies (Cont'd)

Financial liabilities (cont'd)

Trade and other payables

Trade and other payables are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest method. Finance lease liabilities are measured at initial value less the capital element of lease repayments (see policy on finance leases).

FRS 39.43, 47

Convertible bonds

When convertible bonds are issued at fair value, the fair value of the liability portion is determined using a market interest rate for an equivalent non-convertible bond; this amount is recorded as a non-current liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option, which is recognised and included in shareholders' equity. The carrying amount of the conversion option is not changed in subsequent periods.

FRS 32.26
FRS 107.27.a

When a conversion option is exercised, the carrying amount of the conversion option will be taken to share capital. When the conversion option is allowed to lapse, the carrying amount of the conversion option will be taken to retained profits.

FRS 32.AG32

Finance lease liabilities are measured at initial value less the capital element of lease repayments (see policy on finance leases).

FRS 32.18, 28

Financial guarantees

The Company has issued corporate guarantees to banks for bank borrowings of its subsidiaries. These guarantees are financial guarantee contracts as they require the Company to reimburse the banks if the subsidiaries fail to make principal or interest payments when due in accordance with the terms of their borrowings.

FRS 39.9

Financial guarantee contracts are initially recognised at their fair value plus transaction costs in the statement of financial position.

FRS 39.43

Financial guarantee contracts are subsequently amortised to the profit or loss over the period of the subsidiaries' borrowings, unless the Company has incurred an obligation to reimburse the bank for an amount higher than the unamortised amount. In this case, the financial guarantee contracts shall be carried at the expected amount payable to the bank.

FRS 39.47.c

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

2(d) Significant accounting policies (Cont'd)

Financial liabilities (cont'd)

Provisions

Provisions are recognised when the Company and the Group have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Present obligations arising from onerous contracts are recognised as provisions. FRS 37.14 FRS 37.66

A provision for restructuring is recognised for the expected costs associate with the restructuring of the Group's activities which will entail the closure of the hotel and restaurant business. The provision is based on the best estimate of the direct expenditures to be incurred which are both necessarily entailed by the restructuring and not associated with the on-going activities of the Group. FRS 37.80

The directors review the provisions annually and where in their opinion, the provision is inadequate or excessive, due adjustment is made. FRS 37.59

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. Where discounting is used, the increase in the provision due to the passage of the time is recognised as finance costs. FRS 37.60

Leases

Where the Group is the lessee,

<u>Finance leases</u>

Where assets are financed by lease agreements that give rights approximating to ownership, the assets are capitalised as if they had been purchased outright at values equivalent to the lower of the fair values of the leased assets and the present value of the total minimum lease payments during the periods of the leases. The corresponding lease commitments are included under liabilities. The excess of lease payments over the recorded lease obligations are treated as finance charges which are amortised over each lease to give a constant effective rate of charge on the remaining balance of the obligation. FRS 17.7, 20 FRS 17.4 FRS 17.25

The leased assets are depreciated on a straight-line basis over their estimated useful lives as detailed in the accounting policy on "Property, plant and equipment". FRS 17.27

<u>Operating leases</u>

Rentals on operating leases are charged to profit or loss on a straight-line basis over the lease term. Lease incentives, if any, are recognised as an integral part of the net consideration agreed for the use of the leased asset. Penalty payments on early termination, if any, are recognised in the profit or loss when incurred. FRS 17.33 INT FRS 15.5

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

2(d) Significant accounting policies (Cont'd)

Leases (cont'd)

<u>Operating leases (cont'd)</u>

Contingent rents are mainly determined as a percentage of revenue in excess of a specified amount during the month. They are charged to the profit or loss when incurred. FRS 17.35.d.i

Where the Group is the lessor,

<u>Finance leases</u>

Where assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the lease term using the net investment method, which reflects a constant periodic rate of return. FRS 17.36 FRS 17.39

<u>Operating leases</u>

Assets leased out under operating leases are included in investment properties and are stated at revalued amounts and not depreciated. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term. FRS 17.50 INT FRS 5.4

Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of reporting period. FRS 12.46

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting or taxable profit or loss at the time of the transaction. FRS 12.15

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. FRS 12.39

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised. FRS 12.24, 34, 44

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

2(d) Significant accounting policies (Cont'd)

Income taxes (cont'd)

Deferred income tax is measured:
(i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the date of the financial position; and FRS 12.47
(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the date of the financial position, to recover or settle the carrying amounts of its assets and liabilities. FRS 12.51

Current and deferred income taxes are recognised as income or expense in the profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised either in other comprehensive income or directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition. FRS 12.58, 61, 66

Notes:

1. Group tax relief is available for the Singapore incorporated holding company and all its Singapore incorporated subsidiaries with at least 75% equity ownership, directly or indirectly (excluding any foreign shareholdings in the ownership chain) held by Singapore incorporated companies within the Group. Current year's unabsorbed tax losses and capital allowances are available to be set off against taxable profits of profitable subsidiaries within the Group in accordance with the rules. Income Tax Act, S37C

1. Current year unabsorbed capital allowances and trade losses of up to $100,000 incurred can be carried back and be set off against the assessable income of the year of assessment immediately preceding the year in which the capital allowance or trade loss arose. The loss carry-back will be given on due claim and subject to satisfaction of the substantial shareholding test and some business test.

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Notes to the financial statements

for the financial year ended 31 December 2017 (Cont'd)

2(d) Significant accounting policies (Cont'd)

Employee benefits

Pension obligations

The Company and the Group participate in the defined contribution national pension schemes as provided by the laws of the countries in which it has operations. In particular, the Singapore incorporated companies in the Group contribute to the Central Provident Fund, a defined contribution plan regulated and managed by the Government of Singapore, which applies to the majority of the employees. The contributions to national pension schemes are charged to the profit or loss in the period to which the contributions relate. FRS 19.44

Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. Accrual is made for the unconsumed leave as a result of services rendered by employees up to the end of reporting period. FRS 19.9, 15

Employee Share Option Scheme

The Company also has an employee share option plan for the granting of non-transferable options.

The Group issues equity-settled share-based payments to certain employees. The fair value of the employee services received in exchange for the grant of options is recognised as an expense in the profit or loss with a corresponding increase in the share option reserve over the vesting period. The total amount to be recognised over the vesting period is determined by reference to the fair value of the options granted on the date of the grant. Non-market vesting conditions are included in the estimation of the number of shares under options that are expected to become exercisable on the vesting date. At the end of each reporting period, the Group revises its estimates of the number of shares under options that are expected to become exercisable on the vesting date and recognises the impact of the revision of the estimates in the profit or loss, with a corresponding adjustment to the share option reserve over the remaining vesting period. FRS 102.2.a FRS 102.7, 8 FRS 102.16 FRS 102.19 FRS 102.20

When the options are exercised, the proceeds received (net of transaction costs) and the related balance previously recognised in the share option reserve are credited to share capital account, when new ordinary shares are issued, or to the 'treasury shares' account, when treasury shares are re-issued to the employees.
In the Company's separate financial statements, the fair value of options granted to employees of its subsidiaries is recognised as an increase in the cost of the Company's investment in subsidiaries, with a corresponding increase in equity over the vesting period.

Key management personnel
Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity. Directors (and certain general managers) are considered key management personnel. FRS 24.9

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

2(d) Significant accounting policies (Cont'd)

Related parties

A related party is defined as follows:

a) A person or a close member of that person's family is related to the Group and Company if that person: FRS 24.9

(i) has control or joint control over the Company; FRS 24.9.a

(ii) has significant influence over the Company; or

(iii) is a member of the key management personnel of the Group or Company or of a parent of the Company.

b) An entity is related to the Group and the Company if any of the following conditions applies: FRS 24.9.b

(i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) both entities are joint ventures of the same third party.

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

2(d) Significant accounting policies (Cont'd)

Impairment of non-financial assets

The carrying amounts of the Company's and Group's non-financial assets subject to impairment are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. FRS 36.9

If it is not possible to estimate the recoverable amount of the individual asset, then the recoverable amount of the cash-generating unit to which the assets belong will be identified. FRS 36.66

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the company at which management controls the related cash flows. FRS 36.80

Individual assets or cash-generating units that include goodwill and other intangible assets with an indefinite useful life or those not yet available for use are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. FRS 36.10 FRS 36.9

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value-in-use, based on an internal discounted cash flow evaluation. Impairment losses recognised for cash-generating units, to which goodwill has been allocated are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. FRS 36.59 FRS 36.104 FRS 36.111

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Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

2(d) Significant accounting policies (Cont'd)

Impairment of non-financial assets (Cont'd)

Any impairment loss is charged to the profit or loss unless it reverses a previous revaluation in which case it is charged to equity. FRS 36.60

With the exception of goodwill,

- An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount or when there is an indication that the impairment loss recognised for the asset no longer exists or decrease. FRS 36.114
- An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised. FRS 36.117
- A reversal of an impairment loss on a revalued asset is credited directly to equity under the heading revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the profit or loss, a reversal of that impairment loss is recognised as income in the profit or loss. FRS 36.120

An impairment loss in respect of goodwill is not reversed, even if it relates to impairment loss recognised in an interim period that would have been reduced or avoided had the impairment assessment been made at a subsequent reporting or end of reporting period. FRS 36.124 INT FRS 110.8

Notes:

1. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets. FRS 36.6

2. If an active market exists for the output produced by an asset or group of assets, that asset or group of assets shall be identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, an entity shall use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating: FRS 36.IN10

   (a) The future cash inflows used to determine the asset's or cash-generating unit's value in use; and
   (b) The future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

3. Cash-generating units should be identified consistently from period to period from the same asset or type of assets, unless a change is justified. FRS 36.72

4. The carrying amount of a cash-generating unit should be determined consistently with the way the recoverable amount of the cash-generating unit is determined. FRS 36.75

5. If the recoverable amount is determined as "value-in-use", disclose the discount rate used in discounting cash flows to their present value.

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

2(d) Significant accounting policies (Cont'd)

Impairment of non-financial assets (Cont'd)

Notes: (Cont'd)

6. If recoverable amount is determined as net selling price, disclose the basis used to determine net selling price (such as whether selling price was determined by reference to an active market or in some other way).

7. The recoverable amount for the asset for which an impairment loss has been recognised or revised during the period should be disclosed. FRS 36.130.f.a

8. If the aggregation of assets for identifying the cash generating unit has changed since the previous estimate of recoverable amount, describe the current and former methods of aggregation and the reason for the change.

9. If the recoverable amount is fair value less cost of disposal, the entity shall disclose the level of fair value hierarchy which the fair measurement of the asset in its entity. FRS 36.130.f.i

10. For fair value measurements categorised within Level 2 and Level 3 of the fair value hierarchy, a description of the valuation technique(s) used to measure fair value less costs of disposal. If the change in valuation technique, the entity shall disclose the reason(s) for making it; and FRS 36.130.f.ii

11. For fair value measurement categorised within Level 2 and Level 3 of the fair value hierarchy, each key assumption on which management has based its determination of fair value less costs of disposal. FRS 36.130.f.iii

    Key assumptions are those to which the asset's (cash-generating units) recoverable amount is most sensitive. The entity shall also disclose the discount rate(s) used in the currency measurement and measurement if fair value less costs of disposal is measured using a present value technique.

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Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

2(d) Significant accounting policies (Cont'd)

Functional currencies

Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements of the Group and the Company are presented in Singapore Dollars, which is also the functional currency of the Company. FRS 21.8 FRS 1.51.d, e

Conversion of foreign currencies

Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the reporting date are recognised in profit or loss. However, in the consolidated financial statements, currency translation differences arising from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations, are recognised in other comprehensive income and accumulated in the currency translation reserve. FRS 21.21 FRS 21.23.a FRS 21.28 FRS 21.32 FRS 39.102 FRS 21.48

When a foreign operation is disposed of or any borrowings forming part of the net investment of the foreign operation are repaid, a proportionate share of the accumulated translation differences is reclassified to profit or loss, as part of the gain or loss on disposal. FRS 21.59

Foreign exchange gains and losses that relate to borrowings are presented in the income statement within "finance cost". Foreign currency gains and losses are reported on a net basis as either other income or other operating expense depending on whether foreign currency movements are in a net gain or net loss position.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined. FRS 21.23.c

Notes to the financial statements

for the financial year ended 31 December 2017 (Cont'd)

2(d) Significant accounting policies (Cont'd)

Conversion of foreign currencies (Cont'd)

Group entities

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows: FRS 21.39

(i) Assets and liabilities are translated at the closing rates at the end of that statement of financial position; FRS 1 (2009).A18

(ii) Income and expenses for each statements presenting profit or loss and other comprehensive income (i.e. including comparatives) shall be translated at exchange rates at the dates of the transactions; and FRS 21.R.39.6

(iii) All resulting currency translation differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve.

Notes:

Alternatively, if functional currency is other than Singapore dollars:

"The books of accounts of the Company are maintained in the functional currency which is the United States dollars. Other currencies are considered as foreign currencies.

Monetary assets and liabilities in foreign currencies are translated into US dollars at rates of exchange closely approximating those ruling at end of report period. Transactions in foreign currencies are converted at rates closely approximating those ruling at transaction dates. Exchange differences arising from such transactions are recorded in the profit or loss in the period in which they arise.

FRS 21.23.a
FRS 21.21
FRS 21.28

As the shareholders are mainly residing in Singapore, the financial statements of the Company have been translated from US dollars to Singapore dollars for presentation purpose. Assets, liabilities and equity items other than the net profit or loss for the current period are translated at the rate of exchange ruling at the end of reporting period. Income and expense items are translated at the average exchange rate for the year. The resultant exchange differences are recognised directly in equity."

FRS 21.53

Operating segments

For management purposes, operating segments are organised based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers are directly accountable to the chief executive officer who regularly reviews the segment results in order to allocate resources to the segments and to assess segment performance. FRS108.5

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

3 Principal activities and revenue

The principal activities of the Company consist of property development investment holding and general construction works. The principal activities of the subsidiaries are as stated in Note 7. FRS 1.138.b

The Group is currently in the process of closing down its hotel and restaurant operations (Note 36 Statement of Operations by Segments and Note 16 Discontinued Operations) in an effort to focus on the Group's core activities.

Significant categories of revenue, excluding inter-company transactions and applicable goods and services tax, are detailed as follows: FRS 18.35.b

	2017
	$
The Group	
Property development	**197,569,526**
Property investment and investment holding	**4,879,429**
Others	**199,972**
	202,648,927

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Notes to the financial statements

for the financial year ended 31 December 2017 (Cont'd)

4 Intangible assets

	Note	Goodwill	Patent & licenses	Development costs	Computer software	Total	
		$	$	$	$	$	FRS 38.118.e
The Group							
Cost							
At 1 January 2016 and at 31 December 2016		30,000	110,000	30,000	10,000	180,000	FRS 38.118.c
Additions		-	30,000	-	-	30,000	FRS 38.118.e.i
Disposals		-	-	(30,000)	-	(30,000)	FRS 38.118.e.ii
At 31 December 2017		**30,000**	**140,000**	**-**	**10,000**	**180,000**	FRS 38.118.c
Accumulated amortisation/ impairment losses							
At 1 January 2016		-	-	25,000	5,000	30,000	
Amortisation for the year	27	-	23,000	5,000	2,000	30,000	
At 31 December 2016		-	23,000	30,000	7,000	60,000	FRS 38.118.c
Amortisation for the year	27	-	58,000	-	2,000	60,000	FRS 38.118.e.vi
Impairment losses recognised	27	10,000	-	-	-	10,000	FRS 38.118.c,e.iv
Disposals		-	-	(30,000)	-	(30,000)	FRS 38.118.e.ii
At 31 December 2017		**10,000**	**81,000**	**-**	**9,000**	**100,000**	
Net book value							
At 31 December 2017		**20,000**	**59,000**	**-**	**1,000**	**80,000**	
At 31 December 2016		30,000	**87,000**	-	3,000	120,000	

(a) Goodwill

Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units ("CGUs") identified according to countries of operation and business segments.

A segment-level summary of the goodwill allocation is as follows: FRS 36.134.a

	The Group					
	2017			2016		
	Property developmen	**Other operations**	**Total**	Property development	Other operations	Total
Singapore	**-**	**18,000**	**18,000**	-	28,000	28,000
Other Asean countries	**2,000**	**-**	**2,000**	2,000	-	2,000
	2,000	**18,000**	**20,000**	2,000	28,000	30,000

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

4 Intangible assets (Cont'd)

The recoverable amount of a CGU was determined based on value-in-use calculations. Cash flow projections used in these calculations were based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period were extrapolated using the estimated growth rates stated below. The growth rate did not exceed the long-term average growth rate in which the CGU operates.

FRS 36.134.c
FRS 36.134.d.iii

Key assumptions used for value-in-use calculations:

FRS 36.134.d.i, iv, v

	2017			
	Property development		**Other operations**	
	Singapore	Other Asean	Singapore	Other Asean
Gross margin[1]	**30.0%**	**36.0%**	**28.0%**	**35.0%**
Growth rate[2]	**1.8%**	**2.1%**	**1.1%**	**2.4%**
Discount rate[3]	**7.3%**	**12.1%**	**7.5%**	**12.5%**

	2016			
	Property development		**Other operations**	
	Singapore	Other Asean	Singapore	Other Asean
Gross margin[1]	60.0%	56.0%	58.0%	55.0%
Growth rate[2]	5.8%	1.9%	5.1%	1.4%
Discount rate[3]	6.3%	12.8%	6.5%	13.5%

[1] Budgeted gross margin
[2] Weighted average growth rate used to extrapolate cash flows beyond the budget period.
[3] Pre-tax discount rate applied to the pre-tax cash flow projections

These assumptions were used for the analysis of each CGU within the business segment. Management determined budgeted gross margin based on past performance and its expectations of the market developments. The weighted average growth rates used were consistent with the forecasts included in industry reports. The discount rates used were pre-tax and reflected specific risks relating to the relevant segments.

FRS 36.134.d.ii
FRS 36.55

An impairment charge of **$10,000** (2016: $Nil) is included within "Administrative expenses" in the statement of comprehensive income. The impairment charge arises from the other operations CGU in Singapore segment following a decision to reduce the production output as a result of reducing customer demand.

FRS 36.126.a
FRS 36.130

The impairment test carried out as at 31 December 2017 for the other operations CGU in Singapore, which includes 90% of the goodwill recognised on the statement of financial position has revealed that the recoverable amount of the CGU is only $18,900 or 5% higher than its carrying amount. This is the result of the significant pressure felt on selling prices and a sharp decrease in demand encountered as a result of the economic crisis. A further decrease in the growth margin by 1% or a decrease in the growth rate by 0.5% would result in the recoverable amount of the other operations CGU in Singapore to equal its carrying amount.

FRS 36.134.f

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

4 Intangible assets (Cont'd)

(b) Amortisation expense included in the profit or loss is analysed as follows:

	2017	2016
	$	$
The Group		
Cost of sales	**58,000**	28,000
Administrative expenses	**2,000**	2,000
	60,000	30,000

Notes:

1. These disclosures are required only of entities that present expenses by function on the face of the statement of comprehensive income. FRS 38.118.d

2. If a reasonably possible change in a key assumption on which management has based its determination of the unit's recoverable amount would cause the unit's carrying amount to exceed its recoverable amount, disclose: FRS 36.134.f

   (a) The amount by which the unit's recoverable amount exceeds its carrying amount;
   (b) The value assigned to the key assumption;
   (c) The amount by which the value assigned to the key assumption must change, after incorporating any consequential effects of that change on the other variables used to measure recoverable amount, in order for the unit's recoverable amount to be equal to its carrying amount.

3. Entities are required to disclose the events and circumstances that led to the recognition of impairment losses. FRS 36.130.a

4. Additional disclosures are required for intangibles acquired by way of government grant: FRS 38.122.c

   (a) the fair value initially recognised for these assets
   (b) their carrying amount
   (c) the carrying amount that would have been included in the financial statements had the revalued class of intangible assets been measured after recognition using the cost model;

5. Disclose the existence and carrying amounts of any intangible assets whose title is restricted or which are pledged as security for liabilities. FRS 38.122.d

6. Disclose the amount of contractual commitments for the acquisition of intangible assets. FRS 38.122.e

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Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

4 Intangible assets (Cont'd)

Notes: (Cont'd)

7. If intangible assets are carried at revalued amounts, the following should be disclosed: FRS 38.124

   (a) by class of intangible assets:

      (i) the effective date of the revaluation;
      (ii) the carrying amount of revalued intangible assets; and
      (iii) the carrying amount that would have been included in the financial statements had the revalued class of intangible assets been measured after recognition using the cost model;

   (b) the amount of the revaluation surplus that relates to intangible assets at the beginning and end of the period, indicating the changes during the period and any restrictions on the distribution of the balance to shareholders; and

8. The methods and significant assumptions applied in estimating the assets' fair values. FRS 38.122.a
   For an intangible asset assessed as having an indefinite useful life, an entity should disclose the carrying amount of that asset and the reasons supporting the assessment of an indefinite useful life. In giving these reasons, the entity should describe the factor(s) that played a significant role in determining that the asset has an indefinite useful life. FRS 38.122.b

9. Describe any individual intangible asset that is material to the financial statements, including the carrying amount and remaining amortisation period.

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Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

5 Property, plant and equipment

	Plant, machinery and survey equipment $	Motor vehicles $	Furniture fittings and equipment $	Total $	FRS 1.78.a
The Company					
Cost					
At 1 January 2016 and at 31 December 2016	8,762,009	2,683,683	709,979	12,155,671	FRS 16.73.d
Additions	575,965	413,960	111,393	1,101,318	FRS 16.73.e.i
Disposals	(103,561)	(372,118)	-	(475,679)	FRS 16.73.e.ii
At 31 December 2017	**9,234,413**	**2,725,525**	**821,372**	**12,781,310**	FRS 16.73.d
Accumulated depreciation/ impairment loss					
At 1 January 2016	3,709,373	910,778	248,145	4,868,296	
Depreciation	1,171,408	148,118	60,673	1,380,199	
At 31 December 2016	4,880,781	1,058,896	308,818	6,248,495	FRS 16.73.d
Depreciation	1,171,408	244,808	60,673	1,476,889	FRS 16.73.e.vii
Disposals	(88,561)	(327,118)	-	(415,679)	FRS 16.73.d
At 31 December 2017	**5,963,628**	**976,586**	**369,491**	**7,309,705**	
Net book value					
At 31 December 2017	**3,270,785**	**1,748,939**	**451,881**	**5,471,605**	
At 31 December 2016	3,881,228	1,624,787	401,161	5,907,176	

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Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

5 Property, plant and equipment (Cont'd)

	Note	Freehold land $	Plant, machinery and survey equipment $	Motor vehicles $	Furniture fittings and equipment $	Total $	FRS 1.78.a
The Group							
Cost							
At 1 January 2016		2,000,000	8,762,009	2,555,526	3,940,849	17,258,384	FRS 16.73.d
Additions		-	-	500,000	-	500,000	FRS 16.73.a
Disposals		-	-	(371,843)	-	(371,843)	FRS 16.73.i
At 31 December 2016		2,000,000	8,762,009	2,683,683	3,940,849	17,386,541	FRS 16.73.e.ii
Exchange difference on traslation		-	-	-	5,409	5,409	
Additions		-	1,421,711	809,693	519,297	2,750,701	FRS 16.73.e.viii
Disposals		-	(125,500)	(718,123)	(9,964)	(853,587)	FRS 16.73.e.i
Transfer to assets held for sale	16	-	(721,500)	-	(60,010)	(781,510)	FRS 16.73.3.ii
At 31 December 2017		**2,000,000**	**9,336,720**	**2,775,253**	**4,395,581**	**18,507,554**	FRS 16.77.d
Accumulated depreciation /impairment loss							
At 1 January 2016		-	3,763,132	947,329	393,629	5,104,090	
Depreciation		-	1,117,649	211,567	610,113	1,939,329	FRS 16.73.d
Disposals		-	-	(100,000)	-	(100,000)	FRS 16.73.e.viii
At 31 December 2016		-	4,880,781	1,058,896	1,003,742	6,943,419	FRS 16.73.e.ii
Exchange difference on traslation		-	-	-	5,409	5,409	
Impairment losses recognised	27	-	823,807	-	-	823,807	FRS 16.73.e.viii
Depreciation		-	1,171,408	246,880	644,136	2,062,424	FRS 16.73.e.vii
Disposals		-	(88,561)	(327,118)	(4,964)	(420,643)	FRS 16.73.e.vii
Transfer to assets held for sale	16	-	(350,100)	-	(25,011)	(375,111)	FRS 16.73.e.ii
At 31 December 2017		**-**	**6,437,335**	**978,658**	**1,623,312**	**9,039,305**	FRS 16.73.d
Net book value							
At 31 December 2017		**2,000,000**	**2,899,385**	**1,796,595**	**2,772,269**	**9,468,249**	
At 31 December 2016		2,000,000	3,881,228	1,624,787	2,937,107	10,443,122	

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Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

5 Property, plant and equipment (Cont'd)

Depreciation expense

		The Company		The Group	
	Note	**2017**	2016	**2017**	2016
		$	$	**$**	$
Depreciation expense changed to:					
Profit or loss	27	**760,171**	1,063,152	**1,345,706**	1,622,282
Construction work-in-progress	12	**716,718**	317,047	**716,718**	317,047
		1,476,889	1,380,199	**2,062,424**	1,939,329

Details of freehold land — SGX 1207.10

Freehold land of 2,000 sq. metres is located at 1 Thomas Road, Singapore held by a wholly-owned subsidiary. A third party is building a commercial property on the freehold land which has been rented to that third party for a period of 25 years for the specific business of that third party.

The impairment losses represent the write-down of certain property, plant and equipment to recoverable amount due to the pending closure of the hotel and restaurant business. The recoverable amount was determined at the cash generating unit level (hotel and restaurant business) and is based on the net selling price determined with respect to amounts received in recent transactions for similar assets. The recoverable amount is based on fair value hierarchy level 2. The carrying amount of property, plant and equipment which will be disposed of as part of the closure has been transferred to "Assets held-for-sale". Refer to Note 16 for further details. — FRS 36.130.a, FRS 36.130.c, d

The net book value of hotel equipment and motor vehicles acquired under finance lease for the Group amounted to **$266,612** (2016: $302,863) and **$70,000** (2016: $85,000) respectively. — FRS 17.31.a

Motor vehicles costing **$1,175,525** (2016: $1,275,525) for the Company and **$1,225,253** (2016: $1,325,253) for the Group are registered in the names of certain directors and employees. These are held in trust for the Company and for the respective companies in the Group. — FRS 16.74

Notes:

1. If additions during the year include capitalised borrowing costs and foreign exchange differences, these amounts must be disclosed. For borrowing costs, the rate of capitalisation should be disclosed as well.

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

5 Property, plant and equipment (Cont'd)

Notes: (Cont'd)

2. For revalued property, plant and equipment, FRS 16 requires entities to disclose:

   (a) the effective date of revaluation;
   (b) whether an independent valuer was involved;
   (c) methods and assumptions applied;
   (d) the extent to which fair value were determined be reference to active market or recent market transaction on arm's length terms or other valuation techniques;
   (e) the carrying amount of each class of property, plant and equipment that would have been included in the financial statements has the assets been carried under the cost model; and
   (f) the revaluation surplus, indicating the movement for the period and restriction on the distribution of the balance to shareholders.

   Where revaluation of property, plant and equipment has been performed, the following should be disclosed:

   FRS 16.77a to c
   FRS 16.77.f
   SGX 1207.10

   "Freehold land and buildings of the Group are revalued as at 31 December 2017 by XYZ (Property Consultants) Pte Ltd, a firm of independent professional valuers, at open market value on an existing use basis. The revaluation surplus amounting to $XXX (2016: $xxx) have been transferred to the revaluation reserve of the Group. The carrying amount of freehold land and buildings of the Group would have been $XXX (2016: $XXX) had the freehold land and buildings been carried at cost less depreciation and impairment losses."

3. Where the property, plant and equipment has been pledged, the following should be disclosed:

   FRS 16.74.a

   *"Bank borrowings are secured on property, plant and equipment of the Group and the Company with carrying amounts of **$XXX** and **$XXX** respectively (2016: $XXX and $XXX) (Note X)."*

4. FRS 16 paragraph 68A requires an entity that, in the course of its ordinary activities, routinely sells items of property, plant and equipment that it has held for rental to others shall transfer such assets to inventories at their carrying amount when they cease to be rented and become held-for-sale. The proceeds from the sale of such assets shall be recognised as revenue in accordance with FRS 18. FRS 105 does not apply when assets that are held-for-sale in the ordinary course of business are transferred to inventories.

5. The SGX disclosures may be separated from the financial statements.

6. Disclose unfulfilled conditions and other contingencies attaching to government's assistance that has been recognised.

7. When relevant, FRS 16 encourages the disclosure of:

   FRS 16.79

   (a) carrying amount of temporarily idle property, plant and equipment (which must be depreciated);
   (b) gross carrying amount of fully depreciated property, plant and equipment still in use;
   (c) carrying amount of property, plant and equipment retired from active use and not classified as held-for-sale in accordance with FRS 105; and
   (d) where the cost model is used, the fair value of property, plant and equipment when fair value is materially different from the carrying amount.

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

5 Property, plant and equipment (Cont'd)

Notes: (cont'd)

8. Disclosure of expenditure on account of property, plant and equipment in the course of construction. FRS 16.74.b

9. Disclosure of compensation from third parties of property, plant and equipment that were impaired, lost or given up that is included in the profit and loss. FRS 16.74.d

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Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

6 Investment properties

		The Company		The Group		
	Note	**2017**	2016	**2017**	2016	
		$	$	$	$	
At beginning of year		**4,880,430**	4,800,430	**19,271,449**	24,474,133	FRS 40.76
Acquisition during the year		**-**	-	**9,137,164**	-	
Acquisition of subsidiary	7	**-**	-	**1,000,000**	-	
Subsidiary disposed of		**-**	-	**-**	(5,282,684)	FRS 40.76
Net fair value (loss)/gain recognised in the profit or loss	27	**(20,000)**	80,000	**211,996**	80,000	FRS 40.76.d
At end of year		**4,860,430**	4,880,430	**29,620,609**	19,271,449	

(a) The investment properties all held by either the Company or by wholly-owned subsidiaries, comprise: SGX 1207.10

Location	**Description**	**Area sq. metres**	**Tenure**
80 Sea Road 48th Floor of Parade Court	9 office units, at valuation	1,038	99 years lease commencing 17 August 2000
Land Parcels Nos. 77 to 82 Pasir Potong Conservation Phase 2C	149 office units, at valuation	908.2	99 years lease commencing 28 September 1999
1 Park Road Malay Complex	1 residential apartment At valuation	104	99 years lease commencing 25 March 1979
157 – 173 Hope Boulevard Capital City Republic of Crystan	203-room hotel	2,349	30 years lease commencing 25 September 2012

(b) Leasehold properties at Parade Court are mortgaged for long-term loans from a financial institution (Note 20.2). Leasehold properties at Pasir Potong are mortgaged for the 5.5% secured bonds 2017 (Note 20.3). FRS 40.75.g

(c) Investment properties are carried at fair values at the end of reporting period as determined by independent professional valuers. Valuations are made annually based on the properties' highest-and-best-use using the Direct Market Comparison Method. FRS 40.75.d ,e

(d) Investment properties are leased to non-related parties under operating leases. FRS 17.56.c

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

6 Investment properties (Cont'd)

(e) The following amounts are recognised in the profit or loss: FRS 17.57

	The Company		The Group		
	2017	2016	**2017**	2016	
	$	$	$	$	
Rental income	**355,000**	248,000	**4,879,429**	737,361	FRS 40.75.f.i
Direct operating expenses arising from investment properties that generated rental icnome	**146,852**	95,835	**2,578,412**	487,231	FRS 40.75.f.ii
Property tax and other direct operating expenses arising from an investment property that did not generate rental income	**-**	-	**-**	-	FRS 40.75.f.iii

Notes:

1. Under the amendment to FRS 40 that became effective 1 January 2010, investment property that is being construed or developed for future use as investment property is accounted for as investment property.

2. An entity is encouraged, but not required, to determine fair value by reference to a valuation by an independent valuer who holds a recognised and relevant professional qualification and who has recent experience in the location and category of the investment property being valued. An entity should disclose the extent to which the fair value is based on a valuation by an appropriate independent valuer. If there has been no such valuation, that fact should be disclosed. FRS 40.75.e

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Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

6 Investment properties (Cont'd)

Notes: (Cont'd)

3. Adjustment to fair value

When a valuation obtained for investment property is adjusted significantly for the purpose of the financial statements, for example to avoid double-counting for assets or liabilities that are recognised as separate assets and liabilities, the entity shall disclose a reconciliation between the valuation obtained and the adjusted valuation included in the financial statements, showing separately the aggregate amount of each type or significant adjustment as illustrated below: FRS 40.50 FRS 40.77

In addition, with effective from 1 January 2018, the paragraph 57 of FRS 40 *Investment Property* to reinforce the principle for transfers into, or out of, investment property in FRS 40 to specify that:

(i) a transfer into, or out of investment property should be made only when there has been a change in use of the property; and

(ii) such a change in use would involve an assessment of whether the property qualifies as an investment property.

That change in use should be supported by evidence.

	The Group	
	2017	**2016**
	$	**$**
Carrying amounts of investment property at the beginning of year	xx	xx
Additions	xx	xx
Disposals	(xx)	(xx)
	xx	xx
Fair value adjustments	xx	xx
Net foreign exchange differences	xx	xx
Transfers (to) and from inventories	(xx)	xx
Transfer (to) and from owner-occupied property	xx	(xx)
Significant adjustments to an outside valuation (if any)		
Carrying amounts of investment property at the end of year	xx	xx

*end of construction or development (transfer from property in the course of construction) / development to investment property.

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

7 Subsidiaries

The Company	2017 $	2016 $
Unquoted equity investments, at cost	**8,930,006**	5,730,006
Accumulated impairment losses	**(1,154,580)**	(1,154,580)
	7,775,426	4,575,426
Amounts owing by subsidiaries on long-term loan accou	**7,597,870**	389,873
	15,373,296	4,965,299

FRS 27.37.a

The amounts owing by subsidiaries on long-term loan account are an extension of the Company's net investment in the subsidiaries. These are unsecured, interest-free and are not expected to be repaid within one year.

FRS110.B86 (c)

The fair value of the non-current loan is $7,650,700 (2016: $373,753) based on discounted cash flows using a discount rate determined based on the credit rating of that subsidiary.

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Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

7 Subsidiaries (Cont'd)

Acquisition of subsidiary

FRS 103.59.a
FRS 103.60
FRS 38.118.d
FRS 103.64B.a to c
FRS 36.134.f

i. On 1 December 2017, the Company acquired 80% of the issued share capital of FKT International Pte Ltd ("GIPL") for a cash consideration of $3,200,000. The fair value of the net assets acquired approximated their book value. There were no intangibles assets identified which were previously not recorded in the subsidiary, after a purchase price allocation exercise had been performed.

FRS 103.64B.d

The acquisition is expected to provide the Group with an increased share of the property market through access to the acquiree's portfolio of properties. The Group also expects to reduce costs through economies of scale.

ii. The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

1. Consideration transferred

	$	
Cash	2,700,000	FRS 103.B64.f.i
Contingent consideration [Note (e)below]	600,000	FRS 103.B64.f.iii
Total purchase consideration	3,300,000	FRS 103.B64.f
Less: Indemnification asset [Note (g) below]	(100,000)	FRS 103.B64.g.i
Total consideration transferred	3,200,000	

2. Fair value of identifiable assets acquired and liabilities assumed at acquisition date

	Note	$	
Investment property	6	1,000,000	FRS 103.B64.i
Development properties		1,850,000	FRS 7.40.d
Trade and other receivables		1,500,000	
Cash and cash equivalents		200,000	
Trade and other payables		(450,000)	
Contingent liability [Note (f) below]		(100,000)	
Total net identifiable assets		4,000,000	
Non-controlling interests [Note (j) below]		(800,000)	FRS 103.64B.o.i
Total consideration transferred		3,200,000	

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

7 Subsidiaries (Cont'd)

Acquisition of subsidiary (cont'd)

3. Effect on cash flows of the Group

	$	
Cash paid [per (a) above]	2,700,000	
Less: Cash and cash equivalents in subsidiary acquired	(200,000)	FRS 7.40.c
Net cash outflow on acquisition	2,500,000	FRS 40.40.a

4. Acquisition-related cost

The Group incurred acquisition-related costs of $80,000 relating to external legal fees and due diligence costs. These costs have been included in administrative expenses in the Group's statement of comprehensive income. FRS 103.B64.m

5. Contingent consideration

The Group has agreed to pay the selling shareholders additional consideration of $800,000 if the acquiree's cumulative profit before tax over the next three financial years exceeds $18 million. The Group has included $600,000 as contingent consideration related to the additional consideration, which represents its fair value at the acquisition date (Note 40). FRS103.B64.f.iii

6. Contingent liability

A contingent liability of $100,000 has been recognised for a pending lawsuit in which the GIPL is the defendant. This claim has arisen from a customer alleging defects in the unit purchased. It is expected that a decision on this case will be reached by 3rd quarter of 2017. The recognised fair value of $100,000 is based on the expected outcome of the claim, taking into account independent legal advice on the underlying contract. FRS103.B64.j FRS 103.B64.g

7. Indemnification asset

The seller of GIPL has contractually agreed to indemnify the Group for the claim that may become payable in respect of the lawsuit disclosed in (f) above. FRS 103.B64.h

8. Trade and other receivables

Trade and other receivables acquired comprise of trade receivables and advances with fair values of $1,400,000 and $100,000 respectively. Their gross amounts are $1,400,000 and $110,000 respectively. At the acquisition date, $10,000 of the contractual cash flows pertaining to advances is not expected to be collected. It is expected that the full contractual amount of trade receivables can be collected. FRS103.B64.n FRS 103.B67.a

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

7 Subsidiaries (Cont'd)

Acquisition of subsidiary (cont'd)

9. Provisional fair value

The fair value of the acquired investment property of $1,000,000 has been provisionally determined pending receipt of the final valuation report from the professional independent valuers. FRS 103.B64.o

10. Non-controlling interests

FRS 103.64.q

The Group has elected to measure the non-controlling interest at the non-controlling interest's proportionate share of GIPL's identifiable net assets.

11. Revenue and profit contribution

The subsidiary acquired during the year contributed $66,000 to Group's profit for the year. If acquisition had occurred on 1 January 2017, Group's revenue and profit would have been $203,228,927 and $2,008,563 respectively. The subsidiary's assets and liabilities at 31 December 2017 were $3,236,000 and $30,000 respectively.

Details of the Group's material subsidiaries at the end of the reporting period are set out below: SGX 715-718

The subsidiaries are:

FRS 24.14
FRS 27.40

Name	Principal acitivities	Place of incorporation/ and operation	Proposition of ownership interest and voting rights held by the Group	
			2017	2016
Held by the Company				
Dalvey Investment Pte Ltd (1)	Investment holding and project management	Singapore	**100%**	100%
Quattro Investment Pte Ltd (1)	Investment holding	Singapore	**100%**	100%
FKT International Pte Ltd (1)	Property development	Singapore	**80%**	-
Held by Dalvey Investment Pte Ltd				
FKT Hotel (Pte.) Ltd (1)	Investment holding and hotel operator	Singapore	**51%**	51%
Ungale Restaurant Pte Ltd (1)	Restaurateur	Singapore	**100%**	100%
Held by Quattro Investment Pte Ltd				
FKT Properties Sdn Bhd (2)	Property development	Malaysia	**90%**	90%

(1) audited by Foo Kon Tan LLP
(2) audited by members of FKT International Limited

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

7 Subsidiaries (Cont'd)

Notes:

To disclose the name of the public accounting firms for Singapore incorporated subsidiaries for which the issuer has control and significant foreign incorporated subsidiaries. SGX 717

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. A majority of these subsidiaries operate in Singapore. The principal activities of these subsidiaries are summarised as follows:

FRS 112.10.a
FRS 112.4
FRS 112.4
FRS 112.4.a
FRS 112.B5 to B6

Principal activities	Principal place of business	Number of subsidiaries 31/12/2017	Number of subsidiaries 31/12/2016
Investment holding	Singapore	**1**	1
Restaurateur	Singapore	**1**	1
Property development	Singapore	**1**	1
		2	2

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Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

7 Subsidiaries (Cont'd)

Details of non-wholly subsidiaries that have material non-controlling interest FKT Hotel (Pte.) Ltd

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

FRS 112.10.a.ii
FRS 112.12
FRS 112.B10.a

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit/(loss) allocated to non-controlling interests		Accumulated non-controlling interests		Dividends paid to non-controlling interests	
		31/12/2017	31/12/2016	**31/12/2017**	31/12/2016	**31/12/2017**	31/12/2016	**31/12/2017**	31/12/2016
FKT Hotel (Pte.) Ltd	Singapore	**51%**	51%	**1,210,000**	850,000	**10,360,000**	9,180,000	**110,000**	75,000

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Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

7 Subsidiaries (Cont'd)

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

FKT Hotel (Pte.) Ltd

FRS112.12.g.b.ii
FRS112.B10
FRS112.B11

Summarised Balance Sheet

	Year ended	
	31/12/2017	31/12/2016
	$	$
Current assets	**550,000**	48,010
Non-current assets	**75,000**	6,500
Current liabilities	**(36,000)**	(38,000)
Non-current liabilities	**(9,500)**	(10,500)
Equity attributable to owners of the Company	**13,080**	11,070
Non-controlling interests	**2,180**	1,180

Details of non-wholly subsidiaries that have material non-controlling interest FKT Hotel (Pte.) Ltd

Summarised Statement of Comprehensive Income

	Year ended	
	31/12/2017	31/12/2016
	$	$
Revenue	**4,175,000**	3,451,000
Expenses	**(3,180,000)**	(2,915,000)
Profit for the year	**995,000**	536,000
Profit attributable to owners of the Company	**507,450**	273,360
Profit attributable to the non-controlling interests	**487,550**	262,640
Profit for the year	**995,000**	536,000
Other comprehensive income attributable to owners of the Company	**-**	-
Other comprehensive income attributable to the non-controlling interests	**-**	-
Other comprehensive income for the year	**-**	-
Total comprehensive income attributable to the non-controlling interests	**507,450**	273,360
Total comprehensive income for the year	**487,550**	262,640
	995,000	536,000
Other summarised information		
Net cash inflow from operating activities	**156,600**	117,000
Net cash outflow from investing activities	**(175,000)**	(118,000)
Net cash inflow from financing activities	**45,000**	30,000
Net cash inflow	**26,600**	29,000

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

7 Subsidiaries (Cont'd)

Notes:

1. The following are illustrative disclosures for:

Change in ownership interest in a subsidiary

"During the year, the Group disposed of 10% of its interest in FKT Sdn Bhd, reducing its continuing interest to 90%. The proceeds on disposal of $225,000 were received in cash. An amount of $165,000 (being the proportionate share of the carrying amount of the net assets of FKT Sdn Bhd has been transferred to non-controlling interests (see Note X). The difference of $60,000 between the increase in the non-controlling interests and the consideration received has been credited to retained earnings (Note X). FRS 112.18

The following summarises the effect of changes in the Group's ownership interest in FKT Sdn Bhd.

	2017
	$
Group's ownership interest at 1 January 2017	*450,000*
Effect decrease in Group's ownership interest	*(165,000)*
Share of comprehensive income	*-*
Group's ownership interest at 31 December 2017	***285,000"***

Significant restrictions

"The cash of FKT Pte Ltd amounting to $700,000 are not available for use by the Group to settle the liabilities of other entities, as a result of the statutory restrictions imposed in China on capital maintenance." FRS 112.13.a, c

Financial support to consolidated structured entity

"During reporting period and as at the end of the reporting period, the Group provided financial support to Dalvey Investment Pte Ltd, a consolidated structured entity. The financial support is in the form of a full guarantee over a loan of $600,000 taken up by Dalvey Investment Pte Ltd from a third party. The guarantee was required by the third party prior to extension of the loan to Dalvey Investment Pte Ltd. The loan has term of 5 years requiring quarterly installment payments of $30,000 each. As at the end of the reporting period, the directors have evaluated that Dalvey Investment Pte Ltd will be able to pay the loan installments as and when they fall due." FRS 112.14 to 17

2. When an entity's interest in a subsidiary is classified as held for sale in accordance with FRS 105 Non-current Assets Held for Sale and Discontinued Operations, the entity is not required to disclose the summarised financial information for that subsidiary. FRS 112.B 17

3. With effective from 1 January 2017, the Amendments to FRS 112 *Disclosure of Interests in Other Entities* clarifies the scope of FRS 112 by specifying when an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) is classified (or included in a disposal group that is classified) as held for sale in accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations*, the entity is not required to disclose summarised financial information for that subsidiary, joint venture or associate in accordance with paragraphs B10–B16. FRS 112.B17

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

7 Subsidiaries (Cont'd)

Notes: (Cont'd)

4. Entities are required to disclose the composition of the group. Such disclosures should include information about the Group's material subsidiaries (wholly-and non-wholly subsidiaries). It was illustrated in Note 7 as to how the requirements set out in FRS 112 can be met. When local laws or regulations require the list of investments in subsidiaries to be disclosed, the above disclosures should be modified to comply with the additional local requirements. FRS 112.10.a

5. In this assessment, a reporting entity would consider both quantitative considerations (i.e. the size of the subsidiary) and qualitative considerations (i.e .the nature of the subsidiary). This judgement would be made separately for each subsidiary or subgroup that has a material non-controlling interest.An entity shall decide, in the light of its circumstances, how much detail it provides to satisfy the information needs of users, how much emphasis it places on different aspects of the requirements and how it aggregates the information. It is necessary to strike a balance between burdening financial statements with excessive detail that may not assist users of financial statements and obscuring information as a result of too much aggregation. FRS 112.B2

FRS 112.12.b
FRS 27R.17.b ii

6. An entity shall disclose the country of incorporation if different from the principal place of business of the subsidiary.

FRS 112.12.d
FRS 27R.17.b.iii

7. An entity shall disclose the proportionate of voting rights if different from the proportion of ownership interest held.

FRS 112.13

8. An entity shall disclose:
   (a) significant restrictions (e.g. statutory, contractual and regulatory restrictions) on its ability to access or use the assets and settle the liabilities of the group, such as:
      i. those that restrict the ability of a parent or its subsidiaries to transfer cash or other assets to (or from) other entities within the group.
      ii. guarantee or other requirements that may restrict dividends and other capital distributions being paid, or loans and advances being made or repaid, to (or from) other entities within the group.
   (b) the nature and extent to which protective rights of non-controlling interest can significantly restrict the entity's ability to access or use the assets and settle the liabilities of the group (such as when a parent is obliged to settle liabilities of a subsidiary before settling its own liabilities, or approval of non-controlling interests is required either to access the assets or to settle the liabilities of a subsidiary).
   (c) the carrying amounts in the consolidated financial statements of the assets and liabilities to which those restrictions apply.

9. There is no statutory requirement for Singapore holding companies to align the financial year ends of their subsidiaries with that of the holding company. FRS 112.B11

   However, Singapore holding companies are required by the Singapore Financial Reporting Standards as issued by the Accounting Standards Council, as may be applicable to ensure that the financial statements of the company and of the subsidiaries used in the preparation of the consolidated financial statements are made up to the same reporting date as the consolidated financial statements. Singapore Financial Reporting Standards allowed the holding company's financial year end to be three months different from its subsidiaries.

FRS 110.B93

10. The summarised financial position presented shall be the amounts before the inter-company eliminations.

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

8 Associates

	The Company		The Group	
	2017	2016	**2017**	2016
	$	$	**$**	$
Unquoted equity investments, at cost	**41,716,168**	41,716,168	**47,038,000**	47,038,000
Share of post-acquisition profits and reserves	**-**	-	**3,136,410**	1,926,830
Exchange differences on consolidation	**-**	-	**(3,327,487)**	(3,223,714)
	41,716,168	41,716,168	**46,846,923**	45,741,116
Amounts owing by associates				

FRS 32.60.b

Investment in associates includes goodwill of $3,000,000 (2016: $3,000,000)

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Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

8 Associates (Cont'd)

Details of each of the Group's material associates at the end of the reporting period are as follows:-

Name	Principal acitivities	Country of incorporation/ principal place of business	Proportion of ownership interest and voting by the Group	
			2017	2016
Large Sdn Bhd [(1)]	Property developer	Malaysia	**30%**	30%
Small (Singapore) Pte Ltd [(2)]	Engineering	Singapore	**25%**	25%
Tiny Investment Ltd [(3)]	Investment holding	Hong Kong	**20%**	20%
Minute Investment Pte Ltd [(4)]	Property developer	Singapore	**50%**	50%

[(1)cc] audited by member firm of FKT International Limited
[(2)cc] audited by Albert Koh & Partners
[(3)] audited by Chan Fok Chan & Partners
[(4)] audited by Foo Kon Tan LLP

Shares in associates are held directly except for Minute Investment Pte Ltd which is held by a wholly-owned subsidiary, Quatro Investment Pte Ltd.

The amounts owing by associates on long-term loan account are unsecured, bear interest at average rate of 5.4% (2016: 4.5%) and are repayable in full in three years.

The carrying value of these loans approximate their fair value at they bear interest at variable rates which approximate the borrowing rates for similar types of borrowing arrangements.

All of these associates are accounted for using the equity method in these consolidated financial statements. FRS 112.21

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Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

8 Associates (Cont'd)

Summarised financial information in respect of each of the Group's material associates is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with FRSs (adjusted by the Group for equity accounting purposes) FRS 112.B14 FRS 112.21.b.i

Minute Investment Pte Ltd FRS 112.21.b.ii FRS 112.B12 FRS112.B14

Summarised balance sheet

	Year ended	
	31/12/2017	31/12/2016
	$	$
Current assets	**250,000**	580,000
Non-current assets	**250,000**	120,000
Current liabilities	**(545,000)**	(43,000)

Notes:

1. Disclosure of name of public accounting firms for Singapore associate and significant foreign-incorporated associate is required by SGX. SGX 717
If the Group holds less than 20% of the equity shares in entity, the following should be disclosed:

"Although the Group holds less than 20% of the equity shares of Super Pte Ltd, and it has less than 20% of the voting power shareholder meetings, the Group exercises significant influence by virtue of its contractual right to appoint two directors to the board of directors of that company."

2. The financial statements of an associate used in applying the equity method are prepared as of a date different from that used by the entity, adjustments shall be made for the effects of significant transactions or events that occur between that date and the date of the entity's financial statements. In any case, the difference between the end of the reporting period of the associate and that of the entity shall be no more than three months. The length of the reporting periods and any difference between the ends of the reporting periods shall be the same from period to period. If the associate has a different year end as the Group, the following should be disclosed: FRS 28.34

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

8 Associates (Cont'd)

Minute Investment Pte Ltd

Summarised Statement of Comprehensive Income

	Year ended 31/12/2017	Year ended 31/12/2016
	$	$
Revenue	**481,000**	454,000
Profit from continuing operations	**25,800**	21,500
Post-tax profit/(loss) from discontinued operations	**-**	-
Profit for the year	**25,800**	21,500
Other comprehensive income for the year	**-**	-
Total comprehensive income for the year	**25,800**	21,500
Dividends received from the associate during the yea	**5,000**	4,000

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements: FRS 112.B14.b

	Year ended 31/12/2017	Year ended 31/12/2016
	$	$
Net assets of the associate	**47,500**	39,250
Proportion of the Group's ownership interest in the assc	**23,750**	19,625
Goodwill	**-**	-
Other adjustments (please specify)	**-**	-
Carrying amount of the Group's interest in the associate	**23,750**	19,625

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Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

8 Associates (Cont'd)

Aggregate information of associates that are not individually material FRS 112.B16

Unrecognised share of losses of an associate FRS 112.22.c

	Year ended	
	31/12/2017	31/12/2016
The unrecognised share of losses of an associate for the year	**25,144**	17,111

	Year ended	
	31/12/2017	31/12/2016
	$	$
Cumulative share of loss of an associate	**113,123**	97,134

Notes:

1. **Significant restrictions**
In instances where there are any significant restrictions, the following is the illustrative disclosure: FRS 112.22.a

"If the associates are incorporated in countries where there are any significant restrictions such as China. As a result of remittance controls in China, there are specific restrictions on the amount and timing of cash dividends that Second Ltd is able to remit out of China to the Group. Second Ltd is able to remit up to $265,000 of cash dividends per annum out of China to the Group, subject to approval by China authorities."

2. For interests in associates, an entity shall disclose information that enables users of its financial statements to evaluate: FRS 112.20

   (a) The nature, extent and financials effects of its interests in associates
   (b) The nature of, and changes in, the risks associated with its interests in associates.

3. If the associate is accounted for using the equity method, the entity shall disclose the fair value of its investment in the associate, if there is a quoted market price for the investment. FRS 112.21.b

4. An entity shall disclose the proportion of voting rights held by each associate if different from the proportion of ownership interests held. FRS 112.21.a

5. An entity shall disclose the principal place of business if different from the country of incorporation of the associates. FRS 112.21.a.iii

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

8 Associates (Cont'd)

Notes: (Cont'd)

6. In this illustration, the Group has only one investment in associate which is material and does not have any immaterial associate that is classified as discontinued operation. FRS 112.21.c

   The following disclosures are required, in aggregate for all individually immaterial associates: FRS 112.B16

   - the carrying amount of its interests
   - its share of the associates'

     (a) profit or loss from continuing operations
     (b) post-tax profit or loss from discontinued operations
     (c) other comprehensive income
     (d) total comprehensive income

   These disclosures above shall be disclosed separately for the associates.

7. If the Group has stopped recognising its share of losses of its associates when applying the equity method, it shall disclose the unrecognised share of losses of the associates, both for the reporting period and cumulatively. FRS 112.22.c

   An entity may present the summarised financial information on the basis of the associate's financial statements if: FRS 112.B15

   (a) The entity measures its interest in the associates at fair value; and
   (b) The associate does not prepare FRS financial statements and preparation on that basis would be impracticable or cause undue cost.

   In that case, the entity shall disclose the basis on which the summarised financial information has been prepared.

8. When an entity's interest in an associate (or a portion of its interest in an associate) is classified as held for sale in accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations*, the entity is not required to disclose the summarised financial information for that associate. FRS 112.B 17

9. In accordance with FRS 37 *Provisions, Contingent Liabilities and Contingent Assets*, unless the probability of loss is remote, contingent liabilities incurred relating to its interests in associates (including its share of contingent liabilities incurred significant influence over associates). FRS 112.23.b

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Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

9 Other Investments

The amounts recognised in the statement of financial positions comprise the following categories of financial assets and related investment types:

	Note	2017 $	2016 $	
The Company and The Group				
Non-current investments				
Available-for-sale investments	9.1			FRS 107.8.d
- Quoted equity securities		**62,000**	109,200	
- Unquoted equity investments		**80,000**	80,000	
Held-to-maturity investments	9.2			
- Quoted debt instruments		**210,000**	100,000	
- Unquoted debt instruments		**600,000**	-	
Long-term investments		**952,000**	289,200	FRS 107.8.b
Current investments				FRS 107.8.a
Available-for-sale investments	9.1			FRS 107.8.d
- Quoted equity securities		**323,000**	264,000	
- Unquoted convertible bonds		**296,100**	-	
Financial assets at fair value through profit or loss	9.3			FRS 32.22
- Quoted equity investments		**197,500**	108,000	
Short-term investments		**816,600**	372,000	

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Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

9 Other Investments (Cont'd)

9.1 Available-for-sales financial assets

The details and carrying amounts of available-for-sales financial assets are as follows:

	2017	2016
	$	$
The Company and The Group		
Available-for-sale financial assets measured at fair value		
- Quoted equity securities	**385,000**	373,200
- Unquoted convertible bonds	**296,100**	-
Total available-for-sale financial assets measured at fair val	**681,100**	373,200
Unquoted equity investments (measured at cost)	**80,000**	80,000
	761,100	453,200

Unquoted convertible bonds

Management intends to dispose of the investments within 12 months of the end of reporting period. FRS 107.27.b

The convertible bond is exposed to a cash flow interest rate risk due to its floating interest rate. The current effective interest rate is 5.4% and the next contractual repricing date is scheduled for 30 June 2017. Interest payments are due every six months. The convertible bond matures on 30 June 2017. FRS 107.34.a

Conversion or repayments of the bond is at the Company's discretion. Conversion ratios are yet to be determined by the issuer of the convertible bond. Upon repayment, the management scheduled to receive the nominal value of the convertible bond, amounting to $350,000. FRS 107.31

Unquoted equity investments (measured at cost)

Unquoted equity investments comprise 5% equity interest in an unquoted company in Singapore. This company is incorporated in April 2012 to specialise in stem cell biotechnology. It does not have a history of profits and cash flows and is not similar in size and activity to any quoted entities. There is also no active market for the equity interest as the purchase agreement stipulated the requirement to sell all interests to the main shareholder, when the need arises. As such, it is not practicable to determine with sufficient reliability the fair value of the unquoted equity shares. However, the directors, do not anticipate that the carrying amount of the unquoted equity investments will be significantly in excess of its fair value FRS 107.7

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

9 Other Investments (Cont'd)

9.2 Held-to-maturity investments

Quoted debt instruments which have a maturity value of $300,000 represent zero coupon bonds, with an effective interest rate of 6.88% per annum and mature on 31 December 2017. No interest payment will be received on the bonds until the date of maturity. FRS 107.8.b

Unquoted debt instruments representing straight bonds have fixed interest rate of 6.20% per annum and mature on 31 December 2020. The Company receives related interest payments at the last banking day of the calendar years. Management does not identify any potentially significant financial risk exposure. FRS 107.7 FRS 107.31, 34.c

The maturity period of the debt instruments are as follows: FRS 107.7

The carrying amounts and fair values of the debt investments at the end of reporting period are as follows:

	2017		2016	
	$	$	**$**	$
	Carrying amounts	Fair values	**Carrying amounts**	Fair values
The Company and The Group				
Quoted debt instruments	**210,000**	100,000	**210,000**	100,000
Unquoted debt instruments	**600,000**	-	**600,000**	-
	810,000	100,000	**810,000**	100,000

The fair value of quoted debt instrument is determined by reference to the quoted bid price on the stock exchange and is not materially different from its carrying value and is categorised within Level 1 of the fair value hierarchy.

As the unquoted debt instruments are not publicly traded, the fair values presented are determined by calculating present values of the cash flows anticipated until maturity of these financial assets. The underlying interest rate was determined by reference to an active market interest rate for an equivalent debt instrument as at the end of reporting period, as follows:

	The Group	
	2017	2016
Unquoted debt instruments	**6.0%**	0%

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

9 Other Investments (Cont'd)

9.2 Held-to-maturity investments (Cont'd)

Notes:

1. Alternatively, if the unquoted debt instruments do not have quoted market price, the following disclosures should be applicable:

   "There is no quoted market price for unquoted debt instruments, and accordingly a reasonable estimate of its fair value could not be made without incurring excessive costs. However, the Company does not anticipate that the carrying amounts recorded at the end of reporting period would be significantly different from the value that would eventually be received or settled."

2. Information such as in which countries the equity securities are listed, and the interest rates and maturity dates of the debt securities shall be disclosed if the information is material to enable the users to evaluate the nature and extent of risks from these financial assets. FRS 107.31

9.3 Financial assets at fair value through profit or loss

The fair value of quoted equity investments is determined by reference to stock exchange quoted bid prices. Financial assets at fair value through profit or loss are as follows:

	2017	2016
	$	$
	At fair value	At fair value
The Company and The Group		
Designated as held for trading		
Quoted equity investments - SGX Singapore	**197,500**	108,000

FRS 107.8.a

Notes:

Financial assets at fair value through profit or loss could be classified as either short-term or long-term investment.

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

10 Deferred taxation

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

	The Company		Group		
	2017	2016	**2017**	2016	
	$	$	**$**	$	
Deferred tax assets					
- To be recovered within one ye	**-**	-	**-**	-	FRS 1.61,66
- To be recovered after one year	**-**	-	**(300,000)**	(450,000)	FRS 1.61,66
	-	-	**(300,000)**	(450,000)	
Deferred tax liabilities					
- To be settled within one year	**-**	-	**-**	-	FRS 1.61,66
- To be settled after one year	**1,175,000**	805,000	**1,645,583**	1,262,518	FRS 1.61,66
	1,175,000	805,000	**1,645,583**	1,262,518	

Notes:

FRS 1.61, 69

Deferred tax assets/liabilities are classified as recoverable within one year when it expects to utilize / settle the assets/liabilities within twelve months after the reporting date.
For example: reversal of differences between the capital allowance and depreciation during the next one year, unrealised exchange difference, etc.

		The Company		Group		
		2017	2016	**2017**	2016	
	Note	**$**	$	**$**	$	
Deferred tax assets						
Balance at beginning		**-**	-	**450,000**	200,000	FRS 12.80.d
Transfer from profit or loss	28	**-**	-	**(150,000)**	250,000	FRS 12.80.c
Balance at end		**-**	-	**300,000**	450,000	
The balance comprises tax on excess of tax written down value of qualifying property, plant and equipment over net book value		**-**	-	**300,000**	450,000	FRS 12.82 FRS 12.81.g
Deferred tax liabilities						
Balance at beginning		**805,000**	360,000	**1,262,518**	642,431	
Transfer from profit or loss	28	**370,000**	445,000	**381,563**	620,000	
Charged to equity		**-**	-	**2,100**	-	
Exchange difference on translatic		**-**	-	**(598)**	87	
Balance at end		**1,175,000**	**805,000**	**1,645,583**	**1,262,518**	

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

10 Deferred taxation (Cont'd)

The balance comprises tax on the following temporary differences:

	Note	Excess of net book value over tax wrtten down value of qualifying property, plant and equipment $	Fair value gains $	Provisions $	Total $	FRS 12.81.g,i
The Company						
At 1 January 2017		805,000	-	-	805,000	
Charged to profit or loss	28	370,000	-	-	370,000	
At 31 December 2017		**1,175,000**	**-**	**-**	**1,175,000**	
The Group						
At 1 January 2017		1,262,518	-	(450,000)	812,518	
Charged to:						
- profit or loss	28	381,563	-	150,000	531,563	
- equity		-	2,100	-	2,100	
Exchange difference on translation		(598)	-	-	(598)	
At 31 December 2017		**1,643,483**	**2,100**	**(300,000)**	**1,345,583**	

	Note	Excess of net book value over tax wrtten down value of qualifying property, plant and equipment $	Fair value gains **$**	Provisions **$**	Total $	FRS 12.81.a
The Company						
At 1 January 2016		360,000	-	-	360,000	
Charged to profit or loss	28	445,000	-	-	445,000	
At 31 December 2016		805,000	-	-	805,000	
The Group						
At 1 January 2016		842,431	-	(200,000)	642,431	
Charged to profit or loss	28	620,000	-	(250,000)	370,000	
Exchange difference on translation		(199,913)	-	-	(199,913)	
At 31 December 2016		**1,262,518**	**-**	**(450,000)**	**812,518**	

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

10 Deferred taxation (Cont'd)

	The Company		The Group	
	2017	2016	**2017**	2016
	$	$	**$**	$
Fair value reserve	**-**	-	**2,100**	-

Unrecognised deferred tax assets
Deferred tax assets have not been recognised in respect of the following items:

	The Group	
	2017	2016
	$	$
Deductible temporary differences	**50,000**	50,000
Tax losses	**100,000**	50,000
	150,000	**100,000**

The deferred income tax debited against to equity is as follows: FRS 12.81.a

The tax losses are subject to agreement by the tax authorities and compliance with tax regulations in the respective countries in which certain subsidiaries operate. The deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits. FRS 12.81.e FRS 12.81.f

Unrecognised taxable temporary differences associated with investments in subsidiary and associates

Deferred income tax liabilities of S$1,435,200 (2016: $1,145,000) have not been recognised for withholding and other taxes that will be payable on the earnings of an overseas subsidiary and associates when remitted to the holding company. These unremitted earnings are permanently reinvested for amount of $223,600 (2016: $324,000) at the balance sheet date.

Tax consequences of proposed dividends

There are no income tax consequences (2016: $NIL) attached to the dividends to the shareholders proposed by the Company but are not recognised as a liability in the financial statements (Note 30).

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

10 Deferred taxation (Cont'd)

Notes:

1. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority. FRS 12.74

2. Unrecognised taxable temporary differences will also apply to investments in joint arrangements and branches. FRS 12.81.f

3. In the situations where the entity is an investment holding company, the following illustrative disclosure should be considered:

   "The losses incurred by the Company, which is an investment holding company, are not available to offset against future taxable profits under relevant sections of the Income Tax Act."

   For dormant companies, the illustrative disclosure is as follows:

   "As the Company is dormant, the losses incurred by the Company cannot be carried forward to offset against future profits."

4. Non depreciable Property, plant and equipment

   If a non-depreciable property, plant and equipment (i.e. freehold land) is measured using the revaluation model in FRS 16 Property Plant and Equipment, the measurement of the deferred tax liability or deferred tax asset shall reflect the tax consequences of recovering the carrying amount of the non-depreciable property plant and equipment through sale, regardless of the basis of measuring the carrying amount of the asset. The deferred tax asset on the revaluation gain or loss is measured at each jurisdiction's applicable tax rate pertaining to gain or loss on sale of non –depreciable property, plant and equipment. FRS 12.51D

5. Investment properties measured using fair value

   If the investment properties measured using fair value, there is a rebuttable presumption that the entity will recover the carrying amount of the investment property entirely through sale. If that presumption is not rebutted, the deferred tax on the fair value gain or loss is measured at each jurisdiction's applicable tax rate pertaining to gain or loss of investment property. FRS 12.51C

   FRS 12.51B

   This presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax is measured using the rate and the tax base that are consistent with the expected manner of recovering or settlement.

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

11 Development properties

	2017	2016
	$	$
The Company and The Group		
Land and other related cost	**32,164,700**	13,300,000
Development cost	**7,200,591**	-
Attributable profits	**400,000**	-
	39,765,291	13,300,000
Less: Progress billings	**(800,000)**	(500,000)
	38,965,291	12,800,000

FRS 2.36.b

Interest of $217,053 (2016: $ Nil) was capitalised during the financial year at an average rate of 3.75% per annum (2016: $ Nil) based on actual borrowing costs.

FRS 23.26.b

These comprise freehold properties totaling 4,500 sq metres at Lot 117 in Section 49, Yishun, Singapore. The Group is constructing residential apartments with a gross floor area of 10,020 sq metres. As at 31 December 2017, the construction is approximately 25% completed and the expected completion date is 30 March 2017. The Company and the Group have sole interest in the properties.

Alternatively, disclose as follows:

Details of development properties are as follows:

Location	***Description of development***	***Tenure/Group's Interest in property***	***Site area***	***Estimated gross Floor area***	***Stage of Completion/ Expected date Of completion***
Lot 117 in Section 49, Yishun, Singapore	*Freehold properties*	*100%*	*4,500 s q metres*	*10,020 sq metres*	*25%*

Notes:

1. Disclosed if company is SGX listed and investment properties, development properties and developed properties for sale are >15% of group NTA or contribute >15% of group operating profit before tax. The disclosures required are description and location, stage of completion at date of financial statements, expected completion date, existing use, site and gross floor area and percentage of interest in the property.

SGX 1207.11

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

11 Development properties (Cont'd)

Notes: (Cont'd)

2. The following sensitivity analysis should be disclosed on the estimation of net realisable value for development property.

	2017 $	2016 $
The Company and The Group		
Statement of financial positions		
Increase/(decrease) in retained profits:		
At beginning of year	(XXX)	XXX
Net profit	XXX	XXX
At end of year	**XXX**	**(XXX)**
Increase/(decrease) in development properties:		
At beginning of year	(XXX)	XXX
At end of year	**XXX**	**(XXX)**
Increase/(decrease) in income tax liabilities:		
At beginning of year	(XXX)	XXX
At end of year	**(XXX)**	**(XXX)**

3. Development properties are often been classified as current assets. In this illustration, for projects that are expected to be completed after a year, the Group has disclosed the amount expected to be recovered or settled after more than twelve months for each asset and liability line item that combines amounts expected to be recovered or settled: FRS 1.61

   (a) no more than twelve months after the reporting period, and
   (b) more than twelve months after the reporting period.

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

12 Construction work-in-progress

	Note	**2017** **$**	2016 $	
The Company and The Group				
Construction costs		**6,106,071**	5,348,857	
Attributable profit		**2,408,547**	2,307,206	FRS 11.42.a
		8,514,618	7,656,063	FRS 11.42.a
Progress billings		**(4,201,551)**	(4,011,663)	FRS 11.42.b
		4,313,067	3,644,400	
Presented as:				
Due from customers on construction contracts		**4,313,067**	3,644,400	FRS 11.42.a
Due to customers on construction contracts		**-**	-	FRS 11.42.b
		4,313,067	3,644,400	
(i) Contract revenue recognised during the year		**189,888**	198,776	FRS 11.40.a
(ii) Advances received on construction contrac	22	**2,012,141**	1,429,684	FRS 11.40.b
(iii) Retentions on construction contracts	14	**1,283,798**	3,664,359	FRS 11.40.c
(iv) Included in work-in-progress are the following:				FRS 23.26.b
Interest expense - bank loan [capitalised at 4% per annum]		**142,021**	100,409	
Director's remuneration		**-**	60,000	
Depreciation of property, plant and equipme	5	**716,718**	317,047	

Notes:

1. The determination of amounts due to and from customers on construction contracts shall be made on a contract-by-contract basis. These balances shall not be set off against each other. These balances are monetary items in nature and will need to be translated at closing rates at the end of reporting period if they are denominated in foreign currencies. FRS 11.42 FRS 21.23.a

2. In the case of amount due to customers, it does not meet the definition of financial liabilities under FRS 32 *Financial Instruments: Presentation*, which is defined as a contractual obligation to deliver cash or another finance asset to another entity. FRS 32.5

3. In the case of amount due from customers, this represents the excess of revenue recognised over progressive billing, hence it would meet the definition of a financial asset as if the construction service has been provided to the customer and contractual right to receive another financial asset exists at the financial reporting date.

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

13 Inventories

	The Company		The Group	
	2017	2016	**2017**	2016
	$	$	**$**	$
Raw materials	**106,071**	348,857	**130,969**	367,425
Work-in-progress	**798,449**	988,337	**812,869**	592,311
Finished goods	**2,384,287**	1,931,605	**2,344,920**	2,373,678
	3,288,807	3,268,799	**3,288,758**	3,333,414
Cost of inventories included in cost of sales	**100,115,642**	71,011,593	**114,749,334**	76,111,424

In 2017, **$22,000** of a write-down of inventories was reversed to the profit or loss due to the recovery of selling price of finished goods. FRS 2.36.f, g

Inventories of **$50,000** (2016: $20,000) of the Group and **$4,500** (2016: $1,500) of the Company have been pledged as security for bank overdrafts of the Group and the Company (Note 20). FRS 2.36.h

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Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

14 Trade and other receivables

FRS 1.77, 78.b
FRS 107.8.c

	The Company 2017 $	The Company 2016 $	The Group 2017 $	The Group 2016 $	
Trade receivables					
- Ultimate holding company	**308,086**	1,137,507	**304,333**	1,136,703	FRS 24.17, 18
- Subsidiaries	**692,336**	-	**-**	-	FRS 1.54.h
Others	**22,657,449**	31,480,464	**22,232,677**	33,148,413	
	23,657,871	32,617,971	**22,537,010**	34,285,116	
Allowance for impairment of trade receivables					FRS 107.37.b
Balance at beginning	**(54,361)**	-	**(54,361)**	-	FRS 107.16
Allowance for the year (Note 27)	**-**	(54,361)	**-**	(54,361)	
Balance at end	**(54,361)**	(54,361)	**(54,361)**	(54,361)	
Net trade receivables (i)	**23,603,510**	32,563,610	**22,482,649**	34,230,755	
Other receivables					
Loan to ultimate holding company	**10,000,000**	10,000,000	**10,000,000**	10,000,000	
Staff loans	**96,416**	127,491	**97,467**	127,491	FRS 24.17.a
Deposits	**302,607**	300,762	**360,952**	361,237	
Prepayments	**-**	-	**141,420**	64,458	FRS 107.37.b
Retention monies for work-in-progress (Note 12)	**1,283,798**	3,664,359	**1,283,798**	3,664,359	
Indemnification asset (Note 7)	**-**	-	**100,000**	-	
	11,682,821	14,092,612	**11,983,637**	14,217,545	FRS 107.16
Allowance for impairment of other receivables					
Balance at beginning	**(353,465)**	-	**(353,465)**	-	
Allowance for the year (Note 27)	**-**	(353,465)	**-**	(353,465)	
Allowance utilised	**58,419**	-	**58,419**	-	
Balance at end	**(295,046)**	(353,465)	**(295,046)**	(353,465)	
Net trade receivables (ii)	**11,387,775**	13,739,147	**11,688,591**	13,864,080	
Total (i) + (ii)	**34,991,285**	46,302,757	**34,171,240**	48,094,835	

The immediate and ultimate holding company is FKT Plc, incorporated in England, United Kingdom. The loans are unsecured, interest-free and repayable on demand. CA 201.10

Outstanding balances with subsidiaries and ultimate holding company are unsecured. There is no allowance for doubtful debts arising from the outstanding balances. FRS 24.17.b, c

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

14 Trade and other receivables (Cont'd)

Notes:

1. Other receivables should be broken down in its various categories as far as possible. The same applies to other payables.

2. When financial assets are impaired by credit losses and the entity records the impairment in a separate allowance account rather than directly reducing the carrying amount of the asset, it shall disclose a reconciliation of changes in that account during the period of each class of financial assets. FRS 107.16

   Inter-company loans that meet the definition of financial instruments are within the scope of FRS 39. Where loans are not on normal commercial terms, for examples at no or low interest rates, the required accounting depending on the terms, conditions and circumstances of the loan. It is therefore necessary to ascertain the terms and conditions:-
   - loan repayable on demand should be recognised initially at the loan amount by both parties. Discounting is not material;
   - loan forming part of the net investment in subsidiaries can be considered outside the scope of FRS 39;
   - repayable within a fixed term, this would fall under the scope of FRS 39 and fair value accordingly;
   - loan with no stated date for repayment, this could be capital contribution or in substance a repayable on demand;
   - loan between the fellow subsidiaries, would be under the scope of FRS 39.

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Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

14 Trade and other receivables (Cont'd)

(a) Summary quantitative data about its exposures to credit risk for trade receivables provided to key management personnel

FRS 107.34.a

The credit risk for trade receivables based on the information provided to key management is as follows:

	The Company		The Group	
	2017	2016	**2017**	2016
	$	$	**$**	$
By geographical areas				
Singapore	**23,016,707**	33,203,783	**23,143,317**	33,962,533
The People's Republic of China	**7,004,056**	7,535,011	**5,300,734**	8,007,424
Malaysia	**3,578,890**	3,454,784	**3,873,922**	3,945,853
Other countries	**1,391,632**	2,109,179	**1,711,847**	2,114,567
	34,991,285	46,302,757	**34,029,820**	48,030,377

(b) **Financial assets that are neither past due not impaired**

FRS 107.36.c

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

The Company's and the Group's financial assets neither past due nor impaired include trade and other receivables amounting to **$23,219,125** (2016: $32,881,005) and **$33,689,151** (2016: $26,246,214) respectively.

(c) **Financial assets that are past due but not impaired**

FRS 107.37.a

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

	2017	2016	**2017**	2016
	$	$	**$**	$
Past due 3 to 6 months	**6,034,566**	10,170,458	**6,347,824**	7,824,300
Past due over 6 months	**3,691,568**	9,886,085	**4,462,871**	7,325,072
	9,726,134	20,056,543	**10,810,695**	15,149,372

Based on historical default rates, the Group believes that no impairment allowance is necessary in respect of trade receivables not past due or past due up to 3 months. These receivables are mainly arising by customers that have a good credit record with the Group.

FRS 107.36.c

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

14 Trade and other receivables (Cont'd)

(d) The carrying amount of trade and other receivables individually determined to be impaired are as follows:

	2017	2016
	$	$
The Company and The Group		
Trade receivables		
Gross amount	**54,361**	54,361
Provision for impairment losses	**(54,361)**	(54,361)
	-	-
Other receivables		
Gross amount	**295,046**	**353,465**
Provision for impairment losses	**(295,046)**	**(353,465)**
	-	**-**

The impaired trade receivables arise mainly from a previous tenant which was placed under creditors' voluntary liquidation on 10 February 2017.

The impaired other receivables relate to retention monies for work-in-progress which are in dispute with the customer.

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Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

15 Cash and cash equivalents

	The Company		The Group	
	2017	2016	**2017**	2016
	$	$	**$**	$
Fixed deposits	**8,503,348**	34,329,847	**9,181,548**	34,350,847
Cash	**21,505**	5,693	**7,637**	2,229
Bank balances	**400,000**	640,000	**960,000**	940,000
	8,924,853	34,975,540	**10,149,185**	35,293,076

For the purposes of the consolidated cash flow statement, the year-end cash and cash equivalents comprise the following:

FRS 7.45

	Note	The Group	
		2017	2016
		$	$
Fixed deposits		**9,181,548**	34,350,847
Cash and bank balances		**967,637**	942,229
Less: Bank overdraft (unsecure	20.4	**(1,273,222)**	(1,082,888)
		8,875,963	34,210,188

FRS 7.8

Bank balances amounting to $350,000 (2016: $560,200) and fixed deposits amounting to $4,800,500 (2016: $25,800,000) for the Company are in project accounts. As required by the Ministry of National Development, the project accounts are maintained with financial institutions for a housing development project undertaken by the Company. The operation of project accounts is restricted to the specific project and governed by rules and regulations stipulated by the Ministry.

The fixed deposits have an average maturity of 2 months (2016: 3 months) from the end of the financial year with the following weighted average effective interest rates:

	The Company		The Group	
	2017	2016	**2017**	2016
	$	$	**$**	$
Singapore dollar	**2.5%**	2.0%	**2.5%**	2.0%
United States dollar	**5.0%**	4.5%	**5.0%**	4.5%
Others	**2.5%**	0.0%	**2.5%**	0.0%

FRS 107.B8.b

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

15 Cash and cash equivalents (Cont'd)

Notes:

1. Components of cash and bank balances should be separately disclosed. FRS 7.45

   If bank overdrafts are secured, this should be indicated together with details of the terms of securities and assets pledged. FRS 107.14

2. If the tenure of fixed deposits are more than 3 months, for an investment to qualify as a cash equivalent it must be readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value. FRS 7.7

3. If fixed deposits are pledged to secure borrowings, guarantees, they should not form part of cash and cash equivalents. FRS 7.48

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Notes to the financial statements

for the financial year ended 31 December 2017 (Cont'd)

16 Discontinued operations

On 21 November 2017, the Group publicly announced the decision of its Board of Directors to discontinue the hotel and restaurant operations and dispose of the business by selling assets and settling its liabilities piecemeal. The disposal is consistent with the Group's long-term strategy to concentrate on its profit making business by focusing on its core operations and disposing of the hotel and restaurant business which has been underperforming over the last few years (refer to Note 36 Operating Segments). FRS 105.41.a, b, d

In connection with the decision to discontinue the hotel and restaurant operations, the Group recorded a provision for restructuring of $2,500,000 to cover the estimated costs that will be incurred in relation to the closure of the hotel and restaurant business. It includes $755,000 for employee severance, $1,265,000 for existing leasehold and other contractual obligations and $480,000 for the write-down to estimated salvage value of assets that are available for immediate disposal. The $755,000 portion of the charge relates to employee terminations scheduled for 31 March 2017 and reflects the costs of eliminating approximately 85 positions after considering attrition and redeployment within the Group. Refer to Note 23 Provisions. FRS 105.41.c FRS 37.85.a

Details of the assets in disposal group classified as held-for-sale are as follows: FRS 105.38

	The Group 2017 $
Property, plant and equipment	**406,399**
Inventories	**249,123**
Trade and other receivables	**2,300,300**
	2,955,822

FRS 105.38

Details of the liabilities directly associated with disposal group classified as held-for-sale are as follows:

	Note	The Group 2017 $
Trade and other payables		**1,500,000**
Provision for restructuring	23	**755,000**
		2,255,000

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

16 Discontinued operations (Cont'd)

The revenues, expenses and results from the ordinary operations of the hotel and restaurant business for the year ended December are as follows:

	2017	2016	
	$	$	
The Group			
Sales revenue	**678,660**	3,107,785	
Operating costs	**(1,377,558)**	(4,455,634)	
Restructuring costs	**(2,500,000)**	-	FRS 105.33.b
Loss from operating activities	**(3,198,898)**	(1,347,849)	
Finance costs	**-**	-	
Loss before taxation from discontinued operations	**(3,198,898)**	(1,347,849)	
Taxation expense	**-**	-	FRS 12.81.h.ii
Loss after taxation from discontinued operations	**(3,198,898)**	(1,347,849)	

The net cash flow attributable to the hotel and restaurant business are as follows:

FRS 105.33

	2017	2016	
	$	$	
The Group			
Operating activities	**(456,000)**	(567,000)	
Investing activities	**398,000**	(351,400)	FRS 105.3
Financing activities	**(105,000)**	133,800	
Net cash outflows	**(163,000)**	(784,600)	

Details of assets already disposed of in relation to discontinued operations are:

FRS 105.33.b

	2017	2016	
	$	$	
Proceeds from disposal of non-cuurent assets	**2,300,000**	-	
Carrying amount of assets	**(2,020,000)**	-	
Pre-tax gain on disposal	**280,000**	-	
Income tax expense	**(68,600)**	-	
Gain on disposal after taxation	**211,400**	-	FRS 12.81.h.i

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

16 Discontinued operations (Cont'd)

Notes:

1. The disclosure requires classification as a discontinued operation at the earlier of the dates of: FRS 105.32

    (i) that the entity actually has disposed of the operation; or
    (ii) the operation meets the criteria to be classified as held for sale.

    Major classes of assets and liabilities classified as held-for-sale may be disclosed in the statement of financial position or in the note to the financial statements. FRS 105.38

2. The nature and amount of any adjustments relating to the disposal of discontinued operations in prior periods are classified and disclosed separately. FRS 105.35

3. The analysis of the single amount on the face of the inform statements, the major classes of assets and liabilities and the cash flow information is not required for a newly acquired subsidiary that is classified as held for sales on acquisition. FRS 105.33.b, c

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Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

17 Share capital

FRS1.77, 79, 106.d
FRS 1.79.a

	← No. ordinary shares →		← Amount →	
	2017	2016	**2017**	2016
	$	$	**$**	$
The Company and The Group				
Issued and fully paid, with no par value				
Balance at beginning of year	**118,000,000**	72,000,000	**70,882,005**	35,000,000
Bonus issue by way of capitalising retained profits	**-**	28,000,000	**-**	14,000,000
Issue of shares by exercise of share options at $3.60 per sha	**12,000.00**	-	**43,200.00**	-
Issue of ordinary shares	**1,988,000**	18,000,000	**1,994,000**	21,882,005
Balance at end of year	**120,000,000**	118,000,000	**72,919,205**	70,882,005

FRS 1.77, 79
FRS 1.78.e

During the financial year, the Company issued 1,988,000 (2016: 18,000,000) ordinary shares for a total consideration of $1,994,000 (2016: $21,882,005) for cash to provide funds for the expansion of the Group's operations. The newly issued shares rank pari passu in all respects with the previously issued shares. FRS 1.79.a.ii

The holders of ordinary shares (excluding treasure shares) are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares (excluding treasury shares) rank equally with regard to the Company's residual assets. FRS 1.79.a.v

Notes:

1. For other than ordinary shares, state rate of dividend and whether participating or cumulative or convertible. FRS 1.79.a.v

2. For each class of share capital also disclose:

   (i) The rights, preferences and restrictions attaching to that class, including restrictions on the distribution of dividends and the repayment of capital. FRS 1.79.a
   (ii) Shares in the enterprise held by the entity itself or by subsidiaries or associates of the entity; and
   (iii) Shares reserved for issued under options and sales contracts, including the terms and amounts.

3. If the enterprise is without share capital (e.g. a partnership), disclose information equivalent to that required above, showing movements during the period in each category of equity interest and the rights, preferences and restrictions attaching to each category of equity interest. FRS 1.80

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

18 Treasury shares

FRS 32.34

FRS 1.76.a

	← No. ordinary shares →		← Amount →	
	2017	2016	**2017**	2016
	$	$	**$**	$
The Company and The Group				
At beginning of year	**-**	-	**-**	-
Repurchased during the year	**1,418,000**	-	**1,418,000**	-
Balance at end of year	**1,418,000**	-	**1,418,000**	-

19 Reserves

FRS 1.79.b

	The Company		The Group	
	2017	2016	**2017**	2016
	$	$	**$**	$
Capital reserve	**5,156,250**	5,156,250	**5,156,250**	5,156,250
Exchange fluctuation reserv	**-**	-	**267,984**	(100,351)
Share option reserve	**-**	-	**65,246**	60,324
Fair value reserve	**253,104**	(101,251)	**112,200**	53,200
Other reserve	**3,984,400**	3,984,400	**3,984,400**	3,984,400
Retained profits	**22,333,453**	26,047,090	**25,264,248**	29158383
	31,727,207	35,086,489	**34,850,328**	38,312,206
Represented by:				
Distributable	**22,333,453**	26,047,090	**25,265,148**	29,159,283
Non-distributable	**9,393,754**	9,039,399	**9,585,180**	9,152,923
	31,727,207	35,086,489	**34,850,328**	38,312,206

FRS 1.106.d

Capital reserve arises from the issuance of 5.5% secured bonds 2018 and the reserve represents the value scribed to the attached warrants.

Exchange fluctuation reserve arises from the translation of the financial statements of foreign entities whose functional currencies are different from the functional currency of the Company.

Share option reserve represents the equity-settled share options granted to employees (Note 33). The reserve is made up of the cumulative value of services received from employees recorded on grant of equity-settled share options.

FRS 1.79b

Fair value reserve arises from surplus on revaluation of available-for-sales investments held as at the end of reporting period.

Other reserve is compensation received on expropriation of an associate.

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

20 Borrowings

FRS 1.74

	The Company		The Group		
	2017	2016	**2017**	2016	
	$	$	**$**	$	
Non-current					
Obligations under finance leases (Note 20.1)	**-**	-	**12,259**	106,983	
Bank loans (Note 20.2)	**-**	-	**361,111**	708,333	FRS 1.62, 64
5.5% secured bonds 2018 (Note 20.3)	**23,096,250**	22,453,750	**23,096,250**	22,453,750	
	23,096,250	22,453,750	**23,469,620**	23,269,066	
Current					
Obligations under finance leases (Note 20.1)	**-**	-	**94,723**	95,520	
Bank loans (Note 20.2)	**-**	-	**12,063,333**	11,721,667	FRS 1.64
Other bank borrowings (Note 20.4)	**1,273,222**	1,082,888	**2,599,451**	2,649,036	FRS 1.61
	1,273,222	1,082,888	**14,757,507**	14,466,223	

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Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

20 Borrowings (Cont'd)

20.1 Obligations under finance leases

	The Group		
	2017	2016	
	$	$	
Minimum lease payments payable:			
Due not later than one year	**107,740**	108,648	
Due later than one year and not later than five years	**13,954**	121,694	FRS 17.21.b.i FRS 17.31.b.ii FRS 17.31.b.iii
Due later than five years	**-**	-	
	121,694	230,342	
Less: Finance charges allocated to future periods	**(14,712)**	(27,839)	
Present value of minimum lea payments	**106,982**	202,503	
Present value of minimum lease payments:			
Due not later than one year	**94,723**	95,520	
Due later than one year and not later than five years	**12,259**	106,983	
Due later than five years	**-**	-	
	106,982	202,503	FRS 17.31a

The Group leases hotel equipment and motor vehicles from non-related parties under finance leases. The lease agreements do not have renewal clauses but provide the Group with options to purchase the leased assets at nominal values at the end of the lease term. The finance lease obligations are secured by the underlying assets (Note 5(a)). FRS 17.47.f

Notes:

If applicable:

1. Disclose contingent rents recognised as an expenses for the period. FRS 17.31.c

   Disclose the total of future minimum sublease payments expected to be received under non-cancellable subleases at the end of reporting period. FRS 17.31.d

2. Disclosure should be made of the lease's material leasing arrangements including, but not limited to, the following: FRS 17.31.c

   (a) the basis on which contingent rent payments are determined;
   (b) the existence and terms of renewal or purchase options and escalation clauses; and
   (c) restrictions imposed by lease arrangements such as those concerning dividends, additional debt, and further leasing.

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

20 Borrowings (Cont'd)

FRS 1.64

20.2 Bank loans

FRS 1.60

	The Group	
	2017	2016
	$	$
Loans	**12,424,444**	12,430,000
Amount repayable within one year	**(12,063,333)**	(11,721,667)
Amount repayable after one year	**361,111**	708,333

The loans were extended for another 12 months and are repayable in 13 equal monthly instalments of $1,105,800 commencing 15 January 2017.

FRS 107.14

The loans are secured by:

(a) a mortgage of the investment properties of a subsidiary (Note 9(b));

(b) fixed and floating charges on all assets of the subsidiary; and

(c) joint and several guarantee of the Company and two directors of the subsidiary.

The amount repayable within one year is included under current liabilities whilst the amount repayable after one year is included under non-current liabilities.

Interest is repriced every 3 months. After taking into account the interest rate swaps, the outstanding bank loans of the Group exposed to interest rate were as follows:

FRS 107.31

	The Group		
	2017	2016	
	$	$	
At fixed rates	**6,076,101**	6,089,678	
At floating rates	**6,018,485**	6,014,328	
	12,094,586	12,104,006	FRS 107.25
Fair value of non-current bank loans	**12,018,485**	12,014,328	FRS 113.93.d

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

20 Borrowings (Cont'd) FRS 1.64

20.2 Bank loans FRS 1.60

Notes:

1. For long-term liabilities, the following should also be disclosed, if applicable: FRS 107.14.b FRS 1.69

   - covenants
   - subordinations
   - conversion features
   - amortised discount or premium

2. Loans should be classified as a current liability when it is expected to be settled in the normal course of the enterprise's operating cycle or is due to be settled within twelve months of the end of reporting period.

3. An enterprise should continue to classify its long-term interest-bearing liabilities as non-current, even when they are due to be settled within twelve months of the end of reporting period of:-

   - the original term was for a period of more than twelve months; and
     an agreement to re-finance, or to reschedule payments on a long-term basis, is completed before the end of reporting period.

4. It is assumed that the Company and the Group has not breached any loan covenants. In instances where there are breaches of loan covenants, for loans payable recognised at the end of the reporting period, an entity shall disclose: FRS 107.18, 19

   (a) details of any defaults during the period of principal, interest, sinking fund, or redemption terms of those loans payable;
   (b) the carrying amount of the loans payable in default at the end of the reporting period; and
   (c) whether the default was remedied, or the terms of the loans payable were renegotiated, before the financial statements were authorised for issue.

   If, during the period, there were breaches of loan agreement terms other than those described above, an entity shall disclose the same information as shown above if those breaches permitted the lender to demand accelerated repayment (unless the breaches were remedied, or the terms of the loan were renegotiated, on or before the end of the reporting period).

5. In cases where the Company and the Group are not in compliance with certain loan covenants and that entity does not have unconditional right at the reporting date to defer settlement for at least 12 months after the reporting date, the lender has the right to demand full repayment prior to the scheduled maturity date. These loans are debt instruments, known as callable term loan. FRS 39.AG8 FRS 39.9

   Callable term loans should be classified as current liabilities in their entirety in the statement of financial position.

   The carrying amount of the loans should be adjusted to reflect the actual or revised estimated cash flows. The carrying amount should be recalculated by computing the present value of estimate future cash flows at the financial instrument's original effective interest rate. This adjustment is recognised as income and expense in profit or loss.

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

20 Borrowings (Cont'd) FRS 1.64

20.2 Bank loans FRS 1.60

Notes: (Cont'd)

5. (Cont'd)

There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in rare cases, when it is not possible to estimate reliably the cash flows or the expected life of a financial instrument (or group of financial instruments), the lender shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

6. Similarly, if the Company and the Group restructured its borrowings, the lender should reclassify the loans from current to non-current liabilities or vice – versa. The lender should further determine if the restructured loans are modified or extinguished. FRS 39.AG8

(a) Modification FRS 39.40

If the restructured loans are accounted as modification, the lender will not recognise any gain or loss. • A new effective interest rate is established based on carrying value of the debt and the revised cash flows.
Any new fee payable to the creditors, they shall be capitalised and amortised. For new fee payable to third party, the fee shall be recognised in the income and expenses in profit or loss.

(b) Extinguishment FRS 39.39, 40

An exchange between an existing borrower and lender of debt instruments with substantially different terms or substantial modification of the terms shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

If the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. The lender shall remove a financial liability (or a part of a financial liability) from its statement of financial position when, and only when, it is extinguished—i.e. when the obligation specified in the contract is discharged or cancelled or expired. FRS 39.AG62

A gain or loss is recogmised for the difference between the carrying value of the original loans and the fair value of the new loans. • Interest expense is reognised on the effective interest rate of the new debt. FRS 39.40

Any new fee payable to the creditors, the fee shall be recognised in the income and expenses in profit or loss. For new fee payable to third party, the fee shall be capitalised and amortised.

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

20 Borrowings (Cont'd)

20.3 5.5% secured bonds 2018

FRS 107.17
FRS 32.28

The Company and The Group

(a) In 2013, the Company issued $25 million principal amount of 5.5% secured bonds due 2018. The bonds were constituted under a trust deed dated 1 July 2014.

(b) Unless previously redeemed or purchased and cancelled by the Company, the bonds will be redeemed at their principal amount on the fifth anniversary of the date of issue of the bonds.

(c) Interest on the bonds is payable semi-annually.

(d) The following financial covenants apply to these bonds:

   (i) consolidated total borrowings of the Group shall not exceed 150% of its consolidated tangible net worth;
   (ii) consolidated total borrowings of the Group shall not exceed 250% of consolidated tangible net worth; and
   (iii) consolidated tangible net worth of the Group will not at any time be less than $74 million.

(e) The bonds are secured by a mortgage of the investment properties of a subsidiary (Note 6(b)) and certain leasehold properties of the immediate and ultimate holding company, FKT Plc, valued at approximately $29 million.

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Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

20 Borrowings (Cont'd)

20.4 Other bank borrowings

	The Company		The Group	
	2017	2016	**2017**	2016
	$	$	**$**	$
Bank overdraft (unsecured)	**1,273,222**	1,082,888	**1,273,222**	1,082,88
Revolving credit (secured)	**-**	-	**1,326,229**	1,566,14
	1,273,222	1,082,888	**2,599,451**	2,649,03

FRS 107.14

The Group

The revolving credit is guaranteed by a financial institution. This is secured by a fixed charge on investment properties of a subsidiary (Note 6) and assignment of rental proceeds from the properties and personal guarantee from two directors of the Company. It is repayable on demand.

Notes:

For companies with various types of loans and credit facilities obtained from banks, the description of each type should be shown by way of notes with corresponding amounts. The security pledged interest rate, repayment terms and any other terms and conditions should be included. FRS 107.7 FRS 107.31

For example, the revolving "credit" of **$1,326,229** (2016: $1,566,148) may comprise:

		2017	*2016*
	Note	***$***	*$*
"Revolving loan	*(a)*	***500,000***	*500,000*
Term loan	*(b)*	***450,000***	*550,000*
Renovation loan	*(c)*	***376,229***	*516,148*
		1,326,229	*1,566,148*

(a) *The revolving loan is repayable in 2 equal instalments of $250,000 each on 15.1.2017 and 31.5.2017 respectively. Interest is charged at 4.25% (2016: 6.5%) per annum. The revolving loan is guaranteed by the Company.*

(b) *The term loan facility for $2,000,000 is granted to a subsidiary. The loan is repayable in half-yearly payments of $500,000 each. Interest is charged at 6.5% (2016: 6.75%) per annum, 1.75% above the bank's cost of funds. This term loan is secured by:*
- *(i) first legal mortgage over land and property of the subsidiary;*
- *(ii) first fixed and floating charge on all present and future assets of the subsidiary; and* FRS 39.9
- *(iii) corporate guarantee provided by the Company.*

(c) *The renovation loan is repayable on 12.2.2017. Interest is charged at 6.3% (2016: 6.5%) per annum. This renovation loan is secured by:*
- *(i) a mortgage of the leasehold properties of a subsidiary;*
- *(ii) fixed and floating charges on all the assets of the subsidiary; and*
- *(iii) joint and several guarantee of the Company and two directors of the subsidiary."*

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

20 Borrowings (Cont'd)

20.5 Effective interest rates

The weighted average effective interest rates of total borrowings at the end of reporting period are as follows: FRS 107.7,31

	The Company		The Group	
	2017	2016	**2017**	2016
	$	$	**$**	$
Bank overdraft	**6.5%**	4.0%	**6.5%**	4.0%
5.5% secured bonds	**5.5%**	5.5%	**5.5%**	5.5%
Bank loans	**6.8%**	6.5%	**6.8%**	6.5%
Obligations under finance lease	**5.0%**	5.0%	**5.0%**	5.0%
Revolving credit	**-**	-	**4.3%**	6.5%

20.6 Carrying amounts and fair values

The carrying amounts of current borrowings approximate their fair value. The carrying amounts and fair values of non-current borrowings are as follows: FRS 107.25 FRS 107.27.a FRS 107.29.a

	The Company		The Group	
	Carrying amounts	Fair values	Carrying amounts	Fair values
	$	$	$	$
2017				
5.5% secured bonds 2018	**23,096,250**	**22,956,000**	**23,096,250**	**22,956,000**
Bank loans	**-**	**-**	**361,111**	**360,000**
Obligations under finance leases	**-**	**-**	**13,954**	**11,959**
2016				
5.5% secured bonds 2018	22,453,750	22,400,000	22,453,750	22,400,000
Bank loans	-	-	708,333	690,000
Obligations under finance leases	-	-	121,694	102,590

The fair values are determined from the discounted cash flows analysis, using a discount rate based upon the borrowing rate which the directors expect would be available to the Group at the end of reporting period. No adjustment has been made to fair values as the differences between the carrying amounts and fair values are not significant to the Company or the Group. FRS 113.93.d FRS 107.27.a

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

20 Borrowings (Cont'd)

20.7 Undrawn borrowing facilities *(This disclosure is encouraged but not mandatory)*

FRS 7.50.a

The Company and the Group have the following undrawn borrowing facilities:

	The Company		The Group	
	2017	2016	**2017**	2016
	$	$	**$**	$
At fixed rates				
- Expiring within one year	**5,000,000**	6,000,000	**8,000,000**	8,000,000
At floating rates				
- Expiring within one year	**4,000,000**	4,000,000	**5,000,000**	5,000,000
- Expiring beyong one year	**2,000,000**	2,000,000	**2,000,000**	2,000,000
	11,000,000	12,000,000	**15,000,000**	15,000,000

Included in interest-bearing loans and borrowings at 31 December 2017 was a borrowing of **US$400,000** (2016: US$360,000) which has been designated as hedge of the net investments in the Malaysia operations and is being used to hedge the Group's exposure to foreign currency risk on the investments. Gain or loss on the retranslation of this borrowing is transferred to the foreign currency translation reserve to offset any exchange differences on translation of the net investments in the operations.

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Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

21 Redeemable preference shares

The Company and The Group

On 4 January 2010, the Company issued 5 million convertible redeemable preference shares amounting to $5,000,000. The shares are redeemable on 3 January 2020 or by the Company at any time before that date. The shares pay dividends at 5% per annum. The dividend rights are cumulative.

FRS 32.15
FRS 32.18.a
FRS 107.31
AppB22
FRS 107.37.c

The fair value of the redeemable preference shares at 31 December 2017 was **$4,980,000** (2016: $4,950,000), and is not materially different from the carrying value.

Notes:

1. Disclose the amount of any cumulative preference dividends not recognised.

2. Preference shares may come with various rights: they could be redeemable at the option of the holder or issuer, mandatorily redeemable or non-mandatorily. Dividend on such shares might be fixed or payable at the issuer's discretion or their payment might be linked to payments on another instrument. Hence, the appropriate classification of preference shares should be determined for various combinations of redemption and dividend rights. FRS 32.13

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Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

22 Trade and other payables

FRS 1.77

	The Company		The Group		
	2017	2016	**2017**	2016	
	$	$	**$**	$	
Trade payables					FRS 24.18.b,
- Subsidiaries	**4,919,498**	7,432,192	**-**	-	FRS 24.19.c
- Others	**19,173,306**	15,589,191	**24,119,319**	24,549,985	FRS 24.22
Accruals	**945,719**	673,416	**1,430,002**	947,325	
	25,038,523	23,694,799	**25,549,321**	25,497,310	
Advances received from construction contracts (Note 12)	**2,012,141**	1,429,684	**2,012,141**	1,429,684	FRS 11.40.b
Employee leave entitlement	**50,000**	40,000	**50,000**	40,000	
Deposits received	**136,055**	537,722	**204,359**	687,722	
Directors' fees	**3,007,500**	1,607,500	**3,007,500**	1,607,500	
Employee benefits	**305,000**	210,000	**305,000**	210,000	
Advance billings	**218,316**	853,572	**89,035**	256,491	
Financial guarantee contracts	**-**	-	**-**	-	
Unclaimed cheques	**-**	-	**55,870**	50,613	
Contingent consideration payable (Note 7)	**-**	-	**600,000**	-	
Others	**447,698**	543,729	**35,746**	33,671	FRS 24.17.b
	6,176,710	5,222,207	**6,359,651**	4,315,681	
	31,215,233	28,917,006	**31,908,972**	29,812,991	
	-				

Outstanding balances with subsidiaries are unsecured.

Further details of liquidly risks on trade and other payables are disclosed in Note 37.2.

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Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

23 Provisions

FRS 1.78.d
FRS 37.84

	The Company		The Group	
	2017	2016	**2017**	2016
	$	$	**$**	$
Provision for rectification work (see(i) below)	**-**	-	**400,000**	-
Provision for legal claim (Note 7)	**-**	-	**100,000**	-
Provision for restructuring (see(ii) below)	**-**	-	**-**	-
	-	-	**500,000**	-

FRS 1.78.d

FRS 37.84.e

The Group

	Legal Claim	Restructuring	Rectification	Total
	$	$	**$**	$
Balance at beginning of the year	**-**	-	**-**	-
Provision during the year (Note 27)	**-**	2,500,000	400,000	2,900,000
Acquisition of subsidiary (Note 7)	100,000	-	**-**	100,000
Amount utilised during the year	**-**	(1,745,000)	**-**	(1,745,000)
Reclassified to disposal group (Note 16)	**-**	(755,000)	**-**	(755,000)
Balance at end of the year	**100,000**	-	**400,000**	**500,000**

FRS 37.84

(i) Provision for rectification work relates mainly to obligations under construction contracts completed during the year ended 31 December 2017. The provision is based on estimates made from historical data associated with rectification work on contracts of similar nature. The Group expects to incur the liability over the next one year.

(ii) As discussed more fully in Note 16, a restructuring provision was recorded in 2017 in connection with the discontinuance of the hotel and restaurant business. Movement in the restructuring provisions during 2017 is presented in the following table. Utilisation of the restructuring provision relates to existing leasehold and other contractual obligations. The restructuring is expected to be completed by June 2018.

FRS 37.85.a

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

23 Provisions (Cont'd)

FRS 1.78.d

Notes:

1. When disclosure of some or all of the information related to the provision can be expected to prejudice seriously the position of enterprise in relation to a dispute with other parties, the disclosures required by FRS 37.84 to 89 need not be provided. Instead, disclose the general nature of the dispute and the fact and reason why the information has not been disclosed. FRS 37.92

2. Comparatives of the movements in provisions are not required. Disclose any increase during the period in the discounted amount of a provision arising from the passage of time and the effect of any change in the discount rate. FRS 37.84

3. An enterprise should disclose the following for each class of provision: FRS 37.85

   (i) A brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits;
   (ii) An indication of the uncertainties about the amount or timing of those outflows. Where necessary to provide adequate information, an enterprise should disclose the major assumptions made concerning future events; and
   The amount of any expected reimbursement, stating the amount if any asset that has been recognised for that expected reimbursement.

4. In situations where the entity has recognised

   - Provision for dismantlement, removal or restoration is the estimated costs of dismantlement, removal or restoration of property, plant and equipment arising from the acquisition or use of assets, which are capitalized and included in the cost of property, plant and equipment;
   - Contingent liabilities and contingent assets arising from warranty costs, claims, penalties, possible losses etc,

   is required to be disclosed in accordance with FRS 37.86 and FRS 37.89.

   Where any of the information required by FRS 37.86 and FRS 37.89 is not disclosed because it is not practicable to do so, that fact should be stated.

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Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

24 Other income

FRS 1.97, 98

The Group	2017 $	2016 $	
Amortisation of bond discount	**642,500**	557,500	FRS 21.41.a
Exchange gain	**356,940**	501,948	FRS 18.30.a
Interest income	**1,571,766**	945,077	FRS 1.98.c
Profit on disposal of property,plant and equipment	**68,096**	75,879	
Net gain on disposal of an asociate	**-**	3,088,420	
	2,639,302	**5,168,824**	

25 Other expenses

FRS 1.81.b

The Group	2017 $	2016 $	
Loss in a subsidiary arising from a fire	**(317,723)**	-	FRS 1.86, 87

26 Finance costs

FRS 1.81.b

The Group	2017 $	2016 $	
Interest expense			
- bonds	**875,000**	437,500	FRS 7.32
- loans	**755,699**	1,025,243	
- overdrafts	**10,109**	7,292	
- finance leases	**13,127**	11,492	
- dividend on preference shares	**250,000**	250,000	
	1,903,935	1,731,527	

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Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

27 Profit from continuing operations before taxation

	Note	2017 $	2016 $	
The Group				
Profit from continuing operation before taxation has been arrived at after charging:				FRS 1.85
Amortisation of intangible assets	4	**60,000**	30,000	FRS 38.118.e.vi
Contingent rental from operating lease - factory		**30,007**	28,611	FRS 17.25
Depreciation of property, plant and equipment	5	**1,345,706**	1,622,282	FRS 16.73.e
Directors' fee - directors of the Company		**70,000**	60,000	FRS 19.6
Exchange loss		**104,326**	342,828	FRS 21.52
Fair value loss (gain) on investment properties	6	**(211,996)**	(80,000)	
Goodwill written of		**-**	15,444	
Impairment losses of property, plant and equipment	5	**823,807**	-	FRS 36.126.a
Impairment loses of intangible assets	4	**10,000**	-	FRS 36.126.a
Impairment losses on available-for-sale financial asse	9	**47,200**	-	
Impairment of receivables				
- Trade	14	**-**	54,361	FRS 107.20.a.iv
- Others	14	**58,419**	353,465	FRS 107.20.a.iv
Cost of inventories included in cost of sales	13	**114,749,334**	76,111,424	FRS 2.36.d
Audit fees paid to Auditor of the Company		**250,000**	225,000	SGX 1207.6.a
Non-audit fees paid to				SGX 1207.6.a
- Auditor of the Company (tax compliance)		**65,000**	53,250	
- Other auditors		**-**	-	
Preliminary and pre-operation expenses expensed off		**158,697**	61,775	
Property, plant and equipment written off	5	**10,435**	-	
Provision for restructuring	23	**2,500,000**	-	FRS 37.70
Provision for rectification work	23	**400,000**	-	
Research costs expensed		**50,000**	-	
Staff costs				
Directors' remuneration other than fee				SGX 1207.13
- directors of the Company		**2,795,178**	2,993,082	
- directors of a subsidiary		**92,280**	88,365	FRS 19.47
- professional fee paid to a firm in which a director is a member		**5,000**	-	
- CPF contributions		**60,000**	60,000	FRS 24.18.b
- employee benefits under post retirement benefit plans - domestic		**50,000**	50,000	FRS 19.46
Key management personnel (other than directors)				
- Salaries wages and other related costs		**200,000**	160,000	
- CPF contributions		**40,000**	30,000	
Other than directors and key management personnel:				FRS 19.46
- Salaries, wages and other related costs		**24,832,438**	17,733,481	
- CPF contributions		**391,000**	358,000	
- Employee benefits under pension plans				
- domestic		**559,000**	329,000	
- overseas		**203,000**	167,000	
- Employee benefits under post retirement benefit plans		**150,000**	107,000	
- domestic		**29,377,896**	22,075,928	FRS 19.46 FRS 19.120
Fair value gains on financial assets at fair value through profit or loss		**(59,000)**	(53,200)	FRS 107.20.a.i

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

27 Profit from continuing operations before taxation (Cont'd)

Notes:

1. When items of income and expenses within profit or loss from ordinary activities are of such size, nature or incidence that their disclosure is relevant to explain the performance of the enterprise for the period, the nature and amount of such items should be disclosed separately. FRS 1.86

2. Disclose the aggregate amount of research and development expenditure recognised as an expense during the period. FRS 38.126

3. The aggregate amount of taxes paid to auditors, broken into audit and non-audit services. If there are audit or non-audit fees paid, an appropriate negative statement shall be made. The financial statements of the Company for the year ended 31 December 2017 do not include non-audit fees. SGX 1207.6.a

28 Taxation

	2017	2016	
	$	$	
The Group			
Current taxation - continuing operations	**87,383**	1,051,268	FRS 12.80.a
Current taxation - discontinued operations	**-**	-	FRS 12.80.c
	87,383	1,051,268	
Deferred taxation (Note 10)			
Origination and reversal of temporary difference	**531,563**	370,000	FRS 12.80.c
Reduction in tax rate	**-**	-	FRS 12.80.d
	531,563	370,000	
Underprovision of current taxation in respect of prior years	**2,706**	7,560	
	621,652	1,428,828	

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Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

28 Taxation (Cont'd)

The tax expense on the results of the financial year varies from the amount of income tax determined by applying the Singapore statutory rate of income tax on profits as a result of the following:

FRS 12.81.c

	2017	2016
	$	$
The Group		
Profit from continuing operations	**5,079,113**	9,342,037
Loss from discontinued operations	**(3,198,898)**	(1,347,849)
	1,880,215	7,994,188
Tax at applicable tax rates	**450,000**	1,750,000
Tax effect on non-deductible expenses	**87,184**	52,501
Tax effect on non-taxable income	**(69,950)**	(60,320)
Utilisation of deferred tax assets on temporary difference not recognised in previous years	**-**	(294,988)
Underprovision of current taxation in respect of prior years	**2,706**	7,560
Deferred tax assets on temporary difference not recognised	**177,637**	-
Singapore statutory stepped income exemption	**(25,925)**	(25,925)
Difference in tax rates		
	621,652	1,428,828

Other notes may be appropriate depending on the individual circumstances as follows:

Where group relief is utilised

FRS 12.80.a

	2017	*2016*
	$	*$*
Current taxation	***xxx***	*xxx*
Utilisation of deferred tax assets on temporary differences not recognised in previous year	***(xxx)***	*(xxx)*
Group relief utilised	***(xxx)***	*(xxx)*
Deferred taxation (Note [xx])	***xxx***	*xxx*
	xxx	*xxx*
Underprovision of current taxation in respect of prior years	***xxx***	*xxx*
	xxx	*xxx*

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

28 Taxation (Cont'd)

The tax expense on the results of the financial year varies from the amount of income tax determined by applying the Singapore statutory rate of income tax on Company's losses as a result of the following:

FRS 12.81.C

	2017 **$**	2016 $
Loss before taxation	**(328,024)**	(545,352)
Tax at applicable tax rate	**(55,764)**	(92,710)
Tax effect on non-deductible expenses	**2,264**	-
Tax effect on non-taxable income	**(5,000)**	(7,383)
Singapore statutory stepped income exemption	**(10,500)**	-
Deferred tax assets on temporary differences not recognise	**-**	100,093
Utilisation of deferred tax assets on temporary difference	**(64,000)**	-
Group relief utilised	**133,000**	-
	-	-

Notes:

1. The following illustrates the disclosure where the Group has unabsorbed allowances and tax losses:

   "Subject to agreement with the relevant tax authorities, the Group has unabsorbed capital allowances and tax losses of $A,000 (2016: $B,000) and $C,000 (2016: $D,000) respectively available for offset against future taxable profits provided that the provisions of relevant countries' tax legislations are complied with. The related tax benefits of $E,000 (2016: $F,000) have not been recognised in the financial statements (have been recognised to the extent stated in [Note X])."

2. For FRS 12, an explanation of the relationship between tax expense (income) and accounting profit in either or both of the following forms should be disclosed:

   (i) a numerical reconciliation between tax expense (income) and the product of accounting profit multiplied by the application tax rate(s), disclosing also the basis on which the applicable tax rate is computed; or FRS 12.81.c.i

   (ii) a numerical reconciliation between the average effective tax rate and the applicable tax rate, disclosing the basis on which the applicable tax rate is computed. FRS 12.81.c.ii

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

29 Other comprehensive income after tax

	Before tax $	Tax expense $	Net of tax $
The Group			
31 December 2017			
Disclosure of tax effects relating to each component of other comprehensive income:			
Available-for-sale financial assets	**59,000**	**-**	**59,000**
Currency translation differences	**368,335**	**-**	**368,335**
	427,335	**-**	**427,335**
31 December 2016			
Available-for-sale financial assets	54,163	(963)	53,200
Currency translation differences	(83,211)	-	(83,211)
	(29,048)	(963)	(30,011)

30 Dividends

FRS 1.137.a
FRS 10.12, 13
FRS 12.81.i

	2017 $	2016 $
The Company and The Group		
Ordinary dividends paid or payable		
- final tax-exempt (one-tier) dividend paid in respect of the previous financial year of 3.45 cents (2016: 2.22 cents) per share	**3,260,000**	1,776,000
- interim tax-exempt (one-tier) dividend payable in respect of the current financial year of 0.74 cents (2016: Nil) per share	**888,000**	-
	4,148,000	1,776,000

At the Annual General Meeting on 31 March 2017, a final tax-exempt (one-tier) dividend of 0.74 cents per share amounting to $888,000 will be proposed. These financial statements do not reflect these dividends payable, which will be accounted for as a reduction in equity as a distribution of retained profits in the financial year ending 31 December 2017. The payment of this dividend will not have any tax consequences for the Group.

FRS 1.137
FRS10.13

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Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

31 Earnings per share

The Group

The earnings per share is calculated based on the consolidated profits attributable to owners of the parent divided by the weighted average number of shares in issue of 118,840,000 (2016: 106,200,600) shares during the financial year. FRS 33.10

Fully diluted earnings per share were calculated on the consolidated profits attributable to owners of the parent divided by **127,200,000** (2016: 113,400,600) ordinary shares. The number of ordinary shares is calculated based on the weighted average number of shares in issue during the financial year adjusted for the effects of all dilutive share options and contingently issuable shares. Dilutive potential ordinary shares are deemed to have been converted into ordinary shares at the beginning of the year or if later, the date of the issue of the potential ordinary shares.

FRS 33.30, 31
FRS 33.20
FRS 33.45

The following tables reflects the profit or loss and share data used in the computation of basics and diluted earnings per share from continuing operations for the years ended 31 December: FRS 33.70.b

	2017	2016
	$	$
Weighted average number of ordinary shares for the purposes of basic earnings per share	**118,840,000**	106,200,600
Effect of dilutive potential ordinary shares:		
Shasre options	**3,360,000**	2,200,000
Convertible bonds	**-**	-
Convertible preference shares	**5,000,000**	5,000,000
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**127,200,000**	113,400,600

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Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

31 Earnings per share (Cont'd)

Earnings figures are calculated as follows:

FRS 33.70.a

	2017 $	2016 $
Profit for the year attributable to members of the Company	**253,865**	5,650,983
Less: Profit / (loss) for the year from discontinued operation	**3,198,898**	(1,347,849)
Earnings for the purposes of basic earnings per share from continuing operations	**3,452,763**	6,998,832
Effect of dilutive potential ordinary shares: Interest on convertible bonds/preferences shares (net of tax)	**(207,500)**	(207,500)
Earnings for the purposes of diluted earnings per share from continuing operations	**3,245,263**	6,791,332

The basic and diluted loss per share from discontinued operations are calculated by dividing the "Loss from discontinued operation" by the "Weighted average number of ordinary shares for basic earnings and loss per share computation" and "Weighted average number of ordinary shares adjusted for the effect of dilution" respectively.

Notes:

1. Earnings per share information to be presented by entities whose ordinary shares or potential ordinary shares are publicly traded and by entities that is in the process of issuing ordinary shares or potential ordinary shares in public securities markets. If other entities choose to disclose EPS information in financial statements that comply with FRS, such disclosures should comply fully with the requirements of FRS 33. FRS 33.2

2. When both the consolidated financial statements and separate financial statements of the parents are presented, disclosures relating to earnings per share need only be provided on a consolidated basis. An entity that chooses to disclose earnings per share based on its separate financial statements shall present such information only on the face of its separate financial statements. FRS 33.4

3. Basic and diluted earnings per share are required to be disclosed even if negative (loss per share). FRS 33.69

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

32 Contingent liabilities (unsecured)

The following are unsecured contingent liabilities, excluding that relating to an acquisition of subsidiary (Note 7), not provided for in the consolidated financial statements: FRS 37.86

The Group

A subsidiary has received a claim for damages of $853,098 (2016: $853,098) from a purchaser of a unit of freehold residential property which had been completed and sold. The directors of the Company are disputing the claim. They have sought legal advice and are of the opinion that no material loss will arise.

Notes:

1. In the holding company's financial statements, one has to assess whether the letter of financial support gives rise to a contingent liability. The letter of financial support may not be the past event that gives rise to a contingent liability as it may not be a legal binding contract. Legal advice may be source on this matter. Therefore the holding company is not required to disclose the letter of financial support as a contingent liability. FRS 37.10

   Unless legal advice is obtained that the letter of financial support is a legal binding contract the following is the illustrative disclosures:

   "The Company has given letters of financial support for the following subsidiaries with a total net deficit of approximately of $5 million (2017: $2.5 million) to continue to operate as a going concern and to meet their respective obligations as and when they fall due:

   i. FKT Hotel (Pte.) Ltd; and
   ii. Ungale Restaurant Pte Ltd."

   If contingent liabilities are secured, the nature and amount of the security should be disclosed as well. FRS 37.86

2. Unless the possibility of any outflow in settlement is remote, an enterprise should disclose for each class of contingent liability at the end of reporting period a brief description of the contingent liability and, where practicable:

   (a) An estimate of its financial effect, measured under FRS 37 (36 – 52);
   (b) An indication of the uncertainties relating to the amount or timing of any outflow; and FRS 37.91
   (c) The possibility of any reimbursement.

3. When the disclosures required by FRS 37.86 and 37.89 cannot be provided because it is impracticable to do so, that fact should be disclosed. FRS 37.92

4. When disclosure of some or all of the information required by FRS 37.86 and 37.89 can be expected to be prejudice seriously the position if the enterprise in relation to a dispute with other parties, such disclosures need not be provided. Instead, disclose the general nature of the dispute, and the fact and reason why the information has not been disclosed.

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

33 Employee benefits

The Company

Employee share option scheme

FRS 102.45.a

The Company has an employee share incentive plan for the granting of non-transferable options to directors and other full-time eligible executive officers. Options are granted for terms of 5 years to purchase the Company's ordinary shares at not less than the market value of the shares at the date of grant. The options are exercisable beginning on the first anniversary of the date of the grant.

Information with respect to the number of options granted under the Company's employee share option plan is as follows:

Earnings figures are calculated as follows:

	Weighted average exercise Options **2017**	Price **2017**	Weighted average exercise Options 2016	Price 2016	FRS 102.45.b
Outstanding at the beginning of year	**169,000**	**3.54**	140,000	3.62	FRS 102.45.b.i
Granted	**110,000**	**3.30**	132,000	3.50	FRS 102.45.b.ii
Forfeited	**(67,000)**	**3.51**	(500)	3.70	FRS 102.45.b.iii
Expired	**(6,000)**	**3.70**	(102,500)	3.70	FRS 102.45.b.v
Exercised [(1)]	**(12,000)**	**3.60**	-	-	FRS 102.45.b.iv
Outstanding at end of the year	**194,000**	**3.37**	169,000	3.54	FRS 102.b.vi
Exercisable at year end	**34,000**	**3.61**	10,000	3.70	FRS 102.b.vii

[(1)] Consideration received from options exercised during the year was **$43,200** (2016: $ Nil).

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Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

33 Employee benefits (Cont'd)

The following table summarises information about options outstanding and exercisable at 31 December 2017. FRS 102.45.d

Option Price	Outstanding Options	Average Life (2)	Exercisable Options	Average Option Price
3.70	4,000	2.5	4,000	3.70
3.60	30,000	3.5	30,000	3.60
3.50	50,000	4.5	-	-
3.30	110,000	5.5	-	-
Total	**194,000**	**4.87**	**34,000**	**3.61**

(2) Weighted average contractual life remaining in years.

The fair value of share options as at the date of grant, is estimated by an external valuer using a binomial model, taking into account the terms and conditions upon which the options were granted. The inputs to the model used for the years ended 31 December 2017 and 31 December 2016 are shown below. FRS 102.45.d

	2017	2016
Weighted average share price	**$ 3.66**	$ 3.90
Weighted average exercise price	**$ 3.30**	$ 3.50
Expected volatility	**40%**	35%
Expected option life	**4**	4
Risk free rate	**3.5%**	3.0%
Expected dividend yield	**2%**	3.2%
Fair value at measurement date	**$ 1.60**	$ 1.43

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. Other than stated, no other features of the option grant were incorporated into the measurement of fair value.

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

34 Related party transactions

In addition to the related party information disclosed elsewhere in the financial statements, the following are significant transactions with related parties: FRS 24.18, 24

	2017	2016	
	$	$	
The Group			
Management fee paid to ultimate holding company	**334,597**	337,858	FRS 24.18

Notes:

If there have been transaction between the related parties, the reporting entity should disclose the nature of the related party relationship as well as information about those transactions and outstanding balances, including commitments, necessary for users to understand the potential effect of the relationship on the financial statements. FRS 24.18

35 Commitments

35.1 Capital Commitments

	The Company		**The Group**		FRS 16.74.c
	2017	2016	**2017**	2016	
	$	$	**$**	$	
Capital expenditure contracted but not provided for in the financial statements	**-**	-	**29,066,700**	-	
Capital expenditure approved by the by the directors but not contracted for	**260,000**	-	**260,000**	-	

Notes:

Disclose the amount of contractual commitments for the acquisition of intangible assets. FRS 38.122.e

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

35 Commitments (Cont'd)

35.2 Operating lease commitments (non-cancellable)

(A) Where Company and Group are the lessees

At the end of reporting period, the Company and the Group were committed to making the following rental payments in respect of non-cancellable operating leases of factory and warehouse premises with an original term of more than one year:

	The Company		The Group		
	2017	2016	**2017**	2016	FRS 17.35.a
	$	$	**$**	$	FRS 17.35.b, d
Not later than one year	**99,480**	21,465	**262,596**	198,245	
Later than one year and not later than five years	**398,200**	-	**942,457**	721,465	
Later than five years	**58,200**	-	**58,200**	-	

The leases on the Company's and the Group's factory and warehouse premises on which rentals are payable will expire on 31 December 2017 and 15 June 2020, subject to an option to renew for another 30 years, and the current rent payable on the leases are $16,071 and $20,521 per month respectively which are subject to revision on renewal.

The percentage rent payable in respect of factory premises is the sum equivalent to 7% of the monthly revenue in excess of $2,700,000.

Notes:

Lessees should also make the following disclosures for operating leases:

(a) the total minimum sublease payments expected to be received under non-cancellable subleases at the end of reporting period; FRS 17.35.b

(b) lease and sublease payments recognised as an expense in the period, with separate amounts for minimum lease payments, contingent rents, and sublease payments; and FRS 17.35.c

(c) a general description of the lessee's significant leasing arrangements including, but not limited to the basis of contingent rent payments, the existence and terms of renewal or purchase options and escalation clauses, and the restrictions imposed by lease arrangements for example concerning dividends, additional debt and further leasing. FRS 17.35.d

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

35 Commitments (Cont'd)

35.2 Operating lease commitments (non-cancellable) (Cont'd)

(B) Where Company and Group are the lessors

At the end of reporting period, the Company and the Group had the following rental income under non-cancellable lease for commercial premises with term of more than one year:

	The Company		The Group		
	2017	2016	**2017**	2016	FRS 17.56.c
	$	$	**$**	$	
Lease which expires:					
Not later than one year	**154,800**	131,671	**170,800**	155,800	FRS 17.56.a
Later than one year and not later than five years	**91,587**	37,200	**125,200**	137,200	
Later than five years	**-**	-	**-**	-	

The leases on the Company's and the Group's commercial premises on which rentals are received will expire on 31 December 2017 with renewals at the then prevailing rates.

35.3 Other commitments

	The Company		The Group		
	2017	2016	**2017**	2016	
	$	$	**$**	$	
Investment in joint venture	**200,000**	200,000	**200,000**	200,000	
Uncalled capital contribution in associate	**200,000**	-	**200,000**	-	
	400,000	200,000	**400,000**	200,000	FRS 31.55.b

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Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

36 Operating segments

For management purposes, the Group is organised into the following reportable operating segments as follows:- FRS 108.22

1) The property development segment relates to the development of properties for sale.
2) The property investment and investment holding segment is the business of investing in properties for rental.
3) The other operations segments include project and property management, estate agent and general construction and interior works.

The hotel and restaurant segment was discontinued during the year.

There are no operating segments that have been aggregated to form the above reportable operating segments.

The chief executive officer monitors the operating results of its operating segments for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as set out below, is measured differently from operating profit or loss in the consolidated financial statements. FRS 108.27.b

Group financing and income taxes are managed on a group basis and are not allocated to operating segments. FRS 108.27.a

Sales between operating segments are carried out at arm's length.

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Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

36 Operating segments (Cont'd)

	Property development		Property Investment and investment holding		Others Operations		Elimination		Total continuing operations		Hotel and restaurant (Discontinued)		Total operations		
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	
	$	$	$	$	$	$	$	$	$	$	$	$	$	$	
Revenue															
External sales	**197,569,526**	131,233,632	**4,879,429**	737,361	**199,972**	200,100	**-**	-	**202,648,927**	132,171,093	**678,860**	3,107,785	**203,327,787**	135,278,878	FRS 108.23.a
Inter-segment sales	**-**	-	**-**	-	**-**	10,000	**-**	(10,000)	**-**	-			**-**	-	FRS 108.23.b
Total revenue	**197,569,526**	131,233,632	**4,879,429**	737,361	**199,972**	210,100	**-**	(10,000)	**202,648,927**	132,171,093	**678,860**	3,107,785	**203,327,787**	135,278,878	
Result															
Segment result	**5,133,526**	10,625,258	**736,925**	(407,327)	**126,896**	51,315	**-**	-	**5,997,347**	10,269,246	**(3,198,898)**	(1,347,849)	**2,798,449**	8,921,397	FRS 108.23
									-	-			**-**	-	
Unallocated corporate expenses									**-**				**-**	-	
									(223,879)	(177,288)	**-**	-	**(223,879)**	(177,288)	
Operating profit									**5,773,468**	10,091,958	**(3,198,898)**	(1,347,849)	**2,574,570**	8,744,109	
Finance cost									**(1,903,935)**	(1,731,527)	**-**	-	**(1,903,935)**	(1,731,527)	
Share of net profits of associates	**1019558**	531958	**190,022**	449,648	**-**	-	**-**	-	**1,209,580**	981,606	**-**	-	**1,209,580**	981,606	FRS108.23.g
Income taxes									**(621,652)**	(1,428,828)	**-**	-	**(621,652)**	(1,428,828)	
Net profit/(loss)									**4,457,461**	7,913,209	**(3,198,898)**	(1,347,849)	**1,258,563**	6,565,360	

Notes to the financial statements

for the financial year ended 31 December 2017 (Cont'd)

36 Operating segments (Cont'd)

	Property development		Property Investment and investment holding		Others Operations		Total continuing operations		Hotel and restaurant (Discontinued)		Total operations		
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	
	$	$	**$**	$	**$**	$	**$**	$	**$**	$	**$**	$	
Other information													
Segment assets	**73,604,389**	58,184,012	**47,075,354**	36,674,087	**1,119,727**	1,179,078	**121,799,470**	96,037,177	**2,955,822**	3,593,623	**124,755,292**	99,630,800	FRS 108.23
Associates	**56,076,604**	52,453,995	**-**	-	**900,000**	800,000	**56,976,604**	53,253,995	**-**	-	**56,976,604**	53,253,995	FRS 108.24.a
Segment liabilities	**48,320,788**	49,554,534	**28,378,508**	21,483,231	**685,092**	690,689	**77,384,388**	71,728,454	**2,255,000**	2,105,100	**79,639,388**	73,833,554	FRS 108.23
Capital expenditure	**1029726**	-	**11,970,274**	3,997,783	**299,264**	77,648	**13,299,264**	4,075,431	**-**	-	**13,299,264**	4,075,431	
Depreciation of property, plant											**-**	-	
and equipment	**-**	-	**362,350**	500,000	**601,865**	517,047	**964,215**	1,017,047	**114,853**	137,823	**1,079,068**	1,154,870	
Amortisation of intangible assets	**-**	-	**-**	**-**	**60,000**	40,000	**60,000**	40,000	**-**	-	**60,000**	40,000	
Impairment of intangible assets	**-**	-	**-**	**-**	**10,000**	-	**10,000**	-	**-**	-	**10,000**	-	
Impairment of property, plant and equipment recognised	**-**	-	**823,807.00**	**-**	**-**	-	**823,807**	-	**-**	-	**823,807**	-	
Property, plant and equipment written off	**-**	-	**-**	**-**	**10,435**	-	**10,435**	-	**-**	-	**10,435**	-	

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

36 Operating segments (Cont'd)

Geographical segments

Revenue and non-current assets information based on geographical location of customers and assets respectively are as follows: FRS 108.33

FRS 108.33.a

	2017	2016	
	$	$	
Revenue			
Singapore	**202,230,692**	131,870,593	
Malaysia	**418,235**	300,500	
Total continuing operations	**202.648,927**	132,171,093	
Discontinued operations	**678,660**	3,107,785	
	203,327,587	135,278,878	
Non-current assets	$	$	
Singapore	**90,253,203**	81,781,251	FRS 108.33.b
Malaysia	**5,778,300**	1,227,315	
	96,031,503	83,009,566	

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Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

36 Operating segments (Cont'd)

Revenue of approximately $23,460,000 (2016: $20,478,000) are derived from a single external customer. These revenues are attributable to the Singapore property development segment. FRS 108.34

Reportable segments' assets are reconciled to total assets as follows:

	2017	2016
	$	$
Segment assets	**124,755,292**	99,630,800
Elimination	**(61,879)**	(386,271)
Investments in associates	**56,976,604**	53,253,995
Deferred tax assets	**300,000**	450,000
Financial instruments	**905,860**	66,120
Fixed deposits	**9,181,548**	34,350,847
	192,057,425	187,365,491

Reportable segments' assets are reconciled to total liabilities as follows:

FRS 108.27.d

	2017	2016
	$	$
Segment liabilities	**79,639,338**	73,833,554
Elimination	**(246,789)**	(833,274)
Income tax liabilities	**3,167,140**	3,919,545
Dividend payable	**888,000**	-
	83,447,739	76,917,825

Notes:

1. An entity is required to present segment information if its securities are publicly traded, or if it is in the process of issuing equity or debt securities in public securities markets. Other entities may choose to present segment information, but, must comply with FRS 108. If entities that are not required to apply FRS 108 chooses to disclose information about segments that does not comply with this FRS, such information shall not be described as segment information. FRS 108.2 FRS 108.3

2. An entity shall report separately information about an operating segment that meets any of the following quantitative thresholds: FRS 108.13
   - reported revenue (including sales to external customers and intersegment) is 10% or more of the combined revenue of all operating segments;
   - absolute amount of reported profit or loss is 10% or more of the greater, in absolute amount, of:
   - (i) combined reported profit of all operating segments that did not report a loss and (ii) combined reported loss of all the operating segments that reported a loss;
   - assets are 10% or more of the combined assets of all operating segments.

3. If total external revenue reported by operating segments is less than 75% of total revenue, additional operating segments shall be identified as reportable segments until at least 75% of total revenue is reported. FRS 108.15

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

36 Operating segments (Cont'd)

Notes: (Cont'd)

4. Operating segments that do not meet the quantitative thresholds may be aggregated to produce a reportable segment only if the operating segments have similar economic characteristics and are similar in:- FRS 108.14 FRS 108.12

   - the nature of the products and services;
   - the nature of the production processes;the type or class of customers for their products and services;
   - the methods used to distribute their products and services; and
   - where applicable, the nature of the regulatory environment.

5. FRS 108 requires an entity to report the revenue from external customers for each product and service. The amount of revenue should be based on the financial information used to produce the financial statements. If the Group's reportable segments are based on business units, no additional disclosure is required. FRS 108.32

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Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

37 Financial risk management objectives and policies

FRS 107.7.31

FRS 107.31 to 33

The Company and the Group have documented financial risk management policies. These policies set out the Company's and the Group's overall business strategies and its risk management philosophy. The Company and the Group are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks included credit risk, liquidity risk, interest rate risk, foreign currency risk and market price risk. The Company's and the Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize adverse effects from the unpredictability of financial markets on the Company's and the Group's financial performance. The Company and the Group use financial instruments such as interest rate swaps and forward foreign exchange contracts to hedge certain risk exposures.

Risk management is carried out by the Finance Division under policies approved by the Board of Directors. The Finance Division identifies, evaluates and hedges financial risks in close co-operation with the Company's and the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative and non-derivative financial instrument and investing excess liquidity.

There has been no change to the Company's and the Group's exposure to these financial risks or the manner in which it manages and measures the risk. Market risk exposures are measured using sensitivity analysis indicated below.

FRS 107.33.c
FRS 107.40.c

Notes:

1. Alternatively, if the Company and the Group do not hold or issue derivative financial instruments for trading purposes or to hedge against fluctuations, the following should be disclosed:

   "The Company and the Group do not hold or issue derivative financial instruments for trading purposes or to hedge against fluctuations, if any, in interest rates and foreign exchange."

2. FRS 107 requires an entity to disclose qualitative and quantitative information that enables users of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the entity is exposed at the reporting date, including the entity's policies and processes for accepting, measuring, monitoring and controlling such risks. In addition, an entity is required to disclose any change in the qualitative information from the previous period and explain the reasons for the change.

   FRS 107.33.a
   FRS 107.IG17

3. The Standard further requires the disclosure of summary quantitative data about an entity's exposure to financial risk (e.g. credit risk, liquidity risk, market risk etc.) that is based on the information provided internally to key management personnel of the entity (as defined in FRS 24 *Related Party Disclosures*), e.g. the Board of directors or CEO. As such, the disclosures would be defined by the actual information used by management in managing financial risks, which may be different from those disclosed in this illustration.

   FRS 107.34.a

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

37 Financial risk management objectives and policies (Cont'd)

Notes: (Cont'd)

4. In addition, if the above-mentioned quantitative data disclosed as at the end of reporting period are unrepresentative of the entity's exposure to risk during the period, the entity shall provide further information that is representative e.g. an entity might disclose the highest, lowest and average amount of risk to which it was exposed during the period to meet the disclosure requirement. FRS 108.35 FRS 107.1G20

5. The identification of concentrations of risk requires judgement taking into account the circumstances of the entity. Apart from country and industry sectors, other measures of credit risk concentrations may include credit rating or other measures of credit quality, limited number of individual counterparties, or groups of closely related counterparties. FRS 107.AppA.B8 FRS 107.IG18

6. If the entity prepares a sensitivity analysis such as value at risk that reflects interdependences between risk variables (e.g. interest rates and exchange rates) and uses it to manage financial risks, it may use that value-at-risk sensitivity analysis in place of the analysis specified in FRS 107.40. FRS 107.41

37.1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the Company or the Group to incur a financial loss. The Company's and the Group's exposure to credit risk arises primarily from trade and other receivables. For trade receivables, the Company and the Group adopt the policy of dealing only with customers of appropriate credit history, and obtaining sufficient security where appropriate to mitigate credit risk. For other financial assets, the Company and the Group adopt the policy of dealing only with high credit quality counterparties. FRS 107.33.a

The Company's and the Group's objective is to seek continual growth while minimizing losses incurred due to increased credit risk exposure. FRS 107.33.b

Credit exposure to an individual counterparty is restricted by credit limits that are approved by the [*Head of Credit Control*] based on ongoing credit evaluation. The counterparty's payment profile and credit exposure are continuously monitored at the entity level by the respective management and at the Company and at group level by the [*Head of Credit Control*]. The Company's and the Group's trade receivables comprise 3 debtors (2016: 3 debtors) and 5 debtors (2016: 5 debtors) respectively that represented 60% of trade receivables.

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

37 Financial risk management objectives and policies (Cont'd)

37.1 Credit risk (Cont'd)

Exposure to credit risk

As the Company and the Group do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statement of financial position. FRS 107.36.a, b

The Company's and the Group's major classes of financial assets are bank deposits and trade receivables. Cash is held with financial institutions of good standing/established financial institutions/reputable financial institutions. Further details of credit risks on trade and other receivables are disclosed in Note 14. FRS 107.36.b FRS 107.B10.a

The Group's policy is to provide financial guarantees only to wholly-owned subsidiaries. The maximum exposure of the Company in respect of the intra-group financial guarantee (see Note 20.2) at the reporting date is if the facility is drawn down by the subsidiary in the amount of $12,000,000 (2016: $16,000,000). At the reporting date, the Company has considered it is not probable that a claim will be made against the Company under the intra-group financial guarantee. FRS 107.B10.c

Notes:

1. Alternatively, the following wordings can also be disclosed:

   "The carrying amount of financial assets recorded in the financial statements, grossed up for any allowances for losses, represents the Company's and the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained."

   Other activities that give rise to credit risk and the associated maximum exposure to credit risk include, but are not limited to:

   (a) Entering into derivative contracts, e,g. foreign exchange contracts, interest rate swaps and credit derivatives. When the resulting asset is measured at fair value, the maximum exposure to the credit risk at the end of reporting period will equal the carrying amount.. FRS 107.B10.b

   (b) Making a loan commitment that is irrevocable over the life of the facility or is revocable only in response to a material adverse change. If the issuer cannot settle the loan commitment net in cash or another financial instrument, the maximum credit exposure is the full amount of the commitment. This is because it is uncertain whether the amount of any undrawn portion may be drawn upon in the future. This may be significantly greater than the amount recognised as a liability. FRS 107.B10.d

2. If breaches of covenants are noted within the group's borrowings, the probability of the claim should be disclosed, i.e. the maximum exposure to the credit risk is the maximum amount the amount the entity could have to pay if the guarantee is called on, which may be significantly greater than the amount recognised as a liability. FRS 107.B10.c

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

37 Financial risk management objectives and policies (Cont'd)

37.2 Liquidity risk

Liquidity risk is the risk that the Company or the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments that are settled by delivering cash or another financial asset. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Company's and the Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Company's and the Group's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities. FRS 107.33.a.b

The table below analyses the maturity profile of the Company's and the Group's financial liabilities based on contractual undiscounted cash flows: FRS 107.34 FRS 107.39.a

	Less than 1 year	Between 2 and 5 years	Over 5 years	Total
	$	$	$	$
Group				
At 31 December 2017				
Non-derivative financial liabilities				
Trade and other payables	**31,308,972**	**-**	**-**	**31,308,972**
Borrowings	**14,757,507**	**23,469,620**	**-**	**38,227,127**
Contingent consideration	**600,000**	**-**	-	600,000
Redeemable preference shares	**-**	**5,000,000**	**-**	**5,000,000**
	46,666,479	**28,469,620**	**-**	**75,136,099**
At 31 December 2016				
Non-derivative financial liabilities				
Trade and other payables	29,812,991	-	-	29,812,991
Borrowings	14,466,223	23,269,066	-	37,735,289
Redeemable preference shares	-	-	5,000,000	5,000,000
	44,279,214	23,269,066	5,000,000	72,548,280

FRS 107.AppB.11. 11C.c

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

37 Financial risk management objectives and policies (Cont'd)

37.2 Liquidity risk (Cont'd)

Company **At 31 December 2017**	Less than 1 year $	Between 2 and 5 years $	Over 5 years $	Total $
Non-derivative financial liabilities				
Trade and other payables	**31,215,233**	**-**	**-**	**31,215,233**
Borrowings	**1,273,222**	**23,096,250**	**-**	**24,369,472**
Redeemable preference shares	**-**	**5,000,000**	**-**	**5,000,000**
Financial guarantee contracts	**16,000,000**	**-**	**-**	**16,000,000**
	48,488,455	**28,096,250**	**-**	**76,584,705**
At 31 December 2016				
Non-derivative financial liabilities				
Trade and other payables	28,917,006	-	-	28,917,006
Borrowings	1,082,888	22,453,750	-	23,536,638
Redeemable preference shares			5,000,000	5,000,000
Financial guarantee contracts	12,000,000	-	-	12,000,000
	41,999,894	22,453,750	5,000,000	69,453,644

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Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

37 Financial risk management objectives and policies (Cont'd)

37.2 Liquidity risk (Cont'd)

The Company and the Group ensure that there are adequate funds to meet all its obligations in a timely and cost-effective manner. The Finance Division aims at maintaining flexibility in funding by keeping committed credit facilities available as disclosed in Note 20.8. FRS 107.35

Notes:

1. Instances where the Group and/ or Company is dependent on continuing financial support from the shareholders / holding company, the following is the illustrative disclosure:

   "The Group maintains sufficient level of cash and cash equivalents and has available adequate amount of committed credit facilities from financial institutions and obtains written continuing financial support from the shareholders/holding company to meet its working capital requirements." FRS 107.39.b

2. An entity shall disclose:-

   (a) A maturity analysis for non-derivative financial liabilities (including issued financial guarantee contracts) that shows the remaining contractual maturities; and FRS 107.39
   (b) A maturity analysis for derivative financial liabilities. The maturity analysis shall include the remaining contractual maturities for those derivative financial liabilities for which contractual maturities are essential for an understanding of the timing of the cash flows.
   (c) A description of how it manages the liquidity risk inherent in (a) and (b).

3. In preparing the maturity analyses for financial liabilities, an entity uses its judgement to determine an appropriate number of time bands. FRS 107.AppB.B11

   FRS 107.AppB.B11D

4. The amounts disclosed in the maturity analysis are contractual undiscounted cash flows of financial liabilities only. Contractual cash flows are undiscounted and therefore may not agree with the carrying amounts in the statement of financial position by the amount of interest accruing between the balance sheet date and the maturity date. This difference is not expected to be material for balances due within 12 months given the short period of interest accrual.

37 Financial risk management objectives and policies (Cont'd)

37.3 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Company's and the Group's financial instruments will fluctuate because of changes in market interest rates. FRS 107.33.a, b

The Company's and the Group's exposure to interest rate risk arises primarily from their loans and borrowings, interest-bearing loans given to related parties and investments in debt securities. The Company and the Group do not hedge its investment in fixed rate debt securities as they have active secondary or resale markets to ensure liquidity. The Company's loans at floating rate given to related parties form a natural hedge for its non-current floating rate bank loan. All of the Company's and the Group's financial assets and liabilities at floating rates are contractually repriced at intervals of less than 6 months (2017: less than 6 months) from the end of reporting period.

The Company's and the Group's policy is to manage interest costs using a mix of fixed and floating rate debts. The Group's policy is to keep 50% to 70% (2016: 50% to 70%) of its loans and borrowings at fixed rates of interest. To manage this mix in a cost-efficient manner, the Company and the Group enter into interest rate swaps. At the end of reporting period, after taking into account the effect of an interest rate swap, approximately 67% (2016: 58%) of the Group's borrowings are at fixed rates of interest. FRS 107.33.b FRS 107.34.a

Sensitivity analysis for interest rate risk

At the end of reporting period, if SGD interest rates had been 75 (2016: 75) basis points lower/higher with all other variables held constant, the Group's profit net of tax would have been $20,000 (2016: $18,000) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings, higher/lower interest income from floating rate loans to related parties and lower/higher positive fair value of an interest rate swap, and the Group's other reserve in equity would have been $30,000 (2016: $30000) higher/lower, arising mainly as a result of an increase/decrease in the fair value of fixed rate debt securities classified as available-for-sales. FRS 107.40

Notes:

1. Alternatively, if the Company and the Group are not exposed to any cash flows risk or interest rate risk, the following wordings should be disclosed:

   "The Company and the Group are not exposed to any cash flows risk as it does not have any monetary financial instruments with variable interest rates." FRS 107.39.b

   Or

   "The Group has no interest-bearing financial instruments, hence, is not exposed to any movements in market interest rates."

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

37 Financial risk management objectives and policies (Cont'd)

37.3 Interest rate risk (Cont'd)

Notes: (Cont'd)

2. Interest rate risk arises on interest-bearing financial instruments recognised in the statement of financial position (e.g. loans and receivables and debt instruments issued) and on some financial instruments not recognised in the statement of financial position (e.g. some loan commitments). FRS 107.B22

3. Sensitivity analysis for market risk – FRS 107 introduces disclosure of sensitivity analysis for each type of market risk to which an entity is exposed at the report date, showing how profit or loss and equity would have been affected by changes in the relevant risk variable that were reasonably possible at that date. These analyses shall be provided for the whole of an entity's business. However, an entity may also 'drill down' to provide different types of sensitivity analysis for different classes of financial instruments. FRS 107.B18

4. The sensitivity analysis should be based on changes in the risk variable that were reasonably possible at the reporting date having considered the economic environments in which the entity operates, the type of market risk concerned and the time frame over which the assessment is being made i.e. the period until the entity will next present the analysis e.g. next annual reporting period. A reasonably possible change should not include remote or 'worst case' scenarios or 'stress test'.

5. An entity should also disclose the methods and assumptions used in preparing the sensitivity analysis and changes from the previous period in the methods and assumptions used, including the reasons for such changes. FRS 107.40.b,c

6. Instead of the sensitivity analysis illustrated, FRS 107 permits an entity to use a sensitivity analysis that reflects interdependencies between risk variables, such as a value-at-risk methodology, if it uses this analysis to manage its exposure to financial risks. This applies even if such a methodology measures only the potential for loss and does not measure the potential for gain. In such cases, the entity should also disclose an explanation of the method and objective of the analysis (e.g. whether the model relies on Monte Carlo simulations), the main parameters and assumptions used (e.g. the holding period and confidence level), and limitations that may result in the information disclosed not fully reflecting the fair value of assets and liabilities involved. FRS 107.41

7. When the sensitivity analyses disclosed are unrepresentative of a risk inherent in a financial instrument (e.g. because the end of reporting period exposure does not reflect exposure during the financial year), the entity shall disclose that fact and the reason it believes the sensitivity analyses are unrepresentative, including additional disclosures regarding the risk inherent in that financial instrument. FRS 107.42

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

37 Financial risk management objectives and policies (Cont'd)

37.4 Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises when transactions are denominated in foreign currencies. FRS 107.33.b

The Company and the Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of group entities, primarily Singapore Dollar (SGD), United states dollar (USD) and Renminbi (RMB). The foreign currencies in which these transactions are denominated are mainly United States Dollar (USD). Approximately **23%** (2016: 25%) of the Company's and the Group's sales are denominated in foreign currencies whilst almost **80%** (2016: 83%) of costs are denominated in the respective functional currencies of the group entities. The Company's and the Group's trade receivable and trade payable balances at the end of reporting period have similar exposures. FRS 107.33.a FRS 107.34.b

The Company and the Group also hold cash and cash equivalents denominated in foreign currencies for working capital purposes. At the end of reporting period, such foreign currency balances are disclosed below: FRS 107.33.a FRS 107.34.b

The Company **Year 2017**	**SGD** **$**	**USD** $	**RMB** **$**	Total $
Trade Receivables	19,655,733	15,087,358	248,254	**34,991,345**
Cash and cash equivalents	1,324,853	7,550,000	50,000	**8,924,853**
Trade Payables	24,972,186	6,000,000	24,731	**30,996,917**
Borrowings	9,803,348	14,066,124	500,000	**24,369,472**
	55,756,120	**42,703,482**	**822,985**	**99,282,587**

The Company Year 2016	**SGD** **$**	**USD** $	**RMB** **$**	Total $
Trade Receivables	34,157,848	11,986,043	158,866	46,302,757
Cash and cash equivalents	1,123,378	33,852,162	-	34,975,540
Trade Payables	23,292,650	4,700,000	70,784	28,063,434
Borrowings	4,787,485	18,749,153	-	23,536,638
	63,361,361	69,287,358	229,650	132,878,369

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

37 Financial risk management objectives and policies (Cont'd)

37.4 Foreign currency risk (Cont'd)

Year 2017	**SGD**	**USD**	**RMB**	Total
	$	$	**$**	$
Trade Receivables	17,355,373	16,567,613	248,254	**34,171,240**
Cash and cash equivalents	1,870,985	8,228,200	50,000	**10,149,185**
Trade Payables	25,455,950	6,300,000	63,987	**31,819,937**
Borrowings	9,803,348	27,923,779	500,000	**38,227,127**
	54,485,656	**59,019,592**	**862,241**	**114,367,489**

The Group Year 2016	**SGD**	**USD**	**RMB**	Total
	$	$	**$**	$
Trade Receivables	34,157,848	13,778,121	158,866	48,094,835
Cash and cash equivalents	1,419,714	33,873,362	-	35,293,076
Trade Payables	24,531,895	5,000,000	24,605	29,556,500
Borrowings	4,787,485	32,947,804	-	37,735,289
	64,896,942	85,599,287	183,471	150,679,700

The Group requires all of its operating entities to use forward currency contracts to eliminate the currency exposures on any individual transactions in excess of $100,000 for which payment is anticipated more than one month after the Group has entered into a firm commitment for a sale or purchase. The forward currency contracts must be in the same currency as the hedged item. It is the Group's policy not to enter into forward contracts until a firm commitment is in place. It is the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximise hedge effectiveness. FRS 107.33.b

At 31 December 2017, the Group had hedged **75%** (2016: 68%) and **70%** (2016: 65%) of its foreign currency denominated sales and purchases respectively, for which firm commitments existed at the end of reporting period, extending to March 2017. FRS 107.33.b

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the USD and RMB exchange rates (against SGD), with all other variables held constant, of the Group's profit net of tax and equity. FRS 107.40 FRS 107.AppB.B24

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

37 Financial risk management objectives and policies (Cont'd)

37.4 Foreign currency risk (Cont'd)

		Group			
		2017		2016	
		S$'000		S$'000	
		Profit net of tax	**Equity**	Profit net of tax	Equity
USD	- strengthened 3% (2015: 3%)	**-30**	**-54**	-30	-50
	- weakened 3% (2015: 3%)	**+30**	**+54**	+30	+50
RMB	- strengthened 4% (2015: 4%)	**+57**	**+88**	+66	+96
	- weakened 4% (2015: 4%)	**-57**	**-88**	-66	-96

Notes:

1. Alternatively, if the Group does not use any financial liabilities, the following is the illustrative disclosure:

   "The Group operates and sells its products/services in several countries other than Singapore and transacted in foreign currencies. As a result the Group is exposed to movements in foreign currency exchange rates arising from normal trading transactions, primarily with respect to United States Dollars, Euro and Japanese Yen. However, the Group does not use any financial derivatives such as foreign currency forward contracts, foreign currency options or swaps for hedging purposes."

2. An entity shall provide sensitivity analysis for the whole of its business but may provide difference types of sensitivity analysis for different classes of financial instruments. A sensitivity analysis shall be disclosed for each currency to which an entity has significant exposure.

FRS 107.40.a
FRS 107.AppB.B24

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Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

37 Financial risk management objectives and policies (Cont'd)

37.5 Market price risk

Price risk is the risk that the value of a financial instrument will fluctuate due to changes in market prices. FRS 107.AppA

The Group is exposed to market price risks arising from its investment in equity investments quoted on the SGX-ST in Singapore classified as held-for-trading and available-for-sales investments. Available-for-sales equity investments are held for strategic rather than trading purposes. The Group does not actively trade available-for-sales investments.

Market price sensitivity

At the end of reporting period, if the Straits Times Index ("STI") had been 2% (2016: - 2%) higher/lower with all other variables held constant, the Group's profit net of tax would have been **$88,000** (2016: $78,000) higher/lower, arising as a result of higher/lower fair value gains on held for trading investments in equity instruments, and the Group's other reserve in equity would have been **$66,000** (2016: $77,000) higher/lower, arising as a result of an increase/decrease in the fair value of equity instruments classified as available-for-sales. FRS 107.40a,b

The Group's sensitivity to market prices has not changed significantly from the prior year.

Notes:

If the Group does not hold any quoted or marketable financial instruments, the following is the illustrative disclosure:

"The Group does not hold any quoted or marketable financial instruments, hence, is not exposed to any movement in market prices."

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Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

38 Capital management

The Company's and the Group's objectives when managing capital are: FRS 1.135.a

(a) To safeguard the Company's and the Group's abilities to continue as a going concern;
(b) To support the Company's and the Group's stabilities and growth;
(c) To provide capital for the purpose of strengthening the Company's and the Group's risk management capabilities; and
(d) To provide an adequate return to shareholders.

The Company and the Group actively and regularly review and manage its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Company and the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Company and the Group currently do not adapt any formal dividend policy. FRS 1.135

The Company and the Group monitor capital using capital net debt ratio, which is net debt divided by total capital plus net debt. The Company's and the Group's policy is to keep the gearing ratio between 20% and 40%. The Company and the Group include within net debt, loans and borrowings, trade and other payables, less cash and short-term deposits. Capital includes equity attributable to the owners of the Company. FRS 1.135.a

		The Company		The Group	
		2017	2016	**2017**	2016
	Note	**$**	$	**$**	$
Borrowings	20	**24,369,472**	23,536,638	**38,227,127**	37,735,289
Trade and other payables	22	**31,215,233**	28,917,006	**31,908,972**	29,812,991
Cash and cash equivalents	15	**(8,924,853)**	(34,975,540)	**(10,149,185)**	(35,293,076)
Net debt		**46,659,852**	17,478,104	**59,986,914**	32,255,204
Equity attributable to the owners of the Company					
Total capital		**103,228,412**	105,968,494	**106,351,533**	109,194,211
Capital net debt		**149,888,264**	123,446,598	**166,338,447**	141,449,415
Capital net debt ratio		**31%**	14%	**36%**	23%

There were no changes in the Company's and the Group's approach to capital management during the year.

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

38 Capital management

Notes:

1. Disclosure of covenant imposed:

   "FKT Holdings Limited has honour its covenant obligations, including maintain capital ratios, since the subordinated loan was taken out in 2017."

2. This publication illustrates the capital risk disclosure for a reporting entity that monitors its capital using a capital net debt ratio. Other entities may use different and/or more complex methods to monitor capital. An entity decides, in the light of its circumstances, which measures are more suitable to monitors its capital and how much detail it should disclose. FRS 1.IG10.

   FRS 1.135

   The disclosures in respect of capital management should be based on the information provided internally to key management personnel of the entity, e.g., the entity's board of directors or chief executive.

   FRS 1.135.c

   When applicable, an entity should describe changes in quantitative and qualitative data about its objectives, policies and processes for managing capital as compared to the prior period, a statement of whether it has complied with externally imposed capital requirements and any instances of non-compliance.

   FRS 1.136

   An entity may manage capital in a number of ways and be subject to a number of different capital requirements. When an aggregate disclosure of capital requirements and how capital is managed would not provide useful information or distorts a financial statement user's understanding of an entity's capital resources, the entity should disclose separate information for each capital requirements to which the entity is subject.

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Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

39 Financial Instruments

39.1 Accounting classifications of financial assets and financial liabilities

The carrying amounts of financial assets and financial liabilities in each category are as follows:

	Note	Available-for-sales	Held for trading (FVTPL)	Held-to-maturity	Loans and receivables	Total	
		(Carried at fair value)		(Carried at amortised cost)			
		$	$	$	$	$	
The Group							
31 December 2017							
Financial assets							
Available-for-sales investments	9.1						
- Equity securities [(a)]		465,000	-	-	-	465,000	
- Debt securities		296,100	-	-	-	296,100	
Held-to-maturity investments	9.2	-	-	810,000	-	810,000	FRS 107.8.b
Held for trading equity						-	
securities	9.3	-	197,500	-	-	197,500	FRS 107.8.a.ii
Trade and other receivables[(b)]	14	-	-	-	34,029,820	34,029,820	FRS 107.8.c
Cash and cash equivalents	15	-	-	-	10,149,185	10,149,185	FRS 107.8.c
		761,100	197,500	810,000	44,179,005	45,947,605	
						-	

	Note	Other liabilities at FVTPL	Other liabilities (carried at amortised cc	Total	
		$	$	$	
Financial liabilities					
Bank loans	20	-	12,424,444	12,424,444	FRS 107.8.f
Secured bonds	20	-	23,096,250	23,096,250	FRS 107.8.f
Other bank borrowings	20	-	2,599,451	2,599,451	FRS 107.8.f
Redeemable preference shares	21	-	5,000,000	5,000,000	FRS 107.8.f
Trade and other payables	22	-	31,308,972	31,308,972	FRS 107.8.f
Contingent consideration	22	600,000	-	600,000	FRS 107.8.e.ii
		600,000	74,429,117	75,029,117	

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

39 Financial Instruments (Cont'd)

39.1 Accounting classifications of financial assets and financial liabilities (Cont'd)

The carrying amounts of financial assets and financial liabilities in each category are as follows:

	Note	Available-for-sales	Held for trading (FVTPL)	Held-to-maturity	Loans and receivables	Total	
		(Carried at fair value)		(Carried at amortised cost)			
		$	$	$	$	$	
The Group							
31 December 2016							
Financial assets							
Available-for-sales investments	9.1						FRS 107.8.d
- Equity securities [(a)]		**453,200**	**-**	**-**	**-**	**453,200**	
- Debt securities		**-**	**-**	**-**	**-**	**-**	
Held-to-maturity investments	9.2	**-**	**-**	**100,000**	**-**	**100,000**	FRS 107.8.b
Held for trading equity securities	9.3	**-**	**108,000**	**-**	**-**	**108,000**	FRS 107.8.a.ii
Trade and other receivables[(b)]	14	**-**	**-**	**-**	**48,030,377**	**48,030,377**	FRS 107.8.c
Cash and cash equivalents	15	**-**	**-**	**-**	**35,293,076**	**35,293,076**	FRS 107.8.c
		453,200	**108,000**	**100,000**	**83,323,453**	**83,984,653**	

	Note	Other liabilities at FVTPL	Other liabilities (carried at amortised cost)	Total	
		$	$	$	
Financial liabilities					
Bank loans	20.2	**-**	**12,430,000**	**12,430,000**	FRS 107.8.f
Secured bonds	20.3	**-**	**22,453,750**	**22,453,750**	FRS 107.8.f
Other bank borrowings	20.4	**-**	**2,649,036**	**2,649,036**	FRS 107.8.f
Redeemable preference shares	21	**-**	**5,000,000**	**5,000,000**	FRS 107.8.f
Trade and other payables	22	**-**	**29,812,991**	**29,812,991**	FRS 107.8.f
		-	**72,345,777**	**72,345,777**	

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

39 Financial Instruments (Cont'd)

39.1 Accounting classifications of financial assets and financial liabilities (Cont'd)

The carrying amounts of financial assets and financial liabilities in each category are as follows:

	Note	Available-for-sale	Held for trading (FVTPL)	Held-to-maturity	Loans and receivables	Total	
		(Carried at fair value)		(Carried at amortised cost)			
		$	$	$	$	$	
The Company							
31 December 2017							
Financial assets							
Available-for-sales investments	9.1						FRS 107.8.d
- Equity securities [(a)]		**438,100**	**-**	**-**	**-**	**438,100**	
- Debt securities		**323,000**	**-**	**-**	**-**	**323,000**	
Held-to-maturity investments	9.2	**-**	**-**	**810,000**	**-**	**810,000**	FRS 107.8.b
Held for trading equity securities	9.3	**-**	**197,500**	**-**	**-**	**197,500**	FRS 107.8.a.ii
Trade and other receivables [(b)]	14	**-**	**-**	**-**	**34,991,285**	**34,991,285**	FRS 107.8.c
Cash and cash equivalents	15	**-**	**-**	**-**	**8,924,853**	**8,924,853**	FRS 107.8.c
		761,100	**197,500**	**810,000**	**43,916,138**	**45,684,738**	

	Note	Other liabilities at FVTPL	Other liabilities (carried at amortised cost)	Total	
		$	$	$	
Financial liabilities					
Secured bonds	20.3	-	23,096,250	23,096,250	FRS 107.8.f
Other bank borrowings	20.4	-	1,273,222	1,273,222	FRS 107.8.f
Redeemable preference shares	21	-	5,000,000	5,000,000	FRS 107.8.f
Trade and other payables	22	-	31,215,233	31,215,233	FRS 107.8.f
		-	60,584,705	60,584,705	

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

39 Financial Instruments (Cont'd)

39.1 Accounting classifications of financial assets and financial liabilities (Cont'd)

The carrying amounts of financial assets and financial liabilities in each category are as follows:

	Note	Available-for-sale	Held for trading (FVTPL)	Held-to-maturity	Loans and receivables	Total	
		(Carried at fair value)		Carried at amortised cost			
		$	$	$	$	$	
The Company							
31 December 2015							
Financial assets							
Available-for-sales investments	9.1						FRS 107.8.d
- Equity securities [a]		189,200	-	-	-	189,200	
- Debt securities		264,000	-	-	-	264,000	
Held-to-maturity investments	9.2	-	-	100,000	-	100,000	FRS 107.8.b
Held for trading equity						-	
securities	9.3	-	108,000	-	-	108,000	FRS 107.8.a.ii
Trade and other receivables[b]	14	-	-	-	46,302,757	46,302,757	FRS 107.8.c
Cash and cash equivalents	15	-	-	-	34,975,540	34,975,540	FRS 107.8.c
		453,200	108,000	100,000	81,278,297	81,939,497	
						-	

	Note	Other liabilities at FVTPL	Other liabilities (carried at amortised co:	Total	
		$	$	$	
Financial liabilities					
Secured bonds	20.3	-	22,453,750	22,453,750	FRS 107.8.f
Other bank borrowings	20.4	-	1,082,888	1,082,888	FRS 107.8.f
Redeemable preference shares	21	-	5,000,000	5,000,000	FRS 107.8.f
Trade and other payables	22	-	28,917,006	28,917,006	FRS 107.8.f
		-	57,453,644	57,453,644	

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

39 Financial Instruments (Cont'd)

39.2 Financial assets and financial liabilities subject to offsetting and enforceable master netting arrangements

Receivables subject to offsetting arrangements

The Group regularly purchases electronic raw materials from and sells electronic products to Grant Pte Ltd. Both parties have an arrangement to settle the net amount due to or from each other on a 30-days term basis.

The Group's trade receivables and trade payables that are off-set are as follows:

FRS 107.13C.a
FRS 107.13C.b
FRS 107.13C.c

	Note	Gross carrying amounts $	Gross amounts offset in the statement of financial position $	Net amounts in the statement of financial position $
The Group				
31 December 2017				
Description				
Trade receivables	14	**1,423,050**	**(798,000)**	**625,050**
Trade payables	22	**-**	**(798,000)**	**(798,000)**
31 December 2016				
Description				
Trade receivables	14	1,213,000	(545,000)	668,000
Trade payables	22	-	(545,000)	(545,000)

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Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

39 Financial Instruments (Cont'd)

39.2 Financial assets and financial liabilities subject to offsetting and enforceable master netting arrangements (Con't)

Receivables subject to an enforceable master netting arrangement that are not otherwise set-off

The Group regularly purchases electronic raw materials from and sell electronic products to ABC Pte Ltd. Both parties do not have an arrangement to settle the amount due to or from each other on a net basis but have the right to set off in the case of default and insolvency or bankruptcy.

The Group's trade receivables and trade payables subject to an enforceable master netting arrangement that are not otherwise set-off are as follows:

FRS 107.13C.d.i
FRS 107.13C.e

	Note	Gross carrying amounts	Related amounts not set off in the statement of financial position	Net amounts
		$	$	$
The Group				
31 December 2017				
Description				
Trade receivables	14	**322,000**	**(115,000)**	**207,000**
Trade payables	22	**115,000**	**(115,000)**	**-**
31 December 2016				
Description				
Trade receivables	14	425,000	(215,200)	209,800
Trade payables	22	215,200	(215,200)	-

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Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

40 Fair value measurement

Definition of fair value FRS 113.9

FRSs define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

40.1 Fair value measurement of financial instruments

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: unobservable inputs for the asset or liability

The following table shows the Levels within the hierarchy of financial assets and liabilities measured at fair value on a recurring basis at 31 December 2017 and 31 December 2017:

	Level 1	Level 2	Level 3	Total
	$	$	$	$
The Company and The Group				
31 December 2017				
Financial assets				
Available-for-sales financial assets				
- Equity investments	**385,000**	**-**	**-**	**385,000**
- Convertible bonds	**-**	**296,100**	**-**	**296,100**
Financial assets at fair value through profit or loss	**197,500**	**-**	**-**	**197,500**
Total assets	**582,500**	**296,100**	**-**	**878,600**
Financial liability				
Contingent consideraton	**-**	**-**	**(600,000)**	**(600,000)**
Net fair value	**582,500**	**296,100**	**(600,000)**	**278,600**

FRS 113.93.a-b

FRS 113.94

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

40 Fair value measurement (Cont'd)

40.1 Fair value measurement of financial instruments (Cont'd)

	Level 1	Level 2	Level 3	Total
	$	$	$	$
The Company and The Group				
31 December 2016				
Financial assets				
Available-for-sales financial assets				
- Equity investments	373,200	-	-	373,20
- Convertible bonds	-	-	-	-
Financial assets at fair value through profit or loss	108,000	-	-	108,00
Total assets	481,200	-	-	481,20

The fair value of financial instruments traded in active markets (such as available-for-sales equity investments) is based on quoted market prices at the end of reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

There were no transfers between Level 1 and Level 2 in 2017 or 2016. FRS 113.93.c

Measurement of fair value of financial instruments FRS 113.93.d

FRS 113.93.g

The Group's finance team performs valuations of financial items for financial reporting purposes, including Level 3 fair values, in consultation with third party valuation specialist for complex valuations. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximizing the use of market-based information. The finance team reports directly to the chief financial officer (CFO) and to the audit committee. Valuation processes and fair value changes are discussed among the audit committee and the valuation team at lease every year, in line with the Group's reporting dates.

The valuation techniques used for instruments categorized in Levels 2 and 3 are described below:

Convertible bonds – available-for-sales (Level 2)

The fair values of the convertible bonds are estimated using a discounted cash flow approach, which discounts the contractual cash flows using discount rates derived from observable market interest rates of similar bonds with similar risk. The interest rate used for this calculation is 3.9%.

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

40 Fair value measurement (Cont'd)

40.1 Fair value measurement of financial instruments (Cont'd)

FRS 113.93.d

FRS 113.93.h

Contingent consideration (Level 3)

The fair values of contingent consideration related to the acquisition of FKT International Pte Ltd ("GIPL") (see Note 7) is estimated using a present value technique. The $600,000 fair value is estimated by probability-weighting the estimated future cash outflows, adjusting for risk and discounting at 4.4%. The probability-weighted cash outflows before discounting are $635,000 and reflect the management's estimate of a 50% probability that the contract's target level will be achieved. The discount rate used is 4.4%, based on the Group's estimated incremental borrowing rate for unsecured liabilities at the reporting date, and therefore reflects the Group's credit position. The effects on the fair value of risk and uncertainty in the future cash flows are dealt with by adjusting the estimated cash flows rather than adjusting the discount rate.

The following table provides information about the sensitivity of the fair value measurement to changes in the most significant inputs:

Significant unobservable input	**Estimate of the input**	**Sensitivity of the fair value measurement to input**
Probability of meeting target	50%	An increase to 60% (decrease to 40%) would increase (decrease) fair value by $125,000

Level 3 fair value measurements

The reconciliation of the carrying amounts of financial instruments classified within Level 3 is as follows:

	Contingent consideration		
	2017	2016	
	$	$	
Balance at 1 January	-	-	FRS 113.93.e
Acquisition through business combination	(580,000)	-	FRS 113.93.e.iii
Total unrealized gains and loses recognised in profit or loss	-	-	FRS 113.93.e.i
Finance costs	(20,000)	-	FRS 113.93.f
Balance at 31 December	(600,000)	-	

Financial instruments measured at amortised cost for which the fair value is disclosed.

FRS 113.97

See Notes 9.2 and 20.2.

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

40 Fair value measurement (Cont'd)

40.2 Fair value measurement of non-financial assets (Cont'd)

The following table shows the Levels within the hierarchy of non-financial assets measured at fair value on a recurring basis at 31 December 2017.

FRS 113.93.a-b

	Level 1	Level 2	Level 3	Total
	$	$	$	$
The Group				
31 December 2017				
Investment properties:				
- Residential	**4,860,430**	**-**	**-**	**4,860,430**
- Commercial - Hotel	**-**	**-**	**10,924,600**	**10,924,600**
- Commercial - Offices	**-**	**-**	**12,835,579**	**12,835,579**
- Commercial - GIPL	**-**	**-**	**1,000,000**	**1,000,000**
	4,860,430	**-**	**24,760,179**	**29,620,609**
31 December 2016				
Investment properties:				
- Residential	4,880,430		-	4,880,430
- Commercial - Hotel	-	-	10,789,480	10,789,480
- Commercial - Offices	-	-	3,601,539	3,601,539
- Commercial - GIPL	-	-	-	-
	4,880,430	-	14,391,019	19,271,449
The Company				
31 December 2017				
Investment property:				
- Residential	**4,860,430**	**-**	**-**	**4,860,430**
31 December 2016				
Investment property:				
- Residential	4,880,430	-	-	4,880,430

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

40 Fair value measurement (Cont'd)

40.2 Fair value measurement of non-financial assets (Cont'd)

Measurement of fair value of non-financial assets

Fair value of the Group's main property assets is estimated based on appraisals performed by independent, professionally-qualified property valuers. The significant inputs and assumptions are developed in close consultation with management. The valuation processes and fair value changes are reviewed by the board of directors and audit committee at each reporting date. FRS 113.93.d FRS 40.75.e

Further information is set out below:

Investment properties – Residential (Level 1)

Residential investment properties are carried at fair value at the end of reporting period as determined by independent professional valuers. Valuations are made annually based on the properties' highest-and-best-use using the Direct Market Comparison Method that considers sales of similar properties that have been transacted in the open market. The most significant input into this valuation approach is selling price per square metre.

Investment properties – Commercial hotel (Level 3)

The appraisal was carried out using a market approach that reflects observed prices for recent market transactions for similar properties and incorporate adjustments for factors specific to the land in question, including plot size, location, encumbrances and current use. FRS 113.93.d FRS 113.93.g FRS 16.77.a

In 2017, a negative adjustment of 7.5% was incorporated for these factors. The properties were revalued on 23 November 2017. The properties were previously revalued in November 2012. FRS 16.77.b

The significant unobservable input is the adjustment for factors specific to the land in question. The extent and direction of this adjustment depends on the number and characteristics of the observable market transactions in similar properties that are used as the starting point for valuation. Although this input is a subjective judgement, management considers that the overall valuation would not be materially affected by reasonably possible alternative assumptions. FRS 113.93.h

Investment properties – Commercial offices (Level 3)

The fair values of the offices are estimated using an income approach which capitalizes the estimated rental income stream, net of projected operating costs, using a discount rate derived from market yields implied by recent transactions in similar properties. When actual rent differs materially from the estimated rents, adjustments have been made to the estimated rental value. The estimated rental stream takes into account current occupancy level, estimates of future vacancy levels, the terms of in-place leases and expectations for rentals from future leases over the remaining economic life of the buildings. The office buildings are revalued annually on 31 December. FRS 113.93.d

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

40 Fair value measurement (Cont'd)

40.2 Fair value measurement of non-financial assets (Cont'd)

Investment properties – Commercial offices (Level 3) (Cont'd)

The most significant inputs, all of which are unobservable, are the estimated rental value, assumptions about vacancy levels and the discount rate. The estimated fair value increases if the estimated rental increases, vacancy levels decline or if discount rate (market yields) decline. The overall valuations are sensitive to all three assumptions. Management considers the range of reasonably possible alternative assumptions is greatest for rental values and vacancy levels and that there is also an interrelationship between these inputs.

FRS 113.93.h

The inputs used in the valuations at 31 December 2017 were:

	Office A	**Office B**
Rental value	$65/sq m	$108/sq m
Vacancy level	11%	9%
Discount rate (market yield)	3.70%	4.40%

Investment properties – Commercial offices GIPL Level 3)

An investment property with a fair value of **$1,000,000** recognised upon the acquisition of GIPL (see Note 7) in December 2017 was not revalued at the reporting date. Management determined that the effect of changes in fair values between the acquisition and reporting date is immaterial.

Level 3 fair value measurements

The reconciliation of the carrying amounts of non-financial assets classified within Level 3 is as follows:

	Investment Properties	
	Commercial Offices	**Commercial Hotel**
The Group		
Balance at 1 January 2017	3,601,539	10,789,480
Acquisition during the year	9,137,164	-
Acquisition in business combination	1,000,000	-
Total amount included in profit or loss for unrealised gain on Level 3 assets		
- increase in fair value of investment property	96,876	135,120
Balance at 31 December 2017	**13,835,579**	**10,924,600**
Balance at 1 January 2016	8,904,223	10,789,480
Subsidiary disposed of	(5,322,684)	-
Increase in fair value of investment property	20,000	-
Balance at 31 December 2016	3,601,539	10,789,480

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

40 Fair value measurement (Cont'd)

40.2 Fair value measurement of non-financial assets (Cont'd)

Notes:

Fair value of financial assets and liabilities

- FRS 107.25 requires the fair value of each class of financial assets and liabilities to be disclosed in a way that permits it to be compared with its carrying amount. However, disclosures of fair value are not required. FRS 107.25, 29
  - When the carrying amount is a reasonable approximation of fair value (e.g. short-term trade and other receivables and payables and long-term loans that are re-priced to market rate);
  - For an investment in equity instruments that do not have a quoted market price in an active market, or derivatives linked to such equity instruments, that is measured at cost in accordance with FRS 39 because its fair value cannot be measured reliably; or
  - For a contract containing a discretionary participation feature (as described in FRS 104) if the fair value of that feature cannot be measured reliably.

  In this illustration, in addition to the above exemptions, the comparison between carrying amount and fair value of financial assets or liabilities that are carried at fair value (e.g. held for trading investments and derivatives) has not been disclosed as these assets are carried at fair value.

Financial instruments whose fair value cannot be reliably measured

- FRS 107 requires the disclosure of fair value information for financial instruments whose fair value cannot be reliably measured to include disclosure of whether and how the entity intends to dispose of such financial instruments. FRS 107.20.d FRS 107.30.e

  If financial instruments whose fair value previously could not be reliably measured are derecognised, that fact, their carrying amounts at the time of de-recognition, and the amount of gain or loss recognised shall be disclosed.

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Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

41 Prior year adjustment

In 2017, the Company discovered that, plant and machinery, which were acquired in January 2017, for a cost of $2,500,000, has not been depreciated. The Company's accounting policy is to depreciate the cost of plant and machinery over 5 years on a straight line basis. The correction of error has been accounted for retrospectively in accordance with FRS 8. The effects of the correction of the above error are disclosed below: FRS 8.42

Correction of error	(1,000,000)
Retained profits as at 31 December 2016, as restated	**29,159,283**
Net book value of Property, plant and equipment	
As at 1 January 2016, as previously reported	12,654,294
Correction error	(500,000)
As at 1 January 2016, as restated	**12,154,294**
Net book value of Property, plant and equipment	
As at 31 December 2016, as previously reported	11,443,112
Correction error	(1,000,000)
As at 31 December 2016, as restated	**10,443,112**

The correction of the above error has no material impact on the earnings per share.

Notes:

1. An entity shall correct prior period errors retrospectively by: FRS 8.42
   (a) Restating the comparative amounts for the prior periods presented in which the error occurred; or
   (b) If the error occurred before the earliest prior period presented, restating the opening balance of assets, liabilities and equity for the earliest prior period presented.

2. The following shall be disclosed FRS 8.49.a to d
   (i) Nature of the prior period error;
   (ii) For each prior period presented, to the extent practicable, the amount of the correction for (a) for each financial statement line item affected; and (b) for basic and diluted earnings per share, if FRS 33 is applicable.
   (iii) The amount of the correction at the beginning of the earliest prior period presented; and
   (iv) If retrospective restatement is impracticable, the circumstances that led to the existence of that condition and a description of how and from when the error has been corrected.

Notes to the financial statements
for the financial year ended 31 December 2017 (Cont'd)

42 Events after end of reporting period

FRS 10.21

Subsequent to end of reporting period, the Company acquired the remaining 10% share capital of FKT Properties Sdn. Bhd it did not already own for a consideration of $2,000,000.

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The following appendices do not form part of the illustrative financial statements.

Appendix A
Statement of Profit or Loss and Other Comprehensive Income Presented in a Single Statement

Consolidated statement of profit or loss and other comprehensive income
for the financial year ended 31 December 2017

FRS 1.10.b
FRS 1.99
FRS 1.103
FRS 1 (Guidance)
SGX 1207.5.a

(Classification of expenses by function or cost of sales method)

	Note	Year ended 31 December 2017 $	Year ended 31 December 2016 $	FRS 1.51.c, d, e
Continuing operations				
Revenue	3	**202,648,927**	132,171,093	FRS 1.82.a
Cost of Sales		**(121,996,552)**	(81,167,326)	FRS 2.36, FRS 1.10 FRS 1.99
Gross profit		**80,652,375**	51,003,767	FRS 1.103
Other income	24	**2,639,302**	5,168,824	FRS 1.103
Distribution costs		**(38,234,512)**	(25,913,657)	FRS 1.103
Administrative expenses		**(38,965,974)**	(20,166,977)	FRS 1.103
Other expenses	25	**(317,723)**	-	FRS 1.86.87
Share of associates' results, net of tax		**1,209,580**	981,606	FRS 1.82.c FRS 28.38
Finance costs	26	**(1,903,935)**	(1,731,527)	FRS 1.82.b
Profit from continuing operations before taxation	27	**5,079,113**	9,342,037	
Taxation	28	**(621,652)**	(1,428,828)	FRS 12.77 FRS1.82.d
Profit after taxation from continuing operations		**4,457,461**	7,913,209	FRS 1.82.f
Loss from discontinued operations, net of tax	16	**(3,198,898)**	(1,347,849)	FRS 105.33.a
Total profit for the year		**1,258,563**	6,565,360	FRS 1.82.f
Other comprehensive income after tax:	29			FRS 1.83.a
Items that will not be reclassified subsequently to profit or loss				FRS 1.82.g FRS 1.82A.a
Revaluation gains on land and buildings		**-**	-	
Actuarial gains and losses on defined benefit plans		**-**	-	
Share of other comprehensive income of associates		**-**	-	
			-	
Items that may be reclassified subsequently to profit or loss				FRS 1.82A.b
Availabe-for-sale financial assets				
- Fair value (loss)/gain		**59,000**	53,200	
Net gain on fair value changes of hedging investments entered into				
- reclassification and adjustments for gains included in profit and loss		**-**	-	
Currency translation differences		**368,335**	(83,211)	
Cashflow hedges		**-**	-	
Share of other comprehensive income of associates		**-**	-	FRS 1.82.h
Other comprehensive income/(expenses) for the year, net of tax		**427,335**	(30,011)	
Total comprehensive income for the year		**1,685,898**	**6,535,349**	FRS 1.82.i

Appendix A
Statement of Profit or Loss and Other Comprehensive Income Presented in a Single Statement

Consolidated statement of profit or loss and other comprehensive income
for the financial year ended 31 December 2017 (Cont'd)

FRS 1.10.b
FRS 1.99
FRS 1.103
FRS 1 (Guidance)
SGX 1207.5.a

(Classification of expenses by function or cost of sales method)

	Note	**Year ended 31 December 2017 $**	Year ended 31 December 2016 $	
Profit attributable to:				
Owners of the parent				FRS 1.8.a
- Profit from continuing operations, net of tax		**3,452,763**	6,998,832	FRS 105.33.b
- Loss from discontinued operation, net of tax		**(3,198,898)**	(1,347,849)	FRS 105.33.a
Profit attributable to the parent		**253,865**	5,650,983	
Non-controlling interests				
- Profit from continuing operations, net of tax		**1,004,698**	914,377	
- Loss from discontinued operation, net of tax		**-**	-	
Profit attributable to the non-controlling interests		**1,004,698**	914,377	FRS 1.83.a.i
		1,258,563	**6,565,360**	
Total comprehensive income attributable to:				
Owners of the parent		**681,200**	5,620,972	FRS 105.33.b
Non-controlling interests		**1,004,698**	914,377	FRS 1.83.b.i
		1,685,898	6,535,349	
Earnings/(loss) per share	31	**Cents**	Cents	FRS 33.66
From continuing operations attributable to equity holders of the Company:				
- Basic		**2.91**	6.59	
- Diluted		**2.55**	5.99	
From discontinued of operations attributable to equity holders of the Company				FRS 33.68
- Basic		**(2.69)**	(1.27)	
- Diluted		**(2.51)**	(1.19)	

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The following appendices do not form part of the illustrative financial statements.

Appendix B
Employee Benefits

The 2011 amendments to FRS 19 made a number of changes to the accounting for employee benefits, the most significant relating to defined benefit plans. The amendments:

- eliminate the' corridor method' and require the recognition of remeasurements (including actuarial gains and losses) arising in the reporting period in other comprehensive income.
- change the measurement and presentation of certain components of the defined benefit cost. The net amount in profit or loss is affected by the removal of the expected return on plan assets and interest cost components and their replacement by a net interest expense or income based on the net defined benefit asset or liability.
- enhance disclosures, including more information about the characteristics of defined benefit plans and related risks.

The following is an illustration of disclosures assuming FRS 19 have been adopted for the year ending 31 December 2017:

Under the Group's defined benefit plans, the amount of pension benefit that an employee will receive on retirement is defined by reference to the employee's length of service and final salary. The legal obligation for any benefits remains with the Group, even if plan assets for funding the defined benefit plan have been set aside. Plan assets may include assets specifically designated to a long-term benefit fund as well as qualifying insurance policies.

The liability recognised in the statement of financial position for defined benefit plans is the present value of the defined benefit obligation (DBO) at the reporting date less the fair value of plan assets.

Management estimates the DBO annually with the assistance of independent actuaries. This is based on standard rates of inflation, salary growth rate and mortality. Discount factors are determined close to each year-end by reference to high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Service cost on the net defined benefit liability is included in employee benefits expense. Net interest expense on the net defined benefit liability is included in finance costs.

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Appendix B
Employee Benefits (Cont'd)

Amendments to FRS 19 *Employee Benefits* (cont'd)

FRS 19 has been applied retrospectively in accordance with its transitional provisions. Consequently, the Group has restated its reported results throughout the comparative periods presented and reported the cumulative effect as at 1 January 2017 as an adjustment to opening equity. The effects of the application of FRS 19 on the statements of financial position at 1 January 2017 and 31 December 2017 are:

	Pension and other employee obligations	Deferred tax assets	Equity
	$	$	$
Balance as reported at 1 January 2017	(xxx)	(xxx)	(xxx)
Effect of FRS 19	xxx	xxx	xxx
Restated balance at 1 January 2017	**(xxx)**	**(xxx)**	**(xxx)**

	Pension and other employee obligations	Deferred tax assets	Equity
	$	$	$
Balance as reported at 31 December 2016	(xxx)	(xxx)	(xxx)
Effect of FRS 19			
- brought forward	xxx	xxx	xxx
- total comprehensive income for the year	(xxx)	xxx	(xxx)
Restated balance at 31 December 2016	**(xxx)**	**xxx**	**xxx**

The effects of the application of FRS 19 on the statements of financial position at 31 December 2017 are:

	31 Dec 2017
	$
Decrease in pension and other employee obligations	**xxx**
Increase in deferred tax liability	**(xxx)**
Increase in equity	**xxx**

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Appendix B
Employee Benefits (Cont'd)

Amendments to FRS 19 *Employee Benefits* (cont'd)

The effects of the application of FRS 19 on the statements of comprehensive income for the year ended 31 December 2017 and 31 December 2017 are:

	Year to 31 Dec 2017	Year to 31 Dec 2016 $
Decrease in employee benefits expenses	**xxx**	xxx
Decrease in finance costs	**xxx**	xxx
Decrease in other financial items	**(xxx)**	(xxx)
Decrease in tax expense	**xxx**	xxx
Decrease in profit for the year	**(xxx)**	(xxx)
Decrease in profit for the year attributable to:		
Non-controlling interest	**-**	-
Owner of the parent	**(xxx)**	(xxx)
	(xxx)	(xxx)
Decrease in profit for the year	**(xxx)**	(xxx)
Other comprehensive income:		
Increase/(decrease) in gain on remeasurement of net defined benefit liability	**xxx**	xxx
(Increase)/ decrease in income tax relating to items not reclassified	**(xxx)**	xxx
Increase/(decrease) in other comprehensive income	**xxx**	(xxx)
Increase/(decrease) in total comprehensive income	**xxx**	(xxx)
Increase/(decrease) in total comprehensive income for the year attributable to :		
Non-controlling interest	**-**	-
Owner of the parent	**(xxx)**	(xxx)
	(xxx)	(xxx)

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Appendix B
Employee Benefits (Cont'd)

Amendments to FRS 19 *Employee Benefits* (cont'd)

The application of FRS 19 did not have a material impact on the statement of cash flows and on the earnings per share for the years ended 31 December 2016 and 31 December 2017.

The change in accounting policy has been applied retrospectively. The effects on adoption are as follows:

	The Company			**The Group**		
	31 Dec 2017	31 Dec 2016	1 Jan 2016	**31 Dec 2017**	31 Dec 2016	1 Jan 2016
	$	$		**$**	$	
	Increase/(Decrease)			Increase/(Decrease)		
Deferred tax liabilities	**xxx**	(xxx)	-	**xxx**	(xxx)	-
Retained profits	**(xxx)**	xxx	-	**(xxx)**	xxx	-

	The Company			**The Group**		
	31 Dec 2017	31 Dec 2016		**31 Dec 2017**	31 Dec 2016	
	$	$		**$**	$	
	Increase/(Decrease)			Increase/(Decrease)		
Income tax expense	**xxx**	(xxx)	-	**xxx**	(xxx)	-

	The Group	
	2017	2016
	$	$
	Increase/(Decrease)	
Basic earnings per share (cents)	**xx**	xx
Diluted earnings per share (cents)	**xx**	xx

The Company and The Group FRS 19.120A.b

Post-employment benefit plans

The Company has several non-contributory defined benefit pension plans covering substantially its entire employee. Retirement benefits are based on years of credited service, the highest average compensation (as defined), and the relevant government benefits which vary from plan to plan reflecting applicable local practices and legal requirements.

The Company also offers post-retirement health care and life insurance benefits to all eligible domestic retired employees. Retirees share in the cost of their health care benefits through service-related contributions and salary-related deductibles. Retiree life insurance benefits are non-contributory.

Appendix B
Employee Benefits (Cont'd)

Amendments to FRS 19 *Employee Benefits* (cont'd)

The Company and The Group (Cont'd)

Post-employment benefit plans (Cont'd)

FRS 19.122

The following tables summarise the components of net benefit expense recognised in the profit or loss and the funded status and amounts recognised in the consolidated statement of financial position.

Included in pension plan assets are ordinary shares of Company with a fair value of **$xxx** (2016: $xxx) and an office building occupied by the Company with a fair value of **$xxx** (2016: $xxx).

FRS 19.120A.g.i
FRS19.120A.g.ii
FRS 19.120A.giii
FRS 19.120Ag.v
FRS 19.120A.g.v.i
FRS 19.120.A.g.vii

The principal assumptions used in determining pension and post-retirement benefit obligations for the Company's plans are shown below:

	The Company	
	2017	2016
	%	%
Discount rate		
Domestic plans	**x.x**	x.x
Overseas plans	**x.x**	x.x
Rate of return on assets	**x.x**	x.x
Future compensation increases		
Domestic plans	**x.x**	x.x
Overseas plans	**x.x**	x.x
Future pension increases		
Domestic plans	**x.x**	x.x
Overseas plans	**x.x**	x.x
Health care cost increase rate	**x.x**	x.x
Future changes in maximum government health care benefits	**x.x**	x.x

FRS19.120A.f

FRS 19.120A.f.i
FRS 19.120A.f.ii

FRS 19.120A.n

Appendix B
Employee Benefits (Cont'd)

Amendments to FRS 19 *Employee Benefits* (cont'd)

The Company and The Group (Cont'd)

FRS 19.120A.b

Post-employment benefit plans (Cont'd)

Changes in the fair value of plan assets are as follows:

FRS 19.120A.2

	The Group	
	2017	2016
	$	$
Opening fair value of plan assets		
Expected return	**xxx**	xxx
Actuarial gains	**xxx**	xxx
Contributions by employer	**xxx**	xxx
Exchange difference	**xxx**	xxx
Benefits paid	**(xxx)**	(xxx)
Closing fair value of plan assets	**xxx**	xxx

The fair value of plan assets at the end of reporting period is analysed as follows:

	The Group	
	2017	2016
	$	$
Equity instruments	**xxx**	xxx
Debt instruments	**xxx**	xxx
Property	**xxx**	xxx
Other assets	**xxx**	xxx
	xxx	xxx

The history for the plan for the current and prior years is as follows: FRS 19.120A.p

	The Group	
	2017	2016
	$	$
Present value of defined benefit obligation	**xxx**	xxx
Fair value of plan assets	**(xxx)**	(xxx)
Deficit	**xxx**	xxx
Experience adjustments on plan liabilities	**xxx**	xxx
Experience adjustments on plan assets	**xxx**	xxx

The Group expects to contribute approximately $xxx million (2016: $xxx million) to its defined benefit plan in 2017.

Appendix C
Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities

FRS 110 *Consolidated Financial Statements*, FRS 111 *Joint Arrangements*, FRS 112 *Disclosure of Interests in Other Entities* and the consequential amendments to FRS 27 *Separate Financial Statements* and FRS 28 *Investments in Associates and Joint Ventures* replaces previous accounting requirements for subsidiaries, associates, joint ventures and unconsolidated structured entities. These consolidation suite of standards are effective for annual periods beginning on or after 1 January 2014.

The following is an illustration of disclosures assuming FRS 110, FRS 111, FRS 112 Revised FRS 27 and Revised FRS 28 have been adopted for the year ended 31 December 2017:

Extract of changes in accounting policies and significant accounting policies illustrating accounting policies on adoption of FRS 110, FRS 111, FRS 112, and the consequential amendments to Revised FRS 27 and Revised FRS 28.

2(b) Amendments to standards effective in 2017

(a) Changes in Accounting Policies

FRS 110, FRS 111, FRS 112, Revised FRS 27 and Revised FRS 28

On 1 January 2017, the Group adopted FRS 110, FRS 111, FRS 112 and the consequential amendments to Revised FRS 27 and Revised FRS 28 which are effective for annual periods beginning on or after 1 January 2017.

FRS 110.C1
FRS 111.C1
FRS 112.C1
FRS 27R.18
FRS 28R.45

FRS 27 was amended to address accounting for subsidiaries, jointly controlled entities and associates in separate financial statements.

FRS 110 *Consolidated Financial Statements* and Revised FRS 27 *Separate Financial Statements*

FRS 110 establishes a new control model that applies to all entities including special purpose entities. The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations.

Prior to the adoption of FRS 110, the Group controls an investee when the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities. Upon application of FRS 110, the Group has reassessed its investments in accordance with the new definition of control. As a result of the reassessment, the Group concluded that it has control over FKT Hotel (Pte.) Ltd which was previously accounted for as an associated company.

The Group acquired 51% of ownership interest in FKT Hotel (Pte.) Ltd in 2008 and there was no change in the Group's ownership in FKT Hotel (Pte.) Ltd since then. The remaining 49% of the ordinary shares of FKT Hotel (Pte.) Ltd are owned by thousands of shareholders, which none of the shareholders hold more than 1 per cent of the voting rights individually.

Appendix C
Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities (Cont'd)

2(b) Amendments to standards effective in 2017

(a) Changes in Accounting Policies (Cont'd)

FRS 110, FRS 111, FRS 112, Revised FRS 27 and Revised FRS 28 (cont'd)

FRS 110 *Consolidated Financial Statements* and Revised FRS 27 *Separate Financial Statements* (cont'd)

In assessing whether the Group has control over an investee where the Group holds less than a majority of voting rights, the Group considers factors such as the size of the Group's holding of voting rights relative to the size and dispersion of holdings of other vote holders as well as any additional facts and circumstances that indicate the Group has, or does not have, the current ability to direct the relevant activities of the investee, including the voting patterns at the investee's previous shareholders' meetings.

The change in accounting policy has been applied retrospectively in accordance with the transitional provisions in FRS 110. The assets, liabilities and non-controlling interest in FKT Hotel (Pte.) Ltd are measured as if FKT Hotel (Pte.) Ltd had been consolidated from the date when the Group obtained control in 2008, by applying the requirements of FRS 103 (issued in 2004). The retrospective effects of adoption on the financial statements are as follows:

FRS 8.28(b)
FRS 8.28.d
FRS 110.C4.a

	The Group	
	As at 31 Dec 2017 (Restated) $	As at 1 Jan 2017 (Restated) $
(Decrease)/Increase in:		
Consolidated statement of financial position		
Property, plant and equipment	XXX	XXX
Investment property	XXX	XXX
Trade and other receivables	XXX	XXX
Cash and cash equivalents	XXX	XXX
Trade and other payables	XXX	XXX
Current tax liabilities	XXX	XXX
Provisions	XXX	XXX
Loans and borrowings	XXX	XXX
Deferred tax liabilities	XXX	XXX
Impact on net assets	**XXX**	XXX
Non-controlling interest	XXX	XXX
Other reserves	XXX	XXX
Impact on equity	**XXX**	XXX

Appendix C
Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities (Cont'd)

2(b) Amendments to standards effective in 2017

(a) Changes in Accounting Policies (Cont'd)

FRS 110, FRS 111, FRS 112, Revised FRS 27 and Revised FRS 28 (cont'd)

FRS 110 *Consolidated Financial Statements* and Revised FRS 27 *Separate Financial Statements* (cont'd)

	The Group 2017 (Restated) $
Increase/(decrease) in:	
Consolidated statement of comprehensive income	
Revenue	**XXX**
Cost of sales	**(XXX)**
Interest income	**XXX**
Other income	**XXX**
Marketing and distribution	**XXX**
Administrative expenses	**XXX**
Share of reuslts of associates	**(XXX)**
Finance costs	**(XXX)**
Income tax expenses	**(XXX)**
Profit for the year	**XXX**
Non-controlling interest	**XXX**
Other reserves	**XXX**
Impact on equity	**XXX**
Profit for the year attributable to:	
Owners of the Company	**XXX**
Non-controlling interests	**XXX**
	XXX
Basic earnings per share (cents)	**XXX**
Diluted earnings per share (cents)	**XXX**

Appendix C
Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities (Cont'd)

2(b) Amendments to standards effective in 2017

(a) Changes in Accounting Policies (Cont'd)

FRS 110, FRS 111, FRS 112, Revised FRS 27 and Revised FRS 28 (cont'd)

FRS 110 *Consolidated Financial Statements* and Revised FRS 27 *Separate Financial Statements* (cont'd)

	The Group 2017 (Restated) $
Increase/(decrease) in:	
Consolidated statement of comprehensive income	
Revenue	XXX
Cost of sales	(XXX)
Interest income	XXX
Items that will not be reclassified subsequently to profit or loss:	
Net surplus on revaluation of freehold land and buildings	XXX
Share of other comprehensive income of associats	XXX
Income tax relating to components of other comprehensive incoı	XXX
Items that may be reclassified subsequently to profit or loss:	
Foreign currency translation	XXX
Share of other comprehensive income of associates	(XXX)
Income tax relating to components of other comprehensive incoı	XXX
Other comprehensive income for the year, net of tax	**XXX**
Total comprehensive income for the year	**XXX**
Total comprehsnive income for the year attributable to	
Owners of the Company	XXX
Non-controlling interests	XXX

Appendix C
Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities (Cont'd)

2(b) Amendments to standards effective in 2017

(a) Changes in Accounting Policies (Cont'd)

FRS 110, FRS 111, FRS 112, Revised FRS 27 and Revised FRS 28 (cont'd)

FRS 110 *Consolidated Financial Statements* and Revised FRS 27 *Separate Financial Statements* (cont'd)

The Group has determined that it is impracticable to determine the amount of the adjustment for the current period presented upon adoption of FRS 110.

FRS 111 *Joint Arrangements* and Revised FRS 28 *Investments in Associates and Joint Ventures*

FRS 111 uses the principle of control in FRS 110 to define joint control and removes the option to account for joint ventures using proportionate consolidation. Accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the parties a right to the underlying assets and obligations is accounted for by recognizing the share of those assets and obligations. Joint ventures that give the parties a right to the net assets is accounted for using the equity method. The revised FRS 28 was amended to describe the application of equity method to investments in joint ventures in addition to associates.

The adoption of FRS 111 has resulted in the Group having to revise its method of accounting for its joint arrangement. Investment in jointly controlled entity had been previously consolidated proportionately. Under FRS 111, this arrangement is classified as joint venture to be equity accounted.

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Appendix C
Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities (Cont'd)

2(b) Amendments to standards effective in 2017

(a) Changes in Accounting Policies (Cont'd)

FRS 110, FRS 111, FRS 112, Revised FRS 27 and Revised FRS 28 (cont'd)

FRS 111 *Joint Arrangements* and Revised FRS 28 *Investments in Associates and Joint Ventures (cont'd)*

FRS 8.28.b
FRS 8.28.d
FRS 111.C2

The change in accounting policy has been applied in accordance with the transitional provision in FRS 111. The initial investment was measured as the aggregate of the carrying amounts of the assets and liabilities that the Group previously proportionately consolidated. The retrospective effects of adoption on the financial statements are as follows:

	The Group	
	As at 31 December 2017 (Restated)	As at 1 Jnuary 2017 (Restated)
	$	$
(Decrease)/Increase in:		
Consolidated statement of financial position		
Investment in associates	**(XXX)**	(XXX)
Property, plant and equipment	**XXX**	XXX
Investment property	**XXX**	XXX
Trade and other receivables	**XXX**	XXX
Cash and cash equivalents	**XXX**	XXX
Trade and other payables	**XXX**	XXX
Current tax liabilities	**XXX**	XXX
Provisions	**XXX**	XXX
Loans and borrowings	**XXX**	XXX
Deferred tax liabilities	**XXX**	XXX
Impact on net assets	**XXX**	XXX
Non-controlling interest	**XXX**	XXX
Other reserves	**XXX**	XXX
Impact on equity	**XXX**	XXX

Appendix C
Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities (Cont'd)

2(b) Amendments to standards effective in 2017

(a) Changes in Accounting Policies (Cont'd)

FRS 110, FRS 111, FRS 112, Revised FRS 27 and Revised FRS 28 (cont'd)

FRS 111 *Joint Arrangements* and Revised FRS 28 *Investments in Associates and Joint Ventures (cont'd)*

	The Group 2017 (Restated) $
(Decrease)/Increase in:	
<u>Consolidated statement of comprehensive income</u>	
Revenue	**(XXX)**
Cost of sales	**(XXX)**
Interest income	**(XXX)**
Other income	**(XXX)**
Marketing and distribution	**(XXX)**
Administrative and distribution	**(XXX)**
Income tax expenses	**(XXX)**
Share of profits of a joint venture	**XXX**

The Group has determined that it is impracticable to determine the amount of the adjustment for the current period presented upon adoption of FRS 111.

Notes:

Changes in Accounting Policies

Potential voting rights

In this illustration, the Group does not have potential voting rights in its investee.
The following is an illustrative change in accounting policy when the Group has potential voting rights in its investee:

"Prior to the adoption of FRS 110, the Group controls an investee when the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities. Upon application of FRS 110, the Group has reassessed its investments in accordance with the new definition of control. As a result of the reassessment, the Group concluded that it does not have control over Halvey Hotel Pte Ltd which was previously accounted for as a subsidiary.

The Group holds 35% of voting rights in Halvey Hotel Pte Ltd. In addition to its equity instruments, the Group also holds debt instruments that are convertible into ordinary shares of Halvey Hotel Pte Ltd at any time for a fixed price. If the debt were converted, the Group would hold 59% of the voting rights of the investee.

In reassessing whether the Group have control over an investee, the Group considers the voting rights and potential voting rights that it holds, as well as the rights and potential voting rights held by others, Potential voting rights are only considered if they are substantive.

Appendix C
Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities (Cont'd)

2(b) Amendments to standards effective in 2017

(a) Changes in Accounting Policies (Cont'd)

FRS 110, FRS 111, FRS 112, Revised FRS 27 and Revised FRS 28 (cont'd)

FRS 111 *Joint Arrangements* and Revised FRS 28 *Investments in Associates and Joint Ventures (cont'd)*

Notes: (Cont'd)

Potential voting rights (cont'd)

Upon adoption of FRS 110, the Group concluded that it does not have power over Halvey Hotel Pte Ltd as the potential voting rights are not substantive as the conversion option is deeply out of the money. Accordingly, the Group accounts for Halvey Hotel Pte Ltd as an associate using the equity method.

The change in accounting policy has been applied retrospectively in accordance with the transitional provisions of FRS 110. The retained interest in Halvey Hotel Pte Ltd is measured at the amount at which it would have been measured if the requirements of FRS 110 had been effective when the Group became involved with Halvey Hotel Pte Ltd. The retrospective effects of the adoption on the financial statements are as follows:

The change in accounting policy has been applied retrospectively in accordance with the transitional provisions of FRS 110. The retained interest in Halvey Hotel Pte Ltd is measured at the amount at which it would have been measured if the requirements of FRS 110 had been effective when the Group became involved with Halvey Hotel Pte Ltd. The retrospective effects of the adoption on the financial statements are as follows:

	The Group	
	As at 31 Dec 2017 (Restated)	As at 1 Jan 2017 (Restated)
	$	$
(Decrease)/Increase in:		
Consolidated statement of financial position		
Investment in associates	**XXX**	XXX
Property, plant and equipment	**(XXX)**	(XXX)
Investment property	**(XXX)**	(XXX)
Trade and other receivables	**(XXX)**	(XXX)
Cash and cash equivalents	**(XXX)**	(XXX)
Trade and other payables	**(XXX)**	(XXX)
Current tax liabilities	**(XXX)**	(XXX)
Provisions	**(XXX)**	(XXX)
Loans and borrowings	**(XXX)**	(XXX)
Deferred tax liabilities	**(XXX)**	(XXX)
Impact on net assets	**(XXX)**	(XXX)

Appendix C
Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities (Cont'd)

2(b) Amendments to standards effective in 2017

(a) Changes in Accounting Policies (Cont'd)

FRS 110, FRS 111, FRS 112, Revised FRS 27 and Revised FRS 28 (cont'd)

FRS 111 *Joint Arrangements* and Revised FRS 28 *Investments in Associates and Joint Ventures (cont'd)*

Notes: (Cont'd)

Potential voting rights (cont'd)

	The Group 2017 (Restated) $
(Decrease)/Increase in:	
Consolidated statement of comprehensive income	
Revenue	XXX
Cost of Sales	(XXX)
Interest income	XXX
Other income	XXX
Marketing and distribution	(XXX)
Administrative expenses	(XXX)
Share of results of associates	XXX
Finance costs	(XXX)
Income tax expenses	(XXX)
Profit for the year	XXX
Profit for the year attributable to:	
Owners of the Company	XXX
Non-controlling interests	XXX
	XXX
Basic earnings per share (cents)	XXX
Diluted earnings per share (cents)	XXX

Appendix C
Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities (Cont'd)

2(b) Amendments to standards effective in 2017

(a) Changes in Accounting Policies (Cont'd)

FRS 110, FRS 111, FRS 112, Revised FRS 27 and Revised FRS 28 (cont'd)

FRS 111 *Joint Arrangements* and Revised FRS 28 *Investments in Associates and Joint Ventures (cont'd)*

Notes: (Cont'd)

Potential voting rights (cont'd)

The Group has determined that it is impracticable to determine the amount of the adjustment for the current period presented upon adoption of FRS 111.

In this illustration, the Group measures the assets, liabilities and non-controlling interests in the investee Halvey Hotel Pte Ltd as if that investee had been consolidated from the date when the Group obtained control of that investee. If measuring the investee's assets, liabilities and non-controlling interests retrospectively is impracticable, the deemed acquisition shall be the beginning of the earliest period for which retrospective application is practicable, which may be the current period. FRS 110.C4.c.i

FRS 110 allows an entry to apply either FRS 103 (2008) or FRS 103 (issued in 2004). In this illustration, the Group applied the requirements of FRS 103 (issued in 2004). Alternatively, the Group may apply FRS 103 (issued in 2008). FRS 110.C4B

In this illustration, the Group measures the retained interest in the investee, Halvey Hotel Pte Ltd at the amount at which it would have been measured if the requirements of FRS 110 had been effective when the Group became involved with that investee. If measurement of the retained interest is impracticable, the Group shall account for the loss of control at the beginning of the earliest period for which application of FRS 110 is practicable, which may be the current period. The Group shall recognise any difference between the previously recognised amounts of the assets, liabilities and non-controlling interest and the carrying amount of the Group's involvement with the investee as an adjustment to equity for the period for the period. FRS 110.C5 FRS 8.28.h

In addition, the Group shall provide comparative information and disclosures of the circumstances that led to the condition that makes retrospective application impracticable and from when the change in accounting policy has been applied.

Appendix C
Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities (Cont'd)

Extracts of Notes to the financial statements illustrating disclosures relating to joint venture

2(d) Significant accounting policies

Investment in Joint Venture

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. FRS 111.4 FRS 111.7

A joint arrangement is classified either as joint operation or joint venture, based on the rights and obligations of the parties to the arrangement. FRS 111.14

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. FRS 111.15, 16 FRS 111.19

The Group reassesses whether the type of joint arrangement in which it is involved has changed when facts and circumstances change.

(a) Joint operations

FRS 111.20

The Group recognises in relation to its interest in a joint operation,

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

FRS 111.21

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the accounting policies applicable to the particular assets, liabilities, revenues and expenses. FRS 111.B34

When the Group enters into transaction involving a sale or contribution of assets with a joint operation in which it is a joint operator, the Group recognises gains and losses resulting from such a transaction only to the extent of the interests held by the other parties to the joint operation. FRS 111.B37

When the Group enters into a transaction involving purchase of assets with a joint operation in which it is a joint operator, the Group does not recognise its share of the gains and losses until it resells those assets to a third party. When such transactions provide evidence of a reduction in the net realisable value of the assets to be purchased or of an impairment loss of those assets, the Group recognises its share of those losses.

Appendix C
Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities (Cont'd)

Extracts of Notes to the financial statements illustrating disclosures relating to joint venture

X. Investment in Joint Venture

(b) Joint ventures

The Group recognises its interest in a joint venture as an investment and accounts for the investment using the equity method. The accounting policy for investment in joint venture is set out above. FRS 112.21.b.i

A. Details of the material joint venture

Details of the Group's material joint venture at the end of the reporting period is as follows:

FRS 112.21.a
FRS 112.21.b.i

Name of joint venture	Principal activity	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by the Group	
			31/12/17	31/12/16
JV Electronics Limited [a]	Manufacture of electronics equipment	Vietnam	**33%**	33%

[a] Audited by member firm of ________________________ in Vietnam. SGX 717

The joint venture is accounted for using the equity method in these consolidated financial statements.

Summarised financial information in respect of the Group's material joint venture is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with FRSs (adjusted by the Group for equity accounting purposes).

FRS 112.21.a.ii
FRS 112.B12
FRS 112.B14

The retrospective effects of adoption on the financial statement are as follows:

JV Electronics Limited
Summarised Balance Sheet

	Year ended	
	31/12/2017	31/12/2016
	$	$
Current assets	**XX**	XX
Non-current assets	**XX**	XX
Current liabilities	**(XX)**	(XX)
Non-current liabilities	**(XX)**	(XX)

Appendix C
Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities (Cont'd)

Extracts of Notes to the financial statements illustrating disclosures relating to joint venture

X. Investment in Joint Venture (Cont'd)

A. Details of the material joint venture (Cont'd)

The above amounts of assets and liabilities include the following:

FRS 112.B.13

	Year ended	
	31/12/2017	31/12/2016
	$	$
Cash and cash equivalents	**XX**	XX
Current financial liabilities (excluding trade and other payables and provisions)	**XX**	XX
Non-current financial liabilities (excluding trade and other payables and provisions)	**XX**	XX

Summarised statement of comprehensive income

FRS 112.21.b.ii
FRS 112.B12

	Year ended	
	31/12/2017	31/12/2016
	$	$
Revenue	**XX**	XX
Profit or loss from continuing operations	**XX**	XX
Post-tax profit/(loss) from discontinued operations	**XX**	XX
Profit/(loss) for the year	**XX**	XX
Other comprehensive income for the year	**XX**	XX
Total comprehensive income for the year	**XX**	XX
Dividends received from the joint venture during the year	**XX**	XX

Appendix C
Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities (Cont'd)

Extracts of Notes to the financial statements illustrating disclosures relating to joint venture

X. Investment in Joint Venture (Cont'd)

A. Details of the material joint venture (Cont'd)

The above profit/(loss) for the year include the following:

FRS 112.B.13

	Year ended	
	31/12/2017	31/12/2016
	$	$
Depreciation and amortisation	**XX**	XX
Interest income	**XX**	XX
Interest expense	**XX**	XX
Income tax expense or income	**XX**	XX

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements.

FRS 112.814.b

	Year ended	
	31/12/2017	31/12/2016
	$	$
Net assets of the joint venture	**XX**	XX
Proportion of the Group's ownership interest in the joint venture	**XX**	XX
Goodwill	**XX**	XX
Other adjustments (please specify)	**XX**	XX
Carrying amount of the Group's interest in the joint venture	**XX**	XX

Appendix C
Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities (Cont'd)

Extracts of Notes to the financial statements illustrating disclosures relating to joint venture

X. Investment in Joint Venture (Cont'd)

A. Details of the material joint venture (Cont'd)

Aggregate information of joint ventures that are not individually material

FRS 112.21.c.i
FRS 112.B16

	Year ended	
	31/12/2017	31/12/2016
	$	$
The Group's share of profit/(loss) from continuing operations	**XX**	XX
The Group's share of post-tax profit/(loss) from discontinued operations	**XX**	XX
The Group's share of other comprehensive income	**XX**	XX
The Group's share of total comprehensive income	**XX**	XX
Total carrying amount	**XX**	XX

B. Significant restrictions

JV Electronics Limited incorporated and operate in Vietnam. As a result of remittance controls in Vietnam, there are specific restrictions of the amount and timing cash dividends that JV Electronics Limited is able to remit out of Vietnam to the Group. JV Electronic Limited is able to remit up to $200,000 of cash dividends per annum out of Vietnam to the Group, subject to approval by Vietnam authorities. FRS 112.22.a

Joint Operation

The Group has a material joint operation, Project XYZ. The Group has a 25 per cent share in the ownership of a property located in Central District, Beijing. The property upon completion will be held for leasing purposes. The Group is entitled to a proportionate share of the rental income received and bears a proportionate share of the outgoings. FRS 112.21.a

Appendix C
Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities (Cont'd)

Extracts of Notes to the financial statements illustrating disclosures relating to joint venture

X. Investment in Joint Venture (Cont'd)

B. Significant restrictions (Cont'd)

Notes:

1. The following disclosures are required for investments in joint operations: FRS 112.21.a

   (a) The name of the joint operation and
   (b) The nature of the entity's relationship with the joint operations, (by, for example, describing the nature of the activities of the joint operation and whether it is strategic to the entity's activities).

   Other disclosures required for joint ventures are not applicable for joint operations.

2. For interests in joint arrangements, an entity shall disclose information that enables users of its financial statements to evaluate: FRS 112.20

   (a) The nature, extent and financials effects of its interests in joint arrangements, including the nature and effects of its contractual relationship with the other investors with joint control of, or significant influence over joint arrangements and
   (b) The nature of, and changes in, the risks associated with its interests in joint ventures.

3. If the joint venture is accounted for using the equity method, the entity shall disclose the fair value of its investment in the joint venture, if there is a quoted market price for the investment. FRS 112.21.b

4. An entity shall disclose the proportion of voting rights held by each joint arrangement if different from the proportion of ownership interests held. FRS 112.21.a

5. An entity shall disclose the principal place of business if different from the country of incorporation of the joint arrangement. FRS 112.21.a.iii

6. In this illustration, the Group has only one investment in joint venture which is material and does not have any immaterial associate that is classified as discontinued operation.

   FRS 112.21.c

   FRS 112.B16

   The following disclosures are required, in aggregate for all individually immaterial joint ventures:
   - the carrying amount of its interests
   - its share of the joint ventures'

     (a) profit or loss from continuing operations
     (b) post-tax profit or loss from discontinued operations
     (c) other comprehensive income
     (d) total comprehensive income

   These disclosures above shall be disclosed separately for the joint ventures.

Appendix C
Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities (Cont'd)

Extracts of Notes to the financial statements illustrating disclosures relating to joint venture

X. Investment in Joint Venture (Cont'd)

B. Significant restrictions (Cont'd)

Notes: (Cont'd)

7. If the Group have stopped recognising its share of losses of its joint venture when applying the equity method, it shall disclose the unrecognised share of losses of the joint venture, both for the reporting period and cumulatively. FRS 112.22.c

8. An entity may present the summarised financial information on the basis of the joint venture's financial statements if: FRS 112.B15

   (a) The entity measures its interest in the joint venture at fair value; and
   (b) The joint venture does not prepare FRS financial statements and preparation on that basis would be impracticable or cause undue cost.

   In that case, the entity shall disclose the basis on which the summarised financial information has been prepared.

9. When an entity's interest in a joint venture (or a portion of its interest in a joint venture is classified as held for sale in accordance with FRS 105 Non-current Assets Held for Sale and Discontinued Operations, the entity is not required to disclose the summarised financial information joint venture. FRS 112.B17

10. An entity shall also disclose the nature and extent of any significant restrictions (e.g. resulting from borrowing arrangements, regulatory requirements or contractual arrangements between investors with joint control of) on the ability of joint ventures to transfer funds to the entity in the form of cash dividends, or to repay loans and advances. FRS 112.22.a

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Appendix C
Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities (Cont'd)

Extracts of Notes to the financial statements illustrating disclosures relating to joint venture

X. Investment in Joint Venture (Cont'd)

C. Commitments for expenditure

The Group's commitments, including its share of commitments made jointly with other joint venturers relating to its joint venture, JV Electronics Limited, is as follows:

FRS 112.23.a
FRS 112.B18

	Year ended	
	31/12/2017	31/12/2016
	$	$
Commitments to contribute funds for the acquisition of property, plant and equipmen	**XX**	XX
Commitments to provide loans	**XX**	XX
Commitments to acquire other venturer's ownership interest when a particular event occurs or does not occur in the future (please specify what the particular event is)	**XX**	XX
Others (please specify)	**XX**	XX

Notes:

1. An entity shall disclose total commitments it has made but not recognised at the reporting date (including its share of commitments made jointly with other investors with joint control of a joint venture) relating to its interests in joint ventures. Commitments are those that may give rise to a future outflow of cash or other resources. FRS 112.B18

2. Unrecognised commitments to contribute funding or resources as a result of, for example:

   (a) Unrecognsed commitments to contribute funding or resources as a result of, for example:

   (i) the constitution or acquisition agreements of a joint venture (that, for example, require an entity to contribute funds over a specific period)
   (ii) capital-intensive projects undertaken by a joint venture.
   (iii) unconditional purchase obligations, comprising procurement of equipment, inventory or services that an entity is committed to purchasing from, or on behalf of a joint venture.
   (iv) unrecognised commitments to provide loans or other financial support to a joint venture
   (v) . unrecognised commitments to contribute resources to a joint venture, such as assets or services.
   (vi) Other non-cancellable unrecognised commitments relating to a joint venture

   (b) Unrecognised commitments to acquire another party's ownership interest (or a portion of that ownership interest) in a joint venture of a particular event occur or do not occur in the future.

Appendix C
Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities (Cont'd)

Extracts of Notes to the financial statements illustrating disclosures relating to joint venture

X. Investment in Joint Venture (Cont'd)

D. Contingent liabilities and contingent assets

FRS 112.23.b

Contingent liabilities

	Year ended	
	31/12/2017	31/12/2016
	$	$
Contingent liabilities incurred by the Group arising from its interest in a joint venture	**XX**	XX
Group's share of joint venture's contingent liabilities (please specify the details)	**XX**	XX

(a) A number of contingent liabilities have arisen as a result of the Group's interests in joint ventures. The amount disclosed represents the aggregate amount of such contingent liabilities for which the Group as an investor is liable. The extent to which an outflow of funds will be required is dependent on the future operations of the joint ventures being more or less favourable than currently expected. The Group is not contingently liable for the liabilities of other venturers in its joint ventures.

(b) The amount disclosed represents the Group's share of contingent liabilities of associates. The extent to which an outflow of funds will be required is dependent on the future operations of the associates being more or less favourable than currently expected.

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Appendix C
Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities (Cont'd)

Extracts of Notes to the financial statements illustrating disclosures relating to interests in unconsolidated structured entities

Y. Interests in unconsolidated structured entities

A. Disclosure of the nature of interests in unconsolidated structured entities

The Group has sponsored a number of unconsolidated structures entities to dispose of its interests in collateralised mortgage obligations, collateralized mortgage back securities and credit card receivables. In respect of these entities in which the Group no longer has an interest at the reporting date details of income received and the carrying amounts of financial assets transferred to these entities are as follows: FRS 112.26

The Group has sponsored a number of unconsolidated structured entitles to dispose of its interests in collateralised mortgage obligations, collateralized mortgage back securities and credit card receivables. In respect of these entities in which the Group no longer has an interest at the reporting date details of income received and the carrying amounts of financial assets transferred to these entities are as follows: FRS 112.27.a

Income from unconsolidated structured entities in which no interest is held at 31 December 2017.

FRS 112.27.b
FRS 112.28

	Year ended	
	31/12/2017	31/12/2016
	$	$
Fee income	**XXX**	XXX
Gains on re-measurement of assets transferred to structured entities	**XXX**	XXX
	XXX	XXX
Split by:		
Collateralised debt obligation	**XXX**	-
Commerical mortgage backed securities	**XXX**	XXX
Credit card receivables	-	XXX
	XXX	XXX

Carrying amounts of assets transferred to unconsolidated structured entities in the recording period as at date of transfer:

FRS 112.27.c
FRS 112.28

	Transferred in Year ended	
	31/12/2017	31/12/2016
	$	$
Collateralised debt obligation	**XXX**	XXX
Commerical mortgage backed securities	**XXX**	XXX
Credit card receivables	**XXX**	XXX
	XXX	XXX

Appendix C
Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities (Cont'd)

Extracts of Notes to the financial statements illustrating disclosures relating to interests in unconsolidated structured entities

Y. Interests in unconsolidated structured entities (Cont'd)

A. Disclosure of the nature of interests in unconsolidated structured entities (Cont'd)

The Group has interest in a number of unconsolidated structured entities. These are summarised as follows:

FRS 112.29

	Note	Carrying amount recognised in financial statements of the Group 2017 $	Maximum loss exposure 2016 $	Carrying amount recognised in financial statements of the Group 2017 $	Maximum loss exposure 2016 $
Senior loan notes	(a)	**XXX**	XXX	**XXX**	XXX
Junior loan notes	(b)	**XXX**	XXX	**XXX**	XXX
Interest rate swaps (asset)	(c)	**XXX**	XXX	**XXX**	XXX
Credit default swaps (liability)	(d)	**XXX**	XXX	**XXX**	XXX
Lease receivables	(e)	**XXX**	XXX	**XXX**	XXX

(a) The senior loan notes are included in the balance sheet in the line item "assets available-for-sales (AFS)". The maximum loss exposure represents the fair value at the reporting date.

(b) The junior loans notes are included in the balance sheet in the line of "loans and receivables". The maximum loss exposure represents the amortised cost at the reporting date. The lease receivables included in the balance sheet I the line item "other receivables".

(c) The interest rate swap is included in the balance sheet in the line item "derivative assets" and is measured at fair value through profit or loss. The 10 year swap pays a floating rate of interest which is uncapped and therefore maximum loss exposure is the potentially unlimited and not quantifiable. If SIBOR was to increase by 1,000 basis points for the entire life of the swap, an event which the directors consider is extremely remote, it would cause a loss of $XXX.

(d) The credit default swap is included in the balance sheet in the line item "derivative liabilities" and is measured at fair value through profit or loss. The maximum loss exposure assume the 100% default of all principal and interest payments on the loan portfolio of the structured entity to which the credit default swap has been issued. The probability of this occurring is extremely remote.

(e) The maximum loss exposure represents the carrying amount of the receivable.

Appendix C
Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities (Cont'd)

Extracts of Notes to the financial statements illustrating disclosures relating to interests in unconsolidated structured entities

Y. Interests in unconsolidated structured entities (Cont'd)

A. Disclosure of the nature of interests in unconsolidated structured entities

Notes:

1. A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. FRS 112.B21

   A structured entity often has come or all of the following features or attributes: FRS 112.B22

   a. Restricted activities
   b. Narrow and well-defined objective, such as to effect a tax-efficient lease, carry out research and development activities, provide a source of capital or funding to an entity or provide investment opportunities for investors by passing on risks and rewards associated with the assets of the structured entity to investors.
   c. Insufficient equity to permit the structured entity to finance it activities without subordinated financial support.
   d. Financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks (tranches)

   Examples of entities that are regarded as structured entities include, but are not limited to: FRS 112.B23
   a. securitisation vehicles.
   b. asset-backed financings.
   c. some investment funds.

   An entity that is controlled by voting rights is not a structured entity simply because, for example, it receives funding from third parties following a restructuring. FRS 112.B24

2. An entity shall disclose information that enables users of its financial statements

   FRS 112.24

   a. to understand the nature and extent of its interests in unconsolidated structured entities;
   b. to evaluate the nature of, and changes in, the risks associated with its interests in unconsolidated structured entities.

3. The information required by commentary includes information about an entity's exposure to risk from involvement that it had with unconsolidated structured entities in previous periods (e.g. sponsoring the structured entity), even if the entity no longer has any contractual involvement with the structured entity at the reporting date. FRS 112.25

4. <u>Nature of interests:</u> FRS 112.26

   An entity shall disclose qualitative and quantitative information about its interests in unconsolidated structured entities, including, but not limited to, the nature, purpose, size and activities of the structured entity and how the structured entity is financed.

Appendix C
Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities (Cont'd)

Extracts of Notes to the financial statements illustrating disclosures relating to interests in unconsolidated structured entities

2(d) Significant accounting policies (Cont'd)

Y. Interests in unconsolidated structured entities (Cont'd)

A. Disclosure of the nature of interests in unconsolidated structured entities

Notes: (Cont'd)

5. Examples of additional information that, depending on the circumstances, might be relevant to an assessment of the risks to which an entity is exposed when it has an interest in an unconsolidated structured entity are: FRS 112.26

   a. The terms of an arrangement that could require the entity to provide financial support to an unconsolidated structured entity (e.g. liquidity arrangements or credit rating) triggers associated with obligations to purchase assets of the structured entity or provide financial support including:

      (i) a description of events or circumstances that could expose the reporting entity to a loss.
      (ii) whether there are any terms that would limit the obligation.
      whether there are any other parties that provide financial support and, if so, how the reporting entity's obligation ranks with those of other parties.

   b. losses incurred by the entity during the reporting period relating to its interests in unconsolidated structured entities.

   c. the types of income the entity received during the reporting period from its interest in unconsolidated structured entities.

   d. whether the entity is required to absorb of an unconsolidated structured entity before other parties, the maximum limit of such losses for the entity, and (if relevant) the ranking and any amounts of potential losses borne by parties whose interests rank lower than the entity's interest in the unconsolidated structured entity.

   e. information about any liquidity arrangements, guarantees or other commitments with third parties that may affect the fair value of risk of the entity's interests in unconsolidated structured entities.

   f. any difficulties an unconsolidated structured entity has experienced in financing its activities during the reporting period.

   g. in relation to the funding of an unconsolidated structured entity, the forms of funding (e.g. commercial paper or medium-term notes) and their weighted-average life.. That information might include maturity analysis of the assets and funding of an unconsolidated structured entity if the structured entity has longer-term assets funded by shorter-term funding.

Appendix C
Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities (Cont'd)

Extracts of Notes to the financial statements illustrating disclosures relating to interests in unconsolidated structured entities

2(d) Significant accounting policies (Cont'd)

Y. Interests in unconsolidated structured entities (Cont'd)

B. Provision of financial support – no contractual obligation

During the reporting period the Company provided financial support in the form of assets with a fair value of $**XXX** (2016: $XXX) and credit rating of "AAA" to ABC Pte Ltd., in exchange for assets with an equivalent fair value. There was no contractual obligation to exchange these assets. The transaction was initiated because the assets held by ABC Pte Ltd. has credit rating of less than "AA" and a further ratings downgrade could potentially trigger calls on loan note issued by ABC Pte Ltd. The parent did not suffer a loss on the transaction. FRS 112.30

C. Provision of financial support – contractual obligation

The Company has given a contractual commitment to DEF Pte Ltd., whereby if the assets held as collateral by XX Ltd. for its issued loan notes fall below a credit rating of "AAA" then the parent will substitute assets of an equivalent fair value with an "AAA" rating. The maximum fair value of assets to be substituted is $XXX. The parent is not expecting to suffer a loss on any transaction arising from this commitment but will receive assets with a lower credit rating from those substituted. FRS 112.30

D. Financial Support to an unconsolidated structured entity

FRS 112.31

The Group intends to provide financial support to one unconsolidated structured entity in the form of guarantees on certain lease contracts entered into by the structured entity.

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Appendix C
Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities (Cont'd)

Extracts of Notes to the financial statements illustrating disclosures relating to interests in unconsolidated structured entities

2(d) Significant accounting policies (Cont'd)

Interests in unconsolidated structured entities (Cont'd)

D. Financial Support to an unconsolidated structured entity (cont'd) FRS 112.31

Notes:

1. An entity shall disclose the terms of any contractual arrangements that could require the parent or its subsidiaries to provide financial support to a consolidated structured entity, including events or circumstances that could expose the reporting entity to a loss (e.g. liquidity arrangements or credit rating triggers associated with obligations to purchase assets of the structured entity or provide financial support). FRS 112.14

   If during the reporting period a parent or any of its subsidiaries has, without having a contractual obligation to do so, provided financial or other support to a consolidated structured entity (e.g. purchasing assets of or instruments issued by the structured entity), the entity shall disclose. FRS 112.15

   (a) the type and amount of support provided, including situations in which the parents or its subsidiaries assisted the structured entity in obtaining financial support; and
   (b) the reasons for providing the support.

2. If during the reporting period a parent or any of its subsidiaries has, without having a contractual obligation to do so, provided financial or other support to a previously unconsolidated structured entity and that provision of support resulted in the entity controlling the structured entity, the entity shall disclose an explanation of the relevant factors in reaching that decision. FRS 112.16

3. An entity shall disclose any current intentions to provide financial or other support to a consolidated structured entity, including intentions to assist the structured entity in obtaining financial support. FRS 112.17

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Appendix D
Disclosure of Revenue from contracts with customers

FRS 115 *Revenue from Contracts with Customers* are effective for annual periods beginning on or after 1 January 2018.

On 1 January 2017, the Group has opted for the early adoption of FRS 115 resulting in a change in the revenue recognition policy of the Group in relation to its contracts with customers. The following is an illustration of disclosures assuming FRS 115 has been early adopted for the year ended 31 December 2017:

The Group has presented a third statement of financial position as at the beginning of the preceding period, because the restrospective changes in accounting policy have a material effect on the information in the statement.

FRS *1.10(f), 40A*

Statements of financial position
as at 31 December 2017

FRS 1.10.a
FRS 1.51.a,b, c,d,e
FRS 112.31

In thousands of S$	*Note*	31 December 2017	31 December 2016 Restated	2016 Restated
Assets				
Property, plant and equipment		**XXX**	XXX	XXX
Intangible assets and goodwill		**XXX**	XXX	XXX
Equity-accounted investees		**2,686**	2,028	1,530
Other investments		**XXX**	XXX	XXX
Deferred tax assets		**934**	1,040	898
Contract costs	*2*	**2,296**	**2,398**	**2,184**
Non-current assets		**60,257**	55,654	58,038
Inventories		**4,927**	3,793	5,587
Contract assets	*1*	**721**	**1,681**	**1,573**
Other investments		**XXX**	XXX	XXX
Trade and other receivables		**19,701**	17,946	17,651
Cash and cash equivalents		**XXX**	XXX	XXX
Current assets		**34,963**	31,170	29,490
Total assets		**95,220**	86,824	87,528
Equity				
Share capital		**XXX**	XXX	XXX
Reserves		**XXX**	XXX	XXX
Retained earnings		**23,966**	16,416	10,619
Equity attributable to owners of the Company		**42,963**	34,113	28,316
Non-controlling interests		**1,950**	1,563	1,257
Total equity		**44,913**	35,676	29,573

Appendix D
Disclosure of Revenue from contracts with customers *(Cont'd)*

Statements of financial position
as at 31 December 2017

FRS 1.10.a
FRS 1.51.a,b,c,d,e

In thousands of S$'	*Note*	31 December 2017	31 December 2016 Restated	1 January 2016 Restated
Liabilities				
Provisions		**XXX**	XXX	XXX
Deferred tax liabilities		**2,420**	2,428	2,558
Non-current liabilities		**5,133**	5,447	5,018
Current tax liabilities		**XXX**	XXX	XXX
Loans and borrowings		**XXX**	XXX	XXX
Trade and other payables		**28,866**	26,009	25,669
Contract liabilities	*1*	**5,567**	**5,202**	**5,140**
Employee benefits		**XXX**	XXX	XXX
Provisions		**609**	499	426
Current liabilities		**45,174**	45,701	52,937
Total liabilities		**50,307**	51,148	57,955
Total equity and liabilities		**95,220**	86,824	87,528

The notes on pages XX to XX are an integral part of these consolidated financial statements.

Appendix D
Disclosure of Revenue from contracts with customers *(Cont'd)*

Consolidated Statement of Profit or Loss and Other Comprehensive Income

FRS 1.10.b

FRS 1.51.a,b,c,d,e

For the year ended 31 December 2017

FRS 112.31

In thousands of S$	*Note*	2017	2016 Restated
Revenue	*1*	**116.579**	118.603
Cost of sales		**(69.571)**	(78.153)
Gross profit		**47.008**	40.450
Other income		**XXX**	XXX
Selling and distribution expenses		**(15.562)**	(15.865)
Administrative expenses		**XXX**	XXX
Other expenses		**XXX**	XXX
Operating profit		**10,334**	9,624
Finance income		**2,331**	1,235
Finance costs		**(1,977)**	(125)
Net finance income/(costs)		**354**	(1,110)
Share of profit of equity-accounted investees, net of tax		**641**	531
Profit before tax		**11,329**	9,045
Income tax expense		**(3,392)**	(2,942)
Profit		**7,937**	6,103
Other comprehensive income			
Items that are or may be reclassified to profit or loss			
Foreign operations – foreign currency translation differences		**XXX**	XXX
Equity-accounted investees – share of OCI		**(XXX)**	(XXX)
Available-for-sales financial assets – net change in fair value		**XXX**	XXX
Related tax		**(XXX)**	(XXX)
Other comprehensive income, net of tax		**XXX**	XXX
Total comprehensive income		**XXX**	XXX

The notes on pages XX to XX are an integral part of these consolidated financial statements.

Notes:

1. The effect of financing (interest income or interest expense) is presented separately from revenue from contracts with customers in the statement of comprehensive income and included in 'Finance income' and 'Finance costs', respectively.

FRS 115.65, BC246

Appendix D
Disclosure of Revenue from contracts with customers *(Cont'd)*
Consolidated Statement of Equity
For the year ended 31 December 2017

	Attributable to equity holders of the Company										
	Share capital $	Capital reserve $	Exchange fluctuation reserve $	Share option reserve $	Fair value reserve $	Other reserves $	Retained profits $	Total attributable to equity holders of the parent $	Non-controlling interests $	Total equity $	FRS 1.51.c.d.e
Balance at 1 January 2016 as previously reported	XXX	XXX	(XXX)	XXX	-	-	43,767,800	XXX	XXX	XXX	
Prior year adjustment (Note 41)	-	-	-	-	-	-	(500,000)	(XXX)	-	-	
Balance at 1 January 2016 as restated	**XXX**	**XXX**	**(XXX)**	**XXX**	**-**	**-**	**43,267,800**	**XXX**	**-**	**-**	
Profit for the year	-	-	-	-	-	-	5,650,083	XXX	XXX	XXX	FRS 1.106.d.i
Other comprehensive income for the year	-	-	(XXX)	-	XXX	-	-	XXX	-	-	FRS 1.106.d.ii
Total comprehensive income for the year	**-**	**-**	**(XXX)**	**-**	**XXX**	**-**	**5,650,083**	**XXX**	**-**	**-**	FRS 1.106.a
Value for employee services received for grant of share options	-	-	-	XXX	-	-	-	-	-	-	FRS 102.45.a
2012 final tax-exempt (one-tier) dividend of 2.22 cents per share	-	-	-	-	-	-	(1,776,000)	(1,776,000)	-	(1,776,000)	FRS 1.107
Issue of bonus shares	XXX			-			(14,000,000)				
Issue of ordinary shares	XXX	-	-	-	-	-	-	-	-	-	FRS 1.106.c
Net gain on disposal of an associate transferred to other reserve	-	-	-	-	-	XXX	(3,984,400)	-	-	-	
Transactions with owners	-	-	-	-	-	-	(19,760,400)	(1,776,000)	-	(XXX)	FRS 1.106.d.iii
Balance at 31 December 2017	XXX	XXX	XXX	XXX	XXX	XXX	29,157,483	XXX	-	XXX	

The notes on pages XX to XX are an integral part of these consolidated financial statements.

Appendix D
Disclosure of Revenue from contracts with customers *(Cont'd)*

Consolidated Statement of Equity

FRS 1.10.c

For the year ended 31 December 2017 (Cont'd)

FRS 1.51.a,b,c,d,e

Notes:

1. In this appendix, the Group applies FRS 115 **retrospectively**, using the practical expedient in paragraph C5(c) of FRS 115 in relation to remaining performance obligations. In this publication, it is presumed that the practical expedient in paragraph C 5(a) of FRS 115 has no impact on the financial statements.

FRS 115 C5,
Insights 4.2A.430

2. Below provides an example for the statement of changes in equity when applying the cumulative effect transition method.

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Appendix D
Disclosure of Revenue from contracts with customers *(Cont'd)*

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

FRS 1.10.d

FRS 1.51.a,b,c,d,e

In thousands of S$	*Note*	2017	2016 Restated	
				FRS 1.10(d), 38–38A, 113
Cash flows from operating activities				
Profit		**7,937**	6,103	FRS 7.18(b)
Adjustments for:				
– Net finance (income)/costs		**(354)**	1,110	
– Share of profit of equity-accounted investees, net of tax		**(641)**	(531)	
– Tax expense		**3,392**	2,942	
– […]		**XXX**	XXX	
Changes in:				
– Inventories		**(1,134)**	1,794	
– Contract costs	*2*	**102**	(214)	
– Contract assets	*1*	**960**	(108)	
– Trade and other receivables		**(1,755)**	(295)	
– Trade and other payables		**2,857**	340	
– Provisions and employee benefits		**XXX**	XXX	
– Contract liabilities	*1*	**365**	62	
Cash generated from operating activities		**XXX**	XXX	FRS 7.31-32 FRS 7.35
Interest paid		**XXX**	XXX	FRS 7.10
Taxes paid		**XXX**	XXX	
Net cash from operating activities		**XXX**	XXX	
Cash flows from investing activities				FRS 7.31
Interest received		**713**	635	
[…]		**XXX**	XXX	
Net cash from investing activities		**XXX**	XXX	FRS 7.10
Cash flows from financing activities				
[…]		**XXX**	XXX	
Net cash from financing activities		**XXX**	XXX	FRS 7.28
Net Increase in cash and cash equivalents		**XXX**	XXX	
Cash and cash equivalents at 1 January		**XXX**	XXX	
Effect of movements in exchange rates on cash held		**XXX**	XXX	
Cash and cash equivalents at 31 December		**XXX**	XXX	

The notes *on pages XX to XX are an integral part of these consolidated financial statements*

Appendix D
Disclosure of Revenue from contracts with customers *(Cont'd)*

FRS 1.10.d
FRS 1.51.a,b,c,d,e

Consolidated Statement of Cash Flows

For the year ended 31 December 2017 (Cont'd)

Notes:

1. In this appendix, the Group applies FRS 115 **retrospectively**, using the practical expedient in paragraph C5(c) of FRS 115 in relation to remaining performance obligations.

FRS 115 C5, Insights 4.2A.430

2. Below provides an example for the statement of changes in cash flows, when applying the cumulative effect transition method.

FRS 7.18(b

3. If interest expense is recognised due to a significant financing component in respect of a contract liability and an entity applies the indirect method to present cash flows from operating activities, then the interest is presented as a non-cash transaction in the reconciliation.

   Conversely, if interest income is recognised in respect of a contract asset, then that interest is presented as a cash transaction.

Notes to the Financial Statements

2 (a) Basis of Preparation

Significant judgements in applying accounting policies

FRS 115.123.a

Satisfaction of performance obligations (Note X)

The Group is required to assess each of its contracts with customers to determine where the performance obligations are satisfied over time or at a point in time in order to determine the appropriate method for recognizing revenue. The Group has assessed that based on the contracts entered into with customers and the provisions of relevant laws and regulations, the Group recognises revenue over time in the following circumstances:

(a) Where contracts are entered into for development (sale of properties to customers), the Group does not create with an alternative use to the Group and has an enforeceable right to payment for performance completed to date;

(b) Where contracts are entered into for construction (to construct an asset for the customer), the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; and

Appendix D
Disclosure of Revenue from contracts with customers (Cont'd)

Notes to the Financial Statements
For the financial year ended 31 December 2017 (Cont'd)

2 (a) Basis of Preparation (Cont'd)

Significant judgements in applying accounting policies (Cont'd) FRS 115.123.b

Satisfaction of performance obligations (Note X) (cont'd)

(c) Where contracts are entered into to provide services (property management and facility management), the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

Where the above criteria are not met, revenue is recognised at a point in time. Where revenue is recognised at a point of time, the Group assesses each contract with customers to determine when the performance obligation of the Group under the contract is satisfied.

Determination of transaction prices (Note X)

The Group is required to determine the transaction price in respect of each of its contacts with customers. In making such judgment the Group assesses the impact of any variable consideration in the contract, due to discounts or penalties, the existence of any significant financing component and any non-cash consideration in the contract.

Transfer of control in contracts with customers (Note X)

In cases where the Group determines that performance obligations are satisfied at a point in time, revenue is recognised when control over the assets is transferred to the customer or benefits of the services being provided is received and consumed by the customer. In the case of contracts to sell real estate this is generally when the consideration for the unit has been substantially received and there are no impediments in the handing over the unit to the customer.

FRS 1.125

Critical accounting, estimates and assumptions used in applying accounting policies

Allocation of transaction price to performance obligation in contracts with customers (Note X)

The Group has elected to apply the input method in allocating the transaction price to performance obligations where revenue is recognised over time. The Group considers that the use of the input method, which requires revenue recognition on the basis of the Group's efforts to the satisfaction of performance obligation, provides the best reference of revenue actually earned. In applying the input method, the Group estimates the efforts or inputs to the satisfaction of a performance

Appendix D
Disclosure of Revenue from contracts with customers (Cont'd)

Notes to the Financial Statements
For the financial year ended 31 December 2017 (Cont'd)

2 (a) Basis of Preparation (Cont'd)

Critical accounting, estimates and assumptions used in applying accounting policies (Cont'd)

Allocation of transaction price to performance obligation in contracts with customers (Note X) (Cont'd) FRS 115.5, 7 & 9

obligation. In addition to the cost of meeting contractual obligation to the customers, these estimates mainly include:

(a) For development contracts, the cost of development and related infrastructure;
(b) For construction contracts, the certified works as evaluated by project consultant; and
(c) For services contracts, the time elapsed.

If the revenue on development properties increases/ decreases by 10% from management's estimates, the Group's revenue will increase/ decreases by $XXX (2016: $XXX).

If contract costs to be incurred increase / decreases by 10% from management's estimates, the Group's profit will decrease / increase by $XXX (2016: $ XXX).

FRS 8.28.b
FRS 8.28.d
FRS 115.C3.b

2(b) FRS not yet effective

FRS 115 *Revenue from Contracts with Customers*

FRS 115 *Revenue from Contracts with Customers* establishes a framework for determining when and how to recognise revenue. The objective of the standard is to establish the principles that an entity shall apply to report useful information about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. It established a new 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 to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard replaces FRS 11 *Construction Contracts*, FRS 18 *Revenue*, INT FRS 113 *Customer Loyalty Programmes,* INT FRS 115 *Agreements for Construction of Real Estate*, INT FRS 118 *Transfer of Assets from Customers* and INT FRS 31 *Revenue – Barter Transactions involving Advertising Services*. The new standard applies to contracts with customers. However, it does not apply to insurance contracts, financial instruments or lease contracts, which fall into the scope of other standards.

Appendix D
Disclosure of Revenue from contracts with customers (Cont'd)

Notes to the Financial Statements
For the financial year ended 31 December 2017 (Cont'd)

2(b) FRS not yet effective (Cont'd)

FRS 115 *Revenue from Contracts with Customers* (Cont'd)
The Group has reviewed the impact of FRS 115 on all its business segments and has elected to early adopt FRS 115 with effect from 1 January 2017. The Group has opted for the modified retrospective application permitted by FRS 115 upon adoption of the new standard.

Accordingly, FRS 115 has been applied for the financial year 2017 (i.e. the initial application period). Modified retrospective application also requires the recognition of the cumulative impact of adoption of FRS 115 on all contracts as at 1 January 2017 in equity.

2 (c) Changes in accounting policies
The details of adjustments to opening retained earnings and other account balances as at 1 January 2017 is detailed below:

FRS 8.28(f)(i), FRS 115.C4

		The Group	
	As at 31 December 2017 (Restated)	**Amendments**	As at 1 January 2017
	$		$
(Decrease) / Increase in:			
<u>Consolidated statement of comprehensive income</u>			
Revenue	**XXX**	(XXX)	XXX
Cost of sales	**(XXX)**	XXX	(XXX)
Profit for the year	**XXX**	XXX	XXX
Taxation	**(XXX)**	XXX	(XXX)
Profit after tax	**XXX**	XXX	XXX
(Decrease)/Increase in:			
<u>Consolidated statement of financial position</u>			
Contract costs	**XXX**	**XXX**	XXX
Development properties	**XXX**	**(XXX)**	XXX
Contract assets	**XXX**	**XXX**	XXX
Advance from customers	**(XXX)**	**(XXX)**	(XXX)
Contract liabilities	**(XXX)**	**(XXX)**	(XXX)
Current tax liabilities	**(XXX)**	**(XXX)**	(XXX)
Impact on net assets	**XXX**	**(XXX)**	XXX
Retained earnings	**XXX**	**XXX**	XXX
Impact on equity	**XXX**	**XXX**	XXX

Appendix D
Disclosure of Revenue from contracts with customers (Cont'd)

Notes to the Financial Statements

For the financial year ended 31 December 2017 (Cont'd)

2 (c) Changes in accounting policies (Cont'd)

Notes:

1. In this illustration, the Group applies FRS 115 retrospectively, using the practical expedient in paragraph C5(c) of FRS 115 in relation to remaining performance obligations. In this publication, it is presumed that the practical expedient in paragraph C5 (a) of FRS 115 has no impact on the financial statements. FRS 115.C.2 (a) FRS 1.125

   Below is the example disclosures for the following transition options in FRS 115. The retrospective method using only the practical expedient in paragraph C5 (b) of FRS 115 in relation to completed contracts with variable consideration; and the cumulative effect method – i.e. retrospective application of FRS 115 with the cumulative effect of initially applying FRS 115 recognised as an adjustment to the opening balance of retained earnings of the annual reporting period that includes the date of initial application. The following tables summarise the impacts of adopting FRS 115 on the Group's consolidated financial statements.

   i. Consolidated statement of financial position

FRS 8.28(f)(i), FRS 115.C4

	Impact of changes in accounting policies		
1 January 2017 *In thousands of S$*	**As previously reported**	**Adjustments**	**As restated**
Trade and other payables	(XXX)	(X)	(XXX)
Contract liabilities	-	(XXX)	(XXX)
Deferred revenue	(XXX)	XXX	-
Provisions (current)	(XX)	X	(XXX)
Other	(XXX)	-	(XXX)
Total liabilities	(XXX)	(XXX)	(XXX)
Retained earnings	(XXX)	(XXX)	(XXX)
Non-controlling interests	(XXX)	(XX)	(XXX)
Other	(XXX)	-	(XXX)
Total equity	(XXX)	(XXX)	(XXXX)

Appendix D
Disclosure of Revenue from contracts with customers (Cont'd)

Notes to the Financial Statements
For the financial year ended 31 December 2017 (Cont'd)

2 (c) Changes in accounting policies (Cont'd)

Notes (Cont'd):

ii. Consolidated statement of financial position (Cont'd)

FRS 8.28(f)(i), FRS 115.C4

	Impact of changes in accounting policies		
31 December 2017 *In thousands of S$*	**As previously reported**	**Adjustments**	**As restated**
Equity-accounted investees	XXX	XX	**XXX**
Deferred tax assets	XXX	(XX)	**XXX**
Inventories	XXX	(XXX)	**XX**
Contract costs	-	XXX	**XXX**
Contract assets	-	XXX	**XXX**
Trade and other receivables	XXX	XXX	**XXX**
Other	XXX	-	**XXX**
Total assets	XXX	XXX	**XXX**
Deferred tax liabilities	(XX)	(XXX)	**(XXX)**
Trade and other payables	(XXX)	(X)	**(XX)**
Contract liabilities	-	(XX)	**(XXX)**
Deferred revenue	(XXX)	XXX	**-**
Provisions (current)	(XXX)	X	**(XXX)**
Other	(XXX)	-	**(XXX)**
Total liabilities	(XXX)	(XXX)	**(XXX)**
Retained earnings	(XXX)	(XXX)	**(XXX)**
Non-controlling interests	(XXX)	(XX)	**(XXX)**
Other	(XXX)	-	**(XXX)**
Total equity	(XXX)	(XXX)	**(XXX)**

Appendix D
Disclosure of Revenue from contracts with customers (Cont'd)

Notes to the Financial Statements
For the financial year ended 31 December 2017 (Cont'd)

2 (c) Changes in accounting policies (Cont'd)

Notes (Cont'd):

i. Consolidated statement of profit or loss and OCI

FRS 8.28(f)(i), FRS 115.C4

	Impact of changes in accounting policies		
For the year ended 31 December 2017 *In thousands of S$*	**As previously reported**	**Adjustments**	**As restated**
Revenue	XXX	XXX	
Cost of sales	(XXX)	(XXX)	**(XXX)**
Selling and distribution expenses	(XXX)	XX	**(XXX)**
Finance income	XX	XXX	**XXX**
Share of profit of equity-accounted investees, net of tax	XX	(X)	**XXX**
Income tax expense	(XXX)	(XXX)	**(XX)**
Other	(XXX)	-	**(XXX)**
Profit	XXX	XXX	**XXX**
Total comprehensive income	XXX	XXX	**XXX**

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Appendix D
Disclosure of Revenue from contracts with customers (Cont'd)

Notes to the Financial Statements
For the financial year ended 31 December 2017 (Cont'd)

2 (c) Changes in accounting policies (Cont'd)

FRS 8.28(f)(i), FRS 115.C4

Notes (Cont'd):

Iii Consolidated statement of cash flows

For the year ended 31 December 2017 *In thousands of S$*	**As previously reported**	**Adjustments**	As restated
Profit	XXX	XXX	**XXX**
Adjustments for:			
– Net finance costs	XXX	(XXX)	**XXX**
– Share of profit of equity-accounted investees, net of tax	(XXX)	X	**(XX)**
– Tax expense	XXX	XXX	**XXX**
Changes in:			
– Inventories	XXX	XXX	**XXX**
– Contract costs	-	(XX)	**(XX)**
– Contract assets	-	(XX)	**(XX)**
– Trade and other receivables	(XX)	(XX)	**(XX)**
– Trade and other payables	XX	X	**XXX**
– Provisions and employee benefits	XXX	(X)	**XXX**
– Contract liabilities	-	XX	**XX**
– Deferred revenue	XXX	(XX)	**-**
– Other	XXX	-	**XXX**
Net cash from operating activities	XXX	(XXX)	**XXX**
Interest received	XXX	XXX	**XXX**
Net cash from investing activities	XXX	XXX	**XXX**
[...]	XXX	XXX	**XXX**
Net cash from financing activities	XXX	XXX	**XXX**

Appendix D
Disclosure of Revenue from contracts with customers (Cont'd)

Notes to the Financial Statements

For the financial year ended 31 December 2017 (Cont'd)

2 (c) Changes in accounting policies (Cont'd)

Notes (Cont'd):

iv. As a result of applying the practical expedient in paragraph C5(b) of FRS 115, revenue recognised in relation to returns and related trade receivables and inventories for the period ended 31 December 2017 and as at 1 January 2016 were determined using the transaction prices at the date the contracts were completed, rather than estimating variable consideration amounts in the comparative reporting periods. FRS 115.C6(b)

There is no material impact on the Group's basic or diluted earnings per share for the year ended 31 December 2017. FRS 8.28(f)(ii), FRS 115.C4

v. **Retrospective application with the cumulative effect of initially applying FRS 115** *FRS 115.C7*

Under the cumulative effect method, the comparative information in the statement of financial position is not restated.

Consolidated statement of financial position

For the year ended 31 December 2017 (Cont'd)

In thousands of S$	***Note***	**31 December 2017**	**31 December 2016**
Assets			
Property, plant and equipment		**XXX**	XXX
Intangible assets and goodwill		**XXX**	XXX
Equity-accounted investees		**2,686**	2,011
Other investments		**XXX**	XXX
Deferred tax assets		**934**	1,593
Contract costs	*2*	**2,296**	-
Non-current assets		**60,257**	53,792

Appendix D
Disclosure of Revenue from contracts with customers (Cont'd)

Notes to the Financial Statements
For the financial year ended 31 December 2017 (Cont'd)

2 (c) Changes in accounting policies (Cont'd)

Notes (Cont'd):

v. **Retrospective application with the cumulative effect of initially applying FRS**

Consolidated statement of financial position
For the year ended 31 December 2017 (Cont'd)

In thousands of S$	*Note*	31 December 2017	31 December 2016
Inventories		**4,927**	5,752
Contract assets	1	**721**	-
Other investments		**XXX**	XXX
Trade and other receivables		**19,701**	13,401
Cash and cash equivalents		**XXX**	XXX
Current assets		**34,963**	26,903
Total assets		**95,220**	80,695
Equity			
Share capital		**XXX**	XXX
Reserves		**XXX**	XXX
Retained earnings		**23,966**	11,104
Equity attributable to owners of the Company		**42,963**	28,801
Non-controlling interests		**1,950**	1,498

Appendix D
Disclosure of Revenue from contracts with customers (Cont'd)

Notes to the Financial Statements
For the financial year ended 31 December 2017 (Cont'd)

2 (c) Changes in accounting policies (Cont'd)

Notes (Cont'd):

v. **Retrospective application with the cumulative effect of initially applying FRS 115**

Consolidated statement of financial position
For the year ended 31 December 2017 (Cont'd)

In thousands of S$	***Note***	**31 December 2017**	**31 December 2016**
Total equity		**44,913**	30,299
Liabilities			
Provisions		**XXX**	XXX
Deferred tax liabilities		**2,420**	95
Non-current liabilities		**5,133**	3,114
Current tax liabilities		**XXX**	XXX
Loans and borrowings		**XXX**	XXX
Trade and other payables		**28,866**	26,003
Contract liabilities	*1*	**5,567**	-
Deferred revenue		**-**	6,783
Employee benefits		**XXX**	XXX
Provisions		**609**	505
Current liabilities		**45,174**	47,282
Total liabilities		**50,307**	50,396
Total equity and liabilities		**95,220**	80,695

The notes on pages XX to XX are an integral part of these consolidated financial statements.

Appendix D
Disclosure of Revenue from contracts with customers (Cont'd)

Notes to the Financial Statements

For the financial year ended 31 December 2017 (Cont'd)

2 (c) Changes in accounting policies (Cont'd)

Notes (Cont'd):

Statement of profit or loss and other comprehensive income

For the year ended 31 December 2017

Under the cumulative effect method, the comparative information in the statement of profit or loss and other comprehensive income is not restated.

FRS 115.C7

In thousands of S$	*Note*	2017	2016
Profit			
Revenue	*1*	**116,57**	117,863
Cost of sales		**(69,571)**	(77,476)
Gross profit		**47,008**	40,387
Other income		**XXX**	XXX
Selling and distribution expenses		**(15,562)**	(16,079)
Administrative expenses		**XXX**	XXX
Other expenses		**XXX**	XXX
Finance income		**2,331**	864
Finance costs		**(1,977)**	(2,345)
Net finance income/(costs)		**354**	(1,481)
Share of profit of equity-accounted investees, net of tax		**641**	537
Profit before tax		**11,329**	8,403
Income tax expense		**(3,392)**	(2,715)
Profit		**7,937**	5,688
Other comprehensive income			
Foreign operations – foreign currency translation differences		**XXX**	XXX
Equity-accounted investees – share of OCI		**(XXX)**	(XXX)
Available-for-sales financial assets – net change in fair value		**XXX**	XXX
Related tax		**(XXX)**	(XXX)
Other comprehensive income, net of tax		**XXX**	XXX
Total comprehensive income		**XXX**	XXX

The notes on pages XX to XX are an integral part of these consolidated financial statements.

Appendix D
Disclosure of Revenue from contracts with customers (Cont'd)

Notes to the Financial Statements
For the financial year ended 31 December 2017 (Cont'd)

2 (c) Changes in accounting policies (Cont'd)

Notes (Cont'd):

iii. Consolidated statement of changes in equity

For the year ended 31 December 2017

FRS 115.C7

If an entity elects to apply the cumulative effect method, then it is required to recognise the cumulative effect of initially applying FRS 115 as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) of the annual reporting period that includes the date of initial application. Under this transition method, an entity is required to apply FRS 115 retrospectively only to contracts that are not completed contracts at the date of initial application.

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Appendix D
Disclosure of Revenue from contracts with customers (Cont'd)

Notes to the Financial Statements

For the financial year ended 31 December 2017 (Cont'd)

2 (c) Changes in accounting policies (Cont'd)

FRS 115.C7

FRS 1.51.c.d.e

Consolidated Statement of Equity

For the year ended 31 December 2017 (Cont'd)

FRS 1.106.d.i
FRS 1.106.d.ii

	Attributable to equity holders of the Company										
	Share capital $	Treasury shares $	Capital reserve $	Exchange fluctuation reserve $	Share option reserve $	Fair value reserve $	Other reserves $	Retained profits $	Total attributable to equity holders of the parent $	Non-controlling interests $	Total equity $
Balance at 1 January 2015, as previously repo	70,882,005	-	5,156,250	(100,351)	60,324	53,200	3,984,400	29,153,071	109,188,899	1,253,390	110,442,289
Impact of change in accounting (Note 2)								5,312	5312	65	5377
Balance at 1 January 2017, adjuste	**70,882,005**	**-**	**5,156,250**	**(100,351)**	**60,324**	**53,200**	**3,984,400**	**29,158,383**	**109,194,211**	**1,253,455**	**110,447,666**
Profit for the year	-	-	-	-	-	-	-	253,865	253,865	1,004,698	1,258,563
Other comprehensive income	-	-	-	368,335	-	59,000	-		427,335	-	427,335
Total comprehensive income for the year	-	-	-	368,335	-	59,000	-	253,865	681,200	1,004,698	1,685,898
Purchase of treasury shares	-	(1,418,000)	-	-	-	-	-	-	(1,418,000)	-	(1,418,000)
Issue of ordinary shares	1,994,000	-	-	-	-	-	-	-	1,994,000	-	1,994,000
Issue of shares under share option scheme	43,200	-	-	-	(11,200)	-	-	-	32,000	-	32,000
Value for employee services received for grant of share options	-	-	-	-	16,122	-	-	-	16,122	-	16,122
2013 final tax-exempt (one-tier) dividend of 3.45 cents per share	-	-	-	-	-	-	-	(3,260,000)	(3,260,000)	-	(3,260,000)
2014 interim tax-exempt (one tier) dividend of 0.74 cets											

FRS 32.33
FRS 1.106.c

FRS102.45.a

Appendix D
Disclosure of Revenue from contracts with customers (Cont'd)

Notes to the Financial Statements
For the financial year ended 31 December 2017 (Cont'd)

2 (c) Changes in accounting policies (Cont'd)

Consolidated Statement of Equity

For the year ended 31 December 2017 (Cont'd)

	Attributable to equity holders of the Company										
	Share capital $	Capital reserve $	Exchange fluctuation reserve $	Share option reserve $	Fair value reserve $	Other reserves $	Retained profits $	Total attributable to equity holders of the parent $	Non-controlling interests $	Total equity $	FRS 1.5
Balance at 1 January 2016	**35,000,000**	**5,156,250**	**(17,140)**	**20,157**	**-**	**-**	**43,267,800**	**83,427,067**	**339,078**	**83,766,145**	FRS 1.1
Profit for the year	-	-	-	-	-	-	5,650,083	5,650,983	914,377	6,565,360	
Other comprehensive income for the year	-	-	(83,211)	-	53,200	-	-	(30,011)	-	(30,011)	FRS 1.1
Total comprehensive income for the year	**-**	**-**	**(83,211)**	**-**	**53,200**	**-**	**5,650,083**	**5,620,972**	**914,377**	**6,535,349**	FRS 1.1
Value for employee services received for grant of share options	-	-	-	40,167	-	-	-	40,167	-	40,167	FRS 102
2012 final tax-exempt (one-tier) dividend of 2.22 cents per share	-	-	-	-	-	-	(1,776,000)	(1,776,000)	-	(1,776,000)	
Issue of bonus shares	14,000,000			-			(14,000,000)				FRS 1.1
Issue of ordinary shares	21,882,005	-	-	-	-	-	-	21,882,005	-	21,882,005	
Net gain on disposal of an associate transferred to other reserve	-	-	-	-	-	3,984,400	(3,984,400)	-	-	-	FRS 1.1
Transactions with owners	35,882,005	-	-	40,167	-	3,984,400	(19,760,400)	20,146,172	-	20,146,172	
Balance at 31 December 2016	70,882,005	5,156,250	(100,351)	60,324	53,200	3,984,400	29,157,483	109,194,211	1,253,455	110,447,666	FRS 1.1

The notes on pages XX to XXX are an integral part of these consolidated financial statements

Appendix D
Disclosure of Revenue from contracts with customers (Cont'd)

Notes to the Financial Statements
For the financial year ended 31 December 2017 (Cont'd)

2 (c) Changes in accounting policies (Cont'd)

Notes (Cont'd):

Under the cumulative effect method, the comparative information in the statement of cash flows is not restated.

Consolidated Statement of Cash Flows

In thousands of S$	***Note***	2017	2016
Cash flows from operating activities			
Profit		**7,937**	5,688
Adjustments for:			
– Net finance (income)/costs		**(354)**	1,481
– Share of profit of equity-accounted investees, net of tax		**(641)**	(537)
– Tax expense		**3,392**	2,715
– [...]		**XXX**	XXX
Changes in:			
– Inventories		**(1,134)**	1,117
– Contract costs	X	**102**	-
– Contract assets	3	**960**	-
– Trade and other receivables		**(1,755)**	(312)
– Trade and other payables		**2,857**	339
– Provisions and employee benefits		**XXX**	XXX
– Contract liabilities	3	**365**	-
– Deferred revenue		**-**	1,082
Cash generated from operating activities		**XXX**	XXX
Interest paid		**XXX**	
Taxes paid		**XXX**	X
Net cash from operating activities		**XXX**	XXX

Appendix D
Disclosure of Revenue from contracts with customers (Cont'd)

Notes to the Financial Statements
For the financial year ended 31 December 2017 (Cont'd)

2 (c) Changes in accounting policies (Cont'd)

Notes (Cont'd):

Under the cumulative effect method, the comparative information in the ment of cash flows is not restated.

onsolidated Statement of Cash Flows (Cont'd)

thousands of S$	2017
Cash flows from investing activities	
Interest received	**713**
…]	XXX
Net cash from investing activities	XXX
Cash flows from financing activities	
..]	XXX
Net cash from financing activities	XX
Net December in cash and cash equivalent	**XX**
Cash and cash equivalents at 1 January	**XXX**
Effect of movements in exchange rates on cash held	**XXX**
Cash and cash equivalents	**XX**

The notes on pages XX to XXX are an integral part of these consolidated financial statements

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Appendix D
Disclosure of Revenue from contracts with customers (Cont'd)

Notes to the Financial Statements
For the financial year ended 31 December 2017 (Cont'd)

2 (d) Significant accounting policies (Cont'd)

Revenue from contracts with customers for sale of properties, construction contracts and provision of services

The Group recognises revenue from contracts with customers based on a five step model as set out in FRS 115: FRS 115.31, 4

Step 1: Identify contract(s) with a customer: A contract is defined as an agreement between two or more parties create enforceable rights and obligations and sets out the criteria for every contract that must be met.

Step 2: Identify performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

Step 3: Determine the transaction price: The transaction price is the amount of the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Step 4: Allocate the transaction price to the performance obligations in the contract: For a contract that has more in an amount that depicts the amount of consideration to which the Group expects to entitle in exchange for satisfying each performance obligation.

Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation

The Group satisfies a performance obligation and recognised revenue over time, if one of the following criteria is met:

(a) The Group's performance obligation does not create an asset with an alternate use to the Group and the Group has as an enforceable right to payment for performance completed to date.

(b) The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.

(c) The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

Appendix D
Disclosure of Revenue from contracts with customers (Cont'd)

Notes to the Financial Statements
For the financial year ended 31 December 2017 (Cont'd)

2 (d) Significant accounting policies (Cont'd)

For performance obligations where one of the above conditions are not met, revenue is recognised at the point in time at which the performance obligation is satisfied.

Revenue from contracts with customers for sale of properties, construction contracts and provision of services

.

When the Group satisfies a performance obligation by delivering the promised goods or services it creates a contract based asset on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised this gives rise to a contract liability.

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control over a product or service to a customer .

2 (e) Nature of goods and services

The following is a description of principal activities – separated by reportable segments – from which the Group generates its revenue. For more detailed information about reportable segments. Refer to Note 36. FRS 115.1

(i) **Rental and related income from investment properties**

Rental and related income from investment properties are recognised on a straight-line basis over the lease term. Lease incentives, if any, are recognised as an integral part of total lease income. Penalty payments on early termination, if any, are recognised when incurred. Contingent rents are mainly determined as a percentage of tenant's revenue during the month and/or based on the landlord's traffic movement during the month. These leases are for terms of two or three years with options to review at market rates thereafter.

(ii) **Revenue and profits from sale of development properties**

Revenue and profits from sale of development properties are recognised on the percentage of completion method based on architect's certification of construction work completed in respect of properties sold. Revenue from project management is recognised based on the percentage of completion method over the period taken to complete the project.

Appendix D

Disclosure of Revenue from contracts with customers (Cont'd)

Notes to the Financial Statements
For the financial year ended 31 December 2017 (Cont'd)

2 (e) Nature of goods and services (Cont'd)

FRS 115

(i) Room revenue under the long – term advance booking plan FRS
Room revenue under the long – term advance booking plan is recognised as income on the earlier of actual utilisation of the rooms or on expiry of the owners' annual entitlement and the remaining balance is recorded in the statement of financial position as deferred income**.**

(v) Revenue from hotel and restaurant operations FRS 11
Revenue from hotel and restaurant operations is recognised when services are rendered.

(vi) Dividend income from investments FRS 11
Dividend income from investments is recognised gross when the right to receive the dividend has been established.

(vii) Interest income FRS 1
Interest income is recognised on a time-apportioned basis using the effective interest rate method.

Notes: FRS 115.2
73–74, 79

1. 1. **Nature goods and services**

2. For bundled packages, the following is the illustrative disclosure for nature goods and services:

3. "*For bundled packages, the Group accounts for individual products and services separately if they are distinct – i.e. if a product or service is separately identifiable from other items in the bundled package and if a customer can benefit from it. The consideration is allocated between separate products and services in a bundle based on their stand-alone selling prices. The stand-alone selling prices are determined based on the list prices at which the Group sells the mobile devices, extended warranty and telecommunication services. For items that are not sold separately – e.g. customer loyalty programme – the Group estimates stand-alone selling prices using the adjusted market assessment approach.*"

Appendix D
Disclosure of Revenue from contracts with customers (Cont'd)

Notes to the Financial Statements
For the financial year ended 31 December 2017 (Cont'd)

3 **Revenue**

Contract balances

FRS 115.119

The following table provides information about receivables, contracts assets and contract liabilities from contracts with customers.

FRS 115.116 (a) & (b)

In thousands of S$	**31 December 2017**	**31 December 2016 Restated**	**1 January 2016 Restated**
Receivables, which are included in 'Trade and other receivables'	**XXX**	XXX	XXX
Contract assets	**XXX**	XXX	XXX
Contract liabilities	**(XXX)**	(XXX)	(XXX)

Notes:

1. An entity discloses the opening and closing balances of receivables, contract assets and contract liabilities from contracts with customers if they are not otherwise separately presented or disclosed. FRS 115.116 (a)

2. Although FRS 115 does not require a tabular reconciliation of the aggregated contract balances, it requires that the explanation of significant changes in the contract asset and the contract liability balances during the reporting period include both qualitative and quantitative information. FRS 115.118, BC346 FRS 107.20(e),

3. An entity is required to disclose impairment losses recognised on receivables from contracts with customers, if any exist. Given the requirements of FRS 107 *Financial Instruments: Disclosures*, this publication assumes that this disclosure has been included in the financial instruments note 14. FRS 115.112 and 113(b)

Appendix D
Disclosure of Revenue from contracts with customers (Cont'd)

Notes to the Financial Statements
For the financial year ended 31 December 2017 (Cont'd)

3 **Revenue**

Contract balances

The following table provides information about receivables, contracts assets and contract liabilities from contracts with customers. FRS 115.119

FRS 115.116 (a) & (b)

In thousands of S$	**31 December 2017**	**31 December 2016 Restated**	**1 January 2016 Restated**
Receivables, which are included in 'Trade and other receivables'	**XXX**	XXX	XXX
Contract assets	**XXX**	XXX	XXX
Contract liabilities	**(XXX)**	(XXX)	(XXX)

Notes:

1. An entity discloses the opening and closing balances of receivables, contract assets and contract liabilities from contracts with customers if they are not otherwise separately presented or disclosed. FRS 115.116 (a)

2. Although FRS 115 does not require a tabular reconciliation of the aggregated contract balances, it requires that the explanation of significant changes in the contract asset and the contract liability balances during the reporting period include both qualitative and quantitative information. FRS 115.118, BC346

1. An entity is required to disclose impairment losses recognised on receivables from contracts with customers, if any exist. Given the requirements of FRS 107 *Financial Instruments: Disclosures*, this publication assumes that this disclosure has been included in the financial instruments Note 14. FRS 107.20(e), FRS 115.112 and 113(b)

Appendix D
Disclosure of Revenue from contracts with customers (Cont'd)

Notes to the Financial Statements
For the financial year ended 31 December 2017 (Cont'd)

FRS 115.120

3 Revenue (Cont'd)

Transaction price allocated to the remaining performance obligation

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date. FRS 115.120(b)(i)

In thousands of S$	2018	2019	2020	Total	
Revenue and sale of development properties properties	XXX	XXX	-	XXX	FRS 115.120(b)(i)
Revenue from general construction and interior works	XXX	XXX	-	XXX	FRS 115.120(b)(i)
Room revenue under the long-term advance booking plan	XXX	XXX	XXX	XXX	

All consideration from contracts with customers is included in the amounts presented above. FRS 115.121–122

As of 31 December 2017, the amount allocated to the long-term advance booking plan is **$XXX**. This will be recognised as revenue as the long-term advance booking plan are on the earlier of actual utilisation of the rooms or on expiry of the owners' annual entitlement, which is expected to occur over the next three years. FRS 115.120(b)(ii), IE220–221

The Group applies the practical expedient in paragraph 121 of FRS 115 and does not disclose information about remaining performance obligations that have original expected durations of one year or less. FRS 115.121–122 113(b)

Appendix D
Disclosure of Revenue from contracts with customers (Cont'd)

Notes to the Financial Statements
For the financial year ended 31 December 2017 (Cont'd)

3 **Revenue (Cont'd)**

Notes:

1. FRS 115 does not require the disclosure of information about remaining performance obligations by product and/or service. However, the Group believes that the disaggregated information provided enables users of financial statements to better understand the nature, amount, timing and uncertainty of revenue and cash flows. FRS 115.111

2. FRS 115 requires disclosure based on the time bands that would be most appropriate for the duration of the remaining performance obligations. The Group uses a one-year time band. FRS 115.120(b)(i)

3. As a practical expedient, an entity that applies FRS 115 for the first time need not disclose the amount of the transaction price allocated to the remaining performance obligations for reporting periods presented before the date of initial application. FRS 115.C5(c)

4. FRS 115 requires an entity using the practical expedients in paragraph C5 of FRS 115 to disclose – to the extent reasonably possible – a qualitative assessment of the estimated effect of applying each of those expedients. The Group considers that the practical expedient applied is only relevant to the disclosure of the amount of the transaction price allocated to the remaining performance obligations and therefore does not provide additional qualitative disclosure. e has been included in the financial instruments note 14. FRS 115.C6(b), BC437

Appendix D
Disclosure of Revenue from contracts with customers (Cont'd)

Notes to the Financial Statements

For the financial year ended 31 December 2017 (Cont'd)

X. Contract costs FRS 115. 127(a)

Management expects that incremental commission fees paid to intermediaries as a result of obtaining SATCOM contracts are recoverable. The Group has therefore capitalised them as contract costs in the amount of **$XXX** at 31 December 2017 (2016: $XXX).

FRS 115.99, 127(b), 128(b)

Capitalised commission fees are amortised when the related revenues are recognised. In 2017, the amount of amortisation was **$XXX** (2016: $XXX) and there was no impairment loss in relation to the costs capitalized__

Applying the practical expedient in paragraph 94 of FRS 115, the Group recognises the incremental costs of obtaining contracts as an expense when incurred if the amortisation period of the assets that the Group otherwise would have recognised is one year or less FRS 115.94, 129

36 Operating Segment

The chief executive officer monitors the operating results of its operating segments for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as set out below, is measured differently from operating profit or loss in the consolidated financial statements. FRS 108.27.b

Group financing and income taxes are managed on a group basis and are not allocated to operating segments. FRS 108.27.a

Sales between operating segments are carried out at arm's length.

Appendix D
Disclosure of Revenue from contracts with customers (Cont'd)

Notes to the Financial Statements
For the financial year ended 31 December 2017 (Cont'd)

36 Operating Segment (Cont'd)

FRS 115.114 & 115

The following table illustrates the disaggregation disclosure by primary geographical market, major product line and timing of revenue recognition, including a reconciliation of how the disaggregated revenue ties in with the property development, property investment holding and other operations segments.

	$	$	$	$
Segments	**Property development**	**Property investment holding**	**Other operations**	**Total**
<u>Primary geographical markets</u>				
Singapore	XX	XX	XX	XX
Malaysia	XX	XX	XX	XX
	XX	XX	XX	XX
<u>Major goods / services lines</u>				
Sale of properties	XX			XX
Construction of properties and interior work			XX	XX
Rental income from investment properties		XX		XX
Project and property management and estate agent			XX	XX
	XX	XX	XX	XX
<u>Timing of revenue recognition</u>				
Goods transferred at a point in time	XX	XX	XX	XX
Services transferred over time	XX	XX	XX	XX
	XX	XX	XX	XX

Appendix D
Disclosure of Revenue from contracts with customers (Cont'd)

Notes to the Financial Statements
For the financial year ended 31 December 2017 (Cont'd)

36 Operating Segment (Cont'd)

Notes:

1. This illustration provides an example of disclosures in relation to reportable segments to enable readers to understand the relationship between the disclosure of disaggregated revenue and revenue information that is disclosed for each reportable segment. FRS 115.114 & 115

2. An entity is required to disclose the nature of the goods or services that it has promised to transfer. In this illustration more detailed information about the nature of the goods and services is included in Note 3. FRS 108, 15.119 (c)

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Appendix E – 1
Financial Instruments

FRS 109 *Financial Instruments* is effective for annual periods beginning on or after 1 January 2018. The following is an illustration of disclosures relating to financial instruments, assuming FRS 109 has been early adopted for the year ending 31 December 2018.

The illustrative disclosures in this Appendix are based on the assumed scenario of FKT Holdings Limited and are confined to disclosures relating to financial instruments only. Other non-financial instruments related disclosures are illustrated in the main body of this publication.

On 1 January 2017, the Group early adopted FRS 109 *Financial instruments*, which is effective for annual periods beginning on or after 1 January 2018.

Notes to the financial statements
For the financial year ended 31 December 2017 (Cont'd)

Extract of significant accounting estimates and judgements illustrating the disclosure of impairment of financial assets

2(a) Basis of preparation

Significant accounting estimates and judgements

Impairment of financial assets

FRS 1.122

The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, see Note X.

Extract of amendments in FRS effective in 2017 illustrating changes in accounting policies on adoption of FRS 109.

2(b) Amendments to standards effective in 2017

(a) Changes in accounting policies

FRS 109 *Financial Instruments*

Classification and measurement

FRS 109 requires debt instruments to be classified either at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVPL). FRS 8.28 (a) Classification under FRS 109 for debt instruments depends on the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest ('SPPI'). An entity's business model is how an entity manages its financial assets in order to generate cash flows and create value for the entity either from collecting contractual cash flows, selling financial assets or both.

Appendix E – 1
Financial Instruments

Notes to the financial statements
For the financial year ended 31 December 2017 (Cont'd)

Extract of amendments in FRS effective in 2017 illustrating changes in accounting policies on adoption of FRS 109.

2(b) Amendments to standards effective in 2017 (Cont'd)
Changes in accounting policies (Cont'd)
FRS 109 *Financial Instruments* (Cont'd)

If a debt instrument is held to collect contractual cash flows, it is classified as amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held both to collect the assets' contractual cash flows and to sell the assets are classified as FVOCI. Under the new model, FVPL is the residual category – financial assets should therefore be classified as FVPL if they do not meet the criteria of FVOCI or amortised cost. Regardless of the business model assessment, an entity can elect to classify a financial asset at FVPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency. FRS 8.28 (c)

The Group has a mixed business model. The Group holds its currently held-to-maturity debt instruments to collect contractual cash flows, and accordingly measured at amortised under FRS 109. For its available-for-sales debt securities, the Group's business model is to hold the debt instrument to collect contractual cash flows and sell, and accordingly measured at FVOCI when it applies FRS 109. There is no significant impact arising from measurement of these instruments under FRS 109. FRS 8.28 (b), (d)

FRS 109 requires all equity instruments to be carried at fair value through profit or loss, unless an entity chooses, on an instrument-by-instrument basis on initial recognition, to present fair value changes in OCI. FRS 109 requires the Group to record expected credit losses on all of its financial assets measured at amortised cost or FVOCI, lease receivable and financial guarantee. The Group previously recorded impairment based on the incurred loss model when there is objective evidence that a financial asset is impaired. FRS 109 .7.2.15

Appendix E – 1
Financial Instruments

Notes to the financial statements
For the financial year ended 31 December 2017 (Cont'd)

Extract of amendments in FRS effective in 2017 illustrating changes in accounting policies on adoption of FRS 109.

2(b) Amendments to standards effective in 2017 (Cont'd)
Changes in accounting policies (Cont'd)
FRS 109 *Financial Instruments* (Cont'd)

Transition
The changes in accounting policies have been applied retrospectively. The Group has elected to apply the limited exemption in FRS 109 and has not restated comparative periods in the year of initial application. The impact arising from FRS 109 adoption were included in the opening retained earnings at the date of initial application, 1 January 2017.

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

	1 January 2017
Opening retained earnings (as previously stated)	XXX
Reclassify from available-for-sales to fair value through profit or loss	XXX
Reversal of impairment for available-for-sales equity instruments	XXX
Increase in loss allowance	XXX
Adjustment to retained earnings from adoption of FRS 109	**XXX**

Appendix E – 1
Financial Instruments

Extract of amendments in FRS effective in 2017 illustrating changes in accounting policies on adoption of FRS 109

2(b) Amendments in FRS effective in 2017 (Cont'd)

(a) Changes in accounting policies (Cont'd)

FRS 109 *Financial Instruments* (Cont'd)

On 1 January 2017, the Company and the Group have assessed which business model apply to the financial assets held by the Company and the Group at the date of initial application of FRS 109 and has classified its financial instruments into the appropriate FRS 109 categories. The main effects resulting from this reclassification are as follows:

Financial assets		**Group**					
Measurements	**FRS 39 Carrying amount on 31 December 2016**	**Reclassifications**	**Remeasurements**	**FRS 109 carrying amount on 1 January 2017**	**Retained earnings effect on 1 January 201 7**	**AFS reserves effect on 1 January 2017**	**FVOCI reserves effect on 1 January 2017**
	S$	**S$**	**S$**	**S$**	**S$**	**S$**	**S$**
Reclassified from available-for-sales	-	XXX	-	XXX	XXX	(XXX)	-
Fairvaluethroughprofitorloss balances ,reclassificationsand remeasurements at 1 January2	**XXX**	**XXX**	-	XXX	XXX	(XXX)	-
Fair value through other comprehensive income	XXX	-	-	XXX	-	-	-
Reclassified from available-for-sales carried at cost	-	XXX	XXX	XXX	-	-	XXX
Reclassified to fair value through profit or loss	-	(XXX)	-	(XXX)	XXX	(XXX)	-
Reversal of impairment losses for equity instuments	-	-	XXX	-	XXX	(XXX)	-
Fair value through other comprehensive income balances, remeasurements at1January2017	**XXX**	**XXX**	**XXX**		**XXX**	**(XXX)**	**XXX**

Appendix E – 1
Financial Instruments

Notes to the financial statements
For the financial year ended 31 December 2017 (Cont'd)

Extract of amendments in FRS effective in 2017 illustrating changes in accounting policies on adoption of FRS 109.

2(b) Amendments in FRS effective in 2017 (Cont'd)
Changes in accounting policies (Cont'd)
FRS 109 *Financial Instruments* (Cont'd)

FRS 107 R.42J

The following are the qualitative information regarding the reclassification between categories of financial instruments at the date of initial application of FRS 109.

(i) **Reclassification of quoted equity securities from available-for-sales to fair value through profit or loss**

At the date of initial application of FRS 109, the Group has elected to reclassify its quoted equity securities to fair value through profit or loss, the default classification for investments in equity instruments. The cumulative fair value changes previously recognised in the other comprehensive income are reclassified to opening retained earnings on 1 January 2017.

(ii) **Reclassification of unquoted equity securities from available-for-sales to fair value through other comprehensive income**

The Group has elected to measure its unquoted equity securities at fair value through comprehensive income. Impairment losses previously recognised in profit or loss were reversed and recognised in opening retained earnings on 1 January 2017.

(iii) **Reclassification from unquoted equity securities carried at cost to fair value through other comprehensive income**

The Group has elected to measure its unquoted equity securities previously carried at cost under FRS 39 at fair value through other comprehensive income. At the day of initial application, the unquoted equity securities were remeasured to fair value. The difference between the fair value and the previous carrying amount at 1 January 2017 were recognised in other comprehensive income. Impairment losses previously recognised in profit or loss were reversed and recognised in opening retained earnings on 1 January 2017.

Appendix E – 1
Financial Instruments

Notes to the financial statements
For the financial year ended 31 December 2017 (Cont'd)

Extract of amendments in FRS effective in 2017 illustrating changes in accounting policies on adoption of FRS 109.

2(b) Amendments in FRS effective in 2017 (Cont'd)
Changes in accounting policies (Cont'd)

FRS 109 *Financial Instruments* (Cont'd)
On the date of initial application of FRS 109, the financial instruments of the Company were as follows, with any reclassifications noted: FRS 107 R.42J

	Measurement category		Carrying amounts		Differences
	FRS 39	FRS 109	FRS 39	FRS 109	
Non-current assets					
Quoted equity Securities	Available-for-sale (at FVOCI)	FVPL	XXX	XXX	-
Unquoted equity securities	Available-for-sales (at FVOCI)	FVOCI	XXX	XXX	XXX
Unquoted equity securities at cost	Available-for-sales (at FVOCI)	FVOCI	XXX	XXX	XXX
Quoted debt instruments	Held – to – maturity investments	Amortised cost	XXX	XXX	-
Unquoted debt instruments	Held – to – maturity investments	Amortised cost	XXX	XXX	-
Amounts owing by associates on long – term loan account	Loans and receivables (at amortised cost)	Amortised cost	XXX	XXX	-
Due from customers on construction contracts	Loans and receivables (at amortised cost)	Amortised cost	XXX	XXX	-
Current assets					
Quoted equity securities	Available-for-sales (at FVOCI)	FVPL	XXX	XXX	-
Unquoted convertible bonds	Financial liabilities at amortised cost	Amortised cost	XXX	XXX	-
Quoted equity investments	FVPL	FVPL	XXX	XXX	-

Appendix E – 1
Financial Instruments

Notes to the financial statements
For the financial year ended 31 December 2017 (Cont'd)

Extract of amendments in FRS effective in 2017 illustrating changes in accounting policies on adoption of FRS 109.

2(b) Amendments in FRS effective in 2017 (Cont'd)
(a) Changes in accounting policies (Cont'd)

FRS 107 R.42J

FRS 109 *Financial Instruments* (Cont'd)
On the date of initial application of FRS 109, the financial instruments of the Company were as follows, with any reclassifications noted:

	Measurement category		Carrying amounts		Differences
	FRS 39	**FRS 109**	**FRS 39**	**FRS 109**	
Current assets (cont'd)					-
Loans to ultimate holding company	Loans and receivables (at amortised cost)	Amortised cost	XXX	XXX	-
Staff loans	Loans and receivables (at amortised cost)	Amortised cost	XXX	XXX	-
Deposits (refundable)	Loans and receivables (at amortised cost)	Amortised cost	XXX	XXX	-
Retention monies for work – in – progress	Loans and receivables (at amortised cost)	Amortised cost	XXX	XXX	-
Cash and cash equivalents	Loans and receivables (at amortised cost)	Amortised cost	XXX	XXX	-
Non – current liabilities					
5.5% secured bonds 2018	Financial liabilities at amortised cost	Amortised cost	XXX	XXX	-

Appendix E – 1
Financial Instruments

Notes to the financial statements
For the financial year ended 31 December 2017 (Cont'd)

Extract of amendments in FRS effective in 2017 illustrating changes in accounting policies on adoption of FRS 109.

2(b) Amendments in FRS effective in 2017 (Cont'd)
(a) Changes in accounting policies (Cont'd)

FRS 109 *Financial Instruments* (Cont'd)

On the date of initial application of FRS 109, the financial instruments of the Company were as follows, with any reclassifications noted:

FRS 107 R.42J

	Measurement category		Carrying amounts		Differences
	FRS 39	FRS 109	FRS 39	FRS 109	
Non - current liabilities (Cont'd)					
Redeemable preference shares	Financial liabilities at amortised cost	Amortised cost	XXX	XXX	-
Employee benefits	Financial liabilities at amortised cost	Amortised cost			
Current liabilities					
Trade payables	Financial liabilities at amortised cost	Amortised cost	XXX	XXX	-
Accruals	Financial liabilities at amortised cost	Amortised cost	XXX	XXX	-
Employee leave entitlement	Financial liabilities at amortised cost	Amortised cost	XXX	XXX	-
Deposits received	Financial liabilities at amortised cost	Amortised cost	XXX	XXX	-
Employee benefits	Financial liabilities at amortised cost	Amortised cost	XXX	XXX	-

Appendix E – 1
Financial Instruments

Notes to the financial statements
For the financial year ended 31 December 2017 (Cont'd)

Extract of amendments in FRS effective in 2017 illustrating changes in accounting policies on adoption of FRS 109.

2(b) Amendments in FRS effective in 2017 (Cont'd)

(a) Changes in accounting policies (Cont'd)

FRS 109 *Financial Instruments (Cont'd)*

On the date of initial application of FRS 109, the financial instruments of the Group were as follows, with any reclassifications noted:

FRS 107 R.42J

	Measurement category		Carrying amount $		Differences
	FRS 39	**FRS 109**	**FRS 39**	**FRS 109**	
Non-current assets					
Quoted equity securities	Available-for-sales (at FVOCI)	FVPL	XXX	XXX	-
Unquoted equity securities	Available-for-sales (at FVOCI)	FVOCI	XXX	XXX	XXX
Unquoted equity securities at cost	\Available-for-sales (at FVOCI)	FVOCI	XXX	XXX	XXX
Quoted debt instruments	Held – to – maturity investments	Amortised cost	XXX	XXX	-
Unquoted debt instruments	Held – to – maturity investments	Amortised cost	XXX	XXX	-
Amounts owing by associates on long – term loan account	Loans and receivables (at amortised cost)	Amortised cost	XXX	XXX	\-
Due from customers on construction contracts	Loans and receivables (at amortised cost)	Amortised cost	XXX	XXX	-
Current assets					
Quoted equity securities	Available-for-sales (at FVOCI)	FVPL	XXX	XXX	-
Unquoted convertible bonds	Financial liabilities at amortised cost	Amortised cost	XXX	XXX	-
Quoted equity investments	FVPL	FVPL	XXX	XXX	-
Trade receivables	Loans and receivables (at amortised cost)	Amortised cost	XXX	XXX	-

Appendix E – 1
Financial Instruments

Notes to the financial statements
For the financial year ended 31 December 2017 (Cont'd)

Extract of amendments in FRS effective in 2017 illustrating changes in accounting policies on adoption of FRS 109.

2(b) Amendments in FRS effective in 2017 (Cont'd)

(a) Changes in accounting policies (Cont'd)

FRS 109 *Financial Instruments (Cont'd*

On the date of initial application of FRS 109, the financial instruments of the Group were as follows, with any reclassifications noted:

FRS 107 R.42J

	Measurement category		Carrying amount $		Differences
	FRS 39	FRS 109	FRS 39	FRS 109	
Current assets (Cont'd)					
Loans to ultimate holding company	Loans and receivables (at amortised cost)	Amortised cost	XXX	XXX	-
Staff loans	Loans and receivables (at amortised cost)	Amortised cost	XXX	XXX	-
Deposits (refundable)	Loans and receivables (at amortised cost)	Amortised cost	XXX	XXX	-
Retention monies for work – in – progress	Loans and receivables (at amortised cost)	Amortised cost	XXX	XXX	-
Indemnification asset	FVPL	FVPL	(XXX)	(XXX)	-
Cash and cash equivalents	Loans and receivables (at amortised cost)	Amortised cost	XXX	XXX	-
Non – current liabilities					
5.5% secured bonds 2018	Financial liabilities at amortised cost	Amortised cost	XXX	XXX	-

Appendix E – 1
Financial Instruments

Notes to the financial statements
For the financial year ended 31 December 2017 (Cont'd)

Extract of amendments in FRS effective in 2017 illustrating changes in accounting policies on adoption of FRS 109.

2(b) Amendments in FRS effective in 2017 (Cont'd)

(a) Changes in accounting policies (Cont'd)

FRS 109 *Financial Instruments (Cont'd*

On the date of initial application of FRS 109, the financial instruments of the Group were as follows, with any reclassifications noted:

FRS 107 R.42J

	Measurement category		Carrying amounts $		Differences
	FRS 39	**FRS 109**	**FRS 39**	**FRS 109**	
Non - current liabilities (cont'd)					
Bank loans	Financial liabilities at amortised cost	Amortised cost	XXX	XXX	-
Redeemable preference shares	Financial liabilities at amortised cost	Amortised cost	XXX	XXX	-
Employee benefits	Financial liabilities at amortised cost	Amortised cost	XXX	XXX	-
Current liabilities					
Trade payables	Financial liabilities at amortised cost	Amortised cost	XXX	XXX	-
Accruals	Financial liabilities at amortised cost	Amortised cost	XXX	XXX	-
Employee leave entitlement	Financial liabilities at amortised cost	Amortised cost	XXX	XXX	-
Deposits received	Financial liabilities at amortised cost	Amortised cost	XXX	XXX	-
Employee benefits	Financial liabilities at amortised cost	Amortised cost	XXX	XXX	-

Appendix E – 1
Financial Instruments

Notes to the financial statements
For the financial year ended 31 December 2017 (Cont'd)

Extract of amendments in FRS effective in 2017 illustrating changes in accounting policies on adoption of FRS 109.

2(b) Amendments in FRS effective in 2017 (Cont'd)

(a) Changes in accounting policies (Cont'd)

FRS 109 *Financial Instruments (Cont'd*

On the date of initial application of FRS 109, the financial instruments of the Group were as follows, with any reclassifications noted:

FRS 107 R.42J

	Measurement category		Carrying amounts $		Differences
	FRS 39	FRS 109	FRS 39	FRS 109	
Current liabilities (Cont'd)					
Others	Financial liabilities at amortised cost	Amortised cost	XXX	XXX	-
Unclaimed cheques	Financial liabilities at amortised cost	Amortised cost	XXX	XXX	-
Contingent consideration	Financial liabilities at amortised cost	Amortised cost	XXX	XXX	-
Others	Financial liabilities at amortised cost	Amortised cost	XXX	XXX	-
Other bank borrowings	Financial liabilities at amortised cost	Amortised cost	XXX	XXX	-

Appendix E – 1
Financial Instruments

Notes to the financial statements
For the financial year ended 31 December 2017 (Cont'd)

Extract of amendments in FRS effective in 2017 illustrating changes in accounting policies on adoption of FRS 109.

2(b) Amendments in FRS effective in 2017 (Cont'd)

(a) Changes in accounting policies (Cont'd)

FRS 109 *Financial Instruments (Cont'd)*

Impairment

The Company and the Company has the following types of financial assets subject to FRS 109 expected credit loss model:

(i) Trade receivables, comprising amount due from ultimate holding company, amount due from subsidiaries and others

(ii) Debt instruments measured at amortised cost

(iii) Debt instruments measured at FVOC

(iv) Other receivables, comprising staff loans and refundable deposits, carried at amortised cost

(vi) Due from customers on construction contracts, carried at amortised cost

(vi) Retention monies for work – in – progress, carried at amortised cost

FRS 107 R.42P, FRS 109.5.5.15

The Company and the Group were required to revise its impairment methodology under FRS 109 for each of these classes of assets.

(i) **Trade receivables, comprising amount due from ultimate holding company, amount due from subsidiaries and others**

For trade receivables, the Company and the Group measure loss allowance at an amount equal to lifetime ECL.

(ii) **Debt instruments measured at amortised cost:**

Debt instruments measured at amortised cost are considered as low risk, and thus the loss allowance is determined at an amount equal to 12 months ECL.

(iii) **Debt instruments measured at FVOCI**

Debt instruments measured at FVOCI are considered as assets with significant increase in credit risk at transition. The significant increase in credit risk is due to significant delay in interest receivables which are more than 30 days past due, and thus the loss allowance is determined at an amount equal to lifetime ECL.

(iv) **Amounts owing by associates on long – term account and loans to ultimate holding company, carried at amortised cost**

FRS 109.5.5.15

Amounts owing by associates on long –term account and loans to ultimate holding company are carried at amortised cost are considered as assets with no significant increase in credit risk at transition and hence the loss allowance is determined at an amount equal to 12-month ECL.

Appendix E – 1
Financial Instruments

Notes to the financial statements
For the financial year ended 31 December 2017 (Cont'd)

Extract of amendments in FRS effective in 2017 illustrating changes in accounting policies on adoption of FRS 109.

2(b) Amendments in FRS effective in 2017 (Cont'd)

(a) Changes in accounting policies (Cont'd)

FRS 109 *Financial Instruments (Cont'd)*

Impairment (Cont'd)

(v) **Other receivables comprising staff loans and refundable deposits, carried at amortised cost** FRS 109.5.5.15

Other receivables, staff loans and refundable deposits are considered to be low risk, and the loss allowance is determined at an amount equal to 12-month ECL.

(vi) **Due from customers on construction contracts, carried at amortised cost**

Amount due from customers, carried at amortised cost as FRS 109 requires contract assets that results from transactions that are within the scope of FRS 115 *Revenue from Contracts with Customers* to measure the loss allowance at an amount equal to lifetime ECL.

(vii) **Retention monies for work – in – progress, carried at amortised cost**

Retention monies for work – in – progress, carried at amortised cost as FRS 109 requires contract assets that results from transactions that are within the scope of FRS 115 *Revenue from Contracts with Customers* to measure the loss allowance at an amount equal to lifetime ECL.

Notes:

Impairment

1. Financial guarantee

Provision for financial guarantee was previously accounted for under FRS 37 Upon adoption of FRS 109, financial guarantee is considered to be low risk and hence the loss allowance is determined at an amount equal to 12-month ECL.

Appendix E – 1
Financial Instruments

Notes to the financial statements
For the financial year ended 31 December 2017 (Cont'd)

Extract of amendments in FRS effective in 2017 illustrating changes in accounting policies on adoption of FRS 109.

2(b) Amendments in FRS effective in 2017 (Cont'd)

(a) Changes in accounting policies (Cont'd)

FRS 109 *Financial Instruments (Cont'd)*

Impairment (Cont'd)

The reconciliation for loss allowances are as follow:

	Company						
	Trade receivables	Debts instruments carried at amortised cost	Debts instruments carried at FVOCI	Amounts owing by associates on long – term account and loans to ultimate holding company, carried at amortised cost	Other receivables comprising staff loans and refundable deposits, carried at amortised cost	Due from customers on construction contracts, carried at amortised cost	Retention monies for work – in – progress, carried at amortised cost
	$	\$	$	$	$	$	$
Closing loss allowance (based on FRS 39)	XXX	XXX	XXX	XXX	XXX	XXX	XXX
Amount restated through opening retained earnings	XXX	XXX	XXX	XXX	XXX	XXX	XXX
Opening loss allowance (based on FRS 109)	**XXX**	**XXX**	**XXX**	**XXX**	**XXX**	**XXX**	**XXX**

Appendix E – 1
Financial Instruments

Notes to the financial statements
For the financial year ended 31 December 2017 (Cont'd)

Extract of amendments in FRS effective in 2017 illustrating changes in accounting policies on adoption of FRS 109.

2(b) Amendments in FRS effective in 2017 (Cont'd)

(a) Changes in accounting policies (Cont'd)

FRS 109 *Financial Instruments (Cont'd)*

Impairment (Cont'd)
The reconciliation for loss allowances are as follow:

	Group						
	Trade receivables	Debts instruments carried at amortised cost	Debts instruments carried at FVOCI	Amounts owing by associates on long – term account and loans to ultimate holding company, carried at amortised cost	Other receivables comprising staff loans and refundable deposits, carried at amortised cost	Due from customers on construction contracts, carried at amortised cost	Retention monies for work – in – progress, carried at amortised cost
	$	\$	$	$	$	$	$
Closing loss allowance (based on FRS 39)	XXX	XXX	XXX	XXX	XXX	XXX	XXX
Amount restated through opening retained earnings	XXX	XXX	XXX	XXX	XXX	XXX	XXX
Opening loss allowance (based on FRS 109)	**XXX**	**XXX**	**XXX**	**XXX**	**XXX**	**XXX**	**XXX**

Appendix E – 1
Financial Instruments

Notes to the financial statements
For the financial year ended 31 December 2017 (Cont'd)

Extract of amendments in FRS effective in 2017 illustrating changes in accounting policies on adoption of FRS 109.

2(b) Amendments in FRS effective in 2017 (Cont'd)

(a) Changes in accounting policies (Cont'd)

FRS 109 *Financial Instruments (Cont'd)*

Notes:

1. The illustrative disclosure of early adoption of FRS 109 for hedge accounting is illustrated in Appendix E - 2 Hedge accounting under FRS109.

FRS 109 .7.2.15

2. In this illustration, the Group has elected to apply the limited exemption under paragraph 7.2.15 of FRS 109 which provides limited exemption relating to transition for classification and measurement and impairment. The exemption allows entity not to restate comparative periods in the year of initial application.

   As a consequence:
   - Any adjustments to carrying amount of financial assets or liabilities are recognized at the beginning of the current reporting period, with the difference recognised in opening retained earnings, (or other component of equity, as appropriate).
   - Financial assets are not reclassified in the balance sheet for the comparative periods.
   - Provisions for impairment have not been restated in the comparative period.
   - The transition isa change in accounting policy, and disclosures required by FRS 8 are illustrated.
   - A third balance sheet as at 1 January 2016 is not presented as there is no impact of restatement on the balance sheet for the year ended 31 December 2015.
   - Disclosure requirements arising from the consequential amendments to FRS 107 upon adoption of FRS 109 have not been presented in relation to the comparative period.
   - In the reporting period that includes the date of initial application of FRS 109, an entity is not required to disclose the line item amounts that would have been reported in accordance with the classification and measurement requirements of FRS 109 for prior periods and FRS 39 for the current period.

3. In this illustration, the Group does not have any financial assets and financial liabilities that were previously designated and measured at fair value through profit or loss but are no longer so designated at the date of initial application of FRS 109. FRS 107 R.42I.c

   If an entity has any financial assets and financial liabilities at fair value through profit or loss but are no longer so designated at the date of initial application of FRS 109, the entity is required to disclose: FRS 107R.42N.a FRS 107 R.42N.b

   (i) the amount of these financial assets and financial liabilities, distinguishing between those that FRS 109 requires an entity to reclassify and those that an entity elects to reclassify at the date of initial application.

   (ii) the effective interest rate determined on the date of initial application
   (iii) the interest revenue or expense recognised

Appendix E – 1
Financial Instruments

Notes to the financial statements
For the financial year ended 31 December 2017 (Cont'd)

Extract of summary of significant accounting policies illustrating accounting policies relating to financial instruments

2(d) Summary of significant accounting policies (Cont'd)

Financial instruments

(a) **Financial assets**

Measurement

Initial recognition and measurement

Financial assets are recognised when, only when the entity becomes party to the contractual provisions of the instruments. FRS 109 .3.1.1

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. FRS 109 .5.1.1

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party if the trade receivables do not contain a significant financing component at initial recognition. FRS 109 .5.1.3

Subsequent measurement

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. The three measurement categories for classification of debt instruments are: FRS 109 .5.2.1

- **Amortised cost**

  Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through amortisation process. FRS 109 .4.1.2

- **Fair value through other comprehensive income (FVOCI)**

  Financial assets that are held for collection of contractual of cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Financial assets measured at FVOCI are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is de- recognised. FRS 109 .4.1.2A

Appendix E – 1
Financial Instruments

Notes to the financial statements
For the financial year ended 31 December 2017 (Cont'd)

Extract of summary of significant accounting policies illustrating accounting policies relating to financial instruments

2(d) Summary of significant accounting policies (Cont'd)\

Financial instruments (Cont'd)

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

Subsequent measurement (Cont'd)
Debt instruments (Cont'd)

- Fair value through profit or loss FRS 109 .4.1.4

  Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt instruments that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss statement in the period in which it arises. Interest income from these financial assets is included in the finance income.

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

FRS 109 .4.1.4
FRS 109 .5.7.5
FRS 109 .5.7.6

Changes in fair value of financial assets at fair value through profit or loss are recognised in profit or loss. Changes in fair value of financial assets at FVOCI are recognised in OCI. FRS 109 .5.7.1

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

FRS 109 .5.5.1
FRS 109 .5.5.3
FRS 109 .5.5.5

Impairment FRS 109 .5.5.15
The Group assesses on a forward looking basis the expected credit losses (ECL) associated with its debt instrument assets carried at amortised cost and FVOCI.
For trade receivables only, the Group measures the loss allowance at an amount equal to the lifetime expected credit losses.

Derecognition FRS 109 .3.2.3
A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income for debt instruments is recognised in profit or loss.

Appendix E – 1
Financial Instruments

Notes to the financial statements
For the financial year ended 31 December 2017 (Cont'd)

Extract of summary of significant accounting policies illustrating accounting policies relating to financial instruments

2(d) Summary of significant accounting policies (Cont'd)\

Financial instruments (Cont'd)

(b) **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. FRS 109 .3.1.1

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. FRS 109 .5.1.1

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process. FRS 109 .5.7.2

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss. FRS 109 .3.3.1 FRS 109 .3.3.2

Convertible redeemable preference shares

Convertible redeemable preference shares are separated into liability and equity components based on the terms of the contract. FRS 107 .21

On issuance of the convertible redeemable preference shares, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond. This amount is classified as a financial liability measured at amortised cost (net of transaction costs) until it is extinguished on conversion or redemption in accordance with the accounting policy set out in Note X. FRS 32 .28 FRS 32 .32

The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity. Transaction costs are deducted from equity, net of associated income tax. The carrying amount of the conversion option is not remeasured in subsequent years. FRS 32 .31

Appendix E – 1
Financial Instruments

Notes to the financial statements
For the financial year ended 31 December 2017 (Cont'd)

Extract of summary of significant accounting policies illustrating accounting policies relating to financial instruments

2(d) Summary of significant accounting policies (Cont'd)\

Financial instruments (Cont'd)

(b) **Financial liabilities**

Convertible redeemable preference shares (Cont'd)

Transaction costs are apportioned between the liability and equity components of the convertible redeemable preference shares based on the allocation of proceeds to the liability and equity components when the instruments are initially recognised. FRS 32 .38

Financial guarantee

FRS 109 .App A

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. FRS 109 .5.1.1

Subsequent to initial recognition, financial guarantees are measured at the higher of the amount of the loss allowance determined in accordance with the impairment model under FRS 109 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised. FRS 109 .4.2.1.C

Notes:

1. **Option to designate a financial asset at fair value through profit or loss**

   In this illustration, no financial instrument has been designated as financial assets or financial liabilities at fair value through profit or loss. The following disclosures of accounting policies apply if there is any financial liability designated at fair value through profit or loss:

   Financial assets

   - The nature of the financial assets the entity has designated as measured at fair value through profit or loss; and
   - How the entity has satisfied the criteria for such designations

   Financial liabilities

   - The nature of the financial liabilities the entity has designated as measured at fair value through profit or loss; and
   - The criteria for so designating such financial liabilities on initial recognition
   - How the entity has satisfied the conditions for such designations

Appendix E – 1
Financial Instruments

Notes to the financial statements
For the financial year ended 31 December 2017 (Cont'd)

Extract of summary of significant accounting policies illustrating accounting policies relating to financial instruments

2(d) Summary of significant accounting policies (Cont'd)

Financial instruments (Cont'd)

Notes:

2. **Impairment for purchased or originated credit impaired financial assets**
In this illustration, the Group does not have purchased or originated credit impaired financial assets.

Below is the Illustrative accounting policy on impairment for purchased or originated credit - impaired financial assets

"For purchased or originated credit -impaired financial assets, the Group recognises the cumulative changes in lifetime expected credit losses since initial recognition, discounted at the credit-impaired effective interest rate (EIR) as a loss allowance. The EIR for purchased or originated credit-impaired financial assets is calculated taking into account the initial lifetime ECLs in the estimated cash flows. At each reporting date, the Group recognises the amount of the changes in lifetime expected credit losses as an impairment gain or loss. Favourable changes in lifetime expected credit losses are recognised as an impairment gain, even if the even if the lifetime expected credit losses are less than the amount of expected credit losses that were included in the estimated cash flows on initial recognition."

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Appendix E – 1
Financial Instruments

Notes to the financial statements
For the financial year ended 31 December 2017 (Cont'd)

Extracts of notes to the financial statements illustrating the disclosures relating to financial instruments

24 Other income

	2017	
The Group	**$**	
Amortisation of bond discount	XXX	
Exchange gain	XXX	FRS 107 R.20 .b
Interest income:		FRS 107R.20.b
- Debt instruments at amortised cost	XXX	
- Debt instruments at fair value through other comprehensive income	XXX	
Net fair value gains on financial instruments:		FRS 107 R.20.a.i
- Financial assets at fair value through profit or loss	XXX	FRS 107 R.20.a.i
- Derivatives	XXX	
Dividend income:		FRS 107 R.11A.d
- Financial assets at fair value through other comprehensive income relating to equity investments held at the end of reporting period	XXX	FRS 107 R.11A.d
- Financial assets at fair value through other comprehensive income relating to equity investments derecognised during the reporting period	XXX	
	XXX	

Appendix E – 1
Financial Instruments

Notes to the financial statements
For the financial year ended 31 December 2017 (Cont'd)

Extracts of notes to the financial statements illustrating the disclosures relating to financial instruments

25 Other expenses

The Group	2017
	$
Impairment loss on financial assets (Note X)	**XXX**

26 Finance costs

The Group	2017	
	$	
Interest expense		FRS 107 R.20 .b
- bonds, carried at amortised cost	XXX	
- loans, carried at amortised cost	XXX	
- overdrafts, carried at amortised cost	XXX	
- finance lease	XXX	FRS 107 R.20 .b
- Convertible redeemable preference shares carried at amortised cost	XXX	
	XXX	

Appendix E – 1
Financial Instruments

Notes to the financial statements
For the financial year ended 31 December 2017 (Cont'd)

Extracts of notes to the financial statements illustrating the disclosures relating to financial instruments

Notes:

1. **Separate disclosure of income and expenses** FRS 107R.20 (c)

   An entity shall disclose the fee income and expense (other than amounts included in determining the effective interest rate) arising from financial assets or financial liabilities that are not at fair value through profit or loss and trust and other fiduciary activities that result in the holding or investing of assets on behalf of individuals, trusts, retirement benefit plans, and other institutions, either on the face of the financial statements or in the notes.

2. **Classes of financial instruments**

   FRS 107 specifies a number of disclosure requirements on the following topics to be provided by "class of financial instruments":

   - Credit risk FRS 107 R.36
   - Fair value of financial instruments FRS 107 R.25
   - Accounting policies for any differences between fair value at initial recognition and the amount would be determined at that date using the valuation technique and the aggregate difference yet to be recognised in profit or loss and FRS 107 R.28
   - Transfer of financial assets that are not derecognised in the entirety. FRS 107R.42D

   FRS 107 requires an entity to group financial instruments into classes that are appropriate to the nature of the information disclosed and take into account the characteristics of those financial instruments. These classes are determined by the reporting entity and are distinct. (usually lower in level) from the categories of financial instruments (e.g. amortised cost, fair value through other comprehensive income), specified in FRS 109. FRS 107 R.6 FRS 107 R.B1

   In determining classes of financial instruments, an entity shall at a minimum, FRS 107 R.B2
   - Distinguish instruments measured at amortised cost from those measured at fair value
   - Treat as a separate class or classes those financial instruments outside the scope of FRS 107.

   The entity is also required to provide sufficient information to permit reconciliation of the classes of financial information to permit reconciliation of the classes of financial instruments to the line items presented in the statement of financial position. FRS 107R.6

Appendix E – 1
Financial Instruments

Notes to the financial statements
For the financial year ended 31 December 2017 (Cont'd)

Extracts of notes to the financial statements illustrating the disclosures relating to financial instruments

14 Trade and other receivables

	The Company		The Group	
	2017	2016	**2017**	2016
	$	$	**$**	$
Trade and other receivables (current)				
Trade receivables	**XXX**	XXX	**XXX**	XXX
- Ultimate holding company	XXX	XXX	XXX	XXX
- Subsidiaries	**XXX**	XXX	**XXX**	XXX
- Others	**XXX**	XXX	**XXX**	XXX
	XXX	XXX	**XXX**	XXX
Other receivables:				
Loan to ultimate holding company	**XXX**	XXX	**XXX**	XXX
Staff loans	**XXX**	XXX	**XXX**	XXX
Deposits (refundable)	**XXX**	XXX	**XXX**	XXX
Retention monies for work-in-progress	**XXX**	XXX	**XXX**	XXX
	XXX	XXX	**XXX**	XXX
Other receivables (non – current)				
Amounts owing by associates on long – term loan account	**XXX**	XXX	**XXX**	XXX
Due from customers on construction contracts,	**XXX**	XXX	**XXX**	XXX
	XXX	XXX	**XXX**	XXX
Total trade and other receivables (current and non-current)	**XXX**	XXX	**XXX**	XXX
Add: Cash and short –term fixed deposit (Note 15)	**XXX**	XXX	**XXX**	XXX
Add: Unquoted convertible bonds	**XXX**	XXX	**XXX**	XXX

Appendix E – 1
Financial Instruments

Notes to the financial statements
For the financial year ended 31 December 2017 (Cont'd)

Extracts of notes to the financial statements illustrating the disclosures relating to financial instruments

14 Trade and other receivables (Cont'd)

Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 90 days' terms. FRS 107 R.7 and 31

At the end of the reporting period, trade receivables arising from export sales amounting to $XXX (2016: $XXX) are arranged to be settled via letters of credit issued by reputable banks in countries where the customers are based. Trade receivables from first-time customers that are insured by trade credit insurance underwritten by a reputable insurer in Singapore amount to $XXX (2016: XXX) at the end of the reporting period. FRS 107 R.36.b

Trade receivables denominated in foreign currencies at 31 December are as follows:

FRS 107 R.34 .a

	Company		Group	
	2017 S$	2016 S$	**2017 S$**	2016 S$
United States Dollar	**XXX**	XXX	**XXX**	XXX
Renminbi	**XXX**	XXX	**XXX**	XXX

FRS 107R.7,31 & 36.b

Related party balances and staff loans

- Amounts due from ultimate holding company and loan to ultimate holding company are unsecured, interest-free and repayable on demand.
- Amounts due from subsidiaries are unsecured and are to be settled in cash within the next 12 months.
- Amounts owing by associates on long-term loan account are unsecured, bear interest at average rate of 5.4% per annum (2016: 4.5% per annum) and are repayable in full in three years. The carrying value of these loans approximate their fair value at they bear interest at variable rates which approximate the borrowing rates for similar types of borrowing arrangements.
- Staff loans are unsecured and non-interest bearing and are to be settled in cash within the next 12 months.

Appendix E – 1
Financial Instruments

Notes to the financial statements
For the financial year ended 31 December 2017 (Cont'd)

Extracts of notes to the financial statements illustrating the disclosures relating to financial instruments

Notes:

FRS 107 R.15

1. **Collateral and other credit enhancements**
   When an entity holds collateral (of financial or non-financial assets) and is permitted to sell or repledge the collateral in the absence of default by the owner of the collateral, it shall disclose:
   (a) the fair value of the collateral held;
   (b) the fair value of any such collateral sold or repledged, and whether the entity has an obligation to return it; and
   (c) the terms and conditions associated with its use of the collateral.

FRS 107 R.38

2. When an entity obtains financial or non-financial assets during the period by taking possession of collateral it holds as security or calling on other credit enhancements (e.g., guarantees), and such assets meet the recognition criteria under FRS, an entity shall disclose for such assets held at the reporting date:
   (a) the nature and carrying amount of the assets; and
   (b) when the assets are not readily convertible into cash, its policies for disposing of such assets or for using them in its operations.

   The above disclosure required for financial assets obtained by taking possession of collateral or other credit enhancements are only applicable to assets still held at the reporting date.

FRS 107 R.36 .b

   An entity shall disclose a description of collateral held as security and of other credit enhancements, and their financial effect (e.g. a quantification of the extent to which collateral or other credit enhancements mitigate credit risk) in respect of the amount that best represents the maximum exposure to credit risk.

Appendix E – 1
Financial Instruments

Notes to the financial statements
For the financial year ended 31 December 2017 (Cont'd)

Extracts of notes to the financial statements illustrating the disclosures relating to financial instruments

9 Other investments

	Company 2017 $	Group 2017 $	
At fair value through profit or loss			
- Debt securities (quoted)	XXX	XXX	FRS 107 R.8.h.i
- Equity securities (quoted)	XXX	XXX	
	XXX	**XXX**	FRS 107 R.8.h.i
At fair value through other comprehensive income			FRS 107 R.8.h.ii
- Other debt securities (unquoted)	XXX	XXX	
- Equity securities (unquoted)	XXX	XXX	
	XXX	**XXX**	FRS 107 R.8.f
At amortised cost			
- Unquoted convertible bonds	-	**XXX**	

Investments in equity instruments designated at fair value through other comprehensive income
The fair value of each of the investments in equity instruments designated at fair value through other comprehensive income at the end of the reporting period is as follows: FRS 107 R.11A

FRS 107 R.11A.a

FRS 107 R.11A.c

	Company 2017 $	Group 2017 $
At fair value through other comprehensive income		
- Equity securities (unquoted)		
- Company Singapore	XXX	XXX
- Company Asia Pacific	XXX	XXX

Appendix E – 1
Financial Instruments

Notes to the financial statements
For the financial year ended 31 December 2017 (Cont'd)

Extracts of notes to the financial statements illustrating the disclosures relating to financial instruments

9. Other investments (Cont'd)

The Company and the Group have elected to measure these equity securities at FVOCI due to the Company's and the Group's intention to hold these equity instruments for long-term appreciation. FRS 107 R.11A.b

During the year, the Company and the Group disposed of its investments in equity instruments of AAA due to favourable market condition. The fair value at the date of derecognition amounted to $XXX The cumulative gain arising from the disposal amounted to $XXX and were transferred from fair value adjustment reserve to retained earnings. FRS 107 R.11B.a FRS 107 R.11B.b FRS 107 R.11B.c FRS 107 R.11A.e

Notes:

1. **Investments pledged as security**
   In this illustration, there is no investments pledged as security.
   Below is the illustrative disclosure of investments pledged as security
   "*The Group's investment in government bonds amounting to $XXX (2016:$XXX) has been pledged as security for a bank loan (Note X). Under the terms and conditions of the loan, the Group is prohibited from disposing of this investment or subjecting it to further charges without furnishing a replacement security of similar value.*" FRS 107 R.14

2. **Categories of financial assets and financial liabilities**
   FRS 107 required disclosure of the carrying amounts of financial instruments under each of the categories, as specified in FRS 109, either on the face of the balance sheet or in the notes. The categories of financial instruments include financial assets and financial liabilities that are classified as held-for-trading, those that are designated upon initial recognition as financial assets or financial liabilities at fair value through profit or loss, financial assets at amortised cost, financial liabilities measured at amortised cost and financial assets measured at fair value through other comprehensive income, showing separately those that are measured at fair value through other comprehensive income due to its business model classification and investments in equity instruments designated as such upon initial recognition. FRS 107 R.8

3. **Nature and extent of risks arising from financial instruments**
   Information such as the interest rates and maturity dates of the debt securities, and countries where the equity securities are listed should be disclosed if material and enables the users of the financial statements to evaluate the nature and extent of the risks arising from financial instruments to which the entity is exposed to at the reporting date. In this illustration, the countries where the equity securities are listed are disclosed in Note X Market Price Risk. FRS 107 R.31

Appendix E – 1
Financial Instruments

Notes to the financial statements
For the financial year ended 31 December 2017 (Cont'd)

Extracts of notes to the financial statements illustrating the disclosures relating to financial instruments

X. Derivatives

	Group						
	2017			2016			
	Contract/ Notional Amount	**Assets**	Liabilities	**Contract/ Notional Amount**	**Assets**	**Liabilities**	FRS 107 R.7 and 31
Forward currency contracts	XXX	XXX	(XXX)	XXX	XXX	-	
Interest rate swap	XXX	XXX	-	XXX	XXX	-	
		XXX	(XXX)		XXX	-	
Total derivatives		XXX	(XXX)		XXX	-	
Add: Equity securities at fair value through profit or loss (Note 9)		XXX	-		XXX	-	
Add: Contingent consideration for business combination (Note 7)		-	(XXX)		-	-	FRS 107 R.8.a FRS 107 R,8.e
Total financial assets/ (liabilities) at fair value through profit or loss		**XXX**	**(XXX)**		**XXX**	**-**	

Appendix E – 1
Financial Instruments

Notes to the financial statements
For the financial year ended 31 December 2017 (Cont'd)

Extracts of notes to the financial statements illustrating the disclosures relating to financial instruments

X. Derivatives (Cont'd)

At the Company level, the carrying amount of financial liability at fair value through profit or loss is the contingent consideration for business combination amounting to $XXX as at 31 December 2017 (2016: Nil). FRS 107 R.8.e

Forward currency contracts are used to hedge foreign currency risk arising from the Group's sales and purchases denominated in USD for which firm commitments existed at the end of the reporting period, extending to March 2017 (2015 : March 2016) (Note X)). The interest rate swap receives floating interest equal to SIBOR + 3% p.a. (2016: SIBOR + 3% per annum), pays a fixed rate of interest of X.X% p.a. (2016: X.X% per annum.) and matures on 30 November 2017 (2016: 30 November 2016).

15. Cash and Short – term deposits FRS 107 R.7 and 31

	Company		Group	
	2017	2016	**2017**	2016
	$	$	**$**	$
Cash on hand	XXX	XXX	XXX	XXX
Cash at bank	XXX	XXX	XXX	XXX
Short- term deposits	XXX	XXX	XXX	XXX
Cash and short- term deposits	XXX	XXX	XXX	XXX

FRS 107 R.31 and 34

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group and the Company, and earn interests at the respective short-term deposit rates. The weighted average effective interest rates as at 31 December 2017 for the Group and the Company were X.X% (2016: X.X%) and X.X% (2017 : X.X%) respectively.

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Financial Instruments

Notes to the financial statements
For the financial year ended 31 December 2017 (Cont'd)

Extracts of notes to the financial statements illustrating the disclosures relating to financial instruments

15. Cash and Short – term deposits (Cont'd)

Cash and short – term deposits denominated in foreign currencies at 31 December as follows:

FRS 107 R.34 .a

	Company		Group	
	2017 **$**	2016 $	**2017** **$**	2016 $
United States Dollar	**XXX**	XXX	**XXX**	XXX
Reminbi	**XXX**	XXX	**XXX**	XXX

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Financial Instruments

Notes to the financial statements
For the financial year ended 31 December 2017 (Cont'd)

Extracts of notes to the financial statements illustrating the disclosures relating to financial instruments

20. **Borrowings**

		Company		Group		
	Maturity	**2017** **$**	2016 $	**2017** **$**	2016 $	FRS 107 R.7 and 31
Non-current						
Obligations under finance leases (Note 20.1)	2018	-	-	XXX	XXX	
Bank loans (Note	2017	-	-	XXX	XXX	
5.5% secured bonds 2018 (Note 20.3)	2017	XXX	XXX	XXX	XXX	
		XXX	**XXX**	**XXX**	**XXX**	
Current						
Obligations under finance leases (Note 20.1)	2017	-	-	XXX	XXX	
Bank loans (Note 20.2)	2017	-	-	XXX	XXX	
Other bank borrowings (Note 20.4)	On demand	XXX	XXX	XXX	XXX	
		XXX	**XXX**	**XXX**	**XXX**	

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Financial Instruments

Notes to the financial statements
For the financial year ended 31 December 2017 (Cont'd)

Extracts of notes to the financial statements illustrating the disclosures relating to financial instruments

20. **Borrowings (Cont'd)**

Obligations under finance leases
The Group leases hotel equipment and motor vehicles from non-related parties under finance leases. The lease agreements do not have renewal clauses but provide the Group with options to purchase the leased assets at nominal values at the end of the lease term. The finance lease obligations are secured by the underlying assets (Note 5(a)). The average discount rate implicit in the leases is X.X% per annum. (2016: X.X% per annum,). These obligations are denominated in the respective functional currencies of the relevant entities in the Group.

Bank loans
The loans were extended for another 12 months and are repayable in 13 equal monthly instalments of $1,105,800 commencing 15 January 2016. The loans are secured by:
(a) a mortgage of the investment properties of a subsidiary (Note 9(b));
(b) fixed and floating charges on all assets of the subsidiary; and
(c) joint and several guarantee of the Company and two directors of the subsidiary.
Interest is repriced every 3 months. The fixed interest rate in the bank loans is X.X% per annum (2016: X.X% per annum) while the floating interest rate in the bank loans is SIBOR + X.X% p.a. (2016 : SIBOR + X.X% p.a.)

5.5% secured bonds 2018
In 2014, the Company issued $25 million principal amount of 5.5% secured bonds due 2018. The bonds were constituted under a trust deed dated 1 July 2014. The bonds are secured by a mortgage of the investment properties of a subsidiary (Note 6(b)) and certain leasehold properties of the immediate and ultimate holding company, FKT Plc, valued at approximately $29 million. Interest on the bonds is payable semi-annually at X.X% per annum (2016: XX% per annum).

Other bank borrowings
Other bank borrowings comprise revolving credit of the Group and bank overdraft of the Company and Group. The revolving credit of the Group is guaranteed by a financial institution. This is secured by a fixed charge on investment properties of a subsidiary (Note 6) and assignment of rental proceeds from the properties and personal guarantee from two directors of the Company. The revolving credit bear interest at SIBOR + X.X% per annum (2016: SIBOR + X.X% per annum) and the bank overdraft bear interest at SIBOR + X.X% p.a. (2016 : SIBOR + X.X% p.a.)

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Financial Instruments

Notes to the financial statements
For the financial year ended 31 December 2017 (Cont'd)

Extracts of notes to the financial statements illustrating the disclosures relating to financial instruments

21 Redeemable Preference Shares

The Company and The Group

On 4 January 2008, the Company issued 5 million convertible redeemable preference shares amounting to $5,000,000. The shares are redeemable on 3 January 2018 or by the Company at any time before that date. The shares pay dividends at 5% per annum. The dividend rights are cumulative.

The carrying amount of the liability component of redeemable preference shares at the end of the reporting period is arrived at as follows:

	Company and Group	
	2017 **S$**	2016 S$
Face value of redeemable preference shares	XXX	XXX
Equity component	(XXX)	(XXX)
Liability component of CRPS at initial recognition	XXX	XXX
Add: Accumulated amortisation of discount		
- Opening balance at 1 January	XXX	XXX
- Amortisation of discount during the financial year	XXX	XXX
- Closing balance at 31 December	XXX	XXX
Liability component of redeemable preference shares at the end of the reporting period	XXX	XXX

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Notes to the financial statements
For the financial year ended 31 December 2017 (Cont'd)

Extracts of notes to the financial statements illustrating the disclosures relating to financial instruments

22. **Trade and other payables**

	Company		Group		
	2017 S$	2016 S$	**2017 S$**	2016 S$	
Trade payables					FRS 107R. 7 and 31
- Subsidiaries	XXX	XXX	-	-	
- Others	XXX	XXX	XXX	XXX	
Accruals	XXX	XXX	XXX	XXX	
	XXX	XXX	**XXX**	XXX	
Other payables					
Employee leave entitlement	XXX	XXX	XXX	XXX	
Deposits received	XXX	XXX	XXX	XXX	
Employee benefits	XXX	XXX	XXX	XXX	FRS107 R.8.f
Unclaimed cheques	XXX	XXX	XXX	XXX	
Contingent consideration payable	-	-	XXX	-	
Others	XXX	XXX	XXX	XXX	
	XXX	XXX	**XXX**	XXX	
Total trade and other payables	**XXX**	XXX	**XXX**	XXX	
Add:					
- Borrowings (Note 20)	**XXX**	XXX	**XXX**	XXX	
- Redeemable preference shares (Note 21)	**XXX**	XXX	**XXX**	XXX	
Total financial liabilities carried at amortised cost	**XXX**	XXX	**XXX**	XXX	

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Financial Instruments

Notes to the financial statements
For the financial year ended 31 December 2017 (Cont'd)

Extracts of notes to the financial statements illustrating the disclosures relating to financial instruments

22 Trade and other payables (Cont'd)

Trade payables

These amount s are non-interest bearing. Trade payables are normally settled on 60-day terms while other payables have an average term of six months. FRS107 R.7 and 31

Trade payables denominated in foreign currencies as at 31 December are as follows:

	Company		Group	
	2017	2016	**2017**	2016
	$	$	**$**	$
United States Dollar	**XXX**	XXX	**XXX**	XXX
Reminbi	**XXX**	XXX	**XXX**	XXX

FRS 107 R.7
FRS 107R.31

Amounts due to subsidiaries

These amounts are trade related, unsecured, non-interest bearing, repayable on demand and are to be settled in cash.

Contingent consideration for business combination

As part of the purchase agreement with the previous owner of FKT International Pte Ltd, The Group has agreed to pay the selling shareholders additional consideration of $800,000 if the acquiree's cumulative profit before tax over the next three financial years exceeds $18 million. The Group has included $600,000 as contingent consideration related to the additional consideration, which represents its fair value at the acquisition date (Note 40). The fair value at the acquisition date was $600,000 which has been adjusted as of 31 December 2017 due to a significantly enhanced performance compared to budget to a fair value of $XXX The consideration is due for final measurement and payment to the former shareholders on 18 October 2017. No further significant change to the consideration is expected.

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Notes to the financial statements
For the financial year ended 31 December 2017 (Cont'd)

Extracts of notes to the financial statements illustrating the disclosures relating to financial instruments

X Fair value of assets and liabilities

A. Assets and liabilities not measured at fair value, for which fair value is disclosed

The following table shows an analysis of the Company's assets and liabilities not measured at fair value, for which fair value is disclosed

FRS 107 R.7
FRS 107R.31

	Company 2017 $				
	Fair value measurements at the end of the reporting period using				
	Quoted prices in active markets for identical assets (Level 1)	***Significant observable inputs other than quoted prices (Level 2)***	***Significant unobservable inputs (Level 3)***	**Fair value *Total***	**Carrying amount *Total***
Assets					
Unquoted convertible bonds	-	-	XXX	XXX	XXX
Amounts owing by associates on long-term loan account	-	-	XXX	XXX	XXX
Liabilities					
5.5% secured bonds 2018	-	-	(XXX)	(XXX)	(XXX)
Redeemable preference shares	-	-	(XXX)	(XXX)	(XXX)

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Notes to the financial statements
For the financial year ended 31 December 2017 (Cont'd)

Extracts of notes to the financial statements illustrating the disclosures relating to financial instruments

X. **Fair value of assets and liabilities**

A. Assets and liabilities not measured at fair value, for which fair value is disclosed

The following table shows an analysis of the Company's assets and liabilities not measured at fair value, for which fair value is disclosed

FRS 107 R.7
FRS 107R.31

	Company 2016 **$**				
	Fair value measurements at the end of the reporting period using				
	Quoted prices in active markets for identical assets (Level 1)	*Significant observable inputs other than quoted prices (Level 2)*	*Significant unobservable inputs (Level 3)*	*Fair value Total*	*Carrying amount*
Assets					
Unquoted convertible bonds	-	-	XXX	XXX	XXX
Amounts owing by associates on long-term loan account	-	-	XXX	XXX	XXX
Liabilities					
5.5% secured bonds 2018	-	-	(XXX)	(XXX)	(XXX)
Redeemable preference shares	-	-	(XXX)	(XXX)	(XXX)

Appendix E – 1
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Notes to the financial statements
For the financial year ended 31 December 2017 (Cont'd)

Extracts of notes to the financial statements illustrating the disclosures relating to financial instruments

X. Fair value of assets and liabilities

A. Assets and liabilities not measured at fair value, for which fair value is disclosed

The following table shows an analysis of the Group's assets and liabilities not measured at fair value, for which fair value is disclosed

FRS 107 R.7
FRS 107R.31

	Group 2017 $				
	Fair value measurements at the end of the reporting period using				
	Quoted prices in active markets for identical assets (Level 1)	*Significant observable inputs other quoted prices (Level 2) S$*	*Significant unobservable inputs (Level 3)*	Fair value *Total*	*Carrying amount*
Assets					
Unquoted convertible bonds	-	-	XXX	XXX	XXX
Amounts owing by associates on long-term loan account	-	-	XXX	XXX	XXX
Liabilities					
Obligations under finance leases	-	-	(XXX)	(XXX)	(XXX)
Fixed rate bank loans	-	-	(XXX)	(XXX)	(XXX)
5.5% secured bonds 2018	-	-	(XXX)	(XXX)	(XXX)
Redeemable preference shares	-	-	(XXX)	(XXX)	(XXX)

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Notes to the financial statements
For the financial year ended 31 December 2017 (Cont'd)

Extracts of notes to the financial statements illustrating the disclosures relating to financial instruments

X Fair value of assets and liabilities

A. Assets and liabilities not measured at fair value, for which fair value is disclosed

The following table shows an analysis of the Group's assets and liabilities not measured at fair value, for which fair value is disclosed:

FRS 107 R.7
FRS 107R.31

	Group 2016 $				
	Fair value measurements at the end of the reporting period using				
	Quoted prices in active markets for identical assets (Level 1)	***Significant observable inputs other than quoted prices (Level 2)***	*Significant unobservable inputs (Level 3)*	Fair value *Total*	*Carrying amount*
Assets					
Unquoted convertible bonds	-	-	XXX	XXX	XXX
Amounts owing by associates on long-term loan account	-	-	XXX	XXX	XXX
Liabilities					
Obligations under finance leases	-	-	(XXX)	(XXX)	(XXX)
Fixed rate bank loans	-	-	(XXX)	(XXX)	(XXX)
5.5% secured bonds 2018	-	-	(XXX)	(XXX)	(XXX)
Redeemable preference shares	-	-	(XXX)	(XXX)	(XXX)

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Financial Instruments

Notes to the financial statements
For the financial year ended 31 December 2017 (Cont'd)

Extracts of notes to the financial statements illustrating the disclosures relating to financial instruments

37 Financial risk management objectives and policies FRS 107 R.7 and 31

37.1 Financial risk management strategy

FRS 107R. 31 – 33 and IG 15

The Company and the Group are 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, foreign currency risk and market price risk. The board of directors reviews and agrees on policies and procedures for the management of these risks, which are executed by the Chief Financial Officer, Head of Treasury and Head of Credit Control. 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 trading in derivatives for speculative purposes shall be undertaken.

The following sections provide details regarding the Company's and Group'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 Company's and the Group's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including investment securities, cash and short-term deposits and derivatives), the Company and the Group minimise credit risk by dealing exclusively with high credit rating counterparties.

FRS 107 R.33 .a-b
FRS 107 R.IG15.c

The Company's and the Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Company and the Group trade only with recognised and creditworthy third parties. It is the Company's and 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 Company's and the Group's exposure to bad debts is not significant. For transactions that do not occur in the country of the relevant operating unit, the Company and the Group does not offer credit terms without the approval of the Head of Credit Control.

FRS 107 R.35F.b

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

The Company and the Group has determined the default event on a financial asset to be when the counterparty fails to make contractual payments, within 60 days when they fall due, which are derived based on the Group's historical information. FRS 107 R.35F.a.i

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Financial Instruments

Notes to the financial statements
For the financial year ended 31 December 2017 (Cont'd)

Extracts of notes to the financial statements illustrating the disclosures relating to financial instruments

37 Financial risk management objectives and policies (Cont'd)

37.1 Financial risk management strategy (Cont'd)

a) Credit risk (Cont'd)

FRS 107 R.35F.a

The Company and the Group consider "low risk" to be an investment grade credit rating with at least one major rating agency for those investments with credit rating. To assess whether there is a significant increase in credit risk, the company compares the risk of a default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition. The Company and the Group considers available reasonable and supportive forwarding-looking information which includes the following indicators:

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

FRS 107 R.35F.a.i

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

FRS 107 R.35F.a.ii

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Notes to the financial statements
For the financial year ended 31 December 2017 (Cont'd)

Extracts of notes to the financial statements illustrating the disclosures relating to financial instruments

37 Financial risk management objectives and policies (Cont'd)

37.1 Financial risk management strategy (Cont'd)

a) Credit risk (Cont'd)

FRS 107 R.35F.d

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

- There is significant difficulty of the issuer or the borrower
- A breach of contract, such as a default or past due event
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganization
- There is a disappearance of an active market for that financial asset because of financial difficulty borrowers in the group and changes in the operating results of the borrower.

FRS 107 R.35F.e

The Company and the Group categorise a loan or receivable for potential write-off when a debtor fails to make contractual payments more than 120 days past due. Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where loans and receivables have been written off, the company continues to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

The following are credit risk management practices and quantitative and qualitative information about amounts arising from expected credit losses for each class of financial assets.

(i) **Debt securities at amortised cost, debt securities at fair value through other comprehensive income and loans**

FRS 107 R.35F.a

The Group uses three categories of internal credit risk ratings for debt instruments and loans which reflect their credit risk and how the loss provision is determined for each of those categories. These internal credit risk ratings are aligned to external credit rating companies, such as Standard and Poor, Moody's and Fitch.

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Notes to the financial statements
For the financial year ended 31 December 2017 (Cont'd)

Extracts of notes to the financial statements illustrating the disclosures relating to financial instruments

37 Financial risk management objectives and policies (Cont'd)

37.1 Financial risk management strategy (Cont'd)

(i) **Debt securities at amortised cost, debt securities at fair value through other comprehensive income and loans (Cont'd)**

FRS 107 R.35F.b
FRS 107 R.35F.c
FRS 107 R.35F.e
FRS 107 R.35G.a

A summary of the inputs and assumptions the Company's and the Group's expected credit loss model for the debt instruments and loans is as follows:

Category	Group definition of category	Basis for recognition of expected credit loss provision
Grade I	Customers have a low risk of default and a strong capacity to meet contractual cash flows	12 -month expected credit losses
Grade II	Loans for which there is a significant increase in credit risk ; as significant increase in credit risk is presumed is presumed if interest and/ or principal repayments are 30 days past due	Lifetime expected credit losses
Grade III	Interest and/ or principal repayments are 60 days past due	Lifetime expected credit losses
Write-off	Interest and/ or principal repayments are 120 days past due and there is no reasonable expectation of recovery	Asset is written off

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Notes to the financial statements
For the financial year ended 31 December 2017 (Cont'd)

Extracts of notes to the financial statements illustrating the disclosures relating to financial instruments

37 Financial risk management objectives and policies (Cont'd)

37.1 Financial risk management strategy (Cont'd)

a) Credit risk (Cont'd)

(i) **Debt securities at amortised cost, debt securities at fair value through other comprehensive income and loans (Cont'd)**

FRS 107 R
FRS 107 R
FRS 107 R
FRS 107 R
FRS 107 R

Group's internal rating	External credit rating	Expected credit loss rate	Basis for recognition of expected credit loss provision	Estimated gross carrying amount at default	Carrying amount (net of impairment provision)	Basis for calculating interest revenue
Grade II	BBB BB B	X% X% X%	Life time expected credit losses	XXX XXX XXX	XXX XXX XXX	Gross carrying amount
Grade III	CCC CC C	X% X% X%	Life time expected credit losses	XXX XXX XXX	XXX XXX XXX	Gross carrying amount
Write – off	D	X%	Asset is written off	XXX	XXX	None

FRS 107 R.35G.c

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

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Notes to the financial statements
For the financial year ended 31 December 2017 (Cont'd)

Extracts of notes to the financial statements illustrating the disclosures relating to financial instruments

37 Financial risk management objectives and policies (Cont'd)

37.1 Financial risk management strategy (Cont'd)

a) Credit risk (Cont'd)

(i) **Debt securities at amortised cost, debt securities at fair value through other comprehensive income and loans (Cont'd)**

The loss allowance provision for debt securities at amortised cost, debt securities at fair value through other comprehensive income and loans as at 31 December 2017 reconciles to the op

Company

	Trade receivables	Other receivables	Debt securities at amortised cost	Debt securities at FVOCI	Amounts owing associates long –terrn loan account
	$	$	$	$	$
Closing allowance as at 31 December 2016 (based on FRS 39 / FRS 37)	XXX	XXX	XXX	XXX	XXX
Restatements to opening retained earnings	XXX	XXX	XXX	XXX	XXX
As at 1 January 2017 (Restated)	XXX	XXX	XXX	XXX	XXX
Loss allowance measured at:					
12- month ECL	-	-	XXX	XXX	-

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Financial Instruments

Notes to the financial statements
For the financial year ended 31 December 2017 (Cont'd)

Extracts of notes to the financial statements illustrating the disclosures relating to financial instruments

37 Financial risk management objectives and policies (Cont'd)

37.1 Financial risk management strategy (Cont'd)

a) Credit risk (Cont'd)

(i) **Debt securities at amortised cost, debt securities at fair value through other comprehensive income and loans (Cont'd)**

The loss allowance provision for debt securities at amortised cost, debt securities at fair value through other comprehensive income and loans as at 31 December 2017 reconciles to the opening loss allowance for that provision as follows: (Cont'd)

	Company				
	Trade receivables	**Other receivables**	**Debt securities at amortised cost**	**Debt securities at FVOCI**	**Amounts owing by associates on long - terrn loan account**
	$	$	$	$	$
Lifetime ECL					
- Credit risk has increased significantly since initial recognition	-	-	-	XXX	-
- Trade receivables	XXX	-	-	-	-
- Other receivables	-	XXX	-	-	-
New financial assets originated or purchased	XXX	XXX	-	-	XXX
Recoveries	XXX	XXX	-	-	-
Written-off	-	-	-	-	-
As at 31 December 201 7	**XXX**	**XXX**	**XXX**	**XXX**	**XXX**

FRS 107 R.35I.a

FRS 107 R.35I.c

Appendix E – 1
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Notes to the financial statements
For the financial year ended 31 December 2017 (Cont'd)

Extracts of notes to the financial statements illustrating the disclosures relating to financial instruments

37 Financial risk management objectives and policies (Cont'd)

37.1 Financial risk management strategy (Cont'd)
a) Credit risk (Cont'd)

(i) **Debt securities at amortised cost, debt securities at fair value through other comprehensive income and loans (Cont'd)**
The gross carrying amount of loans of the Company as at 31 December 2017, without taking into account of any collaterals held or other credit enhancements which represents the maximum exposure to loss, is $XXX

The gross carrying amount of debt securities at amortised cost, debt securities at fair value through other comprehensive income and loans, without taking into account of any collaterals held or other credit enhancements which represents the maximum exposure to loss, is as follows:

		Group 31 December 2017 $	
			FRS 107 R.35K.a
12 -month ECL	Debt securities at amortised cost	XXX	
12 -month ECL	Loans	XXX	
Lifetime ECL	Debt instruments at fair value through other comprehensive income	XXX	FRS 107.R.35M FRS 107.R.35N
	TOTAL	**XXX**	

Trade receivables
The Company and the Group provide for lifetime expected credit losses for all trade receivables. The loss allowance provision as at 31 December 2017 is determined as follows, the expected credit losses below also incorporate forward looking information such as forecast of economic conditions where the gross domestic product will deteriorate over the next year, leading to an increased number of defaults.

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Notes to the financial statements
For the financial year ended 31 December 2017 (Cont'd)

Extracts of notes to the financial statements illustrating the disclosures relating to financial instruments

37 Financial risk management objectives and policies (Cont'd)
37.1 Financial risk management strategy (Cont'd)

a) Credit risk (Cont'd)
(i) **Debt securities at amortised cost, debt securities at fair value through other comprehensive income and loans (Cont'd)**

Trade receivables (Cont'd)

Company and Group

2017	**Current**	**More than 30 days past due**	**More than 60 days past due**	**More than 90 days past due**	**More than 120 days past due**	**Total**
Expected loss rate	X%	X%	X%	X%	X%	X%
Gross carrying amount	XXX	XXX	XXX	XXX	XXX	XXX
Loss allowance provision	XXX	XXX	XXX	XXX	XXX	XXX

The gross carrying amount of the Company's and Group's trade receivables is $XXX an (2016: $XXX and $YYY) respectively. FRS 107 R.33 .a-b
During the financial year, the Company and the Group did not make any write-offs of t expect to receive future cash flows from and no recoveries from collection of cash flows

Excessive risk concentration
Concentrations arise when a number of counterparties are engaged in similar business a or activities in the same geographical region, or have economic features that would cau ability to meet contractual obligations to be similarly affected by changes in economic, pc other conditions. Concentrations indicate the relative sensitivity of the Group's perforn development s affecting a particular industry. FRS 107 .IG15 .c

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Financial Instruments

Notes to the financial statements
For the financial year ended 31 December 2017 (Cont'd)

Extracts of notes to the financial statements illustrating the disclosures relating to financial instruments

37 Financial risk management objectives and policies (Cont'd)
37.1 Financial risk management strategy (Cont'd)

Excessive risk concentration (Cont'd)
In order to avoid excessive concentrations of risk, the Company's and 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. Selective hedging is used within the Company and the Group to manage risk concentrations at both the relationship and industry levels. The Company and the Group does not apply hedge accounting.

Exposure to credit risk
At the end of the reporting period, the Company's and the Group's maximum exposure to credit risk is represented by:

FRS 107 R.AGB9- E

- A nominal amount of $XXX (2016: $XXX) relating to a corporate guarantee provided by the Group to the banks on associates' and joint venture's loans
- A nominal amount of $XXX (2016: $XXX) relating to a corporate guarantee provided by the Company to a bank on a subsidiary's bankloan

Information regarding credit enhancements for trade and other receivables is disclosed in Note X.

Credit risk concentration profile
The Company and Group determines concentrations of credit risk by monitoring the country and industry sector profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Company's and the Group's trade receivables at the end of the reporting period is as follows.

FRS 107 R.34 .a and AGB8

	Company and Group			
	2017		2016	
	$	% of total	$	% of total
By Country:				
Singapore	**XXX**	**XXX**	XXX	XXX
Malaysia	**XXX**	**XXX**	XXX	XXX
	XXX	**XXX**	**XXX**	**XXX**

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Financial Instruments

Notes to the financial statements
For the financial year ended 31 December 2017 (Cont'd)

Extracts of notes to the financial statements illustrating the disclosures relating to financial instruments

37 Financial risk management objectives and policies (Cont'd)
37.1 Financial risk management strategy (Cont'd)
Credit risk concentration profile (Cont'd)

The Company and Group determine concentrations of credit risk by monitoring the country and industry sector profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Company's and the Group's trade receivables at the end of the reporting period is as follows: (Cont'd)

FRS 107 R.34 .a and AGB8

	Company and Group			
	2017		2016	
	$	% of total	$	% of total
By Industry sectors:				
Property development	**XXX**	**XXX**	XXX	XXX
Property investment and investment holding	**XXX**	**XXX**	XXX	XXX
Project and property management, estate agent and general construction and interior works	**XXX**	**XXX**	XXX	XXX
	XXX	**XXX**	**XXX**	**XXX**

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Financial Instruments

Notes to the financial statements
For the financial year ended 31 December 2017 (Cont'd)

Extracts of notes to the financial statements illustrating the disclosures relating to financial instruments

37 Financial risk management objectives and policies (Cont'd)
37.1 Financial risk management strategy (Cont'd)

At the end of the reporting period, approximately:
XX% (2016::XX%) of the Company's and the Group's trade receivables were due from five major customers who are multi-industry conglomerates located in Singapore.
XX% (2016: XX%) of the Company and Group's trade and other receivables were due from related parties.

FRS *107 R.34 .a, 34c and AGB8*

Notes:

1. **Credit risk disclosures**

The credit risk disclosures shall enable users of financial statements to understand the effect of credit risk on the amount, timing and uncertainty of future cash flows. To achieve this objective, credit risk disclosures shall provide:

FRS 107 R.35B

(a) Information about an entity's credit risk management practices and how they relate to the recognition and measurement of expected credit losses, including the methods, assumptions and information used to measure expected credit losses

(b) The quantitative and qualitative information that allows users of financial statements to evaluate the amounts in the financial statements arising from expected credit losses, including changes in the amount of expected credit losses and the reasons for those changes; and

(c) Information about an entity's credit risk exposure (i.e. the credit risk inherent in an entity's financial assets and commitments to extend credit) including significant credit risk concentrations.

An entity need not duplicate information that is already presented elsewhere, provided that the information is incorporated by cross-reference from the financial statements to other statements, such as a management commentary or risk report that is available to users of the financial statements on the same terms as the financial statements and at the same time. Without the information incorporated by cross-reference, the financial statements are incomplete.

FRS 107 R.35C

For disclosures requirement above, an entity shall consider how much detail to disclose, how much emphasis to place on different aspects of the disclosure requirements, the appropriate level of aggregation or disaggregation, and whether users of the financial statements need additional explanations to evaluate the quantitative information disclosed.

FRS 107 R.35D

Appendix E – 1
Financial Instruments

Notes to the financial statements
For the financial year ended 31 December 2017 (Cont'd)

Extracts of notes to the financial statements illustrating the disclosures relating to financial instruments

37 Financial risk management objectives and policies (Cont'd)
37.1 Financial risk management strategy (Cont'd)

Notes: (Cont'd)

2. **Expected credit losses on a collective basis**

   In this illustration, the Group does not measure expected credit losses on a collective basis. If the Group measures expected credit losses on a collective basis, it shall disclose how the instruments were grouped. FRS 107 R.35F.c

3. **Modification of contractual cash flows**

   In this illustration, the Group does not have modification of contractual cash flows for its financial assets. If an entity has modification of contractual cash flows for its financial assets, an entity shall disclose how it has applied the requirements in para 5.5.12 of FRS 109, including how an entity:
   including how an entity:

   (i) Determines whether the credit risk on a financial asset that has been modified while the loss allowance was measured at an amount equal to lifetime expected credit losses, has improved to the extent that the loss allowance reverts to being measured at an amount equal to 12-month expected credit losses in accordance with para 5.5.5 of FRS 109; and

   (ii) Monitors the extent to which the loss allowance on financial assets meeting in the criteria (i) is subsequently remeasured at an amount equal to lifetime expected credit losses in accordance with para 5.5.3 of FRS 109.

4. In addition, to enable users of financial statements to understand the nature and effect of modifications of contractual cash flows on financial assets that have not resulted in derecognition and the effect of such modifications on the measurement of expected credit losses; an entity shall disclose: FRS 107 R.35J
   (a) The amortised cost before the modification and the net modification gain or loss recognised for financial assets for which the contractual cash flows have been modified during the reporting period while they had a loss allowance measured at an amount equal to lifetime expected credit losses; and
   (b) The gross carrying amount at the end of the reporting period of financial asset s that have been modified since initial recognition at a time when the loss allowance was measured at an amount equal to lifetime expected credit losses and for which the loss allowance has changed during the reporting period to an amount equal to 12 -month expected credit losses.

Appendix E – 1
Financial Instruments

Notes to the financial statements
For the financial year ended 31 December 2017 (Cont'd)

Extracts of notes to the financial statements illustrating the disclosures relating to financial instruments

37 Financial risk management objectives and policies (Cont'd)
37.1 Financial risk management strategy (Cont'd)

Notes: (Cont'd)

5. The entity shall also provide an explanation of how significant changes in the gross carrying amount of financial instruments during the period contributed to changes in the loss allowance for modification of contractual cash flows on financial assets that do not result in a derecognition of those financial assets in accordance with FRS 109. FRS 107 R.35I.b

6. **Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit impaired and financial assets that are purchased on originated credit-impaired**

In this illustration, the Group does not have financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit impaired and financial assets that are purchased on originated credit-impaired. FRS 107 R.35H
If an entity has such financial assets, the entity shall disclose: FRS 107 R.35H.c
(a) The changes in the loss allowance and the reasons for those changes, provide by class of financial instrument, a reconciliation from the opening balance to the closing balance of the loss allowance, in a table, showing separately the changes during the period;
(b) the total amount of undiscounted expected credit losses at initial recognition on financial assets initially recognised during the reporting period; and
(c) The gross carrying amount by credit risk rating grades.

7. **Collateral and other credit enhancement which affects the amounts arising from expected credit losses** FRS 107 R.35K.b
In this illustration, the Group does not have any collateral and other credit enhancement which affects the amounts arising from expected credit losses. If an entity has any collateral and other credit enhancement which affects the amounts arising from expected credit losses, the entity shall disclose by class of financial instrument:
(a) A narrative description of collateral held as security and other credit enhancements, including:
    (i) A description of the nature and quality of the collateral held
    (ii) An explanation of any significant changes in the quality of that collateral or credit enhancements as a result of deterioration or changes in the collateral policies of the entity during the reporting period; and FRS 107 R.35K.c
    (iii) Information about financial instruments for which an entity has not recognised a loss allowance because of the collateral
(b) Quantitative information about the collateral held as security and other credit enhancements (for example, quantification of extent to which collateral and other credit enhancements mitigate credit risk) for financial assets that are credit-impaired at the reporting date.

Appendix E – 1
Financial Instruments

Notes to the financial statements
For the financial year ended 31 December 2017 (Cont'd)

Extracts of notes to the financial statements illustrating the disclosures relating to financial instruments

37 Financial risk management objectives and policies (Cont'd)
37.1 Financial risk management strategy (Cont'd)

Notes: (Cont'd)

8. An entity shall disclose the contractual amount outstanding on financial assets that were written off during the reporting period and are still subject to enforcement activity. FRS 107 R.35L

9. **Credit risk relating to financial assets or financial liabilities at fair value through profit or loss** FRS 107 R.9-11

In this illustration, no financial instrument has been designated as financial assets or financial liabilities at fair value through profit or loss. If an entity has designated a loan or receivable or financial liability as at fair value through profit or loss, FRS 107 requires further disclosures regarding the maximum credit risk exposures of such receivables and the amount by which any related credit derivatives or similar instruments mitigate that credit risk exposure; changes in fair value during the period and cumulatively, of such loan or receivable or financial liabilities that is attributable to changes in credit risk (including the methods of determining such fair value changes) and of any related credit derivatives or similar instruments; and the difference between the financial liability's carrying amount and the contractual repayment amount.

9. **Disclosure of maximum exposure to credit risk** FRS 107 R.36 .a
For financial instruments where the carrying amount best represents the maximum exposure to credit risk, the disclosure of the maximum exposure to credit risk is not required.

10. **Quantitative disclosures**
FRS 107 requires the disclosure of summary quantitative data about an entity's exposure to financial risk (e.g., credit risk, liquidity risk and market risk) that is based on the information provided internally to key management personnel of the entity (as defined in FRS 24, Related Party Disclosures), e.g., the board of directors or CEO. As such, the disclosures would be defined by the actual information used by management in managing financial risks, which may be different from those disclosed in this illustration. FRS 107 R.34 .a
In addition, if the above-mentioned quantitative data disclosed as at the end of the reporting period are unrepresentative of the entity's exposure to risk during the period, the entity shall provide further information that is representative e.g., an entity might disclosed the highest, lowest and average amount of risk to which it was exposed during the period to meet the disclosure requirement. FRS 107 R.35 and IG20

Appendix E – 1
Financial Instruments

Notes to the financial statements
For the financial year ended 31 December 2017 (Cont'd)

Extracts of notes to the financial statements illustrating the disclosures relating to financial instruments

37 Financial risk management objectives and policies (Cont'd)
37.1 Financial risk management strategy (Cont'd)

Notes: (Cont'd)

10. **Quantitative disclosures (Cont'd)**

The identification of concentrations of credit risk requires judgement taking into account the circumstances of the entity. Apart from country and industry sectors, other measures of credit risk concentrations may include credit rating or other measures of credit quality, limited number of individual counterparties, or groups of closely related counterparties.

FRS 107 R.AGB8 and IG18

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Appendix E – 1
Financial Instruments

Notes to the financial statements
For the financial year ended 31 December 2017 (Cont'd)

Extracts of notes to the financial statements illustrating the disclosures relating to financial instruments

37 Financial risk management objectives and policies (Cont'd)
37.1 Financial risk management strategy (Cont'd)

b) Liquidity risk

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

FRS 107 R.33a-b, 39 .c and IG5

The Company's and the Group's liquidity risk management policy is that not more than XX% (2016 : XX%) of loans and borrowings (including overdraft s and convertible redeemable preference shares) should mature in the next one year period, and that to maintain sufficient liquid financial assets and stand-by credit facilities with three different banks. At the end of the reporting period, approximately X% (2016: XX%) of the Group's loans and borrowings will mature in less than one year based on the carrying amount reflected in the financial statements, excluding discontinued operation. None (2016: none) of the Company's loans and borrowings will mature in less than one year at the end of the reporting period.

FRS 107R .33 .b, 39 .c and AGB11F.e

FRS 107 R.AGB11F.a and c

The Company and 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 debt maturing within 12 months can be rolled over with existing lenders.

FRS 107 R.34 .a, 34 .c and AGB8

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Financial Instruments

Notes to the financial statements
For the financial year ended 31 December 2017 (Cont'd)

Extracts of notes to the financial statements illustrating the disclosures relating to financial instruments

37 Financial risk management objectives and policies (Cont'd)
37.1 Financial risk management strategy (Cont'd)

b) Liquidity risk

FRS 107 R.39.a, b and AGB11D

Analysis of financial instruments by remaining contractual maturities
The table below summarises the maturity profile of the Company's and the Group's financial assets used for managing liquidity risk and financial liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

Company	**2017 $**				2016 $			
Financial assets	**One year or less**	**One to five years**	**Over five years**	**Total**	One year or less	One to five years	Over five years	Total
Amounts owing by associates on long-term loan account	**-**	**-**	**XXX**	**XXX**	-	-	XXX	XXX
Trade and other receivables	**XXX**	**-**	**-**	**XXX**	XXX	-	-	XXX
Cash and cash equivalents	**XXX**	**-**	**-**	**XXX**	XXX	-	-	XXX
Total undiscounted financial assets	**XXX**	**XXX**	**XXX**	**XXX**	XXX	XXX	XXX	XXX

Appendix E – 1
Financial Instruments

Notes to the financial statements
For the financial year ended 31 December 2017 (Cont'd)

Extracts of notes to the financial statements illustrating the disclosures relating to financial instruments

37 Financial risk management objectives and policies (Cont'd)
37.1 Financial risk management strategy (Cont'd)

b) Liquidity risk (Cont'd)

Analysis of financial instruments by remaining contractual maturities (Cont'd)
The table below summarises the maturity profile of the Company's and the Group's financial assets used for managing liquidity risk and financial liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

FRS 107 R.39.a, b and AGB11D

Company	**2017 $**				2016 $			
Financial liabilities	**One year or less**	**One to five years**	**Over five years**	**Total**	One year or less	One to five years	Over five years	Total
Trade and other payables	**XXX**	**-**	**-**	**XXX**	XXX	-	-	XXX
Borrowings	**XXX**	**XXX**	**-**	**XXX**	XXX	XXX	-	XXX
Redeemable preference shares	**-**	**XXX**	**-**	**XXX**	-	XXX	-	XXX
Total undiscounted financial liabilities	**XXX**	**XXX**	**XXX**	**XXX**	XXX	XXX	XXX	XXX

Appendix E – 1
Financial Instruments

Notes to the financial statements
For the financial year ended 31 December 2017 (Cont'd)

Extracts of notes to the financial statements illustrating the disclosures relating to financial instruments

37 Financial risk management objectives and policies (Cont'd)
37.1 Financial risk management strategy (Cont'd)

b) Liquidity risk

Analysis of financial instruments by remaining contractual maturities (Cont'd)
The table below summarises the maturity profile of the Company's and the Group's financial assets used for managing liquidity risk and financial liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

FRS 107 R.39.a, b and AGB11D

Group	**2017 $**				2016 $			
Financial assets	**One year or less**	**One to five years**	**Over five years**	**Total**	One year or less	One to five years	Over five years	Total
Amounts owing by associates on long-term loan account	**-**	**-**	**XXX**	**XXX**	-	-	XXX	XXX
Trade and other receivables	**XXX**	**-**	**-**	**XXX**	XXX	-	-	XXX
Cash and cash equivalents	**XXX**	**-**	**-**	**XXX**	XXX	-	-	XXX
Total undiscounted financial assets	**XXX**	**XXX**	**XXX**	**XXX**	XXX	XXX	XXX	XXX

Appendix E – 1
Financial Instruments

Notes to the financial statements
For the financial year ended 31 December 2017 (Cont'd)

Extracts of notes to the financial statements illustrating the disclosures relating to financial instruments

37 Financial risk management objectives and policies (Cont'd)
37.1 Financial risk management strategy (Cont'd)

b) Liquidity risk (Cont'd)

Analysis of financial instruments by remaining contractual maturities (Cont'd)
The table below summarises the maturity profile of the Company's and the Group's financial assets used for managing liquidity risk and financial liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

FRS 107 R.39.a, b and AGB11D

Group	**2017 $**				2016 $			
Financial liabilities	**One year or less**	**One to five years**	**Over five years**	**Total**	One year or less	One to five years	Over five years	Total
Trade and other payables	**XXX**	**-**	**-**	**XXX**	XXX	-	-	XXX
Borrowings	**XXX**	**XXX**	**-**	**XXX**	XXX	XXX	-	XXX
Redeemable preference shares	**-**	**XXX**	**-**	**XXX**	-	XXX	-	XXX
Total undiscounted financial liabilities	**XXX**	**XXX**	**XXX**	**XXX**	XXX	XXX	XXX	XXX

Appendix E – 1
Financial Instruments

Notes to the financial statements
For the financial year ended 31 December 2017 (Cont'd)

Extracts of notes to the financial statements illustrating the disclosures relating to financial instruments

37 Financial risk management objectives and policies (Cont'd)
37.1 Financial risk management strategy (Cont'd)

b) Liquidity risk (Cont'd)

Analysis of financial instruments by remaining contractual maturities (Cont'd)

The table below shows the contractual expiry by maturity of the Company's and the Group's contingent liabilities and commitments. The maximum amount of the financial guarantee contracts are allocated to the earliest period in which the guarantee could be called. FRS 107 R.39.a, b and AGB11D

	2017 $				2016 $			
Company	**One year or less**	**One to five years**	**Over five years**	**Total**	One year or less	One to five years	Over five years	Total
Financial guarantees	**XXX**	**-**	**-**	**XXX**	XXX	XXX	\-	XXX
Group								
Financial guarantees	**XXX**	**XXX**	**-**	**XXX**	-	XXX	-	XXX

Appendix E – 1
Financial Instruments

Notes to the financial statements
For the financial year ended 31 December 2017 (Cont'd)

Extracts of notes to the financial statements illustrating the disclosures relating to financial instruments

37 Financial risk management objectives and policies (Cont'd)
37.1 Financial risk management strategy (Cont'd)

c) Interest risk
Interest rate risk is the risk that the fair value or future cash flows of the Company's and the Group's financial instruments will fluctuate because of changes in market interest rates. The Company's and the Group's exposure to interest rate risk arises primarily from their loans and borrowings, interest-bearing loans given to related parties and investments in debt securities. The Company and the Group do not hedge its investment in fixed rate debt securities as they have active secondary or resale markets to ensure liquidity. All of the Group's and the Company's financial assets and liabilities at floating rates are contractually re-priced at intervals of less than 3 months (2016 : less than 3 months) from the end of the reporting period.

FRS 107 R.33 .a-b and IG16

The Company's and the Group's policy is to manage interest cost using a mix of fixed and floating rate debts. The Company's and the Group's policy is to keep XX% to XX% (2016 : XX% to XX%) of its loans and borrowings at fixed rates of interest. To manage this mix in a cost-efficient manner, the Company and the Group enter into interest rate swaps. At the end of the reporting period, after taking into account the effect of an interest rate swap, approximately XX% (2016: XX%) of the Company's and the Group's borrowings are at fixed rates of interest.

FRS 107 .33 .b and .a

Sensitivity analysis for interest rate risk

At the end of the reporting period, if SGD interest rates had been XX (2016: XX) basis points lower/ higher with all other variables held constant, the Group's profit before tax would have been $XXX (2016: $XXX) higher/ lower, arising mainly as a result of lower/ higher interest expense on floating rate loans and borrowings, lower/ higher interest income from floating rate loans to related parties and lower/ higher positive fair value of an interest rate swap, and the Group's other reserve in other comprehensive income would have been $XXX (2016: $XXX) higher/ lower, arising mainly as a result of an increase/ decrease in the fair value of fixed rate debt securities classified as FVOCI. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment, showing a significantly higher volatility as in prior years.

FRS 107 R.40, IG36 and AGB18

Appendix E – 1
Financial Instruments

Notes to the financial statements
For the financial year ended 31 December 2017 (Cont'd)

Extracts of notes to the financial statements illustrating the disclosures relating to financial instruments

37 Financial risk management objectives and policies (Cont'd)
37.1 Financial risk management strategy (Cont'd)

d) Foreign currency risk

The Company and the Group have transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily SGD and Malaysian Ringgit (Ringgit). The foreign currencies in which these transactions are denominated are mainly United States Dollars (USD). Approximately XX% (2016: XX%) of the Group's sales are denominated in foreign currencies whilst almost XX% (2016 : XX%) of costs are denominated in the respective functional currencies of the Group entities. The Company's and the Group's trade receivables and trade payable balances at the end of the reporting period have similar exposures.

FRS 107 R.33 .a and 34 .a

The Company and the Group also hold cash and short-term deposits denominated in foreign currencies for working capital purposes. At the end of the reporting period, such foreign currency balances are mainly in USD.

FRS 107 R.33 .a and 34 .a

The Group requires all of its operating entities to use forward currency contracts to eliminate the currency exposures on any individual transactions in excess of $XXX for which payment is anticipated more than one month after the Group has entered into a firm commitment for a sale or purchase. The forward currency contracts must be in the same currency as the hedged item. It is the Group's policy not to enter into forward contracts until a firm commitment is in place. It is the Group's policy to negotiate the terms of the forward currency contracts to match the terms of the firm commitment to maximise hedge effectiveness.

FRS 107 R.33 .b

At 31 December 2016, the Group had hedged XX% (2016: XX%) and XX% (2016 : XX%) of its foreign currency denominated sales and purchases respectively, for which firm commitments existed at the end of the reporting period, extending to March 2018 (2016: March 2017). The Group does not apply hedge accounting for such foreign currency denominated sales and purchases.

The Group is also exposed to currency translation risk arising from its net investments in foreign operations, including Malaysia. The Group's investment in its Malaysian subsidiary is hedged by a USD denominated bank loan, which mitigates structural currency exposure arising from the subsidiary's net assets. The Group's net investments in Malaysia are not hedged as currency positions in Ringgit and RMB are considered to be long-term in nature.

Appendix E – 1
Financial Instruments

Notes to the financial statements
For the financial year ended 31 December 2017 (Cont'd)

Extracts of notes to the financial statements illustrating the disclosures relating to financial instruments

37 Financial risk management objectives and policies (Cont'd)
37.1 Financial risk management strategy (Cont'd)

e) Market price risk

Market price risk is the risk that the fair value or future cash flows of the the Company's and the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates). The Company and the Group are exposed to equity price risk arising from its investment in quoted equity securities. These securities are quoted on the Singapore Exchange Securities Trading Limited (SGX-ST) in Singapore and are classified as FVTPL or FVOCI financial assets. The Group does not have exposure to commodity price risk. FRS 107 R.33 .a

The Company's and the Group's objective is to manage investment returns and equity price risk using a mix of investment grade shares with steady dividend yield and non-investment grade shares with higher volatility. The Company's and the Group's policy is to limit its interest in the latter type of investments to XX% (2016: XX%) of its entire equity portfolio. Any deviation from this policy is required to be approved by the CEO and audit committee. At the end of the reporting period, XX% (2016: XX%) and YY% (2016: YY%) of the Company's and the Group's equity portfolio consist of non-investment grade shares of companies operating in PRC and Singapore, while the remaining portion of the equity portfolio comprises investment grade shares included in the Straits Times Index (STI). FRS 107 R.33 .b and 34 .a FRS 107 R.40, AGB 17-18 and AGB

Sensitivity analysis for equity price risk

At the end of the reporting period, if the price of the shares had been X% (2016: X%) higher/ lower with all other variables held constant, the Group's profit before tax would have been $XXX (2016: $XXX) higher/ lower, arising as a result of higher/ lower fair value gains on held for trading investments in equity instruments, and the Group's other comprehensive income would have been $XXX (2016 : $XXX) higher/ lower, arising as a result of an increase/ decrease in the fair value of equity securities classified as FVOCI.

Appendix E – 1
Financial Instruments

Notes to the financial statements
For the financial year ended 31 December 2017 (Cont'd)

Extracts of notes to the financial statements illustrating the disclosures relating to financial instruments

37 Financial risk management objectives and policies (Cont'd)
37.1 Financial risk management strategy (Cont'd)

d) Foreign currency risk (Cont'd)

	Company		Group	
	2017 **$**	2016 $	**2017** **$**	2016 $
USD/SGD - strengthened X% (2016: X%)	**– XX**	–XX	**–XX**	–XX
- weakened X% (2016: X%)	**+XX**	+XX	**+XX**	+XX
USD/RMB - strengthened X% (2016: X%)	**–XX**	–XX	**–XX**	–XX
- weakened X% (2016: X%)	**+XX**	+XX	**+XX**	+XX
RMB/SGD - strengthened X% (2016: X%)	**+XX**	+XX	**+XX**	+XX
- weakened X% (2016: X%)	**–XX**	-XX	**-XX**	-XX

Appendix E – 2
Hedge accounting

Notes to the financial statements
For the financial year ended 31 December 2017 (Cont'd)

Extracts of summary of significant accounting policies illustrating accounting policies relating to hedge accounting

2 (d) Significant accounting policies (Cont'd)

Hedge accounting

The Group applies hedge accounting for certain hedging relationships which qualify for hedge accounting. FRS 107R.21

For the purpose of hedge accounting, hedges are classified as:
- fair value hedges when hedging the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment FRS 109.6.5.2.a
- cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment; or FRS 109.6.5.2.b
- hedges of a net investment in a foreign operation

Fair value hedges

The change in the fair value of a hedging derivative is recognised in profit or loss or other comprehensive income if the hedging instrument hedges an equity instrument for which the Group has elected to present changes in fair value in other comprehensive income. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying value of the hedged item and is also recognised in profit or loss. The change in fair value of the hedged item which is an equity instrument for which an entity has elected to present changes in fair value in other comprehensive income, shall remain in other comprehensive income. FRS 109.6.5.2.c FRS 109.6.5.8

FRS 109.6.5.10

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

FRS 109.6.5.10

For hedged item that is a debt instrument measured at fair value through other comprehensive, the adjustment to be amortised through profit or loss is the amount that represents the cumulative gain or loss recognised in other comprehensive income. If the hedged item is derecognised, the unamortised fair value is recognised immediately in profit or loss.

Appendix E – 2
Hedge accounting

Notes to the financial statements
For the financial year ended 31 December 2017 (Cont'd)

Extracts of summary of significant accounting policies illustrating accounting policies relating to hedge accounting

2 (d) Significant accounting policies (Cont'd)

Hedge accounting (Cont'd)
Fair value hedges (Cont'd)

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability to include the cumulative change in fair value of the hedged item that was recognised in the balance sheet. FRS 109.6.5.9

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

FRS 109.6.5.11b and c

The Group uses forward currency contracts as hedges of its exposure to foreign currency risk in forecasted transactions and firm commitments, as well as forward commodity contracts for its exposure to volatility in the commodity prices.

Amounts recognised as other comprehensive income are transferred to profit or loss when the hedged transaction affects profit or loss. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability.

FRS 109.5.11.d

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

FRS 109.6.5.12

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

FRS 109.6.5.13 and 14

Appendix E – 2
Hedge accounting

Notes to the financial statements
For the financial year ended 31 December 2017 (Cont'd)

Extracts of summary of significant accounting policies illustrating accounting policies relating to hedge accounting

2 (d) Significant accounting policies (Cont'd)

Time value of options
When option contracts are used to hedge forecast transactions, the Group designates only the intrinsic value of t he option contract as the hedging instrument.
The change in the fair value of the t ime value of the option contracts that relate to the hedge item are recognised in other comprehensive income. The cumulative change in fair value arising from the time value of option accumulated in equity are subsequently recognised: FRS 109 .6.5.15

FRS 109 .6.5.15

- as initial cost or carrying amount of the asset or liability if the hedged item subsequently results in the recognition of a non-financial asset or a non-financial liability, or a firm commitment for a non-financial asset or a non-financial liability for which fair value hedge accounting is applied; or
- as a reclassification adjustment to the profit or loss when the hedged expected future cash flows affect the profit or loss.

Forward elements of forward contracts
When forward contracts are used to hedge forecast transactions, the Group designates only the spot element of the forward contracts as the hedging instrument.

FRS 109 .6.5.16

The Group elects for each hedge designation, whether the change in the fair value of the forward elements of forward contracts that relate to the hedge item are recognised directly in profit or loss, or in other comprehensive income with the cumulative change in fair value accumulated in equity being subsequently recognised: FRS 109 R.B6.5.34

- as initial cost or carrying amount of the asset or liability if the hedged item subsequently results in the recognition of a non-financial asset or a non-financial liability, or a firm commitment for a non-financial asset or a non-financial liability for which fair value hedge accounting is applied; or
- as a reclassification adjustment to the profit or loss when the hedged expected future cash flows affect the profit or loss.

Appendix E – 2
Hedge accounting

Notes to the financial statements
For the financial year ended 31 December 2017 (Cont'd)

Extracts of notes to the financial statements illustrating the disclosures of risk management strategy

37 Financial risk management objectives and policies

The Company and the Group are exposed to financial risks from its operations and the use of financial instruments. The board of directors reviews and agrees on policies and procedures for the management of these risks, which are executed by the Chief Financial Officer, Head of Treasury and Head of Credit Control. The Audit Committee provides independent oversight to the effectiveness of the risk management process. FRS 107 .21A

The Group's activities expose it to foreign currency risk and commodity risk. In order to minimise any adverse effects on the financial performance of the Group, derivative financial instruments, such as foreign exchange forward contract s, foreign curency option contracts and commodity forward contracts are used to hedge certain foreign currency risk exposures and commodity price exposures. In addition, the Group is also exposed to changes in market interest rates as most of the Group's borrowings are fixed interest rates borrowings. It is the Group's policy that no trading in derivatives for speculative purposes may be undertaken.

The following are 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.

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Appendix E – 2
Hedge accounting

Notes to the financial statements
For the financial year ended 31 December 2017 (Cont'd)

Extracts of notes to the financial statements illustrating the disclosures of risk management strategy

Notes:

1. **Hedge accounting** FRS107 R.21A

   Hedge accounting disclosures shall provide information about:

   (a) an entity's risk management strategy and how it is applied to manage risk;

   (b) how the entity's hedging activities may affect the amount, timing and uncertainty of its future cash flows; and

   (c) the effect that hedge accounting has had on the entity's statement of financial position, statement of comprehensive income and statement of changes in equity

   The required disclosures for hedge accounting are required to be presented in a single note or separate section on its financial statements. However, an entity need not duplicate information that is already presented elsewhere, provided that the information is incorporated by cross-reference from the financial statements to some other statements such as management commentary or risk report that is available to users of the financial statements on the same terms as the financial statements and at the same time. Without the information incorporated by cross-reference, the financial statements are incomplete. FRS 107 R.21B

2. FRS 107 requires each entity to determine each risk category on the basis of risk exposures an entity decides to hedge and for which hedge accounting is applied and determine risk categories consistently for all hedge accounting disclosures. FRS 107 R.21C

   To meet the objectives above, an entity shall determine how much detail to disclose, how much emphasis is place on different aspects of the disclosure requirements, the appropriate level of aggregation or disaggregation, and whether users of financial statements need additional explanation to evaluate the quantitative information disclosed. However, an entity shall use the same level of aggregation or disaggregation it uses for disclosure requirements of related information in FRS 107 and FRS 113. FRS 107 R.21D

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Appendix E – 2
Hedge accounting

Notes to the financial statements
For the financial year ended 31 December 2017 (Cont'd)

Extracts of notes to the financial statements illustrating the disclosures of risk management strategy

X Hedging Activities

FRS 107 R.22A

Fair value hedges
Interest rate risk is the risk that the fair value or future cash flows of the Company's and the Group's financial instruments will fluctuate because of changes in market interest rates. The Company's and the Group's exposure to interest rate risk arise primarily from their loans and borrowings, interest-bearing loans given to related parties and investments in debt securities.
The Company and the Group has a $XXX X.XX% fixed rate secured borrowings. Changes in market interest rate expose the Company and the Group to fair value risk. The Board's risk management strategy is to hedge all its exposure to market interest rate movement for the entire term of the borrowings. The objective of the hedge is to designate an interest rate swap as a fair value hedge of a $XXX fixed rate borrowings.

FRS 107 R.22B.a

To manage the fair value exposure arising from the fixed rate loan, the Company and the Group entered into an interest rate swap agreement with a notional amount of $XXX whereby the Company and the Group receive a fixed rate of interest of X.XX% and pays a variable rate equal to SIBOR+X% on the notional amount.

FRS 107 R.22B.b

FRS 107 .22B.c

The Company and the Group determines the economic relationship between the fixed rate borrowings and the interest rate swap by matching the critical terms of the hedging instrument with the terms of the hedged item. The hedge ratio is determined to be 1:1. There were no expected sources of ineffectiveness on the Company's and the Group's fair value hedge the critical terms of the interest rate swap match exactly with the terms of the hedged item,

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Appendix E – 2
Hedge accounting

Notes to the financial statements
For the financial year ended 31 December 2017 (Cont'd)

Extracts of notes to the financial statements illustrating the disclosures of risk management strategy

X Hedging Activities (Cont'd)

Fair value hedges

The effects of applying hedge accounting on the Group's balance sheet and profit or loss are as follows:

Fair value hedge	31 December 2017	
Hedged item	X.XX% fixed rate borrowings	FRS 107R.24B.a.i
Carrying amount of hedged item	XXX	
Maturity date	December 20X7	FRS 107R.24B.a.ii
Accumulated fair value adjustments on the hedged item	XXX	FRS 107R.24B.a.iii
Line item in the balance sheet that includes the hedged item	Non-current bank borrowings	FRS 107R.22B.a
Hedging instrument	Receive fixed/pay variable interest rate swap	FRS 107R.24A.a
Maturity date	December 20X8	
Carrying amount	XXX	FRS 107R.24A.b
Line item in the balance sheet that includes the hedging instruments	Derivative financial asset	FRS 107R.24A.d
Nominal amount	XXX	
Weighted average hedged rate for the year	X.XX%	FRS 107R.23B.b

Appendix E – 2
Hedge accounting

Notes to the financial statements
For the financial year ended 31 December 2017 (Cont'd)

Extracts of notes to the financial statements illustrating the disclosures of risk management strategy

X Hedging Activities (Cont'd)

Cash flow hedges

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company and the Group are exposed to foreign exchange risk arising from foreign currency transactions, primarily with respect to the US dollar and the British pound. Foreign exchange risk arises from future transactions and recognised assets and liabilities denominated in a currency that is not the functional currency of the companies within the Group.

The Company and the Group manage its foreign currency risk by entering into foreign currency forward contracts for its highly probable sales and purchases. The Company's and the Group's strategy is to minimize the volatility of SGD currency cost of highly probable sales and purchases of inventory. These forecast transactions are highly probable, and the Company's and the Group's objective is to hedge 25% of the Company's and the Group's total expected sales and about 65% of its total expected purchases, for which firm commitments existed at the end of the reporting period, extending to March 2018. FRS 107R.22A

The Company and the Group use foreign currency forward contracts to hedge its exposure to foreign currency risk. The Group designates the spot component of the foreign currency forward contract to hedge forecast sales in the United States and forecast purchases in the United Kingdom. FRS 107R.22B.a

The terms of the foreign currency forward contracts have been negotiated for the expected highly probable forecast transactions. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the Group uses the hypothetical derivative method to assess effectiveness. The hedge ratio is determined to be 1:1. FRS 107R.22B.b

Ineffectiveness is recognised on a cash flow hedge when the cumulative change in the designated component value of the hedging instrument exceeds on an absolute basis the change in value of the hedged item attributable to the hedged risk. FRS 107R.22B.c

In hedges of the above foreign currency sales and foreign currency purchases, the expected sources of hedge ineffectiveness emerge when differences arise between the credit risk inherent within the hedged item and the hedging instrument. FRS 107R.23D

Other sources of hedge ineffectiveness may emerge if the timing of the transaction changes from what was originally estimated.

Appendix E – 2
Hedge accounting

Notes to the financial statements
For the financial year ended 31 December 2017 (Cont'd)

Extracts of notes to the financial statements illustrating the disclosures of risk management strategy

X Hedging Activities (Cont'd)

Cash flow hedge	**31 December 2017**	
Hedged item	Hedge of 65% of 3 months future sales	
Change in value of the hedge item used as the basis for recognising hedge ineffectiveness for the period	XXX	FRS 107R.24B.b.i
Balances in the cash flow hedge reserve	XXX	FRS 107R.24B.b.ii
Hedging instrument	Foreign currency forward contract	FRS 107R.22B.a
Maturity date	March 20X8	FRS 107R.24A.a
Carrying amount	XXX	FRS 107R.24A.b
Line item in the balance sheet that includes the hedged item	Derivative financial liabilities	FRS 107R.24A.c
Change in fair value used for measuring ineffectiveness for the period	XXX	FRS 107R.24A.d
Notional amount	XXX	FRS 107R.24C.b.i
Hedging gains or losses for the period recognised in OCI	XXX	FRS 107R.24C.b.ii
Hedge ineffectiveness recognised in profit or loss	XXX	FRS 107R.24C.b.iii
Line item in the income statement which includes the hedge ineffectiveness	Other expenses	FRS 107R.24C.b.iv
Amount reclassified from OCI to profit or loss	XXX	
Line item in the income statement which includes the reclassification adjustment	Revenue	FRS 107R.24C.b.v
Weighted average hedged rate for the year	X.XX%	FRS 107R.23B.b

Appendix E – 2
Hedge accounting

Notes to the financial statements
For the financial year ended 31 December 2017 (Cont'd)

Extracts of notes to the financial statements illustrating the disclosures of risk management Strategy

X Hedging Activities (Cont'd)

Cash flow hedges (Cont'd) FRS 107R.24B.b.i

Foreign currency risk (Cont'd) FRS 107R.24B.b.ii

The effects of applying hedge accounting for expected future purchases on the Group's balance sheet and profit or loss are as follows: FRS 107R.22B.a

Cash flow hedge	31 December 2017	
Hedged item	Hedge of 65% of 3 months future purchases	FRS 107R.24A.a
Change in value of the hedge item used as the basis for recognising hedge ineffectiveness for the period	XXX	FRS 107R.24A.b
Balances in the cash flow hedge reserve	XXX	FRS 107R.24A.c
Hedging instrument	Foreign currency forward contract	
Maturity date	March 20X8	
Carrying amount	XXX	FRS 107R.24A.d
Line item in the balance sheet that includes the hedged item	Derivative financial liabilities	
Change in fair value used for measuring ineffectiveness for the period	XXX	FRS 107R.24C.b.i
Notional amount	XXX	
Hedging gains or losses for the period recognised in OCI	XXX	FRS 107R.24C.b.ii
Hedge ineffectiveness recognised in profit or loss	XXX	FRS 107R.24C.b.iii
Line item in the income statement which includes the hedge ineffectiveness	Other expenses	
Amount reclassified from OCI to profit or loss	XXX	FRS 107R.24C.b.iv
Line item in the income statement which includes the reclassification adjustment	Cost of sales	FRS 107R.24C.b.v
Weighted average hedged rate for the year	X.XX%	FRS 107R.23B.b

Appendix E – 2
Hedge accounting

Notes to the financial statements
For the financial year ended 31 December 2017 (Cont'd)

Extracts of notes to the financial statements illustrating the disclosures of risk management Strategy

X Hedging Activities (Cont'd)

Cash flow hedges (Cont'd)

Commodity price risk

The Group purchases copper on an ongoing basis as its operating activities in the electronic division require a continuous supply of copper for the production of its electronic devices. The increased volatility in copper price over the past 12 months has led to the Board's decision to enter into commodity forward contracts to hedge its exposure to cooper's price volatility. Hedging the price volatility of forecast copper purchases is in accordance with the risk management strategy outlined by the Board of Directors. FRS 107R.22A

The Group's objective is to hedge all its copper purchases for the next 12 months based on existing purchase agreements. The Group purchases commodity forward contracts to hedge the commodity risk. These forward contracts, which commenced on 1 July 2017, are expected to reduce the volatility attributable to price fluctuations of copper. The Group designated only the spot-to-spot movement of the entire commodity purchase price as the hedged risk. The forward points of the commodity forward contracts are therefore excluded from the hedge designation. FRS 107R.22B.a FRS 107R.22B.b

The terms of the commodity forward contracts have been negotiated for the expected highly probable forecast transactions. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the Group uses the hypothetical derivative method to assess effectiveness. The hedge ratio is determined to be 1:1. FRS 107R.22B.c

In hedges of the commodity purchases, the expected sources of hedge ineffectiveness emerge when differences arise between the credit risk inherent within the hedged item and the hedging instrument FRS 107R.23D

Other sources of hedge ineffectiveness may emerge if the timing of the transaction changes from what was originally estimated. FRS 107R.23E

Appendix E – 2
Hedge accounting

Notes to the financial statements
For the financial year ended 31 December 2017 (Cont'd)

Extracts of notes to the financial statements illustrating the disclosures of risk management Strategy

X Hedging Activities (Cont'd)

Cash flow hedges (Cont'd)

Commodity price risk

The effects of applying hedge accounting on the Group's balance sheet and profit or loss are as follows::

Cash flow hedge	**31 December 2017**	
Hedged item	Future quarterly copper purchases	
Change in value of the hedge item used as the basis for recognising hedge ineffectiveness for the period	XXX	FRS 107R.24B.b.i
Balances in the cash flow hedge reserve	XXX	FRS 107R.24B.b.ii
Hedging instrument	Commodity forward contract	FRS 107R.22B.a
Maturity date	30th June 20X8	
Carrying amount	XXX	FRS 107R.24A.a
Line item in the balance sheet that includes the hedged item	Derivative financial liabilities	FRS 107R.24A.b
Change in fair value used for measuring ineffectiveness for the period	XXX	FRS 107R.24A.c
Notional amount	XXX	FRS 107R.24A.d
Hedging gains or losses for the period recognised in OCI	XXX	FRS 107R.24C.b.i
Hedge ineffectiveness recognised in profit or loss	XXX	FRS 107R.24C.b.ii
Line item in the income statement which includes the hedge ineffectiveness	Other expenses	FRS 107R.24C.b.iii
Amount reclassified from OCI to profit or loss	XXX	FRS 107R.24C.b.iv
Line item in the income statement which includes the reclassification adjustment	Cost of sales	FRS 107R.24C.b.v
Weighted average hedged rate for the year	X.XX%	FRS 107R.23B.b

Appendix E – 2
Hedge accounting

Notes to the financial statements
For the financial year ended 31 December 2017 (Cont'd)

Extracts of notes to the financial statements illustrating the disclosures of risk management Strategy

X Hedging Activities (Cont'd)

Hedge of net investments in foreign operations

Included in loans at 31 December 2017 was a borrowing of USDXXX which has been designated as a hedge of the net investment in the one subsidiary in the Malaysia, FKT Properties Sdn Bhd. This borrowing is being used to hedge the Group's exposure to foreign exchange risk on these investments.

The Group's objective is to hedge the foreign currency exposure of both the investments in foreign subsidiaries. Gains or losses on the retranslation of this borrowing are transferred to other comprehensive income to offset any gains or losses on translation of the net investments in the subsidiaries. The nominal amount of the USD borrowings approximates the cost of investments in the subsidiaries. The hedge is determined to be 1:1 and the hedge is expected to be highly effective.

FRS 107R.22A

Hedge of net investments	**31 December 2017**	
Hedged item Net investment	Net investment in one subsidiary in the Malaysia, FKT Properties Sdn Bhd.	FRS 107R.22B.b
Change in value of the hedge item used as the basis for recognising hedge ineffectiveness for the period	XXX	FRS 107R.22B.c
Balances in the foreign currency translation reserve	XXX	FRS 107R.24B.b.i FRS 107R.24B.b.ii
Hedging instrument	USD borrowings	FRS 107R.22B.a
Maturity date	December 2010	FRS 107R.24A.a
Carrying amount	XXX	FRS 107R.24A.b
Line item in the balance sheet that includes the hedging instruments	Borrowings	
Notional amount	XXX	FRS 107R.24A.d
Hedging gains or losses for the period recognised in OCI	XXX	FRS 107R.24C.b.i
Weighted average hedged rate for the year	X.XX%	FRS 107R.23B

Appendix E – 2
Hedge accounting

Notes to the financial statements
For the financial year ended 31 December 2017 (Cont'd)

Extracts of notes to the financial statements illustrating the disclosures of risk management strategy

X Hedging Activities (Cont'd)

FRS 1.79 b

XX Hedging reserve
The cash flow hedge reserve contains the effective portion of the cash flow hedge relationships incurred as at the reporting date. $XXX are made up of the net movements in cash flow hedges and the effective portion of the forward commodity contract, net of tax.

XX Cost of hedging reserve
The cost of hedging reserve contains cumulative change in fair value of time value of options and forward element of forward contracts not designated as hedging instruments in hedge relationships, net of tax.

XX Foreign currency translation reserve

The foreign currency 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 and the gains or losses arising from foreign exchange revaluation of borrowing used as hedging instrument in a net investment hedge.

XX Components of other comprehensive income

	Group		
	Hedging Reserve $	**Cost of Hedging reserve** $	**Foreign currency translation reserve** $
Opening balance	XXX	XXX	XXX
<u>Cash flow hedges</u>			
(a) **Foreign currency risk**			
Effective portion of changes in fair value of hedging instruments			
- USD/SGD forecast sales	XXX	-	-
- GBP/SGD forecast purchases	XXX	-	-
Net amount reclassified to profit or loss	(XXX)	-	-

FRS 107 R.24E.a

FRS 107 R.24E.b

FRS 107 R.24E.c

Appendix E – 2
Hedge accounting

Notes to the financial statements
For the financial year ended 31 December 2017 (Cont'd)

Extracts of notes to the financial statements illustrating the disclosures of risk management strategy

X Hedging Activities (Cont'd)

XX Components of other comprehensive income (Cont'd)

FRS 107 R.24E.a
FRS 107 R.24E.b
FRS 107 R.24E.c

	Group		
	Hedging Reserve $	Cost of Hedging reserve $	Foreign currency translation reserve $
(b) Commodity risk			
Effective portion of changes in fair value of hedging instruments			
- Forward commodity contract	XXX	-	-
Net amount reclassified to profit or loss	(XXX)	-	-
(c) Cost of hedging reserves			
Fair value changes			
- Time value of options	-	XXX	-
Forward elements of forward contracts	-	XXX	-
Net amount reclassified to profit or loss for			
- Time value of options	-	(XXX)	-
- Forward elements of forward	-	(XXX)	-
Hedge of net investment in foreign operations contract	-	-	XXX
USD foreign denominated borrowings	-	-	(XXX)
Foreign currency translation	**XXX**	**XXX**	**XXX**
Closing balance			

Appendix E – 2
Hedge accounting

Notes to the financial statements
For the financial year ended 31 December 2017 (Cont'd)

Extracts of notes to the financial statements illustrating the disclosures of risk management strategy

X Hedging Activities (Cont'd)

Notes:

1. **The risk management strategy** FRS 107R.22A, 22B

An entity shall explain its risk management strategy for each risk, category of risk exposures that it decides to hedge and for which hedge accounting is applied. This explanation should enable users of financial statements to evaluate:
(a) How each risk arises
(b) How the entity manages each risk; this includes whether the entity hedges an item in its entirety for all risks or hedges a risk component (or components) of an item and why
(c) The extent of risk exposures that the entity manages

To meet the requirements E-1 above, the information should include a description of
(a) the hedging instruments that are used (and how they are used) to hedge risk exposures;
(b) how the entity determines the economic relationship between the hedged item and the hedging instrument for the purpose of assessing hedge effectiveness; and
(c) how the entity establishes the hedge ratio and what the sources of hedge ineffectiveness are.

2. **Designate a specific risk component as hedged item**

In this illustration, the Group does not designate a specific risk component as hedged item. If the group designates a specific risk component as a hedged item, the Group shall provide the following qualitative and quantitative information about: FRS 107R.22C
(a) how the entity determined the risk component that is designated as the hedged item (including a description of the nature of the relationship between the risk component and the item as a whole); and FRS 107 R.23C
(b) how the risk component relates to the item in its entirety.

3. If the Group has situations in which an entity frequently resets (i.e. discontinues and restarts) hedging relationships because both the hedging instrument and the hedged item frequently change (i.e. the entity uses a dynamic process in which both the exposure and the hedging instruments used to manage that exposure do not remain the same for long, the entity:
(a) is exempt from providing the disclosures required by paragraph 23A and 23B of FRS 107.
(b) shall disclose:
(i) information about what the ultimate risk management strategy is in relation to those hedging relationships
(ii) a description of how its risk management strategy by using the hedge accounting and designating those particular hedging relationships; and

Appendix E – 2
Hedge accounting

Notes to the financial statements
For the financial year ended 31 December 2017 (Cont'd)

Extracts of notes to the financial statements illustrating the disclosures of risk management strategy

X Hedging Activities (Cont'd)

Notes: (Cont'd)

3 (iii) an indication of how frequently the hedging relationships are discontinued and restarted as part of the entity's process in relation to those hedging relationships

4. **Fair value hedges** FRS 107R.24B.a.v
In this illustration, the Group does not have any hedged item that have ceased to be adjusted for hedging gains and losses. If the Group has any hedged item that has ceased to be adjusted for hedging gains and losses, it shall disclose the accumulated amount of fair value hedge adjustments on the hedged item remaining in the balance sheet.

5. In this illustration, the Group does not expect hedge ineffectiveness arising from its fair value hedge. If the Group expects hedge ineffectiveness arising from its fair value hedge, it shall disclose:
(a) the change in fair value of the hedged item used as the basis for recognising hedge ineffectiveness for the period FRS 107R.24B.a.iv
(b) hedge ineffectiveness – i.e. The difference between the hedging gains or losses of the hedging instrument and the hedge item FRS 107R.24C.a.i
(c) the line item in the statement of comprehensive income that includes the hedge ineffectiveness. FRS 107R.24C.a.ii

6. **Cash flow hedges and hedges of a net investment in a foreign operation**
In this illustration, the Group does not have any hedging relationships for which hedge accounting is no longer applied.

If the Group has any hedging relationships for which hedge accounting is no longer applied, it shall disclose the balances remaining in the cash flow hedge and the foreign currency translation reserve. FRS 107R.24B.b.iii

7. In this illustration, the Group does not have cash flow hedges for which hedge accounting had been used in the previous period, but for which the hedged future cash flows are no longer expected to occur.

Appendix E – 2
Hedge accounting

Notes to the financial statements
For the financial year ended 31 December 2017 (Cont'd)

Extracts of notes to the financial statements illustrating the disclosures of hedge of net investments in foreign operations:

X Hedging Activities (Cont'd)

Notes: (Cont'd)

7. If the Group has cash flow hedges for which hedge accounting had been used in the previous period, but for which the hedged future cash flows are no longer expected to occur, it shall disclose
   - a description of the forecast transaction
   - the amount reclassified from the cash flow hedge reserve into profit or loss as a reclassification adjustment.

8. In this illustration, the Group does not hedge net positions.

   If the Group has hedges of net positions, it shall disclose the hedging gains and losses recognised in a separate line item in the statement of comprehensive income.

9. **Option to designate a credit exposure as measured at fair value through profit or loss**

   FRS 107R.23F
   FRS 107R.24C.b.

   If an entity designated a financial instrument, or a proportion of it, as measured at fair value through profit or loss because it uses a credit derivative to manage the credit risk of that financial instrument it shall disclose:

   (a) for credit derivatives that have been used to manage the credit risk of financial instruments designated as measured at fair value through profit or loss in accordance with paragraph 6.7.1 of FRS 109, a reconciliation of each of the nominal amount and the fair value at the beginning and at the end of the period; FRS 107R.24C.b.

   (b) the gain or loss recognised in profit or loss on designation of a financial instrument, or a proportion of it, as measured at fair value through profit or loss in accordance with paragraph 6.7.1 of FRS 109; and

   (c) on discontinuation of measuring a financial instrument, or a proportion of it, at fair value through profit or loss, that financial instrument's fair value that has become the new carrying amount in accordance with paragraph 6.7.4 of FRS 109 and the related nominal or principal amount (except for providing comparative information in accordance with FRS 1, an entity does not need to continue this disclosure in subsequent periods). FRS 107R.24G

Appendix F
Comparison between
(a) Singapore Financial Reporting Standards (FRS) and International Financial Reporting Standards (IFRS);
(b) Interpretations of Financial Reporting Standards (INT FRS) and International Financial Reporting Interpretations Committee (IFRIC)

Generally, FRS and INT FRS are aligned to that of IFRS and IFRIC Interpretations except for the following:

(a) Comparison between FRS and IFRS

FRS 16

- FRS 16 has a transitional provision which exempts an entity which had
  - Revalued its property, plant and equipment before 1 January 1984; or
  - Performed any one-off revaluation on its property, plant and equipment between 1 January 1984 and 31 December 1996 (both dates inclusive), from complying with the requirement to keep the valuation current by periodic valuation.

- IAS 16 does not have such a transitional provision and therefore, all property, plant and equipment that had been revalued prior to adoption of IAS 16 would have to be revalued on a periodic basis.

FRS 27, 28 and 31

- One of the conditions for entities being exemption from preparing consolidated financial statements, equity accounting or proportionate consolidation under IAS 27, 28 and 31 is that its ultimate or any intermediate parent produces consolidated financial statements available for public use that comply with IFRS.

- The above requirement that the consolidated financial statements comply with FRS / IFRS is not required under FRS 27, 28 and 31.

FRS 110, 111 and 112, Revised FRS 27 and 28

- IFRS 10, 11 and 12, Revised IAS 27 and 28 are effective for annual periods beginning on or after 1 January 2016. FRS 110, 111, 112 and Revised FRS 27 and 28 are effective only for annual periods beginning on or after 1 January 2017.

Appendix F
Comparison between
(a) Singapore Financial Reporting Standards (FRS) and International Financial Reporting Standards (IFRS);
(b) Interpretations of Financial Reporting Standards (INT FRS) and International Financial Reporting Interpretations Committee (IFRIC)

(a) Comparison between FRS and IFRS (Cont'd)

FRS 102

- IFRS 2 applies to grants of shares, share options or other equity instruments that were granted after 7 November 2002 and had not yet vested at the effective date of IFRS 2. However, the reference date in FRS 102 is 22 November 2002 instead of 7 November 2002.

- For non-listed companies. FRS 102 is effective only for financial periods beginning from 1 January 2006 whereas IFRS 2 applies to all companies for financial periods beginning on or after 1 January 2005.

- As at 28 October 2017, ASC has issued the narrow-scope amendments to FRS 102 Share-based Payment. On 20 June 2017, the International Accounting Standards Board issued narrow-scope amendments to IFRS 2 Share-based Payment.

FRS 103

- IFRS 3 applies to the accounting for business combinations for which the agreement date is on or after 31 March 2004.
- FRS 103 is effective for annual periods beginning on or after 1 July 2004.

FRS 36

- IAS 36 (revised) is applicable to goodwill and intangible assets acquired in business combinations for which the agreement date is o or after 31 March 2004, and for all other assets prospectively from the beginning of the first annual period beginning from 31 March 2004.
- FRS 36 (revised is effective for annual periods beginning on or after 1 July 2004.

FRS 38

- IAS 38 (revised) is applicable to intangible assets acquired in business combinations for which the agreement date is on or after intangible assets prospectively from the beginning of the first annual period from 31 March 2004.
- FRS 38 is effective for annual periods beginning on or after 1 July 2004.

Appendix F
Comparison between
(a) Singapore Financial Reporting Standards (FRS) and International Financial Reporting Standards (IFRS);
(b) Interpretations of Financial Reporting Standards (INT FRS) and International Financial Reporting Interpretations Committee (IFRIC)

(a) Comparison between FRS and IFRS (Cont'd)

FRS 107

- IFRS 7 is effective for annual periods beginning on or after 1 January 2007.
- For non-listed companies, FRS 107 is effective for annual periods beginning on or after 1 January 2008.

IFRS 4
On 12 September 2016, IASB has issued the amendments to its existing insurance contracts Standard, IFRS 4. On 23 December 2016, ASC has issued the issued amendments to its existing insurance contracts Standard, FRS 104 Applying FRS 109 Financial Instruments with FRS 104 Insurance Contracts.

Annual Improvements to IFRS Standards 2014 - 2016 Cycle
On 8 December 2016, IASB issued the following improvements**:**

IFRS Standards	Titles of IFRS Standards	Effective years
Annual Improvements to IFRS Standards 2014 - 2016 Cycle	IFRS 12 *Disclosure to other entities*	1 January 2017
	IFRS 1 *First-time Adoption of International Financial Reporting Standards*	1 January 2018
	IAS 28 *Investments in Associates and Joint Ventures*	1 January 2018

As at 23 December 2016, ASC has adopted the above annual improvements to IFRS Standards 2014 to 2016 Cycle.

Amendments to IAS 40
On 8 December 2016, IASB has issued the Amendments to IAS 40 *Transfers of Investment Property* (effective for annual periods beginning on or after 1 January 2018) where on 23 December 2016, ASC has issued these amendments as FRS 40 *Transfers of Investment Property.*

Appendix F
Comparison between
(c) Singapore Financial Reporting Standards (FRS) and International Financial Reporting Standards (IFRS);
(b) Interpretations of Financial Reporting Standards (INT FRS) and International Financial Reporting Interpretations Committee (IFRIC)

(b) Comparison between INT FRS and IFRIC

INT FRS 115

- IFRIC 15 is effective for annual periods beginning on or after 1 January 2009. INT FRS 115 is effective only for annual periods beginning on or after 1 January 2011.
- INT FRS 115 includes an accompanying note on application of INT FRS 115 in Singapore. The accompanying note deals with accounting treatment for revenue and associated expenses by housing developers who develop more than 4 units of private residential properties in Singapore for sale prior to completion of the properties.
- INT FRS 115 will be superceded by FRS 115 Revenue from Contracts with Customers by 1 January 2018.

IFRIC 2

In addition to the above, IFRIC 2 Members' shares in co-operative entities and similar instruments (effective for annual period beginning on or after 1 January 2005) has not been adopted in Singapore.

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Appendix G
Areas of Changes in FRS

Below is a table comparing mandatory application for different year ends is presented below. In the table, the pronouncements are presented in order of their effective dates. However many pronouncements contain provisions that would allow entities to adopt in earlier periods.

FRS Update of Standards and Interpretations Issued and Effective from 1 January 2017:

			Effective for financial periods at the end of											
New Pronouncement	**Our Quarterly Updates**	**Effective date**	Dec	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sept**	**Oct**	**Nov**
Narrow Amendments to FRS 12 *Income Taxes*	FKT Financial Reporting Updates 2Q 2016	1 January 2017	2017	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018
Narrow Amendments to FRS 7 *Statement of Cash Flows*	FKT Financial Reporting Updates 2Q 2016	1 January 2017	2017	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018
Improvements to FRSs (issued in December 2016) FRS 112 *Disclosure of Interests in Other Entities*	FKT Financial Reporting Updates Quarter 1 2017	1 January 2017	2017	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018

Appendix G
Areas of Changes in FRS

Narrow Amendments to FRS 12 *Income Taxes*

The amendments clarify that unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use, the carrying amount of an asset does not limit the estimation of probable future taxable profits and the assessment of a deferred tax asset in combination with other deferred tax assets. If tax law imposes no such restrictions, an entity assesses a deductible temporary difference in combination with all of its other deductible temporary differences. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

Effective year

Effective for annual periods beginning on or after 1 January 2017.

Transition

If an entity applies those amendments for an earlier period, it shall disclose that fact. An entity shall apply those amendments retrospectively in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. However, on initial application of the amendment, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. If an entity applies this relief, it shall disclose that fact.

Narrow Amendments to FRS 7 *Statement of Cash Flows*

The amendments to FRS 7 *Statement of Cash Flows* required entities to reconcile cash flows arising from financing activities as reported in the statement of cash flows – excluding contributed equity – to the corresponding liabilities in the opening and closing statements of financial position and to disclose on any restrictions over the decisions of an entity to use cash and cash equivalent balances, in particular way - e.g. any tax liabilities that would arise on repatriation of foreign cash and cash equivalent balances.

Effective year

Effective for annual periods beginning on or after 1 January 2017.

Transition

Early adoption will be permitted. If an entity applies those amendments for an earlier period it shall disclose that fact.

Appendix G
Areas of Changes in FRS

Improvements to FRSs (issued in December 2016) FRS 112 Disclosure of Interests in Other Entities

The Improvements to FRSs (issued in December 2016) FRS 112 Disclosure of Interests in Other Entities to clarify the scope of the disclosure requirements in FRS 112 by specifying that the disclosure requirements in FRS 112, other than those in paragraphs B10–B16, apply to interests that are classified as held for sale or discontinued operations.

Effective year

Effective for annual periods beginning on or after 1 January 2017.

Transition

An entity shall apply those amendments retrospectively in accordance with FRS 8 Accounting Policies, Changes in Accounting Estimates and Errors

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Appendix G
Areas of Changes in FRS (Cont'd)

FRS Update of Standards and Interpretations Issued and not effective from 1 January 2017: (Cont'd)

			Effective for financial periods at the end of											
New Pronouncement	**Our Quarterly Updates**	**Effective date**	Dec	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sept**	**Oct**	**Nov**
FRS 115 *Revenue from Contracts with Customers*	FKT Financial Reporting Updates Quarter 1 2015	I January 2018	2018	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019
Clarifications to FRS 115 *Revenue from Contracts with Customers*	FKT Financial Reporting Updates Quarter 3 2016	1 January 2018	2018	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019
FRS 109 *Financial Instruments*	FKT Financial Reporting Updates Quarter 1 2015	1 January 2018	2018	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019
Minor Amendments to FRS 109 *Financial Instruments*	FKT Financial Reporing Update Quarter 2 2017	1 January 2018	2018	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019
Amendments to FRS 102 *Classification and Measurement of Share-based Payment Transactions*	FKT Financial Reporting Updates Quarter 4 2016	1 January 2018	2018	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019

Appendix E
Areas of Changes in FRS (Cont'd)

FRS Update of Standards and Interpretations Issued and not effective from 1 January 2017: (Cont'd)

			Effective for financial periods at the end of											
New Pronouncement	**Our Quarterly Updates**	**Effective date**	Dec	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sept**	**Oct**	**Nov**
Amendments to FRS 40 *Transfers of Investment Property*	FKT Financial Reporting Updates Quarter 1 2017	1 January 2018	2018	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019
Improvements to FRSs (issued in December 2016) (Amendments to FRS 101 *First-time Adoption of Financial Reporting Standards* and FRS 28 Investments in Associates and Joint Ventures)	FKT Financial Reporting Updates Quarter 1 2017	1 January 2018	2018	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019
Amendments to FRS 104 Applying FRS 109 *Financial Instruments with FRS 104 Insurance Contracts*	FKT Financial Reporting Updates Quarter 2 2017	1 January 2018	2018	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019
INT FRS 122 *Foreign Currency Transactions and Advance Consideration*	FKT Financial Reporting Updates Quarter 1 2017	1 January 2018	2018	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019
FRS 116 *Leases*	FKT Financial Reporting Updates Quarter 3 2016	1 January 2019	2019	2010	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020

Appendix G
Areas of Changes in FRS (Cont'd)

FRS 115 *Revenue from Contracts with Customers*

Key requirements
FRS 115 replaces all existing revenue requirements in FRSs:

- FRS 11 *Construction Contracts;*
- FRS 18 *Revenue*
- INT FRS 113 *Customer Loyalty Programmes*
- INT FRS 115 *Agreements for the Construction of Real Estate*
- INT FRS 118 Transfers of Assets from Customers
- *INT FRS 31 Revenue – Barter Transactions Involving Advertising Services*

and applies to all revenue arising from contracts with customers. Its requirements also provide a model for the recognition and measurement of gains and losses on disposal of certain non – financial assets, including property, equipment and intangible assets.

The standard outlines the principles an entity must apply to measure and recognise revenue. The core principle is that an entity will recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer.

The principles in FRS 115 will be applied using a five-step model:

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

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

The standard also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

Application guidance is provided in FRS 115 to assist entities in applying its requirements to certain common arrangements including licences of intellectual property, warranties, rights of return, principal – versus – agent considerations, options for additional goods or services and breakage.

Effective year
Effective for annual periods beginning on or after 1 January 2018

Appendix G
Areas of Changes in FRS (Cont'd)

FRS 115 *Revenue from Contracts with Customers* (Cont'd)

Transition
Entities can choose to apply the standard using either a full retrospective approach, with some limited relief provided, or a modified retrospective approach. Early application is permitted and must be disclosed.

Clarifications to FRS 115 *Revenue from Contracts with Customers*
The amendments clarify how to:

- **Identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract**
  The amendments clarify the guidance for determining when the promises in a contract are 'distinct' goods or services that should be accounted for separately. Identifying performance obligations is fundamentally to the application of FRS 115.

- **Determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided)**
  The ASC has clarified that the principal in an arrangement controls a good or service before it is transferred to a customer. It has also revised the structure of the indicators so that they indicate when the entity is the principal rather than indicate when it is an agent, and eliminated two of the indicators ('the entity's consideration is in the form of a commission' and 'the entity is not exposed to credit risk'). These changes are converged.

- **Determine whether the revenue from granting a licence should be recognised at a point in time or over time.**

  The amendments to the licensing guidance clarify when revenue from a licence of intellectual property (IP) should be recognised 'over time' and when it should be recognised at a 'point in time'.

The amendments also clarify when to apply the guidance on recognising revenue for licences of intellectual property with fees in the form of a sales- or usage-based royalty. These changes are converged.

Effective year
The amendments have the same effective date as the Standard, FRS 115, i.e. on 1 January 2018.

Transition
In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new Standard.

- One expedient allows entities to use hindsight when assessing contract modifications that exist at transition.

Areas of Changes in FRS (Cont'd)

Clarifications to FRS 115 *Revenue from Contracts with Customers (Cont'd)*

Transition

- The second expedient allows entities applying the full retrospective method to elect not to restate contracts that are completed at the beginning of the earliest period presented. This expedient will not be available to US GAAP reporters.

FRS 109 *Financial Instruments*

Key requirements

Classification and measurement of financial assets
All financial assets are measured at fair value on initial recognition, adjusted for transaction costs if the instrument is not accounted for at fair value through profit or loss (FVTPL).
Debt instruments are subsequently measured at FVTPL, amortised cost or fair value through other comprehensive income (FVOCI), on the basis of their contractual cash flows and the business model under which the debt instruments are held.

There is a fair value option (FVO) that allows financial assets on initial recognition to be designated as FVTPL if that eliminates or significantly reduces an accounting mismatch.

Equity instruments are generally measured at FVTPL. However, entities have an irrecovable option on an instrument – by – instrument basis to present changes in the fair value of non-trading instruments to present changes in the fair value of non-trading instruments in other comprehensive income (OCI) (without subsequent reclassification to profit or loss).

For financial liabilities designated as FVTPL using the FVO, the amount of change in the fair value of such financial liabilities that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss.

All other FRS 39 Financial Instruments:
Recognition and Measurement
Classification and measurement requirements for financial liabilities have been carried forward into FRS 9, including the embedded derivative separation rules and the criteria for using the FVO.

Impairment
The impairment requirements are based on an expected credit loss ("ECL") model that replaces the FRS 39 incurred loss model. The ECL model applies to:
- ❖ Debt instruments accounted for at amortised cost or at FVOCI;
- ❖ Most loan commitments;
- ❖ Financial guarantee contracts;
- ❖ Contract assets under FRS 115 *Revenue from Contracts with Customers*; and
- ❖ Lease receivables under FRS 17 *Leases*

Entities are generally required to recognise either 12 months' or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition (or when the commitment or guarantee was entered into). For some trade receivables, the simplified approach may be applied whereby the lifetime expected credit losses are always recognised.

Appendix G

Areas of Changes in FRS (Cont'd)

FRS 109 *Financial Instruments* (Cont'd)

Hedge accounting

Hedge effectiveness testing is prospective, without 80% to 125% bright line test in FRS 39, and depending on the hedge complexity, can be qualitative.

A risk component of a financial or non-financial instrument may be designated as the hedged item if the risk component is separately identifiable and reliably measurable.

The time value of an option, any forward element of a forward contract and any foreign currency basis spread, can be excluded from the designation as the hedging instrument and accounted for as costs of hedging.

More designations of groups of items as the hedged item are possible. Including layer designations and some net positions.

Effective year

Effective for annual periods beginning on or after 1 January 2018.

Transition

Early application is permitted for reporting periods beginning after December 2014. The transition to FRS 109 differs by requirements and is partly retrospective and partly prospective. Despite the requirement to apply FRS 109 in its entirety, entities may elect to early apply only the requirements for the presentation of gains and losses on financial liabilities designated as FVTPL without applying the other requirements in the standard.

Amendments to FRS 102 *Classification and Measurement of Share-based Payment Transactions*

The amendments to FRS 102 *Share-based Payment*, clarifying how to account for certain types of share-based payment transactions. . The amendments provide requirements on the accounting for:

(i) The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments

(ii) Share-based payment transactions with a net settlement feature for withholding tax obligations and

(iii) A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity- settled.

Effective year

Effective for annual periods beginning on or after 1 January 2018.

Transition

The amendments can be applied prospectively so that prior periods do not have to be restated. Retrospective, or early, application is permitted if companies have the required information.

Appendix G
Areas of Changes in FRS (Cont'd)

Amendments to FRS 40 *Transfers of Investment Property*

Under the amendments in FRS 40 *Transfers of Investment Property* has been amended to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.

Effective year

The amendments are effective on 1 January 2018.

Transition

However, earlier adoption is permitted. The amendments would be applied retrospectively in accordance with FRS 8 *Accounting Policies, Changes in Accounting Estimates and Errors.*

Improvements to FRSs (issued in December 2016) (Amendments to FRS 101 *First-time Adoption of Financial Reporting Standards* and FRS 28 Investments in Associates and Joint Ventures)

The amendments to FRS 101 deleted the short-term exemptions in paragraphs E3–E7 of FRS 101, because they have now served their intended purpose.

The amendments to FRS 28 *Investments in Associates and Joint Ventures* clarified that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

Effective year

The amendments to FRS 101 and FRS 28 are effective for annual periods beginning on or after 1 January 2018.

Transition

Earlier application is permitted. If an entity applies those amendments for an earlier period, it shall disclose that fact. Entities can apply those amendments to FRS 28 retrospectively in accordance with FRS 8 for annual periods beginning on or after 1 January 2018.

Amendments to FRS 104 Applying FRS 109 *Financial Instruments with FRS 104 Insurance Contracts*

Temporary exemption from FRS 109

The amendments to FRS 104 *Insurance Contracts exempts* a reporting company's activities which need to be predominantly connected with insurance from FRS 109 *Financial Instruments.* They will be permitted to continue to apply IAS 39 *Financial Instruments: Recognition and Measurement.*

The overlay approach

The amendments to FRS 104 clarifies for designated financial assets, a company is permitted to reclassify between profit or loss and other comprehensive income (OCI), the difference between the amounts recognised in profit or loss under FRS 109 and those that would have been reported under FRS 39.

Appendix G
Areas of Changes in FRS (Cont'd)

Amendments to FRS 104 Applying FRS 109 *Financial Instruments with FRS 104 Insurance Contracts* (Cont'd)

Effective year (Cont'd)

Temporary exemption from FRS 109

An entity shall apply those amendments, which permit insurers that meet specified criteria to apply a temporary exemption from FRS 109, for annual periods beginning on or after 1 January 2018.

The overlay approach

An entity shall apply those amendments, which permit insurers to apply the overlay approach to designated financial assets, when it first applies FRS 109

Transition

An entity that elects to apply the overlay approach shall:

(a) apply that approach retrospectively to designated financial assets on transition to FRS 109. Accordingly, for example, the entity shall recognise as an adjustment to the opening balance of accumulated other comprehensive income an amount equal to the difference between the fair value of the designated financial assets determined applying FRS 109 and their carrying amount determined applying FRS 39.

(b) restate comparative information to reflect the overlay approach if, and only if, the entity restates comparative information applying FRS 109.

INT FRS 122 Foreign Currency Transactions and Advance Consideration

This Interpretation provides requirements about which exchange rate to use in reporting foreign currency transactions (such as revenue transactions) when payment is made or received in advance.

Effective year

The Interpretations are effective from 1 January 2018.

Transition

On initial application, entities would have the option of applying the Interpretations either retrospectively or prospectively in accordance with FRS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

FRS 116 Leases

FRS 116 Leases replaces accounting requirements introduced more than 30 years ago in accordance with FRS 17 Leases that are no longer considered fit for purpose, and is a major revision of the way in which companies where it is required lessees to recognise most leases on their balance sheets. Lessor accounting is substantially unchanged from current accounting in accordance with FRS 17.

Effective year

Effective for annual periods beginning on or after 1 January 2019. Early adoption will be permitted, provided the company has adopted FRS 115 Revenue from Contracts with Customers.

Appendix G
Areas of Changes in FRS (Cont'd)

FRS 116 Leases (Cont'd)

Transition

As a practical expedient, an entity is not required to reassess whether a contract is, or contains, a lease at the date of initial application.

A lessee shall either apply apply FRS 116 with:

- full retrospective effect or
- alternatively not restate comparative information but recognise the cumulative effect of initially applying FRS 116 as an adjustment to opening equity at the date of initial application.

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