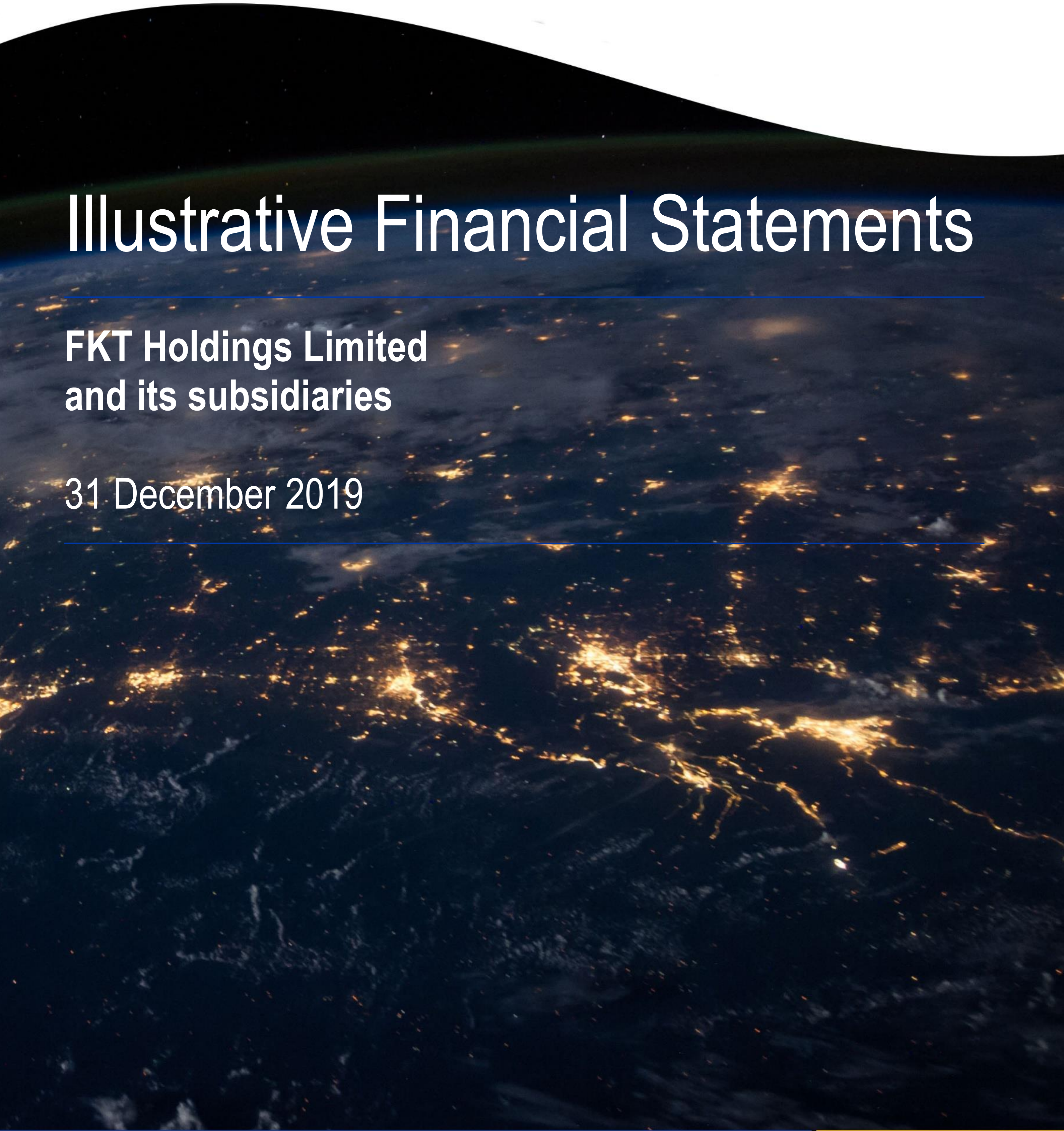

Illustrative Financial Statements

FKT Holdings Limited
and its subsidiaries

31 December 2019

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31 December 2019

PUBLICATION NOTE:

This publication has been prepared to facilitate preparers of financial statements in complying with the disclosure requirements of Singapore Companies Act, Chapter 50, Singapore Financial Reporting Standards (International) (“SFRS(I)”), and Rulebooks issued by Singapore Exchange Securities Trading Limited (“SGX-ST”).

These illustrative financial statements contain general information and are not intended to be a substitute for reading the legislation or accounting standards themselves, or for professional judgement as to adequacy of disclosures and fairness of presentation. They do not encompass all possible disclosures required. Depending on the circumstances, further specific information may be required in order to ensure fair presentation and compliance with laws and accounting standards and securities exchange regulations.

Readers should seek appropriate professional advice regarding the application of its contents to their specific situations and circumstances. The illustrative financial statements should not be relied on as a substitute for such professional advice. While all reasonable care has been taken in the preparation of these illustrative financial statements, Foo Kon Tan LLP accepts no responsibility for any errors it might contain, whether caused by negligence or otherwise, or for any loss, howsoever caused, incurred by any person as a result of relying on it.

Direct references to the source of disclosure requirements are included in the reference column on each page of the illustrative financial statements. Guidance notes are provided where additional matters may need to be considered in relation to a particular disclosure. These notes are inserted within the relevant section or note.

This 2019 edition includes illustrations of disclosures which are effective for annual periods beginning on or after 1 January 2019. Standards issued, but not yet effective, for the year ending 31 December 2019 have not been early adopted in these illustrative financial statements. We have side-lined these new illustrations arising from the new/revised Standards and Interpretations adopted.

The following is the list of new and revised SFRS(I)s that are mandatorily effective for the annual period beginning on or after 1 January 2019:

- SFRS(I) 16 *Leases*
- Amendments to SFRS(I) 9 *Financial Instruments: Prepayment Features with Negative Compensation*
- Amendments to SFRS(I) 1-19 *Employee Benefits: Plan Amendment, Curtailment or Settlement*
- Amendments to SFRS(I) 1-28 *Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures*
- SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*
- Annual Improvements to SFRS(I)s 2015-2017 Cycle

The following is the list of new and revised SFRS(I)s that are not yet mandatorily effective for the year ending 31 December 2019 but early application is permitted:

- Amendments to SFRS(I) 1-1 *Presentation of Financial Statements* and SFRS(I) 1-8 *Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material*
- Amendments to SFRS(I) 3 *Business Combinations: Definition of a Business*
- Amendments to References to the Conceptual Framework in SFRS(I) Standards
- SFRS(I) 17 *Insurance Contracts*
- Amendments to SFRS(I) 10 *Consolidated Financial Statements* and SFRS(I) 1-28 *Investments in Associates and Joint Ventures: Sale or Contribution of Assets between Investor and its Associate or Joint Venture*

The abbreviations used to identify the source of authority are as follows:

CA : Singapore Companies Act, Chapter 50
IAS : International Accounting Standards
IFRS : International Financial Reporting Standards
IFRIC : Interpretation of IFRS
SGX : Rulebooks issued by SGX-ST
SFRS(I) : Singapore Financial Reporting Standards (International)
SFRS(I) INT : Interpretation of SFRS(I)
SSA : Singapore Standards on Auditing

Contents

Company information

		Reference
Company Registration Number	198001234R	CA 144.1A
Registered Office	20 FKT Road #02-00 FKT Building Singapore 888820	SGX 1207.2
Directors	Tan Kian Beng (Non-Independent and Non-Executive Chairman) Yeo Heng Hian (Executive Director) (appointed on 1 May 2019) Chia Boon Tong (Executive Director) Koh Yao Meng (Non-Independent and Non-Executive Director) (resigned on 1 March 2020) Cheong Chee Mei (Independent and Non-Executive Director) Lok Soh Yun (Independent and Non-Executive Director) Lee Boon Fui (Independent and Non-Executive Director)	SGX 210.5.c SGX 1207.10B
Audit Committee	Lok Soh Yun (Chairman) Cheong Chee Mei Lee Boon Fui	CA 201B SGX 210.5.e
Nominating Committee	Lee Boon Fui (Chairman) Tan Kian Beng Lok Soh Yun	SGX 210.5.e
Remuneration Committee	Cheong Chee Mei (Chairman) Lok Soh Yun Lee Boon Fui	SGX 210.5.e
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 712
	Partner-in-charge: Mr Foo Lee Lim (since the financial year ended 31 December 2014)	SGX 713

Directors' statement
for the financial year ended 31 December 2019

CA 12thSch

The directors are pleased to present their statement to the members together with the audited financial statements of FKT Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") for the financial year ended 31 December 2019. CA 201.16

In the opinion of the directors, CA 12thSch.1

(a) the consolidated financial statements of the Group and statement of financial position of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and the financial performance, changes in equity and cash flows of the Group for the financial year ended on that date, in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International); and CA 12thSch.1.a SGX 1207.5.d

(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. (1) CA 12thSch.1.b

The Board of Directors has, on the date of this statement, authorised these financial statements for issue. SFRS(I) 1-10.17

Directors

The directors of the Company in office at the date of this statement are: (2) CA 12thSch.7

Tan Kian Beng
Yeo Heng Hian (appointed on 1 May 2019)
Chia Boon Tong
Cheong Chee Mei
Lok Soh Yun
Lee Boon Fui

Arrangements to enable directors to acquire benefits by means of the acquisition of shares or debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than as disclosed in this statement. CA 164.1.d CA 12thSch.8 SGX 1207.8

Directors' interests in shares or debentures (3)

According to the register of directors' shareholdings kept by the Company under Section 164 of the Act, the directors of the Company who held office at the end of the financial year had no interests in the shares or debentures of the Company and its related corporations(4), except as set out below: (5) (6) CA 164.1.a,b CA 12thSch.9

	Holdings registered in name of director or nominee		Holdings in which director or nominee deemed to have interest	
	At 1.1.2019 or date of appointment, if later	**At 31.12.2019**	At 1.1.2019 or date of appointment, if later	**At 31.12.2019**
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**	-	**-**
Koh Yao Meng (resigned on 1 March 2020)	5,000	**5,000**	-	**-**

* Held in name of nominee.
** 16,000 shares held in name of nominee.

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

	Holdings registered in name of director or nominee		Holdings in which director or nominee deemed to have interest	
	At 1.1.2019 or date of appointment, if later	**At 31.12.2019**	At 1.1.2019 or date of appointment, if later	**At 31.12.2019**
Ultimate holding corporation - FKT Global Ltd	Number of 8% convertible unsecured loan stock of £1.00 each			
Tan Kian Beng	-	**-**	8,255,627	**-**
Ultimate holding corporation - FKT Global Ltd	Number of shares of £1.00 each			
Tan Kian Beng	871,068	**4,126,695**	33,272,607	**38,272,607**

By virtue of the provisions of Section 7 of the Act, Mr Tan Kian Beng is deemed to have an interest in the whole of the share capital of the wholly-owned subsidiaries of FKT Holdings Limited and FKT Global Ltd, and in the shares held by the Company in the following subsidiaries that are not wholly owned by the Group: CA 7.4,4A

	At 1.1.2019 or date of appointment, if later	**At 31.12.2019**
	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**

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 in the "Share option scheme" section of this statement. CA 164.1.c

	At 1.1.2019 or date of appointment, if later	**At 31.12.2019**
The Company - FKT Holdings Limited	Number of unissued ordinary shares under option	
Yeo Heng Hian	-	**20,000**
Chia Boon Tong	-	**20,000**

There were no changes to any of the above-mentioned directors' interests between the end of the financial year and 21 January 2020. (7) SGX 1207.7

Share option scheme (8)

SGX 852
SGX 1207.16
SGX 843.3

At the Extraordinary General Meeting of the Company held on 13 May 2010, the shareholders approved the FKT Holdings Limited Employee Share Option Scheme (the "Scheme").

Under the Scheme, the Company may grant options to directors and employees of the parent company who have contributed to the success and development of the Group; employees of the Company and its subsidiaries holding office of the rank (or equivalent) of Executive or Section Head and above; or directors of the Company and its subsidiaries, whether holding office in executive or non-executive capacity or who are also controlling shareholders (as defined in the SGX Listing Manual), to subscribe for ordinary shares of the Company, provided that the following limits on entitlements for participants of the Scheme are not exceeded: CA 12th Sch.4 SGX 844.2

(i) number of shares available to any individual employee or director shall not exceed 25% of total number of shares in respect of which the Company may grant options pursuant to the Scheme; SGX 845
(ii) aggregate number of shares available to all controlling shareholders and their associates (as defined in the SGX Listing Manual) shall not exceed 25% of total number of shares in respect of which the Company may grant options pursuant to the Scheme;
(iii) number of shares available to any individual controlling shareholder or his associate shall not exceed 10% of total number of shares in respect of which the Company may grant options pursuant to the Scheme;
(iv) number of shares available to any individual employee in any one year shall not exceed these limits as follows;

Rank (or equivalent)	Number of shares
Executive Director / Division Manager	60,000
Department Manager / Project Manager	15,000
Section Head / Executive	7,000

(v) aggregate number of shares available to all directors and employees of the parent company shall not exceed 20% of total number of shares in respect of which the Company may grant options pursuant to the Scheme;

Share option scheme (cont'd)

(vi) aggregate number of shares available under the Scheme shall not exceed 15% of the issued share capital of the Company; and
(vii) maximum discount under the Scheme, which must be approved by shareholders in a separate resolution, shall not exceed 20%.

The Scheme does not extend to directors and employees of associated companies of the Company and the Group. SGX 844.1

The Scheme is administered by the Remuneration Committee comprising Ms Cheong Chee Mei (Chairman), Ms Lok Soh Yun and Mr Lee Boon Hui, all of whom are independent and non-executive directors of the Company. SGX 852.1.a

Share options (9) (9a)

On 30 June 2019, the Company granted options to subscribe 110,000 ordinary shares of the Company at exercise price of $1.30 per share ("2019 Options"). The 2019 Options are exercisable from 1 July 2019 and will expire on 30 June 2024. Fair value of the 2019 Options granted was estimated to be $112,249 based on the Black-Scholes Pricing Model. Details of the 2019 Options granted to the directors during the financial year are as follows: CA 12thSch.4 CA 12thSch.2,5,6

SGX 852.1.b.i

	Number of options to subscribe for ordinary shares of the Company				
Name of director	Options granted during the financial year ended 31.12.2019	Aggregate options granted since commencement of the Scheme to 31.12.2019	Aggregate options exercised since commencement of the Scheme to 31.12.2019	Aggregate options lapsed since commencement of the Scheme to 31.12.2019	Aggregate options outstanding as at 31.12.2019
Yeo Heng Hian	-	40,000	(20,000)	-	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, but before the fifth anniversary, of the grant. CA 12thSch.2.c

The options granted by the Company do not entitle the holders of the options, by virtue of such holding, to any rights to participate in any share issue of any other company. CA 12thSch.2.d

Since commencement of the Scheme, there have been no options granted to controlling shareholders of the Company and their associates (as defined in the SGX Listing Manual) or to directors and employees of the parent company. SGX 852.1.b.ii SGX 852.1.c.ii

No participants under the Scheme have received 5% or more of the total number of options available under the Scheme since its commencement, other than Mr Yeo Heng Hian and Mr Chia Boon Tong as disclosed above. SGX 852.1.b.iii SGX 852.1.c.i

No options had been granted under the Scheme at a discount since its commencement. SGX 852.1.d

Details of the options granted under the Scheme on the unissued ordinary shares of the Company at the end of the financial year are as follows: CA 12thSch.4 CA 12thSch.2,5,6

Date options granted	Balance at 1.1.2019	Granted /(Forfeited) during the year	Exercised during the year	Balance at 31.12.2019	Exercise price per share	Number of option holders at 31.12.2019	Period exercisable
30.6.2016	10,000	(6,000)	-	4,000	$1.70	2	1.7.2016 to 30.6.2021
30.6.2017	51,000	(19,000)	(2,000)	30,000	$1.60	10	1.7.2017 to 30.6.2022
30.6.2018	108,000	(18,000)	(10,000)	80,000	$1.40	21	1.7.2018 to 30.6.2023
30.6.2019	-	110,000	(20,000)	90,000	$1.30	22	1.7.2019 to 30.6.2024
	169,000	67,000	(32,000)	204,000			

No options to subscribe for unissued shares of the subsidiaries were granted during the financial year. No shares were issued by virtue of the exercise of options to take up unissued shares of the subsidiaries during the financial year. There were no unissued shares of the subsidiaries under option at the end of the financial year. (10) CA 12thSch.2,4

Particulars of the options granted in 2016, 2017 and 2018 under the Scheme were stated respectively in the directors' statement for the previous financial year ended 31 December 2016, 2017 and 2018. CA 12thSch.3

Audit Committee (11)

The Audit Committee during the financial year and at the date of this statement comprises the following members, all of whom are independent and non-executive directors of the Company: CA 201B.1,2,3 SGX 210.5e

Ms Lok Soh Yun (Chairman)
Ms Cheong Chee Mei
Mr Lee Boon Fui

The Audit Committee performs the functions set out in Section 201B(5) of the Act, the SGX Listing Manual and the Code of Corporate Governance. In performing those functions, the Audit Committee has met four times since the last Annual General Meeting and has reviewed the following, where relevant, with the executive directors and external and internal auditors of the Company: CA 201B.5.a CA 201B.9

(i) audit plans and results of the internal auditor's examination and evaluation of the Group's systems of internal accounting controls;
(ii) the Group's financial and operating results and accounting policies;
(iii) audit plans of the external auditors;
(iv) financial statements of the Company and consolidated financial statements of the Group before their submission to the directors of the Company and the external auditor's report on those financial statements;
(v) quarterly, half-yearly and annual announcements as well as the related press releases on the results and financial position of the Company and the Group;
(vi) legal and regulatory matters that may have a material impact on the financial statements and related compliance policies, programmes and reports received from regulators;
(vii) interested person transactions (as defined in Chapter 9 of the SGX Listing Manual);
(viii) co-operation and assistance given by management to the Group's external auditors; and
(ix) re-appointment of the external auditors of the Group.

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 discretion to invite any director or executive officer, and the internal and external auditors, to attend its meetings. CA 201B.6,7

The Audit Committee also recommends on the appointment of the external auditor and reviews the level of audit and non-audit fees. It is satisfied with the independence and objectivity of the external auditor and has recommended to the Board of Directors that the external auditor, Foo Kon Tan LLP, is to be nominated for re-appointment at the forthcoming Annual General Meeting of the Company. (12) CA 201B.5.b SGX 1207.6.b

Full details regarding the Audit Committee are provided in the Report on Corporate Governance. SGX 210.5.e

In appointing the auditors for the Company, the subsidiaries and the significant associated companies, Rules 712, 715 and 716 of the SGX Listing Manual have been compiled. (13) SGX 1207.6.c

Independent auditor

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

On behalf of the directors (14) CA 201.16

…………………………	…………………………
Tan Kian Beng	Chia Boon Tiong

Dated: 15 March 2020 (15) (16)

Guidance Notes – Directors' Statement

Opinion of the directors

(1) If there are events or conditions which may significantly affect the Company's ability to pay its debts as and when they fall due, it may be appropriate for the opinion of the directors to be updated accordingly to include relevant information, such as follows: SFRS(I) 1-1.25

"(b) at the date of this statement, having regard to information as disclosed in Note XX to the financial statements, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due."

Guidance Notes – Directors' Statement (cont'd)

Directors in office at the date of the statement

(2) The names of the directors who are holding office at the date of the directors' statement are required to be disclosed. If a director is appointed subsequent to the end of the previous financial year, the date of appointment, although not mandatory, is recommended to be disclosed to clearly identify the new director. There are no requirements to give details of directors who have resigned during the financial year and up to the date of the directors' statement. CA 12thSch.7

Directors' interests in shares or debentures

(3) Directors' interests include personal holdings, beneficial interest of their immediate family and deemed interests as defined by Section 7 of the Act. Directors' interests in rights or share options are also to be disclosed accordingly. Directors' interests in shares/debentures include: CA 12thSch.8 CA 12thSch.4 CA 164.15.a CA 164.16

- each director's personal holdings and beneficial interests of his immediate family. Immediate family includes the spouse and children (of less than 18 years), including step-children and adopted children, provided none of them are directors; and
- other deemed interests as defined under Section 7 of the Act (e.g. interests under trust, and interests through associated persons or corporations).

(4) Related corporations include the Company's holding companies, subsidiaries and fellow subsidiaries. CA 6

(5) If a director who holds interests at the end of the financial year was appointed during the year, his interests at the date of appointment is disclosed instead of his interests at the beginning of the year. If a director resigns after the end of the financial year but before the date of the directors' statement, his interests at the end of the financial year should still be disclosed. CA 12thSch.9

If none of the directors has any interests in shares or debentures in the Company or any related corporations, the following disclosure shall be appropriate:

"None of the directors of the Company holding office at the reporting date had any interest in the shares or debentures of the Company or any related corporations either at the beginning or end of financial year."

(6) Where the Company is a wholly owned subsidiary of another company (the "holding company"), the Company may be deemed to have complied with Section 164 of the Act in relation to a director who is also a director of that other company if the particulars required by Section 164 to be shown in the register of the Company are shown in the register of the holding company. The following should be disclosed: CA 164.3

"The directors, Mr/Ms _________ and Mr/Ms __________ are also directors of (name of holding company), incorporated in Singapore, which owns all the shares of the Company. Their interests in shares are recorded in the register of directors' shareholdings kept under Section 164 of the Act by the holding company and are therefore not disclosed in this statement."

(7) For listed companies, directors' interests as at the 21st day after the end of the financial year shall be disclosed. This disclosure can be made in any part of the annual report. This is required for listed companies only and only for interests in the Company. There is no necessity to refer to interests in related corporations. Interest refers to holdings of the Company's shares and convertible securities. SGX 1207.7

Share options

(8) The following disclosure requirements relating to share option schemes are applicable to listed companies and their subsidiaries: SGX 852

1. names of the members of the Committee administering the scheme;
2. information required in the table below for the following participants:
(i) directors of the issuer;
(ii) participants who are controlling shareholders of the issuer and their associates; and
(iii) participants, other than those in (i) and (ii) above, who receive 5% or more of total number of options available under scheme.

Name of participant	Options granted during financial year under review (including terms)	Aggregate options granted since commencement of scheme to end of financial year under review	Aggregate options exercised since commencement of scheme to end of financial year under review	Aggregate options outstanding as at end of financial year under review

3. (i) names of and number and terms of options granted to each director or employee of the Company and its subsidiaries (the Group) who receives 5% or more of the total number of options available to all directors and employees of the Group under the scheme, during the financial year under review; and
(ii) aggregate number of options granted to all directors and employees of the Group for the financial year under review, and since the commencement of the scheme to the end of the financial year under review.
4. number and proportion of options granted to the directors and employees of the Group for the financial year under review in respect of every 10% discount range, up to the maximum quantum of discount granted.

A negative statement must be made if any of the disclosure details above are not applicable.

(9) Particulars of share options issued by the Company to be disclosed include: CA 12thSch.2

(i) where any option has been granted by a Company, other than a parent company for which consolidated financial statements are required, during the period covered by the financial statements to take up unissued shares of a Company —
(a) the number and class of shares in respect of which the option has been granted;
(b) the date of expiration of the option;
(c) the basis upon which the option may be exercised; and
(d) whether the person to whom the option has been granted has any right to participate by virtue of the option in any share issue of any other company.

Guidance Notes – Directors' Statement (cont'd)

(ii) where any of the above particulars have been disclosed in a previous directors' statement, reference may be made to that statement. CA 12thSch.3
(iii) the particulars of shares issued during the period to which the statement relates by virtue of the exercise of options to take up unissued shares of the Company, whether granted before or during that period. CA 12thSch.5
(iv) the number and class of unissued shares of the Company under option as at the end of the period to which the statement relates, the price, or method of fixing the price, of issue of those shares, the date of expiration of the option and the rights, if any, of the persons to whom the options have been granted to participate by virtue of the options in any share issue of any other company. CA 12thSch.6

(9a) With respect to the Company or any corporation in the Group, (i) if there are no options to take up unissued shares during the financial year; (ii) if no options were exercised during the financial year; and (iii) there are no unissued shares under option at the end of the financial year, the following statements shall be disclosed as and whichever applicable:

"During the financial year, no options to take up unissued shares of the Company or any corporation in the Group were granted." CA 12thSch.2

"During the financial year, there were no shares of the Company or any corporation in the Group issued by virtue of the exercise of options to take up unissued shares." CA 12thSch.5

"At the end of the financial year, there were no unissued shares of the Company or any corporation in the Group under option." CA 12thSch.6

(10) Where there are share options of subsidiary corporations, the following should be disclosed: CA 12thSch.4

"At the end of the financial year, there were XX,XXX ordinary shares of (name of subsidiary corporation) under option relating to the (name of option scheme) Share Option Scheme. Details and terms of the options have been disclosed in the directors' statement of (name of subsidiary corporation)." CA 12thSch.2

Audit committee

(11) Every listed company shall have an audit committee. For listed companies, the details and functions of the audit committee shall be described in the directors' statement. CA 201B.1 CA 201B.9

(12) A public company shall, under prescribed circumstances, undertake a review of the fees, expenses and emoluments of its auditor to determine whether the independence of the auditor has been compromised, and the outcome of the review shall be sent to all persons entitled to receive notice of general meetings of the Company. CA 206.1A

(13) Listed companies shall make a statement that the Company complies with SGX Rules 712 and 715 and/or 716 in relation to its auditors. SGX 1207.6.c

- Rule 715 states:
  1) 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.
  2) an issuer must engage a suitable auditing firm for its significant foreign-incorporated subsidiaries and associated companies.
- Rule 716 states an issuer may appoint different auditing firms for its subsidiaries or significant associated companies (referred to in Rule 715(1)) provided:
  1) 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
  2) the issuer's subsidiary or associated company is listed on a stock exchange.

Dating and signing of the directors' statement

(14) The phrase "On behalf of the directors" is not necessary if the Company has two or fewer directors.

(15) The directors' statement 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 AGM. The statement may be sent less than 14 days before the date of the AGM if all the persons entitled to receive notice of general meetings of the Company so agree. The directors' statement shall be made in accordance with a resolution of the directors specifying the day on which it was made out and be signed on behalf of the directors by two directors of the Company containing the information set out in the Twelfth Schedule of the Act. CA 203.1,2 CA 201.16

(16) AGMs should be held within 4 and 6 months of the end of each financial year for listed and non-listed companies respectively. CA 175.1.a,b SGX 707.1,2

Adequacy and effectiveness of internal controls

For listed companies, the Board of Directors must comment in the annual report on the adequacy and effectiveness of the issuer's internal controls (including financial, operational, compliance and information technology controls) and risk management systems. A statement on whether the Audit Committee concurs with the Board's comment must also be provided. Where material weaknesses are identified by the Board or Audit Committee, they must be disclosed together with the steps taken to address them. SGX 1207.10

Revision of defective financial statements

Directors are able to revise the Company's financial statements in respect of any financial year of the Company. The revision is confined to those aspects in which the financial statements did not comply with the requirements of the Act (including compliance with the relevant accounting standards) and any necessary consequential revisions. A new directors' statement and auditor's report must be attached to the revised financial statements. Appendix 4 of the guidance, *Revision of Defective Financial Statements, or Consolidated Financial Statements or Balance-Sheet Under Sections 202A and 202B of the Companies Act – Guidance for Companies*, issued by ACRA provides an illustrative example of such a new directors' statement. CA 202A CA 202B

IAR Reference

Independent auditor's report to the members of FKT Holdings Limited (1)

CA 207.1
SSA 700.21-22

Report on the Audit of the Financial Statements SSA 700.45

Opinion SSA 700.23

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 2019, and the consolidated statement of profit or loss and other 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. SSA 700.24-27

In our opinion, the accompanying consolidated 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 Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2019 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 700.28

We conducted our audit in accordance with Singapore Standards on Auditing ("SSA"). 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.

[Material Uncertainty Related to Going Concern] (1a) SSA 570.22

[Include 'Material Uncertainty Related to Going Concern' section and the related disclosures, if applicable.]

[Emphasis of Matter] (3a) SSA 706.8-9

[Include 'Emphasis of Matter' section and the related disclosures, if applicable.]

Key Audit Matters (1b) (2) SSA 700.30-31

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. SSA 701.11

Independent auditor's report
to the members of FKT Holdings Limited (cont'd)

Key Audit Matters (cont'd)

Key audit matter No. 1: Valuation of investment properties (refer to Note 6 and Note 2(d) to the financial statements) SSA 701.13

The Group's investment properties are stated at fair value, determined based on professional external valuers engaged by the Group. The valuation process involves significant judgement and estimation. The valuations are dependent on the valuation methodology applied and these are underpinned by a number of assumptions which include price per square metre of market comparable used, gross development value per square metre, net income margin and capitalisation rate. A change in the key assumptions applied may have a significant impact to the valuation.

How the matter was addressed in the audit: We considered the objectivity and independence of the external valuers engaged by the Group, including their qualifications and competency. Through engaging our auditor's property valuation expert and considering their work and findings, we considered the appropriateness of the valuation techniques used by the external valuers for the respective investment properties taking into account the profile and type of these properties, discussed with the external valuers on the results of their work, and compared the key assumptions used in their valuations by reference to externally published benchmarks where available and considered whether these assumptions are consistent with the current market environment.

We found that the external valuers were recognised professionals with the appropriate level of qualifications and experience. The valuation methodologies adopted were in line with generally accepted market practices for similar properties. The key assumptions used were within reasonable range, taking into account historical rates and available industry data for comparable markets and properties. We also found that the related disclosures in the financial statements to be adequate.

Disclosures about the Group's investment properties are made in Note 6 to the financial statements.

Key audit matter No. 2: Net realisable value of development properties (refer to Note 17 and Note 2(d) to the financial statements) SSA 701.13

The Group's development properties are stated at the lower of cost and net realisable values. The determination of the estimated net realisable value of these development properties is dependent upon the Group's expectations of future selling prices. There is a risk that the estimates of net realisable values may exceed future selling prices, resulting in losses when properties are sold.

How the matter was addressed in the audit: We discussed with and evaluated management's basis used in their assessment in determining whether the Group's development properties are impaired and the amount of impairment to be recorded if any, based on the Group's estimated selling prices of these properties, by comparing where available, to recently transacted prices of comparable properties in surrounding locations. We also performed sensitivity analysis on the estimated selling prices used by management in their assessment.

In conjunction with the work and findings of our auditor's property valuation expert, we found management's estimates to be reasonable based on supportable information available, and that management had applied their knowledge of the business in determining the estimated selling prices of the development properties, by taking into consideration the selling prices of recent sales of comparable properties, and expectations of the property market conditions. We also found that the related disclosures in the financial statements to be adequate.

Disclosures about the Group's development properties are made in Note 17 to the financial statements.

Independent auditor's report
to the members of FKT Holdings Limited (cont'd)

Key Audit Matters (cont'd)

Key audit matter No. 3:	Revenue recognition for development properties (refer to Note 29 and Note 2(d) to the financial statements) The Group enters into contracts with customers to sell specified development properties based on the terms and specifications as set out in the contracts. The analysis of whether the contract comprises one or more performance obligations, determination of whether the performance obligations are satisfied over time and the method used to measure progress for revenue recognition for these development properties requires estimate by management. The stage of completion is measured by reference to certifications of the value of work performed to date by third party quantity surveyors as compared to the estimated total construction costs of the development project as approved by management. Significant judgements are required to determine the total construction costs which include estimation for variation works and any other claims from contractors. Any changes to the estimated total construction costs will impact the percentage of completion and consequentially the revenue recognised.	SSA 701.13
How the matter was addressed in the audit:	We discussed with management to understand the relevant terms of the agreements and the basis of management's identification of performance obligations to determine whether the criteria for recognising revenue over time were met. We performed procedures to evaluate the design and implementation of the relevant controls put in place by the Group in respect of revenue recognition from the development properties. We also reviewed management's estimated total construction cost for the development projects, and assessed the reasonableness of the assumptions and estimates applied by management which included key elements such as construction costs and variation works, taking also into consideration the need by management to account for any effects of significant or unusual events that occurred during the year which may impact the estimated total construction cost. In addition, we also used the value of the work performed to date as provided by third party quantity surveyors, compared to the estimated total construction cost and performed arithmetic computations of the percentage of completion and revenue to be recognised for the year. We found management's basis of identifying performance obligations and the basis of revenue recognition for these development properties to be appropriate. We also found management to have the relevant controls in place and that the key assumptions applied by management for estimated total construction costs to be reasonable based on supportable information available. Disclosures about the Group's revenue from development properties are made in Note 29 to the financial statements.	

Independent auditor's report
to the members of FKT Holdings Limited (cont'd)

Key Audit Matters (cont'd)

Key audit matter No. 4:

Accounting for construction contracts (refer to Note 29 and Note 2(d) to the financial statements) SSA 701.13

The Group uses the input method (i.e. "cost-to-cost" method) to measure project progress and recognise contract revenue in accordance with SFRS(I) 15 *Revenue from Contracts with Customers*.

We focused on the accuracy of revenue recognition and adequacy of provision for onerous contracts due to the significant management judgement required in determining the total contract sum and the total contract costs.

How the matter was addressed in the audit:

We obtained an understanding of the projects under construction through discussions with management and project managers, assessed the appropriateness of the method selected for individual projects to measure project progress and recognise contract revenue, and examined project documentation (including contracts, correspondences with customers on delays or extension of time).

In relation to total contract sum for project in progress, our audit procedures include the following:
- traced total contract sums to contract entered into by the Group and its customers;
- traced variation orders included in total contract sums to surveyor's certification; and
- assessed the adequacy of the amount of liquidated damages to be net off against contract sums, based on our understanding of the projects.

In relation to total contract costs, our audit procedures include the following:
- traced the cost to complete for each project by substantiating costs that have been committed to quotations and contracts entered;
- tested the reasonableness of the cost to complete for selected projects, focusing on those with significant activities during the year; and
- assessed the reasonableness of cost incurred against our understanding of the project.

Based on the audit procedures performed above, we assessed management's estimates to be reasonable.

We then recomputed the percentage of completion based on actual cumulative contract cost incurred as a portion of total contract costs, cumulative contract revenue and the contract revenue for the current financial year as well as the amount of provision for onerous contract (where relevant) for each project, and traced to the accounting records and found it to be appropriate.

We also assessed the adequacy of the disclosures of the key accounting estimates and the sensitivity and found the disclosures in the financial statements to be appropriate.

Disclosures about the Group's revenue from construction contracts are made in Note 29 to the financial statements.

Independent auditor's report
to the members of FKT Holdings Limited (cont'd)

[Other Matter] (3b) SSA 706.10-11

[Include 'Other Matter' section and the related disclosures, if applicable.]

Other Information (4) SSA 700.32

Management is responsible for the other information. The other information comprises the directors' statement section of the annual report but does not include the financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the remaining sections of the annual report, which are expected to be made available to us after that date. SSA 720.21-22 SSA 720.A53

Our opinion on the financial statements does not cover the other information and we do not and will 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 identified above 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 that we 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 remaining sections of the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and take appropriate actions in accordance with SSA.

Responsibilities of Management and Directors for the Financial Statements SSA 700.33

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets. SSA 700.34-36

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

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

Independent auditor's report to the members of FKT Holdings Limited (cont'd)

Auditor's Responsibilities for the Audit of the Financial Statements SSA 700.37

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 SSA 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. SSA 700.38-40

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

(a) 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.

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

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

(d) 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. [(5)]

(e) 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.

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

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

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

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

Reference

Independent auditor's report
to the members of FKT Holdings Limited (cont'd)

Report on Other Legal and Regulatory Requirements SSA 700.43

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. CA 207.2.b SSA 700.A58

The engagement partner on the audit resulting in this independent auditor's report is Mr Foo Lee Lim. SSA 700.46

Foo Kon Tan LLP
Public Accountants and
Chartered Accountants

Singapore, 15 March 2020 [(6)]

Guidance Notes – Independent Auditor's Report

(1) **Addressee** SSA 700.22 CA 207.1

The independent auditor's report should be appropriately addressed as required by the circumstances of the engagement and local regulations. The report is ordinarily addressed to those for whom the report is prepared, often either to the shareholders or to those charged with governance of the Company. For Singapore-incorporated companies, the report is required to be addressed to members of the Company in accordance with the Singapore Companies Act.

(1a) **Material uncertainty related to going concern** SSA 570.22

When the use of going concern basis of accounting is appropriate but a material uncertainty exists, and if adequate disclosure about the material uncertainty is made in the financial statements, a separate section under the heading "Material Uncertainty Related to Going Concern" shall be required to be made in the auditor's report. This section would ordinarily be included before the section of Key Audit Matters.

(1b) **"Close call" related to going concern** SSA 570.20 SSA 570.A24 SSA 570.A25 SSA 701.A41

When there are events or conditions identified that may cast significant doubt on the Group's ability to continue as a going concern, but based on the audit evidence obtained, the auditor concludes that no material uncertainty exists, the auditor may determine that one or more matters relating to this conclusion arising from the auditor's work effort under SSA 570 are key audit matters.

Further guidance information is provided in **Appendix A: Implication of Going Concern on Auditor's Report**.

(2) **Key audit matters** SSA 700.30-31

The Key Audit Matters section is required for listed entities only. When the auditor is otherwise required by law or regulation or decides to communicate key audit matters in the independent auditor's report, the auditor shall do so in accordance with SSA 701.

The auditor shall determine, from the matters communicated with those charged with governance, those matters that required significant auditor attention in performing the audit. In making this determination, the auditor shall take into account the following: SSA 701.9
(a) Areas of higher assessed risk of material misstatement, or significant risks identified in accordance with SSA 315.
(b) Significant auditor judgements relating to areas in the financial statements that involved significant management judgement, including accounting estimates that have been identified as having high estimation uncertainty.
(c) The effect on the audit of significant events or transactions that occurred during the period.

The auditor shall determine which of the matters as determined above were of most significance in the audit of the financial statements of the current period and therefore are the key audit matters. SSA 701.10

Guidance Notes – Independent Auditor's Report (cont'd)

Factors that the auditor shall consider in determining which matters are of most significance are as follows: SSA 701.A27-A30

- Significance of interactions between the auditor, the 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;
- Complexities relating to the accounting policy, e.g. subjectivity in selecting the accounting policy or difference in the policy compared to industry norms;
- The nature and extent of audit effort to address the matter, e.g. use of experts;
- Difficulties in performing audit procedures and obtaining sufficient audit evidence;
- Severe control deficiencies; and
- Inter-relatedness with other matters, e.g. long-term contracts which affect revenue recognition, impairments, etc.

The description of the key audit matter in the auditor's report shall include the following: SSA 701.13

- Explanation of why the matter was considered as a key audit matter;
- Explanation of how the matter was addressed in the audit; and
- Reference to the related disclosure in the financial statements.

When there is material uncertainty related to going concern, the following paragraph shall be used under the Key Audit Matters section instead: SSA 570.App

"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. 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."

When a qualified or adverse opinion on the financial statements is issued, the following paragraph shall be used under the Key Audit Matters section instead: SSA 705.App

"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. In addition to the matter described in the Basis for Qualified/Adverse Opinion section, we have determined the matters described below to be the key audit matters to be communicated in our report."

When a qualified or adverse opinion is expressed, and/or Material Uncertainty Related to Going Concern section is included, there may be no other matters identified as key audit matters. In such a situation, the following paragraph should be used under the Key Audit Matters section: SSA 701.A6 SSA 701.A58

"Except for the matter described in the Basis for Qualified/Adverse Opinion section and/or Material Uncertainty Related to Going Concern section, we have determined that there are no other key audit matters to communicate in our report."

When a disclaimer of opinion on the financial statements is issued, the independent auditor's report shall not include a Key Audit Matters section in accordance with SSA 701 or an Other Information section in accordance with SSA 720. SSA 705.29

Further illustrative examples of KAM are included in **Appendix B: Illustrative Examples of Key Audit Matter**.

(3a) **Emphasis of matter**

The placement ordering of an Emphasis of Matter paragraph or Other Matter paragraph in the auditor's report depends on the nature of the information to be communicated and the auditor's judgement as to the relative significance of such information to intended users compared to other elements required to be reported in accordance with SSA 700. SSA 706.A16-A17

(3b) **Other matter – First year engagement**

For first year engagement, the following shall be added to the Other Matter section in the independent auditor's report: SSA 710.17

(a) if the financial statements for the preceding year had an unmodified opinion issued by the predecessor auditor:

"The financial statements of the Group and the Company for the financial year ended 31 December 2018 were audited by another auditor who expressed an unmodified opinion on those financial statements on (date of predecessor auditor's report)."

(b) if the financial statements for the preceding year had a modified opinion issued by the predecessor auditor:

"The financial statements of the Group and the Company for the financial year ended 31 December 2018 were audited by another auditor who expressed a/an qualified/adverse/disclaimer of opinion on those financial statements on (date of predecessor auditor's report) as extracted below:
[Quote modification by predecessor auditor]"

SSA 706 Appendix 3 illustrates the interaction and placement ordering of a Key Audit Matters section, an Emphasis of Matter paragraph and an Other Matter paragraph in an auditor's report with an unmodified opinion. SSA 706.A16-A17 SSA 706.App.3

Guidance Notes – Independent Auditor's Report (cont'd)

(4) **Other information**

SSA 720 requires an identification of other information, if any, obtained by the auditor prior to the date of the auditor's report; and for an audit of financial statements of a listed entity, other information, if any, expected to be obtained after the date of the auditor's report. For many private companies, the directors' statement may be the only document that constitutes other information. When the Company issues a full annual report (i.e. in accordance with Rule 1207 of the SGX Listing Manual), the Other Information section should be customised accordingly such that the description of contents constituting other information is complete. SSA 720.22

SSA 720 provides illustrations of auditor's reports relating to other information depending on various circumstances as listed below. (N.B. The Other Information section in this illustrative independent auditor's report is based on Illustration 2.) SSA 720.App.2

- ***Illustration 1***: An auditor's report of any Singapore incorporated company, whether listed or other than listed, containing an unmodified opinion when the auditor has obtained all of the other information prior to the date of the auditor's report and has not identified a material misstatement of the other information.
- ***Illustration 2***: An auditor's report of a Singapore incorporated listed company containing an unmodified opinion when the auditor has obtained part of the other information prior to the date of the auditor's report, has not identified a material misstatement of the other information, and expects to obtain other information after the date of the auditor's report.
- ***Illustration 3***: An auditor's report of a Singapore incorporated company other than a listed entity containing an unmodified opinion when the auditor has obtained part of the other information prior to the date of the auditor's report, has not identified a material misstatement of the other information, and expects to obtain other information after the date of the auditor's report.
- ***Illustration 4***: An auditor's report of a Singapore incorporated listed company containing an unmodified opinion when the auditor has obtained none of other information prior to the date of the auditor's report but expects to obtain other information after the date of the auditor's report.
- ***Illustration 5***: An auditor's report of any Singapore incorporated company, whether listed or other than listed, containing an unmodified opinion when the auditor has obtained all of the other information prior to the date of the auditor's report and has concluded that a material misstatement of the other information exists.
- ***Illustration 6***: An auditor's report of any Singapore incorporated company, whether listed or other than listed, containing a qualified opinion when the auditor has obtained all of the other information prior to the date of the auditor's report and there is a limitation of scope with respect to a material item in the financial statements which also affects the other information.
- ***Illustration 7***: An auditor's report of any Singapore incorporated company, whether listed or other than listed, containing an adverse opinion when the auditor has obtained all of the other information prior to the date of the auditor's report and the adverse opinion on the financial statements also affects the other information.

The Other Information section should be amended accordingly when the auditor concludes that a material misstatement of the other information exists. Further guidance information is provided in **Appendix C: Material Inconsistencies Regarding Other Information**.

(5) **Auditor's responsibilities for the audit of the financial statements**
- Financial statements prepared on a basis other than going concern

For paragraph (d) under the 'Auditor's Responsibilities for the Audit of the Financial Statements' section, where the financial statements are prepared on a basis other than going concern, the description of the auditor's responsibilities relating to going concern should be tailored accordingly. An illustrative example of how the auditor's responsibilities can be tailored is provided below: SSA 570.A27

"Conclude on the appropriateness of management's use of the going concern basis of accounting. When such use is inappropriate and management uses an alternative basis of accounting, we conclude whether the alternative basis used by management is acceptable in the circumstances. We also evaluate the adequacy of the disclosures describing the alternative basis of accounting and reasons for its use. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report."

(6) **Date of the independent auditor's report**

The auditor should date the report on the financial statements no earlier than the date on which the auditor has obtained sufficient appropriate audit evidence on which to base the auditor's opinion on the financial statements and those with the recognised authority have asserted that they have taken responsibility for those financial statements. SSA 700.49

The directors shall take reasonable steps to ensure that the financial statements are audited not less than 14 days before the AGM of the Company. CA 201.9.a

Name and date of appointment of the audit partner in charge

The SGX Listing Manual requires an issuer to disclose in its annual report the name and date of appointment of the audit partner in charge of auditing the issuer and its group of companies. An issuer may typically disclose this information in the corporate information section of its annual report. SGX 713.1

SOFP
Reference

Statements of financial position (1) (2)

as at 31 December 2019

SFRS(I) 1-1.10,54
SGX 1207.5.a,b
CA 201.5.a,b

	Note	The Group 31 December 2019 $	The Group 31 December 2018 $ (Restated) (3)	The Group 1 January 2018 $ (Restated) (3)	The Company 31 December 2019 $	The Company 31 December 2018 $	Reference
							SFRS(I) 1-1.38,38A SFRS(I) 1-1.113
ASSETS							
Non-Current Assets (2a)							SFRS(I) 1-1.60,66
Intangible assets	3	**480,000**	520,000	550,000	**-**	-	SFRS(I) 1-1.54.c
Property, plant and equipment	4	**8,698,062**	10,443,122	12,154,294	**-**	-	SFRS(I) 1-1.54.a
Right-of-use assets (5)	5	**1,905,280**	-	-	**-**	-	SFRS(I) 16.47.a
Investment properties	6	**26,485,516**	17,271,449	22,486,533	**-**	-	SFRS(I) 1-1.54.b
Subsidiaries	7	**-**	-	-	**33,705,331**	30,752,905	SFRS(I) 1-1.55
Associates	8	**56,976,604**	53,253,995	54,784,745	**49,300,793**	49,129,047	SFRS(I) 1-1.54.e
Other investments	9	**2,952,000**	2,289,200	2,276,800	**2,952,000**	2,289,200	SFRS(I) 1-1.54.d
Finance lease receivables	10	**701,401**	-	-	**-**	-	SFRS(I) 1-1.55
Deferred tax assets (2d)	11	**300,000**	450,000	200,000	**-**	-	SFRS(I) 1-1.54.o,56
		98,498,863	84,227,766	92,452,372	**85,958,124**	82,171,152	
Current Assets (2a)							SFRS(I) 1-1.60,66
Cash and bank balances	12	**20,149,185**	35,293,076	24,210,188	**11,924,853**	18,975,540	SFRS(I) 1-1.54.i
Trade and other receivables	13	**23,478,226**	27,585,405	12,933,534	**13,032,695**	15,712,482	SFRS(I) 1-1.54.h
Contract assets (4a)	14	**11,283,798**	13,631,593	12,438,178	**-**	-	SFRS(I) 15.105
Contract costs (4b)	15	**114,910**	113,568	111,008	**-**	-	SFRS(I) 15.91
Other investments	9	**1,816,600**	1,372,000	1,304,000	**1,816,600**	1,372,000	SFRS(I) 1-1.54.d
Finance lease receivables	10	**247,130**	-	-	**-**	-	SFRS(I) 1-1.55
Derivative financial instruments	16	**720,983**	405,587	381,009	**-**	-	SFRS(I) 1-1.55
Development properties	17	**31,515,291**	22,832,766	20,311,822	**-**	-	SFRS(I) 1-1.55
Inventories	18	**3,288,758**	3,333,414	3,756,985	**-**	-	SFRS(I) 1-1.54.g
		92,614,881	104,567,409	75,446,724	**26,774,148**	36,060,022	
Assets of disposal group classified as held-for-sale (6)	19	**2,955,822**	-	-	**-**	-	SFRS(I) 1-1.54.j SFRS(I) 5.38,40
		95,570,703	104,567,409	75,446,724	**26,774,148**	36,060,022	
Total assets		**194,069,566**	188,795,175	167,899,096	**112,732,272**	118,231,174	
EQUITY AND LIABILITIES							
Capital and Reserves							SFRS(I) 1-1.54.r
Share capital	20	**58,919,205**	56,882,005	35,000,000	**72,919,205**	70,882,005	SFRS(I) 1-1.78.e
Treasury shares	21	**(1,418,000)**	-	-	**(1,418,000)**	-	SFRS(I) 1-1.78.e
Reserves	22	**48,850,328**	52,312,206	49,119,858	**12,758,362**	24,895,525	SFRS(I) 1-1.78.e
Equity attributable to owners of the Company		**106,351,533**	109,194,211	84,119,858	**84,259,567**	95,777,530	SFRS(I) 1-1.54.r
Non-controlling interests		**3,058,153**	1,253,455	339,078	**-**	-	SFRS(I) 1-1.54.q
Total equity		**109,409,686**	110,447,666	84,458,936	**84,259,567**	95,777,530	
Non-Current Liabilities (2b)							SFRS(I) 1-1.60,69
Borrowings (2c)	23	**27,727,259**	29,962,083	22,323,401	**25,096,250**	17,453,750	SFRS(I) 1-1.54.m
Obligations under finance lease	24	**-**	306,983	152,674	**-**	-	SFRS(I) 1-1.55
Lease liabilities (5)	25	**2,262,359**	-	-	**-**	-	SFRS(I) 16.47.b
Deferred tax liabilities (2d)	11	**1,645,583**	1,262,518	642,431	**-**	-	SFRS(I) 1-1.54.o,56
Provisions	28	**534,984**	412,865	306,428	**-**	-	SFRS(I) 1-1.54.l
		32,170,185	31,944,449	23,424,934	**25,096,250**	17,453,750	
Current Liabilities (2b)							SFRS(I) 1-1.60,69
Trade and other payables	26	**22,970,868**	19,230,686	30,121,040	**2,103,233**	3,917,006	SFRS(I) 1-1.54.k
Contract liabilities (4a)	27	**12,012,141**	11,429,684	11,528,232	**-**	-	SFRS(I) 15.105
Derivative financial instruments	16	**689,500**	349,800	282,700	**-**	-	SFRS(I) 1-1.55
Borrowings (2c)	23	**12,211,992**	12,370,703	14,168,454	**1,273,222**	1,082,888	SFRS(I) 1-1.54.m
Obligations under finance lease	24	**-**	95,520	50,892	**-**	-	SFRS(I) 1-1.55
Lease liabilities (5)	25	**545,515**	-	-	**-**	-	SFRS(I) 16.47.b
Provisions	28	**283,122**	269,640	256,800	**-**	-	SFRS(I) 1-1.54.l
Current tax liabilities		**1,521,557**	2,657,027	3,607,108	**-**	-	SFRS(I) 1-1.54.n
		50,234,695	46,403,060	60,015,226	**3,376,455**	4,999,894	
Liabilities directly associated with disposal group classified as held-for-sale (6)	19	**2,255,000**	-	-	**-**	-	SFRS(I) 1-1.54.p SFRS(I) 5.38,40
		52,489,695	46,403,060	60,015,226	**3,376,455**	4,999,894	
Total liabilities		**84,659,880**	78,347,509	83,440,160	**28,472,705**	22,453,644	
Total equity and liabilities		**194,069,566**	188,795,175	167,899,096	**112,732,272**	118,231,174	

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

Guidance Notes – Statements of Financial Position

Titles for the statements

(1) An entity may use titles for the statements other than those used in SFRS(I) 1-1. For example, an entity may use the title 'Balance Sheet' instead of 'Statement of Financial Position'. (N.B. References made in the independent auditor's report shall be updated to be consistent accordingly.) SFRS(I) 1-1.10

Line items in the statement of financial position

(2) The statement of financial position shall include line items that present the following amounts: SFRS(I) 1-1.54

(a) property, plant and equipment;
(b) investment property;
(c) intangible assets;
(d) financial assets (excluding amounts shown under (e), (h) and (i));
(e) investments accounted for using the equity method;
(f) biological assets within the scope of SFRS(I) 1-41;
(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 SFRS(I) 5;
(k) trade and other payables;
(l) provisions;
(m) financial liabilities (excluding amounts shown under (k) and (l));
(n) liabilities and assets for current tax, as defined in SFRS(I) 1-12;
(o) deferred tax liabilities and deferred tax assets, as defined in SFRS(I) 1-12;
(p) liabilities included in disposal groups classified as held-for-sale in accordance with SFRS(I) 5;
(q) non-controlling interests, presented within equity; and
(r) issued capital and reserves attributable to owners of the parent.

Current / Non-Current distinction of assets and liabilities

(2a) An entity shall classify an asset as current when: SFRS(I) 1-1.66

(a) it expects to realise the asset, or intends to sell or consume it, in its normal operating cycle;
(b) it holds the asset primarily for the purpose of trading;
(c) it expects to realise the asset within 12 months after the reporting period; or
(d) the asset is cash or a cash equivalent (as defined in SFRS(I) 1-7) unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

An entity shall classify all other assets as non-current.

Operating cycle of an entity is the time between acquisition of assets for processing and their realisation in cash or cash equivalents. When the entity's normal operating cycle is not clearly identifiable, it is assumed to be 12 months. Current assets include: (i) assets (e.g. inventories, trade receivables) sold, consumed or realised as part of normal operating cycle even when they are not expected to be realised within 12 months after the reporting period; and (ii) assets held primarily for purpose of trading (e.g. financial assets that meet definition of held for trading in SFRS(I) 9) and the current portion of non-current financial assets. SFRS(I) 1-1.68

(2b) An entity shall classify a liability as current when: SFRS(I) 1-1.69

(a) it expects to settle the liability in its normal operating cycle;
(b) it holds the liability primarily for the purpose of trading;
(c) the liability is due to be settled within 12 months after the reporting period; or
(d) it does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

An entity shall classify all other liabilities as non-current.

Some current liabilities, such as trade payables and some accruals for employee and other operating costs, are part of working capital used in the normal operating cycle. Such operating items are current liabilities even if due to be settled more than 12 months after the reporting period. Other current liabilities are not settled as part of the normal operating cycle, but are due for settlement within 12 months after the reporting period, or held primarily for purpose of trading. Examples are some financial liabilities that meet definition of held for trading in SFRS(I) 9, bank overdrafts, and the current portion of non-current financial liabilities, dividends payable, income taxes and other non-trade payables. Financial liabilities that provide financing on a long-term basis (i.e. not part of working capital used in the normal operating cycle) and not due for settlement within 12 months after the reporting period are non-current liabilities. SFRS(I) 1-1.70,71

(2c) An entity classifies its financial liabilities as current when they are due to be settled within 12 months after the reporting period, even if the original term was for a period longer than 12 months, and an agreement to refinance, or to reschedule payments, to a long-term basis is completed after the reporting period but before the financial statements are authorised for issue. If an entity expects, and has the discretion, to refinance or roll over an obligation for at least 12 months after the reporting period under an existing loan facility, it classifies the obligation as non-current, even if it would otherwise be due within a shorter period. SFRS(I) 1-1.72,73

When an entity breaches provision of long-term loan arrangement on or before end of the reporting period such that the liability becomes payable on demand, it classifies the liability as current, even if the lender agreed, after the reporting period but before authorisation of the financial statements for issue, not to demand payment as consequence of the breach. However, an entity classifies the liability as non-current if the lender agrees by end of the reporting period to provide grace period ending at least 12 months after the reporting period, within which the entity can rectify the breach and during which the lender cannot demand immediate repayment. SFRS(I) 1-1.74,75

(2d) When an entity presents current and non-current assets, and current and non-current liabilities, as separate classifications in its statement of financial position, it shall not classify deferred tax assets (liabilities) as current assets (liabilities). SFRS(I) 1-1.56

For each asset and liability line item that combines amounts expected to be recovered or settled within (a) no more than 12 months after the reporting date, and (b) more than 12 months after the reporting date, an entity discloses in the notes the amount expected to be recovered or settled after more than 12 months. SFRS(I) 1-1.61

Guidance Notes – Statements of Financial Position (cont'd)

Change in accounting policy, retrospective restatement or reclassification

(3) An entity shall present a third statement of financial position as at beginning of the preceding period if: SFRS(I) 1-1.40A
(a) it applies an accounting policy retrospectively, makes a retrospective restatement of items in its financial statements or reclassifies items in its financial statements; and SFRS(I) 1-1.40B
(b) the retrospective application, retrospective restatement or the reclassification has a material effect on the information in the statement of financial position at beginning of the preceding period.

When an entity is required to present an additional statement of financial position, it must disclose the information required by SFRS(I) 1-1.41-44 and SFRS(I) 1-8. However, it need not present the related notes to the additional statement of financial position. SFRS(I) 1-1.40C

If an entity changes the presentation or classification of items in its financial statements, it shall reclassify comparative amounts unless it is impracticable. When an entity reclassifies comparative amounts, it shall disclose (including as at beginning of the preceding period) nature of the reclassification, amount of each item or class of items that is reclassified and reason for the reclassification. When it is impracticable to reclassify comparative amounts, an entity shall disclose the reason for not reclassifying the amounts, and the nature of the adjustments that would have been made if the amounts had been reclassified. SFRS(I) 1-1.41,42

(N.B. In these illustrative financial statements, the third statement of financial position is the result of the prior year adjustment (Note 50) for correction of error and not due to adoption of SFRS(I) 16 for which the Group has elected the cumulative catch-up transition approach that does not require restatement of comparatives.)

Contract assets / Contract costs / Contract liabilities

(4a) When either party to a contract has performed, an entity shall present the contract in statement of financial position as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment. An entity shall present any unconditional rights to consideration separately as a receivable. SFRS(I) 15 uses the terms 'contract asset' and 'contract liability' but does not prohibit alternative description for those items. If an entity uses an alternative description for contract asset, the entity shall provide sufficient information for user of the financial statements to distinguish between receivables and contract assets. SFRS(I) 15.105-107 SFRS(I) 15.109

(4b) An asset arising from the costs of obtaining a contract is presented separately from the contract asset or liability. SFRS(I) 15.BC301

Right-of-use assets / Lease liabilities (SFRS(I) 16)

(5) A lessee shall either present in the statement of financial position, or disclose in the notes: SFRS(I) 16.47.a
(a) ROU assets separately from other assets. If a lessee does not present ROU assets separately in the statement of financial position, the lessee shall:
(i) include ROU assets within the same line item as that within which the corresponding underlying assets would be presented if they were owned; and
(ii) disclose which line items in the statement of financial position include those ROU assets.
(b) lease liabilities separately from other liabilities. If the lessee does not present lease liabilities separately in the statement of financial position, the lessee shall disclose which line items in the statement of financial position include those liabilities.

(N.B. The Group has opted to present ROU assets and lease liabilities separately from the other assets and liabilities respectively in the statement of financial position. An alternative presentation of ROU assets disclosure information included in the PPE note to the financial statements is available for reference in **Appendix E: Disclosure Requirements of SFRS(I) 16**.)

The above requirement in SFRS(I) 16.47.a does not apply to ROU assets that meet the definition of investment property, which shall be presented in the statement of financial position as investment property. SFRS(I) 16.47.b

A ROU asset shall be classified in its entirety as a single unit of account as current or non-current in accordance with SFRS(I) 1-1.66. This typically results in a ROU asset being classified similarly to the underlying asset in the lease. Assets that are subject to depreciation or amortisation are typically non-current. If an entity elects not to use the short-term lease recognition exemption, the resulting ROU asset is classified as current because the ROU asset will be realised within 12 months after the reporting period. SFRS(I) 1-1.66,67

For entities that adopt the new SFRS(I) 16 using a full retrospective approach, full restatement of comparative information is required. For entities that adopt the new SFRS(I) 16 using the cumulative catch-up or modified retrospective approach, restatement of comparative information is not necessary. (N.B. The Group has elected for the cumulative catch-up approach for transition purposes.) SFRS(I) 16.C5.a,b

Disposal group classified as held-for-sale

(6) Assets classified as non-current in accordance with SFRS(I) 1-1 shall not be reclassified as current assets until they meet the criteria to be classified as held-for-sale in accordance with SFRS(I) 5. Assets of a class that an entity would normally regard as non-current that are acquired exclusively with a view to resale shall not be classified as current unless they meet the criteria to be classified as held-for-sale in accordance with SFRS(I) 5. SFRS(I) 5.3

The classification, presentation and measurement requirements in SFRS(I) 5 also apply to a non-current asset (or disposal group) that is classified as held for distribution to owners acting in their capacity as owners (held for distribution to owners). SFRS(I) 5.5A

An entity shall not reclassify or re-present amounts presented for non-current assets or for the assets and liabilities of disposal groups classified as held-for-sale in the statements of financial position for prior periods to reflect the classification in the statement of financial position for the latest period presented. SFRS(I) 5.40

CSOPLOCI
Reference

Consolidated statement of profit or loss and other comprehensive income (1) (2)

for the financial year ended 31 December 2019

SFRS(I) 1-1.10,82,82A
SGX 1207.5.a
CA 201.5.a

(N.B. 'One-statement' approach / Classification of expenses by 'nature')

	Note	The Group Year ended 31 December 2019 $	Year ended 31 December 2018 $ (Restated)	CSOPLOCI Reference
				SFRS(I) 1-1.38,38A SFRS(I) 1-1.113
Continuing operations				
Revenue	29	**102,648,927**	82,171,093	SFRS(I) 1-1.82.a
Interest income	30	**713,266**	556,758	SFRS(I) 1-1.82.a
Other income	31	**218,952**	281,986	SFRS(I) 1-1.85
Other gains and losses	32	**1,122,166**	211,232	SFRS(I) 1-1.85
Changes in inventories of finished goods and work-in-progress		**(71,203)**	408,214	SFRS(I) 1-1.99,102
Changes in development properties		**8,682,525**	2,520,944	SFRS(I) 1-1.99,102
Raw materials and subcontract costs		**(74,651,200)**	(47,297,259)	SFRS(I) 1-1.99,102
Depreciation and amortisation (6)	35	**(2,386,314)**	(1,922,664)	SFRS(I) 1-1.99,102
Employee benefits	35	**(26,321,734)**	(24,222,604)	SFRS(I) 1-1.99,102
Impairment loss on financial assets and contract assets	35	**(891,242)**	(130,800)	SFRS(I) 1-1.82.ba
Other expenses	33	**(5,029,834)**	(4,581,227)	SFRS(I) 1-1.99,102
Finance costs (6)	34	**(2,198,419)**	(1,962,577)	SFRS(I) 1-1.82.b
Share of results of associates, net of tax	8	**3,097,812**	1,981,606	SFRS(I) 1-1.82.c
Profit from continuing operations, before tax		**4,933,702**	8,014,702	SFRS(I) 1-1.85
Tax expense	36	**(621,652)**	(1,428,828)	SFRS(I) 1-1.82.d
Profit from continuing operations, net of tax		**4,312,050**	6,585,874	SFRS(I) 1-1.85
Loss from discontinued operations, net of tax (4)	19	**(1,198,898)**	(1,347,849)	SFRS(I) 1-1.82.ea
Profit for the year	35	**3,113,152**	5,238,025	SFRS(I) 1-1.81A.a
Other comprehensive income, after tax: (3)	37			SFRS(I) 1-1.91.a
Items that may be reclassified subsequently to profit or loss (3a)				SFRS(I) 1-1.82A.a.ii
Change in fair value of debt investments at FVOCI		**(190,500)**	12,400	SFRS(I) 7.20.a.viii
Change in fair value of interest rate swaps entered into for cash flow hedges		**315,396**	24,578	SFRS(I) 7.24C.b.i
Share of fair value reserve of associates		**426,824**	141,328	SFRS(I) 1-1.82A.b.ii
Currency translation differences arising from foreign operations		**268,335**	207,224	SFRS(I) 1-21.52.b
		820,055	385,530	
Items that will not be reclassified subsequently to profit or loss (3b)				SFRS(I) 1-1.82A.a.i
Change in fair value of equity investments at FVOCI		**200,000**	68,000	SFRS(I) 7.20.a.vii
Currency translation differences arising from foreign operations		**48,193**	81,417	SFRS(I) 1-21.48B
		248,193	149,417	
Other comprehensive income for the year, net of tax		**1,068,248**	534,947	SFRS(I) 1-1.82A.b
Total comprehensive income for the year		**4,181,400**	5,772,972	SFRS(I) 1-1.82A.c
Profit attributable to:				
Owners of the Company				
- Profit from continuing operations, net of tax		**3,355,545**	5,752,914	SFRS(I) 5.33.d
- Loss from discontinued operation, net of tax		**(1,198,898)**	(1,347,849)	SFRS(I) 5.33.d
		2,156,647	4,405,065	SFRS(I) 1-1.81B.a.ii
Non-controlling interests				
- Profit from continuing operations, net of tax		**956,505**	832,960	SFRS(I) 1-1.85
- Loss from discontinued operation, net of tax		**-**	-	SFRS(I) 1-1.85
		956,505	832,960	SFRS(I) 1-1.81B.a.i
Profit for the year		**3,113,152**	5,238,025	
Total comprehensive income attributable to:				
Owners of the Company		**3,176,702**	4,858,595	SFRS(I) 1-1.81B.b.ii
Non-controlling interests		**1,004,698**	914,377	SFRS(I) 1-1.81B.b.i
Total comprehensive income for the year		**4,181,400**	5,772,972	
Earnings per share: (5)	38	**Cents**	Cents	SFRS(I) 1-33.4
From continuing and discontinued operations				
- Basic		**2.37**	5.44	SFRS(I) 1-33.66
- Diluted		**2.35**	4.74	SFRS(I) 1-33.66
From continuing operations				
- Basic		**3.69**	7.10	SFRS(I) 1-33.66
- Diluted		**3.42**	6.06	SFRS(I) 1-33.66

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

Guidance Notes – Consolidated Statement of Profit or Loss and Other Comprehensive Income

(1) **Presentation**

An entity may use the title 'Statement of Comprehensive Income' instead of 'Statement of Profit or Loss and Other Comprehensive Income'. (N.B. References made in the independent auditor's report shall be updated to be consistent accordingly.) SFRS(I) 1-1.10

'One-statement' or 'Two-statement' approach

An entity may present a single statement of profit or loss and OCI, with profit or loss and OCI presented in two sections. The sections shall be presented together, with the profit or loss section presented first followed directly by the OCI section. An entity may present 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. SFRS(I) 1-1.10A

Classification of expenses by 'nature' or 'function'

An analysis of expenses shall be presented using a classification based on either the nature of expenses or their function within the entity. The choice of classification between nature and function will depend on historical and industry factors and the nature of the entity. The entity should choose the classification that provides the most relevant and reliable information about its financial performance. Entities classifying expenses by function shall disclose additional information about the nature of their expenses in the notes to the financial statements. These include disclosures of depreciation, amortisation and employee benefits expense. SFRS(I) 1-1.99 SFRS(I) 1-1.104,105

(N.B. The Group has opted for 'one-statement' approach and classification of expenses by 'nature' presentation. An alternative based on 'two-statement' approach and classification of expenses by 'function' is shown below for illustration purposes.)

Consolidated statement of profit or loss
for the financial year ended 31 December 2019

(N.B. 'Two-statement' approach / Classification of expenses by 'function')

	The Group	
	Year ended 31 December 2019 $	Year ended 31 December 2018 $ (Restated)
Continuing operations		
Revenue	**102,648,927**	82,171,093
Cost of sales *	**(63,165,284)**	(47,056,476)
Gross profit	**39,483,643**	35,114,617
Interest income	**713,266**	556,758
Other income	**218,952**	281,986
Other gains and losses	**1,122,166**	211,232
Impairment loss on financial assets and contract assets	**(891,242)**	(130,800)
Distribution costs	**(18,949,585)**	(14,116,943)
Administrative expenses	**(13,640,123)**	(10,330,143)
Other expenses	**(4,022,768)**	(3,591,034)
Finance costs	**(2,198,419)**	(1,962,577)
Share of results of associates, net of tax	**3,097,812**	1,981,606
Profit from continuing operations, before tax	**4,933,702**	8,014,702
Tax expense	**(621,652)**	(1,428,828)
Profit from continuing operations, net of tax	**4,312,050**	6,585,874
Loss from discontinued operations, net of tax	**(1,198,898)**	(1,347,849)
Profit for the year **	**3,113,152**	5,238,025
Profit attributable to:		
Owners of the Company		
- Profit from continuing operations, net of tax	**3,355,545**	5,752,914
- Loss from discontinued operation, net of tax	**(1,198,898)**	(1,347,849)
	2,156,647	4,405,065
Non-controlling interests		
- Profit from continuing operations, net of tax	**956,505**	832,960
- Loss from discontinued operation, net of tax	**-**	-
	956,505	832,960
Profit for the year	**3,113,152**	5,238,025
Earnings per share:	**Cents**	Cents
From continuing and discontinued operations		
- Basic	**2.37**	5.44
- Diluted	**2.35**	4.74
From continuing operations		
- Basic	**3.69**	7.10
- Diluted	**3.42**	6.06

* Within a functional statement of profit or loss, costs directly associated with generating revenues should be included in cost of sales. Cost of sales should include not only direct material and labour costs but also indirect costs that can be directly attributed to generating revenue, for example, depreciation of assets used in the production. Impairment charges should be classified according to how the depreciation or amortisation of the particular asset is classified.

** If the Group does not have any OCI in current and prior years, the total comprehensive income can be disclosed as follows:

Profit for the year, representing total comprehensive income for the year	**3,113,152**	5,238,025

Guidance Notes – Consolidated Statement of Profit or Loss and Other Comprehensive Income (cont'd)

Consolidated statement of comprehensive income
for the financial year ended 31 December 2019

(N.B. 'Two-statement' approach / Classification of expenses by 'function') (cont'd)

	The Group	
	Year ended 31 December 2019 $	Year ended 31 December 2018 $ (Restated)
Profit for the year	**3,113,152**	5,238,025
Other comprehensive income, after tax:		
Items that may be reclassified subsequently to profit or loss		
Change in fair value of debt investments at FVOCI	**(190,500)**	12,400
Change in fair value of interest rate swaps entered into for cash flow hedges	**315,396**	24,578
Share of fair value reserve of associates	**426,824**	141,328
Currency translation differences arising from foreign operations	**268,335**	207,224
	820,055	385,530
Items that will not be reclassified subsequently to profit or loss		
Change in fair value of equity investments at FVOCI	**200,000**	68,000
Currency translation differences arising from foreign operations	**48,193**	81,417
	248,193	149,417
Other comprehensive income for the year, net of tax	**1,068,248**	534,947
Total comprehensive income for the year	**4,181,400**	5,772,972
Total comprehensive income attributable to:		
Owners of the Company	**3,176,702**	4,858,595
Non-controlling interests	**1,004,698**	914,377
Total comprehensive income for the year	**4,181,400**	5,772,972

(2) **Contents**

Profit or loss

In addition to items required by other SFRS(I)s, the profit or loss section or the statement of profit or loss shall include line items that present the following amounts for the period: SFRS(I) 1-1.82

- revenue, presenting separately interest revenue calculated using the effective interest method
- gains and losses arising from the derecognition of financial assets measured at amortised cost
- finance costs
- impairment losses (including reversals of impairment losses or impairment gains) determined in accordance with Section 5.5 of SFRS(I) 9
- share of the profit or loss of associates and joint ventures accounted for using the equity method
- if a financial asset is reclassified out of the amortised cost measurement category so that it is measured at FVPL, any gain or loss arising from a difference between the previous amortised cost of the financial asset and its fair value at the reclassification date (as defined in SFRS(I) 9)
- if a financial asset is reclassified out of the FVOCI measurement category so that it is measured at FVPL, any cumulative gain or loss previously recognised in other comprehensive income that is reclassified to profit or loss
- tax expense
- a single amount for the total of discontinued operations (SFRS(I) 5)

Depending on materiality, it may not always be necessary to present these items separately in the primary financial statements. However, items that are of a dissimilar nature or function can only be aggregated if they are immaterial. SFRS(I) 1-1.29 SFRS(I) 1-1.30,30A

The entity shall not present any items of income and expense as 'extraordinary' items, either in the statement of comprehensive income or the separate income statement, or in the notes to the financial statements. SFRS(I) 1-1.87

Other comprehensive income

The other comprehensive income section shall present line items for the amounts for the period of: SFRS(I) 1-1.82A

(a) items of OCI (excluding amounts in (b)), classified by nature and grouped into those that, in accordance with other SFRS(I)s:
  (i) will not be reclassified subsequently to profit or loss; and
  (ii) will be reclassified subsequently to profit or loss when specific conditions are met.
(b) share of the OCI of associates and joint ventures accounted for using the equity method, separated into the share of items that, in accordance with other SFRS(I)s:
  (i) will not be reclassified subsequently to profit or loss; and
  (ii) will be reclassified subsequently to profit or loss when specific conditions are met.

Finance income / Finance costs

SFRS(I) 1-1 requires an entity to present finance costs on the face of the statement of profit or loss, but it does not require the separate presentation of finance income. The classification of finance income will depend on an entity's accounting policy for such items. SFRS(I) 1-1.82.b

Guidance Notes – Consolidated Statement of Profit or Loss and Other Comprehensive Income (cont'd)

Additional line items

Additional line items, headings and subtotals shall be presented in the statement of comprehensive income and the statement of profit or loss (where applicable) where such presentation is relevant to an understanding of the entity's financial performance. SFRS(I) 1-1.85,85A

SFRS(I) 1-1 specifically provides that additional subtotals must:

(a) be comprised of items that are recognised and measured in accordance with SFRS(I)
(b) be presented and labelled such that they are clear and understandable
(c) be consistent from period to period
(d) not be displayed with more prominence than the mandatory subtotals and totals.

Material items of income and expenses

When items of income or expense are material, an entity shall disclose their nature and amount separately. Circumstances that would give rise to the separate disclosure of items of income and expense include: SFRS(I) 1-1.97,98

(i) write-downs of inventories to net realisable value or of property, plant and equipment to recoverable amount, as well as reversals of such write-downs;
(ii) restructurings of the activities of an entity and reversals of any provisions for the costs of restructuring;
(iii) disposals of items of property, plant and equipment;
(iv) disposals of investments;
(v) discontinued operations;
(vi) litigation settlements; and
(vii) other reversals of provisions.

Offsetting

An entity shall not offset assets and liabilities or income and expenses, unless required or permitted by a SFRS(I). SFRS(I) 1-1.32

Examples of income and expenses that are required or permitted to be offset include:

- an entity presents gains and losses on the disposal of non-current assets, including investments and operating assets, by deducting from the amount of consideration on disposal the carrying amount of the asset and related selling expenses SFRS(I) 1-1.34.a
- an entity may net expenditure related to a provision that is recognised in accordance with SFRS(I) 1-37 and reimbursed under a contractual arrangement with a third party (for example, a supplier's warranty agreement) against the related reimbursement SFRS(I) 1-1.34.b
- an entity presents on a net basis gains and losses arising from a group of similar transactions, for example, foreign exchange gains and losses or gains and losses arising on financial instruments held for trading (however, an entity presents such gains and losses separately if they are material) SFRS(I) 1-1.35

(3) **Components of other comprehensive income**

Components of OCI are items of income and expense (including reclassification adjustments) that are specifically required or permitted by other SFRS(I) to be included in OCI and are not recognised in profit or loss. They include: SFRS(I) 1-1.7

- revaluation gains and losses relating to property, plant and equipment (SFRS(I) 1-16) or intangible assets (SFRS(I) 1-38)
- remeasurements of net defined benefit liabilities or assets (SFRS(I) 1-19)
- gains and losses arising from translating the financial statements of a foreign operation (SFRS(I) 1-21)
- gains and losses on remeasuring financial assets that are measured or designated as at FVOCI (SFRS(I) 9)
- the effective portion of gains and losses on hedging instruments in a cash flow hedge (SFRS(I) 9)
- for particular liabilities designated as at FVPL, the change in the fair value that is attributable to changes in the liability's credit risk (SFRS(I) 9)
- changes in the value of the time value of options, in the value of the forward elements of forward contracts and in the value of the foreign currency basis spread of financial instruments, where these are not included in the designation of the related instruments as hedging instruments (SFRS(I) 9)
- the investor's share of the OCI of equity-accounted investments (SFRS(I) 1-28)
- current and deferred tax credits and charges in respect of items recognised in OCI (SFRS(I) 1-12)

(3a) *Examples of items of OCI that **may be reclassified** subsequently to profit or loss include:* SFRS(I) 1-1.95

- foreign currency translation differences – on foreign operations (attributable to owners of the Company) SFRS(I) 1-21.32
- debt investments measured at FVOCI – net change in fair value SFRS(I) 9.5.7.10
- cash flows hedges – effective portion of changes in fair value SFRS(I) 9.6.5.11.d.ii
- hedge of net investment in foreign operations – net change in fair value SFRS(I) 9.6.5.14

(3b) *Examples of items of OCI that **will not be reclassified** subsequently to profit or loss include:* SFRS(I) 1-1.96

- revaluation gain or loss on property, plant and equipment SFRS(I) 1-16.41
- revaluation gain or loss on intangible assets SFRS(I) 1-38.87
- remeasurement gain or loss on defined benefit obligations SFRS(I) 1-19.122
- foreign currency translation differences – on foreign operations (attributable to non-controlling interests) SFRS(I) 1-21.48B
- equity investments measured at FVOCI – net change in fair value SFRS(I) 9.B5.7.1
- financial liabilities designated at FVPL – net change in fair value attributable to changes in credit risk SFRS(I) 9.B5.7.9

Tax effects on components of OCI

Individual components of OCI may be presented either net of related tax effects, or before related tax effects, with an aggregate amount presented for tax. (N.B. The Group has elected to present the components of OCI, net of tax, in the statement of comprehensive income and consequently, disclosures related to tax on each component of OCI are presented in Note 37.) SFRS(I) 1-1.90,91

Guidance Notes – Consolidated Statement of Profit or Loss and Other Comprehensive Income (cont'd)

Reclassification adjustments

Reclassification adjustments are adjustments for amounts previously recognised in other comprehensive income now reclassified to profit or loss. For reclassification adjustments, an aggregated presentation can be adopted, with separate disclosure of the current year gain or loss and reclassification adjustments in the notes. Alternatively, using a disaggregated presentation, the current year gain or loss and reclassification adjustments can be shown separately in the statement of comprehensive income. An entity may present the analysis of reclassification adjustments in other comprehensive income by item either in the statement of comprehensive income or in the notes to the financial statements. An entity presenting reclassification adjustments in the notes presents items of other comprehensive income after any related reclassification adjustments. (N.B. The Group has opted for aggregated presentation and to present the analysis of reclassification adjustments in the notes.) SFRS(I) 1-1.92,94

(4) **Discontinued operations**

Entities shall disclose a single amount in the statement of comprehensive income (or separate statement of profit or loss) comprising the total of (i) the post-tax profit or loss of discontinued operations and (ii) the post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group constituting the discontinued operation. An analysis of this single amount is required by SFRS(I) 5.33. This analysis may be presented in the notes or in the statement of comprehensive income (separate statement of profit or loss). If it is presented in the statement of profit or loss, it must be presented in a section identified as relating to discontinued operations, that is, separately from continuing operations. The analysis is not required for disposal groups that are newly acquired subsidiaries that meet the criteria to be classified as held-for-sale on acquisition. SFRS(I) 1-1.82.ea SFRS(I) 5.33.a,b SFRS(I) 5.11

SFRS(I) 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held-for-sale or discontinued operations. Disclosures in other SFRS(I)s do not apply to such assets (or disposal groups) unless those SFRS(I)s require: SFRS(I) 5.5B

(a) specific disclosures in respect of non-current assets (or disposal groups) classified as held-for-sale or discontinued operations; or
(b) disclosures about measurement of assets and liabilities within a disposal group that are not within the scope of the measurement requirement of SFRS(I) 5 and such disclosures are not already provided in the other notes to the financial statements.

(5) **Earnings per share**

An entity should present both basic and diluted earnings per share on the statement of comprehensive income for each class of ordinary shares that has a different right to share in the net profit for the year. If the entity presents the components of profit or loss in a separate statement, it presents basic and diluted earnings per share only in that separate statement. An entity shall present basic and diluted earnings per share with equal prominence for all periods presented, even should the amounts disclosed be the same or be negative. SFRS(I) 1-33.66 SFRS(I) 1-33.67A SFRS(I) 1-33.69

For the purpose of calculating basic earnings per share, the amounts attributable to ordinary equity holders of the parent entity in respect of: (a) profit or loss from continuing operations attributable to the parent entity; and (b) profit or loss attributable to the parent entity, shall be the amounts in (a) and (b) adjusted for the after-tax amounts of preference dividends, differences arising on the settlement of preference shares, and other similar effects of preference shares classified as equity. SFRS(I) 1-33.12

Where an entity reports a discontinued operation, it shall disclose the basic and diluted earnings per share in the statement of comprehensive income or in the notes to the financial statements. If the entity presents the components of profit or loss in a separate statement, it presents basic and diluted earnings per share for the discontinued operation, in that separate statement or in the notes. SFRS(I) 1-33.68 SFRS(I) 1-33.68A

Entities are permitted to disclose earnings per share based on alternative measures of earnings, provided that: SFRS(I) 1-33.73 SFRS(I) 1-33.73A

- such amounts are calculated using the weighted average number of ordinary shares determined in accordance with SFRS(I) 1-33;
- basic and diluted amounts per share relating to such a component are disclosed with equal prominence and presented in the notes to the financial statements only;
- the entity discloses basis on which the numerator is determined, including if amounts per share are before tax or after tax; and
- if a component of the statement of comprehensive income is used that is not reported as a line item in the statement of comprehensive income, a reconciliation shall be provided between the component used and a line item that is reported in the statement of comprehensive income.

(6) **Lease liabilities interest expense / ROU assets depreciation expense (SFRS(I) 16)**

The Group's adoption of SFRS(I) 16 has resulted in a change in the amount and presentation of expenses related to leases formerly classified as operating leases (where the Group is a lessee). Previously, under SFRS(I) 1-17, operating lease expenses were presented as part of operating expenses. Applying SFRS(I) 16, the expense is split into financing cost and depreciation expense. (N.B. As the Group has elected the cumulative catch-up approach for transition purposes, restatement of comparatives is not required.) SFRS(I) 16.49 SFRS(I) 16.C5.b

There are some exceptions. Any rental payments not included in the initial measurement of the liability (e.g. variable lease payments) are classified as operating expenses, as well as the expenses relating to short-term and low-value lease contracts for which the Group, as a lessee, makes use of the available exemption in SFRS(I) 16. SFRS(I) 16.50.c

Initial direct costs incurred by the Group upon entering into a lease, as a lessee, are included in the cost of the ROU asset. Accordingly, these costs are now amortised over the lease term whereas previously, they may have been expensed as incurred for operating leases under SFRS(I) 1-17. SFRS(I) 16.24.c

CSOCE
Reference

Consolidated statement of changes in equity [1]
for the financial year ended 31 December 2019

SFRS(I) 1-1.10,106

		Equity attributable to owners of the Company													
The Group	Note	Share capital $	Treasury [3] shares $	Capital reserve $	Currency translation reserve $	Share [4] option reserve $	Fair value reserve $	Cash flow hedging reserve $	Equity component of convertible bond $	Reserve of [7] disposal group classified as held-for-sale $	Retained earnings $	Total $	Non-controlling interests $	Total equity $	SFRS(I) 1-1.38,38A SFRS(I) 1-1.113
At 31 December 2018, as previously reported		**56,882,005**	**-**	**5,156,250**	**524,364**	**129,910**	**402,128**	**405,587**	**235,600**	**-**	**45,845,811**	**109,581,655**	**1,253,455**	**110,835,110**	SFRS(I) 1-1.106.d SFRS(I) 1-1.106.b
Prior year adjustment [5]	50	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(387,444)**	**(387,444)**	**-**	**(387,444)**	SFRS(I) 1-1.110
At 31 December 2018, as restated, and at 1 January 2019		**56,882,005**	**-**	**5,156,250**	**524,364**	**129,910**	**402,128**	**405,587**	**235,600**	**-**	**45,458,367**	**109,194,211**	**1,253,455**	**110,447,666**	SFRS(I) 1-1.106.d
Adoption of SFRS(I) 16 [2]	2(b)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(190,629)**	**(190,629)**	**-**	**(190,629)**	SFRS(I) 16.C5.b,C7
At 1 January 2019, as adjusted		**56,882,005**	**-**	**5,156,250**	**524,364**	**129,910**	**402,128**	**405,587**	**235,600**	**-**	**45,267,738**	**109,003,582**	**1,253,455**	**110,257,037**	SFRS(I) 1-1.106.d
Profit for the year		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,156,647**	**2,156,647**	**956,505**	**3,113,152**	SFRS(I) 1-1.106.d.i
Other comprehensive income for the year		**-**	**-**	**-**	**268,335**	**-**	**436,324**	**315,396**	**-**	**-**	**-**	**1,020,055**	**48,193**	**1,068,248**	SFRS(I) 1-1.106.d.ii
Total comprehensive income for the year		**-**	**-**	**-**	**268,335**	**-**	**436,324**	**315,396**	**-**	**-**	**2,156,647**	**3,176,702**	**1,004,698**	**4,181,400**	SFRS(I) 1-1.106.a
Issue of new shares	20	**1,994,000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,994,000**	**-**	**1,994,000**	SFRS(I) 1-1.106.d.iii
Purchase of treasury shares	21	**-**	**(1,418,000)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,418,000)**	**-**	**(1,418,000)**	SFRS(I) 1-32.33
Recognition of share-based payments	40	**-**	**-**	**-**	**-**	**112,249**	**-**	**-**	**-**	**-**	**-**	**112,249**	**-**	**112,249**	SFRS(I) 2.50
Exercise of share options	40	**43,200**	**-**	**-**	**-**	**(22,200)**	**-**	**-**	**-**	**-**	**-**	**31,000**	**-**	**31,000**	SFRS(I) 2.50
Dividends paid [6]	39	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(6,548,000)**	**(6,548,000)**	**-**	**(6,548,000)**	SFRS(I) 1-1.107
Non-controlling interests arising from business combination	7(a)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**800,000**	**800,000**	SFRS(I) 1-1.106.d.iii
Transactions with owners, recognised directly in equity		**2,037,200**	**(1,418,000)**	**-**	**-**	**90,049**	**-**	**-**	**-**	**-**	**(6,548,000)**	**(5,828,751)**	**800,000**	**(5,028,751)**	SFRS(I) 1-1.106.d.iii
Reclassification of currency translation reserve related to disposal group classified as held-for-sale [1a]	19	**-**	**-**	**-**	**(104,302)**	**-**	**-**	**-**	**-**	**104,302**	**-**	**-**	**-**	**-**	SFRS(I) 5.38
At 31 December 2019		**58,919,205**	**(1,418,000)**	**5,156,250**	**688,397**	**219,959**	**838,452**	**720,983**	**235,600**	**104,302**	**40,876,385**	**106,351,533**	**3,058,153**	**109,409,686**	SFRS(I) 1-1.106.d

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

Reference

Consolidated statement of changes in equity

for the financial year ended 31 December 2019 (cont'd)

SFRS(I) 1-1.10,106

The Group	Note	Share capital $	Treasury shares [3] $	Capital reserve $	Currency translation reserve $	Share option reserve [4] $	Fair value reserve $	Cash flow hedging reserve $	Equity component of convertible bond $	Reserve of disposal group classified as held-for-sale [7] $	Retained earnings $	Total $	Non-controlling interests $	Total equity $	Reference
		Equity attributable to owners of the Company													SFRS(I) 1-1.38,38A SFRS(I) 1-1.113
At 1 January 2018, as previously reported		35,000,000	-	5,156,250	317,140	20,157	180,400	381,009	235,600	-	43,032,958	84,323,514	339,078	84,662,592	SFRS(I) 1-1.106.d
Prior year adjustment [5]	50	-	-	-	-	-	-	-	-	-	(203,656)	(203,656)	-	(203,656)	SFRS(I) 1-1.106.b SFRS(I) 1-1.110
At 1 January 2018, as restated		35,000,000	-	5,156,250	317,140	20,157	180,400	381,009	235,600	-	42,829,302	84,119,858	339,078	84,458,936	SFRS(I) 1-1.106.d
Profit for the year, as previously reported		-	-	-	-	-	-	-	-	-	4,588,853	4,588,853	832,960	5,421,813	SFRS(I) 1-1.106.d.i
Prior year adjustment [5]	50	-	-	-	-	-	-	-	-	-	(183,788)	(183,788)	-	(183,788)	SFRS(I) 1-1.106.b SFRS(I) 1-1.110
Profit for the year, as restated		-	-	-	-	-	-	-	-	-	4,405,065	4,405,065	832,960	5,238,025	SFRS(I) 1-1.106.d.i
Other comprehensive income for the year		-	-	-	207,224	-	221,728	24,578	-	-	-	453,530	81,417	534,947	SFRS(I) 1-1.106.d.ii
Total comprehensive income for the year		-	-	-	207,224	-	221,728	24,578	-	-	4,405,065	4,858,595	914,377	5,772,972	SFRS(I) 1-1.106.a
Issue of new shares	20	21,882,005	-	-	-	-	-	-	-	-	-	21,882,005	-	21,882,005	SFRS(I) 1-1.106.d.iii
Recognition of share-based payments	40	-	-	-	-	109,753	-	-	-	-	-	109,753	-	109,753	SFRS(I) 1-1.106.d.iii SFRS(I) 2.50
Dividends paid [6]	39	-	-	-	-	-	-	-	-	-	(1,776,000)	(1,776,000)	-	(1,776,000)	SFRS(I) 1-1.107
Transactions with owners, recognised directly in equity		21,882,005	-	-	-	109,753	-	-	-	-	(1,776,000)	20,215,758	-	20,215,758	SFRS(I) 1-1.106.d.iii
At 31 December 2018, as restated		56,882,005	-	5,156,250	524,364	129,910	402,128	405,587	235,600	-	45,458,367	109,194,211	1,253,455	110,447,666	SFRS(I) 1-1.106.d

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

Guidance Notes – Consolidated Statement of Changes in Equity

(1) **Contents**

The statement of changes in equity shall include: SFRS(I) 1-1.106

(a) total comprehensive income, showing separately amounts attributable to owners of the parent and to non-controlling interests
(b) for each component of equity, effects of retrospective application or retrospective restatement in accordance with SFRS(I) 1-8
(c) for each component of equity, reconciliation between the carrying amount at beginning and end of period, separately disclosing changes from: (i) profit or loss, (ii) OCI, 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 loss of control. SFRS(I) 1-1.106.d

The components of equity include, for example, each class of contributed equity, the accumulated balance of each class of other comprehensive income, and retained earnings. SFRS(I) 1-1.108

An entity may present the analysis of OCI by item for each component of equity either in the statement of changes in equity or in the notes to the financial statements. SFRS(I) 1-1.106A

SFRS(I) 1-1 permits the description of the nature and purpose of each reserve within equity to be presented either in the statement of financial position, or the statement of changes in equity, or in the notes. SFRS(I) 1-1.79.b

(1a) Examples of reconciling items related to neither total comprehensive income nor transactions with owners in their capacity as owners but rather are with regards to mandatory or discretionary transfers to/from reserves (e.g. OCI items that will not be reclassified to profit or loss but may be transferred within equity) include:

- costs of hedging transferred to carrying value of inventory purchased during the year SFRS(I) 9.6.1.55.d.i
- transfer of gain on disposal of equity investments at fair value through other comprehensive income to retained earnings SFRS(I) 9.B5.7.1

Initial application of SFRS(I) 16 – Cumulative catch-up approach

(2) The Group has elected to use the cumulative catch-up (or modified retrospective) approach for transition to SFRS(I) 16 at the date of initial application on 1 January 2019. Under this approach, comparative information is not restated and cumulative effect of initially applying SFRS(I) 16 is adjusted in the beginning balance of retained earnings at the date of initial application on 1 January 2019. SFRS(I) 16.5.b

For entities that adopt SFRS(I) 16 using the full retrospective approach, there shall be effect of an adjustment recognised in the opening balance of retained earnings at the earliest prior period (i.e. at 1 January 2018) in the statement of changes in equity. SFRS(I) 16.5.a SFRS(I) 1-8.22

(3) **Treasury shares**

If an entity reacquires its own equity instruments, those instruments ('treasury shares') shall be deducted from equity. No gain or loss shall be recognised in profit or loss on the purchase, sale, issue or cancellation of an entity's own equity instruments. Such treasury shares may be acquired and held by the entity or by other members of the consolidated group. Consideration paid or received shall be recognised directly in equity. The amount of treasury shares held is disclosed separately either in the statement of financial position or in the notes, in accordance with SFRS(I) 1-1. An entity provides disclosure in accordance with SFRS(I) 1-24 if the entity reacquires its own equity instruments from related parties. Neither SFRS(I) nor the Singapore Companies Act mandate a specific method for presenting treasury shares or allocating the consideration received within equity. (N.B. The Group has opted to present the total cost of treasury shares in a separate category within equity. In addition, if there is a re-issue of own shares, any surplus arising shall be presented as a non-distributable capital reserve.) SFRS(I) 1-32.33,34

(4) **Share-based payment transactions**

SFRS(I) 2 does not address whether an increase in equity recognised in connection with a share-based payment transaction should be presented in a separate component within equity or within retained earnings. (N.B. The Group has opted to present this said increase in equity in a separate share option reserve within equity. Consequently, any decrease in equity recognised with regards to an exercise of share options shall also be presented within this share option reserve.) SFRS(I) 2.50

(5) **Prior year adjustment – Correction of errors**

SFRS(I) 1-8 requires retrospective adjustments to effect changes in accounting policies, to the extent practicable, except when the transition provisions in another SFRS(I) require otherwise. SFRS(I) 1-8 also requires restatements to correct errors to be made retrospectively, to the extent practicable. Retrospective adjustments and retrospective restatements are not changes in equity but they are adjustments to the opening balance of retained earnings, except when a SFRS(I) requires retrospective adjustment of another component of equity. SFRS(I) 1-1 requires disclosure in the statement of changes in equity of the total adjustment to each component of equity resulting from changes in accounting policies and, separately, from corrections of errors. These adjustments are disclosed for each prior period and the beginning of the period. SFRS(I) 1-1.110

(6) **Dividends paid**

An entity shall present, either in the statement of changes in equity or in the notes, the amount of dividends recognised as distributions to owners during the period, and the related amount of dividends per share. SFRS(I) 1-1.107

No dividend shall be payable to the shareholders of any company except out of profits. CA 403.1

(7) **Reserve related to disposal group classified as held-for-sale**

An entity shall present separately any cumulative income or expense recognised in other comprehensive income relating to a non-current asset (or disposal group) classified as held-for-sale. SFRS(I) 5.38

Consolidated statement of cash flows [1]
for the financial year ended 31 December 2019

SFRS(I) 1-1.10,111
SFRS(I) 1-7.1
SGX 1207.5.c

	Note	The Group **Year ended 31 December 2019 $**	The Group Year ended 31 December 2018 $ (Restated)	
				SFRS(I) 1-1.38,38A SFRS(I) 1-1.113 SFRS(I) 1-7.10
Cash Flows from Operating Activities				SFRS(I) 1-7.18.b
Profit for the year		**3,113,152**	5,238,025	
Adjustments for: [1a]				SFRS(I) 1-7.20.b,c
Tax expense	36	**520,268**	1,328,157	
Depreciation and amortisation	35	**2,475,024**	1,994,009	
Impairment loss on financial assets and contract assets	35	**994,642**	188,900	
Provision made	35	**80,379**	146,882	
Share-based payments	35	**112,249**	109,753	
Amortisation of contract costs	35	**11,008**	10,883	
Allowance made for diminution in value of development properties	35	**1,090,291**	304,612	
Write-down of inventories to net realisable value	35	**144,181**	125,545	
Unwinding of discount on provision	34	**20,643**	16,437	
Impairment loss on goodwill	33	**20,000**	-	
Impairment loss on property, plant and equipment	33	**207,141**	-	
Loss recognised on re-measurement of disposal group to fair value less costs to sell	33	**169,606**	-	
Loss/(Gain) on disposal of property, plant and equipment	32	**29,139**	(23,849)	
Fair value (gains)/losses of investment properties	32	**(437,779)**	504,006	
Gain on disposal of subsidiary	32	**(50,185)**	-	
Gain on disposal of debt investments at amortised cost	32	**(128,000)**	-	
Fair value gain of equity investments at FVPL	32	**(826,600)**	-	
Fair value loss of derivative financial instruments at FVPL	32	**339,700**	67,100	
Dividend income	31	**(75,000)**	(75,000)	
Interest income	30	**(713,266)**	(556,758)	
Interest expense	34	**2,449,741**	2,169,426	
Share of results of associates		**(3,097,812)**	(1,981,606)	
Unrealised foreign exchange gains [3]		**(231,834)**	(171,992)	
Operating cash flows before movements in working capital		**6,216,688**	9,394,530	
Changes in working capital:				SFRS(I) 1-7.20.a
Trade and other receivables		**5,729,952**	(14,840,771)	
Contract assets and contract costs		**2,335,445**	(1,206,858)	
Development properties		**(9,194,592)**	(2,326,834)	
Inventories		**391,875**	298,026	
Trade and other payables		**3,219,401**	(10,890,354)	
Contract liabilities		**582,457**	(98,548)	
Provisions		**34,579**	(44,042)	
Cash generated from/(used in) operations		**9,315,805**	(19,714,851)	
Interest received		**237,445**	138,822	SFRS(I) 1-7.31,33
Interest paid [5]		**(578,224)**	(498,722)	SFRS(I) 1-7.31-33
Tax paid [6]		**(1,122,672)**	(1,906,133)	SFRS(I) 1-7.35,36
Net cash generated from/(used in) operating activities		**7,852,354**	(21,980,884)	

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

Reference

Consolidated statement of cash flows
for the financial year ended 31 December 2019 (cont'd)

SFRS(I) 1-1.10,111
SFRS(I) 1-7.1
SGX 1207.5.c

	Note	The Group **Year ended 31 December 2019 $**	Year ended 31 December 2018 $ (Restated)	Reference
				SFRS(I) 1-1.38,38A SFRS(I) 1-1.113 SFRS(I) 1-7.10
Cash Flows from Investing Activities (2)				SFRS(I) 1-7.21
Acquisition of subsidiary, net of cash acquired	7(a)	**(2,644,000)**	-	SFRS(I) 1-7.39,42
Disposal of subsidiary, net of cash disposed	7(b)	**200,178**	-	SFRS(I) 1-7.39,42
Additions to intangible assets		**-**	(30,000)	SFRS(I) 1-7.16.a
Additions to property, plant and equipment	A	**(2,335,133)**	(164,468)	SFRS(I) 1-7.16.a,43
Proceeds from disposal of property, plant and equipment		**1,000,000**	300,000	SFRS(I) 1-7.16.b
Additions to investment properties		**(7,500,000)**	-	SFRS(I) 1-7.16.a
Proceeds from disposal of investment properties		**-**	4,800,000	SFRS(I) 1-7.16.b
Loans to associates		**(906,278)**	-	SFRS(I) 1-7.16.e
Repayments by associates		**-**	4,042,348	SFRS(I) 1-7.16.f
Purchases of other investments		**(1,000,000)**	(100,000)	SFRS(I) 1-7.16.c
Proceeds from disposal of other investments		**800,000**	-	SFRS(I) 1-7.16.d
Repayments of finance lease receivables		**172,662**	-	SFRS(I) 1-7.16.e
Interest received		**475,821**	417,936	SFRS(I) 1-7.31,33
Dividend received		**75,000**	75,000	SFRS(I) 1-7.31,33
Net cash (used in)/generated from investing activities		**(11,661,750)**	9,340,816	
Cash Flows from Financing Activities				SFRS(I) 1-7.21
Fixed deposits released/(pledged) as security for credit facilities	12	**2,600,000**	(2,700,000)	SFRS(I) 1-7.17
Proceeds from issuance of ordinary shares	20	**1,994,000**	21,882,005	SFRS(I) 1-7.17.a
Proceeds from share options exercised		**43,200**	-	SFRS(I) 1-7.17.a
Purchase of treasury shares	21	**(1,418,000)**	-	SFRS(I) 1-7.17.b
Proceeds from borrowings	B	**4,647,856**	8,687,929	SFRS(I) 1-7.17.c
Repayments of borrowings	B	**(7,175,013)**	(3,004,721)	SFRS(I) 1-7.17.d
Repayments of lease liabilities (9)	B	**(717,919)**	-	SFRS(I) 1-7.17.e
Repayments of obligations under finance lease	B	**-**	(98,935)	SFRS(I) 1-7.17.e
Interest paid (9)	B	**(2,449,741)**	(2,169,426)	SFRS(I) 1-7.31-33
Dividends paid	39	**(6,548,000)**	(1,776,000)	SFRS(I) 1-7.31,34
Net cash (used in)/generated from financing activities		**(9,023,617)**	20,820,852	
Net (decrease)/increase in cash and cash equivalents		**(12,833,013)**	8,180,784	
Cash and cash equivalents at beginning of the year		**29,593,076**	21,210,188	SFRS(I) 1-7.45
Effect of foreign exchange rate changes on cash and cash equivalents (4)		**439,922**	202,104	SFRS(I) 1-7.28
Cash and cash equivalents at end of the year	12	**17,199,985**	29,593,076	SFRS(I) 1-7.45

Note A: (7)

In 2019, the Group makes cash payments to acquire property, plant and equipment of $2,335,133 and non-cash additions to right-of-use assets and lease liabilities of $66,087. In 2018, the Group acquired property, plant and equipment with an aggregate cost of $462,340 of which $164,468 was paid in cash and $297,872 was acquired by means of hire purchase arrangements. SFRS(I) 1-7.43

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

Consolidated statement of cash flows

for the financial year ended 31 December 2019 (cont'd)

Note B: [8]

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities. SFRS(I) 1-7.44A-44E

				Non-cash changes					
		At 1 January	Cash flows	Adoption of SFRS(I) 16 (Note 2(b))	New leases	Interest expense	Fair value changes	Foreign exchange movement	At 31 December
The Group	Note	$	$	$	$	$	$	$	$
2019									
Liabilities									
Borrowings	23	**42,332,786**	**(4,920,866)**	**-**	**-**	**2,393,709**	**-**	**133,622**	**39,939,251**
Obligations under finance lease	24	**402,503**	**-**	**(402,503)**	**-**	**-**	**-**	**-**	**-**
Lease liabilities	25	**-**	**(773,951)**	**3,459,706**	**66,087**	**56,032**	**-**	**-**	**2,807,874**
Derivative asset held to hedge borrowings									
Interest rate swaps	16	**(405,587)**	**-**	**-**	**-**	**-**	**(315,396)**		**(720,983)**
2018									
Liabilities									
Borrowings	23	36,491,855	3,526,889	-	-	2,156,319	-	157,723	42,332,786
Obligations under finance lease	24	203,566	(112,042)	-	297,872	13,107	-	-	402,503
Derivative asset held to hedge borrowings									
Interest rate swaps	16	(381,009)	-	-	-	-	(24,578)	-	(405,587)

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

Guidance Notes – Consolidated Statement of Cash Flows

Direct / Indirect method

(1) SFRS(I) 1-7 allows entities to report cash flows from operating activities using either direct method or indirect method. Under the direct method, an entity presents major classes of gross cash receipts and payments related to operating activities. Under the indirect method, an entity uses 'profit or loss' as starting point and then adjusts for effects of (a) changes in inventories and operating receivables and payables; (b) non-cash items such as depreciation, provisions, deferred taxes, unrealised foreign currency gains and losses, and undistributed profits of associates; and (c) all other items for which effects are investing or financing cash flows. (N.B. SFRS(I) 1-7 Illustrative Examples uses 'profit before taxation' as alternative starting point.) SFRS(I) 1-7.18-20

(1a) Non-cash adjustment items shall include those attributed to discontinued operations because 'profit or loss' as starting point include that of both continuing and discontinued operations. Net cash flows separately attributable to operating, investing and financing activities of discontinued operations shall be disclosed in the statement of cash flows or in the notes. SFRS(I) 1-7.10,11 SFRS(I) 5.33.c

Investing activities

(2) Investing cash flows represent expenditures made for resources intended to generate future income and cash flows. Only expenditures that result in recognised asset are eligible for classification as investing activities. Investing activities include cash advances and loans made to other parties, and cash receipts from repayment of advances and loans made to other parties. Cash flows arising from obtaining or losing control of subsidiaries or other businesses shall be classified as investing activities. SFRS(I) 1-7.16, 39

Foreign exchange rate changes

(3) If unrealised foreign exchange gains or losses recognised in profit or loss for the year arise from non-operating activities, such as long-term loans, they shall be included as adjustment to profit or loss in arriving at the operating cash flows. On the other hand, unrealised foreign exchange gains or losses on monetary items forming part of operating activities, such as trade receivables or payables, do not require such adjustments because they are already adjusted through changes in working capital. SFRS(I) 1-7.20.b

(4) Effect of foreign exchange rate changes on cash and cash equivalents held in foreign currencies is reported to reconcile cash and cash equivalents at beginning and end of the period and presented separately from operating, investing and financing cash flows. SFRS(I) 1-7.28

Interest, dividends and taxes

Interest paid and interest received on financial assets for cash management purposes may be classified as operating cash flows. Dividends and interest received on investment assets may be classified as investing cash flows when they are returns on investments. Dividends and interest paid may be classified as financing cash flows when they are cost of obtaining financial resources. SFRS(I) 1-7.31-34

(5) The total amount of interest paid during a period is disclosed in the statement of cash flows whether it has been recognised as an expense in profit or loss or capitalised in accordance with SFRS(I) 1-23. Classification of payments of interest capitalised shall be classified in a manner consistent with classification of underlying asset in which interest are capitalised. For example, payments of interest that are capitalised as part of the cost of development properties shall be classified as part of an entity's operating activities. SFRS(I) 1-7.32

(6) Cash flows arising from taxes on income shall be separately disclosed and shall be classified as cash flows from operating activities unless they can be specifically identified with financing and investing activities. SFRS(I) 1-7.35

Non-cash transactions

(7) Investing and financing transactions that do not require the use of cash or cash equivalents shall be excluded from a statement of cash flows. Such transactions shall be disclosed elsewhere in the financial statements in a way that provides all the relevant information about these investing and financing activities. An example will be the acquisition of assets either by assuming directly related liabilities or by means of a lease. SFRS(I) 1-7.43,44

Reconciliation of liabilities arising from financing activities

(8) SFRS(I) 1-7 requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The entity should include changes in financial assets (for example, assets that hedge liabilities arising from financing liabilities) in the disclosures if such cash flows were, or will be, included in cash flows from financing activities. SFRS(I) 1-7.44A-44E

Adoption of SFRS(I) 16

(9) Under SFRS(I) 16, a lessee shall classify in the statement of cash flows: (a) cash payments for the principal portion of the lease liability within financing activities; (b) cash payments for the interest portion of the lease liability applying the requirements in SFRS(I) 1-7 for interest paid; and (c) short-term lease payments, payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability within operating activities. Classification of payments made before commencement of the lease is determined based on the substance of the payments. For example, prepaid lease payments shall be classified as investing activities if they are related to upfront payments to secure the right to use an asset over a period of time. SFRS(I) 16.50

For entities that adopt SFRS(I) 16 using the full retrospective approach, restatement of comparative information is necessary. (N.B. The Group has elected for the cumulative catch-up approach which does not require restatement of comparative information.) SFRS(I) 16.5.a,b

Notes to the financial statements
for the financial year ended 31 December 2019

SFRS(I) 1-1.112-114

1 General information (1) (2)

FKT Holdings Limited (the "Company") (Registration No. 198001234R) is a limited liability company, incorporated and domiciled in Singapore, and listed on the Singapore Exchange Securities Trading Limited ("SGX-ST") Mainboard. The registered office and principal place of business (3) of the Company is located at 20 FKT Road #02-01, FKT Building, Singapore 800820. SFRS(I) 1-1.138.a

The principal activities of the Company are those of investment holding and provision of management services. The principal activities of the subsidiaries and the associates are disclosed in Note 7 and 8 respectively. There has been no significant change in the nature of these activities during the financial year. SFRS(I) 1-1.138.b

The immediate and ultimate holding corporation is FKT Global Ltd (4), incorporated in United Kingdom. Related companies in these financial statements refer to members of the immediate and ultimate holding corporation's group of companies. SFRS(I) 1-1.138.c SFRS(I) 1-24.13 CA 201.11

The consolidated financial statements of the Group and statement of financial position of the Company for the financial year ended 31 December 2019 were authorised for issue by the Board of Directors on the date of the directors' statement. (5) SFRS(I) 1-10.17

Guidance Notes – General information

(1) **Financial periods of different length**

An entity shall present a complete set of financial statements (including comparative information) at least annually. When an entity changes the end of its reporting period and presents financial statements for a period longer or shorter than one year, an entity shall disclose, in addition to the period covered by the financial statements: (a) the reason for using a longer or shorter period, and (b) the fact that amounts presented in the financial statements are not entirely comparable. An illustrative disclosure is as follows: SFRS(I) 1-1.36,38

"The Company has changed the end of its reporting period from [30 June] to [31 December] on [effective date of change]. The financial statements for 2019 cover [the period from 1 July 2018 to 31 December 2019]. The financial statements for 2018 cover [the twelve months ended 30 June 2018]. Consequently, the amounts presented in these financial statements are not entirely comparable."

(2) **Change of name**

If an entity changes name since the last year end and up to the date of the financial statements, the change shall be disclosed, such as follows: SFRS(I) 1-1.51.a

"With effect from [effective date of change], the name of the Company has been changed from [XYZ Pte Ltd] to [ZYX Pte Ltd]."

(3) **Registered office and principal place of business**

An entity shall disclose, if not disclosed elsewhere in information published with the financial statements, the address of its principal place of business, if different from the registered office. SFRS(I) 1-1.138.a

(4) **Ultimate controlling party**

Relationships between a parent and its subsidiaries shall be disclosed irrespective of whether there have been transactions between them. An entity shall disclose the name of its parent and, if different, the ultimate controlling party. If neither the entity's parent nor the ultimate controlling party produces consolidated financial statements available for public use, the name of the next most senior parent that does so shall also be disclosed. SFRS(I) 1-24.13

(5) **Authorisation of financial statements**

An entity shall disclose the date when the financial statements were authorised for issue and who gave that authorisation. If the entity's owners or others have the power to amend the financial statements after issue, the entity shall disclose that fact. SFRS(I) 1-10.17

2(a) Basis of preparation

The financial statements are drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards (International) ("SFRS(I)"), and have been prepared under the historical cost convention, except as disclosed in the accounting policies below. SFRS(I) 1-1.16 SGX 1207.5.d SFRS(I) 1-1.117

The financial statements are presented in Singapore dollar which is the Company's functional currency. All financial information are disclosed in Singapore dollar, unless otherwise stated. (1) SFRS(I) 1-1.51.d

Guidance Notes – Basis of preparation

Materiality and aggregation

An entity shall present separately each material class of similar items. An entity shall present separately items of dissimilar nature or function unless they are immaterial. Whether individual items or groups of items need to be disclosed separately in the primary financial statements or in the notes depends on their materiality. Materiality is judged by reference to size and nature of the item. Deciding factor is whether the omission or misstatement could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. In particular circumstances, either the nature or amount of an item or an aggregate of items could be the determining factor. An entity shall decide, based on all relevant facts and circumstances, how it aggregates information in the financial statements, including the notes. An entity shall not reduce understandability of its financial statements by obscuring material information with immaterial information or by aggregating material items that have different nature or function. (N.B. For completeness of illustration, certain notes disclosure information with or related to nil or immaterial values (as highlighted) have been included. Tailoring of the contents in these illustrative financial statements is necessary before reference or application.) SFRS(I) 1-1.7 SFRS(I) 1-1.29-31 SFRS(I) 1-1.BC30F

Comparative information

Except when SFRS(I) permit or require otherwise, an entity shall present comparative information in respect of the preceding period for all amounts reported in the current period's financial statements. An entity shall include comparative information for narrative and descriptive information if it is relevant to understanding the current period's financial statements. SFRS(I) 1-1.38

In some cases, narrative information provided in the financial statements for the preceding periods continues to be relevant in the current period. For example, an entity discloses in the current period details of a legal dispute, the outcome of which was uncertain at the end of the preceding period and is yet to be resolved. Users may benefit from the disclosure of information that the uncertainty existed at the end of the preceding period and about the steps that have been taken during the period to resolve the uncertainty. SFRS(I) 1-1.38B

Consistency of presentation and classification

An entity shall retain the presentation and classification of items in the financial statements from one period to the next unless: SFRS(I) 1-1.45

(a) it is apparent, following a significant change in the nature of the entity's operations or a review of its financial statements, that another presentation or classification would be more appropriate having regard to the criteria for the selection and application of accounting policies in accordance with SFRS(I); or
(b) a SFRS(I) requires a change in presentation.

Functional currency / Presentation currency

(1) An entity shall disclose and display clearly the presentation currency as defined in SFRS(I) 1-21. An entity often makes financial statements more understandable by presenting information in thousands or millions of units of the presentation currency. This is acceptable as long as the entity discloses the level of rounding, such as follows: SFRS(I) 1-1.51.d SFRS(I) 1-1.53

"All financial information, presented in Singapore Dollar, is rounded to the nearest thousand ($'000) unless otherwise stated."

When the presentation currency is different from the functional currency, that fact shall be stated, together with disclosure of functional currency and the reason for using a different presentation currency. When there is a change in functional currency of either the reporting entity or a significant foreign operation, that fact and the reason for the change in functional currency shall be disclosed. SFRS(I) 1-21.53,54

Going concern

When preparing financial statements, management shall make an assessment of an entity's ability to continue as a going concern. An entity shall prepare financial statements 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, the entity shall disclose those uncertainties. When an entity does not prepare financial statements on a going concern basis, it shall disclose that fact, together with the basis on which it prepares the financial statements and the reason why the entity is not regarded as a going concern. SFRS(I) 1-1.25

In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. The degree of consideration depends on the facts in each case. When an entity has a history of profitable operations and ready access to financial resources, the entity may reach a conclusion that the going concern basis of accounting is appropriate without detailed analysis. In other cases, management may need to consider a wide range of factors relating to current and expected profitability, debt repayment schedules and potential sources of replacement financing before it can satisfy itself that the going concern basis is appropriate. SFRS(I) 1-1.26

Guidance Notes – Basis of preparation (cont'd)

An entity shall not prepare its financial statements on a going concern basis if management determines after the reporting period either that it intends to liquidate the entity or to cease trading, or that it has no realistic alternative but to do so. SFRS(I) 1-10.14

An illustrative disclosure about material uncertainty on going concern is as follows:

"As at 31 December 2019, the Company's current liabilities exceeded its current assets by $XXX (2018: $XXX). The Company's net current liability position was due to advances from its wholly-owned subsidiaries (Note XX) of $XXX (2018: $XXX). Excluding these advances from its subsidiaries, the Company's net current assets would have been $XXX (2018: $XXX). The financial statements have been prepared on a going concern basis as the directors are of the view that the Company is able to pay its current liabilities as and when they fall due in the next twelve months after the reporting date because the Company has full control and discretion over the timing on which these subsidiaries will recall their advances given to the Company.

As at 31 December 2019, the Group's current portions of borrowings and debt securities (Note XX) of $XXX (2018: $XXX) exceeded its net current assets of $XXX (2018: $XXX) including cash and cash equivalents of $XXX (2018: $XXX). The directors are of the view that the preparation of financial statements on a going concern basis is appropriate because the Group has unutilised credit facilities of $XXX (2018: $XXX) at the reporting date expiring only after the next twelve months and an undertaking from a controlling shareholder cum director to provide continuing financial support to enable the Group to meet its liabilities as and when they fall due.

If the Group or the Company is unable to continue in operational existence for the foreseeable future, it 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 financial statements. In addition, the Group or the Company may have to reclassify non-current assets and liabilities as current assets and liabilities. No such adjustments have been made to these financial statements."

An illustrative disclosure about realisation basis of preparation is as follows:

"These financial statements are prepared on a realisation basis because management intends to liquidate the Company within the next twelve months from the reporting date. Subsequent to the closure of its last operating office in July 2019, the Company had been contemplating ceasing operations or changing its principal activities. On 1 February 2020, the Board of Directors approved a plan of voluntary liquidation for the Company in an orderly manner. As a result, liquidation becomes imminent and the Company adopts the realisation basis of accounting, whereby assets are measured at the estimated amount of cash or other consideration that the Company expects to collect in settling or disposing of those assets and whereby liabilities are measured at their estimated settlement amounts, including costs that the Company expects to incur through the end of its liquidation. These estimated amounts are undiscounted and are recorded to the extent whereby the Company has a reasonable basis for estimation."

Defaults and breaches of debt covenants

For loans payable recognised at the end of the reporting period, an entity shall disclose: SFRS(I) 7.18
(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 loan facility 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 in above paragraph, an entity shall disclose the same information as required 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). SFRS(I) 7.19

An illustrative disclosure in relation to default of debt covenants is as follows:

"In 2019, the Group did not meet its minimum interest coverage ratio (interest expense to profit from continuing operations after tax and depreciation and amortisation) requirement of XX for the third quarter ended 30 September 2019, with regards to the syndicated banking facility (Note XX) drawn down to $XXX (2018: $XXX) as at 31 December 2019. On 31 October 2019, the Group obtained a waiver from the lending group of banks for the following twelve months, with the effect that the outstanding loan would not be recallable on demand during this period. In February 2020, the leading underwriting bank performed a review of the loan facility extended to the Group, including but not limited to the Group's financial performance, progress of principal and interest repayments, and the status of the Group's planned divestment of its hotel business in Hong Kong. Subsequent to the review, in March 2020, the lenders revised downwards the minimum interest coverage ratio requirement to XX and the waiver was lifted. Based on the new covenant ratio and current financial result forecasts, the directors are of the view that the risk of the interest coverage covenant being breached again is low and therefore that the Group will continue as a going concern for the foreseeable future."

Financial statements and consolidated financial statements

Where the consolidated financial statements of the Group are required, the statement of profit or loss and other comprehensive income and statement of cash flows of the Company need not be presented. However, the statement of financial position of the Company is still required. If consolidated financial statements are not required, for reasons such as exemption under SFRS(I) 1-27, the statement of profit or loss and other comprehensive income and statement of cash flows of the Company shall be required. CA 201.1,5 SGX 1207.5

Guidance Notes – Basis of preparation (cont'd)

An entity that is a parent shall present consolidated financial statements. However, a parent need not present consolidated financial statements if it meets all the following conditions: SFRS(I) 10.4.a CA 201.5.a,b

(i) it is a wholly-owned subsidiary or is a partially-owned subsidiary of another entity and all its other owners, including those not otherwise entitled to vote, have been informed about, and do not object to, not presenting consolidated financial statements;
(ii) its 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);
(iii) it did not file, nor is it in the process of filing, its financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market; and
(iv) its ultimate or any intermediate parent produces financial statements that are available for public use and comply with SFRS(I) or IFRS, in which subsidiaries are consolidated or are measured at fair value through profit or loss in accordance with SFRS(I) 10 or IFRS 10.

When a parent elects not to prepare consolidated financial statements and instead prepares separate financial statements, it shall disclose in those separate financial statements: SFRS(I) 1-27.16

(a) the fact that the financial statements are separate financial statements, that the exemption from consolidation has been used; the name and principal place of business (and country of incorporation, if different) of the entity whose consolidated financial statements have been produced for public use; and the address where those consolidated financial statements are obtainable.
(b) a list of significant investments in subsidiaries, joint ventures and associates, including:
  (i) the name of those investees.
  (ii) the principal place of business (and country of incorporation, if different) of those investees.
  (iii) its proportion of the ownership interest (and its proportion of the voting rights, if different) held in those investees.
(c) a description of the method used to account for the investments listed under (b).

If the Company is exempted from producing consolidated financial statements for reasons as noted earlier, an illustrative disclosure in relation to paragraph (a) above that should be included in the basis of preparation section is as follows:

"These financial statements are the separate financial statements of [Company's name]. The Company is exempted from the requirement to prepare consolidated financial statements as the Company is a wholly-owned subsidiary of [holding company's name], incorporated in [holding company's country of incorporation], which produces consolidated financial statements available for public use. The registered office of [holding company's name], where those consolidated financial statements can be obtained, is at [holding company's registered address]." SFRS(I) 1-27.16.a

Investment entity

An investment entity is not required to present consolidated financial statements or apply SFRS(I) 3 when it obtains control of another entity. Instead, the entity shall measure the investment in subsidiaries at fair value through profit or loss. If an investment entity has a subsidiary that provides services that relate to the investment entity's investment activities, it shall consolidate that subsidiary in accordance with SFRS(I) 10 and apply the requirements of SFRS(I) 3 to the acquisition of any such subsidiary. A parent of an investment entity shall consolidate all entities that it controls, including those controlled through an investment entity subsidiary, unless the parent itself is an investment entity. SFRS(I) 10.4B SFRS(I) 10.31-33

If the Company is exempted from producing consolidated financial statements as it is an investment entity, an illustrative disclosure to be included is as follows:

"These financial statements are the separate financial statements of [Company's name]. The Company is not required to produce consolidated financial statements because the Company has determined that it meets the definition of an investment entity as defined in SFRS(I) 10 Consolidated Financial Statements, and consequently, the Company has measured its investments in subsidiaries at fair value through profit or loss in accordance with SFRS(I) 9 Financial Instruments."

Equity accounting of associates and joint ventures

An entity should equity account for all its associates and joint ventures. However, an entity is exempted from equity accounting of an associates or a joint venture, if and only if one of the following situations is applicable: SFRS(I) 1-28.17 SFRS(I) 11.24

(a) all of the following conditions are fulfilled with regards to the entity: SFRS(I) 1-28.17
  (i) the entity is 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 entity not applying the equity method;
  (ii) the entity'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);
  (iii) the entity did not file, nor is it in the process of filing, its financial statements with a securities commission or other regulatory organisation, for the purpose of issuing any class of instruments in a public market; and
  (iv) the ultimate or any intermediate parent of the entity produces consolidated financial statements available for public use that comply with SFRS(I) or IFRS, in which subsidiaries are consolidated or are measured at fair value through profit or loss.

(b) the investment is a venture capital organisation, mutual fund, unit trust or similar entity, including investment-linked insurance funds, that upon initial recognition are designated as at fair value through profit or loss or are classified as held for trading and accounted for in accordance with SFRS(I) 9. SFRS(I) 1-28.18

(c) the investment is classified as held for sale in accordance with SFRS(I) 5 and is accounted for in accordance with SFRS(I) 5. SFRS(I) 1-28.20

2(b) Adoption of new and revised SFRS(I) effective for the current financial year (1)

On 1 January 2019, the Group and the Company have adopted all the new and revised SFRS(I), SFRS(I) interpretations ("SFRS(I) INT") and amendments to SFRS(I), effective for the current financial year that are relevant to them. The adoption of these new and revised SFRS(I) pronouncements does not result in significant changes to the Group's and the Company's accounting policies and has no material effect on the amounts or the disclosures reported for the current or prior reporting periods, except as discussed below: (2) SFRS(I) 1-8.28

Reference	Description	Effective date (Annual periods beginning on or after)
SFRS(I) 16	*Leases*	1 January 2019
SFRS(I) INT 23	*Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to SFRS(I) 9	*Prepayment Features with Negative Compensation*	1 January 2019
Amendments to SFRS(I) 1-19	*Plan Amendment, Curtailment or Settlement*	1 January 2019
Amendments to SFRS(I) 1-28	*Long-term Interests in Associates and Joint Ventures*	1 January 2019
Annual Improvements to SFRS(I) 2015-2017 Cycle		
Amendments to SFRS(I) 3	*Previously Held Interest in a Joint Operation*	1 January 2019
Amendments to SFRS(I) 11	*Previously Held Interest in a Joint Operation*	1 January 2019
Amendments to SFRS(I) 1-12	*Income Tax Consequences of Payments on Financial Instruments Classified as Equity*	1 January 2019
Amendments to SFRS(I) 1-23	*Borrowing Costs Eligible for Capitalisation*	1 January 2019

Guidance Notes – Adoption of new and revised SFRS(I) effective for the current financial year

(1) When initial application of a SFRS(I) has an effect on the current period or any prior period, would have such an effect except that it is impracticable to determine the amount of the adjustment, or might have an effect on future periods, an entity shall disclose: SFRS(I) 1-8.28

(a) the title of the SFRS(I);
(b) when applicable, that the change in accounting policy is made in accordance with its transitional provisions;
(c) the nature of the change in accounting policy;
(d) when applicable, a description of the transitional provisions;
(e) when applicable, the transitional provisions that might have an effect on future periods;
(f) for the current period and each prior period presented, to the extent practicable, the amount of the adjustment:
  (i) for each financial statement line item affected; and
  (ii) if SFRS(I) 1-33 applies to the entity, for basic and diluted earnings per share;
(g) the amount of the adjustment relating to periods before those presented, to the extent practicable; and
(h) if retrospective application required is impracticable for a particular prior period, or for periods before those presented, the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.

Financial statements of subsequent periods need not repeat these disclosures.

(2) It is not required to list all SFRS(I), SFRS(I) interpretations and amendments to SFRS(I) that are effective in the current year. Only those relevant to the entity should be indicated. Entities should analyse the impact of these new or revised SFRS(I) on their financial statements based on their specific facts and circumstances and make appropriate disclosures in accordance with SFRS(I) 1-8. (N.B. For purpose of these illustrative financial statements, other than SFRS(I) 16 and SFRS(I) INT 23, the adoption of these new and revised SFRS(I) pronouncements are not applicable to the Group. However, their related description and illustrative narratives (as highlighted) have been included for completeness of reference.)

2(b) Adoption of new and revised SFRS(I) effective for the current financial year (cont'd)

SFRS(I) 16 *Leases* SFRS(I) 1-8.28.a

SFRS(I) 16 *Leases* supersedes SFRS(I) 1-17 *Leases*, SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*, SFRS(I) INT 1-15 *Operating Leases - Incentives* and SFRS(I) INT 1-27 *Evaluating the Substance of Transactions involving the Legal Form of a Lease*, and pronounces new or amended requirements with respect to lease accounting. For lessee accounting, SFRS(I) 16 introduces significant changes by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low-value assets when such recognition exemptions are adopted. For lessor accounting, the requirements have remained largely unchanged. The impact of the adoption of SFRS(I) 16 on the Group's financial statements are discussed below. SFRS(I) 1-8.28.b,c

The date of initial application of SFRS(I) 16 for the Group is 1 January 2019. The Group has elected to transition to SFRS(I) 16 using the cumulative catch-up [1] (or modified retrospective) approach which requires the Group to recognise the cumulative effect of initially applying SFRS(I) 16 as an adjustment to the opening balance of retained earnings at the date of initial application, without restatement of comparatives under SFRS(I) 1-17. SFRS(I) 16.C2 SFRS(I) 16.C5.b SFRS(I) 16.C7

<u>(a) Definition of a lease</u>

The new definition of a lease under SFRS(I) 16 mainly relates to the concept of 'control' that determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration, which is in contrast to the concept of 'risks and rewards' under SFRS(I) 1-17. SFRS(I) 1-8.28.c

The Group has elected to apply the practical expedient available on transition to SFRS(I) 16 not to reassess whether a contract is, or contains, a lease. Accordingly, the superseded definition of a lease under SFRS(I) 1-17 continues to be applied to those leases entered into, or modified, before 1 January 2019, and the Group applies the new definition of a lease and related guidance set out in SFRS(I) 16 only to those lease contracts entered into, or modified, on or after 1 January 2019. After the transition to SFRS(I) 16, the Group shall reassess whether a contract is, or contains, a lease only if the terms and conditions of the contract are changed. SFRS(I) 16.C3 SFRS(I) 16.C4

The new requirements for identifying a lease under SFRS(I) 16 do not change significantly the scope of contracts that will meet the definition of a lease for the Group. SFRS(I) 1-8.28.e

<u>(b) Lessee accounting</u>

(i) Former operating leases

Before the adoption of SFRS(I) 16, the Group's non-cancellable operating lease payments in future reporting periods for a leasehold land, factory cum warehouse premises and certain plant and equipment, were not recognised as liabilities in the statement of financial position but were disclosed as commitments in the notes to the financial statements, and these lease payments were reported as rental expenses in profit or loss over the lease term on a straight-line basis and presented under operating activities in the statement of cash flows. Under SFRS(I) 16, the Group recognises right-of-use assets and lease liabilities in the statement of financial position for these outstanding lease payments, reports depreciation of right-of-use assets and interest expense on lease liabilities in profit or loss, and presents these lease payments as principal repayment and interest paid separately under financing activities in the statement of cash flows. SFRS(I) 1-8.28.c,d

Under SFRS(I) 16, lease incentives are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under SFRS(I)1-17, they resulted in the recognition of a lease incentive liability, amortised as a reduction of rental expenses on a straight-line basis. SFRS(I) 16.24,27

The Group has elected, as a practical expedient of SFRS(I) 16, not to separate non-lease components from lease components for all classes of underlying assets and instead account for each lease component and any associated non-lease components as a single lease component, except if the non-lease component is an embedded derivative according to SFRS(I) 9. SFRS(I) 16.15

2(b) Adoption of new and revised SFRS(I) effective for the current financial year (cont'd)

SFRS(I) 16 *Leases* (cont'd)

(b) Lessee accounting (cont'd)

(i) Former operating leases (cont'd)

For short-term leases and leases of low-value assets, the Group has elected for exemption under SFRS(I) 16 from recognising their right-of-use assets and lease liabilities, and to report their lease expenses in profit or loss on a straight-line basis. SFRS(I) 16.6,60

On 1 January 2019, the Group has applied the following SFRS(I) 16 transition provisions under the cumulative catch-up approach for each lease, or each portfolio of leases with reasonably similar characteristics, formerly classified as operating lease under SFRS(I) 1-17: SFRS(I) 16.C5.b SFRS(I) 16.C8

- recognises a lease liability at the present value of the remaining lease payments using the lessee's incremental borrowing rate for the underlying lease asset;
- recognises a right-of-use asset, on a lease-by-lease basis: [1b]
  - for factory cum warehouse premises, at the carrying amount as if SFRS(I) 16 had been applied since the lease commencement date, but discounted using the lessee's incremental borrowing rate for the underlying lease asset instead of the interest rate implicit in the lease,
  - for plant and equipment, at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application, and
  - for leasehold land [2a], at fair value, because the right-of-use asset meets the definition of an investment property and the fair value model under SFRS(I) 1-40 *Investment Property* is applied to measure owned investment property;
- applies SFRS(I) 1-36 *Impairment of Assets* to perform an impairment review of the right-of-use asset; and
- adjusts any difference between the carrying amounts of the right-of-use asset and the lease liability to the opening balance of retained earnings.

The Group has adopted the following SFRS(I) 16 practical expedients [1a] when applying the cumulative catch-up transition approach to leases formerly classified as operating lease under SFRS(I) 1-17: SFRS(I) 16.C13

- applies a single discount rate to a portfolio of leases with reasonably similar characteristics; SFRS(I) 16.C10
- adjusts the right-of-use asset at the date of initial application by the amount of provision for onerous leases recognised under SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets* in the statement of financial position immediately before the date of initial application, as an alternative to performing an impairment review under SFRS(I) 1-36;
- elects not to recognise the right-of-use asset and lease liability for a lease with lease term ending within twelve months of the date of initial application;
- excludes initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- uses hindsight for determining the lease term when the contract contains options to extend or terminate the lease.

(ii) Former finance leases

On 1 January 2019, with regards to the Group's leases of motor vehicles that were formerly classified as finance lease under SFRS(I) 1-17, the carrying amounts of the leased assets (in property, plant and equipment) and obligations under finance lease immediately before the date of initial application become respectively the opening balance of the carrying amounts of right-of-use assets and lease liabilities under SFRS(I) 16. Subsequently, the Group accounts for these right-of-use assets and lease liabilities in accordance with SFRS(I) 16. SFRS(I) 16.C11

(iii) Leasehold building [2b]

In prior years, the Group had made an upfront payment for the right-of-use of a 30-year leasehold building which was used as office premises and recorded in the Group's property, plant and equipment. Upon transition to SFRS(I) 16, the Group has elected to present the right-of-use assets separately from other assets in the statement of financial position and therefore reclassifies this leasehold building from "property, plant and equipment" to "right-of-use assets" in the statement of financial position. SFRS(I) 16.47.a

2(b) Adoption of new and revised SFRS(I) effective for the current financial year (cont'd)

SFRS(I) 16 *Leases* (cont'd)

(c) Lessor accounting

SFRS(I) 16 has not changed substantially how the Group as lessor accounts for leases, except when it is the intermediate lessor of sublease. Under SFRS(I) 16, the Group continues to classify leases, where it is the lessor, as either finance lease or operating lease and to account for the two types of leases differently. However, SFRS(I) 16 changes and expands the disclosures required, in particular, regarding how the Group as lessor manages the risks arising from its residual interest in leased assets. SFRS(I) 16.C14

Intermediate lessor of sublease (3)

The Group subleases to a non-related party a factory cum warehouse premise which the Group leases under a separate head lease arrangement. Prior to the adoption of SFRS(I) 16, the sublease was classified as an operating lease because the head lease was an operating lease. Under SFRS(I) 1-17, the Group as intermediate lessor recorded rental income in respect of the sublease on a straight-line basis over the term of the sublease and recorded rental expense in respect of the head lease on a straight-line basis over the term of the head lease. SFRS(I) 1-8.28.c,d

Under SFRS(I) 16, lessor accounting by the Group as intermediate lessor depends on the classification of the sublease with reference to the right-of-use asset arising from the head lease rather than the underlying asset. On 1 January 2019, the Group has reassessed the classification of the sublease to be a finance lease, based on the remaining contractual terms and conditions of the head lease and sublease at that date. Consequently, the Group recognises a finance lease receivable for the sublease and a lease liability for the head lease, with any difference adjusted to the opening balance of retained earnings. SFRS(I) 16.C15

(d) Deferred tax effects on adoption of SFRS(I) 16 (4)

In certain jurisdictions that the Group operates in, tax deductions are available only for the lease payments as they are paid, and no tax deduction is allowed for the leased asset depreciation or finance cost. On 1 January 2019, these tax circumstances give rise to temporary differences on initial recognition of both the right-of-use asset and lease liability. Consequently, deferred tax asset and deferred tax liability of $XXX and $XXX respectively are recognised on these temporary differences at the date of initial application. (4a) SFRS(I) 1-12.15 SFRS(I) 1-12.22 SFRS(I) 1-12.24

In the other jurisdictions, where tax deductions are received in respect of the right-of-use asset (i.e. depreciation allowance) and the lease liability (i.e. deduction for finance cost) in a manner consistent with the accounting treatment, and there is no difference between the accounting and tax depreciation rates, no temporary differences arise from recognition of the right-of-use asset and lease liability.

2(b) Adoption of new and revised SFRS(I) effective for the current financial year (cont'd)

SFRS(I) 16 *Leases* (cont'd)

(e) Financial impact of initial application of SFRS(I) 16

The Group's weighted average incremental borrowing rate applied to measure the Group's lease liabilities recognised in the statement of financial position on 1 January 2019 is 4.6%. (5a) SFRS(I) 16.C12.a

A reconciliation of the differences between the Group's operating lease commitments previously disclosed in the financial statements as at 31 December 2018 and the Group's lease liabilities recognised in the statement of financial position on 1 January 2019 is as follows: (5b) SFRS(I) 16.C12.b

	$
Operating lease commitments disclosed at 31 December 2018	3,572,132
(Less)/Add effects of: (5c)	
Short-term leases exempted from recognition	(131,298)
Leases of low-value assets exempted from recognition	(244,608)
Leases with lease term ending within twelve months from the date of initial application	
Non-cancellable leases committed at 31 December 2018 with lease term commencing after 1 January 2019	
Variable lease payments based on a rate or index that are in-substance fixed lease payments	
Lease period not previously included that is under extension option reasonably certain to be exercised	
Lease period previously excluded that is under termination option reasonably certain to be not exercised	
Discounting based on the weighted average incremental borrowing rate	(139,023)
Obligations under finance lease at 31 December 2018 reclassified to lease liabilities	402,503
Lease liabilities recognised on 1 January 2019	3,459,706

The effects of adoption of SFRS(I) 16 on the Group's financial statements as at 1 January 2019 are as follows: (6)

	Increase/ (Decrease) $
Assets	
Property, plant and equipment	(744,258)
Right-of-use assets	2,252,398
Investment properties	1,200,000
Finance lease receivables	158,434
Deferred tax assets	XXX
	2,866,574
Liabilities	
Obligations under finance lease	(402,503)
Lease liabilities	3,459,706
Deferred tax liabilities	XXX
	3,057,203
Equity	
Reserves – Retained earnings	(190,629)
	(190,629)

Guidance Notes – Adoption of SFRS(I) 16

Cumulative catch-up (or modified retrospective) / Full retrospective approach

The Group has elected for the cumulative catch-up (or modified retrospective) approach for initial application of SFRS(I) 16. There are specific transition rules and reliefs provided by SFRS(I) 16 for the cumulative catch-up approach to transition. The disclosures here illustrate how the Group has applied them in its transition to SFRS(I) 16. SFRS(I) 16.C5.b

(1) If an entity elects the full retrospective approach to transition to SFRS(I) 16, the entity shall apply SFRS(I) 16 retrospectively to each prior reporting period presented in accordance to SFRS(I) 1-8. An illustration of the required disclosures for the full retrospective approach is contained in **Appendix E: Disclosure Requirements of SFRS(I) 16**. SFRS(I) 16.C5.a

Practical expedients on transition to SFRS(I) 16 under cumulative catch-up (or modified retrospective) approach

(1a) The practical expedients are available for only entities applying the cumulative catch-up approach for transition. The entity shall disclose which of these practical expedients have been elected for use in transition to SFRS(I) 16. SFRS(I) 16.C13

Guidance Notes – Adoption of SFRS(I) 16 (cont'd)

Measurement of ROU assets

(1b) The lessee shall choose, on a lease-by-lease basis, to measure that ROU asset (except for ROU asset that meets definition of investment property) at either: SFRS(I) 16.C8

(i) its carrying amount as if SFRS(I) 16 had been applied since the commencement date of the lease, but discounted using the lessee's incremental borrowing rate at the date of initial application (i.e. 1 January 2019); or

(ii) an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of transition.

(N.B. The Group has elected method (i) for leases of factory cum warehouse premises and method (ii) for plant and equipment.)

ROU assets that meet the definition of investment property

SFRS(I) 16 has amended the scope of SFRS(I) 1-40 by defining investment property to include both owned investment property and investment property held by a lessee as a ROU asset. This results in lessee using either cost model and disclosing fair value, or using fair value model, depending on whether the lessee accounts for owned investment property under cost model or fair value model. SFRS(I) 16.BC178

(2a) If a lessee applies the fair value model in SFRS(I) 1-40 to its owned investment property, the lessee is required to also apply that fair value model to ROU assets that meet the definition of investment property in SFRS(I) 1-40. SFRS(I) 16.34

Real estate company can often be holding investment property that is located on leased land. This 'ground lease' is usually for a long period of time, such as 99 years. Therefore, the entity is a lessee in respect of the ground lease and is required to apply SFRS(I) 16. As a result, the entity recognises a ROU asset and a lease liability in relation to the ground lease. In turn, this ROU asset is classified as investment property because the leased land is held solely for purpose of holding an investment property. When the real estate company applies the fair value model under SFRS(I) 1-40 for owned investment property, it will be required to apply equally this fair value model to a ROU asset that meets the definition of investment property. SFRS(I) 16.34

For purpose of transition to SFRS(I) 16, a lessee: SFRS(I) 16.C9.b,c

- is not required to make any adjustments on transition for leases previously accounted for as investment property using the fair value model in SFRS(I) 1-40, and the ROU asset and lease liability arising from those leases should be accounted for under SFRS(I) 1-40 and SFRS(I) 16 from the date of initial application; and
- is required to measure the ROU asset at fair value at the date of initial application for leases previously accounted for as operating leases and that will be accounted for as investment property using the fair value model in SFRS(I) 1-40 from the date of initial application, and the lessee's ROU asset and lease liability arising from those leases are required to be accounted for under SFRS(I) 1-40 and SFRS(I) 16 from the date of initial application.

ROU assets that relate to a class of revalued property, plant and equipment

If the class of owned assets to which ROU assets relate is measured using the cost model, the ROU assets should also be accounted for using the cost model. If ROU assets relate to a class of property, plant and equipment to which lessee applies the revaluation model in SFRS(I) 16, a lessee may elect to apply that revaluation model to all of the ROU assets that relate to that class of property, plant and equipment. This choice is made on a class-by-class basis. (N.B. This is in contrast to ROU assets that meet definition of investment property for which the accounting model is strictly determined by lessee's accounting policy for owned investment property.) SFRS(I) 16.35

(2b) **Leasehold property**

Long-term leases of land and buildings are common in many jurisdictions and have often been referred to as 'purchase' of leasehold property and are usually contracted for relatively long periods of time (e.g. 99 or 999 years). It is critical for accounting purposes that an entity can differentiate in substance between obtaining ownership of a property (i.e. control of asset) and acquiring a leasehold property (i.e. right to control use of asset):

- In outright purchase of a property, the buyer becomes the legal owner of the property. SFRS(I) 15.31,33
- In so-called 'purchase' of leasehold property, the buyer becomes the tenant (or lessee). When the leasehold period runs out, the right-of-use of the property reverts back to the property owner. In some cases, the tenant (or lessee) can even sell the leasehold interest during the leasehold period but the sale is usually subject to certain restrictions. SFRS(I) 16.9

Depending on the jurisdiction, but in most circumstances, the tenant (or lessee) obtains the right to use the real estate in exchange for lease payments paid throughout the leasehold period or a single up-front lease payment. Although in some cases a long-term lease of property may be economically similar to an outright purchase of property, leasehold arrangements generally meet the definition of a lease under SFRS(I) 16.

(3) **Transition to SFRS(I) 16 for sublease**

An intermediate lessor shall reassess subleases that were classified as operating leases applying SFRS(I) 1-17 and are ongoing at the date of initial application, to determine whether each sublease should be classified as an operating lease or a finance lease applying SFRS(I) 16. The intermediate lessor shall perform this assessment at the date of initial application on the basis of the remaining contractual terms and conditions of the head lease and sublease at that date. SFRS(I) 16.C11

For subleases that were classified as operating leases applying SFRS(I) 1-17 but finance leases applying SFRS(I) 16, the intermediate lessor shall account for the sublease as a new finance lease entered into at the date of initial application.

If a lessee subleases an asset, or expects to sublease an asset, the head lease does not qualify as a lease of low-value asset. Vice versa. SFRS(I) 16.B58

Guidance Notes – Adoption of SFRS(I) 16 (cont'd)

(4) **Deferred tax impact from adoption of SFRS(I) 16**

There are three different approaches in interpreting how the initial recognition exemption under SFRS(I) 1-12 can be applied in relation to temporary differences arising from recognition of ROU assets and lease liabilities: SFRS(I) 1-12.15,22,24

- **Approach 1** – Initial recognition exemption applies 'separately' to the lease asset and lease liability. (That is, the initial recognition exemption is applicable for the entity such that it does not recognise any deferred tax arising from ROU assets and lease liabilities.)
- **Approach 2** – Initial recognition exemption does NOT apply as the lease asset and lease liability are 'integrally linked'. (That is, the entity assesses the lease asset and lease liability on 'net' basis. In this case, assuming the entity has not made lease payments before lease commencement, temporary differences do not arise on initial recognition.)
- **Approach 3** – Initial recognition exemption does NOT apply to the 'gross' temporary differences arising. (That is, this exemption is assumed to apply only when the entity recognises an asset *OR* liability. Therefore, the exemption does not apply on initial recognition of the lease asset and lease liability because in this case, an asset *AND* liability are recognised instead. In such a case, the entity recognises the deferred tax arising from ROU assets and lease liabilities.)

The different options above may lead to incomparability in the deferred tax effects reported by various entities from recognising ROU assets and lease liabilities on initial recognition and over the lease term. Regardless, the entity should first determine whether temporary differences arise on recognition of the ROU asset and lease liability, which is dependent on tax laws of the relevant jurisdiction and is not an accounting policy choice.

(4a) (N.B. The disclosure illustrated in front is relevant for an entity that has recognised deferred tax arising from ROU assets and lease liabilities, without regards to the applicability of the initial recognition exemption in SFRS(I) 1-12. For eg, applying Approach 3.)

In July 2019, IASB has proposed amendments to IAS 12 which would clarify the accounting for deferred tax effects on the temporary differences arising from leasing transactions. If implemented, the initial recognition exception in IAS 12 would not apply to transactions in which both deductible and taxable temporary differences arise on initial recognition that result in the recognition of deferred tax assets and liabilities of the same amount. Consequently, the deferred tax effects on the temporary differences may need to be recognised over the term of the lease. In essence, Approach 1 above would be made invalid as an option to interpret the applicability of the initial recognition exemption in IAS 12. Preface to SFRS(I) paragraph 4: The IASB's proposals contained in an exposure draft are subject to revision. Until the Accounting Standards Council ("ASC") endorses an IFRS for adoption as a SFRS(I) and the effective date of that SFRS(I), the requirements of any SFRS(I) that could be affected by the IASB's proposals in an exposure draft remain in force. In November 2019, the public comment window had closed for ED/2019/5. At the date of this publication, IASB had indicated an expected date of March 2020 to review feedback to ED/2019/5 and finalise these amendments to IAS 12 for issue. In consideration of the preceded explanation, the relevant illustrative disclosure for an entity that has not recognised deferred tax arising from ROU assets and lease liabilities only because of the initial recognition exemption in IAS 12, is as follows: Exposure Draft (ED/2019/5) *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* (Proposed amendments to IAS 12) Preface to SFRS(I).14

"In certain jurisdictions that the Group operates in, tax deductions are available only for the lease payments as they are paid, and no tax deduction is allowed for the leased asset depreciation or finance cost. On 1 January 2019, these tax circumstances give rise to temporary differences on initial recognition of both the right-of-use asset and lease liability. However, the deferred tax effects for these temporary differences, either initially or over the lease term, are not recognised due to application of the initial recognition exemption in SFRS(I) 1-12 Income Taxes, that explicitly excludes recognising the deferred tax effects arising from initial recognition of an asset or liability in a transaction which, at the time of the transaction, affects neither accounting profit or taxable profit.

In July 2019, the International Accounting Standards Board ("IASB") decided to propose amendments to International Accounting Standard ("IAS") 12 Income Taxes which would narrow the scope of the initial recognition exemption in IAS 12 such that it would no longer apply when an entity recognises equal amount of deferred tax asset and deferred tax liability arising from the initial recognition of a right-of-use asset and a lease liability under IFRS 16 Leases. In November 2019, the public comment window had closed for the Exposure Draft on Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Proposed amendments to IAS 12) issued by IASB. If implemented, an entity shall apply these amendments retrospectively. At the date of these financial statements, IASB has not issued these amendments to IAS 12 or any related IFRS pronouncements. Accordingly, no adjustment has been made by the Group in these financial statements in respect of this matter."

(N.B. However, if amendments to IAS 12 or related IFRS pronouncements with similar effects are issued or made effective before or at the date of the financial statements, the entity shall apply them retrospectively i.e. recognise deferred tax asset and liability on initial recognition of ROU asset and lease liability, and over the term of the lease through the end of the reporting period.)

Reconciliation between operating lease commitments at 31 December 2018 and lease liabilities recognised at 1 January 2019

(5a) (5b) Entities that apply the cumulative catch-up (or modified retrospective) approach need only disclose for transition: (i) the weighted average IBR applied to lease liabilities recognised at the date of initial application; and (ii) an explanation of any differences between the operating lease commitments disclosed at the end of the annual reporting period immediately preceding the date of initial application, and the lease liabilities recognised at the date of initial application. SFRS(I) 16.C12.a,b

(5c) Other reconciling items not applicable to the Group have been included in the reconciliation above for illustration purpose.

Effects of adoption of SFRS(I) 16 under cumulative catch-up (or modified retrospective) approach

(6) If an entity elects to apply SFRS(I) 16 by the cumulative catch-up approach, the entity shall disclose information on initial application based on (5a) and (5b) noted above, instead of the amount of SFRS(I) 16 adjustments for current and prior period for each financial statement line item affected according to SFRS(I) 1-8.28.f (which in contrast is mandatory for entities applying the full retrospective approach). However, it is recommended to do so too under the cumulative catch-up approach with the same effect. SFRS(I) 16.C12

2(b) Adoption of new and revised SFRS(I) effective for the current financial year (cont'd)

SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*

The Group has adopted SFRS(I) INT 23 for the first time in the current year. SFRS(I) INT 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires the Group to:

- determine whether uncertain tax positions are assessed separately or as a group; and
- assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings, as follows:
  - if yes, the Group should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings; or
  - if no, the Group should reflect the effect of uncertainty in determining its accounting tax position using either the most likely amount or the expected value method.

There is no material impact to the Group's and the Company's financial statements. SFRS(I) 1-8.28

Amendments to SFRS(I) 9 *Prepayment Features with Negative Compensation*

The Group has adopted the amendments to SFRS(I) 9 for the first time in the current year. The amendments to SFRS(I) 9 clarify that for the purpose of assessing whether a prepayment feature meets the 'solely payments of principal and interest' (SPPI) condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, financial assets with prepayment features with negative compensation do not automatically fail the SPPI test.

[There is no material impact to the Group's and the Company's financial statements.] or to disclose impact to the Group's and the Company's financial statements in accordance with SFRS(I) 1-8.28 SFRS(I) 1-8.28

Amendments to SFRS(I) 1-19 *Plan Amendments, Curtailment or Settlement*

The Group has adopted the amendments of SFRS(I) 1-19 for the first time in the current year. The amendments clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position). SFRS(I) 1-19 is now clear that the change in the effect of the asset ceiling that may result from the plan amendment (or curtailment or settlement) is determined in a second step and is recognised in the normal manner in other comprehensive income.

The paragraphs that relate to measuring the current service cost and the net interest on the net defined benefit liability (asset) have also been amended. The Group will now be required to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. In the case of the net interest, the amendments make it clear that for the period post plan amendment, the net interest is calculated by multiplying the net defined benefit liability (asset) as remeasured under SFRS(I) 1-19 with the discount rate used in the remeasurement (also taking into account the effect of contributions and benefit payments on the net defined benefit liability (asset)).

[There is no material impact to the Group's and the Company's financial statements.] or to disclose impact to the Group's and the Company's financial statements in accordance with SFRS(I) 1-8.28 SFRS(I) 1-8.28

2(b) Adoption of new and revised SFRS(I) effective for the current financial year (cont'd)

Amendments to SFRS(I) 1-28 *Long-term Interests in Associates and Joint Ventures*

The Group has adopted the amendments to SFRS(I) 1-28 for the first time in the current year. The amendments clarify that SFRS(I) 9, including its impairment requirements, applies to other financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests that, in substance, form part of an entity's net investment in an associate or joint venture. The Group applies SFRS(I) 9 to such long-term interests before it applies SFRS(I) 1-28. In applying SFRS(I) 9, the Group does not take account of any adjustments to the carrying amount of long-term interests required by SFRS(I) 1-28 (i.e. adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with SFRS(I) 1-28).

[There is no material impact to the Group's and the Company's financial statements.] or to disclose impact to the Group's and the Company's financial statements in accordance with SFRS(I) 1-8.28 SFRS(I) 1-8.28

Annual Improvements to SFRS(I) 2015-2017 Cycle

The Group has adopted the amendments included in the *Annual Improvements to SFRS(I) 2015–2017 Cycle* for the first time in the current year. The annual improvements include amendments to the following SFRS(I):

(i) Amendments to SFRS(I) 3 *Previously Held Interest in a Joint Operation*

The amendments clarify that when the Group obtains control of a business that is a joint operation, the Group applies the requirements for a business combination achieved in stages, including remeasuring its previously held interest in the joint operation at fair value. The previously held interest to be remeasured includes any unrecognised assets, liabilities and goodwill relating to the joint operation.

[There is no material impact to the Group's and the Company's financial statements.] or to disclose impact to the Group's and the Company's financial statements in accordance with SFRS(I) 1-8.28 SFRS(I) 1-8.28

(ii) Amendments to SFRS(I) 11 *Previously Held Interest in a Joint Operation*

The amendments clarify that when the Group obtains joint control of a joint operation that is a business, which the Group already participates in but does not have joint control of, the Group does not remeasure its previously held interest in the joint operation.

[There is no material impact to the Group's and the Company's financial statements.] or to disclose impact to the Group's and the Company's financial statements in accordance with SFRS(I) 1-8.28 SFRS(I) 1-8.28

(iii) Amendments to SFRS(I) 1-12 *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*

The amendments clarify that the Group should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity, according to where the Group had originally recognised the transactions generating the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.

[There is no material impact to the Group's and the Company's financial statements.] or to disclose impact to the Group's and the Company's financial statements in accordance with SFRS(I) 1-8.28 SFRS(I) 1-8.28

(iv) Amendments to SFRS(I) 1-23 *Borrowing Costs Eligible for Capitalisation*

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that the Group borrows generally when calculating the capitalisation rate on general borrowings.

[There is no material impact to the Group's and the Company's financial statements.] or to disclose impact to the Group's and the Company's financial statements in accordance with SFRS(I) 1-8.28 SFRS(I) 1-8.28

2(c) New and revised SFRS(I) in issue but not yet effective

At the date of authorisation of these financial statements, the Group and the Company have not adopted the new and revised SFRS(I), SFRS(I) INT and amendments to SFRS(I) that have been issued but are not yet effective to them. Management anticipates that the adoption of these new and revised SFRS(I) pronouncements in future periods will not have a material impact on the Group's and the Company's financial statements in the period of their initial application, except as discussed below: (1) SFRS(I) 1-8.30-31

Reference	Description	Effective date (Annual periods beginning on or after)
Amendments to References to the Conceptual Framework in SFRS(I)		1 January 2020
Amendments to SFRS(I) 3	*Definition of a Business*	1 January 2020
Amendments to SFRS(I) 1-1 and SFRS(I) 1-8	*Definition of Material*	1 January 2020
SFRS(I) 17	*Insurance Contracts*	1 January 2021
Amendments to SFRS(I) 10 and SFRS(I) 1-28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Not yet determined

Guidance Notes – New and revised SFRS(I) in issue but not yet effective

(1) Entities must explain if there are any accounting standards and interpretations which are not yet applied but are expected to have a material effect on the entity in the period of initial application. Where a pronouncement introduces a new accounting option that was not previously available, the entity should explain whether and/or how it expects to use the option in the future. SFRS(I) 1-8.30

It is not required to list all SFRS(I), SFRS(I) interpretations and amendments to SFRS(I) that have been issued but are not effective at date of authorisation of financial statements. Only those relevant to the entity's operations should be indicated. (N.B. For purpose of these illustrative financial statements, some of the new and revised SFRS(I) in issue but not yet effective are not applicable to the Group. However, their related description and illustrative narratives (as highlighted) have been included for reference.)

2(c) New and revised SFRS(I) in issue but not yet effective (cont'd)

Amendments to References to the Conceptual Framework in SFRS(I)

The Conceptual Framework for Financial Reporting is the foundation on which new accounting standards are developed. The revised *Conceptual Framework* became effective immediately upon its publication in March 2018. The main changes to principles in the *Conceptual Framework* have implications for how and when assets and liabilities are recognised and derecognised in the financial statements. Some entities may use the *Conceptual Framework* as a reference for selecting their accounting policies in the absence of specific SFRS(I) requirements. In these cases, the entities should review those policies and apply the new guidance retrospectively.

The *Amendments to References to the Conceptual Framework in SFRS(I)* are issued together with the revised *Conceptual Framework*. Some SFRS(I), their accompanying documents and SFRS(I) practice statements contain references to, or quotations from the *Conceptual Framework*. The *Amendments to References to the Conceptual Framework in SFRS(I) Standards* sets out amendments to SFRS(I), their accompanying documents and SFRS(I) practice statements to reflect the issue of the revised *Conceptual Framework*. These amendments, where they actually are updates, are effective for annual periods beginning on or after 1 January 2020, with early application permitted.

[There is no material impact expected to the Group's and the Company's financial statements on initial application.] or [The expected impact to the Group's and the Company's financial statements on initial application is currently not known or reasonably estimable.] or to disclose expected impact to the Group's and the Company's financial statements in accordance with SFRS(I) 1-8.30-31 SFRS(I) 1-8.30-31

2(c) New and revised SFRS(I) in issue but not yet effective (cont'd)

Amendments to SFRS(I) 3 *Definition of a Business*

The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. Additional guidance is provided that helps to determine whether a substantive process has been acquired.

The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020, with early application permitted.

The expected impact to the Group's and the Company's financial statements on initial application is currently not known or reasonably estimable. SFRS(I) 1-8.30-31

Amendments to SFRS(I) 1-1 and SFRS(I) 1-8 *Definition of Material*

The amendments are intended to make the definition of 'material' in SFRS(I) 1-1 easier to understand and are not intended to alter the underlying concept of materiality in SFRS(I). The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of 'material' in SFRS(I) 1-8 has been replaced by a reference to the definition of 'material' in SFRS(I) 1-1. In addition, the other SFRS(I) and the *Conceptual Framework*, which contain a definition of 'material' or refer to the term 'material', have been updated to ensure consistency.

The amendments are applied prospectively for annual periods beginning on or after 1 January 2020, with earlier application permitted.

There is no material impact expected to the Group's and the Company's financial statements on initial application. SFRS(I) 1-8.30-31

Guidance Notes – Amendments to SFRS(I) 3 *Definition of a Business*

The amendments provide new guidance on the assessment of whether an acquisition meets the definition of a business under SFRS(I) 3. To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs. A framework is introduced to evaluate when an input and substantive process are present. To be a business without outputs, there is now requirement to have an organised workforce.

The definition of the term 'outputs' is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits.

It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets.

Entities can apply a 'concentration test' that, if met, eliminates the need for further assessment. Under this optional test, where substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets), the assets acquired would not represent a business.

These amendments are applied to business combinations and asset acquisitions with acquisition date on or after 1 January 2020. Early application is permitted.

2(c) New and revised SFRS(I) in issue but not yet effective (cont'd)

SFRS(I) 17 *Insurance Contracts*

SFRS(I) 17 is set to replace SFRS(I) 4 *Insurance Contracts*. SFRS(I) 17 solves the comparison problems under SFRS(I) 4 by requiring all insurance contracts to be accounted for in a consistent manner. In addition, increased transparency about the profitability of new and in force business will give users more insight into an insurer's financial health. Separate presentation of underwriting and finance results will provide added transparency about the sources of profits and quality of earnings. Premium volumes will no longer drive the 'top line' as investment components and cash received are no longer considered to be revenue. Accounting for options and guarantees will be more consistent and transparent.

SFRS(I) 17 is applied retrospectively to groups of insurance contracts unless this is impracticable. If impracticable, the entity is permitted to choose between the modified retrospective approach or the fair value approach. The objective of the modified retrospective approach is to use reasonable and supportable information that is available without undue cost or effort to achieve the closest possible outcome to full retrospective application. However, if an entity cannot obtain reasonable and supportable information to apply the modified retrospective approach, then it applies the fair value approach. The fair value approach is applied using the requirements in SFRS(I) 13, except that the requirements in SFRS(I) 13 relating to financial liability with a demand feature shall not be applicable.

SFRS(I) 17 is applied for annual reporting periods beginning on or after 1 January 2021. Earlier application is permitted for entities that apply SFRS(I) 9 and SFRS(I) 15 on or before the date of initial application of SFRS(I) 17.

[There is no material impact expected to the Group's and the Company's financial statements on initial application.] or [The expected impact to the Group's and the Company's financial statements on initial application is currently not known or reasonably estimable.] or to disclose expected impact to the Group's and the Company's financial statements in accordance with SFRS(I) 1-8.30-31 SFRS(I) 1-8.30-31

Amendments to SFRS(I) 10 and SFRS(I) 1-28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

There is an inconsistency between the current requirements in SFRS(I) 10 and those in SFRS(I) 1-28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments clarify that when a parent loses control over a subsidiary to its associate or joint venture, gain/loss is recognised in its entirety when the transferred assets constitutes a business under SFRS(I) 3 *Business Combinations*.

The effective date of initial application on which the amendments are to be applied prospectively are yet to be determined.

[There is no material impact expected to the Group's and the Company's financial statements on initial application.] or [The expected impact to the Group's and the Company's financial statements on initial application is currently not known or reasonably estimable.] or to disclose expected impact to the Group's and the Company's financial statements in accordance with SFRS(I) 1-8.30-31 SFRS(I) 1-8.30-31

2(d) Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements in conformity with SFRS(I) 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. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the reporting period in which the estimate is revised and in any future reporting periods affected. The areas involving significant judgement and critical accounting estimates and assumptions used are described below. SFRS(I) 1-1.122

(i) Significant judgements used in applying accounting policies SFRS(I) 1-1.123

The following are the critical judgements, apart from those involving estimations (which are presented separately below), that have been made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

<u>(a) Determination of functional currency</u>

The Group measures foreign currency translation in the respective 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. SFRS(I) 1-21.12

<u>(b) De facto control of FKT Construction (HK) Limited (Note 7)</u>

The Group determines if it has control, or not, over an investee based on whether the Group has the practical ability to direct the relevant activities significantly affecting the investee's returns. Although the Group owns less than half of the ownership interest and voting rights in FKT Construction (HK) Limited, management has determined that the Group has control over FKT Construction (HK) Limited, on a de facto power basis, because the remaining voting rights in the investee are widely dispersed and there is no indication that all other shareholders exercise their votes collectively. SFRS(I) 12.7.a SFRS(I) 12.9.b

<u>(c) Significant influence over San Developer Pte Ltd (Note 8)</u>

The Group assesses that it has significant influence over an investee when the Group has the power to participate in the financial and operating policy decisions of the investee. Although the Group owns less than 20% of the ownership interest and voting rights in San Developer Pte Ltd, management is of the view that the Group has significant influence over San Developer Pte Ltd because there is an agreement with the other shareholders whereby the Group has the right to appoint its representatives for one third of the investee's board of directors. SFRS(I) 12.7.b SFRS(I) 12.9.e

<u>(d) Income taxes (Note 36)</u>

The Group has exposure to income taxes in several jurisdictions. Significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

In 2019, the Group has incurred certain exhibition expenditure amounting to approximately $241,000 in Malaysia, for which the relevant tax legislation is unclear on tax deductibility of the marketing expense. The Group considers it probable that a tax deduction will be available and has calculated the current tax expense on this basis. The Group has applied for a private ruling from the tax authorities to confirm its interpretation. If the tax ruling is not favourable to the Group, this will increase the Group's current tax payable and current tax expense by approximately $48,000 respectively. SFRS(I) INT 23.A4

2(d) Critical accounting judgements and key sources of estimation uncertainty (cont'd)

(i) Significant judgements used in applying accounting policies (cont'd)

(e) Deferred taxation on investment properties (Note 11)

For the purposes of measuring deferred tax liabilities or assets arising from investment properties that are measured using the fair value model, management has reviewed the Group's investment property portfolio and concluded that they are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in determining the Group's deferred taxation on investment properties, management has determined that the presumption that investment properties measured using the fair value model are recovered through sale is not rebutted. SFRS(I) 1-12.51C

(f) Business model assessment (Note 9)

Management makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to the Group's management. This assessment includes significant judgement reflecting all relevant evidence including: SFRS(I) 9.B4.1.2

- the stated policies and objectives for the portfolio and the operation of those policies in practice (these include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets); SFRS(I) 9.B4.1.2B SFRS(I) 9.B4.1.2C SFRS(I) 9.B4.1.4A SFRS(I) 9.B4.1.5
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate, whether there has been a change in business model and so a prospective change to the classification of those assets.

(g) Determination of the lease term (Note 43)

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects the assessment, and that is within the control of the lessee. For leases of factory cum warehouse premises, plant and equipment, and motor vehicles, the following factors are normally the most relevant: SFRS(I) 16.59.b.ii SFRS(I) 16.B50

- If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate).
- Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

As at 31 December 2019, potential future cash outflows of $180,000 (undiscounted) have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

2(d) Critical accounting judgements and key sources of estimation uncertainty (cont'd)

(ii) Key sources of estimation uncertainty SFRS(I) 1-1.125

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period, are discussed below.

(a) Valuation of investment properties (Note 6)

The Group carries its investment properties at fair value based on independent professional valuations. In determining fair values, the valuers have used valuation techniques (including direct comparison method and income method) which involve certain estimates and significant unobservable inputs. The direct comparison method involves the analysis of comparable sales of similar properties and adjusting prices to those reflective of the investment properties. The income method capitalises an income stream into a present value using single-year capitalisation rate. In relying on valuation reports, the management has exercised its judgement and is satisfied that the valuation methods and estimates are reflective of current market conditions. The carrying amount of the Group's investment properties and the information relating to the valuation techniques and inputs used in determining their fair value are disclosed in Note 6 and 47 respectively. Sensitivity analysis regarding the key input estimates used in each valuation method is set out below: SFRS(I) 13.91,92

Valuation technique	Input factor	Increase or decrease in estimate	Increase or decrease in fair value
Direct comparison method	Price of lettable area	+/- 5%	+/- $0.9 million (2018: +/- $0.3 million)
Income method	Net income margin	+/- 5%	+/- $0.5 million (2018: +/- $0.1 million)
Income method	Capitalisation rate	-/+ 25 basis points	+/- $0.2 million (2018: +/- $0.1 million)

(b) Net realisable value of development properties (Note 17)

Development properties in the course of development and completed properties are stated at lower of cost and estimated net realisable value. When it is probable that the total development costs will exceed the total projected revenue, the amount in excess of net realisable value is recognised as an expense immediately. The process of evaluating the net realisable value of each property is subject to management judgement and the effect of assumptions in respect of development plans, timing of sale and the prevailing market conditions. Management performs cost studies for each development property, taking into account the costs incurred to date, the development status and costs to complete. Any future variation in plans, assumptions and estimates can potentially impact the carrying amounts of the respective properties. The carrying amount of the Group's development properties, including any write down to net realisable value, is disclosed in Note 17. In 2019 and 2018, an increase of 10% in total projected development costs will not lead to any allowance for diminution in value required for the Group's development properties. SFRS(I) 1-2.30

(c) Revenue recognition for development properties (Note 29)

The Group recognises contract revenue based on the stage of completion for the sale of development properties where the Group has enforceable rights to payment for performance completed to date. The stage of completion is measured by reference to certifications of the value of work performed to date as compared to the estimated total construction costs of the development projects. The Group is required to estimate the total construction costs which include estimation for variation works and any other claims from contractors. In making these estimates, the Group relies on past experience and the work of specialists. The amount of revenue recognised from development properties by the Group is therefore subject to uncertainty in respect of variation works and estimation of future costs. The Group's revenue recognised from development properties for the year is disclosed in Note 29. If the estimated costs for variation works increase/decrease by 10% (2018: 10%), the Group's revenue for the year will decrease/increase by $0.8 million (2018: $0.4 million). SFRS(I) 15.123

2(d) Critical accounting judgements and key sources of estimation uncertainty (cont'd)

(ii) Key sources of estimation uncertainty (cont'd)

(d) Estimation of total contract costs for construction contracts (Note 29)

The Group has significant ongoing construction contracts that are non-cancellable. For these contracts, revenue is recognised over time by reference to the Group's progress towards completion of the contract. The measure of progress is determined based on the proportion of contract costs incurred to date to the estimated total contract costs ("input method"). SFRS(I) 15.123

Management has to estimate the total contract costs to complete, which are used in the input method to determine the Group's recognition of construction revenue. When it is probable that the total contract costs will exceed the total construction revenue, a provision for onerous contracts is recognised immediately.

Significant assumptions are used to estimate the total contract sum and the total contract costs which affect the accuracy of revenue recognition based on the percentage-of-completion and completeness of provision for onerous contracts recognised. In making these estimates, management has relied on past experience and the work of specialists.

If the estimated total contract sum decrease by 10% from management's estimates, the Group's profit for the year will decrease by approximately S$755,000 (2018: $582,000). If the remaining estimated contract costs increase by 10% from management's estimates, the Group's profit for the year will decrease by approximately S$648,000 (2018: $446,000).

(e) Impairment of goodwill (Note 3)

The Group tests goodwill annually for impairment or more frequently if there are indicators that goodwill might be impaired. The recoverable amount of each cash generating unit ("CGU") to which the goodwill has been allocated in full, or in part, are determined based on value in use ("VIU") calculations that require the use of assumptions and estimates, such as gross profit margin, growth rate and discount rate. These VIU calculations use cash flows projection based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the growth rate as estimated by management. These growth rates are consistent with forecasts included in industry reports specific to the industry in which each CGU operates. The carrying amount of the goodwill in the Group's consolidated financial statements and the information relating to the key inputs used in the impairment assessment of goodwill are disclosed in Note 3. In 2019 and 2018, a decrease of 5% in the gross profit margin or in the growth rate, or an increase of 50 basis points in the discount rate, as applied in the VIU calculations, will not lead to further impairment loss recognised on the goodwill. SFRS(I) 1-36.132 SFRS(I) 1-36.134.c SFRS(I) 1-36.134.d

(f) Amortisation of intangible assets (Note 3)

Intangible assets, comprising patents and licences and development costs, are accounted for using the cost model. The capitalised costs of these intangible assets are amortised on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these intangible assets to be within 3 to 10 years. After initial recognition, the intangible assets are carried at cost less accumulated amortisation and impairment, if any. In addition, the intangible assets are subject to impairment testing if there are any indicators of impairment, and are written off when, in the opinion of management, no further economic benefits are expected to arise. The carrying amount of the Group's intangible assets, comprising patents and licences and development costs, are disclosed in Note 3. In 2019 and 2018, a change of 10% in the amortisation rate of these intangible assets will not lead to significant change in the amortisation expense for the year and their carrying amount at the reporting date. SFRS(I) 1-38.90,94 SFRS(I) 1-38.118.a

2(d) Critical accounting judgements and key sources of estimation uncertainty (cont'd)

(ii) Key sources of estimation uncertainty (cont'd)

(g) Allowance for expected credit losses ("ECL") on trade and other receivables (Note 13)

Allowance for ECL of trade and other receivables and contract 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 ECL calculation, based on the Group's past collection history, existing market conditions as well as forward looking estimates at each reporting date. Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. SFRS(I) 7.35G

The Group uses a provision matrix to calculate ECL for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust historical credit loss experience with forward-looking information. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECL is a significant estimate. The amount of ECL is sensitive to changes in circumstances and forecast economic conditions.

The Group and the Company apply the 3-stage general approach to determine ECL for non-trade amounts due from external parties and related parties. ECL is measured as an allowance equal to 12-month ECL for stage-1 assets, or lifetime ECL for stage-2 or stage-3 assets. An asset moves from stage-1 to stage-2 when its credit risk increases significantly and subsequently to stage-3 as it becomes credit-impaired. In assessing whether credit risk has significantly increased, the Group and the Company consider qualitative and quantitative reasonable and supportable forward looking information. Lifetime ECL represents ECL that will result from all possible default events over the expected life of a financial instrument whereas 12-month ECL represents the portion of lifetime ECL expected to result from default events possible within twelve months after the reporting date.

The carrying amount of the Group's and the Company's trade and other receivables are disclosed in Note 13. A decrease of 10% in the estimated future cash inflows will not lead to further allowance for impairment on the Group's and the Company's trade and other receivables.

(h) Deferred tax assets (Note 11)

The Group reviews the carrying amount of deferred tax assets at the end of each reporting period. Deferred tax assets are recognised to the extent that it is probable that future taxable income will be available against which the temporary differences can be utilised. This involves judgement regarding future financial performance of the particular legal entity or tax group in which the deferred tax asset has been recognised. Management has assessed that it is reasonable to recognise deferred tax assets based on probable future taxable income. The carrying amount of the Group's deferred tax assets is disclosed in Note 11. In 2019 and 2018, a decrease of 10% in the probable future taxable income will not affect the amount of deferred tax assets recognised. SFRS(I) 1-12.82

(i) Estimation of the incremental borrowing rate ("IBR") (Note 43)

For the purpose of calculating the right-of-use asset and lease liability, an entity applies the interest rate implicit in the lease ("IRIIL") and, if the IRIIL is not readily determinable, the entity shall use its IBR applicable to the lease asset. The IBR is the rate of interest that the entity would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. For most of the leases whereby the Group is the lessee, the IRIIL is not readily determinable. Therefore, the Group estimates the IBR relevant to each lease asset by using observable inputs (such as market interest rate and asset yield) when available, and then making certain lessee specific adjustments (such as a group entity's credit rating). The carrying amount of the Group's right-of-use assets and lease liabilities are disclosed in Note 5 and 25 respectively. An increase/decrease of 50 basis points in the estimated IBR will decrease/increase the Group's right-of-use assets and lease liabilities by approximately $225,000 respectively. SFRS(I) 16.26

Guidance Notes – Significant accounting policies

To determine whether a particular accounting policy shall be disclosed, management considers whether the disclosure will assist users in understanding how transactions, other events and conditions are reflected in the financial statements. Accounting policies shall be disclosed for all material components. Disclosure of accounting policies is useful to users in particular when those policies are selected from alternatives allowed in SFRS(I). SFRS(I) 1-1.119

An accounting policy may also be significant because of nature of entity's operations, even if amounts shown for current and prior periods are not material. Omission or misstatement of items are material if they can, individually or collectively, influence economic decisions that users made on the basis of the financial statements. Materiality depends on size and nature of omission or misstatement, judged in the surrounding circumstances. The size or nature of the item, or a combination of both could be the determining factor. SFRS(I) 1-1.121 SFRS(I) 1-1.7

(N.B. For purpose of illustration, certain accounting policies relating to immaterial or irrelevant items with respect to the Group are included although this would not be required under SFRS(I) because irrelevant policies shall be omitted from financial statements. Therefore, tailoring of these significant accounting policies is required before reference or application.)

2(e) Significant accounting policies

Group accounting

(i) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and investees (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company or its subsidiary: SFRS(I) 10.7

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company or its subsidiary 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. SFRS(I) 10.8

When the Company or its subsidiary 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 Company or its subsidiary considers all relevant facts and circumstances in assessing whether or not the Company's or its subsidiary's voting rights in an investee are sufficient to give it power, including: SFRS(I) 10.B38

- size of the Company's or its subsidiary's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company or its subsidiary, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances which indicate that the Company or its subsidiary 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.

Consolidation of a subsidiary begins when the Company or its subsidiary obtains control over the subsidiary or investee and ceases when the Company or its subsidiary loses control of the subsidiary or investee. Specifically, income and expenses of a subsidiary or an investee acquired or disposed during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company or its subsidiary gains control until the date when the Company or its subsidiary ceases to control the subsidiary or investee. SFRS(I) 10.B88

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries and investees are attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. SFRS(I) 10.B94

When necessary, adjustments are made to the financial statements of subsidiaries or investees to bring their accounting policies in line with the Group's accounting policies. SFRS(I) 10.B87

2(e) Significant accounting policies (cont'd)

Group accounting (cont'd)

(ii) Changes in the Group's ownership interests in existing subsidiaries

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 the owners of the Company. SFRS(I) 10.B96

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 interests. 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 control is lost is regarded as the fair value on initial recognition for subsequent accounting under SFRS(I) 9, or when applicable, the cost on initial recognition of an investment in an associate. SFRS(I) 10.B97 SFRS(I) 10.B98 SFRS(I) 10.B99

In the Company's separate financial statements, investments in subsidiaries are carried at cost less any impairment in net recoverable value that has been recognised in profit or loss. On disposal of such investments, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss. SFRS(I) 1-27.10

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition date fair values of assets given, liabilities incurred by the Group to the former owners of the acquiree, and equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred. SFRS(I) 3.4 SFRS(I) 3.37 SFRS(I) 3.38 SFRS(I) 3.53

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments. The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates at fair value, with changes in fair value recognised in profit or loss. SFRS(I) 3.39 SFRS(I) 3.58

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date on which the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of. SFRS(I) 3.42

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition are recognised at their fair value at the acquisition date, except that: SFRS(I) 3.18 SFRS(I) 3.21

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with SFRS(I) 1-12 *Income Taxes* and SFRS(I) 1-19 *Employee Benefits* respectively; SFRS(I) 3.24 SFRS(I) 3.26
- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions with share-based payment awards transactions of the acquirer in accordance with the method in SFRS(I) 2 *Share-based Payment* at the acquisition date; and SFRS(I) 3.30
- disposal groups that are classified as held for sale in accordance with SFRS(I) 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard. SFRS(I) 3.31

2(e) Significant accounting policies (cont'd)

Business combinations (cont'd)

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. SFRS(I) 3.B44 SFRS(I) 3.B45

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date. SFRS(I) 3.45

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year from acquisition date. SFRS(I) 3.46

Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. SFRS(I) 3.32

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain. SFRS(I) 3.36

Goodwill arising from acquisition of associates and joint ventures represents the excess of the cost of the acquisition over the Group's share of the fair value of the identifiable net assets acquired. Goodwill on associates and joint ventures is included in the carrying amount of the investments. SFRS(I) 1-28.32.a

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period. SFRS(I) 1-36.80 SFRS(I) 1-36.90 SFRS(I) 1-36.104 SFRS(I) 1-36.124

On disposal of a subsidiary, an associate or a joint venture, the attributable amount of goodwill is included in the determination of the gain or loss on disposal of the entity or the relevant cash generating unit. SFRS(I) 10.B98

Guidance Notes – Bargain purchase gain

Before recognising a gain on a bargain purchase, an entity shall reassess whether it has correctly identified all of the assets acquired and all of the liabilities assumed and shall recognise any additional assets or liabilities that are identified in that review. The objective is to ensure that measurements appropriately reflect consideration of all available information as of the acquisition date. SFRS(I) 3.36

On acquisition of investment in associate or joint venture, when the Group's share of fair value of identifiable net assets of the associate or joint venture exceeds the cost of acquisition paid by the Group, this excess is recognised in the consolidated statement of profit or loss as part of the Group's share of profit from associates. SFRS(I) 1-28.32.b

2(e) Significant accounting policies (cont'd)

Intangible assets

(i) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination, including patents and licences, are identified and initially recognised at cost separately from goodwill. The cost of these intangible assets is their fair value at the acquisition date. SFRS(I) 1-38.118.a SFRS(I) 1-38.118.b

Subsequent to initial recognition, patents and licences with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over 10 to 15 years, which is the shorter of their estimated useful lives and periods of contractual rights. SFRS(I) 1-38.74 SFRS(I) 1-38.94,97

(ii) Intangible assets acquired separately

Intangible assets acquired separately, including patents and licences, are initially recognised at cost. Such costs include the purchase price (net of any discounts and rebates) and other directly attributable costs of preparing the assets for their intended use. SFRS(I) 1-38.118.a SFRS(I) 1-38.118.b SFRS(I) 1-38.27,28

Subsequent to initial recognition, patents and licences with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over 7 to 12 years, which is the shorter of their remaining estimated useful lives and periods of contractual rights. SFRS(I) 1-38.74 SFRS(I) 1-38.94,97

(iii) Internally generated intangible assets

Expenditure on research activities is recognised as an expense in the period in which it is incurred. SFRS(I) 1-38.54

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated: SFRS(I) 1-38.57

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the development costs incurred from the date when the intangible asset first meets the recognition criteria listed above. Such development costs include purchase of materials and services and payroll-related costs of employees directly involved in the project. Where no internally-generated intangible asset can be recognised, development cost is charged to profit or loss in the period in which it is incurred. SFRS(I) 1-38.118.a SFRS(I) 1-38.118.b SFRS(I) 1-38.65,66

Subsequent to initial recognition, internally-generated development costs are carried at cost less accumulated amortisation and accumulated impairment losses. These development costs are amortised to profit or loss using the straight-line method over 3 to 5 years, which is their estimated useful lives. SFRS(I) 1-38.74 SFRS(I) 1-38.94,97

The amortisation period and amortisation method of intangible assets with finite useful lives, including patents and licences, and development costs, are reviewed at least at each reporting date. The effects of any revision are recognised in profit or loss when the changes arise. SFRS(I) 1-38.104

2(e) Significant accounting policies (cont'd)

Associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. SFRS(I) 1-28.3,6

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. SFRS(I) 1-28.3

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with SFRS(I) 5. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. SFRS(I) 1-28.10 SFRS(I) 1-28.15 SFRS(I) 1-28.38,39

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired. SFRS(I) 1-28.32

The requirements of SFRS(I) 1-28 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with SFRS(I) 1-36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised decreases the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with SFRS(I) 1-36 to the extent that the recoverable amount of the investment subsequently increases. SFRS(I) 1-28.40,42

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date, and this fair value is regarded as its fair value on initial recognition in accordance with SFRS(I) 9. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture may be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued. SFRS(I) 1-28.20,23

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests. SFRS(I) 1-28.24

2(e) Significant accounting policies (cont'd)

Associates and joint ventures (cont'd)

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use 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 may be reclassified to profit or loss on the disposal of the related assets or liabilities. SFRS(I) 1-28.25

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group. SFRS(I) 1-28.28

In the Company's separate financial statements, investments in associates and joint ventures are carried at cost less any impairment in net recoverable value that has been recognised in profit or loss. On disposal of such investments, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss. SFRS(I) 1-27.10

Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. SFRS(I) 11.7

When a group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interest in a joint operation: SFRS(I) 11.20

- its share of any assets held jointly;
- 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 share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the SFRS(I) applicable to the particular assets, liabilities, revenues and expenses. SFRS(I) 11.11

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation. SFRS(I) 11.B34

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a purchase of assets), the Group does not recognise its share of the gains and losses until it resells those assets to a third party. SFRS(I) 11.B36

Guidance Notes – Associates and joint ventures

Decrease in interests in associate or joint venture

When significant influence or joint control is not lost, only a proportionate share of the amounts previously recognised in other comprehensive income relating to that associate or joint venture are reclassified to profit or loss and form part of the gain or loss on partial disposal. On the other hand, when significant influence or joint control is lost, the entire amounts previously recognised in other comprehensive income relating to that associate or joint venture are reclassified to profit or loss. SFRS(I) 1-28.25 SFRS(I) 1-28.22.c SFRS(I) 1-28.23

Joint ventures / Interests in joint operations

The Group does not have any joint ventures and interests in joint operations. The above accounting policies related to them are included for illustration purpose only.

2(e) Significant accounting policies (cont'd)

Foreign currency transactions and translation

The individual financial statements of each group entity are measured and presented in the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements of the Group and the statement of financial position of the Company are presented in Singapore dollar, which is the functional currency of the Company and the presentation currency for the consolidated financial statements. SFRS(I) 1-21.51 SFRS(I) 1-21.17 SFRS(I) 1-21.18 SFRS(I) 1-21.19

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. As at each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. SFRS(I) 1-21.23.a-c SFRS(I) 1-21.21

Exchange differences arising on the settlement of monetary items and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income. SFRS(I) 1-21.32 SFRS(I) 1-21.28 SFRS(I) 1-21.30

Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings. SFRS(I) 1-23.6.e

Exchange differences on transactions entered into in order to hedge certain foreign currency risks are described in the hedge accounting policies. SFRS(I) 1-21.27

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Singapore dollar using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of currency translation reserve. SFRS(I) 1-21.39 SFRS(I) 1-21.40

On the disposal of a foreign operation (i.e. disposal of the Group's entire interest in a foreign operation, or disposal involving loss of control over a subsidiary that includes a foreign operation, loss of significant influence over an associate that includes a foreign operation, or loss of joint control over a jointly controlled entity that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss. SFRS(I) 1-21.48 SFRS(I) 1-21.48A SFRS(I) 1-21.48B

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss. SFRS(I) 1-21.48C SFRS(I) 1-21.48D

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of currency translation reserve. SFRS(I) 1-21.32

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate. SFRS(I) 1-21.47

2(e) Significant accounting policies (cont'd)

Leases (from 1 January 2019)

(i) The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of twelve months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed. SFRS(I) 16.9,11 SFRS(I) 16.60

(a) Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses the incremental borrowing rate specific to the lessee. The incremental borrowing rate is defined as the rate of interest that the lessee would have to pay to borrow over a similar term and with a similar security the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. SFRS(I) 16.27 SFRS(I) 16.App.A

Lease payments included in the measurement of the lease liability comprise: SFRS(I) 16.27

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

Variable lease payments that are not based on an index or a rate are not included as part of the measurement and initial recognition of the lease liability. The Group shall recognise those lease payments in profit or loss in the periods that trigger those lease payments. SFRS(I) 16.38

For all contracts that contain both lease and non-lease components, the Group has elected to not separate lease and non-lease components and account these as one single lease component. SFRS(I) 16.13,15

[The lease liabilities are presented as a separate line item in the statement of financial position.] or [The lease liabilities are presented within "borrowings" in the statement of financial position.] (1) SFRS(I) 16.47

The lease liability is subsequently measured at amortised cost, by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. SFRS(I) 16.36

The Group remeasures the lease liability (with a corresponding adjustment to the related right-of-use asset or to profit or loss if the carrying amount of the right-of-use asset has already been reduced to nil) whenever: SFRS(I) 16.40,42 SFRS(I) 16.39

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;

- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); or

- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

2(e) Significant accounting policies (cont'd)

Leases (from 1 January 2019) (cont'd)

(i) The Group as lessee (cont'd)

(b) Right-of-use asset

The right-of-use asset comprises the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. SFRS(I) 16.22,24

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under SFRS(I) 1-37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories. SFRS(I) 16.24.d

Depreciation on right-of-use assets is calculated using the straight-line method to allocate their depreciable amounts over the shorter period of lease term and useful life of the underlying asset, as follows: SFRS(I) 16.31

Leasehold building	: over lease term of 30 years
Factory cum warehouse premises	: over lease term of 10 to 15 years
Plant and equipment	: 5 to 10 years
Motor vehicles	: 3 to 5 years

If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. SFRS(I) 16.32

[The right-of-use assets are presented as a separate line item in the statement of financial position.] or [The right-of-use assets (except for those which meet the definition of investment property) are presented within "property, plant and equipment" in the statement of financial position.] (1) SFRS(I) 16.47

A right-of-use asset which meets the definition of an investment property is presented within "investment properties" in the statement of financial position. SFRS(I) 16.48

The Group applies SFRS(I) 1-36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss. SFRS(I) 16.33

Guidance Notes – Lease liabilities and ROU assets

Comparative accounting policies

The Group has applied SFRS(I)16 using the cumulative catch-up (or modified retrospective) approach, under which comparative information is not restated. The Group has disclosed accounting policies under both SFRS(I) 16 (for the current period) and SFRS(I) 1-17 (for the comparative period presented) in order for users to understand the current period as well as comparative information and changes in significant accounting policies. SFRS(I) 1-1.117 SFRS(I) 1-1.121

Lease liabilities and ROU assets included in other line items on statement of financial position

(1) If the lease liabilities and ROU assets are not presented as separate line items, but included in other line items, on the statement of financial position, disclosure is required to state which line items include the lease liabilities and ROU assets. SFRS(I) 16.47

2(e) Significant accounting policies (cont'd)

Leases (from 1 January 2019) (cont'd)

(ii) The Group as lessor

Generally, the accounting policies applicable to the Group as a lessor in the comparative period were not different from SFRS(I) 16, except for the classification of the sublease entered into that resulted in a finance lease classification. SFRS(I) 16.B58.b

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. SFRS(I) 16.61,62

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset. SFRS(I) 16.63

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. If an arrangement contains lease and non-lease components, then the Group applies SFRS(I) 15 to allocate the consideration in the contract. SFRS(I) 16.17

The Group applies the derecognition and impairment requirements in SFRS(I) 9 to the net investment in the lease. The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease. SFRS(I) 16.77

The Group recognises lease payments received from investment property under operating leases as income on a straight- line basis over the lease term within "revenue" in profit or loss. Rental income from subleased property is recognised within "other income" in profit or loss. SFRS(I) 16.81

Intermediate lessor in sublease

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the recognition exemption, then it classifies the sublease as an operating lease. SFRS(I) 16.B58

When the sublease is assessed as a finance lease, the Group derecognises the right-of-use asset relating to the head lease that it transfers to the sublessee and recognised the net investment in the sublease within "finance lease receivables" in the statement of financial position. Any differences between the right-of-use asset derecognised and the net investment in sublease is recognised in profit or loss. Lease liability relating to the head lease is retained in the statement of financial position, which represents the lease payments owed to the head lessor. SFRS(I) 16.68

Guidance Notes – Intermediate lessor in sublease

In classifying a sublease, an intermediate lessor should classify the sublease as a finance lease or an operating lease as follows: SFRS(I) 16.B58

- if the head lease is a short-term lease that the entity, as a lessee, has accounted for applying SFRS(I) 16.6, the sublease shall be classified as an operating lease;
- otherwise, the sublease shall be classified by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying asset (as was the case previously under SFRS(I) 1-17).

For example, the term of a property sublease would be compared to the term of the head lease when assessing whether the lease is for the major part of the economic life. Similarly, the present value of lease payments is compared to the fair value of the right-of-use asset, instead of the underlying asset, when assessing whether it is for substantially all of the fair value. Since the head lease term for a property lease or the fair value of a right-of-use asset is often smaller than the life or fair value of the underlying property, there is now an increased likelihood under SFRS(I) 16 that a sublease may be classified as a finance lease.

In the case where the intermediate lessor sublease as finance lease, lease receivable arising from the sublease is not permitted to be offset against the remaining lease liabilities from the head lease. SFRS(I) 16.BC236

2(e) Significant accounting policies (cont'd)

Leases (before 1 January 2019)

(i) The Group as lessee

(a) Operating lease

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease. Contingent rents are recognised as an expense in profit or loss when incurred. SFRS(I) 1-17.4 SFRS(I) 1-17.33

(b) Finance lease

Leases where the Group assumes substantially all risks and rewards incidental to ownership of the leased assets are classified as finance leases. SFRS(I) 1-17.4

The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the statement of financial position as plant and equipment and borrowings respectively, at the inception of the leases based on the lower of the fair value of the leased assets and the present value of the minimum lease payments. SFRS(I) 1-17.20

Each lease payment is apportioned between the interest expense and the reduction of the outstanding lease liability. The interest expense is recognised within "finance costs" in profit or loss on a basis that reflects a constant periodic rate of interest on the finance lease liability. SFRS(I) 1-17.25

(ii) The Group as lessor

(a) Operating lease

Leases where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in profit or loss on a straight-line basis over the lease term. SFRS(I) 1-17.4

Initial direct costs incurred by the Group in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease income. Contingent rents are recognised as income in profit or loss when earned. SFRS(I) 1-17.52

(b) Finance lease

Leases where the Group has transferred substantially all risks and rewards incidental to ownership of the leased assets to the lessees, are classified as finance leases. SFRS(I) 1-17.4

The leased asset is derecognised and the present value of the lease receivable is recognised on the statement of financial position and included in "finance lease receivables". The difference between the gross receivable and the present value of the lease receivable is recognised as unearned finance income. SFRS(I) 1-17.36

Each lease payment received is applied against the gross investment in the finance lease receivable to reduce both the principal and the unearned finance income. The finance income is recognised in profit or loss on a basis that reflects a constant periodic rate of return on the net investment in the finance lease receivable. SFRS(I) 1-17.39,40

Initial direct costs incurred by the Group in negotiating and arranging finance leases are added to finance lease receivables and recognised as an expense in profit or loss over the lease term on the same basis as the lease income. SFRS(I) 1-17.36

Guidance Notes – Leases (before 1 January 2019) – The Group as lessor – Finance lease

In the previous year, there was no finance lease arrangement in which the Group was the lessor. The above accounting policy is included for illustration purpose only.

2(e) Significant accounting policies (cont'd)

Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to initial recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. SFRS(I) 1-16.15,30

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. SFRS(I) 1-16.16,17

Cost also includes borrowing costs and any fair value gains or losses on qualifying cash flow hedges of property, plant and equipment that are transferred from the hedging reserve. SFRS(I) 1-23.10,11

The projected cost of dismantlement, removal or restoration is also recognised as part of the cost of property, plant and equipment if the obligation for the dismantlement, removal or restoration is incurred as a consequence of either acquiring the asset or using the asset for purpose other than to produce inventories. SFRS(I) 1-16.16.c

Freehold land and building is not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives, as follows: SFRS(I) 1-16.50 SFRS(I) 1-16.73.b,c

Leasehold building	: over lease term of 30 years
Plant and equipment	: 5 to 15 years
Motor vehicles	: 3 to 7 years
Furniture and fittings	: 3 to 10 years

Certain plant and equipment are subject to overhauls at regular intervals. The inherent components of the initial overhaul are determined based on the estimated costs of the next overhaul and are separately depreciated over a period of 3 years in order to reflect the estimated intervals between two overhauls. The costs of the overhauls subsequently incurred are capitalised as additions and the carrying amounts of the replaced components are written off to profit or loss. SFRS(I) 1-16.7 SFRS(I) 1-16.13,14 SFRS(I) 1-16.43

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each reporting date. The effects of any revision are recognised in profit or loss when the changes arise. SFRS(I) 1-16.51,61

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred. SFRS(I) 1-16.12,13

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss within "other gains and losses". SFRS(I) 1-16.67,68 SFRS(I) 1-16.71 SFRS(I) 1-16.41

Guidance Notes – PPE

Properties (in PPE) in the course of construction – illustrative accounting policy

"Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use." SFRS(I) 1-16.74.b

Guidance Notes – PPE (cont'd)

Land and building (in PPE) stated at revalued amounts – illustrative accounting policy

"Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the end of the reporting period. SFRS(I) 1-16.73.a SFRS(I) 1-16.31

Any revaluation increase arising on the revaluation of such land and buildings is recognised in other comprehensive income and accumulated in asset revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such land and buildings is charged to profit or loss to the extent that it exceeds the balance, if any, held in the property revaluation reserve relating to a previous revaluation of that asset. SFRS(I) 1-16.39,40

On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the asset revaluation reserve is transferred directly to retained earnings. No transfer is made from the asset revaluation reserve to retained earnings except when an asset is derecognised." SFRS(I) 1-16.68

2(e) Significant accounting policies (cont'd)

Impairment of non-financial assets

As at each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified. SFRS(I) 1-36.9

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. SFRS(I) 1-36.6 SFRS(I) 1-36.30

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. SFRS(I) 1-36.59,60

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase. SFRS(I) 1-36.119

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired. SFRS(I) 1-36.10

Guidance Notes – Impairment of non-financial assets

Dividend received from subsidiary, associate and joint venture

There is indicator of impairment on the investment in subsidiary, associate or joint venture in the Company's financial statements when investor recognises dividend from investment and evidence is available that: SFRS(I) 1-36.12.h

(a) carrying amount of the investment in the separate financial statements exceeds carrying amounts in the consolidated financial statements of the investee's net assets, including associated goodwill; or
(b) dividend exceeds the total comprehensive income of the subsidiary, associate or joint venture in the period dividend is declared.

2(e) Significant accounting policies (cont'd)

Investment properties

Investment properties include commercial and industrial buildings held for long-term rental yields and/or for capital appreciation and right-of-use asset relating to leasehold land held for development of investment property. Investment properties include properties that are being constructed or developed for future use as investment properties. SFRS(I) 1-40.5,10 SFRS(I) 1-40.8 SFRS(I) 16.34 SFRS(I) 16.48

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value, determined annually by independent professional valuers on the highest and best use basis. Gains or losses arising from changes in the fair value of investment properties are recognised in profit or loss for the period in which they arise. (1) SFRS(I) 1-40.20 SFRS(I) 1-40.30,35 SFRS(I) 1-40.75.e

Investment properties are derecognised upon disposal or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. Any gain or loss on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised. SFRS(I) 1-40.66

Investment properties are subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised and the carrying amounts of the replaced components are written off to profit or loss. The cost of maintenance, repairs and minor improvements is recognised in profit or loss when incurred. SFRS(I) 1-40.17-19

Transfers are made to or from investment properties when and only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed costs of property for subsequent accounting is its fair value at the date of change in use. For a transfer from owner occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment up to the date of change in use. SFRS(I) 1-40.57

Guidance Notes – Investment properties

Cost model for investment property – illustrative accounting policy

(1) An entity shall choose either fair value model or cost model for all of its investment properties. A reporting entity which applies the cost model may disclose the cost accounting policy (replacing fair value accounting policy above) as follows: SFRS(I) 1-40.30

"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 30 to 40 years. The residual values, useful lives and depreciation method of investment properties are reviewed, and adjusted as appropriate, at each reporting date. The effects of any revision are included in profit or loss when the changes arise." SFRS(I) 1-40.56

When the cost model is applied, the fair value of investment property shall be disclosed at each reporting date. SFRS(I) 1-40.79.e

Fair value determination – 'Highest and best use'

Under SFRS(I) 13, a fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its 'highest and best use' or by selling it to another market participant that would use the asset in its 'highest and best use'. Highest and best use is determined from the perspective of market participants, even if the entity intends a different use. However, an entity's current use of a non-financial asset is presumed to be its highest and best use unless market or other factors suggest that a different use by market participants would maximise the value of the asset. SFRS(I) 1-40.5 SFRS(I) 13.27-33

Classification

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 judgement involved. In some cases, an entity provides ancillary services to the occupants of a property it holds. An entity treats such a property as investment property if the services are insignificant to the arrangement as a whole. An example is when the owner of an office building provides security and maintenance services to the lessees who occupy the building. SFRS(I) 1-40.75.c SFRS(I) 1-40.122 SFRS(I) 1-40.11

Criteria for transfer in and out

There are specific recognition and/or measurement requirements dealing with transfers from investment properties to property, plant and equipment or inventories and vice versa. SFRS(I) 1-40.57-65

2(e) Significant accounting policies (cont'd)

Financial instruments

Financial assets and financial liabilities are recognised on the statement of financial position when the Group becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss. SFRS(I) 7.21

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. SFRS(I) 1-32.42

Financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories: SFRS(I) 9.4.1.1

- amortised cost;
- fair value through other comprehensive income ("FVOCI"); and
- fair value through profit or loss ("FVPL").

The classification depends on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset. The Group reclassifies investments in debt instruments when and only when its business model for managing those assets changes. SFRS(I) 9.4.1.2 SFRS(I) 9.4.1.4 SFRS(I) 9.4.4.1

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest. SFRS(I) 9.4.3.2

(ii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. SFRS(I) 9.5.1.1

Investments in debt instruments

Investments in debt instruments mainly comprise trade and other receivables, cash and cash equivalents, and listed and unlisted debt securities. There are three subsequent measurement categories, depending on the Group's business model for managing the asset and the cash flow characteristics of the asset: SFRS(I) 9.5.2.1 SFRS(I) 9.4.1.1

- *Amortised cost* : Investments in debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in interest income using the effective interest method. SFRS(I) 9.4.1.2

- *FVOCI* : Investments in debt instruments that are held for collection of contractual cash flows and for sale, and where the assets' cash flows represent solely payments of principal and interest, are classified as FVOCI. Movements in fair values are recognised in other comprehensive income ("OCI") and accumulated in fair value reserve, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and presented in "other gains and losses". Interest income from these financial assets is recognised using the effective interest rate method and presented in "interest income". SFRS(I) 9.4.1.2A

2(e) Significant accounting policies (cont'd)

Financial assets (cont'd)

(ii) Measurement (cont'd)

Investments in debt instruments (cont'd)

- *FVPL* : Investments in debt instruments that are held for trading as well as those that do not meet the criteria for classification as amortised cost or FVOCI are classified as FVPL. Movement in fair values and interest income is recognised in profit or loss in the period in which it arises and presented in "other gains and losses". SFRS(I) 9.4.1.4

Investments in equity instruments

The Group subsequently measures all its investments in equity instruments, including listed and unlisted equity securities, at their fair values. Such equity investments are classified as FVPL with movements in their fair values recognised in profit or loss in the period in which the changes arise and presented in "other gains and losses", except for those equity securities which are not held for trading. The Group has elected to recognise changes in fair value of equity securities not held for trading in other comprehensive income as these are strategic investments and the Group considers this to be more relevant. Movements in fair values of investments classified as FVOCI are presented as "fair value gains or losses" in other comprehensive income. Dividends from equity investments are recognised in profit or loss as dividend income within "other income". SFRS(I) 9.4.1.4 SFRS(I) 9.5.7.5 SFRS(I) 9.5.7.6 SFRS(I) 9.5.7.1A

(iii) Trade and other receivables

Trade receivables are recognised initially at the amount of consideration that is unconditional 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 a third party, if the trade receivables do not contain a significant financing component. Other receivables generally arise from transactions outside the normal operating activities of the Group. Trade and other receivables are subsequently measured at amortised cost using the effective interest method, less loss allowance. SFRS(I) 7.21

(iv) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset. SFRS(I) 9.3.1.2

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received. SFRS(I) 9.3.2.3,4 SFRS(I) 9.3.2.17

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVOCI, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVOCI, the cumulative gain or loss previously accumulated in the fair value reserve is not reclassified to profit or loss, but is transferred to retained earnings. SFRS(I) 9.5.7.10 SFRS(I) 9.B5.7.1

Trade receivables that are factored out to banks and other financial institutions with recourse to the Group 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 is recorded as borrowings. SFRS(I) 9.3.2.6

2(e) Significant accounting policies (cont'd)

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses ("ECL") on investments in debt instruments that are measured at amortised cost or at FVOCI, finance lease receivables, contract assets, as well as on loan commitments and financial guarantee contracts (if any). No impairment loss is recognised for investments in equity instruments. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. SFRS(I) 7.35F

The Group always recognises lifetime ECL for trade receivables, contract assets and finance lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. SFRS(I) 9.5.5.15

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring. SFRS(I) 9.5.5.17 SFRS(I) 9.5.2.2

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within twelve months after the reporting date. SFRS(I) 9.App.A

<u>(i) Significant increase in credit risk</u>

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations, namely real estate, industrial construction and engineering materials. SFRS(I) 7.35F.a SFRS(I) 7.35G.b

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition: SFRS(I) 7.35F.a SFRS(I) 7.35G.a.ii

- actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating; SFRS(I) 9.5.5.17
- significant deterioration in external market indicators of credit risk for a particular financial instrument (e.g. significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost);
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor; and
- actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise. SFRS(I) 9.5.5.11

2(e) Significant accounting policies (cont'd)

Impairment of financial assets (cont'd)

(i) Significant increase in credit risk (cont'd)

Despite the aforegoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if (i) the financial instrument has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a financial asset to have low credit risk when it has an external (if any) or internal credit rating of "investment grade" as per globally understood definition. SFRS(I) 7.35F.a.i

For loan commitments and financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition, (i) for a loan commitment, the Group considers changes in the risk of a default occurring on the loan to which a loan commitment relates; (ii) for financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract. SFRS(I) 9.5.5.6

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due. SFRS(I) 9.5.5.17

(ii) Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that the receivables which meet either of the following criteria are generally not recoverable. SFRS(I) 7.35F.b

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate. SFRS(I) 9.B5.5.37

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events: SFRS(I) 7.35F.d SFRS(I) 7.35G.a.iii

SFRS(I) 9.App.A

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery (e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings), or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss. SFRS(I) 7.35F.e

2(e) Significant accounting policies (cont'd)

Impairment of financial assets (cont'd)

(v) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for loan commitments and financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information. SFRS(I) 7.35G.a

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. For finance lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the finance lease receivable in accordance with SFRS(I) 16 *Leases*. SFRS(I) 9.B5.5.29 SFRS(I) 9.B5.5.34

For a financial guarantee contract, as the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party. SFRS(I) 9.B5.5.32

For undrawn loan commitments, the expected credit loss is the present value of the difference between the contractual cash flows that are due to the Group if the holder of the loan commitment draws down the loan, and the cash flows that the Group expects to receive if the loan is drawn down. SFRS(I) 9.B5.5.31

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis: SFRS(I) 7.35F.c SFRS(I) 7.35G.a

- nature of financial instruments (i.e. the Group's trade and other receivables, finance lease receivables and amounts due from customers are each assessed as a separate group, while loans to related parties are assessed for expected credit losses on an individual basis); SFRS(I) 9.B5.5.5
- past-due status;
- nature, size and industry of debtors;
- nature of collaterals for finance lease receivables; and
- external credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics. SFRS(I) 9.B5.5.6

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date. SFRS(I) 9.5.5.7

2I Significant accounting policies (cont'd)

Debt and equity instruments SFRS(I) 7.21

(i) Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. SFRS(I) 1-32.15

(ii) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs. SFRS(I) 1-32.16

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments. SFRS(I) 1-32.27.a,b

(iii) Compound instruments

The component parts of compound instruments (convertible notes) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument. SFRS(I) 1-32.28,29

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date. SFRS(I) 1-32.32

A conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium or other class of equity. Where the conversion option remains unexercised at the maturity date of the convertible notes, the balance recognised in equity will be transferred to retained profits or other reserve account. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option. SFRS(I) 1-32.31

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible notes using the effective interest method. SFRS(I) 1-32.38

Financial liabilities

All financial liabilities are initially recognised at fair value plus, in the case of a financial liability not at FVPL, transaction costs that are directly attributable to the issue of the financial liability, and are subsequently measured at amortised cost using the effective interest method or at FVPL. SFRS(I) 9.4.2.1

Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, financial guarantee contracts issued by the Group, and commitments issued by the Group to provide a loan at below-market interest rate are measured in accordance with the specific accounting policies as set out below. SFRS(I) 9.4.2.1 SFRS(I) 9.4.2.2

2(e) Significant accounting policies (cont'd)

Financial liabilities (cont'd)

(i) Financial liabilities at amortised cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVPL, are subsequently measured at amortised cost using the effective interest method. Financial liabilities at amortised cost mainly include trade and other payables, borrowings and lease liabilities. SFRS(I) 9.4.2.1

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability. SFRS(I) 9.5.4.1

(ii) Financial liabilities at FVPL

Financial liabilities are classified as at FVPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which SFRS(I) 3 applies, (ii) held for trading, or (iii) it is designated as at FVPL. SFRS(I) 9.4.2.2

A financial liability is classified as held for trading if: SFRS(I) 9.App.A

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVPL upon initial recognition if: SFRS(I) 9.4.2.2

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and SFRS(I) 9 permits the entire combined contract to be designated as at FVPL.

Financial liabilities at FVPL are stated at fair value with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liabilities and is included in the "other gains and losses" line item. SFRS(I0 7.B5.e

However, for financial liabilities that are designated as at FVPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability. SFRS(I) 9.B5.7.5-9

Gains or losses on financial guarantee contracts and loan commitments issued by the Group that are designated by the group as at fair value through profit or loss are recognised in profit or loss. SFRS(I) 9.B3.3.7

2(e) Significant accounting policies (cont'd)

Financial liabilities (cont'd)

(iii) Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. They are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest method. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities. SFRS(I) 7.21 SFRS(I) 9.5.1.1

(iv) Financial guarantee contracts

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 payments when due in accordance with the terms of a debt instrument. SFRS(I) 9.4.2.1.c SFRS(I) 9.5.1.1

Financial guarantee contracts issued by a group entity are initially measured at their fair values and, if not designated as at FVPL and do not arise from a transfer of a financial asset, are subsequently measured at the higher of: SFRS(I) 9.B2.5

- the amount of the loss allowance determined in accordance with SFRS(I) 9; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

(v) Loan commitments

Commitments to provide a loan at a below-market interest rate are initially measured at their fair values and, if not designated as at FVPL, are subsequently measured at the higher of: SFRS(I) 9.B2.5

- the amount of the loss allowance determined in accordance with SFRS(I) 9; and
- the amount initially recognised less, where appropriate, cumulative amount of income recognised in accordance with the revenue recognition policies.

(vi) Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss. SFRS(I) 9.3.3.1

Guidance Notes – Financial guarantee contracts

Definition of financial guarantee

A financial guarantee 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 original or modified terms of a debt instrument. Where the financial guarantee is given with respect to a banking facility, that facility must be drawn down before the definition of financial guarantee is met as a debt (or debtor) only comes into existence upon draw-down. SFRS(I) 9.App.A

The Company has issued corporate guarantees to banks for bank borrowings of its subsidiaries. These guarantees are financial guarantees 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. Intra-Group transactions are eliminated on consolidation.

Financial guarantee for associates and joint ventures

Where the entity has issued financial guarantees to banks for bank borrowings of its associates and joint ventures, these financial guarantees shall be recognised in both the entity's separate and consolidated financial statements as these transactions will not be fully eliminated on equity accounting or proportionate consolidation. The relevant disclosures under SFRS(I) 1-24 shall also be made. SFRS(I) 1-24.21

Where a subsidiary has issued corporate guarantees to banks for borrowings of third parties, such financial guarantees are similarly accounted for in the Group's consolidated financial statements.

2(e) Significant accounting policies (cont'd)

Borrowings

Borrowings which are due to be settled within twelve months after the end of the reporting period are included in current borrowings in the statement of financial position even though the original terms were 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 the reporting period. Borrowings to be settled within the Company's and the Group's normal operating cycle are classified as current. 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. SFRS(I) 1-1.69

Fees paid on the establishment of borrowing facilities are recognised as transaction costs of the borrowing to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates. SFRS(I) 9.B5.4.2

(i) Bank borrowings

Bank borrowings are recognised initially at the fair value of proceeds received less attributable transaction costs, if any. Bank 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 bank 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. SFRS(I) 9.5.1.1

Bank borrowings are derecognised when the obligation is discharged, cancelled or expired. The difference between the carrying amount and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss. SFRS(I) 9.3.3.3

When the contractual cash flows of bank borrowings are modified but do not result in derecognition, difference between the recalculated gross carrying amount and the carrying amount before modification is recognised in profit or loss as modification gain or loss, at the date of modification. SFRS(I) 9.5.4.3

(ii) Redeemable preference shares

Preference shares which are mandatorily redeemable on a specific date and carry non-discretionary dividend obligations are classified as financial liabilities. The dividends on these preference shares are recognised as interest expense within "finance costs". SFRS(I) 1-32.18.a SFRS(I) 1-32.36

(iii) Convertible bonds

The total proceeds from convertible bonds issued are allocated to the liability component and the equity component, which are separately presented on the statement of financial position. SFRS(I) 1-32.28

The liability component is recognised initially at its fair value, determined using a market interest rate for equivalent non-convertible bonds. It is subsequently carried at amortised cost using the effective interest method until the liability is extinguished on conversion or redemption of the bonds. SFRS(I) 1-32.AG31

The difference between the total proceeds and the liability component is allocated to the conversion option (equity component), which is presented in equity net of any deferred tax effect. The carrying amount of the conversion option is not adjusted in subsequent periods. When the conversion option is exercised, its carrying amount is transferred to the share capital. When the conversion option lapses, its carrying amount is transferred to retained earnings. SFRS(I) 1-32.31 SFRS(I) 1-32.AG32

Guidance Notes – Borrowings

Current / Non-current classification

When an entity breaches a provision of a long-term loan agreement on or before the reporting date with the effect that the liability becomes payable on demand, the liability is classified as current, even if the lender has agreed, after the reporting date and before the authorisation of the financial statements for issue, not to demand payment as a consequence of the breach. The liability is classified as current because, at the reporting date, the entity does not have an unconditional right to defer its settlement for at least twelve months after the date. SFRS(I) 1-1.74

Where the entity expects, and has the discretion, to re-finance or roll over an obligation for at least twelve months after the reporting date under an existing loan facility with the same lender, on the same or similar terms, the liability is classified as non-current. SFRS(I) 1-1.73

Modification of contractual cash flows

When the contractual cash flows of a financial instrument is modified and does not result in derecognition, differences between the recalculated gross carrying amount and the carrying amount before modification is recognised in profit or loss as modification gain or loss, at the date of modification. SFRS(I) 9.5.4.3

Preference shares classification

Preference shares that are redeemable on a specific date or at the option of the shareholder, or carry non-discretionary dividend obligations, shall be classified as liabilities. As for non-redeemable preference shares, their terms and conditions shall be critically evaluated using the criteria in SFRS(I) 1-32 to determine whether they shall be classified as a liabilities or equity. SFRS(I) 1-32.15,16 SFRS(I) 1-32.18.a

2(e) Significant accounting policies (cont'd)

Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method except for those costs that are directly attributable to the construction or development of properties and assets under construction. This includes those costs on borrowings acquired specifically for the construction or development of properties and assets under construction, as well as those in relation to general borrowings used to finance the construction or development of properties and assets under construction. SFRS(I) 1-23.8 SFRS(I) 1-23.12

The actual borrowing costs incurred during the period up to the issuance of the temporary occupation permit less any investment income on temporary investment of these borrowings, are capitalised in the cost of the property under development. Borrowing costs on general borrowings are capitalised by applying a capitalisation rate to construction or development expenditures that are financed by general borrowings. SFRS(I) 1-23.14

Guidance Notes – Borrowing costs

Capitalisation of general borrowing costs

Where funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the borrowing costs eligible for capitalisation can be determined by applying a capitalisation rate to be expenditure on that asset. The capitalisation rate should be the weighted average of the borrowing costs applicable to all borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs capitalised during a period should not exceed the amount of borrowing costs incurred during the period. SFRS(I) 1-23.14

Amendments to SFRS(I) 1-23 clarifies that if a specific borrowing remains outstanding when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete, the specific borrowing becomes part of the general borrowings. These amendments are effective for annual periods beginning on or after 1 January 2019. The entity shall apply those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments.

Capitalisation of borrowing costs in respect of lease liabilities

Borrowing costs may include interest in respect of lease liabilities recognised in accordance with SFRS(I) 16. SFRS(I) 1-23.6.d

2(e) Significant accounting policies (cont'd)

Derivative financial instruments and hedging activities

SFRS(I) 7.21A

A derivative financial instrument is initially recognised at its fair value on the date the contract is entered into and is 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: (i) cash flow hedge; (ii) fair value hedge; or (iii) net investment hedge.

SFRS(I) 9.4.1.4
SFRS(I) 9.5.1.1
SFRS(I) 9.5.2.3

Fair value changes on derivatives that are not designated or do not qualify for hedge accounting are recognised in profit or loss when the changes arise.

SFRS(I) 9.5.1.1
SFRS(I) 9.5.2.1.c

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of SFRS(I) 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVPL. Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of SFRS(I) 9 are not separated. The entire hybrid contract is classified and subsequently measured as either amortised cost or FVPL as appropriate.

SFRS(I) 9.4.3.3

The Group documents at the inception of the transaction the relationship between the hedging instruments and hedged items, as well as its risk management objective and strategies for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis on whether the hedging relationship meets the hedge effectiveness requirements under SFRS(I) 9.

SFRS(I) 9.6.4.1.a,b

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 twelve months, and as a current asset or liability if the remaining expected life of the hedged item is less than twelve months. The fair value of a trading derivative is presented as a current asset or liability.

SFRS(I) 1-1.66,69

The following hedges in placed qualified respectively as cash flow, fair value, and net investment hedges under SFRS(I) 9. The Group's management strategies and hedge documentation are aligned with the requirements of SFRS(I) 9 and are thus treated as continuing hedges.

SFRS(I) 9.6.4.1

<u>(i) Cash flow hedge</u>

(a) Interest rate swaps

The Group has entered into interest rate swaps that are cash flow hedges for the Group's exposure to interest rate risk on its borrowings. These contracts entitle the Group to receive interest at floating rates on notional principal amounts and oblige the Group to pay interest at fixed rates on the same notional principal amounts, thus allowing the Group to raise borrowings at floating rates and swap them into fixed rates.

SFRS(I) 9.6.5.11

The fair value changes on the effective portion of interest rate swaps designated as cash flow hedges are recognised in other comprehensive income, accumulated in the hedging reserve and reclassified to profit or loss when the hedged interest expense on the borrowings is recognised in profit or loss and presented separately in "finance costs". The fair value changes on the ineffective portion of interest rate swaps are recognised immediately in profit or loss.

SFRS(I) 9.6.5.11

2(e) Significant accounting policies (cont'd)

Derivative financial instruments and hedging activities (cont'd)

(i) Cash flow hedge (cont'd)

(b) Currency forwards

The Group has entered into currency forwards that qualify as cash flow hedges against highly probable forecasted transactions in foreign currencies. The fair value changes on the effective portion of the currency forwards designated as cash flow hedges are recognised in other comprehensive income. Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss, as follows SFRS(I) 9.6.5.11

- The gain or loss relating to the effective portion of the spot component of forward contracts is treated as follows: Where the hedged item subsequently results in the recognition of a non-financial asset (such as inventory, property, plant and equipment), the deferred hedging gains and losses are included within the initial cost of the asset. SFRS(I) 9.6.5.11.d.i
- The fair value changes on the ineffective portion of currency forwards are recognised immediately in profit or loss. When a forecasted transaction is no longer expected to occur, the gains and losses that were previously recognised in other comprehensive income are reclassified to profit or loss immediately. SFRS(I) 9.6.5.11.c SFRS(I) 9.6.5.12.b

(ii) Fair value hedge

The firm commitment of contracts entered into with various customers denominated in foreign currencies are designated as the hedged item. The Group uses foreign currency forwards to hedge its exposure to foreign currency risk arising from these contracts. Under the Group's policy, the critical terms of the forward exchange contracts must align with the hedged items. The Group designates the spot component of forward contracts as the hedging instrument. The fair value changes on the hedged item resulting from currency risk are recognised in profit or loss. The fair value changes on the spot of the currency forwards designated as fair value hedges are recognised in profit or loss within the same line item as the fair value changes from the hedged item. The fair value changes on the ineffective portion of currency forwards are recognised in profit or loss and presented separately in "other gains and losses". SFRS(I) 9.6.5.8

(iii) Net investment hedge

The Group has foreign currency borrowings that qualify as net investment hedges of foreign operations. These hedging instruments are accounted for similarly to cash flow hedges. The currency translation differences on the borrowings relating to the effective portion of the hedge are recognised in other comprehensive income in the consolidated financial statements, accumulated in the currency translation reserve and reclassified to profit or loss as part of the gain or loss on disposal of the foreign operation. The currency translation differences relating to the ineffective portion of the hedge are recognised immediately in profit or loss. SFRS(I) 9.6.5.13,14

Guidance Notes – Currency forwards (cash flow hedge) / Fair value hedge / Net investment hedge

The Group is not engaged in any currency forwards (cash flow hedge), fair value hedge and net investment hedge. The above accounting policies are included for illustration purpose only. Illustrative note disclosures about them are included in **Appendix F: Hedge Accounting**.

2(e) 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. Any excess of the proceeds received over the par value of the shares is recorded in share premium. SFRS(I) 1-32.35

When any entity within the Group purchases the Company's ordinary shares ("treasury shares"), the carrying amount which includes the consideration paid and any directly attributable transaction cost is presented as a component within equity attributable to the Company's equity holders, until they are cancelled, sold or reissued. SFRS(I) 1-32.33

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 profits 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 an employee share option scheme, the cost of treasury shares is reversed from the treasury share account and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs and related income tax, is recognised in the capital reserve. SFRS(I) 1-32.33

Dividends to shareholders

Final dividends proposed by the directors are not accounted for in shareholders' equity as an appropriation of retained earnings, 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. SFRS(I) 1-32.35

Interim dividends, if any, 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.

Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. SFRS(I) 1-2.9 SFRS(I) 1-2.25 SFRS(I) 1-2.36.a

Cost may also include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of inventories. SFRS(I) 9.B6.5.34

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale. SFRS(I) 1-2.7

Guidance Notes – Cost of inventories

Costs include all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. SFRS(I) 1-2.10-18

Costs of purchase comprise the purchase price, import duties and other taxes (other than those subsequently recoverable by the entity from the taxing authorities), and transport, handling and other costs directly attributable to the acquisition of finished goods, materials and services. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase. SFRS(I) 1-2.11

Other costs are included in the cost of inventories only to the extent that they are incurred in bringing the inventories to their present location and condition. For example, it may be appropriate to include non-production overheads or the costs of designing products for specific customers in the cost of inventories. SFRS(I) 1-2.15,16

Where applicable, costs of inventories may include borrowing costs if inventories are assessed to be qualifying assets. SFRS(I) 1-23.7

2(e) Significant accounting policies (cont'd)

Development properties

Development properties comprise properties under construction and completed properties for sale in the ordinary course of business, rather than for own use, rental or capital appreciation. Development properties are measured at the lower of cost and estimated net realisable value ("NRV"). SFRS(I) 1-2.36.a SFRS(I) 1-40.75.c SFRS(I) 1-2.6,9,21

Cost of development properties include: SFRS(I) 1-2.10
- land cost;
- amounts paid to contractors for construction works; and
- borrowing costs, planning and design costs, costs of site preparation, professional fees, property sale taxes, development overheads and other related costs.

Lands held for future development and costs incurred for future development where no significant development has been undertaken are stated at cost less impairment loss (if any). SFRS(I) 1-2.36.a

NRV in respect of development property under construction is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete the development and the estimated costs necessary to make the sale, taking into account the time value of money, if material. SFRS(I) 1-2.6

NRV for completed development properties for sale is assessed by reference to market conditions and prices existing at the reporting date and is determined based on comparable transactions identified for property in the same geographical market serving the same real estate segment. SFRS(I) 1-2.6

Cost of sale of development properties recognised in profit or loss are determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs based on the relative size of the property sold. SFRS(I) 1-2.10, 21

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

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. SFRS(I) 5.6,15 SFRS(I) 5.1,25 SFRS(I) 5.20 SFRS(I) 5.22

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held-for-sale and: SFRS(I) 5.32
(a) represents a separate major line of business or geographical area of operations;
(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.

2(e) Significant accounting policies (cont'd)

Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost. SFRS(I) 1-37.14 SFRS(I) 1-37.45,47

Warranty

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities. SFRS(I) 1-37.39

Restructuring

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for. SFRS(I) 1-37.72

Legal claims

A provision for legal claims is recognised when there is a past obligating event that gives rise to the litigation. The provision is based on the anticipated compensation and any incremental costs that are directly related to the settlement of the legal claim when they are deemed probable and reasonably estimable, including lawyers' and experts' fees. SFRS(I) 1-37.16

Restoration

A provision for restoration is recognised when the Group is legally obligated to dismantle physical installations and to restore to its original state a property owned by external parties following decommissioning of the Group's operating facilities at the property. The costs of dismantling and restoration are capitalised as part of the Group's acquisition costs of the installations and are depreciated over their useful lives. The provision is initially recognised as the present value of the aggregate future costs. Changes in the estimated timing or amount of the expenditure or discount rate for asset dismantlement and restoration costs are adjusted against the cost of the related installations, unless the decrease in the provision exceeds the carrying amount of the asset or the asset has reached the end of its useful life. In such a case, the excess of the decrease over the carrying amount of the asset, or the changes in the provision, is recognised in profit or loss immediately. SFRS(I) 1-37.38 SFRS(I) 1-37.45

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract. SFRS(I) 1-37.10 SFRS(I) 1-37.66,68

Guidance Notes – Provision for restoration and onerous contracts

The Group has not made any provision for restoration and onerous contracts. The above accounting policies are included for illustration purpose only.

2(e) Significant accounting policies (cont'd)

Income taxes

Income tax expense represents the sum of the tax currently payable and deferred tax. SFRS(I) 1-12.77

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and subsidiaries operate by the end of the reporting period. SFRS(I) 1-12.5

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. SFRS(I) 1-12.15 SFRS(I) 1-12.24

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future. SFRS(I) 1-12.39 SFRS(I) 1-12.44

The carrying amount of deferred tax assets is reviewed as at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. SFRS(I) 1-12.56

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Except for investment properties measured using the fair value model, the measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. SFRS(I) 1-12.58.a SFRS(I) 1-12.47

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model of the Group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The Group has not rebutted the presumption that the carrying amount of the investment properties will be recovered entirely through sale. SFRS(I) 1-12.51C

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 they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis. SFRS(I) 1-12.71.a,b

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity, respectively), or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost. SFRS(I) 1-12.58 SFRS(I) 1-12.61A

2(e) Significant accounting policies (cont'd)

Revenue

The Group recognises revenue from the following major sources: SFRS(I) 15.110,111

(i) sale of completed development properties and development properties under construction;
(ii) rental income from investment properties;
(iii) construction of industrial assets;
(iv) rendering of maintenance service;
(v) sale of engineering materials; and
(vi) hotel operations (discontinued operations)

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or extending a service to the customer, which is when the customer obtains control of the good or derived benefits from the usage of the service. A performance obligation may be satisfied at a point in time or over time. If a performance obligation is satisfied over time, the revenue is recognised based on the percentage of completion reflecting the progress towards complete satisfaction of that performance obligation. The amount of revenue recognised is the amount allocated to the satisfied performance obligation. Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. SFRS(I) 15.119 SFRS(I) 15.126 SFRS(I) 15.124 SFRS(I) 15.125

(i) Sale of completed development properties and development properties under construction

The Group constructs and sells residential properties under long-term contracts with customers.

Under the terms of the contracts for sale of residential properties in Singapore, the Group is contractually restricted from redirecting the properties to another customer and has an enforceable right to payment for work done. Revenue is recognised based on the percentage of completion of construction. The percentage of completion is measured by reference to certifications of the value of work performed to date as compared to the estimated total construction costs of the development projects as approved by the Group. The Group considers that this method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under SFRS(I) 15. Profits are recognised only in respect of finalised sales contracts to the extent that such profits relate to the progress of the construction work. SFRS(I) 15.124 SFRS(I) 15.35.c SFRS(I) 15.119 SFRS(I) 15.123 SFRS(I) 15.126

For development properties whereby the Group has no enforceable right to payment until legal title has passed to the customer, revenue is recognised when the legal title has been transferred to the customer. The revenue is measured at the transaction price agreed under the contract. SFRS(I) 15.125 SFRS(I) 15.126

For development properties under construction, the Group becomes entitled to invoice customers for construction of residential properties based on achieving a series of performance-related milestones. When a particular milestone is reached, the customer is sent a relevant statement of work signed by a third party surveyor and an invoice for the related milestone payment. For completed development properties, the Group is entitled to invoice customers in accordance with the payment schedule in the sales contract. SFRS(I) 15.126 SFRS(I) 15.119

The Group will previously have recognised a contract asset for any work performed (for development properties under construction) or for any revenue recognised (for completed development properties). Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. If the milestone payment exceeds the revenue recognised to date, the Group recognises a contract liability for the difference. When the period between the recognition of revenue and payment by the customer exceeds one year, an adjustment is made to the transaction price for the time value of money. SFRS(I) 15.117 SFRS(I) 15.106 SFRS(I) 15.107

(ii) Rental income from investment properties

The Group leases out its investment properties under operating lease and recognises rental income proportionately over the lease term. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis. Rental payments received in advance are recorded as unearned income and amortised proportionately over the lease term using the straight-line method. Deposits received from tenants are recorded as part of other current liabilities. SFRS(I) 16.81-83

2(e) Significant accounting policies (cont'd)

Revenue (cont'd)

(iii) Construction of industrial assets

The Group constructs industrial assets for customers through fixed-price contracts. Contract revenue is recognised when the Group's performance creates or enhance an asset that the customer controls as the asset is created or enhanced. SFRS(I) 15.35.b

For these contracts, revenue is recognised over time by reference to the Group's progress towards completion of the contract. The measure of progress is determined based on the proportion of contract costs incurred to date to the estimated total contract costs ("input method"). Costs incurred that are not related to the contract or that do not contribute towards satisfying a performance obligation are excluded from the measure of progress and instead are expensed as incurred. SFRS(I) 15.119 SFRS(I) 15.124

In some circumstances such as in the early stages of a contract where the Group may not be able to reasonably measure its progress but expects to recover the contract costs incurred, contract revenue is recognised only to the extent of the contract costs incurred until such time when the Group can reasonably measure its progress. SFRS(I) 15.123 SFRS(I) 15.127

Contract modifications that do not add distinct goods or services are accounted for as a continuation of the original contract and the change is recognised as a cumulative adjustment to revenue at the date of modification. SFRS(I) 15.18 SFRS(I) 15.21

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in the profit or loss in the period in which the circumstances that give rise to the revision become known by the Group. SFRS(I) 15.119

The period between the transfer of the promised services and customer payment may exceed one year. For such contracts, there is no significant financing component present as the payment terms is an industry practice to protect the customers from the performing entity's failure to adequately complete some or all of its obligations under the contract. As a consequence, the Group does not adjust any of the transaction prices for the time value of money. SFRS(I) 15.126 SFRS(I) 15.123

The customer is invoiced on a milestone payment schedule. If the value of the goods transferred by the Group exceed the payments, a contract asset is recognised. If the payments exceed the value of the goods transferred, a contract liability is recognised. SFRS(I) 15.119 SFRS(I) 15.106 SFRS(I) 15.107

For costs incurred in fulfilling the contract which are within the scope of another SFRS(I) (e.g. inventories), these have been accounted for in accordance with those other SFRS(I). If these are not within the scope of another SFRS(I), the Group will capitalise these as contract costs asset only if (a) these cost relate directly to a contract or an anticipated contract which the Group can specifically identify; (b) these cost generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and (c) these costs are expected to be recovered. Otherwise, such costs are recognised as an expense immediately. SFRS(I) 15.95 SFRS(I) 15.97,98

Capitalised contract costs are subsequently amortised on a systematic basis as the Group recognises the related revenue over time. An impairment loss is recognised in the profit or loss to the extent that the carrying amount of capitalised contract costs exceeds the expected remaining consideration less any directly related costs not yet recognised as expenses. SFRS(I) 15.127 SFRS(I) 15.99

(iv) Rendering of maintenance services

The Group provides maintenance services for the industrial assets after they are delivered to the customers. Such services are recognised as a performance obligation satisfied over time. Revenue recognised for these services is based on the stage of completion of the maintenance contract. The Group has assessed that the stage of completion determined as the proportion of the total service period that has elapsed as at the end of the reporting period is an appropriate measure of progress towards complete satisfaction of these performance obligations under SFRS(I) 15. Payment for these services are due in accordance with payment schedule in the maintenance contract on a straight-line basis over the term of the contract. SFRS(I) 15.35.a SFRS(I) 15.124 SFRS(I) 15.123 SFRS(I) 15.119 SFRS(I) 15.126

2(e) Significant accounting policies (cont'd)

Revenue (cont'd)

(v) Sale of engineering materials

Revenue from sale of engineering materials is recognised at a point in time when the Group has delivered the product to the customer and the customer has accepted the product. SFRS(I) 15.125

For sale of certain products with no alternative use to the Group, the Group has assessed at contract inception that it does not have an enforceable right to payment for performance completed to date in relation to such goods. SFRS(I) 15.35.c SFRS(I) 15.123

For such goods, the customer is invoiced on a milestone payment schedule. If the value of the goods transferred by the Group exceed the payments, a contract asset is recognised. If the payments exceed the value of the goods transferred, a contract liability is recognised. SFRS(I) 15.117 SFRS(I) 15.119

(vi) Hotel operations (discontinued operations)

Revenue from operations of a hotel is recognised from the following major sources: hotel stays, valet parking services and sales of food and beverages.

Provision of hotel stays and valet parking services are recognised as performance obligations satisfied over time. Progress towards complete satisfaction of these performance obligations is measured based on the proportion of the total duration of stay that has elapsed at the end of the reporting period. Payment for hotel stays and valet parking services sold to corporates are due from the customer at the end of the duration of stay. Payment for such services sold to individual customers are due from the customer prior to the stay. A contract asset is recognised for time which has elapsed representing the Group's right to consideration for the services performed to date, except for short durations of service where the effect would be immaterial. SFRS(I) 15.124 SFRS(I) 15.35.a SFRS(I) 15.119 SFRS(I) 15.107

Revenue from sales of food and beverages are recognised when control of the goods has been transferred, being at the point in time when the food and beverages are consumed. This is also the point where the Group is entitled to payment. SFRS(I) 15.125 SFRS(I) 15.119

The Group sells hotel packages to customers. The hotel packages offer combined goods and services. These goods and services are considered distinct as they are regularly supplied by the Group to customers on a stand-alone basis. These are therefore accounted for as separate performance obligations. In this case, the transaction price will be allocated to each performance obligation based on their stand-alone selling prices. Payment of the transaction price is due immediately when the customer purchases the hotel package. SFRS(I) 15.119 SFRS(I) 15.126

(vii) Dividend income

Dividend income is recognised when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Group, and the amount of the dividend can be reliably measured. SFRS(I) 9.5.7.1A

(viii) Interest income

Interest income from financial assets at amortised cost and FVOCI is recognised using the effective interest rate method. Interest income from financial assets at FVPL is included as part of the net fair value gains or losses in "Other gains and losses". SFRS(I) 15.5 SFRS(I) 9.5.4.1

2(e) Significant accounting policies (cont'd)

Contract assets

Where revenue recognised for a customer contract exceeds the amount received or receivable from a customer, a contract asset is recognised. Contract assets arise from the Group's principal activities in sale of development properties and construction of industrial assets. Contract assets are transferred to trade receivables when the consideration for performance obligations are billed. Contract assets are included in current assets as they are expected to be realised in the normal operating cycle. Contract assets are subject to impairment review for credit risk in accordance with the expected credit loss model. SFRS(I) 15.105 SFRS(I) 15.107 SFRS(I) 15.108

Contract liabilities

Where the amounts received or receivable from customers exceed the revenues recognised for contracts, contract liabilities are recognised in the statement of financial position. Contract assets arise from the Group's principal activities in sale of development properties and construction of industrial assets. Contract liabilities are recognised as revenues when services are provided to customers. SFRS(I) 15.105 SFRS(I) 15.106

Contract costs

Sales commission and the incremental costs directly attributable to obtaining and fulfilling a customer's contract are capitalised in the statement of financial position and amortised as operating expenses over the contract period or expected customer relationship period. SFRS(I) 15.91

Guidance Notes – Revenue

Performance obligations

SFRS(I) 15.119 sets out the disclosures required about an entity's performance obligations in contracts with customers, including a description of all of the following: SFRS(I) 15.119

(a) when the entity typically satisfies its performance obligations (e.g. upon shipment, upon delivery, as services are rendered or upon completion of service), including when performance obligations are satisfied in a bill-and-hold arrangement;
(b) the significant payment terms (e.g. when payment is typically due, whether the contract has a significant financing component, whether the consideration amount is variable and whether the estimate of variable consideration is typically constrained);
(c) the nature of the goods or services that the entity has promised to transfer, highlighting any performance obligations to arrange for another party to transfer goods or services (i.e. if the entity is acting as an agent);
(d) obligations for returns, refunds and other similar obligations; and
(e) types of warranties and related obligations.

Bill-and-hold – illustrative accounting policy

"In some bill-and-hold arrangements, even though the Group has not yet delivered the goods to the customer, it has satisfied its performance obligation as control of the good has been transferred to the customer, and all of the following criteria are met: SFRS(I) 15.B79-B82
(a) the reason for the bill-and-hold arrangement is substantive;
(b) the product is identified separately as belonging to the customer;
(c) the product currently is ready for physical transfer to the customer; and
(d) the Group does not have the ability to use the good or to direct it to another customer."

Consignment – illustrative accounting policy

"In some consignment arrangements, although the good has been delivered to the customer, the Group retains control of the good and satisfies its performance obligation only upon the sale of the good to the end-customer of the customer." SFRS(I) 15.B77,B78

Acting as agent – illustrative accounting policy

"The Group acts as an agent to provide a service of arranging on behalf of the principal to transfer goods to the customer. The Group recognises a commission fee, being the amount of consideration that the Group retains after paying the principal the consideration received in exchange for the goods or services provided by the principal." SFRS(I) 15.B34-B38

Guidance Notes – Revenue (cont'd)

Volume discount – illustrative accounting policy

"Volume discounts are given by the Group to customers who order goods in bulk purchases. Such volume discounts are accounted for by the Group as consideration payable to customers and are netted against revenue recognised on those goods sold." SFRS(I) 15.51

Contract modification – illustrative accounting policy

Entities with contract modifications should account for contract modifications as follows: SFRS(I) 15.18-21

- Contract modifications that add distinct goods or services at their standalone selling prices are accounted for as separate contracts.
- Contract modifications that add distinct goods or services, but not at their standalone selling prices, are accounted for as continuation of existing contract. The entity combines the remaining consideration in the original contract with the consideration promised in the modification to create a new transaction price that is then allocated to all remaining performance obligations.
- Contract modifications that do not add distinct goods or services are accounted for as a continuation of the original contract and the change is recognised as a cumulative adjustment to revenue at the date of modification.

"The Group accounts for modifications to the scope or price of a contract as separate contracts if the modification adds distinct goods or services at their stand-alone selling prices. For contract modifications that add distinct goods or services but not at their stand-alone selling prices, the Group combines the remaining consideration in the original contract with the consideration promised in the modification to create a new transaction price that is then allocated to all remaining performance obligations to be satisfied. For contract modifications that do not add distinct goods or services, the Group accounts for the modification as a continuation of the original contract and recognises a cumulative adjustment to revenue at the date of modification."

Significant financing component – illustrative accounting policy

For entities with significant financing component in its contracts with customers, the following disclosure shall be included: SFRS(I) 15.60-65

"Where the period between the satisfaction of a performance obligation and payment by the customer exceeds a year, the Group adjusts the transaction price with its customer and recognises a financing component. In adjusting for the financing component, the Group uses a discount rate that would reflect that of a separate financing transaction between the Group and its customer at contract inception."

Practical expedient on significant financing component

As a practical expedient, an entity need not adjust the promised amount of consideration for the effects of a significant financing component if the entity expects, at contract inception, that the period between when the entity transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less. When this practical expedient is applied, the entity shall disclose that fact, as illustrated below: SFRS(I) 15.63 SFRS(I) 15.129

"The Group has elected to apply the practical expedient not to adjust the transaction price for the existence of significant financing component when the period between the transfer of control of good to a customer and the payment date is one year or less."

Assurance-type warranty – illustrative accounting policy

An 'assurance warranty' is a warranty that only covers the compliance of a product with agreed-on specifications. A 'service warranty' provides the customer with a service in addition to the assurance that the product complies with agreed-on specifications. Service warranties are accounted for as separate performance obligations and the entity allocates a portion of the transaction price to that performance obligation. SFRS(I) 15.119.e SFRS(I) 15.B28-B33

"Goods sold by the Group comes with a standard warranty term of two years, with the option to extend for another two years for an additional consideration at the time of purchase of the goods. The Group accounts for a service-type warranty as a separate performance obligation to which the Group allocates a portion of the transaction price. The Group's obligation to provide repair services under the standard warranty terms is recognised as a provision. The additional consideration received for extended warranty is first recognised as a contract liability, and then is subsequently realised as revenue on a straight-line basis over the extended warranty period."

Returns and refunds – illustrative accounting policy

"Certain customers have the right to return the goods to the Group within 3 months if the customers are dissatisfied with the goods. For contracts that permit the customer to return an item, revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. Therefore, the amount of revenue recognised is adjusted for expected returns, which are estimated based on the historical returns data for each specific type of goods. The Group recognises refund liabilities for the expected returns from customers. Separately, the Group recognises related assets for the rights to recover the returned goods, measured by reference to the previous carrying amounts of the goods less expected recovery costs (including potential decreases in the value of returned goods). The Group reviews its estimate of expected returns at each reporting date and updates the amounts of the assets and liabilities accordingly." SFRS(I) 15.51 SFRS(I) 15.55 SFRS(I) 15.B20–B27

(N.B. A refund liability is typically associated with a right-of-return asset. However, there are also situations where there is a refund liability without any corresponding right-of-return asset. For example, in the provision of services.) SFRS(I) 15.55

2(e) Significant accounting policies (cont'd)

Employee benefits

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset. SFRS(I) 1-19.11.b

(i) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. SFRS(I) 1-19.8

(ii) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for unutilised annual leave as a result of services rendered by employees up to the reporting date. SFRS(I) 1-19.16

(iii) Termination benefits

Termination benefits are those benefits which are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the Group recognises costs for a restructuring that is within the scope of SFRS(I) 1-37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than twelve months after the end of the reporting period are discounted to their present value. SFRS(I) 1-19.159 SFRS(I) 1-19.165 SFRS(I) 1-19.169.b

Share-based payments

Equity-settled share-based payments are measured at fair value of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of equity instruments that will eventually vest. As at each reporting date, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled share option reserve. SFRS(I) 2-10 SFRS(I) 2-19,20 SFRS(I) 2-27

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 the share capital account, when new ordinary shares are issued, or to the "treasury shares" account, when treasury shares are re-issued to the employees. SFRS(I) 2-25

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the Group obtains the goods or the counterparty renders the service. SFRS(I) 2-14

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair of the liability. As at each reporting date until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year. SFRS(I) 2-30

Guidance Notes – Cash-settled share-based payments

The Group has not issued any cash-settled share-based payments. The above accounting policy is included for illustration purpose only.

2(e) Significant accounting policies (cont'd)

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual reporting period to the net defined benefit liability (asset).

SFRS(I) 1-19.8
SFRS(I) 1-19.57
SFRS(I) 1-19.123
SFRS(I) 1-19.124

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realisable during the life of the plan, or on settlement of the plan liabilities.

SFRS(I) 1-19.64
SFRS(I) 1-19.67

Remeasurements of the net defined benefit liability comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Group recognises them immediately in OCI. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual reporting period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

SFRS(I) 1-19.122
SFRS(I) 1-19.127
SFRS(I) 1-19.128
SFRS(I) 1-19.129
SFRS(I) 1-19.130

When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised immediately in profit or loss when the plan amendment or curtailment occurs.

SFRS(I) 1-19.103

The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs. The gain or loss on settlement is the difference between the present value of the defined benefit obligation being settled as determined on the date of settlement and the settlement price, including any plan assets transferred and any payments made directly by the Group in connection with the settlement.

SFRS(I) 1-19.109
SFRS(I) 1-19.110

Guidance Notes – Defined benefit plans

The Group does not have any defined benefit plans. The above accounting policy is included for illustration purpose only. An illustrative note disclosure is included in **Appendix G: Defined Benefit Plans**.

2(e) Significant accounting policies (cont'd)

Related parties

A related party is defined as follows: SFRS(I) 1-24.9

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

- (i) has control or joint control over the Company;
- (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:

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

Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Group and the Company. Directors and certain senior managerial personnel are considered key management personnel. SFRS(I) 1-24.9

Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts (if any). Bank overdrafts (if any) are included within borrowings in current liabilities in the statement of financial position. SFRS(I) 1-7.6,8 SFRS(I) 1-7.46

Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. The Group determines and presents operating segments based on information that is provided internally to the Chief Executive Officer, who is the Group's chief operating decision maker. All operating segments' operating results are reviewed regularly by the Group's Chief Executive Officer to make decision about resources to be allocated to the segments and assess its performance, and for which discrete financial information is available. SFRS(I) 8.5.b

2(e) Significant accounting policies (cont'd)

Contingencies

A contingent liability is: SFRS(I) 1-37.10

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

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. SFRS(I) 1-37.10

Contingent liabilities and assets are not recognised in the financial statements, except for contingent liability assumed in a business combination that is a present obligation and for which fair value can be reliably determined. SFRS(I) 1-37.27,31

Government grants

Government grants received are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are shown separately as other income. SFRS(I) 1-20.12

Grants from the government are recognised as a receivable at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions. Government grants relating to assets are deducted against the carrying amount of the assets. SFRS(I) 1-20.7 SFRS(I) 1-20.24

Value-added tax

Revenues, expenses and assets are recognised net of the amount of value-added tax ("VAT"), except where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authorities, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable, and except that trade receivables and trade payables are recorded with the amount of VAT included. The net amount of VAT recoverable from or payable to the taxation authorities are included as part of other receivables or other payables in the statement of financial position. SFRS(I) 15.47

Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted-average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees. SFRS(I) 1-33.10,31

2(e) Significant accounting policies (cont'd)

Fair value measurement

Fair value is 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. SFRS(I) 1-1.112.a SFRS(I) 1-1.117.a,b SFRS(I) 13.9 SFRS(I) 13.16

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its 'highest and best use' or by selling it to another market participant that would use the asset in its 'highest and best use'. SFRS(I) 13.22 SFRS(I) 13.27

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. SFRS(I) 13.16

Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of SFRS(I) 2 *Share-based Payment*, leasing transactions that are within the scope of *SFRS(I) 16 Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in SFRS(I) 1-2 *Inventories* or value-in-use in SFRS(I) 1-36 *Impairment of Assets*. SFRS(I) 13.6

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole: SFRS(I) 13.72

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - Valuation techniques for which the lowest level inputs that are significant to the fair value measurement are directly or indirectly observable; and
- Level 3 - Valuation techniques for which the lowest level inputs that are significant to the fair value measurement are unobservable. SFRS(I) 13.95

3 Intangible assets

	Note	Goodwill $	Patents and licenses $	Development costs $	Total $	
The Group						SFRS(I) 3.B67.d SFRS(I) 1-38.118.c,e
Cost						
At 1 January 2018		80,000	960,000	-	1,040,000	
Currency translation differences						SFRS(I) 1-38.118.e.vii
Additions - Acquired separately						SFRS(I) 1-38.118.e.i
Additions - Internally developed		-	-	30,000	30,000	SFRS(I) 1-38.118.e.i
At 31 December 2018		**80,000**	**960,000**	**30,000**	**1,070,000**	
Currency translation differences						SFRS(I) 1-38.118.e.vii
Disposals						SFRS(I) 1-38.118.e.ii
Transfer to disposal group classified as held-for-sale	19					SFRS(I) 1-38.118.e.ii
Additions - Business combination	7(a)	**20,000**	**40,000**	**-**	**60,000**	SFRS(I) 1-38.118.e.i
At 31 December 2019		**100,000**	**1,000,000**	**30,000**	**1,130,000**	
Accumulated amortisation and impairment						
At 1 January 2018		-	490,000	-	490,000	
Currency translation differences						SFRS(I) 1-38.118.e.vii
Amortisation		-	50,000	10,000	60,000	SFRS(I) 1-38.118.e.vi
Reversal of impairment loss						SFRS(I) 1-38.118.e.v
At 31 December 2018		**-**	**540,000**	**10,000**	**550,000**	
Currency translation differences						SFRS(I) 1-38.118.e.vii
Disposals						SFRS(I) 1-38.118.e.ii
Transfer to disposal group classified as held-for-sale	19					SFRS(I) 1-38.118.e.ii
Amortisation		**-**	**70,000**	**10,000**	**80,000**	SFRS(I) 1-38.118.e.vi
Impairment loss		**20,000**	**-**	**-**	**20,000**	SFRS(I) 1-38.118.e.iv
At 31 December 2019		**20,000**	**610,000**	**20,000**	**650,000**	
Carrying amount						
At 31 December 2019		**80,000**	**390,000**	**10,000**	**480,000**	
At 31 December 2018		80,000	420,000	20,000	520,000	

(i) Goodwill

Goodwill is monitored by management at the level of the operating segments (Note 42). A segment-level summary of the goodwill allocation is presented below: SFRS(I) 1-36.134 SFRS(I) 1-36.134.a

	2019 $	2018 $
The Group		
Real Estate segment - Singapore	**40,000**	60,000
Engineering Materials segment - Singapore	**40,000**	20,000
	80,000	80,000

The Group tests whether goodwill has suffered any impairment on an annual basis. For the 2019 and 2018 reporting periods, the recoverable amount of the cash-generating units ("CGU") is determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. These growth rates are consistent with forecasts included in industry reports specific to the industry in which each CGU operates. SFRS(I) 1-36.134.c,d

The following table sets out the key assumptions for those CGUs that have significant goodwill allocated to them: SFRS(I) 1-36.134.d

	Real Estate segment - Singapore		Engineering Materials segment - Singapore		
	2019	2018	**2019**	2018	
The Group					
Sales volume (% annual growth rate)					SFRS(I) 1-36.134.d.i
Sales price (% annual growth rate)					SFRS(I) 1-36.134.d.i
Budgeted gross profit margin (%)	**40.1%**	56.9%	**28.2%**	26.8%	SFRS(I) 1-36.134.d.i
Annual capital expenditure ($'000)					SFRS(I) 1-36.134.d.i
Long-term growth rate (%)	**1.4%**	2.1%	**1.1%**	1.0%	SFRS(I) 1-36.134.d.iv
Discount rate (%)	**7.6%**	8.5%	**7.1%**	7.9%	SFRS(I) 1-36.134.d.v

4 Intangible assets (cont'd)

(i) Goodwill (cont'd)

Management has determined the values assigned to each of the above key assumptions as follows: SFRS(I) 134.d

Key assumption	Approach	
Sales volume (% annual growth rate)	Average annual growth rate over the five-year forecast period. Based on past performance and management's expectations of market development.	
Sales price (% annual growth rate)	Average annual growth rate over the five-year forecast period. Based on current industry trends and including long-term inflation forecasts for each territory.	
Budgeted gross profit margin (%)	Based on past performance and management's expectations for the future.	
Annual capital expenditure ($'000)	Expected cash costs in the CGUs. Based on the historical experience of management, and the planned refurbishment expenditure. No incremental revenue or cost savings are assumed in the value-in-use model as a result of this expenditure.	
Long-term growth rate (%)	Weighted average growth rate used to extrapolate cash flows beyond the budget period. Consistent with forecasts included in industry reports.	
Discount rate (%)	Reflect specific risks relating to the relevant segments and the countries in which they operate.	SFRS(I) 1-36.55

In 2019, an impairment loss of $20,000 (2018: $nil) is charged to "other expenses" in profit or loss. (3a) This impairment charge in 2019 has arisen from the Real Estate segment (4) in Singapore following a decision to reduce the number of property development projects as a result of declining consumer demand. (1) The Group has also reassessed the useful lives of the property, plant and equipment related to the same business segment and has determined that no change in the useful lives is required. SFRS(I) 1-36.126.a SFRS(I) 1-36.130.a

The impairment test carried as at 31 December 2019 for the Engineering Materials segment in Singapore, which includes goodwill of $40,000 (2018: $20,000) recognised in the statement of financial position, has revealed that the recoverable amount of the CGU is 5% (2018: 13%) higher than its carrying amount. This 'headroom' excess has decreased from previous year due to significant pressure on selling prices and a sharp decrease in demand as a result of the economic crisis in Southeast Asia. A further decrease in the gross profit margin by 3% (2018: 5%) or in the growth rate by 0.5% (2018: 1.3%) will result in the recoverable amount of the Engineering Materials segment in Singapore to be equal to its carrying amount. (2) SFRS(I) 1-36.134.f

(ii) Intangible assets

Intangible assets, comprising patents and licences and development costs, have finite useful lives over which they are amortised. Patents and licences have amortisation periods ranging from 7 to 15 years (2018: 7 to 15 years). Development costs incurred in the Industrial Construction segment are amortised over their estimated useful lives of 3 to 5 years (2018: 3 to 5 years). SFRS(I) 1-38.118.a

The Group owns several patents and licences, in relation to protection of certain design and blueprint of industrial construction works in Singapore and Malaysia, which will be fully amortised on average within the next 7 years (2018: 8 years). SFRS(I) 1-38.122.b

The amortisation of intangible assets is included in the line item of "depreciation and amortisation" in profit or loss. (3b) SFRS(I) 1-38.118.d

Guidance Notes – Intangible assets

Items with nil values

N.B. For illustration purposes, the notes disclosure information throughout these illustrative financial statements have included commonly encountered items with nil values (as highlighted) even though they are not applicable to the Group.

Material impairment loss or reversal thereof

(1) Entities are required to disclose the events and circumstances that led to the recognition of impairment losses. For each material impairment loss recognised or reversed during the period for an individual asset, including goodwill or a cash-generating unit, entities should provide disclosures in accordance to SFRS(I) 1-36 paragraphs 129 to 133. SFRS(I) 1-36.129-133

Effects of reasonably possible changes on impairment key assumptions

(2) If a reasonably possible change in a key assumption on which management has based its determination of the CGU's recoverable amount would cause the CGU's carrying amount to exceed its recoverable amount, the following should be disclosed: SFRS(I) 1-36.134.f
(a) amount by which the CGU's recoverable amount exceeds its carrying amount;
(b) value assigned to the key assumption;
(c) amount by which the value assigned to the key assumption must change in order for the CGU's recoverable amount to be equal to its carrying amount.

Line items in profit or loss that include impairment loss and amortisation

(3a) An entity shall disclose line items of the statement of comprehensive income in which impairment loss or reversal of impairment loss is included. SFRS(I) 1-38.126.a,b

(3b) An entity shall disclose the line items of the statement of comprehensive income in which any amortisation of intangible assets is included, for each class of intangible assets, distinguishing between internally generated intangible assets and other intangible assets. SFRS(I) 1-38.118.d

Segment related impairment information

If a material impairment loss is recognised for an individual asset, then an entity discloses the nature of the asset and if the entity reports segment information in accordance with SFRS(I) 8, then the reportable segment to which the asset belongs. SFRS(I) 1-36.130.c

(4) An entity that reports segment information in accordance with SFRS(I) 8 discloses the amount of the impairment loss recognised or reversed by reportable segment accordance with SFRS(I) 8. SFRS(I) 1-36.130.d.ii

Noteworthy disclosure requirements not illustrated

For recoverable amounts measured at fair value less cost to sell, disclosure of the fair value hierarchy of the fair value measurement and related fair value information under SFRS(I) 13 is required. SFRS(I) 1-38.130.f

If applicable, an entity discloses the amount of impairment losses or reversals of impairment losses on revalued assets recognised in OCI during the period. SFRS(I) 1-38.126.c,d

- For an intangible asset assessed as having an indefinite useful life, the carrying amount of that asset and the reasons supporting the assessment of an indefinite useful life. In giving these reasons, the entity describes the factors that played a significant role in determining that the asset has an indefinite useful life. SFRS(I) 1-38.122
- For intangible assets acquired by way of a government grant and recognised initially at fair value: (i) the fair value recognised initially for these assets; (ii) their carrying amount; and (iii) whether they are measured after recognition under the cost model or the revaluation model.
- Existence and carrying amounts of intangible assets whose title is restricted, and the carrying amounts of intangible assets pledged as security for liabilities.
- Amount of contractual commitments for the acquisition of intangible assets.

In presenting a reconciliation of the carrying amount of intangible assets and goodwill, an entity also discloses, if applicable: SFRS(I) 1-38.118
- assets classified as held for sale or included in a disposal group classified as held for sale in accordance with SFRS(I) 5; SFRS(I) 3.61
- decreases and increases in the carrying amount of intangible assets during the period resulting from impairment losses recognised or reversed in OCI; and SFRS(I) 3.B67.d
- adjustments to goodwill resulting from the recognition of deferred tax assets subsequent to a business combination within measurement period.

If an entity uses the revaluation model to account for intangible assets, then it discloses: SFRS(I) 1-38.124
- effective date of the revaluation for each class of the intangible assets;
- carrying amount of each class of revalued intangible assets;
- carrying amount that would have been recognised had the revalued class of intangible assets been measured after recognition using the cost model; and
- amount of the revaluation surplus that relates to intangible assets at the beginning and end of the reporting period, indicating the changes during the period and any restrictions on the distribution of the balance to shareholders.

4 Property, plant and equipment

	Note	Freehold land and building $	Leasehold building $	Plant and equipment $	Motor vehicles $	Furniture and fittings $	Total $	SFRS(I) 1-1.78.a SFRS(I) 1-16.73.d,e
The Group								
Cost or Valuation								
At 1 January 2018		2,000,000	3,000,000	8,762,009	2,555,526	3,940,849	20,258,384	
Currency translation differences		-	-	54,762	11,622	16,736	83,120	SFRS(I) 1-16.73.e.viii
Additions		-	-	-	462,340	-	462,340	SFRS(I) 1-16.73.e.i
Disposals		-	-	-	(378,579)	-	(378,579)	SFRS(I) 1-16.73.e.ii
Revaluation increase/(decrease)								SFRS(I) 1-16.73.e.iv
Revaluation adjustment								SFRS(I) 1-16.73.e.iv
At 31 December 2018		**2,000,000**	**3,000,000**	**8,816,771**	**2,650,909**	**3,957,585**	**20,425,265**	
Adoption of SFRS(I) 16								
- Reclassification to right-of-use assets	5	-	**(3,000,000)**	**-**	**(860,644)**	**-**	**(3,860,644)**	SFRS(I) 1-16.73.e.ix SFRS(I) 16.47.a,C11
At 1 January 2019, as adjusted		**2,000,000**	**-**	**8,816,771**	**1,790,265**	**3,957,585**	**16,564,621**	
Currency translation differences		-	**-**	**52,388**	**7,802**	**15,408**	**75,598**	SFRS(I) 1-16.73.e.viii
Additions		-	**-**	**1,006,143**	**809,693**	**519,297**	**2,335,133**	SFRS(I) 1-16.73.e.i
Additions - Business combination	7(a)	-	**-**	**250,000**	**-**	**-**	**250,000**	SFRS(I) 1-16.73.e.iii
Disposals		-	**-**	**(425,500)**	**(814,318)**	**(9,964)**	**(1,249,782)**	SFRS(I) 1-16.73.e.ii
Transfer to disposal group classified as held-for-sale	19	-	**-**	**(721,500)**	-	**(60,010)**	**(781,510)**	SFRS(I) 1-16.73.e.ii
Revaluation increase/(decrease)								SFRS(I) 1-16.73.e.iv
Revaluation adjustment								SFRS(I) 1-16.73.e.iv
At 31 December 2019		**2,000,000**	**-**	**8,978,302**	**1,793,442**	**4,422,316**	**17,194,060**	
Comprising:								
At 1 January 2018:								
Cost		2,000,000	3,000,000	8,762,009	2,555,526	3,940,849	20,258,384	SFRS(I) 1-16.73.a
Valuation								SFRS(I) 1-16.73.a
At 31 December 2018:								
Cost		2,000,000	3,000,000	8,816,771	2,650,909	3,957,585	20,425,265	SFRS(I) 1-16.73.a
Valuation								SFRS(I) 1-16.73.a
At 1 January 2019, as adjusted:								
Cost		**2,000,000**	**-**	**8,816,771**	**1,790,265**	**3,957,585**	**16,564,621**	SFRS(I) 1-16.73.a
Valuation								SFRS(I) 1-16.73.a
At 31 December **2019**:								
Cost		**2,000,000**	**-**	**8,978,302**	**1,793,442**	**4,422,316**	**17,194,060**	SFRS(I) 1-16.73.a
Valuation								SFRS(I) 1-16.73.a
Accumulated depreciation and impairment								
At 1 January 2018		-	2,500,000	4,263,132	947,329	393,629	8,104,090	
Currency translation differences		-	-	25,320	8,724	12,428	46,472	SFRS(I) 1-16.73.e.viii
Depreciation								
- Continuing operations		-	100,000	940,984	211,567	610,113	1,862,664	SFRS(I) 1-16.73.e.vii
- Discontinued operations		-	-	71,345	-	-	71,345	SFRS(I) 1-16.73.e.vii
Disposals		-	-	-	(102,428)	-	(102,428)	SFRS(I) 1-16.73.e.ii
Revaluation adjustment								SFRS(I) 1-16.73.e.ix
At 31 December 2018		-	**2,600,000**	**5,300,781**	**1,065,192**	**1,016,170**	**9,982,143**	
Adoption of SFRS(I) 16								
- Reclassification to right-of-use assets	5	-	**(2,600,000)**	**-**	**(516,386)**	**-**	**(3,116,386)**	SFRS(I) 1-16.73.e.ix SFRS(I) 16.47.a,C11
At 1 January 2019, as adjusted		-	**-**	**5,300,781**	**548,806**	**1,016,170**	**6,865,757**	
Currency translation differences		-	**-**	**23,962**	**4,622**	**11,808**	**40,392**	SFRS(I) 1-16.73.e.viii
Depreciation								
- Continuing operations		-	**-**	**998,736**	**246,880**	**644,136**	**1,889,752**	SFRS(I) 1-16.73.e.vii
- Discontinued operations		-	**-**	**88,710**	**-**	**-**	**88,710**	SFRS(I) 1-16.73.e.vii
Disposals		-	**-**	**(88,561)**	**(127,118)**	**(4,964)**	**(220,643)**	SFRS(I) 1-16.73.e.ii
Impairment loss		-	**-**	**207,141**	**-**	**-**	**207,141**	SFRS(I) 1-16.73.e.v
Transfer to disposal group classified as held-for-sale	19	-	**-**	**(350,100)**	**-**	**(25,011)**	**(375,111)**	SFRS(I) 1-16.73.e.ii
Revaluation adjustment								SFRS(I) 1-16.73.e.ix
At 31 December 2019		-	**-**	**6,180,669**	**673,190**	**1,642,139**	**8,495,998**	
Carrying amount								
At 31 December 2019		**2,000,000**	**-**	**2,797,633**	**1,120,252**	**2,780,177**	**8,698,062**	
At 31 December 2018		2,000,000	400,000	3,515,990	1,585,717	2,941,415	10,443,122	

5 Property, plant and equipment (cont'd)

Details of the freehold land and building in the Group's property, plant and equipment as at 31 December 2019 are as follows: (1) SGX 1207.11.a

Property name / Location	Description / Existing use	Gross floor area / Land area	Tenure	The Group's effective equity interest
12 Thomas Road, Singapore	2-storey office building	1,200 sqm	Freehold	100%

In 2019, the impairment loss of $207,141 (2018: $nil) represents the write-down of certain plant and equipment in the Industrial Construction segment (2) to their recoverable amount as a result of technological obsolescence. The impairment loss on these plant and equipment is recognised within "other expenses" in profit or loss. The recoverable amount of $280,000 is based on their fair value less cost to sell as determined by sale prices in recent transactions for similar assets, which is a fair value hierarchy Level 2 measurement. SFRS(I) 1-36.126.a SFRS(I) 1-36.130.e,f

At 31 December 2018, the carrying amount of the Group's motor vehicles included an amount of $344,258 secured in respect of assets acquired under finance lease (Note 24). From 1 January 2019, leased assets are presented within a separate line item "right-of-use assets" in the statement of financial position. SFRS(I) 1-17.31.a SFRS(I) 16.C11

The Group's freehold land and building with carrying amount of $2,000,000 (2018: $2,000,000) is mortgaged to secure bank credit facilities. This freehold property is collaterised for bank borrowings at the reporting date (Note 23). SFRS(I) 1-16.74.a

Guidance Notes – PPE

Details of properties

(1) Rule 1207.11 of <u>SGX Listing Manual</u> requires disclosure information of an entity's properties as follows: SGX 1207.11.a

- In respect of land and buildings, a breakdown of the value in terms of freehold and leasehold.
- Where properties have been revalued, to state the portion of the aggregate value of land and buildings that is based on valuation, and to state the valuation date.
- Where the aggregate value for all properties for development, sale or for investment purposes held by the group represent more than 15% of the value of the consolidated net tangible assets, or contribute more than 15% of the consolidated pre-tax operating profit, the issuer must disclose the following information <u>as a note to the accounts</u>:
  - (a) In the case of <u>property held for development and/or sale</u>:
    - (i) a brief description and the location of the property;
    - (ii) if in the course of construction, the stage of completion as at the date of the annual report and the expected completion date;
    - (iii) the existing use (e.g. shops, offices, factories, residential, etc);
    - (iv) the site and gross floor area of the property; and
    - (v) the percentage interest in the property.
  - (b) In the case of <u>property held for investment</u>:
    - (i) a brief description and the location of the property;
    - (ii) the existing use (e.g. shops, offices, factories, residential, etc); and
    - (iii) whether the property is leasehold or freehold. If leasehold, state the unexpired term of the lease.

(N.B. The above disclosure requirements apply to <u>all properties</u> regardless of their asset accounting classification.)

Revaluation model for PPE

If an entity uses the revaluation model to account for property, plant and equipment, then it <u>discloses</u> the following in addition to the disclosures required by SFRS(I) 13: SFRS(I) 1-16.77

- the effective date of the revaluation;
- whether an independent valuer was involved;
- for each revalued class of property, plant and equipment, the carrying amount that would have been recognised had the assets been measured under the cost model (i.e. not revalued); and
- the revaluation surplus, indicating the change for the period, and any restrictions on the distribution of the balance to shareholders.

Guidance Notes – PPE (cont'd)

SFRS(I) 1-16 clarifies that when an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is treated in one of the following ways: SFRS(I) 1-16.35.a,b

(a) the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. For example, the gross carrying amount may be restated by reference to observable market data or it may be restated proportionately to the change in the carrying amount. The accumulated depreciation at the date of the revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses; or
(b) the accumulated depreciation is eliminated against the gross carrying amount of the asset.

For illustration purposes, items relevant for PPE revaluation model are included in the above reconciliation table for PPE carrying amount (N.B. The Group does not apply the revaluation model to measure its PPE). Below are the illustrative disclosure information to be included in this note, assuming the Group's freehold land and building is measured based on the revaluation model. Separately, the corresponding fair value measurement illustrative disclosures under SFRS(I) 13 are included in Note 47.

"The Group's freehold land and building is stated at its revalued amount, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and impairment losses. The fair value measurement of this property as at 31 December 2019 and 2018 is performed by Alex & Partners Real Estate Valuers LLP, an independent valuer not connected with the Group, who has appropriate qualifications and experience in the fair value measurement of the properties in the relevant location. SFRS(I) 1-16.77.a,b

The fair value of the Group's freehold land and building is determined based on the market comparable approach that reflects recent transaction prices for similar properties in close proximity to the subject property. Further information regarding the fair value measurement of the Group's freehold land and building are provided in Note 47. SFRS(I) 13.93

If the Group's freehold land and building stated at valuation is included in the financial statements at cost less accumulated depreciation and impairment losses, its net book value at the reporting date would be $XXX (2018: $XXX)." SFRS(I) 1-16.77.e

Segment related impairment information

(2) An entity that reports segment information in accordance with SFRS(I) 8 discloses the reportable segment that the impaired asset belongs to. SFRS(I) 1-36.130.c.ii

PPE subject to operating lease as a lessor

For items of property, plant and equipment which are subject to an operating lease, a lessor should apply the disclosure requirements of SFRS(I) 1-16. For this purpose, each class of property, plant and equipment should be segregated into assets subject to operating leases and assets not subject to operating leases i.e. the disclosures required by SFRS(I) 1-16 should be provided separately for assets subject to an operating lease (by class of underlying asset) and owned assets held and used by the lessor. (N.B. The Group does not have any PPE which are subject to an operating lease. As such, no related disclosure is illustrated.) SFRS(I) 16.95

Noteworthy disclosure requirements not illustrated

Amount of expenditures recognised in the carrying amount of an item of PPE in the course of its construction. SFRS(I) 1-16.74.b

If there are borrowing costs capitalised during the construction, the entity shall disclose: SFRS(I) 1-23.26.a,b

(a) amount of borrowing costs capitalised during the period; and
(b) capitalisation rate used to determine amount of borrowing costs eligible for capitalisation.

Amount of contractual commitments for the acquisition of PPE. SFRS(I) 1-16.74.c

Amount of compensation from third parties for items of PPE that were impaired, lost or given up that is included in profit or loss, if it is not already disclosed separately in profit or loss. SFRS(I) 1-16.74.d

In accordance with SFRS(I) 1-8, an entity discloses the nature and effect of a change in an accounting estimate that has an effect in the current period or is expected to have an effect in subsequent periods. For property, plant and equipment, such disclosure may arise from changes in estimates with respect to: SFRS(I) 1-16.76

(a) residual values;
(b) the estimated costs of dismantling, removing or restoring items of property, plant and equipment;
(c) useful lives; and
(d) depreciation methods.

Users of financial statements may also find the following information relevant to their needs: SFRS(I) 1-16.79

(a) the carrying amount of temporarily idle property, plant and equipment;
(b) the gross carrying amount of any fully depreciated property, plant and equipment that is still in use;
(c) the carrying amount of property, plant and equipment retired from active use and not classified as held for sale in accordance with SFRS(I) 5; and
(d) when the cost model is used, the fair value of property, plant and equipment when this is materially different from the carrying amount.

Therefore, entities are encouraged to disclose these amounts.

5 Right-of-use assets (1)

	Note	Leasehold (5) building $	Factory cum warehouse premises $	Plant and equipment $	Motor (4) vehicles $	Total $	SFRS(I) 16.53,54
The Group							
Cost (3a)							
Adoption of SFRS(I) 16:							
- Initial recognition (3b)	2(b)	**-**	**1,062,092**	**659,816**	**-**	**1,721,908**	SFRS(I) 16.C8.b
- Reclassification from property, plant and equipment	4	**3,000,000**	**-**	**-**	**860,644**	**3,860,644**	SFRS(I) 16.C11
At 1 January 2019		**3,000,000**	**1,062,092**	**659,816**	**860,644**	**5,582,552**	
Currency translation differences		**-**	**3,285**	**1,898**	**-**	**5,183**	SFRS(I) 1-21.41.b
Additions		**-**	**-**	**-**	**66,087**	**66,087**	SFRS(I) 16.53.h
Additions - Business combination	7(a)						SFRS(I) 3.28A,B
Transfer to finance lease receivables upon sublease							SFRS(I) 16.93
At 31 December 2019		**3,000,000**	**1,065,377**	**661,714**	**926,731**	**5,653,822**	
Accumulated depreciation and impairment							
Adoption of SFRS(I) 16:							
- Initial recognition (3b)	2(b)	**-**	**213,768**	**-**	**-**	**213,768**	SFRS(I) 16.C8.b
- Reclassification from property, plant and equipment	4	**2,600,000**	**-**	**-**	**516,386**	**3,116,386**	SFRS(I) 16.C11
At 1 January 2019		**2,600,000**	**213,768**	**-**	**516,386**	**3,330,154**	
Currency translation differences		**-**	**1,278**	**548**	**-**	**1,826**	SFRS(I) 1-21.41.b
Depreciation (6)		**100,000**	**123,022**	**91,389**	**102,151**	**416,562**	SFRS(I) 16.53.a
Impairment loss (7)							SFRS(I) 1-36.130.b
Transfer to finance lease receivables upon sublease							SFRS(I) 16.93
At 31 December 2019		**2,700,000**	**338,068**	**91,937**	**618,537**	**3,748,542**	
Carrying amount							
At 31 December 2019		**300,000**	**727,309**	**569,777**	**308,194**	**1,905,280**	SFRS(I) 16.53.j
At 1 January 2019		400,000	848,324	659,816	344,258	2,252,398	

Details of the leasehold building in the Group's right-of-use assets as at 31 December 2019 are as follows: SGX 1207.11.a

Property name / Location	Description / Existing use	Gross floor area / Land area	Tenure	The Group's effective equity interest
23 Telok Umer Road, Singapore	4-storey industrial building	2,100 sqm	30-year leasehold commenced 1 January 1993	100%

Information about the Group's leasing activities are disclosed in Note 43. (2) SFRS(I) 16.52

Guidance Notes – ROU assets

(1) **Presentation as separate line item on statement of financial position**

SFRS(I) 16 requires a lessee to either present in the statement of financial position, or disclose in the notes, the ROU assets separately from other assets and lease liabilities separately from other liabilities. If a lessee does not present ROU assets separately in the statement of financial position, the lessee is required to include ROU assets within the same line item that the corresponding underlying assets would be presented if they were owned (e.g. under property, plant and equipment) and it is required to disclose which line items in the statement of financial position include those ROU assets. Similarly, if the lessee does not present lease liabilities separately in the statement of financial position, the lessee is required to disclose the line items in the statement of financial position which include those liabilities. (N.B. In this respect, the Group has elected to present in the statement of financial position its ROU assets (Note 5) and lease liabilities (Note 25) separately from other assets and other liabilities respectively. Therefore, at the date of initial application, all of the Group's leased assets have been reclassified to ROU assets line item on the statement of financial position. The alternative presentation of ROU assets within PPE is illustrated in **Appendix E: Disclosure Requirements of SFRS(I) 16.** In addition, SFRS(I) 16 does not mandate to disclose a reconciliation table as above although most of the disclosure requirements are included. However, the Group has disclosed so to be consistent with its presentation for PPE.) SFRS(I) 16.47

Details of properties

Refer to guidance notes on PPE for property disclosure requirements under Rule 1207.11 of SGX Listing Manual. SGX 1207.11.a

Guidance Notes – ROU assets (cont'd)

ROU assets that meet definition of investment property

The only exception to the above rule is that ROU assets which meet the definition of investment property must be presented in the statement of financial position as investment property. SFRS(I) 16.48

(2) **Information about leases in a single note or separate section in financial statements**

Under SFRS(I) 16, a lessee shall disclose information about its leases for which it is a lessee in a single note or separate section in its financial statements. However, a lessee need not duplicate information that is already presented elsewhere in the financial statements, provided that the information is incorporated by cross-reference in the single note or separate section about leases. (N.B. The Group has opted to disclose information about its leases in a single note in Note 43.) SFRS(I) 16.52

Measurement of ROU assets

(3a) The cost of ROU asset shall comprise: SFRS(I) 16.24
(a) the amount of the initial measurement of the lease liability
(b) any lease payments made at or before the commencement date, less any lease incentives received;
(c) any initial direct costs incurred by the lessee; and
(d) restoration costs.

(3b) On initial recognition, for former operating leases, a lessee can elect to recognise a ROU asset at the date of initial application on a lease-by-lease basis at: SFRS(I) 16.C8.b.i SFRS(I) 16.C8.b.ii
(i) its carrying amount as if SFRS(I) 16 had been applied since lease commencement date, but discounted using the lessee's IBR at the date of initial application; or
(ii) an amount equal to its corresponding lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application.

(N.B. The Group has elected method (i) and (ii) respectively to measure ROU assets on initial recognition for its leased factory cum warehouse premises, and plant and equipment, under former operating leases. Therefore, the gross cost and accumulated depreciation of the leased factory cum warehouse premises are recognised at the date of initial application as if SFRS(I) 16 had been applied to account for these leases since their lease commencement date.)

Leased assets under former finance lease

(4) For leases that were previously classified as finance lease under SFRS(I) 1-17, the carrying amount of the ROU asset and lease liability at the date of initial application shall be the carrying amount of the corresponding finance lease asset and finance lease liability immediately before the transition date. (N.B. As such, in the statement of financial position, the carrying amount of the Group's motor vehicles under former finance lease have been reclassified from PPE to ROU assets at 1 January 2019.) SFRS(I) 16.C11

ROU assets that relate to a class of revalued PPE

(5) If ROU assets relate to a class of PPE to which the lessee applies the revaluation model in SFRS(I) 1-16 to its owned assets of that class of PPE, a lessee may elect to apply that revaluation model to all of its ROU assets that relate to that class of PPE. In addition, if the lessee measures ROU assets at revalued amounts applying SFRS(I) 1-16, it shall also disclose the information required by SFRS(I) 1-16. SFRS(I) 16.35 SFRS(I) 16.57

(N.B. For example, if the Group had elected to apply the revaluation model to its freehold land and building (in PPE), the Group would have a choice to apply, or not, the same revaluation model to its leasehold building (in ROU assets), assuming that the Group treats land and buildings as a class of PPE assets. Since the Group does not apply the revaluation model to any class of PPE, the Group does not have an election to apply the revaluation model to any of its ROU assets.)

Depreciation for ROU assets

(6) ROU assets measured under the cost model should be depreciated in accordance with depreciation requirements in SFRS(I) 1-16, subject to the following: SFRS(I) 16.31,32
- if the lease transfers ownership of the underlying asset to the lessee by the end of the lease term, or if the cost of the ROU asset reflects that the lessee will exercise a purchase option, the ROU asset should be depreciated from the lease commencement date to the end of the useful life of the underlying asset;
- otherwise, the ROU asset should be depreciated from the lease commencement date to the earlier of the end of the useful life of the ROU asset and the end of the lease term.

Impairment assessment of ROU assets

(7) SFRS(I) 16 requires a lessee to apply SFRS(I) 1-36 to determine whether the ROU asset is impaired and to account for any impairment loss identified, including the disclosure requirements in SFRS(I) 1-36. SFRS(I) 16.33 SFRS(I) 1-36.126,130

This SFRS(I) 1-36 impairment test is required at the date of initial application too, unless the lessee uses the practical expedient in SFRS(I) 16 to rely on its prior assessment of whether leases were onerous according to SFRS(I) 1-37 immediately before the date of initial application as alternative to the SFRS(I) 1-36 impairment test. That is, if the lessee had previously made provision for onerous lease with respect to the subject ROU asset, the lessee will adjust the ROU asset by the amount of that provision at the transition date. (N.B. This relief is only available to entities applying the cumulative catch-up method for transition to SFRS(I) 16.) SFRS(I) 16.C8.c SFRS(I) 16.C10.b

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Reference

6 Investment properties

	The Group		
	2019	2018	
	$	$	SFRS(I) 1-40.76
At fair value			SFRS(I) 13.93.e
At 1 January	**17,271,449**	22,486,533	
Adoption of SFRS(I) 16 - Initial recognition (Note 2(b)) [(2)]	**1,200,000**	-	SFRS(I) 16.34
At 1 January, as adjusted	**18,471,449**	22,486,533	
Currency translation differences	**76,288**	88,922	SFRS(I) 1-40.76.e
Additions	**7,500,000**	-	SFRS(I) 1-40.76.a
Capitalised subsequent expenditure			SFRS(I) 1-40.76.a
Disposals	**-**	(4,800,000)	SFRS(I) 1-40.76.c
Transfer (to)/from owner-occupied properties			SFRS(I) 1-40.76.f
Transfer (to)/from inventories			SFRS(I) 1-40.76.f
Fair value gains/(losses) included in profit or loss	**437,779**	(504,006)	SFRS(I) 1-40.76.d
At 31 December	**26,485,516**	17,271,449	

Details of the Group's investment properties as at 31 December 2019 are as follows: SGX 1207.11.b

Property name / Location	Description / Existing use	Gross floor area / Land area	Tenure	The Group's effective equity interest	
Parade Court, 33 Sea Road, Singapore	2-storey industrial building cum warehouse	1,780 sqm	Freehold	100%	
Castle Tower, 12 Mind Boulevard, Hong Kong	4-storey commercial building	3,620 sqm	999-year leasehold commenced 25 June 1962	100%	
May Complex, 2 Park Road, Malaysia	10 out of 20 strata office units of 5-storey commercial building	1,670 sqm	Freehold	100%	
Well Building, 14 Lorong Badrul, Malaysia	5-storey commercial building	3,840 sqm	60-year leasehold commenced 21 October 1996	100%	
Lot No.14, Lorong Badrul, Malaysia	Right-of-use of land parcel for constructing and holding 5-storey commercial building	10,820 sqm	99-year leasehold commenced 21 October 1986	100%	SFRS(I) 16.48 SFRS(I) 16.56

Included in additions is acquisition of an investment property of $7,500,000 (2018: $nil). SFRS(I) 1-40.76.a

The amounts recognised in profit or loss for investment properties are set out below:

	The Group		
	2019	2018	
	$	$	
Rental income	**2,750,278**	2,054,268	SFRS(I) 1-40.75.f.i
Direct operating expenses arising from:			
- Investment properties that generate rental income	**983,312**	847,102	SFRS(I) 1-40.75.f.ii
- Investment properties that do not generate rental income	**87,616**	63,442	SFRS(I) 1-40.75.f.iii

All of the Group's investment properties with carrying amount of $26,485,516 (2018: $17,271,449) are pledged as collateral to secure bank borrowings (Note 23). SFRS(I) 1-40.75.g

As at 31 December 2019 and 2018, the fair value of the Group's investment properties are based on valuations performed by Charlie Chartered Surveyors LLP, an accredited independent valuer. Charlie Chartered Surveyors LLP is well-known real estate specialist which values the subject types of the Group's investment properties and applies a valuation model consistent with that recommended by the International Valuation Standards Committee. SFRS(I) 1-40.75.e

6 Investment properties (cont'd)

The Group's investment properties are valued using the direct comparison method and the income method. The direct comparison method involves the analysis of comparable sales of similar properties and adjusting prices to those reflective of the investment properties. The income method capitalises an income stream into a present value using single-year capitalisation rate. Further information regarding the fair value measurement of the Group's investment properties are provided in Note 47. (1) SFRS(I) 13.93

Information about the Group's leasing activities, including those related to investment properties, are disclosed in Note 43. SFRS(I) 16.52

Guidance Notes – Investment properties

Details of properties

Refer to guidance notes on PPE for property disclosure requirements under Rule 1207.11 of SGX Listing Manual. SGX 1207.11.a

Adjustments to fair value

When a valuation obtained for investment property is adjusted significantly for the purpose of the financial statements (e.g. 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 of significant adjustment. SFRS(I) 1-40.50,77

Fair value measurement disclosures

(1) A description of the valuation techniques and the inputs used in the fair value measurement is required for fair value hierarchy Level 2 and Level 3 measurements.(N.B. For these illustrative financial statements, the Group has opted to present these SFRS(I) 13 disclosure information in Note 47.) SFRS(I) 13.93

Cost model for investment property

SFRS(I) 1-40 permits investment properties to be carried at historical cost less accumulated depreciation and impairment. If an entity accounts for investment properties at cost, information about the cost basis and depreciation rates (similar to the requirement under SFRS(I) 1-16 for PPE) is required. In addition, for cost model, SFRS(I) 1-40 requires disclosure of fair value of the properties. For the purpose of this disclosure, the fair value is required to be determined in accordance with SFRS(I) 13. The disclosure requirements of SFRS(I) 13 apply to the fair value of investment property, either under the fair value model or for disclosure purposes. SFRS(I) 1-40.30 SFRS(I) 1-40.79.e

Highest-and-best use

In particular, with respect to SFRS(I) 13 disclosure requirements, if the highest-and-best use for fair value measurement of an investment property differs from its current use, the entity shall disclose that fact and the reason why the asset is being used in a manner that differs from its highest and best use. An illustrative disclosure is as follows: SFRS(I) 13.93.i

"The highest-and-best use of the industrial building cum warehouse, Parade Court, 33 Sea Road, Singapore, at the measurement date would be to covert the property for residential use. For strategic reasons, the property is not being used in this manner."

ROU assets meeting definition of investment property

If ROU assets meet the definition of investment property, a lessee shall apply instead the disclosure requirements in SFRS(I) 1-40. SFRS(I) 16.56

(2) In transition to SFRS(I) 16, notwithstanding requirements in SFRS(I) 16.C8, for leases previously classified as operating lease applying SFRS(I) 1-17, a lessee on initial recognition: SFRS(I) 16.C8 SFRS(I) 16.C9.b,c
(i) is not required to make any adjustments on transition for leases previously accounted for as investment property using the fair value model in SFRS(I) 1-40; and
(ii) shall measure the ROU asset at fair value at the date of initial application for leases previously accounted for as operating lease applying SFRS(I) 1-17 and that will be accounted for as investment property using the fair value model in SFRS(I) 1-40 from the date of initial application.

(N.B. The Group is in the scenario (ii) and therefore has recognised a ROU asset investment property and a corresponding lease liability at the date of initial application.)

Noteworthy disclosure requirements not illustrated

- the cumulative change in fair value recognised in profit or loss on a sale of investment property from a pool of assets in which the cost model is used into a pool in which the fair value model is used SFRS(I) 1-40.75.f-h
- the existence and amounts of restrictions on the realisability of investment property or the remittance of income and proceeds of disposal
- any material contractual obligations to buy, construct or develop investment property or for repairs, maintenance or enhancements

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Reference

7 Subsidiaries

	Note	The Company 2019 $	2018 $
Unquoted equity shares, at cost			
- At 1 January		**15,730,006**	15,730,006
- Additions	7(a)	**3,920,000**	-
- At 31 December		**19,650,006**	15,730,006
Less: Accumulated impairment			
- At 1 January		**(1,154,500)**	(1,154,500)
- Impairment loss		**(506,800)**	-
- At 31 December		**(1,661,300)**	(1,154,500)
		17,988,706	14,575,506
Amounts due from subsidiaries on long-term loan account		**14,976,575**	15,480,929
Deemed investment arising from financial guarantee		**740,050**	696,470
		33,705,331	30,752,905

SFRS(I) 1-32.16
SFRS(I) 1-32.16

The amounts due from subsidiaries on long-term loan account are an extension of the Company's net investment in the subsidiaries, which are unsecured, interest bearing at 3% (2018: 3%) per annum, with no fixed terms of repayment and not expected to be repaid within twelve months from the reporting date.

SFRS(I) 1-32.16
SFRS(I) 1-27.10

The Company provides financial guarantees to banks for credit facilities obtained by a wholly-owned subsidiary and records a deemed financial guarantee fee income in accordance with SFRS(I) 9 *Financial Instruments: Recognition and Measurement*. The deemed income is amortised over the period of the guarantee. The unamortised financial guarantee fee of $106,490 (2018: $147,380) at the reporting date is disclosed under the Company's other payables in Note 26. The guarantee fee is not charged by the Company to the subsidiary. The full amount of the guarantee fee is deemed to be additional investment in the subsidiary.

SFRS(I) 1-32.16
SFRS(I) 1-27.10

In 2019, the Company assesses the carrying amounts of its investments in subsidiaries for indicators of impairment. Based on this assessment, the Company recognises an impairment loss of $506,800 (2018: $nil) for its subsidiaries from the Real Estate segment in Singapore that are making losses due to reduced consumer demand. The recoverable amounts of these investments are determined based on the revalued net assets of the subsidiaries as at the reporting date under the fair value hierarchy Level 3 measurement. The most significant input into this valuation approach is the selling price per square metre of the properties held by these subsidiaries.

SFRS(I) 1-36.130.a

Details of the Group's significant subsidiaries at the reporting date are as follows: [(3)]

SFRS(I) 1-27.16.b
SFRS(I) 12.10.a.i
SFRS(I) 12.12.a-d

Name of subsidiary	Principal activities	Principal place of business / Country of incorporation	Proportion of ownership interest and voting rights held by the Group 2019	2018
Held by the Company				
Dalvey Investment Pte Ltd [(a)]	Investment holding	Singapore	**100%**	100%
Quattro Investment Pte Ltd [(a)]	Investment holding	Singapore	**100%**	100%
FKT Property Pte Ltd [(a)]	Property development and investment	Singapore	**100%**	100%
FKT Construction Pte Ltd [(a)]	Construction of industrial asset	Singapore	**100%**	100%
FKT Engineering Pte Ltd [(a)]	Sale of engineering materials	Singapore	**80%**	80%
Nami Engineering Pte Ltd [(a)] [(f)]	Sale of engineering materials	Singapore	**80%**	-

7 Subsidiaries (cont'd)

Details of the Group's significant subsidiaries at the reporting date are as follows: (cont'd)

Name of subsidiary	Principal activities	Principal place of business / Country of incorporation	Proportion of ownership interest and voting rights held by the Group	
			2019	2018
<u>Held by Dalvey Investment Pte Ltd</u>				
FKT Hotel Limited [b] [e]	Hotel operator	Hong Kong	**100%**	100%
FKT Properties (HK) Limited [b]	Property development and investment	Hong Kong	**100%**	100%
FKT Construction (HK) Limited [b] [d]	Construction of industrial asset	Hong Kong	**40%**	40%
FKT Properties (Shenzhen) Co Ltd [c]	Property development and investment	PRC	**100%**	100%
FKT Engineering (Shenzhen) Co Ltd [c]	Sale of engineering materials	PRC	**100%**	100%
<u>Held by Quattro Investment Pte Ltd</u>				
FKT Properties (M) Sdn Bhd [b]	Property development and investment	Malaysia	**100%**	100%
FKT Construction (M) Sdn Bhd [b]	Construction of industrial asset	Malaysia	**80%**	80%
FKT Engineering (M) Sdn Bhd [b] [g]	Sale of engineering materials	Malaysia	**-**	100%

[a] Audited by Foo Kon Tan LLP. SGX 717
[b] Audited by member firms of FKT International Limited. [2] SGX 718
[c] Audited by Zhenyu Shenzhen CPA Co Ltd for group consolidation purposes. [2]

[d] Although the Group owns less than half of the ownership interest and voting rights in FKT Construction (HK) Limited, management has determined that the Group has control over FKT Construction (HK) Limited, on a de facto power basis, because the remaining voting rights in the investee are widely dispersed and there is no indication that all other shareholders exercise their votes collectively. [1] SFRS(I) 12.7.a SFRS(I) 12.9.b

[e] Transferred to disposal group classified as held-for-sale (Note 19) in 2019. [4] SFRS(I) 5.6

[f] Acquired in 2019. Information about the Group's acquisition of the subsidiary are disclosed in Note 7(a). SFRS(I) 12.10.a.i

[g] Disposed in 2019. Information about the Group's disposal of the subsidiary are disclosed in Note 7(b). SFRS(I) 12.10.a.i

Information about the Group's non-significant subsidiaries at the reporting date are summarised as follows: [3] SFRS(I) 12.4 SFRS(I) 12.10.a.i SFRS(I) 12.B4.a SFRS(I) 12.B5,B6

Principal activities	Principal place of business / Country of incorporation	Number of non-significant subsidiaries	
		2019	2018
Investment holding	BVI	**2**	2
Investment holding	Hong Kong	**1**	1
Property management	Singapore	**1**	1
Property management	Malaysia	**1**	1

Reference

7 Subsidiaries (cont'd)

Details of non-wholly owned subsidiaries that have material non-controlling interests ("NCI") to the Group are set out below:

SFRS(I) 12.10.a.ii
SFRS(I) 12.12.a-f
SFRS(I) 12.B10,B11

Name of subsidiary	Principal place of business / Country of incorporation	Proportion of ownership interest and voting rights held by NCI		Profit/(Loss) for the year allocated to NCI		Total comprehensive income for the year allocated to NCI		NCI accumulated at the reporting date	
		2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
				$	$	**$**	$	**$**	$
Nami Engineering Pte Ltd	Singapore	**20%**	-	**380,742**	-	**380,742**	-	**1,180,742**	-
FKT Construction (HK) Limited	Hong Kong	**60%**	60%	**451,366**	763,228	**493,258**	840,368	**1,433,774**	940,516
FKT Engineering Pte Ltd	Singapore	**20%**	20%	**50,253**	25,820	**50,253**	25,820	**138,685**	88,432
FKT Construction (M) Sdn Bhd	Malaysia	**20%**	20%	**41,246**	24,988	**45,723**	27,832	**140,411**	94,688
Other individually non-significant subsidiaries with NCI				**32,898**	18,924	**34,722**	20,357	**164,541**	129,819
				956,505	832,960	**1,004,698**	914,377	**3,058,153**	1,253,455

7 Subsidiaries (cont'd)

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests are set out below: SFRS(I) 12.12.g SFRS(I) 12.B10,B11

	Nami Property Development Pte Ltd		FKT Construction (HK) Limited	
	2019	2018	**2019**	2018
	$	$	**$**	$
Current assets	**15,712,901**	-	**3,512,812**	2,462,378
Non-current assets	**5,912,048**	-	**2,772,034**	2,012,822
Current liabilities	**(13,221,081)**	-	**(2,912,021)**	(1,612,821)
Non-current liabilities	**(2,500,158)**	-	**(983,202)**	(1,294,852)
Revenue	**12,421,982**	-	**7,212,736**	10,882,427
Expenses	**(10,518,272)**	-	**(6,390,639)**	(9,481,814)
Profit for the year	**1,903,710**	-	**822,097**	1,400,613
Profit attributable to:				
- owners of the Company	**1,522,968**	-	**300,911**	508,819
- NCI	**380,742**	-	**451,366**	763,228
	1,903,710	-	**752,277**	1,272,047
Total comprehensive income attributable to:				
- owners of the Company	**1,522,968**	-	**328,829**	560,245
- NCI	**380,742**	-	**493,258**	840,368
	1,903,710	-	**822,087**	1,400,613
Dividends paid to NCI	**-**	-	**-**	-
Net cash inflows from operating activities	**1,611,981**	-	**542,662**	272,198
Net cash outflows from investing activities	**(889,211)**	-	**(192,837)**	(62,869)
Net cash outflows from financing activities	**(276,256)**	-	**(257,819)**	(73,891)
Net increase in cash and cash equivalents	**446,514**	-	**92,006**	135,438

Guidance Notes – Subsidiaries

Significant judgements and assumptions about 'control', 'joint control' and 'significant influence'

(1) An entity shall disclose information about significant judgements and assumptions it has made (or changes to those judgements and assumptions) in determining that it has control, joint control or significant influence of another entity, or the type of joint arrangement (i.e. joint operation or joint venture) of which the entity is in. SFRS(I) 12.7

Examples of such significant judgements and assumptions are those made in determining that: SFRS(I) 12.9

(a) it does not control another entity even though it holds more than half of the voting rights of the other entity
(b) it controls another entity even though it holds less than half of the voting rights of the other entity
(c) it is an agent or a principal (SFRS(I) 10.B58-B72)
(d) it does not have significant influence even though it holds 20 per cent or more of the voting rights of another entity
(e) it has significant influence even though it holds less than 20 per cent of the voting rights of another entity

Reporting dates of subsidiaries

When the financial statements of a subsidiary used in the preparation of consolidated financial statements are as of a date or for a period that is different from that of the consolidated financial statements, an entity is required to 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. SFRS(I) 12.11

Guidance Notes – Subsidiaries (cont'd)

Other auditors

(2) Where significant subsidiaries are audited by another firm of auditors, the names of the other auditors are to be disclosed accordingly. A subsidiary is considered significant if its net tangible assets represent 20% or more of the issuer's consolidated net tangible assets, or its pre-tax profits account for 20% or more of the issuer's consolidated pre-tax profits. SGX 717 SGX 718

Information about composition of the group

(3) Disclosure on composition of the group in these illustrative financial statements serves as a guide. Management should exercise judgement on the extent of disclosure that is required to clearly explain to users of financial statements the nature and extent of its interests in those other entities. SFRS(I) 12.10.a.i

Disclosure of interests in other entities

(4) SFRS(I) 12 clarifies that the disclosure requirements in SFRS(I) 12 apply to an entity's interests that are classified as held for sale, held for distribution or discontinued operations, except for the requirement to provide summarised financial information for subsidiaries, joint ventures and associates. SFRS(I) 12.5A,B17

Summarised financial information of subsidiaries with material NCI

Summarised financial information about the assets, liabilities, profit or loss and cash flows is required for the group's subsidiaries with material NCI. These are presented before intercompany eliminations. SFRS(I) 12.12.g SFRS(I) 12.B10.b

Significant restrictions

An entity is required to disclose information that enables users of its consolidated financial statements to evaluate the nature and extent of significant restrictions on its ability to access or use assets, and settle liabilities, of the group. SFRS(I) 12.10.b.i SFRS(I) 12.13

Financial support

An entity discloses 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. SFRS(I) 12.14-17

Transactions with NCI

An entity is required to present a schedule that shows the effects on the equity attributable to owners of the parent of any changes in its ownership interest in a subsidiary that do not result in a gain or loss of control. An illustrative disclosure about a group's acquisition of additional interest in a subsidiary is as follows: SFRS(I) 12.18 SFRS(I) 12.10.b.iii

"On 14 August 2019, the Group acquired an additional 5% of the issued shares of Uni Materials Production Pte Ltd for $350,000. Immediately prior to the acquisition, the carrying amount of the existing 20% non-controlling interests in Uni Materials Production Pte Ltd was $2,000,000. The Group recognised a decrease in non-controlling interests of $500,000 and an increase in equity attributable to owners of the Company of $150,000. The effect on the equity attributable to the owners of the Company arising from this transaction with non-controlling interests is summarised as follows:

	2019	*2018*
	$	*$*
Carrying amount of NCI acquired	***500,000***	-
Consideration paid to NCI	***(350,000)***	-
Excess of consideration paid recognised within equity attributable to owners of the Company	***150,000***	-

Interests in unconsolidated subsidiaries (investment entities)

An investment entity that, in accordance with SFRS(I) 10, is required to apply the exception to consolidation and instead account for its investment in a subsidiary at fair value through profit or loss shall disclose that fact. For each unconsolidated subsidiary, an investment entity shall disclose details as required by SFRS(I) 12.19B.a-c and SFRS(I) 12.19D-G. If investment entity is the parent of another investment entity, the parent shall also provide the disclosure in SFRS(I) 12.19B.a-c for investments that are controlled by its investment entity subsidiary. The disclosure may be provided by including, in the financial statements of the parent, the financial statements of the subsidiary (or subsidiaries) that contain the required information as noted above. SFRS(I) 12.19B.a-c SFRS(I) 12.19A-G

NTA 7(a) Reference

7 Subsidiaries (cont'd)

7(a) Acquisition of subsidiary [1]

On 1 July 2019, the Company acquired 80% equity interest in Nami Engineering Pte Ltd ("NEPL"). This transaction has been accounted for by the acquisition method of accounting. The principal activity of NEPL is that of sale of engineering materials. The Group has made the acquisition to increase its market share in Southeast Asia, reduce costs through economies of scale and complement the Group's Industrial Construction segment. SFRS(I) 3.B64.a-d

Details of the consideration paid, assets acquired and liabilities assumed, non-controlling interests recognised and goodwill arising, and the effects on the cash flows of the Group are as follows:

		The Group 2019 $	Reference
Purchase consideration			
Cash		3,400,000	SFRS(I) 3.B64.f.i
Contingent consideration	(i)	520,000	SFRS(I) 3.B64.g.i
Total purchase consideration		3,920,000	
Less: Settlement of pre-existing relationship with acquiree [2]	(iv)	(250,000)	SFRS(I) 3.B52.a
Less: Indemnification asset	(vi)	(450,000)	SFRS(I) 3.B64.g.i
Consideration transferred		3,220,000	SFRS(I) 3.B64.f
Identifiable assets acquired and liabilities assumed			SFRS(I) 3.B64.i
At fair value			SFRS(I) 1-7.40.d
Cash and cash equivalents		756,000	
Trade and other receivables	(ii)	14,679,000	SFRS(I) 3.B64.h
Inventories		1,345,000	
Property, plant and equipment		250,000	
Right-of-use assets [6]	(ix)		SFRS(I) 3.28A,B
Intangible asset - Patent	(iii)	40,000	
Trade and other payables		(12,788,000)	
Lease liabilities [6]	(ix)		SFRS(I) 3.28A,B
Contingent liability recognised [3]	(v)	(150,000)	SFRS(I) 3.B64.j
Current tax liabilities		(132,000)	
Identifiable net assets acquired		4,000,000	
Non-controlling interests recognised and goodwill arising			
Consideration transferred		3,220,000	
Add: Non-controlling interests	(vii)	800,000	SFRS(I) 3.B64.o.i
Less: Fair value of identifiable net assets acquired		(4,000,000)	
Goodwill arising on acquisition [4]	(viii)	20,000	
Effects on cash flows of the Group			
Cash consideration paid		3,400,000	SFRS(I) 1-7.40.b
Less: Cash and cash equivalents in acquiree		(756,000)	SFRS(I) 1-7.40.c
Cash outflow on acquisition		2,644,000	SFRS(I) 1-7.40.a

7 Subsidiaries (cont'd)

7(a) Acquisition of subsidiary (cont'd)

(i) A contingent consideration is recognised as the sale and purchase agreement requires the Group to pay to the former owners of NEPL a cash consideration of $1,000,000 if NEPL achieves a cumulative net profit of at least $3 million for the period from 1 July 2019 to 30 June 2022. The fair value of this contingent consideration at the acquisition date is estimated to be $520,000 based on the discounted cash flow approach, which factors in the probability of NEPL achieving the required result in the relevant period and then computes the present value of the expected future payment amount based on a risk-adjusted discount rate. SFRS(I) 3.B64.f.iii SFRS(I) 3.B64.g

(ii) The receivables acquired in this transaction, mainly comprising trade receivables, with a fair value of $14,679,000 have gross contractual amounts of $15,000,000. The best estimate at acquisition date of the contractual cash flows not expected to be collected is $321,000. SFRS(I) 3.B64.h

(iii) The valuation of the acquired identifiable intangible asset, comprising a patent, amounting to $40,000 has been finalised during the current financial year. Therefore, no related fair value adjustment is to be expected during the measurement period. SFRS(I) 3.45

(iv) Prior to the acquisition of NEPL, NEPL was pursuing a legal claim against a wholly-owned subsidiary of the Group in respect of damage caused to goods in transit to NEPL delivered by the subsidiary. However, no provision has been made by the Group for the compensation due to NEPL. Upon the acquisition of NEPL, the Group has attributed $250,000 (being the fair value of the legal claim) out of the consideration transferred to the effective settlement of this legal claim. Therefore, the Group has recognised $250,000 as a loss on settlement of pre-existing relationship with acquiree within "other gains and losses" in profit or loss and a corresponding decrease in the consideration transferred. This fair value of the legal claim has been determined after considering estimation of probability of outcome of the lawsuit and associated legal fees. SFRS(I) 3.B64.l

(v) A contingent liability of $150,000 has been recognised for a pending lawsuit in which NEPL is a defendant. The claim has arisen from a customer alleging defective products. It is expected that a decision on this case will be reached by the relevant court of law by the end of 2021. The estimated undiscounted future payment amount that the Group could be required to make is between $100,000 and $200,000 if an adverse decision against NEPL is made by the court. As at 31 December 2019, there has been no change in the amount recognised for the liability since the acquisition date, as there has been no change in the range of outcomes and their probabilities, or other assumptions used to develop the estimates. SFRS(I) 3.B64.j SFRS(I) 3.B67.c SFRS(I) 1-37.84,85

(vi) The seller of NEPL has agreed in the sale and purchase agreement to indemnify the Group for a fine of $450,000 that may become payable by NEPL to the local environmental regulator for illegal disposal of waste materials. Prior to the acquisition, NEPL had already accrued for the fine of $450,000 after consulting with legal advisors. SFRS(I) 3.27,57 SFRS(I) 3.B64.g

7 Subsidiaries (cont'd)

7(a) Acquisition of subsidiary (cont'd)

(vii) The Group has elected to recognise the 20% non-controlling interests in NEPL based on its proportionate share in the recognised amounts of identifiable assets acquired and liabilities assumed of the acquiree. SFRS(I) 3.B64.o

(viii) Goodwill of $20,000 has arisen from the acquisition of NEPL because the cost of the acquisition has included a control premium. In addition, the consideration paid for the acquisition also effectively includes amounts in relation to the benefits of expected synergy, revenue growth, future market development and the assembled workforce of NEPL. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. In addition, the Group has also acquired the customer lists and customer relationships of NEPL as part of the acquisition. These assets cannot be separately recognised from goodwill because they are not capable of being separated and sold, transferred, licensed, rented or exchanged, either individually or together. Consequently, they are subsumed into goodwill. The goodwill is not deductible for tax purposes. SFRS(I) 3.B64.e SFRS(I) 3.B64.k

(ix) In accordance with SFRS(I) 16, the Group has recognised the right-of-use assets and lease liabilities for NEPL's operating lease commitments outstanding at the acquisition date, except for those with lease term ending within the next twelve months. There were no right-of-use assets and lease liabilities reported on NEPL's financial statements as of the acquisition date. (6) SFRS(I) 3.28A,B

Acquisition related costs of $142,590 are included within "operating expenses" in profit or loss and reported under operating activities in the statement of cash flows. SFRS(I) 3.B64.m

Included in the Group's profit for the year is $0.6 million attributable to the additional business generated by NEPL. Revenue for the year generated by NEPL amounts to $0.9 million. Had the business combination during the year been effected at 1 January 2019, the Group's revenue from continuing operations would have been $104.5 million, and the Group's profit for the year from continuing operations would have been $4.3 million. (5) SFRS(I) 3.B64.q

Further information about fair value measurement are disclosed in Note 47.

Guidance Notes – Acquisition of subsidiary

Business combinations after the reporting date

(1) Disclosures required by SFRS(I) 3:B64 are <u>also required for business combinations after the reporting date</u> but before the financial statements are authorised for issue, unless the initial accounting for the acquisition is incomplete at the time the financial statements are authorised for issue. In such circumstances, the entity is required to describe which disclosures could not be made and the reasons why they could not be made. SFRS(I) 3.B66

Equity interests issued as purchase consideration

When equity interests are issued or issuable as part of the cost of acquisition, the entity shall disclose the number of instruments or interests issued and the method of determining their fair value. SFRS(I) 3.B64.f.iv

Transactions recognised separately from acquisition of assets or assumption of liabilities in business combination

(2) A transaction entered into by or on behalf of the acquirer or primarily for the benefit of the acquirer or the combined entity, <u>rather than primarily for the benefit of the acquiree (or its former owners)</u> before the combination, is likely to be a separate transaction. SFRS(I) 3.B50-B62 provide related application guidance. Such examples are transactions that: SFRS(I) 3.51
- in effect settles pre-existing relationships between the acquirer and acquiree
- remunerates employees or former owners of the acquiree for future services
- reimburses the acquiree or its former owners for paying the acquirer's acquisition- related costs

Guidance Notes – Acquisition of subsidiary (cont'd)

Contingent liability assumed in a business combination

(3) If a contingent liability is not recognised because its fair value cannot be measured reliably, the acquirer shall disclose the information required by SFRS(I) 1-37.86, and the reasons why the liability cannot be measured reliably. SFRS(I) 3.B64.j

SFRS(I) 1-37.86 requires a brief description of the nature of the contingent liability and, where practicable: SFRS(I) 1-37.86
- an estimate of its financial effect;
- an indication of the uncertainties relating to the amount or timing of any outflow; and
- the possibility of any reimbursement.

Bargain purchase gain (instead of goodwill)

(4) In a bargain purchase, the acquirer is required to disclose: SFRS(I) 3.B64.n
- the amount of any gain recognised and the line item in profit or loss in which the gain is recognised; and
- a description of the reasons why the transaction resulted in a gain.

Impact of acquisitions on the results of the group

(5) If disclosure of any of the information required by SFRS(I) 3.B64.q illustrated above is impracticable, the acquirer shall disclose that fact and explain why the disclosure is impracticable. SFRS(I) 3.B64.q

Initial accounting for a business combination determined provisionally

If the initial accounting for a business combination is incomplete for particular assets, liabilities, non-controlling interests or items of consideration and the amounts recognised in the financial statements for the business combination thus have been determined only provisionally, the acquirer shall disclose the following information: SFRS(I) 3.B67.a

(i) reasons why the initial accounting for the business combination is incomplete;
(ii) the assets, liabilities, equity interests or items of consideration for which the initial accounting is incomplete; and
(iii) nature and amount of any measurement period adjustments recognised during the reporting period.

Acquisition achieved in stages

In a business combination achieved in stages, the acquirer is required to disclose: SFRS(I) 3.B64.p
- acquisition-date fair value of the equity interest in the acquiree held by the acquirer immediately before the acquisition date; and
- amount of any gain or loss recognised as a result of remeasuring to fair value the equity interest in the acquiree held by the acquirer before the business combination and the line item in profit or loss in which that gain or loss is recognised.

Adoption of SFRS(I) 16 – Impact on business combinations

For leases in which the acquiree is the lessee, the acquirer shall recognise ROU assets and lease liabilities for leases identified in accordance with SFRS(I) 16. The acquirer is not required to recognise ROU assets and lease liabilities for leases for which the lease term ends within 12 months of the acquisition date or leases for which the underlying asset is of low value. SFRS(I) 3.28A

(6) The acquirer shall measure the lease liability at the present value of the remaining lease payments (as defined in SFRS(I) 16) as if the acquired lease was a new lease at the acquisition date. The acquirer shall measure the ROU asset at the same amount as the lease liability, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms. (N.B. The acquiree does not have any operating lease commitments at the acquisition date. Thus no ROU assets and lease liabilities are recognised.) SFRS(I) 3.28B

For purpose of transition to SFRS(I) 16, if a lessee previously recognised an asset or a liability applying SFRS(I) 3 relating to favourable or unfavourable terms of an operating lease acquired as part of a business combination, the lessee shall derecognise that asset or liability and adjust the carrying amount of the ROU asset by a corresponding amount at the date of initial application. SFRS(I) 16.C19

7 Subsidiaries (cont'd)

7(b) Disposal of subsidiary

On 1 May 2019, the Group disposed its wholly-owned subsidiary, FKT Engineering (M) Sdn Bhd, in its Engineering Materials segment to streamline the operations in the segment and to generate cash flows for the other subsidiaries in the Group. SFRS(I) 10.B97

Details of the disposal are as follows:

	The Group 2019 $	
Carrying amounts of net assets over which control was lost		SFRS(I) 1-7.40.d
Cash and cash equivalents	49,822	SFRS(I) 10.25.a
Trade and other receivables	200,994	SFRS(I) 10.25.B98.a
Inventories	174,768	
Trade and other payables	(162,219)	
Current tax liabilities	(13,550)	
Net assets derecognised	249,815	
Consideration received/receivable		SFRS(I) 1-7.40.a
Cash and cash equivalents	250,000	SFRS(I) 1-7.40.b
Deferred consideration	50,000	SFRS(I) 10.B98.b.i
Total consideration received/receivable	300,000	
Gain on disposal		SFRS(I) 10.25.c
Total consideration received/receivable	300,000	SFRS(I) 10.B98.d
Less: Net assets derecognised	(249,815)	
Gain on disposal	50,185	
Net cash inflows arising on disposal		
Consideration received in cash and cash equivalents	250,000	SFRS(I) 1-7.40.b
Less: Cash and cash equivalents disposed	(49,822)	SFRS(I) 1-7.40.c
Net cash inflows arising on disposal	200,178	SFRS(I) 1-7.39

The deferred consideration of $50,000 is due to be settled in cash by the purchaser on 1 November 2020. SFRS(I) 10.B98.b.i

The gain on disposal of subsidiary is recorded within "other gains and losses" in profit or loss. SFRS(I) 10.B98.d

Guidance Notes – Disposal of subsidiary

Loss of control

If a parent loses control of a subsidiary, the parent: SFRS(I) 10.25

(a) derecognises the assets and liabilities of the former subsidiary from the consolidated statement of financial position;
(b) recognises any investment retained in the former subsidiary at its fair value when control is lost (that fair value shall be regarded as the fair value on initial recognition of a financial asset in accordance with SFRS(I) 9 or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture); and
(c) recognises the gain or loss associated with the loss of control attributable to the former controlling interest.

SFRS(I) 10.B97–B99 set out guidance for the accounting for the loss of control. SFRS(I) 10.B97-B99

Changes in ownership interests in subsidiaries and other businesses

An entity shall disclose, in aggregate, in respect of both obtaining and losing control of subsidiaries or other businesses: SFRS(I) 1-7.40

(a) total consideration paid or received;
(b) portion of the consideration consisting of cash and cash equivalents;
(c) amount of cash and cash equivalents in the subsidiaries or other businesses over which control is obtained or lost; and
(d) amount of the assets and liabilities other than cash or cash equivalents in the subsidiaries or other businesses over which control is obtained or lost, summarised by each major category.

8 Associates

	The Group		The Company		
	2019	2018	**2019**	2018	
	$	$	**$**	$	
Unquoted equity shares, at cost	**47,038,000**	47,038,000	**41,716,168**	41,716,168	
Share of post-acquisition profits and reserves, net of dividend received	**5,551,466**	2,026,830	**-**	-	
Currency translation differences	**(3,197,487)**	(3,223,714)	**-**	-	
	49,391,979	45,841,116	**41,716,168**	41,716,168	
Amounts due from associates on long-term loan account	**7,584,625**	7,412,879	**7,584,625**	7,412,879	SFRS(I) 1-32.16
	56,976,604	53,253,995	**49,300,793**	49,129,047	

The amounts due from associates on long-term loan account are an extension of the Group's and the Company's net investment in the associates, which are unsecured, interest bearing at 3% (2018: 3%) per annum, with no fixed terms of repayment and not expected to be repaid within twelve months from the reporting date. SFRS(I) 1-32.16 SFRS(I) 1-27.10

Details of the Group's significant associates at the reporting date are as follows: [(2)] SFRS(I) 12.21.a

Name of associate	Principal activities	Nature of relationship with the Group	Principal place of business / Country of incorporation	Proportion of ownership interest and voting rights held by the Group	
				2019	2018
Held by the Company					
Mon Alpha Sdn Bhd [(a)] [(e)]	Property investment and management	Provide property management services to the Group's customers in Malaysia.	Malaysia	**25%**	25%
High Charlie Limited [(b)]	Sale of engineering materials	Provide access to new markets in Hong Kong and PRC.	Hong Kong	**20%**	20%
Held by Dalvey Investment Pte Ltd					
San Developer Pte Ltd [(c)] [(d)]	Property investment and management	Provide access to a specific niche of customers in Singapore.	Singapore	**15%**	15%

[(a)] Audited by member firm of FKT International Limited. [(3)] SGX 717
[(b)] Audited by Heng Keng & Partners for equity accounting purposes. [(3)] SGX 718
[(c)] Audited by Foo Kon Tan LLP.

[(d)] Although the Group owns less than 20% of the ownership interest and voting rights in San Developer Pte Ltd, management is of the view that the Group has significant influence over San Developer Pte Ltd because there is an agreement with the other shareholders whereby the Group has the right to appoint its representatives for one third of the investee's board of directors. [(4)] SFRS(I) 12.7.b SFRS(I) 12.9.e

[(e)] The financial year end date of Mon Alpha Sdn Bhd is 31 October. This was the reporting date established when the associate was incorporated. For the purposes of applying the equity method of accounting, the financial statements of Mon Alpha Sdn Bhd for the year ended 31 October 2019 are used, and appropriate adjustments are made for the effects of significant transactions between 31 October 2019 and 31 December 2019. [(5)] SFRS(I) 12.22.b

Information about the Group's non-significant associates at the reporting date are summarised as follows: SFRS(I) 12.4 SFRS(I) 12.10.a.i SFRS(I) 12.B4.d SFRS(I) 12.B5,B6

Principal activities	Principal place of business / Country of incorporation	Number of non-significant associates	
		2019	2018
Interior design	Singapore	**1**	1
Property marketing	Hong Kong	**1**	1
Property marketing	Malaysia	**1**	1

8 Associates (cont'd)

All of the above associates are accounted for using the equity method in the Group's consolidated financial statements. (1) SFRS(I) 12.21.b.i

Summarised financial information in respect of the Group's material associates are set out below. The information below reflect the amounts presented in the financial statements of the associates (and not the Group's share of those amounts) adjusted for any differences in accounting policies between the Group and the associates. (6) SFRS(I) 12.21.b.ii SFRS(I) 12.B14.a

SFRS(I) 12.B12

	Mon Alpha Sdn Bhd		High Charlie Limited		San Developer Pte Ltd	
	2019	2018	**2019**	2018	**2019**	2018
	$	$	**$**	$	**$**	$
Current assets	**93,829,827**	84,454,518	**80,293,089**	71,256,798	**118,162,575**	106,352,446
Non-current assets	**53,887,229**	49,882,654	**50,889,902**	46,677,282	**59,988,343**	57,798,824
Current liabilities	**(48,244,622)**	(42,099,121)	**(41,665,299)**	(39,998,235)	**(54,899,236)**	(50,022,314)
Non-current liabilities	**(20,445,266)**	(18,892,267)	**(17,899,322)**	(11,466,225)	**(24,467,722)**	(22,446,723)
Revenue	**12,917,695**	6,880,514	**6,173,308**	3,005,001	**18,447,611**	9,137,855
Profit from continuing operations	**5,167,078**	2,752,206	**4,321,316**	2,103,501	**7,379,044**	3,655,142
Post-tax profit from continuing operations	**3,875,308**	2,064,154	**3,586,692**	1,745,906	**6,124,607**	3,033,768
Post-tax profit from discontinued operations	**-**	-	**-**	-	**-**	-
Other comprehensive income	**1,024,378**	362,861	**853,648**	453,576	**-**	-
Total comprehensive income	**4,899,686**	2,427,015	**4,440,340**	2,199,482	**6,124,607**	3,033,768
Dividends received from associate	**-**	-	**-**	-	**-**	-

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associates recognised in the Group's consolidated financial statements are as follows: (7) SFRS(I) 12.B14.b

	Mon Alpha Sdn Bhd		High Charlie Limited		San Developer Pte Ltd	
	2019	2018	**2019**	2018	**2019**	2018
	$	$	**$**	$	**$**	$
Net assets of the associate	**79,027,168**	73,345,784	**71,618,370**	66,469,620	**98,783,960**	91,682,233
Proportion of the Group's ownership interest in the associate	**25%**	25%	**20%**	20%	**15%**	15%
	19,756,792	18,336,446	**14,323,674**	13,293,924	**14,817,594**	13,752,335
Goodwill						
Elimination of unrealised profits on downstream sales						
Carrying amount of the Group's interest in the associate	**19,756,792**	18,336,446	**14,323,674**	13,293,924	**14,817,594**	13,752,335

8 Associates (cont'd)

Aggregate information of the Group's associates that are individually immaterial are as follows: SFRS(I) 12.B16

	Individually immaterial associates	
	2019	2018
	$	$
Carrying amount of the Group's interest in the associate	**493,920**	458,411
Profit from continuing operations	**221,929**	165,963
Post-tax profit from continuing operations	**177,543**	132,770
Post-tax profit from discontinued operations	**-**	-
Other comprehensive income	**-**	-
Total comprehensive income	**177,543**	132,770

All of the associates require the Group's consent to distribute their profits. The Group does not foresee giving such consent at the reporting date. (8) SFRS(I) 12.22.a

The Group's commitments and contingent liabilities in respect of its associates are set out below: (9)

SFRS(I) 12.23.a
SFRS(I) 12.23.b

	The Group	
	2019	2018
	$	$
Commitment to provide funding for an associate's capital contribution, if called	**500,000**	500,000
Share of an associate's contingent liability in respect of a legal claim lodged by the associate's customer	**300,000**	-

Guidance Notes – Associates

Measurement of investment in associate or joint venture at FVPL

(1) A venture capital organisation, or other qualifying entity may elect to measure its investment in associate or joint venture at FVPL. This election can be made on an investment-by-investment basis. A non-investment entity investor may elect to retain the fair value accounting applied by an investment entity associate or investment entity joint venture to its subsidiaries. This election can be made separately for each investment entity associate or joint venture. SFRS(I) 1-28.18 SFRS(I) 1-28.36A

Cumulative preference shares issued by associates

If an associate has cumulative preference shares that are held by parties outside the group and that are classified as equity, the group computes its share of results after adjusting for the dividends on such shares, whether or not the dividend have been declared. SFRS(I) 1-28.37

Information about the Group's significant associates

(2) An entity shall disclose for each joint arrangement and associate that is material to the reporting entity: SFRS(I) 12.21.a
(i) name of joint arrangement or associate.
(ii) nature of the entity's relationship with joint arrangement or associate (e.g. describing nature of the activities of joint arrangement or associate and whether they are strategic to the entity's activities).
(iii) principal place of business (and country of incorporation, if applicable and different from principal place of business)
(iv) proportion of ownership interest or participating share held by the entity and, if different, proportion of voting rights held

Other auditors

(3) Where significant associates are audited by another firm of auditors, the names of the other auditors are to be disclosed accordingly. An associate is considered significant if its net tangible assets represent 20% or more of the issuer's consolidated net tangible assets, or its pre-tax profits account for 20% or more of the issuer's consolidated pre-tax profits. SGX 717,718

Significant influence with less than 20% ownership interest (and vice versa)

(4) An entity shall disclose significant judgements and assumptions made in determining that: SFRS(I) 12.9.d,e
- it does not have significant influence over an investee even though it holds 20% or more of voting rights of the investee; or
- it has significant influence over an investee even though it holds less than 20% of voting rights of the investee.

Guidance Notes – Associates (cont'd)

Reporting date of an associate different from that of the Group

(5) When an associate's financial statements used in applying equity method are as of a date or for a period that is different from that of the group, the group is required to disclose the reporting date of the associate and the reason for using a different date or period. SFRS(I) 12.22.b

Summarised financial information of associate or joint venture

(6) The summarised financial information shall be the amounts included in the SFRS(I) financial statements of associate or joint venture (i.e. not the group's share of these amounts). In addition, these amounts shall be adjusted to reflect adjustments made by the group when using the equity method, such as fair value adjustments made at acquisition and for differences in accounting policies. SFRS(I) 12.B14.a

The summarised financial information may be presented solely based on the associate's or joint venture's financial statements if: SFRS(I) 12.B15

- investee is accounted for at fair value; and
- investee does not prepare SFRS(I) 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.

Reconciliation of summarised financial information to carrying amount of interest in associate or joint venture

(7) For illustration purposes, these reconciling or adjusting items (as highlighted) have been included in the reconciliation table although they are not applicable to the Group. For example, there was no goodwill arising during acquisition of these investments in the past. SFRS(I) 12.B14.b

Change in the Group's ownership interest in an associate

An entity shall discontinue the use of equity method from the date when investment ceases to be associate or joint venture as follows: SFRS(I) 1-28.22

(a) If investment becomes a subsidiary, the entity shall account for its investment in accordance with SFRS(I) 3.
(b) If retained interest in the former associate or joint venture is a financial asset, the entity shall measure the retained interest at fair value, which shall be regarded as its fair value on initial recognition as a financial asset in accordance with SFRS(I) 9. The entity shall recognise in profit or loss any difference between:
    (i) fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture; and
    (ii) carrying amount of the investment at the date equity method was discontinued.
(c) When an entity discontinues the use of equity method, the entity shall account for all previously recognised OCI in relation to that investment on same basis as would have been required if investee had directly disposed of the related assets or liabilities.

An illustrative disclosure when there is a change in a group's ownership interest in an associate, is as follows:

"In October 2019, the Group disposed a 20% interest in [associate's name] to a non-related party for cash consideration of $2 million received in December 2019. The Group has accounted for the remaining 10% interest as an investment measured at FVOCI of which the fair value at the date of disposal was $800,000, as determined based on a discounted cash flow model. [describe key factors and assumptions used in determining the fair value]. This transaction has resulted in the recognition of a gain in profit or loss as set out below:

	2019
	$
Consideration received on part disposal of investment	***2,000,000***
Add: Fair value of retained interest in investment	***800,000***
Less: Carrying amount of investment at date of loss of significant influence	***(2,400,000)***
Gain on part disposal of investment	***400,000***

Significant restrictions

(8) When there are significant restrictions on ability of associates to transfer funds to the group in the form of cash dividends, or to repay loans or advances made by the group, the group should disclose nature and extent of significant restrictions. SFRS(I) 12.22.a

Risks associated with an entity's interests in associates and joint ventures

(9) In accordance with SFRS(I) 1-37, unless the probability of loss is remote, contingent liabilities incurred relating to its interest in associates (including its share of contingent liabilities incurred jointly with other investors with significant influence over the associates), is required to be disclosed separately from the amount of other contingent liabilities. SFRS(I) 12.23.b

Noteworthy disclosure requirements not illustrated

If an entity has stopped recognising its share of losses of an associate when applying equity method of accounting, the entity is required to disclose the unrecognised share of losses of the associate, both for the reporting period and cumulatively. SFRS(I) 12.22.c

If the associate or joint venture is accounted for by an entity using equity method and there is a quoted market price for the investment (e.g. listed on a stock exchange), the entity shall disclose the fair value of its investment in the associate or joint venture. SFRS(I) 12.21.b.iii

Joint venture and joint operation

The extent of disclosures required by SFRS(I) 12 for individually material joint ventures and joint operations is different. For example, the disclosure of summarised financial information, fair value (if there is a quoted market price) and commitments is not required for joint operations. Illustrative note disclosures about joint venture and joint operation are included in **Appendix H: Joint Venture and Joint Operation**. SFRS(I) 12.21-23 SFRS(I) 12.B12-B13

9 Other investments [1]

		The Group and The Company 2019 $	2018 $	
Non-current				
Debt investments at amortised cost:	(a)			SFRS(I) 7.8.f
- Unquoted debt securities		**1,000,000**	-	
Debt investments (classified as) at FVOCI:	(c)			SFRS(I) 7.8.h
- Unquoted debt securities		**242,000**	489,200	
- Quoted debt securities		**200,000**	500,000	
Equity investments (designated as) at FVOCI:	(d)			SFRS(I) 7.8.h
- Unquoted equity shares		**1,500,000**	1,300,000	
		2,942,000	2,289,200	
Current				
Debt investments at amortised cost:	(a)			SFRS(I) 7.8.f
- Quoted debt securities		**-**	372,000	
Equity investments (mandatorily measured) at FVPL:	(b)			SFRS(I) 7.8.a
- Quoted equity shares (held for trading)		**926,600**	500,000	
- Unquoted equity shares (held for trading)		**900,000**	500,000	
		1,826,600	1,372,000	
Other investments - total		**4,768,600**	3,661,200	

<u>(a) Debt investments at amortised cost</u>

SFRS(I) 7.7

	The Group and The Company 2019 $	2018 $
Non-current		
Unquoted debt securities		
- SGD floating rate notes due 31 July 2023 – issued in Singapore	**600,000**	-
- USD corporate 4.8% fixed rate notes due 31 May 2025 – issued in US	**400,000**	-
Current		
Quoted debt securities		
- SGD corporate 5.5% fixed rate notes due 30 April 2021 – listed in Singapore	**-**	172,000
- USD floating rate notes due 31 January 2020 – listed in US	**-**	200,000

These debt investments at amortised cost have an average effective interest rate of 5.8% (2018: 5.8%) per annum. SFRS(I) 7.7

The unquoted debt securities have nominal values of $950,000 at 31 December 2019. As at 31 December 2018, the nominal values of the quoted debt securities were $350,000. SFRS(I) 7.7

Gain on disposal of debt investments at amortised cost of $128,000 (2018: $nil) has been included within "other gains and losses" in profit or loss. SFRS(I) 7.20.vi SFRS(I) 7.20A

9 Other investments (cont'd)

(a) Debt investments at amortised cost (cont'd)

For purpose of impairment assessment, these investments in debt securities are considered to have low credit risk as the counterparties to these instruments have a minimum BBB+ credit rating. Accordingly, for the purpose of impairment assessment of these debts instruments, the loss allowance is measured at an amount equal to 12-month ECL. SFRS(I) 7.35G SFRS(I) 7.35H SFRS(I) 7.35M

In determining the ECL, the Group has taken into account the historical default experience, the financial position of the counterparties, as well as the future prospects of the industries in which the issuers of these debt instruments obtained from economic expert reports, financial analyst reports and considering various external sources of actual and forecast economic information, as appropriate, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case. SFRS(I) 7.35G.b

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for these financial assets. SFRS(I) 7.35G.c

(b) Equity investments (mandatorily measured) at FVPL [(2)]

SFRS(I) 7.7

	The Group and The Company	
	2019	2018
	$	$
Current		
Quoted equity shares (held for trading)		
- Axon Steel, Inc. – listed in US	**926,600**	500,000
Unquoted equity shares (held for trading)		
- Mummy Engineering Limited – incorporated in Singapore	**900,000**	500,000

Investment in quoted equity shares offer the Group the opportunity for return through dividend income and fair value gains. They have no fixed maturity or coupon rate. SFRS(I) 7.7

Unquoted equity shares comprise of venture capital investment which represent less than 20% shareholdings in the investee. These investments are measured at FVPL as they represent an identified portfolio of investments which the Group manages together with an intention of profit taking when the opportunity arises. SFRS(I) 7.7

Fair value gain on equity investments at FVPL of $826,600 (2018: $nil) has been included in profit or loss for the year as part of "other gains and losses". SFRS(I) 7.20.a.i

9 Other investments (cont'd)

(c) Debt investments (classified as) at FVOCI

SFRS(I) 7.7

	The Group and The Company 2019 $	2018 $
Non-current		
Unquoted debt securities		
- USD corporate variable rate notes due 31 October 2023 – issued in US	**242,000**	489,200
Quoted debt securities		
- SGD corporate variable rate notes due 30 June 2021 – listed in Singapore	**200,000**	500,000

These debt securities are held by the Group within a business model whose objective is both to collect their contractual cash flows which are solely payments of principal and interest on the principal amount outstanding and to sell these financial assets. Hence, they are classified as at FVOCI. SFRS(I) 9.4.1.2A

The debt securities have nominal values of $440,000 (2018: $945,000) and have an average effective interest rate of 4.8% (2018: 5.2%) per annum. SFRS(I) 7.7

Change in fair value of debt investments at FVOCI during the year comprises: SFRS(I) 7.20.a.viii

- fair value loss on debt investments at FVOCI of $247,200 (2018: gain of $12,400) recognised in other comprehensive income;
- reclassification of net losses on debt investments at FVOCI of $46,700 (2018: $nil) from equity to profit or loss upon disposal; and
- impairment loss on debt investments at FVOCI of $10,000 (2018: $nil) included within "impairment loss on financial assets and contract assets" in profit or loss SFRS(I) 7.16A

For purpose of impairment assessment, these notes are considered to have low credit risk as they are held with counterparties with AA credit rating. The Group holds no collateral over this balance. Accordingly, for the purpose of impairment assessment for these debt investments, the loss allowance is measured at an amount equal to 12-month ECL. SFRS(I) 7.35G SFRS(I) 7.35H SFRS(I) 7.35M

In determining the ECL, the Group has taken into account the historical default experience, the financial position of the counterparties, as well as the future prospects of the industries in which the issuers of these debt instruments obtained from economic expert reports, financial analyst reports and considering various external sources of actual and forecast economic information, as appropriate, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case. SFRS(I) 7.35G.b

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for these debt investments. SFRS(I) 7.35G.c

9 Other investments (cont'd)

(c) Debt investments (classified as) at FVOCI (cont'd)

The loss allowance for debt investments at FVOCI is recognised in other comprehensive income as part of the fair value reserve [(3)] (Note 22(iv)). The following table shows the movement in ECL that has been recognised: SFRS(I) 9.5.5.2 SFRS(I) 7.35H

	The Group and The Company		
	2019	2018	
	$	$	
12-month ECL on Debt investments at FVOCI:			
At 1 January	**-**	-	
Loss allowance recognised in profit or loss:			SFRS(I) 7.35B.b
- financial instruments acquired/originated			SFRS(I) 7.35I
- financial instruments derecognised upon settlement			
- reversal of unutilised amounts			
- changes in credit risk	**10,000**	-	
Amounts written off			
Amounts recovered			
Foreign currency exchange losses/(gains)			
At 31 December	**10,000**	-	

(d) Equity investments (designated as) at FVOCI [(4)]

	The Group and The Company		
	2019	**2018**	SFRS(I) 7.7
	$	**$**	
Non-current			
Unquoted equity shares			
- Unit Engineers Limited – incorporated in Hong Kong	**1,500,000**	1,300,000	

The unquoted equity shares represents investment in corporation which is engaged in research and development activities and their commercial application, and comprises less than 20% ownership interests in the investee. These equity investments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the Group has elected to designate them as at FVOCI because the Group views that recognising short-term fluctuations in their fair value in profit or loss is not consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run. SFRS(I) 7.7

Fair value gain on equity investments at FVOCI recognised in other comprehensive income amounts to $200,000 (2018: $68,000). SFRS(I) 7.20.a.vii

Dividend income from equity investments at FVOCI amounting to $75,000 (2018: $75,000) (attributed to investments held at end of the reporting period) is included within "other income" in profit or loss. SFRS(I) 7.11A.d

No equity investment at FVOCI has been disposed during the current reporting period. [(5)] SFRS(I) 7.11B

Further information about the financial risk management and the fair value measurement are disclosed in Note 46 and 47 respectively.

Guidance Notes – Other investments

Classification and presentation of financial instruments

(1) SFRS(I) 7:8 requires the carrying amounts of each of the following categories as defined in SFRS(I) 9, to be disclosed either in the statement of financial position or in the notes: SFRS(I) 1-1.54 SFRS(I) 7.8

- financial assets measured at FVPL, showing separately:
  - (i) those designated as such upon initial recognition or subsequently SFRS(I) 9.6.7.1
  - (ii) those mandatorily measured at FVPL
- financial liabilities at FVPL, showing separately:
  - (i) those designated as such upon initial recognition or subsequently SFRS(I) 9.6.7.1
  - (ii) those that meet the definition of held-for-trading in SFRS(I) 9
- financial assets at amortised cost
- financial liabilities at amortised cost
- financial assets at FVOCI, showing separately:
  - (i) those designated as such upon initial recognition or subsequently SFRS(I) 9.4.1.2A
  - (ii) investments in equity instruments designated as such upon initial recognition SFRS(I) 9.5.7.5

Designated financial assets at FVPL (which would otherwise be at FVOCI or amortised cost)

(2) If an entity has designated financial assets at FVPL which would otherwise be measured at FVOCI or amortised cost, the entity must provide additional disclosures as required under SFRS(I) 7.9 requirements, as follows: SFRS(I) 7.9

(a) the maximum exposure to credit risk of the financial asset (or group of financial assets) at the end of the reporting period.
(b) the amount by which any related credit derivatives or similar instruments mitigate that maximum exposure to credit risk
(c) the amount of change, during the period and cumulatively, in the fair value of the financial asset (or group of financial assets) that is attributable to changes in the credit risk of the financial asset determined either:
  (i) as the amount of change in its fair value that is not attributable to changes in market conditions that give rise to market risk; or
  (ii) using an alternative method the entity believes more faithfully represents the amount of change in its fair value that is attributable to changes in the credit risk of the asset.
  Changes in market conditions that give rise to market risk include changes in an observed (benchmark) interest rate, commodity price, foreign exchange rate or index of prices or rates.
(d) the amount of the change in the fair value of any related credit derivatives or similar instruments that has occurred during the period and cumulatively since the financial asset was designated.

Nature and extent of risks from financial instruments

An entity shall disclose 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 end of the reporting period. Information such as the countries in which 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 arising from those financial assets. SFRS(I) 7.31

Items of income, expense, gains and losses

An entity shall disclose the following items of income, expense, gains or losses either in the statement of comprehensive income or in the notes: SFRS(I) 7.20

(a) net gains or net losses on:
- financial assets or financial liabilities measured at FVPL, showing separately those on financial assets or financial liabilities designated as such upon initial recognition or subsequently, and those on financial assets or financial liabilities that are mandatorily measured at FVPL. For financial liabilities designated as at FVPL, an entity shall show separately the amount of gain or loss recognised in OCI and the amount recognised in profit or loss.
- financial liabilities measured at amortised cost.
- financial assets measured at amortised cost.
- investments in equity instruments designated at FVOCI.
- financial assets measured at FVOCI, showing separately the amount of gain or loss recognised in OCI during the period and the amount reclassified upon derecognition from accumulated OCI to profit or loss for the period.

(b) total interest revenue and total interest expense (calculated using the effective interest method) for financial assets that are measured at amortised cost or that are measured at FVOCI (showing these amounts separately); or financial liabilities that are not measured at FVPL.

(c) fee income and expense (other than amounts included in determining the effective interest rate) arising from:
  (i) financial assets and financial liabilities that are not at FVPL; and
  (ii) 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.

Guidance Notes – Other investments (cont'd)

Collateral

An entity shall disclose: SFRS(I) 7.14

(a) the carrying amount of financial assets it has pledged as collateral for liabilities or contingent liabilities, including amounts that have been reclassified in accordance with SFRS(I) 9.3.2.23.a; and
(b) the terms and conditions relating to its pledge.

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: SFRS(I) 7.15

(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.

(N.B. The Group does not pledge or hold as collateral any of its financial assets. Thus relevant disclosures are not included above.)

Impairment assessment of debt investments at FVOCI

(3) The carrying amount of debt investments measured at FVOCI in accordance with SFRS(I) 9.4.1.2A is not reduced by a loss allowance and an entity shall not present the loss allowance separately in the statement of financial position as a reduction of the carrying amount of the financial asset. Instead, any impairment loss recognised in profit or loss is adjusted in the other comprehensive income. However, an entity shall disclose the loss allowance in the notes to the financial statements. The loss allowance table illustrated above is one way of presenting the necessary disclosure information. SFRS(I) 7.16A

(N.B. Items highlighted in table is not applicable to the Group in this case but have been included for illustration purpose. The loss allowance disclosure table for debt investments at FVOCI is also applicable for debt investments at amortised cost if there is any loss allowance for the latter. However, the Group does not have any loss allowance on its debt investments at amortised cost in current and prior year. Therefore, no such disclosure table is included above.)

Impairment assessment of investments in equity instruments

(4) SFRS(I) 9 states that investments in equity instruments are not subject to impairment assessment, because these investments are now only measured at FVPL or FVOCI without recycling of fair value changes to profit or loss. SFRS(I) 7.11B

Disposal of equity investments at FVOCI

(5) If an entity has derecognised an equity investment measured at FVOCI during the reporting period, it discloses: SFRS(I) 7.11B

- reasons for disposing of the investments;
- fair value of the investments at the date of derecognition; and
- cumulative gain or loss on disposal.

Derecognition of financial assets

An entity may have transferred financial assets in such a way that part or all of the transferred financial assets do not qualify for derecognition. If the entity either continues to recognise all of the asset or continues to recognise the asset to the extent of the entity's continuing involvement, then it discloses information that enables users of its financial statements: SFRS(I) 7.42B

- to understand the relationship between transferred financial assets that are not derecognised in their entirety and the associated liabilities; and
- to evaluate the nature of, and risks associated with, the entity's continuing involvement in derecognised financial assets.

To meet the above objectives, an entity discloses at each reporting date for each class of transferred financial assets that are not derecognised in their entirety: SFRS(I) 7.42D

- the nature of the assets, the nature of the risks and rewards of ownership retained;
- a description of the nature of the relationship between the assets and the associated liabilities, including restrictions on use;
- when recourse for the associated liabilities is limited to the transferred assets, a schedule that sets out the fair value of the assets, the fair value of the associated liabilities and the net position;
- the carrying amount of the asset and associated liabilities, when the asset remains recognised in its entirety; and
- the carrying amount of the original asset, the amount that continues to be recognised and the carrying amount of the associated liabilities, when the asset remains recognised to the extent of continuing involvement.

Disclosures required by SFRS(I) 7

If information about contractual and effective interest rates, maturity dates, foreign currency denomination and fair values etc. are presented in the notes for financial risk management, fair value measurement and capital management, it is not necessary to repeat the same information in this note.

10 Finance lease receivables

	The Group 2019 $	
Undiscounted lease payments to be received: (2)		SFRS(I) 16.94
- Year 1	**172,662**	
- Year 2	**172,662**	
- Year 3	**172,662**	
- Year 4	**113,984**	
- Year 5	**113,984**	
- Year 6 and onwards	**257,344**	
	1,003,298	
Unguaranteed residual values	**100,000**	SFRS(I) 16.70.c
Gross investment in lease	**1,103,298**	
Less: Unearned finance income	**(154,767)**	
Present value of lease payments receivable	**948,531**	
Less: Impairment loss allowance (3)		SFRS(I) 9.5.5.15.b
Net investment in the lease	**948,531**	
Presented as:		
- Non-current	**701,401**	
- Current	**247,130**	
	948,531	

In 2019, the Group's finance lease receivables have increased by $948,531 for the following reasons: (1) SFRS(I) 16.93

(a) on 1 January 2019, in accordance with SFRS(I) 16 transition requirements, the Group reassesses the classification of a sublease for a factory cum warehouse premise from operating lease to finance lease based on the remaining contractual terms and conditions of the head lease and sublease at that date, and consequently recognises a finance lease receivable for this sublease; and

(b) during the year, the Group enters into 2 more head leases and corresponding subleases of factory cum warehouse premises at the same time because the approval for their planned production lines have been delayed by changes in certain environmental regulations and the Group cannot terminate the lease agreements without incurring a significant penalty.

Information about the Group's leasing activities are disclosed in Note 43. SFRS(I) 16.52

The finance lease receivables have an average effective interest rate of approximately 6.5% per annum. SFRS(I) 7.7

Fair value of the non-current portion of finance lease receivables approximates its carrying amount because the contractual interest rates approximate the current market borrowing rates for similar instruments. SFRS(I) 7.25,29

The Group estimates the loss allowance on finance lease receivables at the end of the reporting period at an amount equal to lifetime ECL. (3) None of the finance lease receivables at the end of the reporting period is past due, and taking into account the historical default experience and the future prospects of the industries in which the lessees operate, [together with the value of collateral held over these finance lease receivables,] the Group considers that no finance lease receivable is impaired. SFRS(I) 7.34.a

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for finance lease receivables. SFRS(I) 7.35G.c

Further information about the financial risk management are disclosed in Note 46.

10 Finance lease receivables (cont'd)

	The Group Minimum lease payments 2018 $	The Group Present value of minimum lease payments 2018 $	
Amounts receivable under finance leases:			SFRS(I) 1-17.47.a
- Within one year	XXX	XXX	
- In the second to fifth year inclusive	XXX	XXX	
	XXX	XXX	
Less: Unearned finance income	(XXX)		SFRS(I) 1-17.47.b
	XXX		
Less: Loss allowance for uncollectible lease payments		(XXX)	SFRS(I) 1-17.47.d
Present value of minimum lease payments receivable		XXX	
Presented as:			
- Non-current		XXX	
- Current		XXX	
		XXX	

In 2018, the Group entered into finance leasing arrangements as lessor for [description of assets]. The average term of finance leases entered into was XX years. Generally, these lease contracts did not include extension or early termination options. SFRS(I) 1-17.47.f

Unguaranteed residual values of assets leased under finance leases as at 31 December 2018 were estimated at $XXX. SFRS(I) 1-17.47.c

Contingent rents from leased assets under finance lease recognised as income in 2018 amounted to $XXX SFRS(I) 1-17.47.e

Guidance Notes – Finance lease receivables

Significant changes in carrying amount

(1) A lessor in finance leases shall provide a qualitative and quantitative explanation of the significant changes in the carrying amount of the net investment in finance leases. SFRS(I) 16.93

Maturity analysis of lease payments receivable

(2) A lessor shall disclose a maturity analysis of the lease payments receivable, showing the undiscounted lease payments to be received on an annual basis for a minimum of each of the first five years and a total of the amounts for the remaining years. A lessor shall reconcile the undiscounted lease payments to the net investment in the lease. The reconciliation shall identify the unearned finance income relating to the lease payments receivable and any discounted unguaranteed residual value. SFRS(I) 16.94

Impairment assessment of finance lease receivables

(3) Under SFRS(I) 9, an entity shall always measure the loss allowance at an amount equal to lifetime ECL for lease receivables that result from transactions that are within the scope of SFRS(I) 16, if the entity chooses as its accounting policy to measure the loss allowance at an amount equal to lifetime ECL. That accounting policy shall be applied to all lease receivables. SFRS(I) 9.5.5.15.b

Collateral

If the finance lease receivables are secured over the leased assets, the following illustrative disclosures shall be appropriate: SFRS(I) 7.15

"Finance lease receivables are secured over the assets leased. The Group is not permitted to sell or repledge the collateral in the absence of default by the lessee. However, in the event of default, the Group is entitled to sell the asset, and has rights to any proceeds from such a sale up to the total amount receivable from the lessee."

(N.B. As the Group's finance lease receivables are all related to sublease of right-of-use asset, the Group does not have such rights to the underlying assets leased. These rights belong to the head lessor who leases the underlying asset to the Group. Therefore, none of such relevant disclosure is made in the note for finance lease receivables.)

Comparative disclosures

As the Group elects the cumulative catch-up approach for transition to SFRS(I) 16, there is no requirements to restate the comparative figures and disclosures. (N.B. The Group did not have any finance lease receivables in the prior year. For completeness of illustration, the 2018 disclosures have been included above.) SFRS(I) 16.C5.b

11 Deferred tax

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same taxation authority. SFRS(I) 1-12.74

The carrying amounts of deferred tax assets and liabilities, determined after appropriate offsetting, are shown on the statement of financial position, as follows:

	The Group **2019** $	The Group 2018 $	
Deferred tax assets			
- to be recovered within 1 year from the reporting date	**100,000**	100,000	SFRS(I) 1-1.61.a
- to be recovered after 1 year from the reporting date	**200,000**	350,000	SFRS(I) 1-1.61.b
	300,000	450,000	
Deferred tax liabilities			
- to be recovered within 1 year from the reporting date	**(119,878)**	(102,378)	SFRS(I) 1-1.61.a
- to be recovered after 1 year from the reporting date	**(1,525,705)**	(1,160,140)	SFRS(I) 1-1.61.b
	(1,645,583)	(1,262,518)	
Deferred tax liabilities - net	**(1,345,583)**	(812,518)	

The movement in deferred tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) are as follows: [1]

The Group	Tax losses $	Provisions $	Others $	Total $	SFRS(I) 1-12.81.g.i
Deferred tax assets					
At 1 January 2018	150,000	-	50,000	200,000	
Credited/(Charged) to:					
- profit or loss	275,000	-	(25,000)	250,000	SFRS(I) 1-12.81.g.ii
At 31 December 2018	**425,000**	**-**	**25,000**	**450,000**	
Adoption of SFRS(I) 16 (Note 2(b)) [3]					SFRS(I) 16.C5.b
At 1 January 2019, as adjusted					
(Charged)/Credited to:					
- profit or loss	**(235,000)**	**85,000**	**-**	**(150,000)**	SFRS(I) 1-12.81.g.ii
At 31 December 2019	**190,000**	**85,000**	**25,000**	**300,000**	

The Group	Accelerated tax depreciation $	Fair value gains $	Others $	Total $	SFRS(I) 1-12.81.g.i
Deferred tax liabilities					
At 1 January 2018	(389,435)	(212,089)	(40,907)	(642,431)	
Currency translation differences	(11,067)	(1,452)	(1,709)	(14,228)	SFRS(I) 1-12.41
Charged to:					
- profit or loss	(566,647)	(153)	(17,557)	(584,357)	SFRS(I) 1-12.81.g.ii
- other comprehensive income	-	-	(21,502)	(21,502)	SFRS(I) 1-12.81.a,ab SFRS(I) 1-1.90
At 31 December 2018	**(967,149)**	**(213,694)**	**(81,675)**	**(1,262,518)**	
Adoption of SFRS(I) 16 (Note 2(b)) [3]					SFRS(I) 16.C5.b
At 1 January 2019, as adjusted					
Currency translation differences	**(19,652)**	**(389)**	**(2,018)**	**(22,059)**	SFRS(I) 1-12.41
Charged to:					
- profit or loss	**(200,633)**	**(81,073)**	**(12,755)**	**(294,461)**	SFRS(I) 1-12.81.g.ii
- other comprehensive income	**-**	**-**	**(66,545)**	**(66,545)**	SFRS(I) 1-12.81.a,ab SFRS(I) 1-1.90
At 31 December 2019	**(1,187,434)**	**(295,156)**	**(162,993)**	**(1,645,583)**	

11 Deferred tax (cont'd)

Subject to the agreement by the tax authorities, the Group has unutilised tax losses of $2.9 million (2018: $5.5 million) available for offset against future profits at the reporting date. Deferred tax asset has been recognised in respect of $1.9 million (2018: $4.25 million) of these unutilised tax losses. No deferred tax asset has been recognised in respect of the remaining $1 million (2018: $1.25 million) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of $0.6 million (2018: $0.5 million) that will expire in 2021. Other tax losses may be carried forward indefinitely subject to the conditions imposed by law including the retention of majority shareholders as defined. SFRS(I) 1-12.81.e

Deferred tax assets are recognised for tax losses and capital allowances carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group's deferred tax assets include $500,000 (2018: $500,000) from a wholly-owned subsidiary, FKT Properties (HK) Limited. This subsidiary has incurred the losses over the past three financial years because of a one-time restructuring of internal operations. The Group is of the view that the related deferred tax asset is recoverable based on the estimated future taxable income of the subsidiary on the basis of the current business plan and approved budget for the subsidiary. The subsidiary is expected to produce taxable income from year 2021 onwards. The related tax losses have no expiry date. (2) SFRS(I) 1-12.82

At the reporting date, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries and associates for which deferred tax liabilities have not been recognised is $2.6 million (2018: $1.8 million). No deferred tax liabilities have been recognised in respect of these temporary differences because the Group is in a position to control the timing of reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future. SFRS(I) 1-12.81.f

Guidance Notes – Deferred tax

Type of temporary differences

(1) An entity is required to disclose, in respect of each type of temporary difference, the amount of deferred tax assets and liabilities recognised in the statement of financial position. Other noteworthy temporary difference not illustrated include: SFRS(I) 1-12.81.g

- deferred development costs
- revaluation of property
- convertible bond-equity component
- retirement benefit obligations

Evidence supporting recognition of deferred tax asset

(2) An entity discloses the nature of the evidence supporting the recognition of a deferred tax asset when: SFRS(I) 1-12.82
- utilisation of the deferred tax asset is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences; and
- the entity has suffered a loss in either the current or preceding period in the tax jurisdiction to which the deferred tax asset relates.

Temporary differences arising from investments

SFRS(I) 1-12 requires an entity to disclose the aggregate amount of temporary differences for unrecognised deferred tax liabilities arising from investment in subsidiaries, branches and associates and interests in joint ventures, as it is not often practicable to compute the deferred tax liability. SFRS(I) 1-12.81.f

Deductible temporary differences and unutilised tax losses not recognised as deferred tax asset

SFRS(I) 1-12 only requires the disclosure of the amount of deductible temporary differences and unused tax losses for which no deferred tax asset has been recognised. SFRS(I) 1-12.81.e

Adoption of SFRS(I) 16

(3) Refer to guidance notes in Note 2(b) about deferred tax effects arising on initial recognition of ROU assets and lease liabilities from transition to SFRS(I) 16. (N.B. The Group elects the cumulative catch-up approach to transition to SFRS(I) 16. Therefore all related adjustments are taken up on the date of initial application on 1 January 2019.) SFRS(I) 16.C5.b

12 Cash and cash equivalents

	The Group		The Company		
	2019	2018	**2019**	2018	
	$	$	**$**	$	
Cash at bank	**5,128,204**	14,258,984	**1,924,853**	4,975,540	
Fixed deposits	**15,000,000**	21,000,000	**10,000,000**	14,000,000	
Cash on hand	**20,981**	34,092	**-**	-	
Cash and bank balances in the statement of financial position	**20,149,185**	35,293,076	**11,924,853**	18,975,540	SFRS(I) 1-7.45
Add: Cash and bank balances in disposal group held-for-sale (Note 19)	**150,800**	-			SFRS(I) 5.38,40
Less: Encumbered fixed deposits	**(3,100,000)**	(5,700,000)	**-**	-	SFRS(I) 1-7.48,49
Less: Bank overdrafts					SFRS(I) 1-7.8
Cash and cash equivalents in the statement of cash flows	**17,199,985**	29,593,076	**11,924,853**	18,975,540	

Fixed deposits of the Group and the Company earn interest ranging from 0.6% to 1.4% (2018: 0.5% to 1.2%) per annum and have tenures ranging from 7 to 60 days (2018: 7 to 60 days), except for a term deposit of $1,400,000 (2018: $1,400,000) which has a maturity term of 1 year (2018: 1 year) but is classified as cash equivalent on the basis that this deposit is used to secure a facility that is cancellable on short notice within 3 days (2018: 3 days) by the borrower and the deposit can be released without significant penalty or change in value. [(2)] SFRS(I) 7.7 SFRS(I) 1-7.7-9 SFRS(I) 1-7.46

Included in the cash at bank of a wholly-owned subsidiary in Singapore are amounts of $600,000 (2018: $700,000) held under and subject to the provisions in the Housing Developers (Project Account) Rules in Singapore, that are restricted to payments for expenditure incurred on development properties. [(1)] SFRS(I) 12.10.b.i SFRS(I) 12.13.a.i

As at 31 December 2019, a wholly-owned subsidiary in PRC has fixed deposits of $1,500,000 (2018: $2,000,000) placed with banks and financial institutions in PRC, the repatriation of which out of the country is subject to the local Foreign Exchange Control Regulations. [(1)] SFRS(I) 12.10.b.i SFRS(I) 12.13.a.i

As at 31 December 2019, fixed deposits of the Group amounting to $3,100,000 (2018: $5,700,000) are pledged to banks and financial institutions to secure credit facilities. SFRS(I) 1-7.48,49

Further information about the financial risk management are disclosed in Note 46.

Guidance Notes – Cash and cash equivalents

Cash and cash equivalents not available for use

(1) There may be circumstances in which cash and cash equivalents held by an entity are not available for use by the Group. An entity discloses, together with a commentary, the amount of significant cash and cash equivalent balances not available for use by the Group. SFRS(I) 1-7.48,49

Cash equivalents in statement of cash flows

Under SFRS(I) 1-7, cash equivalents are defined as "short-term, highly liquid investment that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value". An investment normally qualifies as a cash equivalent when it has a short maturity of, say, three month or less from the date of "acquisition". SFRS(I) 1-7.7-9

In view of the variety of cash management practices and banking arrangements and in order to comply with SFRS(I) 1-1, an entity discloses the policy which it adopts in determining the composition of cash and cash equivalents. SFRS(I) 1-7.46

Bank overdrafts

Bank overdrafts which are repayable on demand form an integral part of an entity's cash management. In these circumstances, bank overdrafts are included as a component of cash and cash equivalents. Cash management includes managing cash and cash equivalents for the purpose of meeting short-term commitments rather than for investment or other purposes. A characteristic of such banking arrangements is that the bank balance often fluctuates from being positive to overdrawn. (N.B. The Group does not have any bank overdrafts. It is included in the reconciliation table for illustration purposes.) SFRS(I) 1-7.8

13 Trade and other receivables

	The Group 2019 $	The Group 2018 $	The Company 2019 $	The Company 2018 $	
Trade receivables:					SFRS(I) 1-1.78.b
- Non-related parties	**15,933,905**	18,660,641	-	-	SFRS(I) 15.116.a
	15,933,905	18,660,641	-	-	
Less: Loss allowance					SFRS(I) 15.113.b
- At 1 January	**(474,800)**	(344,000)	-	-	SFRS(I) 7.35H
- Impairment loss	**(280,900)**	(130,800)	-	-	SFRS(I) 7.B8D
- Write-off	**180,300**	-	-	-	
- At 31 December	**(575,400)**	(474,800)	-	-	
Trade receivables - net	**15,358,505**	18,185,841	-	-	
Other receivables:					
- Ultimate holding corporation	**5,000,000**	5,000,000	**5,000,000**	5,000,000	SFRS(I) 1-24.19.a
- Subsidiaries	**-**	-	**7,300,455**	10,363,656	SFRS(I) 1-24.19.c
- Non-related parties	**1,066,289**	1,988,367	**282,240**	348,826	
Staff loans	**224,308**	544,629	-	-	SFRS(I) 1-24.18.b
Deposits	**893,442**	1,233,280	-	-	
Indemnification asset (Note 7(a))	**450,000**	-	**450,000**	-	SFRS(I)3.B64.g.i
Deferred consideration (Note 7(b))	**50,000**	-	-	-	SFRS(I) 10.B98.b.i
Prepayments	**435,682**	633,288	-	-	
Trade and other receivables - total	**23,478,226**	27,585,405	**13,032,695**	15,712,482	

(i) Trade receivables

As at 1 January 2018, the Group's gross trade receivables from contracts with customers due from non-related parties amounted to $6,409,392. (1) SFRS(I) 15.116.a

Trade receivables are non-interest bearing and are generally on 30 to 90 days (2018: 30 to 90 days) credit term. They are recognised at their original invoice amounts which represent their fair values on initial recognition. The Group assesses the potential customer's credit quality and determines credit limits to be allowed before accepting any new customer. Credit limits granted to customers are reviewed regularly. SFRS(I) 7.7

Loss allowance for trade receivables is measured at an amount equal to lifetime ECL. The ECL on trade receivables are estimated using a provision matrix, and by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. In particular, the Group recognises loss allowance in full against all trade receivables over 120 days past due because historical experience has indicated that these receivables are generally not recoverable. SFRS(I) 7.35G

A trade receivable is written off when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier. None of the trade receivables that have been written off is subject to enforcement activities. SFRS(I) 7.35F.e SFRS(I) 7.35L

13 Trade and other receivables (cont'd)

(i) Trade receivables (cont'd)

The following table details the risk profile of trade receivables from contracts with customers based on the Group's provision matrix. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer base. (2)

SFRS(I) 7.35M
SFRS(I) 7.35N
SFRS(I) 9.B5.5.35

		Past due					
	Current	< 30 days	31 - 60 days	60 - 90 days	91 - 120 days	> 120 days	Total
The Group	$	$	$	$	$	$	$
2019							
ECL rate (%)	**0.2%**	**5.5%**	**9.7%**	**24.6%**	**48.9%**	**100.0%**	
Estimated total gross carrying amount at default ($)	**13,278,005**	**1,034,800**	**920,400**	**176,200**	**324,800**	**199,700**	**15,933,905**
Lifetime ECL ($)	**27,800**	**56,400**	**89,200**	**43,400**	**158,900**	**199,700**	**575,400**
2018							
ECL rate (%)	0.7%	4.8%	9.9%	27.4%	47.5%	100.0%	
Estimated total gross carrying amount at default ($)	16,852,541	1,000,400	301,500	165,200	190,200	150,800	18,660,641
Lifetime ECL ($)	110,800	47,900	29,800	45,200	90,300	150,800	474,800

The table below shows the movement in lifetime ECL that has been recognised for trade receivables in accordance with the simplified approach set out in SFRS(I) 9: (3a) (3b)

SFRS(I) 9.5.5.2
SFRS(I) 7.35H

	Lifetime ECL (not credit-impaired)			
	Collectively assessed	Individually assessed	Lifetime ECL (credit-impaired)	Total
The Group	$	$	$	$
2019				
At 1 January	**324,000**	**40,500**	**110,300**	**474,800**
Loss allowance recognised in profit or loss:				
- trade receivables acquired/originated				
- trade receivables derecognised upon settlement	**-**	**-**	**(30,500)**	**(30,500)**
- reversal of unutilised amounts				
- changes in credit risk	**211,400**	**50,000**	**50,000**	**311,400**
Amounts written off	**-**	**-**	**(180,300)**	**(180,300)**
Amounts recovered				
Transfer to credit-impaired	**(159,700)**	**(40,500)**	**200,200**	**-**
Transfer from credit-impaired				
Foreign currency exchange losses/(gains)				
At 31 December	**375,700**	**50,000**	**149,700**	**575,400**
2018				
At 1 January	233,700	-	110,300	344,000
Loss allowance recognised in profit or loss:				
- changes in credit risk	90,300	40,500	-	130,800
At 31 December	324,000	40,500	110,300	474,800

SFRS(I) 7.35B.b
SFRS(I) 7.35I

The increase in proportion of gross trade receivables at the reporting date that have become over 90 days past due and 31-60 days past due, offset by a one-time write-off, has contributed to the increase in loss allowance. (3b)

SFRS(I) 7.35I

13 Trade and other receivables (cont'd)

(ii) Amounts due from related parties

Amounts due from related parties, including ultimate holding corporation and subsidiaries, representing advances made to and payments made on behalf of these related parties, are non-trade in nature, non-interest bearing, unsecured and repayable on demand. They are recognised at their original billing amounts which represent their fair values on initial recognition. SFRS(I) 7.7

For purpose of impairment assessment, the non-trade amounts due from related parties are considered to have low credit risk as the timing of payment is controlled by the ultimate holding corporation taking into account cash flow management within the ultimate holding corporation's group of companies and there has been no significant increase in the risk of default on these amounts since initial recognition. Accordingly, for the purpose of impairment assessment for the non-trade amounts due from related parties, the loss allowance is measured at an amount equal to 12-month ECL. SFRS(I) 7.35G

(iii) Other receivables and assets

Other receivables, including staff loans, indemnification asset [(4)] and deferred consideration, are non-trade in nature, non-interest bearing, unsecured and repayable on demand or within the next twelve months from the reporting date. SFRS(I) 7.7

For purpose of impairment assessment, these other receivables are considered to have low credit risk as they are not due for payment at the end of the reporting period and there has been no significant increase in the risk of default on them since initial recognition. Accordingly, for the purpose of impairment assessment for them, the loss allowance is measured at an amount equal to 12-month ECL. SFRS(I) 7.35G SFRS(I) 7.35H SFRS(I) 7.35M

In determining the ECL, the Group has taken into account the historical default experience and the financial position of the counterparties, adjusted for factors that are specific to the debtors and general economic conditions, in estimating the probability of default occurring within their respective loss assessment time horizon, as well as the loss upon default in each case. SFRS(I) 7.35G

The deposits have been assessed to be placed with counterparties that are creditworthy and accordingly, no allowance for non-recovery of these deposits is required. SFRS(I) 7.35G

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for trade and other receivables. SFRS(I) 7.35G.c

Further information about the financial risk management are disclosed in Note 46.

Guidance Notes – Trade and other receivables

Unconditional right to consideration

Any unconditional rights to consideration are presented separately as a receivable. A right to consideration is 'unconditional' if only the passage of time is required before payment of that consideration is due. SFRS(I) 15.105,108

Opening and closing balances

(1) An entity shall disclose the opening and closing balances of receivables, contract assets and contract liabilities from contracts with customers, if not otherwise separately presented or disclosed. (N.B. Therefore, balances as at 1 January 2018 (being opening balance of 2018) have been disclosed here. The Group has disregarded that it is already disclosed on face of the statement of financial position because of the third statement of financial position included due to a prior year adjustment.) SFRS(I) 15.116.a

Guidance Notes – Trade and other receivables (cont'd)

Segregation by customers

(2) Depending on diversity of its customer base, the entity would use appropriate groupings if historical credit loss experience shows significantly different loss patterns for different customer segments. Examples of criteria used to group assets include geographical region, product type, customer rating, collateral or trade credit insurance and type of customer (such as wholesale or retail). SFRS(I) 9.B5.5.35

Analysis of loss allowance

(3a) SFRS(I) 7.35H requires an entity to explain the reasons for the changes in the loss allowance during the period. In addition to the required tabular reconciliation from the opening balance to the closing balance of the loss allowance, it may be necessary to provide a narrative explanation of the changes. This narrative explanation may include an analysis of the reasons for changes in the loss allowance during the period, including: SFRS(I) 7.35H SFRS(I) 7.B8D

(a) the portfolio composition;
(b) the volume of financial instruments purchased or originated; and
(c) the severity of the expected credit losses.

Changes in gross trade receivables that contribute to changes in loss allowance

(3b) SFRS(I) 7.35I requires an entity to 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. However, it does not explicitly require a reconciliation of movements in the gross carrying amounts in a tabular format and the requirement could be addressed using a narrative explanation. Examples of changes in gross carrying amount of financial instruments that contribute to changes in loss allowance may include: SFRS(I) 7.35I

(a) changes because of financial instruments originated or acquired during the reporting period;
(b) the modification of contractual cash flows on financial assets that do not result in a derecognition of those financial assets;
(c) changes because of financial instruments derecognised (including those that are written-off) during the period; and
(d) changes arising from whether the loss allowance is measured at an amount equal to 12-month or lifetime ECL.

Subsequent measurement of indemnification asset

(4) At the end of each subsequent reporting period, the acquirer shall measure an indemnification asset that was recognised at the acquisition date on the same basis as the indemnified liability or asset, subject to any contractual limitation on its amount. An indemnification asset is not subsequently measured at its fair value but is assessed for its collectability. SFRS(I) 3.57

Collateral

If an entity has pledged any financial asset as collateral, then it discloses: SFRS(I) 7.14
- the carrying amount of financial assets pledged as collateral for liabilities or contingent liabilities; and
- the terms and conditions related to the pledge.

(N.B. The Group has not pledged any of its receivables for such purposes. Therefore, there is no related illustrative disclosure above.)

Transfer and derecognition of trade receivables

SFRS(I) 7 requires disclosure for transactions involving transfers of financial assets, where an asset is transferred but is not derecognised or where an asset is derecognised but the entity continues to have a continuing involvement to the asset after the sale. Below is such an illustrative disclosure: SFRS(I) 7.42A SFRS(I) 7.42B SFRS(I) 7.42D SFRS(I) 9.B4.1.3

"The carrying amounts of trade receivables include receivables of $325,000 that are subject to a factoring arrangement. Under this arrangement, the Group has transferred the relevant receivables to the non-related factor in exchange for cash and is prevented from selling or pledging the receivables. However, the Group has retained credit risk. The Group therefore continues to recognise the transferred assets in their entirety in its statement of financial position. The amount repayable under the factoring agreement of $310,000 is presented as secured borrowing. The Group considers that the held-to-collect business model remains appropriate for these receivables and hence continues measuring them at amortised cost. The relevant carrying amounts are as follows:

	The Group	
	2019	*2018*
	$	*$*
Transferred receivables	***325,000***	-
Associated secured borrowings	***(310,000)***	-

Disclosures required by SFRS(I) 7

If information about contractual and effective interest rates, maturity dates, foreign currency denomination and fair values etc. are presented in the notes for financial risk management, fair value measurement and capital management, it is not necessary to repeat the same information in this note.

14 Contract assets

	The Group		
	2019	2018	
	$	$	
Sales contracts for development properties under construction	**3,172,034**	3,899,202	SFRS(I) 15.116.a
Construction contracts for industrial assets	**8,880,337**	9,900,622	
	12,052,371	13,799,824	
Less: Loss allowance			SFRS(I) 15.113.b
- At 1 January	**(168,231)**	(168,231)	SFRS(I) 7.35H
- Impairment loss	**(600,342)**	-	SFRS(I) 7.B8D
- At 31 December	**(768,573)**	(168,231)	
Contract assets - total	**11,283,798**	13,631,593	

As at 1 January 2018, the Group's gross contract assets balance amounted to $12,438,178. (1) SFRS(I) 15.116.a

The Group becomes entitled to invoice customers for construction of residential properties based on achieving a series of performance-related milestones. When a particular milestone is reached, the customer is sent a relevant statement of work signed by a third party surveyor and an invoice for the related milestone payment. SFRS(I) 15.117

Amounts relating to construction contracts for industrial assets primarily relate to the Group's right to consideration for work completed but not yet billed at the reporting date. The Group invoices and receives payments from customers in line with a series of performance-related milestones. SFRS(I) 15.117

The Group recognises a contract asset for any work performed. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which the Group invoices the customer. SFRS(I) 15.117

There are no significant changes in the contract asset balances during the reporting period. (1) SFRS(I) 15.118

The Group estimates the loss allowance on contract assets at an amount equal to lifetime ECL, using a provision matrix, and by taking into account the historical default experience and the future prospects of the industry in which the debtor operates, adjusted for the forecast direction of conditions at the reporting date. SFRS(I) 7.35G SFRS(I) 7.34.a

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for the contract assets. SFRS(I) 7.35G.c

There are no contract assets past due at the reporting date, except for an amount of $640,000 (2018: $nil) over 90 days past due because of disagreement with the customer about specifications ordered. The Group has assessed this amount to be credit-impaired and has provided loss allowance in full. Consequently, this amount has also been excluded in the provision matrix for recoverability assessment. SFRS(I) 7.35B.b

The following table details the risk profile of contract assets (excluding amounts over 120 days past due) based on the Group's provision matrix. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer base. (3) SFRS(I) 7.35M SFRS(I) 7.35N SFRS(I) 9.B5.5.35

	The Group	
	2019	2018
	$	$
ECL rate (%)	**1.1%**	1.2%
Estimated total gross carrying amount at default		
- amounts not past due ($)	**11,412,371**	13,799,824
Lifetime ECL ($)	**128,573**	168,231

14 Contract assets (cont'd)

The following table shows the movement in lifetime ECL that has been recognised for contract assets in accordance with the simplified approach set out in SFRS(I) 9. (3) SFRS(I) 7.35H SFRS(I) 7.B8D

	The Group		
	2019	2018	
	$	$	
At 1 January	**168,231**	168,231	SFRS(I) 7.35B.b
Loss allowance recognised in profit or loss:			SFRS(I) 7.35I
- credit-impaired	**640,000**	-	
- changes in credit risk	**(39,658)**	-	
At 31 December	**768,573**	168,231	

The increase in proportion of gross contract assets balance at the reporting date that have become past due has contributed to the increase in loss allowance. (3) SFRS(I) 7.35I

Guidance Notes – Contract assets

Opening and closing balances

(1) An entity shall disclose the opening and closing balances of receivables, contract assets and contract liabilities from contracts with customers, if not otherwise separately presented or disclosed. SFRS(I) 15.116.a

Alternative description for 'contract assets'

SFRS(I) 15 does not prohibit an entity from using alternative descriptions in the statement of financial position for those items. If an entity uses an alternative description, the entity shall provide sufficient information for a user of the financial statements to distinguish between receivables and contract assets. SFRS(I) 15.105,109

Significant changes in contract asset and contract liability

(2) An entity shall provide an explanation of the significant changes in the contract asset and the contract liability balances during the reporting period, including qualitative and quantitative information. Examples of changes include any of the following: SFRS(I) 15.118

(a) changes due to business combinations;
(b) cumulative catch-up adjustments to revenue that affect the corresponding contract asset or contract liability, including adjustments arising from a change in the measure of progress, a change in an estimate of the transaction price (including any changes in the assessment of whether an estimate of variable consideration is constrained) or a contract modification;
(c) impairment of a contract asset;
(d) change in the time frame for a right to consideration to become unconditional (i.e. for a contract asset to be reclassified to a receivable); and
(e) change in the time frame for a performance obligation to be satisfied (i.e. for recognition of revenue arising from a contract liability).

Loss allowance for ECL

(3) Disclosure requirements regarding loss allowance for contract assets are similar to those for trade receivables, including tabular movement analysis of loss allowance and explanation of how significant changes in gross carrying amounts contribute to changes in loss allowance. Refer to guidance notes for trade receivables. SFRS(I) 7.35H SFRS(I) 7.35I

15 Contract costs

	The Group		
	2019	2018	
	$	$	
Costs to obtain sales contracts for development properties	**64,016**	60,516	SFRS(I) 15.128.a
Costs to fulfil industrial asset construction contracts	**50,894**	53,052	
	114,910	113,568	

Costs to obtain sale contracts for development properties relate to incremental commission fees paid to intermediaries as a result of obtaining residential property sales contracts. These costs are amortised on a straight-line basis over the period of construction as this reflects the period over which the residential property is transferred to the customer. SFRS(I) 15.127

Costs to fulfil industrial asset construction contracts relate to costs incurred for purchase of project-specific materials that are used in specific construction contracts. These costs are amortised to profit or loss as on a basis consistent with the pattern of consumption of the materials. SFRS(I) 15.127

Amortisation of contract costs amounting to $11,008 (2018: $10,883) are recognised within "raw materials and subcontract costs" in profit or loss. There has been no impairment loss recognised on the contract costs asset in 2019 and 2018. SFRS(I) 15.128.b

Guidance Notes – Contract costs

Incremental costs of obtaining a contract

An entity shall recognise as an asset the incremental costs of obtaining a contract with a customer if the entity expects to recover those costs. As a practical expedient, an entity may recognise the incremental costs of obtaining a contract as an expense when incurred if the amortisation period of the asset that the entity otherwise would have recognised is one year or less. When this practical expedient is applied, the entity shall disclose that fact. SFRS(I) 15.91 SFRS(I) 15.94 SFRS(I) 15.129

Costs to fulfil a contract

If the costs incurred in fulfilling a contract with a customer are not within the scope of another SFRS(I) (for example, SFRS(I) 1-2 *Inventories*, SFRS(I) 1-16 *Property, Plant and Equipment* or SFRS(I) 1-38 *Intangible Assets*), an entity shall recognise an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria: SFRS(I) 15.95

(a) the costs relate directly to a contract or to an anticipated contract that the entity can specifically identify (e.g. costs relating to services to be provided under renewal of an existing contract or costs of designing an asset to be transferred under a specific contract that has not yet been approved);
(b) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
(c) the costs are expected to be recovered.

Costs that relate directly to a contract (or a specific anticipated contract) include any of the following: SFRS(I) 15.97

(a) direct labour (e.g. salaries and wages of employees who provide the pro
(b) mised services directly to the customer);
(c) direct materials (e.g. supplies used in providing the promised services to a customer);
(d) allocations of costs that relate directly to the contract or to contract activities (e.g. costs of contract management and supervision, insurance and depreciation of tools, equipment and ROU assets used in fulfilling the contract);
(e) costs that are explicitly chargeable to the customer under the contract; and
(f) other costs that are incurred only because an entity entered into the contract (e.g. payments to subcontractors).

An entity shall recognise the following costs as expenses when incurred: SFRS(I) 15.98

(a) general and administrative costs;
(b) costs of wasted materials, labour or other resources to fulfil the contract that were not reflected in the price of the contract;
(c) costs that relate to past performance; and
(d) costs for which an entity cannot distinguish whether the costs relate, or not, to past performance.

16 Derivative financial instruments

	The Group				
	2019		2018		
	Assets $	Liabilities $	Assets $	Liabilities $	
Derivatives not held for hedging:					
- Forward foreign currency contracts, at fair value	**-**	**(689,500)**	-	(349,800)	SFRS(I) 7.8.e
Derivatives held for hedging:					
- Interest rate swaps, at fair value	**720,983**	**-**	405,587	-	SFRS(I) 7.8.a
Derivative financial instruments - total	**720,983**	**(689,500)**	405,587	(349,800)	

(i) Forward foreign currency contracts

The Group's forward foreign currency contracts do not meet the hedge accounting criteria (1) and hence are accounted for at fair value through profit or loss. SFRS(I) 9.5.1.1 SFRS(I) 9.5.2.1.c

Fair value loss of derivative financial instruments at FVPL amounting to $339,700 (2018: $67,100) is included within "other gains and losses" in profit or loss. SFRS(I) 7.20.a.i

(ii) Interest rate swaps

The Group's interest rate swaps are designated and effective as cash flow hedges (2) and the fair value changes of these interest rate swaps in the reporting period are recognised in other comprehensive income. The net gains or losses accumulated in the cash flow hedging reserve are reclassified to profit or loss when the hedged future cash flows are no longer expected to occur or the hedged item has affected profit or loss. SFRS(I) 9.6.5.11

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the cash flow exposures of the issued variable rate debt. The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the swap curve at the reporting date and the credit risk inherent in the contract. The average interest rate is based on the outstanding balances at the reporting date. SFRS(I) 7.22A,B SFRS(I) 7.23A SFRS(I) 7.33,34

As the critical terms of the interest rate swap contracts and their corresponding hedged items are the same, the Group performs a qualitative assessment of effectiveness and it is expected that the value of the interest rate swap contracts and the value of the corresponding hedged items will systematically change in opposite direction in response to movements in the underlying interest rates. SFRS(I) 7.22B

Hedge ineffectiveness can arise from: SFRS(I) 7.23D,E

- difference in the timing of cash flows of the hedged item and hedging instrument;
- different index (and accordingly different swap curve) linked to the hedged risk of the hedged item and hedging instrument; and
- change to the forecasted amount of cash flows of the hedged item and hedging instrument.

Further information about the financial risk management and the fair value measurement are disclosed in Note 46 and 47 respectively.

16 Derivative financial instruments (cont'd)

(ii) Interest rate swaps (cont'd)

Details regarding the interest rate swaps outstanding at the reporting date and their related hedged items are as follows:

SFRS(I) 7.23B
SFRS(I) 7.24A.a-d
SFRS(I) 7.24B
SFRS(I) 7.23C
SFRS(I) 7.23E

The Group	Maturity date [5]	Average contracted fixed interest rate [5]	Contractual notional amount [4]	Increase/(Decrease) in fair value used for calculating hedge ineffectiveness: Hedging instrument (included in "derivative financial instruments")	Increase/(Decrease) in fair value used for calculating hedge ineffectiveness: Hedged item (included in "borrowings")	Hedging gain/(loss) recognised in other comprehensive income	Amount of hedge ineffectiveness gain/(loss) recognised in profit or loss (included in "other gains and losses")	Amount reclassified to profit or loss (included in "finance costs"): Due to hedged future cash flows no longer expected to occur [6]	Amount reclassified to profit or loss (included in "finance costs"): Due to hedged item affected profit or loss [6]
		%	$	$	$	$	$	$	$
2019									
Cash flow hedge									
Interest rate risk [3]									
- Interest rate swap asset to hedge variable rate borrowings	**October - December 2020**	**5.5%**	**20,000,000**	**720,983**	**(732,782)**	**720,983**	**(11,799)**	**-**	**405,587**
2018									
Cash flow hedge									
Interest rate risk									
- Interest rate swap asset to hedge variable rate borrowings	October - December 2019	5.5%	20,000,000	405,587	(417,046)	405,587	(11,459)	-	381,009

Guidance Notes – Derivative financial instruments

Qualifying criteria for hedge accounting

(1) A hedging relationship qualifies for hedge accounting only if all of the following criteria are met: SFRS(I) 9.6.4.1

(a) the hedging relationship consists only of eligible hedging instruments and eligible hedged items.
(b) at the inception of the hedging relationship there is formal designation and documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge.
(c) the hedging relationship meets all of the following hedge effectiveness requirements:
(i) there is an economic relationship between the hedged item and the hedging instrument;
(ii) the effect of credit risk does not dominate the value changes that result from that economic relationship; and
(iii) the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

Types of hedging relationships

(2) There are three types of hedging relationships:

(a) fair value hedge: a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or a component of any such item, that is attributable to a particular risk and could affect profit or loss. SFRS(I) 9.6.5.2
(b) cash flow hedge: a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with all, or a component of, a recognised asset or liability (such as all or some future interest payments on variable-rate debt) or a highly probable forecast transaction, and could affect profit or loss.
(c) hedge of a net investment in a foreign operation as defined in SFRS(I) 1-21.

Disclosures by risk category

(3) SFRS(I) 7 requires an entity to provide hedge accounting disclosures by risk categories. An entity shall determine each risk category on the basis of risk exposures it decides to hedge, and for which hedge accounting is applied. Risk categories shall be determined consistently for all hedge accounting disclosures. SFRS(I) 7 does not prescribe on the level of disaggregation of hedge accounting disclosures required, however, an entity shall use the same level of aggregation or disaggregation it uses for disclosure requirements of related information in SFRS(I) 7 and SFRS(I) 13. SFRS(I) 7.21C,D

(N.B. The table above illustrates one example on how to disclose summary quantitative data about interest rate risk exposure and the corresponding use of interest rate swaps at the reporting date. There are several other possible methods or formats, the choice of which is usually determined by the nature of hedged risk and the hedging instrument used. Other examples with regards to fair value hedge and hedge of net investment in foreign operation are included in **Appendix F: Hedge Accounting**.)

Costs of hedging

SFRS(I) 9 introduces the concept of 'costs of hedging'. SFRS(I) 9 permits three exceptions where certain components of the derivative instrument may be designated as the hedging instrument, as follows: SFRS(I) 9.6.2.4

(a) separating the forward element and spot element of a forward contract, and designating only the change in the spot element as hedging instrument;
(b) separating and excluding the foreign currency basis spread from the designated hedging instrument; and
(c) separating the intrinsic value and time value of an option contract, and designating only the change in intrinsic value of an option as the hedging instrument.

Where the above exceptions are applied, the changes in the fair value of the component of the derivative instrument not designated as a hedging instrument is recognised in OCI and deferred in a hedging reserve in equity.

Contractual notional amounts

(4) SFRS(I) 7 requires the disclosure of the nominal amounts (including quantities such as tonnes or cubic metres) of the hedging instruments. While not mandatory for non-hedging derivative financial instruments, these may be included to enable users to evaluate nature and extent of risks arising from financial instruments to which the entity is exposed to during and at the end of the period. SFRS(I) 7.24A.d SFRS(I) 7.1.b

Amount, timing and uncertainty of future cash flows

(5) An entity shall disclose quantitative information by risk category to allow users of the financial statements to evaluate the terms and conditions of hedging instruments and how they affect the amount, timing and uncertainty of future cash flows by disclosing: SFRS(I) 7.23A,B

(a) a profile of the timing of the nominal amount of the hedging instrument; and
(b) the average price (e.g. strike price or forward price etc) of the hedging instruments, if applicable.

Guidance Notes – Derivative financial instruments (cont'd)

Reclassification from cash flow hedging reserve to profit or loss

(6) SFRS(I) 7 requires that the amount reclassified from cash flow hedge reserve into profit or loss as a reclassification adjustment be differentiated between: SFRS(I) 7.24C.b.iv

(a) amounts for which hedge accounting had previously been used, but for which the hedged future cash flows are no longer expected to occur; and
(b) the amounts that have been transferred because the hedged item has affected profit or loss.

Financial liabilities designated at FVPL (with changes attributable to the change in credit risk being recognised in OCI) – illustrative disclosure

If the entity has designated a financial liability as at FVPL and is required to present the effects of changes in that liability's credit risk in other comprehensive income, it shall disclose: SFRS(I) 7.10

(a) the amount of change, cumulatively, in the fair value of the financial liability that is attributable to changes in the credit risk of that liability;
(b) the difference between the financial liability's carrying amount and the amount the entity would be contractually required to pay at maturity to the holder of the obligation;
(c) any transfers of the cumulative gain or loss within equity during the period including the reason for such transfers; and
(d) if a liability is derecognised during the period, the amount (if any) presented in other comprehensive income that was realised at derecognition.

"The Group has cumulative redeemable preference shares which are classified entirely as liabilities because they are issued in a currency other than the functional currency of the Company. As the instrument contains an embedded derivative, it has been designated at FVPL on initial recognition and as such the embedded conversion feature is not separated. All transaction costs related to financial instruments designated as FVPL are expensed as incurred. SFRS(I) 7.B5.a SFRS(I) 7.21 SFRS(I) 9.4.3.5

The component of fair value changes relating to the Company's own credit risk is recognised in other comprehensive income. Amounts recorded in other comprehensive income related to credit risk are not subject to recycling in profit or loss, but are transferred to retained earnings when realised. Fair value changes relating to market risk are recognised in profit or loss. SFRSI) 9.5.7.7

SFRS(I) 7.10.a,b

	The Group	
	2019	*2018*
	$	*$*
Cumulative changes in fair value of cumulative redeemable preference shares:		
- changes in credit risk recognised in other comprehensive income	***3,282***	*3,086*
- changes in market conditions giving rise to market risk recognised in profit or loss	***4,649***	*4,344*
- financial liabilities derecognised during the year	***(3,715)***	*-*
	4,216	*7,430*
Difference between carrying amount and maturity amount:		
- Cumulative redeemable preference shares at fair value	***104,216***	*207,430*
- Amount payable at maturity	***100,000***	*200,000*
	4,216	*7,430*

Net losses accumulated in other comprehensive income realised to retained earnings upon derecognition of financial liabilities during the year amounts to $1,059. SFRS(I) 7.10.d

The Group determines the amount of fair value changes which are attributable to credit risk, by first determining the changes due to market conditions which give rise to market risk, and then deducting those changes from the total change in fair value of the cumulative redeemable preference shares. Market conditions which give rise to market risk include changes in the benchmark interest rate. Fair value movements on the conversion option embedded derivative are included in the assessment of market risk fair value changes. SFRS(I) 7.11.a

The Group believes that this approach most faithfully represents the amount of change in fair value due to the Company's own credit risk, as the changes in factors contributing to the fair value of the cumulative redeemable preference shares other than changes in the benchmark interest rate are not deemed to be significant." SFRS(I) 7.11.b

17 Development properties

	The Group		
	2019	2018	
	$	$	SFRS(I) 1-1.78.c SFRS(I) 1-2.36.b SFRS(I) 1-2.37
Development properties under construction	**23,563,267**	14,389,674	
Land held for future development	**3,000,000**	3,000,000	
	26,563,267	17,389,674	
Completed development properties	**4,952,024**	5,443,092	
Development properties - total	**31,515,291**	22,832,766	
Represented by:			SFRS(I) 1-2.36.b
Development properties under construction			SFRS(I) 1-2.37
- Singapore	**11,665,043**	7,069,590	
- Hong Kong	**11,898,224**	7,320,084	
Land held for future development - PRC	**3,000,000**	3,000,000	
Completed development properties			
- Singapore	**4,952,024**	5,443,092	

Development properties of the Group comprise properties in the course of development, land held for future development and completed properties held for sale. (2) These properties have operating cycles longer than one year. Development properties are classified as current assets as they are intended for sale in the Group's normal operating cycle. Development properties amounting to $16,633,900 (2018: $11,569,100) are expected to be recovered after more than twelve months from the reporting date. (3)

SFRS(I) 1-40.75.c
SFRS(I) 1-1.66,68
SFRS(I) 1-1.61

	The Group		
	2019	2018	SFRS(I) 1-2.36.b
	$	$	SFRS(I) 1-2.37
Development properties under construction			
Land cost	**4,100,655**	3,022,682	
Development costs incurred to date	**14,704,480**	8,209,924	
Interest and others	**5,801,364**	3,588,046	SFRS(I) 1-23.26.a
	24,606,499	14,820,652	
Less: Allowance for diminution in value	**(1,043,232)**	(430,978)	
	23,563,267	14,389,674	
Completed development properties			
Completed properties held for sale, at cost	**5,948,160**	5,948,160	
Less: Allowance for diminution in value	**(996,136)**	(505,068)	
	4,952,024	5,443,092	

Interest costs capitalised during the year was $578,224 (2018: $498,722) at effective interest rates ranging from 4.1% to 4.7% (2018: 3.9% to 4.8%) per annum. SFRS(I) 1-23.26.a,b

The allowance for diminution in value for development properties held for sale was estimated taking into account estimated selling prices and estimated total construction costs. The estimated selling prices are based on expected selling prices for the development project after taking into consideration of prevailing market conditions. The estimated total construction costs include contracted amounts plus estimated costs to complete the development project. The allowance will be progressively reversed for those residential units sold above their carrying amounts. SFRS(I) 1-2.36.a

	The Group		
	2019	2018	
	$	$	
Allowance for diminution in value:			
- At 1 January	**(936,046)**	(624,400)	
- Currency translation differences	**(13,031)**	(7,034)	SFRS(I) 1-21.41.b
- Allowance made	**(1,090,291)**	(304,612)	SFRS(I) 1-2.36.e
- 31 December	**(2,039,368)**	(936,046)	

17 Development properties (cont'd)

The allowance made for diminution in value of development properties of $1,090,291 (2018: $304,612) is included within "other operating expenses" in profit or loss. SFRS(I) 1-2.36.e

As at 31 December 2019, the Group's development properties amounting to $31,515,291 (2018: $22,832,766) are mortgaged to banks to secure credit facilities (Note 23). SFRS(I) 1-2.36.h

Details of the Group's development properties at the reporting date are as follows: [1] SGX 1207.11.a

Property name / Location	Description / Planned use	Gross floor area / Land area	Tenure	The Group's effective equity interest	Stage of completion (Expected or actual completion date)
Development properties under construction					
Dimi Residences, Jalan Amin, Singapore	Condominium of 40 units (27 units sold)	4,080 sqm	99-year leasehold commenced 10 April 2016	100%	68% (March 2022)
Manseh Court, Tie Meng Ding, Hong Kong	Condominium of 80 units (59 units sold)	9,820 sqm	Freehold	100%	74% (November 2021)
Land held for future development					
Lot.18, Yu Meng Lu, Shenzhen, PRC	Residential property development	12,480 sqm	70-year leasehold commenced 25 May 2017	100%	No development undertaken as yet (October 2023)
Completed development properties					
Yume Tower, Eng King Road, Singapore	10 townhouse units (6 units sold)	3,240 sqm	99-year leasehold commenced 31 August 1996	100%	Completed (July 2017)

Guidance Notes – Development properties

Details of properties

(1) Refer to guidance notes on PPE for property disclosure requirements under Rule 1207.11 of SGX Listing Manual. (N.B. If the property is in the course of construction, stage of completion as at the date of annual report and expected completion date shall be disclosed.) SGX 1207.11.a

Classification of property

(2) An entity shall disclose, when classification is difficult, the criteria it uses to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of business. SFRS(I) 1-40.75.c

Expected to be recovered after more than 12 months

(3) An entity shall disclose 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 no more than twelve months after the reporting period and more than twelve months after the reporting period. SFRS(I) 1-1.61

Reversal of allowance for diminution in value

If there is a reversal of allowance previously made for diminution in value, the circumstances or events leading to this reversal shall be disclosed. (N.B. There is none of such for the Group in current and prior period.) SFRS(I) 1-2.36.g

18 Inventories

	The Group		
	2019	2018	
	$	$	SFRS(I) 1-1.78.c SFRS(I) 1-2.36.b SFRS(I) 1-2.37
At cost:			
Raw materials	**1,073,254**	1,046,707	
Work-in-progress	**493,316**	585,569	
Finished goods	**1,148,125**	1,134,092	
At net realisable value:			
Finished goods	**574,063**	567,046	
Right to recover returned goods (1)			SFRS(I) 15.B21
	3,288,758	3,333,414	

Write-down of inventories to net realisable value of $112,093 (2018: $100,466) is included within "operating expenses" in profit or loss. SFRS(I) 1-2.36.e

Inventories of $616,642 (2018: $625,015) are expected to be recovered after more than twelve months from the reporting date. (2) SFRS(I) 1-1.61

The right to recover returned goods represents the Group's right to recover goods from customers where customers exercise their right of return under the Group's 60-day returns policy. The Group uses its accumulated historical experience to estimate the number of returns on a portfolio level using the expected value method. SFRS(I) 15.126.d

Guidance Notes – Inventories

Rights to recover returned goods

(1) SFRS(I) 15 and other standards do not specify where assets for rights to recover products from customers with regards to sales with a right of return should be presented. (N.B. There are 2 alternatives: either as a line item in the statement of financial position or in the 'inventories' note to the financial statements. The Group has opted for the latter.) SFRS(I) 15.B21

Inventories measured at fair value less cost to sell

When these inventories (e.g. those of commodity broker-trader) are measured at fair value less costs to sell, they are excluded from only the measurement requirements of SFRS(I) 1-2. SFRS(I) 1-2.5

The carrying amount of inventories carried at fair value less costs to sell shall be disclosed separately. SFRS(I) 1-2.36.c

Cost of inventories recognised as expense

When an entity presents an analysis of expenses using classification based on the nature of expenses in the statement of profit or loss, it discloses the costs recognised as an expense for raw materials and consumables, labour and other costs, together with the amount of the net change in inventories for the period. SFRS(I) 1-2.39

If an entity presents an analysis of expenses by function in the statement of profit or loss, then write-downs of inventory to net realisable value and any reversals should be included in 'cost of sales'. SFRS(I) 1-2.38 SFRS(I) 1-2.34

Expected to be recovered after more than 12 months

(2) An entity shall disclose 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 no more than twelve months after the reporting period and more than twelve months after the reporting period. SFRS(I) 1-1.61

Noteworthy disclosure requirements not illustrated

- amount of any reversal of any write-down that is recognised as a reduction in the amount of inventories recognised as expense SFRS(I) 1-2.36.f
- circumstances or events that led to the reversal of a write-down of inventories SFRS(I) 1-2.36.g
- carrying amount of inventories pledged as security for liabilities SFRS(I) 1-2.36.h

19 Disposal group classified as held-for-sale and discontinued operations

On 15 October 2019, the Group has publicly announced the decision of its Board of Directors to sell FKT Hotel Limited ("FHL"), a wholly-owned subsidiary, which is a hotel operator. On 1 December 2019, the Company's shareholders have approved the plan for sale of FHL, that is expected to be completed within a year from the reporting date. As at 31 December 2019, FHL is classified as a disposal group held-for-sale and as a discontinued operation. The business of FHL represents the entirety of the Group's Hotel Operations segment. [1] The disposal has not been completed yet at the date of these financial statements. SFRS(I) 5.30 SFRS(I) 5.41

(a) The major classes of assets and liabilities comprising the disposal group classified as held-for-sale are as follows: SFRS(I) 5.38

	The Group 2019 $	
Assets		
Property, plant and equipment	406,399	
Cash and bank balances	150,800	SFRS(I) 1-7.40.c
Trade and other receivables	1,719,791	
Inventories	678,832	
	2,955,822	
Liabilities		
Trade and other payables	(2,255,000)	
Net assets of disposal group	700,822	

(b) The cumulative income recognised in other comprehensive income relating to disposal group classified as held-for-sale are as follows: SFRS(I) 5.38

	The Group 2019 $
Currency translation reserve	104,302

(c) The results of the discontinued operations and the re-measurement of the disposal group are as follows: [2] [3] SFRS(I) 5.33.b

	The Group 2019 $	The Group 2018 $	
Revenue	4,629,576	5,481,704	SFRS(I) 5.33.b.i
Expenses	(5,760,252)	(6,930,224)	SFRS(I) 5.33.b.i
Loss before tax of disposal group	(1,130,676)	(1,448,520)	SFRS(I) 5.33.b.i SFRS(I) 5.33.b.ii
Tax	90,502	100,671	SFRS(I) 1-12.81.h.ii
Loss after tax of disposal group	(1,040,174)	(1,347,849)	SFRS(I) 5.33.a.i
Pre-tax loss recognised on re-measurement of disposal group to fair value less costs to sell	(169,606)	-	SFRS(I) 5.33.b.iii
Tax	10,882	-	SFRS(I) 5.33.b.iv SFRS(I) 1-12.81.h.i
Post-tax loss recognised on re-measurement of disposal group to fair value less costs to sell	(158,724)	-	SFRS(I) 5.33.a.ii SFRS(I) 5.41.c
Loss from discontinued operations, net of tax	(1,198,898)	(1,347,849)	

(d) Earnings per share from discontinued operations is disclosed in Note 38. SFRS(I) 1-33.38

19 Disposal group classified as held-for-sale and discontinued operations (cont'd)

(e) The impact of the discontinued operations on the cash flows of the Group for the financial year ended 31 December 2019 are as follows: (2) SFRS(I) 5.33.c

	The Group	
	2019	2018
	$	$
Operating cash outflows	**(906,478)**	(1,293,996)
Investing cash outflows	**(102,800)**	(54,600)
Financing cash flows	**-**	-
Net decrease in cash and cash equivalents	**(1,009,278)**	(1,348,596)

Guidance Notes – Disposal group classified as held-for-sale and discontinued operations

Segment related information

(1) For an entity presenting segment information in accordance with SFRS(I) 8, the entity discloses the reportable segment in which the non-current asset (or disposal group) is presented in accordance with SFRS(I) 8. SFRS(I) 5.41.d

Presentation

(2) An entity shall re-present the statement of profit or loss and other comprehensive income and statement of cash flows for the discontinued operations for prior periods. In contrast, the statement of financial position information for the prior year is not re-presented. SFRS(I) 5.34 SFRS(I) 1-1.38

Results of discontinued operations and re-measurement of disposal group

(3) The analysis of the results of the discontinued operations and the remeasurement of the disposal group shall be disclosed either in the notes or in the statement of profit or loss and other comprehensive income. (N.B. The Group has elected to disclose the necessary information in the notes.) SFRS(I) 5.33.b

If the entity elects to present the analysis of the results of the discontinued operations in the statement of profit or loss and other comprehensive income, the analysis should be presented in a section identified as relating to discontinued operations. The analysis is not required for disposal groups that are newly acquired subsidiaries that meet the criteria to be classified as held-for-sale on acquisition. SFRS(I) 5.39 SFRS(I) 5.11

Disclosure requirements

Disclosures in other SFRS(I) do not apply to non-current assets (or disposal groups) classified as held-for-sale or discontinued operations, unless those other SFRS(I) require: SFRS(I) 5.5,5B

- specific disclosures in respect of non-current assets (or disposal groups) classified as held-for-sale or discontinued operations
- disclosures about the measurement of assets and liabilities within a disposal group that are not within the scope of the measurement requirements of SFRS(I) 5 and such disclosures are not already provided in the other notes, such as follows:

  (i) deferred tax assets in SFRS(I) 1-12
  (ii) assets arising from employee benefits under SFRS(I) 1-19
  (iii) financial assets within the scope of SFRS(I) 9
  (iv) non-current assets that are accounted for in accordance with the fair value model in SFRS(I) 1-40
  (v) non-current assets that are measured at fair value less costs to sell in accordance with SFRS(I) 1-41 *Agriculture*
  (vi) contractual rights under insurance contracts as defined in SFRS(I) 4 *Insurance Contracts*

For example, disclosure requirements for fair value measurement under SFRS(I) 13 are required for financial assets within the scope of SFRS(I) 9 and investment properties accounted for at fair value, even if they are classified as held-for-sale.

SFRS(I) 12.B17 clarifies that disclosures of summarised information are not required when an entity's interest in a subsidiary, joint venture or associate (or a portion of its interest in a joint venture or an associate) is classified as held-for-sale in accordance with SFRS(I) 5. The other disclosure requirements in SFRS(I) 12 shall continue to apply to an entity's held-for-sale interests. SFRS(I) 12.B17

SFRS(I) 33.68A provides an option to present the earnings per share from discontinued operations either on the face of the statement of profit or loss and other comprehensive income or in the notes. SFRS(I) 33.68A

If the disposal group has cash and cash equivalents at the time of disposal, the amount of cash and cash equivalents over which control is lost shall be disclosed. SFRS(I) 1-7.40.c

20 Share capital

	The Group and The Company				
	2019	2018	**2019**	2018	
	Number of ordinary shares		**$**	$	SFRS(I) 1-1.78.e SFRS(I) 1-1.79.a.ii,iv SFRS(I) 1-1.106.d
Issued and paid up:					
- At 1 January	**90,000,000**	72,000,000	**56,882,005**	35,000,000	
- Issue of new shares for cash	**1,988,000**	18,000,000	**1,994,000**	21,882,005	
- Exercise of share options	**12,000**	-	**43,200**	-	SFRS(I) 1-1.79.a.vii
- Issue of new shares in business combination					SFRS(I) 1-7.43
- At 31 December	**92,000,000**	90,000,000	**58,919,205**	56,882,005	

All issued ordinary shares are fully paid. There is no par value for these ordinary shares. SFRS(I) 1-1.79.a.ii,iii

Fully paid ordinary shares carry one vote per share and entitle the holder to participate in dividends, and to share in the proceeds of winding up the Company in proportion to the number of and amounts paid on the shares held. These rights are subject to the prior entitlements of the 4% redeemable preference shares (Note 23) which are classified as liabilities. All rights attached to the Company's shares held by the Group are suspended until those shares are reissued. SFRS(I) 1-1.79.a.v

In July 2019, the Company issues 1,988,000 ordinary shares for a total consideration of $1,994,000 for cash to provide funds for general working capital purposes. In June 2018, the Company issued 18,000,000 ordinary shares for a total consideration of $21,882,005 for cash to provide funds for the expansion of the Group's operations. All newly issued shares rank pari passu in all aspects with the previously issued shares. SFRS(I) 1-1.79.a.iv

In October 2019, 12,000 ordinary shares have been issued as a result of the exercise of vested share options at average price of $3.60, arising from the FKT Holdings Limited Employee Share Option Scheme. Information relating to this share option scheme, including details of options issued, exercised and lapsed during the financial year and options outstanding at the reporting date, are set out in Note 40. SFRS(I) 1-1.79.a.vii

In July 2019, XXX ordinary shares are issued at fair value of $XXX as purchase consideration in the Group's acquisition of [name of acquire] (Note 7(a)). SFRS(I) 1-7.43

Guidance Notes – Share capital

Disclosure requirements for each class of share capital SFRS(I) 1-1.79.a

(i) the number of shares authorised;
(ii) the number of shares issued and fully paid, and issued but not fully paid;
(iii) par value per share, or that the shares have no par value;
(iv) a reconciliation of the number of shares outstanding at the beginning and at the end of the period;
(v) the rights, preferences and restrictions attaching to that class including restrictions on the distribution of dividends and the repayment of capital;
(vi) shares in the entity held by the entity or by its subsidiaries or associates; and
(vii) shares reserved for issue under options and contracts for the sale of shares, including terms and amounts.

Non-redeemable preference shares – illustrative disclosure

"Holders of non-redeemable preference shares receive a non-cumulative dividend of XX cents per share at the Company's discretion, or whenever dividends to ordinary shareholders are declared. They do not have the right to participate in any additional dividends declared for ordinary shareholders. Non-redeemable preference shares do not carry the right to vote." SFRS(I) 1-1.79.a.v

Rights issue – illustrative disclosure

"In November 2019, the Company invites its shareholders to subscribe to a rights issue of XXX ordinary shares at an issue price of $XX per share on the basis of XX share for every XX fully or partly paid ordinary shares held, with such shares to be issued on, and rank for dividends after, 31 December 2019. The issue has been fully subscribed." SFRS(I) 1-1.106.d.iii SFRS(I) 1-1.112.c

21 Treasury shares

	The Group and The Company				
	2019	2018	**2019**	2018	
	Number of ordinary shares		**$**	$	
Treasury shares:					SFRS(I) 1-1.79.a SFRS(I) 1-32.34 SFRS(I) 1-32.AG36
- At 1 January	**-**	-	**-**	-	
- Purchase of treasury shares	**1,000,000**	-	**(1,418,000)**	-	
- At 31 December	**1,000,000**	-	**(1,418,000)**	-	

In June 2019, the Company acquires 1,000,000 shares of the Company in the open market. The total amount paid to acquire the shares is $1,418,000 and this is presented as a component within the shareholder's equity. These shares are held as treasury shares. The Company intends to reissue these shares to senior executives who exercise their share options under the FKT Holdings Limited Employee Share Option Scheme. SFRS(I) 1-32.33

Guidance Notes – Treasury shares

Recognition and presentation

SFRS(I) 32 states that treasury shares must be deducted from equity and that no gain or loss shall be recognised on the purchase, sale, issue or cancellation of such shares. However, SFRS(I) 32 does not specify where in equity the treasury shares should be presented. (N.B. The Group has elected to present these treasury shares as a separate line item in the statement of financial position, or they may be presented in another equity category, deducted from retained earnings or presented in a specific reserve account.) SFRS(I) 1-32.33

An entity discloses separately the number of treasury shares held, either in the statement of financial position or the statement of changes in equity, or in the notes. SFRS(I) 1-32.34 SFRS(I) 1-1.79.a.vi

Shares acquired from related parties

If any of the shares are acquired from the group's or the company's related parties, then an entity discloses details of the transaction in accordance with SFRS(I) 1-24. SFRS(I) 1-24.18

Re-issue of treasury shares – illustrative disclosure

"On [date of re-issue], the Company re-issues 10,000 treasury shares pursuant to the FKT Holdings Limited Employee Share Option Scheme at the exercise price of $3 each. The cost of the treasury shares re-issued amounts to $35,000. The total consideration (net of expense) for the treasury shares issued is as follows: SFRS(I) 1-32.34

	The Group and The Company	
	2019	*2018*
	$	*$*
Exercise price	***30,000***	-
Value of employee services	***10,000***	-
Transaction cost	***(3,000)***	-
Net consideration received	***37,000***	-

Consequently, upon the re-issue of treasury shares, the excess of net consideration received over the cost of treasury shares amounting to $2,000 has been recognised in the [name of reserve account]."

22 Reserves

SFRS(I) 1-1.78.e
SFRS(I) 1-1.79.b
SFRS(I) 1-1.106.d
SFRS(I) 1-1.106A

		The Group 2019 $	The Group 2018 $ (Restated)	The Company 2019 $	The Company 2018 $	
Capital reserve	(i)	**5,156,250**	5,156,250	-	-	
Currency translation reserve	(ii)	**688,397**	524,364	-	-	
Share option reserve	(iii)	**219,959**	129,910	**219,959**	129,910	
Fair value reserve	(iv)	**838,452**	402,128	-	-	
Cash flow hedging reserve	(v)	**720,983**	405,587	-	-	
Equity component of convertible bond	(vi)	**235,600**	235,600	**235,600**	235,600	
Reserve of disposal group classified as held-for-sale	(vii)	**104,302**	-	-	-	
Asset revaluation reserve						SFRS(I) 16.77.f
Retained earnings	(viii)	**40,876,385**	45,458,367	**12,302,803**	24,530,015	
		48,840,328	52,312,206	**12,758,362**	24,895,525	

	The Group 2019 $	The Group 2018 $	The Company 2019 $	The Company 2018 $
(i) Capital reserve				
At 1 January and 31 December	**5,156,250**	5,156,250	**-**	**-**

The capital reserve arises from the application of reverse acquisition accounting in 2010. SFRS(I) 1-1.79.b

	The Group 2019 $	The Group 2018 $	The Company 2019 $	The Company 2018 $	SFRS(I) 1-21.52.b
(ii) Currency translation reserve					
At 1 January	**524,364**	317,140	**-**	-	
Currency translation differences arising from foreign operations	**316,528**	288,641	**-**	-	SFRS(I) 1-21.39
Non-controlling interests' share of currency translation reserve (2a)	**(48,193)**	(81,417)	**-**	-	SFRS(I) 1-21.48B
Reclassification of currency translation reserve related to disposal group classified as held-for-sale	**(104,302)**	-	**-**	-	SFRS(I) 5.38
At 31 December	**688,397**	524,364	**-**	-	

The currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations, as well as the effective portion of any foreign currency differences arising from hedges of a net investment in a foreign operation. (2) SFRS(I) 1-1.79.b

	The Group 2019 $	The Group 2018 $	The Company 2019 $	The Company 2018 $	
(iii) Share option reserve					
At 1 January	**129,910**	20,157	**129,910**	20,157	
Recognition of share-based payments	**112,249**	109,753	**112,249**	109,753	SFRS(I) 2.50
Exercise of share options	**(22,200)**	-	**(22,200)**	-	
At 31 December	**219,959**	129,910	**219,959**	129,910	

The share option reserve arises on the grant of share options to employees under the FKT Holdings Limited Employee Share Option Scheme (Note 40). SFRS(I) 1-1.79.b

22 Reserves (cont'd)

	The Group		The Company		
	2019	2018	**2019**	2018	
	$	$	**$**	$	
(iv) Fair value reserve					
At 1 January	**402,128**	180,400	-	-	
Fair value (losses)/gains on debt investments at FVOCI	**(247,200)**	12,400	-	-	SFRS(I) 7.20.a.viii
Reclassification of net loss on debt investments at FVOCI from equity to profit or loss upon disposal	**46,700**	-	-	-	SFRS(I) 7.20.a.viii
Impairment loss on debt investments at FVOCI (Note 9(c))	**10,000**	-	-	-	SFRS(I) 7.16A
Fair value gains on equity investments at FVOCI	**200,000**	68,000	-	-	SFRS(I) 7.20.a.vii
Share of fair value reserve of associates	**426,824**	141,328	-	-	
At 31 December	**838,452**	402,128	-	-	

The fair value reserve comprises the cumulative net change in the fair value of: SFRS(I) 1-1.79.b

- equity investments designated at FVOCI; and
- debt investments at FVOCI until the assets are derecognised or reclassified, which is also adjusted by the amount of loss allowance. (1)

	The Group		The Company		
	2019	2018	**2019**	2018	
	$	$	**$**	$	
(v) Cash flow hedging reserve					
At 1 January	**405,587**	381,009	-	-	
Fair value gains on interest rate swaps entered into for cash flow hedges	**720,983**	405,587	-	-	SFRS(I) 7.24C.b.i
Reclassification of fair value gains on interest rate swaps designated as cash flow hedges from equity to profit or loss	**(405,587)**	(381,009)	-	-	SFRS(I) 7.24C.b.iv
At 31 December	**720,983**	405,587	-	-	

The cash flow hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges, pending subsequent recognition in profit or loss or directly included in the initial cost or other carrying amount of a non-financial asset or non-financial liability. SFRS(I) 1-1.79.b

	The Group		The Company	
	2019	2018	**2019**	2018
	$	$	**$**	$
(vi) Equity component of convertible bond				
At 1 January and 31 December	**235,600**	235,600	**235,600**	235,600

The equity component of convertible bond is the value of the equity conversion rights relating to the convertible bonds (Note 23). SFRS(I) 1-1.79.b

22 Reserves (cont'd)

	The Group		The Company		
	2019	2018	**2019**	2018	
	$	$	**$**	$	
(vii) Reserve of disposal group classified as held-for-sale					
At 1 January	**-**	-	-	-	
Reclassification of currency translation reserve related to disposal group classified as held-for-sale	**104,302**	-	-	-	SFRS(I) 5.38
At 31 December	**104,302**	-	-	-	

The reserve of disposal group classified as held-for-sale is the cumulative income recognised in other comprehensive income relating to the disposal group reclassified out from the currency translation reserve. SFRS(I) 1-1.79.b

	The Group		The Company		
	2019	2018	**2019**	2018	
	$	$	**$**	$	SFRS(I) 1-16.77.f
Asset revaluation reserve					
At 1 January					
Revaluation gain/(loss)					
Share of asset revaluation reserve of associates					
Transfer to retained earnings [(3)]					
At 31 December					

The asset revaluation reserve arises on the revaluation of land and buildings. Where revalued land or buildings are sold, the portion of the asset revaluation reserve that relates to that asset, and is effectively realised, is transferred directly to retained earnings. The asset revaluation reserve is not available for distribution to the Company's shareholders. SFRS(I) 1-1.79.b SFRS(I) 1-16.77.f

	The Group		The Company		
	2019	2018	**2019**	2018	
	$	$ (Restated)	**$**	$	
(viii) Retained earnings					
At 1 January	**45,458,367**	42,829,302	**24,530,015**	24,653,365	
Adoption of SFRS(I) 16 (Note 2(b))	**(190,629)**	-	**-**	-	
At 1 January, as adjusted	**45,267,738**	42,829,302	**24,530,015**	24,653,365	
Profit/(Loss) for the year	**2,156,647**	4,405,065	**(5,679,212)**	1,652,650	
Dividends paid	**(6,548,000)**	(1,776,000)	**(6,548,000)**	(1,776,000)	SFRS(I) 1-1.107
At 31 December	**40,876,385**	45,458,367	**12,302,803**	24,530,015	

The retained earnings comprise the distributable reserves recognised in the preceding years less any dividends declared. The total of such profits brought forward and the profit derived for the current reporting period constitute the total distributable reserves, that is the maximum amount available for distribution to the shareholders, at the reporting date. SFRS(I) 1-1.79.b

Guidance Notes – Reserves

Reconciliation

An entity shall present, either in the statement of changes in equity or in the notes, for each accumulated balance of each class of other comprehensive income a reconciliation between the carrying amount at the beginning and the end of the period, separately disclosing each item of other comprehensive income and transactions with owners. SFRS(I) 1-1.106.d

Reclassification adjustments relating to components of other comprehensive income must also be disclosed, either in the statement of comprehensive income or in the notes. Reclassification adjustments are amounts reclassified to profit or loss in the current period that have been recognised in other comprehensive income in the current or previous periods. They arise, for example, on disposal of a foreign operation and when a hedged forecast transaction affects profit or loss. SFRS(I) 1-1.92,94 SFRS(I) 1-1.7,95

Fair value reserve on debt investment at FVOCI

(1) The carrying amount of financial assets measured at FVOCI is not reduced by a loss allowance and an entity shall not present the loss allowance separately in the statement of financial position as a reduction of the carrying amount of the financial asset. However, an entity shall disclose the loss allowance in the notes to the financial statements. SFRS(I) 7.16A

(N.B. Impairment loss on debt investment at FVOCI that is recognised in profit or loss is adjusted in the movement of the fair value reserve account on the debt investment at FVOCI. Refer to Note 9(c) for the loss allowance movement schedule.)

Nature and purpose

A description of the nature and purpose of each reserve within equity must be disclosed either in the statement of financial position or in the notes. This applies to each reserve, including general reserves, capital profits reserves and any others in existence. SFRS(I) 1-1.79.b

In providing a description of the nature and purpose of the reserves, it would be appropriate to refer to any restrictions on their distribution or any other important characteristics. For example, in the case of:

(a) the property, plant and equipment revaluation surplus: there is a specific requirement to disclose any restrictions on the distribution of the balance to shareholders SFRS(I) 1-16.77.f

(b) the amount of the revaluation surplus that relates to intangible assets: there is a specific requirement to disclose the balance 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. SFRS(I) 1-38.124.b

(N.B. The amount of reserves that are distributable will usually depend on the Articles of Association of the company subject to any regulatory restrictions.)

Currency translation reserve

(2) For a monetary item that is receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future, the item is in substance a part of the entity's net investment in that foreign operation. Currency translation differences arising from such items shall be recognised (a) in profit or loss in the separate financial statements of the reporting entity or the foreign operation; and (b) in a separate component of equity in the consolidated financial statements. SFRS(I) 1-21.15,32

(2a) Non-controlling interests' share of reserve movement (net of tax) should be separately disclosed, where applicable. (N.B. This applies to all reserve accounts.) SFRS(I) 1-21.48B

Transfer of revaluation surplus on PPE

(3) An entity may elect to transfer revaluation surplus of an item of PPE directly to retained profits when that asset is derecognised. An entity can also choose to transfer the revaluation surplus to retained profits progressively as the asset is used by the entity; the amount to be transferred will then be the difference in depreciation based on the revalued amount and the depreciation based on the asset's original cost. SFRS(I) 1-16.41

Credit risk reserve – illustrative disclosure

	The Group		*The Company*		
	2019	*2018*	***2019***	*2018*	
	$	*$*	***$***	*$*	
At 1 January					
Fair value gain on financial liabilities designated as at FVPL attributable to changes in credit risk					SFRS(I) 7.20.a.i
Transfer of credit risk reserve to retained earnings upon derecognition of related financial liabilities					
At 31 December					

The changes in fair value of financial liabilities designated as at FVPL attributable to the financial liabilities' own credit risk are recognised in other comprehensive income and accumulated in the credit risk reserve. The cumulative gain or loss accumulated in this reserve is not subsequently reclassified to profit or loss. SFRS(I) 9.5.7.7

23 Borrowings

	The Group		The Company		
	2019	2018	**2019**	2018	
	$	$	**$**	$	SFRS(I) 7.8.g
Non-current (1)					
Bank loans	**15,742,759**	18,106,083	**13,111,750**	5,597,750	
Convertible bonds	**6,984,500**	6,856,000	**6,984,500**	6,856,000	
Redeemable preference shares	**5,000,000**	5,000,000	**5,000,000**	5,000,000	
	27,727,259	29,962,083	**25,096,250**	17,453,750	
Current (1)					
Bank overdrafts					
Bank loans	**12,111,992**	12,270,703	**1,173,222**	982,888	
Dividends on redeemable preference shares	**100,000**	100,000	**100,000**	100,000	
	12,211,992	12,370,703	**1,273,222**	1,082,888	
Borrowings - total	**39,939,251**	42,332,786	**26,369,472**	18,536,638	

(i) Bank overdrafts and loans

Bank overdrafts of $XXX, repayable on demand, have weighted average effective interest rate of XX% (2018: XX%) per annum. Bank overdrafts of $XXX (2018: $XXX) have been secured by a charge over the Group's and the Company's cash and bank balances of $XXX (2018: $XXX) (Note 12). SFRS(I) 7.14

The Company has two principal bank loans:

(a) Term investment loan outstanding of $9,729,097 (2018: $3,781,763) raised in March 2014. A second drawdown was made in March 2018. Repayments commenced in September 2014 and continue until August 2029. The term loan is secured by a charge over the Company's cash and bank balances (Note 12) and certain of the Group's investment properties (Note 6). The term loan carries interest per annum at the prime rate. SFRS(I) 7.7,14

(b) Term loan outstanding of $4,555,875 (2018: $2,798,875) raised in July 2016. A second drawdown was made in July 2018. Repayments commenced in January 2017 and continue until December 2025. The term loan is secured by a charge over the Company's cash and bank balances (Note 12). The term loan carries fixed interest rate at 5.7% per annum. SFRS(I) 7.7,14

In addition, the subsidiaries of the Group have two principal bank loans:

(c) Term construction loan outstanding of $10,046,519 (2018: $15,864,099) raised in May 2010. Repayments commenced in June 2010 and continue until May 2040. The term loan is secured by the Group's development properties (Note 17) and certain of the Group's investment properties (Note 6). The term loan carries interest per annum at 3.2% plus 12-month SIBOR. SFRS(I) 7.7,14

(d) Revolving working capital loan outstanding of $3,523,260 (2018: $7,932,049). The revolving loan is secured by the Group's cash and bank balances (Note 12) and freehold land and building (Note 4). The revolving loan carries interest per annum at 2.7% plus 12-month SIBOR (2018: 2.5% plus 12-month SIBOR). SFRS(I) 7.7,14

The two principal bank loans of the subsidiaries, which are also secured by a negative pledge, impose certain debt ratio covenants on the subsidiaries that have received these loans. The negative pledge states that the subsidiaries will not provide any other security over its assets until the loans have been fully repaid. The financial ratios to be met by the subsidiaries are as follows: SFRS(I) 7.7,14

- debts do not, at any time, exceed 50% of total tangible assets, and
- borrowing costs do not exceed 50% of net profits before borrowing costs and taxes for each half-year period.

All bank overdrafts and loans are denominated in Singapore dollar. SFRS(I) 7.7

23 Borrowings (cont'd)

(i) Bank overdraft and loans (cont'd)

The Group's and the Company's available borrowing facilities committed by the banks at the reporting date, in respect of which all conditions precedent have been met, are as follows: SFRS(I) 1-7.50

	The Group		The Company	
	2019	2018	**2019**	2018
	$	$	**$**	$
Expiring and subject to annual review:				
- within one year	**25,000,000**	25,000,000	**15,000,000**	20,000,000
- within two to five years	**20,000,000**	15,000,000	**10,000,000**	10,000,000
	45,000,000	40,000,000	**25,000,000**	30,000,000

(ii) Convertible bonds

The convertible bonds, issued with a nominal amount of $7,000,000 denominated in Singapore dollar in January 2017, are secured by a personal guarantee of a controlling shareholder cum director and are due for full repayment at par in December 2021. Interest of 5% per annum is paid at every year end until the settlement date. The bonds are convertible into ordinary shares of the Company at any time between the issue date and the repayment date, based on a rate of 3 shares per $1 nominal value of the bonds. (2) SFRS(I) 7.17 SFRS(I) 1-1.79.a.vii

The fair value of the liability component, included in non-current borrowings, was calculated using a market interest rate for an equivalent non-convertible bond at the date of issue. This was a non-recurring fair value hierarchy Level 2 measurement. The residual amount, representing the value of the equity conversion component, net of deferred tax, was included in the shareholders' equity as the "equity component of convertible bond" account. SFRS(I) 1-32.28 SFRS(I) 13.93

The net proceeds received from the issue of the convertible bonds are split between the liability element and an equity component, representing the fair value of the embedded option to convert the liability into equity of the Company, as follows: SFRS(I) 1-32.31

	The Group and the Company	
	2019	2018
	$	$
Nominal value of convertible bonds at issuance	**7,000,000**	7,000,000
Equity conversion component on initial recognition (net of deferred tax)	**(235,600)**	(235,600)
Liability component on initial recognition	**6,764,400**	6,764,400
Accumulated interest charged	**1,270,100**	791,600
Accumulated interest paid	**(1,050,000)**	(700,000)
Liability component at the reporting date	**6,984,500**	6,856,000

23 Borrowings (cont'd)

(iii) Redeemable preference shares

In July 2016, the Company issued 5,000,000 cumulative redeemable preference shares at $1 per share denominated in Singapore dollar to its immediate and ultimate holding corporation, which pay fixed dividends of 4% per annum payable at end of June every year. All preference shares, fully paid on issuance, do not carry the right to vote and rank ahead of ordinary shares in the event of a liquidation. The preference shares are redeemable in full mandatorily at $1 per share after ten years from the issue date, or unconditionally by the Company at any time between the issue date and the redemption date in December 2026. These cumulative redeemable preference shares have been classified entirely as borrowings. SFRS(I) 1-32.18.a SFRS(I) 1-1.79.a.v

(iv) Contractual repricing dates

The exposure of the borrowings of the Group and of the Company to interest rate changes based on the contractual repricing dates at the end of the reporting period are as follows: SFRS(I) 7.22A.c SFRS(I) 7.34.a

	The Group		The Company	
	2019	2018	**2019**	2018
	$	$	**$**	$
1 year or less	**12,111,992**	12,270,703	**1,173,222**	982,888
1 - 5 years	**15,196,250**	17,553,750	**25,196,250**	17,553,750
More than 5 years	**12,631,009**	12,508,333	**-**	-
	39,939,251	42,332,786	**26,369,472**	18,536,638

(v) Fair values

The fair values of non-current borrowings are determined based on fair value hierarchy Level 2 measurement by discounting of cash flows at the market borrowing rates of equivalent financial instruments at the reporting date, as follows: SFRS(I) 7.25,29 SFRS(I) 13.97

	The Group		The Company	
	2019	2018	**2019**	2018
	$	$	**$**	$
Bank loans	**13,460,059**	15,480,701	**11,210,546**	4,786,076
Convertible bonds	**6,125,407**	6,012,712	**6,125,407**	6,012,712
Redeemable preference shares	**4,220,000**	4,220,000	**4,220,000**	4,220,000

	The Group		The Company	
	2019	2018	**2019**	2018
	%	%	**%**	%
Bank loans	**5.7%**	5.6%	**5.9%**	5.8%
Convertible bonds	**5.3%**	5.3%	**5.3%**	5.2%
Redeemable preference shares	**4.3%**	4.2%	**4.3%**	4.2%

Further information about the financial risk management and the fair value measurement are disclosed in Note 46 and 47 respectively.

Guidance Notes – Borrowings

Disclosure information

An entity discloses information that enables users of its financial statements to evaluate the significance of borrowings for its financial position and performance, such as follows: SFRS(I) 7.7

- interest rates (contractual / effective)
- currency denomination
- maturity dates
- repayment terms
- lender's identity (e.g. if it is a related party)
- pledges and collaterals
- debt covenants
- conversion option / embedded derivatives

(N.B. These information can be disclosed in the note of the related asset or liability, or in the note for financial risk management.)

Financial assets pledged as collateral

If the entity has any assets pledged as collateral for liabilities or contingent liabilities, it shall disclose the carrying amount of financial assets it has pledged as collateral for liabilities or contingent liabilities, including amounts that have been reclassified, and the terms and conditions relating to its pledge. SFRS(I) 7.14

(1) **Agreement to refinance or reschedule payments**

The current portion of long-term debt is classified as current even if an agreement to refinance or reschedule payments on a long-term basis is completed after the reporting date but before the financial statements are authorised for issue. SFRS(I) 1-1.72

However, if at the reporting date, an entity expects and is able, solely at its own discretion, to refinance or roll over an obligation for at least 12 months after the reporting date under an existing loan facility, then it classifies the obligation as non-current even if the loan otherwise would be current. SFRS(I) 1-1.73

However, when refinancing or rolling over the borrowing is not at the discretion of the entity (e.g. there is no arrangement for refinancing), the potential to refinance is not considered and the borrowing is classified as current. SFRS(I) 1-1.74

Defaults and breaches

For loans payable at the reporting date, an entity shall disclose: SFRS(I) 7.18

- details of default during the period of principal, interest, sinking fund, or redemption terms of those loans payable
- carrying amount of loans payable in default at the reporting date
- whether default was remedied, or terms of loans payable were renegotiated, before the financial statements were authorised for issue.

(N.B. An example illustrative disclosure, including implication on going concern, is included in guidance notes for basis of preparation.)

If, during the period, there were breaches of loan agreement terms other than those described above, an entity shall disclose the same information as required 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 reporting date). SFRS(I) 7.19

Instrument that contains both liability and equity components

(2) If an entity has issued an instrument that contains both a liability and an equity component, or an instrument that has multiple embedded derivative features, the values of which are interdependent (such as a callable convertible debt instrument), then an entity discloses the existence of these features. SFRS(I) 7.17

Conversion at maturity

On conversion of a convertible instrument at maturity, the entity derecognises the liability component and recognises it as equity. The original equity component remains in equity. There is no gain or loss on conversion at maturity. SFRS(I) 1-32.AG32

Early redemption or repurchase before maturity

When an entity extinguishes a convertible instrument before maturity through an early redemption or repurchase in which the original conversion rights are unchanged, the entity shall allocate the redemption consideration paid (including any transaction costs) to the liability and equity components of the instrument at the date of repurchase or redemption. Any resulting gain or loss is treated in accordance with accounting principles applicable to the related component, as follows: SFRS(I) 1-32.AG33

- difference between consideration allocated to the liability component and its carrying value is recognised in profit or loss; and
- amount of consideration relating to the equity component is recognised in equity.

Disclosures required by SFRS(I) 7

If information about contractual and effective interest rates, maturity dates, foreign currency denomination and fair values etc. are presented in the notes for financial risk management, fair value measurement and capital management, it is not necessary to repeat the same information in this note.

NTA 24
Reference

24 Obligations under finance lease

	The Group		
	Minimum lease payments 2018 $	Present value of minimum lease payments 2018 $	SFRS(I) 1-17.31.b
Amounts payable under finance leases:			
- Within one year	109,768	95,520	
- In the second to fifth year inclusive	329,303	306,983	
	439,071	402,503	
Less: Future finance charges	(36,568)		
Present value of obligations under finance lease	402,503		
Presented as:			
- Non-current		95,520	
- Current		306,983	
		402,503	

As at 31 December 2018, the Group leased certain of its motor vehicles under finance leases. The average lease term was 4 years. The average effective borrowing rate was 6.5%. Interest rates were fixed at the contract date, and thus exposed the Group to fair value interest rate risk. All leases were on a fixed repayment basis and no arrangements had been entered into for contingent rental payments. SFRS(I) 1-17.31.e SFRS(I) 7.7

The Group's obligations under finance leases are secured by the lessors' title to the leased assets. SFRS(I) 1-16.74.a

Obligations under finance lease are reclassified to lease liabilities (Note 25) on 1 January 2019 arising from the adoption of SFRS(I) 16. The impact of adoption is disclosed in Note 2(b). SFRS(I) 16.C11

Further information about the financial risk management are disclosed in Note 46.

Guidance Notes – Obligations under finance lease

Comparative disclosures

As the Group elects the cumulative catch-up approach for transition to SFRS(I) 16, there is no requirements to restate the comparative figures and disclosures. SFRS(I) 16.C5.b

If an entity adopts the full retrospective approach for transition to SFRS(I) 16, all comparative figures and disclosures shall be restated in accordance with requirements of SFRS(I) 16. That is, the disclosure information for the comparative period shall be restated to be similar to those for the current period as presented in Note 25. SFRS(I) 16.C5.a

Split between principal and interest components

Under SFRS(I) 1-17, an entity shall disclose the split between the principal and interest components of minimum lease payments for each time band in the disclosure. However, there is no specific requirement under SFRS(I) 16 to provide this disclosure. SFRS(I) 1-17.31.b

NTA 25
Reference

25 Lease liabilities

SFRS(I) 16.58
SFRS(I) 7.39
SFRS(I) 7.B11

	The Group 2019 $
Undiscounted lease payments due: (3)	
- Year 1	**702,392**
- Year 2	**620,856**
- Year 3	**539,320**
- Year 4	**539,320**
- Year 5	**457,784**
- Year 6 and onwards	**260,722**
	3,120,394
Less: Unearned interest cost	**(312,520)**
Lease liabilities	**2,807,874**
Presented as:	
- Non-current	**2,262,359**
- Current	**545,515**
	2,807,874

Interest expense on lease liabilities of $56,032 is recognised within "finance costs" in profit or loss. SFRS(I) 16.53.b

Rental expenses not capitalised in lease liabilities but recognised within "operating expenses" in profit or loss are set out below: (1)

The Group	2019 $	
Short-term leases	**131,298**	SFRS(I) 16.53.c
Leases of low-value asset	**81,536**	SFRS(I) 16.53.d
Variable lease payments not dependent on an index or rate	**48,903**	SFRS(I) 16.53.e

Total cash outflows for all leases in the year amount to $1,035,688. (4) SFRS(I) 16.53.g

As at 31 December 2019, the Group's short-term lease commitments at the reporting date are not substantially dissimilar to those giving rise to the Group's short-term lease expense for the year. (5) SFRS(I) 16.55

The Group's lease liabilities are secured by the lessors' title to the leased assets. SFRS(I) 16.59.c

Information about the Group's leasing activities are disclosed in Note 43. (2) SFRS(I) 16.52

Further information about the financial risk management are disclosed in Note 46.

Guidance Notes – Lease liabilities

Leases previously classified as finance leases

Under the cumulative catch-up method of adoption, for leases previously classified as finance leases applying SFRS(I) 1-17, the carrying amount of the ROU asset and the lease liability at the date of initial application shall be the carrying amount of the lease asset and lease liability immediately before that date measured applying SFRS(I) 1-17. Hence, the carrying amounts of obligations under finance leases have been reclassified to lease liabilities at the transition date on 1 January 2019. SFRS(I) 16.C11

Leases previously classified as operating leases

Under the cumulative catch-up method of adoption, for leases previously classified as operating leases under SFRS(I) 1-17, a lessee is required to recognise a lease liability measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application. SFRS(I) 16.C8

Lease costs not capitalised in lease liabilities

(1) For those lease contracts exempted from recognition of lease liabilities, an entity is required to disclose their related lease expenses, as follows:

- short-term lease expense SFRS(I) 53.c
- lease expense of low-value asset SFRS(I) 53.d
- variable lease expense due to payments not dependent on an index or rate SFRS(I) 53.e

Lease information in a single note or separate section

(2) SFRS(I) 16 requires lessees and lessors to disclose information in a single note or a separate section in the financial statements. However, there is no need to duplicate certain information that is already presented elsewhere, provided that information is incorporated by cross-reference in a single note or separate section. The Group provides most of the required disclosures by SFRS(I) 16 in Note 43. Cross-references are provided for certain required information outside of this note. SFRS(I) 16.52

Maturity analysis

(3) A lessee shall disclose a maturity analysis of lease liabilities in accordance with requirements of SFRS(I) 7 separately from the maturity analysis of other financial liabilities. Unlike disclosure requirements for finance lease receivables (which require showing the undiscounted lease payments to be received on an annual basis for a minimum of each of the first five years and a total of the amounts for the remaining years), such a detailed breakdown is not required for lease liabilities where breakdown by appropriate number of time bands is adequate. SFRS(I) 16.58 SFRS(I) 7.39,B11

(N.B. Despite relatively lesser requirements on time bands to be used for disclosure purpose, the Group has disclosed for lease liabilities on similar basis as for finance lease receivables for consistency purposes.)

Total cash outflows for all leases

(4) An entity shall disclose its total cash outflows for all leases, which shall include all lease payments regardless whether the payments are capitalised as part of lease liabilities. The entity's total cash outflows for its leases shall include all cash outflows of operating, investing and financing activities related to the entity's leases. For example, cash outflows in the period giving rise to a lease prepayment asset classified within investing activities shall be included too. SFRS(I) 15.53.g

Lease commitments for short-term leases

(5) A lessee is required to disclose amount of its lease commitments for short-term leases, if the portfolio of short-term leases to which it is committed at the reporting date is dissimilar to the portfolio of short-term leases that is related to the short-term lease expense disclosed for the period. SFRS(I) 16.55

(N.B. There is no such dissimilarity in the lease commitments for the Group at the reporting date. Although there is no requirement to disclose as such if there is no difference, the Group has still disclosed this fact to ensure clarity of information provided to users of the financial statements.)

26 Trade and other payables

	The Group		The Company		
	2019	2018	**2019**	2018	
	$	$	**$**	$	SFRS(I) 1-1.78.b
		(Restated)			
Trade payables:					
- Associates	**3,387,255**	2,566,224	**-**	-	SFRS(I) 1-24.19.d
- Non-related parties	**10,809,945**	9,248,287	**-**	-	
	14,197,200	11,814,511	**-**	-	
Other payables:					
- Subsidiaries	**-**	-	**1,004,623**	2,388,244	SFRS(I) 1-24.19.c
- Non-related parties	**4,252,862**	3,624,462	**693,718**	944,269	
Refund liabilities	**1,563,082**	1,403,448	**-**	-	SFRS(I) 15.B21.b
Financial guarantees - on behalf of subsidiary	**-**	-	**106,490**	147,380	SFRS(I) 1-24.21.h
Contingent consideration (Note 7(a))	**520,000**	-	**-**	-	SFRS(I) 3.B64.g.i
Deferred income - Government grant					SFRS(I) 1-20.39.b,c
Security deposits from tenants	**800,000**	700,000	**-**	-	
Accruals for operating expenses	**1,637,724**	1,688,265	**298,402**	437,113	
Trade and other payables - total	**22,970,868**	19,230,686	**2,103,233**	3,917,006	

The average credit period on purchases of goods and services is 60 to 120 days (2018: 60 to 120 days). Trade and other payables, comprising amounts outstanding for trade purchases and operating costs, are unsecured and non-interest bearing. The Group has financial risk management policies in place to ensure that all payables are within the credit timeframe. SFRS(I) 7.7

Other payables due to subsidiaries are non-trade in nature, unsecured, interest-free and repayable on demand. SFRS(I) 7.7

Refund liabilities relate to customers' right to return products within 60 days of purchase. At the point of sale, a refund liability and a corresponding adjustment to revenue is recognised for those products expected to be returned. The Group uses its accumulated historical experience to estimate the number of returns on a portfolio level using the expected value method. SFRS(I) 15.119.d SFRS(I) 15.126.d

The Company provides financial guarantees to banks in respect of loans borrowed by a wholly-owned subsidiary (Note 7). The carrying amount of this financial guarantee contract relates to the unamortised financial guarantee fee at the reporting date. SFRS(I) 1-32.16

On the acquisition of Nami Engineering Pte Ltd in July 2019 (Note 7(a)), the Group had recognised a contingent consideration payable with acquisition date fair value of $520,000. At the reporting date, there have been no changes to the amounts recognised arising from changes in range of outcomes or valuation techniques applied. [(1)] SFRS(I) 3.B67.b

The Group was awarded a government grant in March 2016 for which the Group had received in full the grant amount in July 2016. This grant was conditional on the construction of an industrial building comprising a factory and a warehouse that were completed in December 2016. Accordingly, the grant was recognised as deferred income and amortised over the useful life of this industrial building. In accordance with the terms of the grant, the Group is prohibited from closing, leasing or selling the factory and warehouse for the next ten years from the receipt date of the grant funding. [(2)] SFRS(I) 1-20.39.b,c

Further information about the financial risk management and the fair value measurement are disclosed in Note 46 and 47 respectively.

Guidance Notes – Trade and other payables

Loss allowance on financial guarantee contracts – illustrative disclosure

For an amount of loss allowance on financial guarantee contracts provided by an entity to non-related external parties, the following illustrative disclosure shall be appropriate:

"At the reporting date, the Group has assessed the past due status of the debts under guarantee, the financial position of the debtors as well as the economic outlook of the industries in which the debtors operate, and concludes that there has not been a significant increase in the credit risk since initial recognition of the related financial guarantee contract. Accordingly, the loss allowance for financial guarantee contracts issued by the Group is measured at an amount equal to 12-month ECL. SFRS(I) 7.35G.a,b

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for the financial guarantee contract. SFRS(I) 7.35G.c

The movement in loss allowance that has been recognised for the financial guarantee contracts is set out below: SFRS(I) 7.35H

	The Group		
	2019	*2018*	
	$	*$*	
12-month ECL on financial guarantee contracts:			
At 1 January			
Loss allowance recognised in profit or loss:			SFRS(I) 7.35B.b
- financial guarantee contracts issued/(derecognised)			SFRS(I) 7.35I
- reversal of unutilised amounts			
- changes in credit risk			
Foreign currency exchange losses/(gains)			
At 31 December			

Contingent consideration in business combination

(1) For each reporting period after the acquisition date until the entity settles a contingent consideration liability or the liability is cancelled or expires, the acquirer shall disclose the following: SFRS(I) 3.B67.b

(i) any changes in the recognised amounts, including any differences arising upon settlement;
(ii) any changes in the range of outcomes (undiscounted) and the reasons for those changes; and
(iii) the valuation techniques and key model inputs used to measure contingent consideration.

Government grant

(2) An entity may present a government grant receipt related to an asset as deferred income, or present the grant receipt as a deduction in arriving at the carrying amount of the asset. Regardless of the presentation method, the grant amount is amortised over the life of the asset. (N.B. The Group does not have any grant awarded. The above disclosure is for illustration purposes only.) SFRS(I) 1-20.24

An entity shall disclose any unfulfilled conditions and other contingencies attached to government grants awarded to it. SFRS(I) 1-20.39.c

Disclosures required by SFRS(I) 7

If information about contractual and effective interest rates, maturity dates, foreign currency denomination and fair values etc. are presented in the notes for financial risk management, fair value measurement and capital management, it is not necessary to repeat the same information in this note.

 NTA 27 Reference

27 Contract liabilities

	The Group		
	2019	2018	
	$	$	SFRS(I) 15.116.a
Consideration billed in advance to purchasers of development properties	**3,498,824**	3,088,256	
Advances from customers for construction contracts of industrial assets	**7,224,283**	7,261,100	
Upfront payments by customers for maintenance services	**1,289,034**	1,080,328	
	12,012,141	11,429,684	

As at 1 January 2018, the Group's gross contract liabilities balance amounted to $11,528,232. (1) SFRS(I) 15.116.a

A contract liability is recognised when the Group bills in advance to customers for their purchase of development properties under construction in advance of the percentage of completion of construction, and is then subsequently released to revenue recognised when the corresponding stage of completion is achieved. SFRS(I) 15.117

Contract liability relating to construction contracts of industrial assets primarily relates to the Group's obligation to transfer goods and services to customers for which the Group has received advances from customers for these construction contracts. The contract liability arises as and when a particular milestone payment exceeds the revenue recognised to date under the cost–to–cost method. SFRS(I) 15.117

Revenue relating to maintenance services is recognised over time although the customer pays up-front in full for these services. A contract liability is recognised for revenue relating to the maintenance services at the time of the initial sales transaction and is released over the service period. SFRS(I) 15.117

There are no significant changes in the contract asset balances during the reporting period. (2) SFRS(I) 15.118

	The Group		
	2019	2018	
	$	$	
Revenue recognised in current period that were included in contract liabilities at beginning of financial year: (3)			SFRS(I) 15.116.b
- Development properties under construction	**2,779,430**	2,599,823	
- Construction contracts of industrial assets	**6,501,855**	6,124,098	
- Maintenance services	**1,160,131**	1,070,233	
Revenue recognised in current period from performance obligations satisfied in previous periods: (3)			SFRS(I) 15.116.c
- Construction contracts of industrial assets	**500,588**	459,152	
Aggregate amount of transaction price allocated to contracts that are partially or fully unsatisfied as at end of financial year: (4)			SFRS(I) 15.120.a
- Development properties under construction	**35,051,000**	45,882,000	
- Construction contracts of industrial assets	**65,788,000**	86,098,000	
- Maintenance services	**14,788,000**	18,902,000	
Transaction price allocated to unsatisfied performance obligations as at end of financial year may be recognised as revenue in the next reporting periods as follows: (4)			SFRS(I) 15.120.b SFRS(I) 15.122
- Year 2019	**-**	59,158,000	
- Year 2020	**57,811,000**	45,862,000	
- Year 2021	**28,908,000**	45,862,000	
- Year 2022	**28,908,000**	-	

As permitted under SFRS(I) 15 *Revenue from Contracts with Customers*, the aggregated transaction prices allocated to unsatisfied contracts of periods one year or less, or are billed based on time incurred, are not disclosed. (5) SFRS(I) 15.121,122

Guidance Notes – Contract liabilities

Opening and closing balances

(1) An entity shall disclose the opening and closing balances of receivables, contract assets and contract liabilities from contracts with customers, if not otherwise separately presented or disclosed. SFRS(I) 15.116.a

Alternative description for 'contract liabilities'

SFRS(I) 15 does not prohibit an entity from using alternative descriptions in the statement of financial position for those items. If an entity uses an alternative description, the entity shall provide sufficient information for a user of the financial statements to distinguish between payables and contract liabilities. SFRS(I) 15.106,109

(2) **Significant changes in contract asset and contract liability**

An entity shall provide an explanation of the significant changes in the contract asset and the contract liability balances during the reporting period, including qualitative and quantitative information. Examples of changes include any of the following: SFRS(I) 15.118

(a) changes due to business combinations;
(b) cumulative catch-up adjustments to revenue that affect the corresponding contract asset or contract liability, including adjustments arising from a change in the measure of progress, a change in an estimate of the transaction price (including any changes in the assessment of whether an estimate of variable consideration is constrained) or a contract modification;
(c) impairment of a contract asset;
(d) change in the time frame for a right to consideration to become unconditional (i.e. for a contract asset to be reclassified to a receivable); and
(e) change in the time frame for a performance obligation to be satisfied (i.e. for recognition of revenue arising from a contract liability).

Revenue recognised in reporting period

(3) An entity shall disclose revenue recognised in the reporting period:

- that was included in the contract liability balance at the beginning of the period; and SFRS(I) 15.116.b
- from performance obligations satisfied (or partially satisfied) in previous periods (e.g. changes in transaction price). SFRS(I) 15.116.c

Transaction price allocated to the remaining performance obligations

(4) An entity shall disclose the following information about its remaining performance obligations: SFRS(I) 15.120

(a) the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as of the end of the reporting period; and
(b) an explanation of when the entity expects to recognise them as revenue, using either of the following ways:
  (i) on a quantitative basis using the time bands that would be most appropriate for the duration of the remaining performance obligations; or
  (ii) by using qualitative information.

Practical expedient applied in disclosing transaction price allocated to unsatisfied performance obligations

(5) There is a practical expedient available for entities not to disclose information about its remaining unsatisfied performance obligations, if either of the following conditions is met: SFRS(I) 15.121

(a) the performance obligation is part of a contract that has an original expected duration of one year or less; or
(b) the entity recognises revenue from the satisfaction of the performance obligation based on its right to invoice.

Entities are required to explain qualitatively whether they are applying the practical expedient above, and whether any consideration from contracts with customers is not included in the transaction price, and therefore, not included in the information disclosed about transaction price allocated to unsatisfied performance obligations. SFRS(I) 15.122

28 Provisions

SFRS(I) 1-37.84,85

	The Group	
	2019	2018
	$	$
Warranty	**183,122**	269,640
Restructuring	**100,000**	-
Legal claims	**534,984**	412,865
Provisions - total	**818,106**	682,505
Presented as:		
Non-current	**534,984**	412,865
Current	**283,122**	269,640
	818,106	682,505

(i) Warranty [1]

	The Group		
	2019	2018	
	$	$	
At 1 January	**269,640**	256,800	
Currency translation differences	**3,108**	2,890	SFRS(I) 1-21.41.b
Provision made	**28,903**	56,882	SFRS(I) 1-37.84.b
Provision utilised	**(118,529)**	(46,932)	SFRS(I) 1-37.84.c
At 31 December	**183,122**	269,640	

The provision for warranty claims represents the present value of the Group's best estimate of the future outflow of economic benefits that will be required under the Group's 2-year warranty program for its engineering material products. The estimate has been made on the basis of historical warranty trends and may vary as a result of new materials, altered manufacturing processes or other events affecting product quality. SFRS(I) 1-37.85

(ii) Restructuring [2]

	The Group		
	2019	2018	
	$	$	
At 1 January	**-**	-	
Provision made	**100,000**	-	SFRS(I) 1-37.84.b
At 31 December	**100,000**	-	

Following the announcement of the plan to sell FKT Hotel Limited (Note 19), the Group has recognised a provision for expected restructuring costs that comprise mainly contract termination costs, consulting fee and employee termination benefits. Estimated costs are based on the terms of the relevant contracts. The sale of FKT Hotel Limited is expected to be completed in 2020. SFRS(I) 1-37.85

28 Provisions (cont'd)

(iii) Legal claims

	The Group		
	2019	2018	
	$	$	
At 1 January	**412,865**	306,428	
Provision made	**-**	90,000	SFRS(I) 1-37.84.b
Provision reversed	**(48,524)**	-	SFRS(I) 1-37.84.d
Additions - Business combination (Note 7(a))	**150,000**	-	SFRS(I) 3.B64.j
Amortisation of discount	**20,643**	16,437	SFRS(I) 1-37.84.e
At 31 December	**534,984**	412,865	

The provision for legal claims is calculated as the present value of the expected settlement amounts and legal costs in several lawsuits for which the Group is the defendant. The recognised provision reflects the Group's best estimates of the most likely outcomes in these lawsuits. Estimates are based on the likelihood of an adverse decision against the Group and the most probable settlement or compensation amounts required by the courts, as advised by the legal consultants engaged by the Group. As a result of the acquisition of Nami Engineering Pte Ltd ("NEPL") (Note 7(a)) in 2019, the Group has assumed and recognised a contingent liability of $150,000 from business combination, relating to an ongoing legal claim against NEPL by a customer alleging defective products. SFRS(I) 1-37.85 SFRS(I) 3.B64.j

Guidance Notes – Provisions

Limited disclosure situation

In extremely rare cases, disclosure of some or all of the information required in respect of provisions can be expected to seriously prejudice the position of the entity in a dispute with other parties. In such cases, only the following are disclosed: SFRS(I) 1-37.92

- the general nature of the dispute;
- the fact that the required information has not been disclosed; and
- the reason why.

Assurance-type warranty provision

(1) If a customer does not have the option to purchase a warranty separately, then an entity accounts for the warranty in accordance with SFRS(I) 1-37 unless the promised warranty, or a part of the promised warranty, provides the customer with a service (i.e. service-type warranty) in addition to the assurance that the product complies with agreed-on specifications. SFRS(I) 15.B30

Restructuring provision

(2) SFRS(I) 1-37 applies to provisions for restructuring, including in the context of discontinued operations. SFRS(I) 1-37.9

Decommission provision – illustrative disclosure

"The provision for decommissioning costs represents the present value of the Group's best estimate of the future outflow of economic benefits that will be required to remove leasehold improvements from leased properties. The estimate has been made on the basis of quotes obtained from external contractors. The unexpired term of the leases ranges from 3 to 7 years." SFRS(I) 1-37.85

Onerous contracts provision – illustrative disclosure

"The provision for onerous contracts represents the present value of future payments that the Group is obligated to make under non-cancellable service purchase contracts with its subcontractors, less revenue expected to be earned from the Group's related maintenance service sale contracts with its customers. The service purchase contracts and maintenance service sale contracts have average remaining contractual periods of 2 to 3 years." SFRS(I) 1-37.85

Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds

An entity discloses its interest in and the nature of any decommissioning, restoration and environmental rehabilitation funds, as well as any restrictions on access to the funds' assets. SFRS(I) INT 5.11

If an obligation to make contributions to the decommissioning, restoration and environmental rehabilitation fund has not been recognised as a liability, then an entity discloses the estimated financial effect of the obligation, a description of uncertainties related to the amount or timing of contributions, and any possible reimbursement. SFRS(I) 1-37.86 SFRS(I) INT 5.12

If a right to receive reimbursement from the decommissioning, restoration and environmental rehabilitation fund has been recognised as an asset, then an entity discloses the amounts of the asset and expected reimbursement. SFRS(I) 1-37.85.c SFRS(I) INT 5.13

29 Revenue

The Group derives its revenue from the transfer of goods and services over time and at a point in time in the following major product or service lines. This is consistent with the revenue information that is disclosed for each reportable segment (2) in Note 42. A disaggregation of the Group's revenue for the year is as follows: (1)

SFRS(I) 15.114,115
SFRS(I) 15.B89

SFRS(I) 15.114
SFRS(I) 15.115
SFRS(I) 15.B89

	Continuing operations				Discontinued operations -
		Industrial	Engineering		
	Real Estate	Construction	Materials	Total	Hotel Operations
The Group	$	$	$	$	$
2019					
Major product or service lines					
Sale of completed development properties	**10,831,528**	**-**	**-**	**10,831,528**	**-**
Sale of development properties under construction	**8,747,294**	**-**	**-**	**8,747,294**	**-**
Construction of industrial assets	**-**	**36,425,141**	**-**	**36,425,141**	**-**
Rendering of maintenance service	**-**	**5,899,323**	**-**	**5,899,323**	**-**
Sale of engineering materials	**-**	**-**	**37,995,363**	**37,995,363**	**-**
Hotel stays and valet parking services	**-**	**-**	**-**	**-**	**3,447,288**
Sale of food and beverages	**-**	**-**	**-**	**-**	**1,182,288**
Revenue from contracts with customers	**19,578,822**	**42,324,464**	**37,995,363**	**99,898,649**	**4,629,576**
Rental income from investment properties (SFRS(I) 1-40.75.f.i)	**2,750,278**	**-**	**-**	**2,750,278**	**-**
	22,329,100	**42,324,464**	**37,995,363**	**102,648,927**	**4,629,576**
Timing of satisfaction of performance obligations					
At point in time	**10,831,528**	**-**	**37,995,363**	**48,826,891**	**1,182,288**
Over time	**8,747,294**	**42,324,464**	**-**	**51,071,758**	**3,447,288**
	19,578,822	**42,324,464**	**37,995,363**	**99,898,649**	**4,629,576**
2018					
Major product or service lines					
Sale of completed development properties	9,828,920	-	-	9,828,920	-
Sale of development properties under construction	8,371,902	-	-	8,371,902	-
Construction of industrial assets	-	28,354,759	-	28,354,759	-
Rendering of maintenance service	-	4,800,344	-	4,800,344	-
Sale of engineering materials	-	-	28,760,900	28,760,900	-
Hotel stays and valet parking services	-	-	-	-	4,089,223
Sale of food and beverages	-	-	-	-	1,392,481
Revenue from contracts with customers	18,200,822	33,155,103	28,760,900	80,116,825	5,481,704
Rental income from investment properties (SFRS(I) 1-40.75.f.i)	2,054,268	-	-	2,054,268	-
	20,255,090	33,155,103	28,760,900	82,171,093	5,481,704
Timing of satisfaction of performance obligations					
At point in time	9,828,920	-	28,760,900	38,589,820	1,392,481
Over time	8,371,902	33,155,103	-	41,527,005	4,089,223
	18,200,822	33,155,103	28,760,900	80,116,825	5,481,704

Guidance Notes – Revenue

Separate disclosure

SFRS(I) 15 requires revenue recognised from contracts with customers to be disclosed separately from the other sources of income such that the other amounts are presented separately in the statement of comprehensive income in accordance with other SFRS(I). SFRS(I) 15.113.a

Disaggregation of revenue

(1) SFRS(I) 15 requires an entity to disaggregate revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. This disaggregation will depend on the entity's individual facts and circumstances. In determining the appropriate categories, an entity considers how revenue is disaggregated in: SFRS(I) 15.112 SFRS(I) 15.114

- disclosures presented outside the financial statements (e.g. earnings releases, annual reports or investor presentations); SFRS(I) 15.B88
- information reviewed by the CODM for evaluating the financial performance of operating segments; and
- other similar information that is used by the entity or users of the entity's financial statements to evaluate performance or make resource allocation decisions.

(N.B. The Group has assessed that the disaggregation of revenue by operating segments in Note 42 is appropriate in meeting this disclosure requirement as this is the information regularly reviewed by the CODM in order to evaluate the financial performance of the Group. The Group also believes that presenting a disaggregation of revenue based on the timing of transfer of goods or services (i.e. at a point in time or over time) provides users of the financial statements with useful information as to the nature and timing of revenue from contracts with customers.)

(2) If an entity discloses disaggregated revenue on a basis other than that used for revenue information disclosed for each reportable segment, the entity should disclose sufficient information to allow users of the financial statements to understand the relationship between these two disclosures. SFRS(I) 15.115

Examples of categories that might be appropriate include, but are not limited to, the following: SFRS(I) 15.B89

Category	*Example*
(i) Type of goods or services	Major product or service lines
(ii) Geographical location	Country or region (e.g. Asia)
(iii) Market or type of customers	Government or non-government customers
(iv) Type of contract	Fixed-price or time-and-materials contracts
(v) Contract duration	Short-term or long-term contracts
(vi) Timing of transfer of goods or services	Goods or services transferred to customers: at point in time or over time
(vii) Sales channels	Goods or services sold: directly to end-consumers or through intermediaries

It is not explicitly required to include discontinued operations as part of the disaggregation of revenue from contracts with customers. SFRS(I) 5.5B

Estimates of variable consideration

In assessing whether it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur once the uncertainty related to the variable consideration is subsequently resolved, an entity shall consider both the likelihood and the magnitude of the revenue reversal. Factors that could increase the likelihood or the magnitude of a revenue reversal include, but are not limited to, any of the following: SFRS(I) 15.57

(a) the amount of consideration is highly susceptible to factors outside the entity's influence (i.e. factors may include volatility in a market, the judgement or actions of third parties, weather conditions and a high risk of obsolescence);
(b) the uncertainty about the amount of consideration is not expected to be resolved for a long period of time;
(c) the entity's experience (or other evidence) with similar types of contracts is limited, or that experience (or other evidence) has limited predictive value;
(d) the entity has a practice of either offering a broad range of price concessions or changing the payment terms and conditions of similar contracts in similar circumstances; and
(e) the contract has a large number and broad range of possible consideration amounts.

Hedge of a sale

When an entity hedges a sale, whether in forecast transaction or firm commitment, the costs of hedging related to that sale are reclassified to profit or loss as part of the cost related to that sale in the same period as the revenue from the hedged sale is recognised. When these costs of hedging are reclassified to profit or loss, an entity may choose an accounting policy to present them: SFRS(I) 9.B6.5.29.a

- as revenue: because they relate to a hedge of revenue (however, they should not be presented or disclosed as revenue from contracts with customers in the scope of SFRS(I) 15 because they are not); or
- in another appropriate line item of income or expense: because the term 'cost related to that sale' could be interpreted as precluding presentation as revenue.

30 Interest income (1)

	The Group		NTA 30/31/32 Reference
	2019	2018	
	$	$	
From continuing operations			
Financial assets at amortised cost: (1a)			
- Debt investments	**34,564**	26,381	SFRS(I) 7.20.b
- Cash and cash equivalents	**237,445**	138,822	SFRS(I) 7.20.b
- Finance lease receivables	**22,109**	-	SFRS(I) 16.90.a.ii
- Loans to associate	**391,724**	362,932	SFRS(I) 1-24.18
	685,842	528,135	
Debt investments at FVOCI (1a)	**27,424**	28,623	SFRS(I) 7.a.viii
	713,266	556,758	SFRS(I) 7.20.b

31 Other income

	The Group		NTA 30/31/32 Reference
	2019	2018	
	$	$	
From continuing operations			
Rental income from operating lease:			
- Sublease	**75,244**	164,032	SFRS(I) 16.53.f
- Variable lease payments received that do not depend on an index or rate	**12,823**	-	SFRS(I) 16.90.b
- Contingent rental income	**-**	20,872	SFRS(I) 1-17.56.b
Rental income from finance lease:			
- Variable lease payments received not included in net investment in finance lease	**30,885**	-	SFRS(I) 16.90.a.iii
- Contingent rental income	**-**	22,082	SFRS(I) 1-17.47.e
Dividend income:			
- Equity investments at FVOCI (attributed to investments held at end of the reporting period)	**75,000**	75,000	SFRS(I) 7.11A.d
Government grant (2)	**25,000**	-	SFRS(I) 1-20.29
	218,952	281,986	

32 Other gains or losses

	Note	The Group		NTA 30/31/32 Reference
		2019	2018	
		$	$	
From continuing operations				
(Loss)/Gain on disposal of property, plant and equipment		**(29,139)**	23,849	SFRS(I) 1-1.98.c
Fair value gains/(losses) of investment properties	6	**437,779**	(504,006)	SFRS(I) 1-40.76.d
Loss on settlement of pre-existing relationship with acquiree in business combination	7(a)	**(250,000)**	-	SFRS(I) 3.B52.a
Gain on disposal of subsidiary	7(b)	**50,185**	-	SFRS(I) 1-1.98.e
Gain on disposal of debt investments at amortised cost		**128,000**	-	SFRS(I) 1-1.98.d
Reclassification of net loss on debt investments at FVOCI from equity to profit or loss upon disposal		**(46,700)**	-	SFRS(I) 7.20.a.viii
Fair value gain of equity investments at FVPL		**826,600**	-	SFRS(I) 7.20.a.i
Fair value loss of derivative financial instruments at FVPL		**(339,700)**	(67,100)	SFRS(I) 7.20.a.i
Foreign currency exchange gains - net (3)		**345,141**	758,489	SFRS(I) 1-21.52.a
		1,122,166	211,232	

Guidance Notes – Interest income; Other income; Other gains or losses

Materiality

If immaterial, an entity may combine 'interest income' with 'other income' and/or 'other gains or losses'.

Interest income

(1) Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance). SFRS(I) 9.5.4.1

Financial assets at amortised cost or FVOCI

(1a) Entities must disclose the total interest income (calculated using the effective interest rate method) for financial assets that are measured at amortised cost and debt instruments that are measured at FVOCI separately. SFRS(I) 7.20.b

Furthermore, for financial assets at FVOCI, interest calculated using the effective interest method and dividends are recognised in profit or loss, separately from the fair value gains or losses which are recognised in other comprehensive income.

Financial assets at FVPL

In relation to interest income from financial assets at FVPL, an entity can choose to present: SFRS(I) 9.5.7.1 SFRS(I) 7.20.a

- as part of the net fair value gains or losses; or
- interest income, interest expense and dividend income separately (however, when this option is applied, interest income and expense disclosed shall be that computed using the effective interest method)

'Day-one' gain or loss

An entity discloses the following in respect of any 'day-one' gain or loss: SFRS(I) 7.28

- an accounting policy; and
- the aggregate difference still to be recognised in profit or loss, and a reconciliation between the opening and closing balance thereof.

Government grant

(2) Government grants related to assets that have been deducted from the cost of the assets are recognised in profit or loss as a reduced depreciation expense. SFRS(I) 1-20.27

Government grants may be presented either as 'other income', or a reduction against depreciation expense (for asset-related grants) or deducted against related expense (for income-related grants). SFRS(I) 1-20.27,29

Foreign currency exchange gains or losses

(3) Foreign currency exchange differences arising from operating activities should form part of other gains and losses while those arising from financing activities should form part of finance expenses. SFRS(I) 1-21.52.a

Items of income, expense, gains or losses from financial assets and liabilities

SFRS(I) 7 requires separate disclosure of net gains/losses, income and expense either in the statement of profit or loss and other comprehensive income or in the notes for: SFRS(I) 7.20.a

- financial assets or financial liabilities measured at FVPL, showing separately those on financial assets or financial liabilities designated as such upon initial recognition or subsequently in accordance with SFRS(I) 9, and those on financial assets or financial liabilities that are mandatorily measured at FVPL in accordance with SFRS(I) 9 (e.g. financial liabilities that meet the definition of held-for-trading in SFRS(I) 9) (for financial liabilities designated as at FVPL, an entity shall show separately the amount of gain or loss recognised in other comprehensive income and the amount recognised in profit or loss);
- financial liabilities measured at amortised cost;
- financial assets measured at amortised cost;
- investments in equity instruments designated at FVOCI in accordance with SFRS(I) 9; and
- financial assets measured at FVOCI in accordance with SFRS(I) 9, showing separately the amount of gain or loss recognised in other comprehensive income during the period and the amount reclassified upon derecognition from accumulated other comprehensive income to profit or loss for the period.

Derecognition of financial assets at amortised cost

If the entity has gain or loss recognised in the statement of profit or loss and other comprehensive income arising from the derecognition of financial assets measured at amortised cost, the entity shall disclose: SFRS(I) 7.20A

- an analysis of the gain or loss, showing separately gains and losses arising from derecognition of those financial assets; and
- the reasons for derecognising those financial assets.

33 Other expenses

	Note	The Group 2019 $	 2018 $ (Restated)	
From continuing operations				
Audit fees paid to: (3)				SGX 1207.6.a
- auditor of the Company		**308,098**	306,561	
- other auditors		**112,083**	103,708	
Non-audit fees paid to: (3)				SGX 1207.6.a
- auditor of the Company		**60,488**	58,902	
- other auditors		**38,972**	36,877	
Allowance made for diminution in value of development properties	17	**1,090,291**	304,612	SFRS(I) 1-2.36.e
Bank charges		**23,822**	18,672	
Communication		**30,678**	24,908	
Directors' fees		**60,000**	60,000	SFRS(I) 1-24.18.a
Distribution		**298,044**	304,988	
Entertainment		**29,033**	24,981	
Impairment loss on goodwill (2)	3	**20,000**	-	SFRS(I) 3.B67.d.v
Impairment loss on property, plant and equipment (2)	4	**207,141**	-	SFRS(I) 1-16.73.e.v
Insurance		**167,723**	107,782	
Loss recognised on re-measurement of disposal group to fair value less costs to sell (2)	19	**169,606**	-	SFRS(I) 5.33.b.iii
Marketing and promotion		**167,887**	213,098	
Office supplies		**36,673**	30,877	
Printing and stationery		**35,766**	28,987	
Packing and delivery		**47,882**	39,088	
Professional fees		**307,883**	169,883	
Research and development		**167,822**	150,877	SFRS(I) 1-38.126
Rental expenses:				
- short-term leases		**131,298**	-	SFRS(I) 16.53.c
- leases of low-value assets		**81,536**	-	SFRS(I) 16.53.d
- variable lease payments not included in measurement of lease liability		**48,903**	-	SFRS(I) 16.53.e
- minimum lease payments under operating lease		**-**	787,788	SFRS(I) 1-17.35.c
- contingent rental		**-**	45,082	SFRS(I) 1-17.31.c
Repairs and maintenance of plant and equipment		**178,823**	300,782	
Security		**156,022**	150,899	
Taxes and licences		**140,877**	200,552	
Transport and travelling		**217,822**	248,766	
Upkeep and maintenance of properties		**289,033**	330,986	
Utilities		**150,772**	230,981	
Write-down of inventories to net realisable value	18	**112,093**	100,466	SFRS(I) 1-2.36.e
Others (1)		**142,763**	200,124	
		5,029,834	4,581,227	

Guidance Notes – Other expenses

Reconciliation of other expenses

This reconciliation is required only for entities that present expenses by function whereby significant or material expense items by nature are reconciled to total expenses classified by function in the statement of profit or loss. In case of classification of expenses by nature, the reconciliation is not required if the reporting entity already presents all these expense items in other notes. SFRS(I) 1-1.104

Materiality

(1) Where items of income and expense are material, the nature and amount of such items shall be disclosed separately, either in the statement of profit or loss and other comprehensive income, or in the notes. SFRS(I) 1-1.97,98

Impairment or remeasurement loss

(2) If an entity classifies expenses based on their function, then any such loss is allocated to the appropriate function. In the case that a loss cannot be allocated to a function (e.g. classification of expenses is by nature), then it shall be included in other expenses as a separate line item. SFRS(I) 1-36.126

Audit and non-audit fee

(3) This requirement is only applicable to companies listed on the SGX. Disclosure is required in the annual report, not necessarily in the financial statements. There is no requirement for non-listed companies to disclose auditors' remuneration. The aggregate amount of fees paid to the auditors, broken down into audit and non-audit services, is required. If no audit or non-audit fees are paid, a nil statement is required. SGX 1207.6.a

34 Finance costs [1]

	Note	The Group 2019 $	2018 $	
From continuing operations				
Interest expense:				SFRS(I) 7.20.b
- bank loans and overdrafts		**2,293,433**	2,013,441	
- convertible bonds		**478,500**	441,600	
- dividends on redeemable preference shares		**200,000**	200,000	
- lease liabilities [2]		**56,032**	-	SFRS(I) 16.53.b
- obligations under finance lease		**-**	13,107	
Borrowing costs - total		**3,027,965**	2,668,148	
Less: Borrowing costs capitalised in development properties	17	**(578,224)**	(498,722)	SFRS(I) 1-23.26.a
		2,449,741	2,169,426	
Loss on modification of bank loan	23			SFRS(I) 9.5.4.3
Change in fair value of contingent consideration	26			SFRS(I) 7.20.a.i
Unwinding of discount on provision for legal claims		**20,643**	16,437	SFRS(I) 1-37.84.e
Reclassification of fair value gains on interest rate swaps designated as cash flow hedges from equity to profit or loss [3]	16	**(405,587)**	(381,009)	SFRS(I) 9.6.5.11.d.ii
Loss on hedge ineffectiveness of cash flow hedges [3]		**11,799**	11,459	SFRS(I) 7.24C.b.ii
Foreign currency exchange losses - net		**121,823**	146,264	SFRS(I) 1-21.52.a
		2,198,419	1,962,577	

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the Group's borrowings during the year of 4.1% to 4.7% (2018: 3.9% to 4.8%) per annum. SFRS(I) 1-23.26.b

In 2019, the Group renegotiates an existing bank loan so as to refinance the construction of a development property. The refinancing results in the recognition of a modification loss of $XXX in profit or loss. SFRS(I) 9.5.4.3

Guidance Notes – Finance costs

Items of finance cost

(1) Finance costs will normally include:

(a) costs that are borrowing costs for the purposes of SFRS(I) 1-23: SFRS(I) 1-23.5,6
  (i) interest expense calculated using the effective interest rate method SFRS(I) 7.IG13
  (ii) interest in respect of lease liabilities, and
  (iii) exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs
(b) the unwinding of the effect of discounting provisions SFRS(I) 1-37.60
(c) dividends on preference shares that are classified as debt SFRS(I) 1-32.35,40
(d) the amortisation of discounts and premiums on debt instruments that are liabilities SFRS(I) 9.B5.4.4
(e) interest on tax payable where the interest element can be identified separately
(f) increase in the present value of the costs to sell in relation to assets that are held for sale, where the sale is expected to occur beyond one year SFRS(I) 5.17

Interest expense on lease liabilities

(2) Interest expense on lease liabilities must also be presented as a component of finance cost in the statement of profit or loss and other comprehensive income. SFRS(I) 16.49

Costs associated with cash management

(3) Costs which may also be classified as finance cost include other costs associated with the entity's management of cash, cash equivalents and debt. For example, fair value changes on interest rate hedges, the ineffective portion of cash flow interest rate hedges or a loss on the extinguishment of a liability. SFRS(I) 9.6.5.11.d.ii SFRS(I) 7.24C.b.ii

35 Profit for the year

Other than as disclosed elsewhere in these financial statements, profit for the year has been arrived after charging/(crediting):

The Group	Note	From continuing operations 2019 $	2018 $ (Restated)	From discontinued operations 2019 $	2018 $ (Restated)	Total 2019 $	2018 $ (Restated)	
Depreciation and amortisation:								
- Intangible assets	3	**80,000**	60,000	**-**	-	**80,000**	60,000	SFRS(I) 1-38.118.d
- Property, plant and equipment	4	**1,889,752**	1,862,664	**88,710**	71,345	**1,978,462**	1,934,009	SFRS(I) 1-16.75.a
- Right-of-use assets	5	**416,562**	-	**-**	-	**416,562**	-	SFRS(I) 16.53.a
		2,386,314	1,922,664	**88,710**	71,345	**2,475,024**	1,994,009	SFRS(I) 1-1.104
Impairment loss on financial assets and contract assets:								
- Debt investments at FVOCI	9	**10,000**	-	**-**	-	**10,000**	-	SFRS(I) 7.16A
- Trade receivables	13	**280,900**	130,800	**103,400**	58,100	**384,300**	188,900	SFRS(I) 15.113.b
- Contract assets	14	**600,342**	-	**-**	-	**600,342**	-	SFRS(I) 15.113.b
		891,242	130,800	**103,400**	58,100	**994,642**	188,900	SFRS(I) 1-1.82.ba
Provision made/(reversed) for:								
- Warranty	28	**28,903**	56,882	**-**	-	**28,903**	56,882	SFRS(I) 1-37.84.b
- Restructuring	28	**100,000**	-	**-**	-	**100,000**	-	SFRS(I) 1-37.84.b
- Legal claims	28	**(48,524)**	90,000	**-**	-	**(48,524)**	90,000	SFRS(I) 1-37.84.b
		80,379	146,882	**-**	-	**80,379**	146,882	
Employee benefits:								
- Wages and salaries		**21,899,455**	20,003,423	**3,001,228**	2,809,446	**24,900,683**	22,812,869	SFRS(I) 1-19.5.a
- Defined contribution plans, including Central Provident Fund		**2,001,138**	1,900,472	**290,727**	266,092	**2,291,865**	2,166,564	SFRS(I) 1-19.46
- Defined benefit plans								SFRS(I) 1-19.46
- Share-based payments (equity-settled)		**112,249**	109,753	**-**	-	**112,249**	109,753	SFRS(I) 2.50,51.a
- Share-based payments (cash-settled)								SFRS(I) 2.50,51.a
- Other staff benefits		**2,308,892**	2,208,956	**130,982**	120,933	**2,439,874**	2,329,889	SFRS(I) 1-19.6
		26,321,734	24,222,604	**3,422,937**	3,196,471	**29,744,671**	27,419,075	SFRS(I) 1-1.104
Amortisation of contract costs	15	**11,008**	10,883	**-**	-	**11,008**	10,883	SFRS(I) 15.128.b
Cost of sale of development properties recognised as expense		**60,004,909**	39,055,541	**-**	-	**60,004,909**	39,055,541	SFRS(I) 1-2.36.d
Cost of inventories recognised as expense		**7,237,353**	5,717,638	**550,772**	370,029	**7,788,125**	6,087,667	SFRS(I) 1-2.36.d
Allowance made for diminution in value of development properties	17	**1,090,291**	304,612	**-**	-	**1,090,291**	304,612	SFRS(I) 1-2.36.e
Write-down of inventories to net realisable value	18	**112,093**	100,466	**32,088**	25,079	**144,181**	125,545	SFRS(I) 1-2.36.e

Guidance Notes – Profit for the year

Breakdown of disclosure items

The objective of the note is to provide a breakdown of other income, other gains or losses and an analysis of expenses by nature, and also show all of the profit or loss items that are required to be disclosed under various SFRS(I). However, individual profit or loss items can be disclosed together with their relevant information to which they belong. For example, gains or losses related to various financial instruments held by the entity can be disclosed together with the amounts on the statement of financial position in their respective notes. SFRS(I) 1-1.104

Cross-reference to statement of cash flows

Non-cash adjustment items in the statement of cash flows include those attributed to discontinued operations because 'profit or loss' as starting point include that of both continuing and discontinued operations. Therefore, although there is no requirements to disclose breakdown of these profit or loss items for discontinued operations, an entity may disclose so to allow for cross-reference to the statement of cash flows. SFRS(I) 1-7.10,11 SFRS(I) 5.33.c

Classification of expenses by function

An entity classifying expenses by function discloses additional information on the nature of expenses, including depreciation and amortisation expense and employee benefits expense. SFRS(I) 1-1.104

When items of income or expense are material, an entity shall disclose their nature and amount separately. SFRS(I) 1-1.97

Type of expenses

The classification of expenses may vary with the type of expense. For example, where expenses are classified by nature, wages and salaries paid to employees involved in research and development (R&D) activities may be classified as employee benefits expense, while amounts paid to external organisations for R&D may be classified as external R&D expense. However, where expenses are classified by function, both the wages and salaries and external payments should be classified as R&D expense. SFRS(I) 1-1.104

Depreciation and amortisation

Depreciation and amortisation expenses include those of the entity's right-of-use assets. SFRS(I) 16.53.a

Employee benefits expenses

Although SFRS(I) 1-19 does not require specific disclosures about employee benefits other than post-employment benefits, other SFRS(I) may require disclosures. For example, where the expense resulting from such benefits is material and so would require disclosure under SFRS(I) 1-1. Similarly, termination benefits may result in an expense needing disclosure in order to comply with SFRS(I) 1-1. SFRS(I) 1-19.25 SFRS(I) 1-19.158 SFRS(I) 1-19.171

Share-based payment expense

The remeasurement of the liability in relation to cash-settled share-based payment arrangement in employee benefits expense may be included in finance income or finance costs. SFRS(I) 2.IG19

Research and development costs

Research and development costs that are not eligible for capitalisation are expensed in the period incurred. SFRS(I) 1-38.126

Cost of sales

If an entity presents an analysis of expenses by function in the statement of profit or loss, then cost of inventories, write-downs of inventory to net realisable value and any reversals, shall be included in 'cost of sales'. SFRS(I) 1-1.98.a SFRS(I) 1-2.36.d

36 Tax expense

	Note	The Group 2019 $	2018 $ (Restated)	
Tax expense/(benefit) comprise:				SFRS(I) 1-12.79
From continuing operations				
Current income tax				
- current year		**177,191**	**782,225**	SFRS(I) 1-12.80.a
- under provision in prior years		**-**	**312,246**	SFRS(I) 1-12.80.b
Deferred income tax		**444,461**	**334,357**	SFRS(I) 1-12.80.c
		621,652	**1,428,828**	
From discontinued operations				
Current income tax	19	**(101,384)**	**(100,671)**	SFRS(I) 1-12.81.h
		520,268	**1,328,157**	

Domestic income tax is calculated at 17% (2018: 17%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions. SFRS(I) 1-12.81.c

The total tax charge for the year can be reconciled to the accounting profit as follows: (1)

	The Group 2019 $	2018 $ (Restated)	
			SFRS(I) 1-12.81.c
Profit/(Loss) before tax from:			
- Continuing operations	**4,933,702**	8,014,702	
- Discontinued operations	**(1,130,676)**	(1,448,520)	
	3,803,026	6,566,182	
Tax calculated at Singapore tax rate of 17% (2018: 17%)	**646,514**	1,116,251	SFRS(I) 1-12.85
Effects of:			
- expenses not deductible for tax purposes (a)	**189,464**	121,274	
- income not subject to tax (a)	**(70,112)**	(50,403)	
- tax concessions			
- different tax rates of subsidiaries operating in other jurisdictions	**281,030**	165,662	SFRS(I) 1-12.85
- share of results of associates	**(526,628)**	(336,873)	
- change in expected manner of recovery of asset			
- unused tax losses and capital allowances not recognised as deferred tax assets			
- utilisation of previously unrecognised tax losses and capital allowances			
- change in tax laws affecting deferred tax			
- under provision of current income tax in prior years	**-**	312,246	SFRS(I) 1-12.80.b
Tax expense	**520,268**	1,328,157	

(a) Expenses not deductible for tax purposes relate mainly to depreciation and amortisation of non-qualifying assets and other disallowed expenses incurred in the ordinary course of business. SFRS(I) 1-12.81.c

(b) Income not subject to tax relate mainly to exempt interest received and fair value changes and foreign exchange differences arising from financial instruments. SFRS(I) 1-12.81.c

The income tax relating to each component of other comprehensive income are disclosed in Note 37. (2) SFRS(I) 1-12.81.ab SFRS(I) 1-1.90

36 Tax expense (cont'd)

The income tax recognised directly in equity comprises: [(2)]

	The Group 2019 $	The Group 2018 $	
Current tax:			SFRS(I) 1-12.81.a
Share-issue expenses			
Share buy-back expenses			
Deferred tax:			SFRS(I) 1-12.81.a
Share-issue and buy-back expenses deductible over 5 years			
Initial recognition of equity component of compound financial instruments			
Excess of tax deductions related to share-based payments			
Total			

Guidance Notes – Tax expense

Relationship between tax expense and accounting profit

(1) Entities can explain the relationship between tax expense (income) and accounting profit by disclosing reconciliations between: SFRS(I) 1-12.81.c SFRS(I) 1-12.85

- tax expense and the product of accounting profit multiplied by the applicable tax rate, or
- the average effective tax rate and the applicable tax rate.

The applicable tax rate can either be the domestic rate of tax in the country in which the entity is domiciled, or it can be determined by aggregating separate reconciliations prepared using the domestic rate in each individual jurisdiction. Entities should choose the method that provides the most meaningful information to users.

Income tax recognised outside profit or loss

(2) Under certain circumstances, current and deferred tax is recognised outside profit or loss either in other comprehensive income or directly in equity, depending on the item that the tax relates to. Entities must disclose separately: SFRS(I) 1-1.90 SFRS(I) 1-12.81.a SFRS(I) 1-12.81.ab SFRS(I) 1-12.62A

- the amount of income tax relating to each component of other comprehensive income, including reclassification adjustments (either in the statement of comprehensive income or in the notes), and
- the aggregate current and deferred tax relating to items that are charged directly to equity (without being recognised in other comprehensive income).

Tax related to changes in accounting policy and errors

An entity discloses separately the amount of tax expense (income) related to those changes in accounting policies and errors that are included in the determination of profit or loss in accordance with SFRS(I) 1-8 because they cannot be accounted for retrospectively. SFRS(I) 1-12.80.h

Change in tax rate – illustrative disclosure

Where the applicable tax rate changed during the year, the adjustments to the deferred tax balances appear as another reconciling item in the reconciliation of prima facie income tax payable to income tax expense. SFRS(I) 1-12.81.d

"The reduction of the corporation tax rate in [country name] from 30% to 28% has been substantively enacted on 26 June 2019 and will be effective from 1 January 2022. As a result, the relevant deferred tax balances have been remeasured. Deferred tax expected to reverse in the years leading up to 1 January 2022 has been measured using the effective rate of 30% that will apply in [country name] for the relevant periods. For years ending after 31 December 2021, the Group has used the new tax rate of 28% to compute deferred tax balances.

Further reductions to the tax rate in [country name] have been announced which will reduce the rate by 1% per annum to 24% by 1 January 2026. However, these changes are expected to be enacted separately each year. As a consequence, they are deemed as not substantively enacted at the reporting date and, therefore, are not recognised in these financial statements.

The impact of the change in tax rate has been recognised in tax expense in profit or loss, except to the extent that it relates to items previously recognised outside profit or loss. For the Group, such items include in particular remeasurements of post-employment benefit liabilities and the expected tax deduction in excess of the recognised expense for equity-settled share-based payments."

NTA 37
Reference

37 Other comprehensive income, after tax

SFRS(I) 1-1.90
SFRS(I) 1-12.81.ab

	2019			2018		
	Before tax	Tax credit /(charge)	After tax	Before tax	Tax credit /(charge)	After tax
The Group	$	$	$	$	$	$
Items that may be reclassified subsequently to profit or loss						
Debt investments at FVOCI						
- Fair value (losses)/gains	**(297,831)**	**50,631**	**(247,200)**	14,940	(2,540)	12,400
- Net losses reclassified from equity to profit or loss upon disposal	**56,265**	**(9,565)**	**46,700**	-	-	-
- Impairment loss	**12,048**	**(2,048)**	**10,000**	-	-	-
Interest rate swaps entered into for cash flow hedges						
- Fair value gains	**868,654**	**(147,671)**	**720,983**	488,659	(83,072)	405,587
- Net gains reclassified from equity to profit or loss upon hedged item affected profit or loss	**(488,659)**	**83,072**	**(405,587)**	(459,047)	78,038	(381,009)
Share of fair value reserve of associates	**426,824**	**-**	**426,824**	141,328	-	141,328
Currency translation differences arising from foreign operations	**268,335**	**-**	**268,335**	207,224	-	207,224
	845,636	**(25,581)**	**820,055**	393,104	(7,574)	385,530
Items that will not be reclassified subsequently to profit or loss						
Equity investments at FVOCI - Fair value gains	**240,964**	**(40,964)**	**200,000**	81,928	(13,928)	68,000
Currency translation differences arising from foreign operations	**48,193**	**-**	**48,193**	81,417	-	81,417
	289,157	**(40,964)**	**248,193**	163,345	(13,928)	149,417
	1,134,793	**(66,545)**	**1,068,248**	556,449	(21,502)	534,947

38 Earnings per share

(a) Basic earnings per share

	From continuing operations		From discontinued operations		Total		
	2019	2018 (Restated)	**2019**	2018 (Restated)	**2019**	2018 (Restated)	SFRS(I) 1-33.68
Profit/(Loss) attributable to owners of the Company ($)	**3,355,545**	5,752,914	**(1,198,898)**	(1,347,849)	**2,156,647**	4,405,065	SFRS(I) 1-33.70.a
Weighted average number of ordinary shares outstanding for basic earnings per share	**90,997,000**	81,000,000	**90,997,000**	81,000,000	**90,997,000**	81,000,000	SFRS(I) 1-33.70.b
Basic earnings/(loss) per share (Cents)	**3.69**	7.10	**(1.32)**	(1.66)	**2.37**	5.44	

(b) Diluted earnings per share

	From continuing operations		From discontinued operations		Total		
	2019	2018 (Restated)	**2019**	2018 (Restated)	**2019**	2018 (Restated)	
Profit/(Loss) attributable to owners of the Company ($)	**3,355,545**	5,752,914	**(1,198,898)**	(1,347,849)	**2,156,647**	4,405,065	SFRS(I) 1-33.70.a
Add back:							
- Interest expense on convertible bonds, net of tax ($)	**478,500**	441,600	**-**	-	**478,500**	441,600	SFRS(I) 1-33.33.b
Profit (diluted) used to determine diluted earnings per share ($)	**3,834,045**	6,194,514	**(1,198,898)**	(1,347,849)	**2,635,147**	4,846,665	SFRS(I) 1-33.70.a
Weighted average number of ordinary shares outstanding for basic earnings per share	**90,997,000**	81,000,000	**90,997,000**	81,000,000	**90,997,000**	81,000,000	SFRS(I) 1-33.70.b
Adjustments for:							
- Conversion of convertible bonds	**21,000,000**	21,000,000	**-**	-	**21,000,000**	21,000,000	SFRS(I) 1-33.36
- Exercise of share options	**174,000**	169,000	**-**	-	**174,000**	169,000	SFRS(I) 1-33.36
Weighted average number of ordinary shares (diluted) used to determine diluted earnings per share	**112,171,000**	102,169,000	**90,997,000**	81,000,000	**112,171,000**	102,169,000	SFRS(I) 1-33.70.b
Diluted earnings/(loss) per share (Cents)	**3.42**	6.06	**(1.32)**	(1.66)	**2.35**	4.74	

38 Earnings per share (cont'd)

Basic earnings per share is calculated by dividing the net profit attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year. SFRS(I) 1-33.10

For the purpose of calculating diluted earnings per share, profit attributable to owners of the Company and the weighted average number of ordinary shares outstanding are adjusted for the effects of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: convertible bonds and share options. SFRS(I) 1-33.33,36

Convertible bonds are assumed to have been converted into ordinary shares at issuance and the net profit is adjusted to eliminate the interest expense less the tax effect. SFRS(I) 1-33.72

For share options, the weighted average number of shares on issue has been adjusted as if all dilutive share options are exercised. The number of shares that could have been issued upon the exercise of all dilutive share options less the number of shares that could have been issued at fair value (determined as the average market value of the Company's shares) for the same total proceeds is added to the denominator as the number of shares issued for no consideration. The average market value of the Company's shares for purposes of calculating the dilutive effect of share options has been based on quoted market prices for the period during which the options are outstanding. No adjustment is made to the net profit. SFRS(I) 1-33.72

For calculation of diluted earnings per share from discontinued operations, the convertible bonds and share options are not considered because they are antidilutive. These convertible bonds and share options can potentially dilute basic earnings per share in the future. [1] SFRS(I) 1-33.70.c

Guidance Notes – Earnings per share

Compliance

SFRS(I) 1-33 requires that earnings per share (EPS) information to be presented by entities whose ordinary shares or potential ordinary shares are publicly traded and by entities that are 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 SFRS(I), such disclosures should comply fully with all the requirements of SFRS(I) 1-33. SFRS(I) 1-33.12

SFRS(I) 1-33 requires that basic and diluted earnings per share be computed based on the amounts attributable to ordinary owners of the parent entity in respect of (a) profit or loss from continuing operations attributable to the parent entity; and (b) profit or loss attributable to the parent entity.

Voluntary disclosure

Entities may voluntarily disclose per share amounts for other components of total comprehensive income or separate income statement, subject to the requirements of SFRS(I) 1-33, i.e. provided that: SFRS(I) 1-33.73 SFRS(I) 1-33.73A

- such amounts are calculated using the weighted average number of ordinary shares determined in accordance with SFRS(I) 1-33;
- basic and diluted amounts per share relating to such a component are disclosed with equal prominence and presented in the notes; and
- the entity discloses the basis on which the numerator is determined, including whether amounts per share are before or after tax.

If a component of the statement of comprehensive income (or separate income statement) is used that is not reported as a line item in the statement of comprehensive income (or separate income statement), reconciliation shall be provided between the component used and a line item that is reported in the statement of comprehensive income (or separate income statement).

Guidance Notes – Earnings per share (cont'd)

Retrospective adjustment for changes in number of shares

If the number of ordinary or potential ordinary shares increases as a result of a capitalisation, bonus issue or share split, or decreases as a result of a reverse share split before the financial statements are authorised for issue, the basic and diluted EPS for all periods presented shall be adjusted retrospectively, even when this occurs after the reporting date. The fact that EPS calculations reflect such changes in the number of shares shall be disclosed. SFRS(I) 1-33.64

Share transactions after the reporting date

An entity is required to provide a description of material share transactions that occurred after the reporting date and that are not retrospectively adjusted in the calculation of EPS. SFRS(I) 1-33.70.d

Changes in accounting policies

When initial application of a SFRS(I) has an effect on the current period or any prior period, would have such an effect except that it is impracticable to determine the amount of the adjustment, or might have an effect on future periods, an entity shall disclose, among others, for the current period and each prior period presented, to the extent practicable, the amount of the adjustment if SFRS(I) 1-33 applies to the entity, for basic and diluted earnings per share. SFRS(I) 1-8.28.f.ii

(N.B. With respect to the adoption of SFRS(I) 16 during the year, this requirement is applicable only if the entity applies the full retrospective transition approach. An entity electing for the cumulative catch-up transition approach does not need to fulfil this disclosure requirement.)

Potential dilutive instruments which are anti-dilutive during the period

(1) An entity is required to disclose instruments (including contingently issuable shares) that could potentially dilute basic earnings per share in the future, but are not included in the calculation of diluted earnings per share because they are anti-dilutive for the periods covered. SFRS(I) 1-33.70.c

Other potential dilutive instruments – illustrative disclosures

Partly paid ordinary shares

"Partly paid ordinary shares carry the right to participate in dividends in proportion to the amount paid relative to the total issue price. To that extent they have been recognised as ordinary share equivalents in the determination of basic earnings per share. Amounts uncalled on partly paid shares and calls in arrears are treated as the equivalent of options to acquire ordinary shares, and are included as potential ordinary shares in the determination of diluted earnings per share." SFRS(I) 1-33.72

Rights to deferred shares

"Rights to deferred shares granted to executives under the Group's short-term incentive scheme are included in the calculation of diluted earnings per share, assuming all outstanding rights will vest. The rights are not included in the determination of basic earnings per share." SFRS(I) 1-33.46,72

Non-redeemable participating preference shares

"The non-redeemable participating preference shares are classified as equity and are a separate category of ordinary shares for the purposes of determining earnings per share, rather than potential ordinary shares. The shares are bought back and cancelled during the year. They have not been included in the determination of basic or diluted earnings per share as no shares are on issue at year end in this category of ordinary shares." SFRS(I) 1-33.72

Cumulative redeemable preference shares

"The cumulative redeemable preference shares are not ordinary or potential ordinary shares and have not been included in the determination of basic and diluted earnings per share. These shares are classified as liabilities." SFRS(I) 1-33.72

NTA 39 Reference

39 Dividends

	The Group and the Company		
	2019	2018	
	$	$	
Ordinary shares			SFRS(I) 1-1.107
Interim tax-exempt (one tier) dividend of 3.57 cents per share for 2019	**3,288,000**	-	
Final tax-exempt (one-tier) dividend of 3.54 cents per share for 2018	**3,260,000**	-	
Final tax-exempt (one-tier) dividend of 1.97 cents per share for 2017	**-**	1,776,000	
	6,548,000	1,776,000	
Non-redeemable participating preference shares (1)			SFRS(I) 1-1.107
Annual dividend of XX% (2018: XX%) on the face value of the shares			
	6,548,000	1,776,000	

	The Group		
	2019	2018	
	$	$	
By a subsidiary to non-controlling interests (1)			SFRS(I) 1-1.107
XX cents per qualifying ordinary share for [year]			

In respect of the current financial year, the directors of the Company propose that a final dividend of 1.48 cents per share will be paid to shareholders on 25 May 2020. This dividend is subject to approval by shareholders at the Annual General Meeting scheduled on 6 April 2020 and has not been included as a liability in these financial statements. The proposed dividend is payable to all shareholders on the register of members on 21 April 2020. The total estimated dividend to be paid is $1,361,000 which will be accounted for in the shareholders' equity as an appropriation of retained earnings in the financial year ending 31 December 2020. SFRS(I) 1-1.137.a SFRS(I) 1-10.12,13

Guidance Notes – Dividends

Eligibility

It shall be noted that no dividend may be paid, and no other distribution (whether in cash or otherwise) of the company's assets may be made, to the company in respect of its treasury shares. CA 76J.4

Non-cash dividends – illustrative disclosure

The difference between the dividend paid/payable and the carrying amount of the assets distributed is presented as a separate line item in profit or loss. SFRS(I) INT 17.15

Where an entity distributes non-cash assets to its owners, the following illustrative disclosure shall be appropriate:

"In August 2019, the Company transferred all of its shares held in a wholly-owned subsidiary, [name of subsidiary], to its immediate and ultimate holding corporation as a non-cash dividend. The dividend is measured at the fair value of the subsidiary amounting to $XXX. The difference of $XXX between the fair value of the shares and their carrying amount of $XXX is presented within "other income" in profit or loss." SFRS(I) INT 17.11 SFRS(I) INT 17.14 SFRS(I) INT 17.16

Cumulative preference dividends not recognised

An entity discloses the amount of any cumulative preference dividends not recognised. SFRS(I) 1.1.137.b

Tax consequences of dividends to shareholders

An entity discloses the amount of tax consequences of dividends to shareholders that are proposed or declared before the financial statements are authorised for issue, but that are not recognised as a liability in the financial statements. An entity also discloses the important features of the tax system and the factors that will affect the amount of the potential tax consequences of dividends. SFRS(I) 1-12.81.i SFRS(I) 1-12.87A

Noteworthy disclosure requirements not illustrated

(1) An entity shall also disclose dividends paid/payable for other share category, such as non-redeemable participating preference shares. If non-controlling interests has been paid/payable dividend by a subsidiary during the year, the group shall disclose that fact too. (N.B. The Group does not have either case during the year. Illustrative disclosure have been included above for reference only.) SFRS(I) 1-1.107

40 Share-based payments

(i) Equity-settled share option scheme

The Company has put in place a share option scheme named as the FKT Holdings Limited Employee Share Option Scheme (the "Scheme") since the financial year ended 31 December 2010. Under the Scheme, the Company may grant options to directors and employees of the parent company who have contributed to the success and development of the Group; employees of the Company and its subsidiaries holding office of the rank (or equivalent) of Executive or Section Head and above; or directors of the Company and its subsidiaries, whether holding office in executive or non-executive capacity or who are also controlling shareholders (as defined in the SGX Listing Manual), to subscribe for ordinary shares of the Company, provided that certain limits on entitlements for participants of the Scheme are not exceeded. The Scheme does not extend to directors and employees of associated companies of the Company and the Group. The Scheme is administered by the Remuneration Committee. 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, but before the fifth anniversary, of the grant. The options granted by the Company do not entitle the holders of the options, by virtue of such holding, to any rights to participate in any share issue of any other company. SFRS(I) 2.45.a

Details of the share options outstanding during the year are as follows: SFRS(I) 2.45.b

The Group and the Company

2019

Date options granted	Balance at 1.1.2019	Granted /(Forfeited) during the year	Exercised during the year	Balance at 31.12.2019	Exercise price per share	Number of option holders at 31.12.2019	Period exercisable
30.6.2016	**10,000**	**(6,000)**	**-**	**4,000**	$1.70	2	1.7.2016 to 30.6.2021
30.6.2017	**51,000**	**(19,000)**	**(2,000)**	**30,000**	$1.60	10	1.7.2017 to 30.6.2022
30.6.2018	**108,000**	**(18,000)**	**(10,000)**	**80,000**	$1.40	21	1.7.2018 to 30.6.2023
30.6.2019	**-**	**110,000**	**(20,000)**	**90,000**	$1.30	22	1.7.2019 to 30.6.2024
	169,000	**67,000**	**(32,000)**	**204,000**			

2018

Date options granted	Balance at 1.1.2018	Granted /(Forfeited) during the year	Exercised during the year	Balance at 31.12.2018	Exercise price per share	Number of option holders at 31.12.2018	Period exercisable
30.6.2015	6,000	(6,000)	-	-	$1.80	2	1.7.2015 to 30.6.2020
30.6.2016	16,000	(6,000)	-	10,000	$1.70	3	1.7.2016 to 30.6.2021
30.6.2017	60,000	(9,000)	-	51,000	$1.60	12	1.7.2017 to 30.6.2022
30.6.2018	-	108,000	-	108,000	$1.40	22	1.7.2018 to 30.6.2023
	82,000	87,000	-	169,000			

The weighted average share price at the exercise date for share options exercised during the year is $1.35 (2018: $nil). The options outstanding at the end of the year have a weighted average remaining contractual life of 2.0 years (2018: 2.9 years). SFRS(I) 2.45.c,d

40 Share-based payments (cont'd)

(i) Equity-settled share option scheme (cont'd)

On 30 June 2019, the Company granted options to subscribe 110,000 ordinary shares of the Company at exercise price of $1.30 per share ("2019 Options"). The 2019 Options are exercisable from 1 July 2019 and will expire on 30 June 2024. Fair value of the 2019 Options granted was estimated to be $112,249 based on the Black-Scholes Pricing Model. SFRS(I) 2.47.a

On 30 June 2018, the Company granted options to subscribe 108,000 ordinary shares of the Company at exercise price of $1.40 per share ("2018 Options"). The 2018 Options are exercisable from 1 July 2018 and will expire on 30 June 2023. Fair value of the 2018 Options granted was estimated to be $109,753 based on the Black-Scholes Pricing Model. SFRS(I) 2.47.a

The inputs into the Black-Scholes Pricing Model are as follows: SFRS(I) 2.47.a

	The Group and the Company	
	2019	2018
Weighted average share price ($)	**$1.41**	$1.52
Weighted average exercise price ($)	**$1.39**	$1.48
Expected volatility (%)	**40%**	40%
Expected life (number of years)	**5**	5
Risk free rate (%)	**3.5%**	3.5%
Expected dividend yield (%)	**nil%**	nil%

Expected volatility is determined by calculating the historical volatility of the Company's share price over the previous 4 years. The expected life used in the model has been adjusted, based on the Group's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. SFRS(I) 2.47.a

The Group and the Company have recognised total expenses of $112,249 (2018: $109,753) related to equity-settled share-based payment transactions during the year. SFRS(I) 2.51.a

(ii) Cash-settled share-based payments [(1)]

The Group has issued to certain employees share appreciation rights ("SAR") that require the Group to pay the intrinsic value of the SAR to the employee at the exercise date. As at 31 December 2019, the Group and the Company have recorded liabilities of $XXX (2018: $XXX). The Group and the Company have recorded total expenses of $XXX (2018: $XXX) during the year in respect of the SAR. As at 31 December 2019, the total intrinsic value of the vested SAR is $XXX (2018: $XXX). The fair value of the SAR is determined using the Black-Scholes Pricing Model based on the assumptions as set out below: SFRS(I) 2.45.a SFRS(I) 2.51.a,b

	The Group and the Company	
	2019	2018
Share price at measurement date ($)		
Expected volatility (%)		
Risk free rate (%)		
Expected dividend yield (%)		

40 Share-based payments (cont'd)

(iii) Other share-based payment plan

Under the Company's employee share purchase plan, all employees may purchase the Company's shares at XX% of the closing market price on the date of grant during a two-week period each year. Employees may purchase shares having a value not exceeding XX% of their gross compensation during the offering period. The shares so purchased are generally placed in the employees share savings plan and will only be released to employees who remain in the Group's employment for a period of XX years from the date of grant. Pursuant to the plan, the Company has issued XX shares (2018: XX shares) during the year, at an average share price of $XX (2018: $XX). The discount of $XXX (2018: $XXX) is expensed over the vesting period of XX years. SFRS(I) 2.45.a

Guidance Notes – Share-based payments

Modification to share-based payments

For share-based payment arrangements that have been modified during the period, the entity is required to disclose: SFRS(I) 2.47.c

- an explanation of those modifications;
- the incremental fair value granted (as a result of those modifications); and
- information of how the incremental fair value granted was measured. SFRS(I) 2.47.a,b

An illustrative disclosure is as follows:

"In [month/year], the Company increases the vesting period for the employee share options granted in [month/year] from XX to XXe years and reduces the exercise price to $XX to reflect the recent fall in the Company's share price. The fair value of the options at the date of the modification has been determined to be $XX. The incremental fair value of $XX is recognised as an expense over the period from the modification date to the end of the extended vesting period. The expense for the original option grant continues to be recognised as if the terms have not been modified.

The fair value of the modified options is determined using the same model and principles as described above, with the following model inputs: [provide details]"

Fair value of goods and services received

In share-based payment transactions where the fair value of goods and services received is determined based on the fair value of equity instruments other than share options, an entity discloses how it has determined the fair value of such equity instruments. Such disclosure includes: SFRS(I) 2.47.b

- if fair value is not measured on the basis of an observable market price, then how it is determined;
- whether and how expected dividends are incorporated into the measurement of fair value; and
- whether and how any other features of the equity instruments granted are incorporated into the measurement of fair value.

Share award disclosures

(1) The detailed disclosures in SFRS(I) 2 are only required for share options. However, share awards are equivalent to share options with a zero exercise price. It is therefore appropriate to provide similar disclosures to the extent they are applicable to the share awards. SFRS(I) 2.45

Information about the fair value measurement of share appreciation rights should be disclosed. The following disclosures should be considered for disclosure for cash-settled share-based payments: SFRS(I) 2.52

- for awards granted during the period, disclosures about fair value measurement at grant date and at the reporting date; and
- for awards granted in previous periods but unexercised at the reporting date, disclosures about fair value measurement at the reporting date.

(N.B. The Group has no other share-based payment plans in place besides the share option scheme as disclosed above. The illustrative disclosures have been included for reference only.)

41 Related party transactions

Other than as disclosed elsewhere in these financial statements, the following transactions took place between the Group and these related parties at terms agreed between the parties: SFRS(I) 1-24.18,19

(a) Trading and other transactions and commitments

	The Group		
	2019	2018	
	$	$	
Sales of goods and/or services to:			
- fellow subsidiaries	**15,608,900**	13,589,000	SFRS(I) 1-24.19.g
- other related parties	**5,879,300**	4,780,300	SFRS(I) 1-24.19.g
Purchase of materials and/or services from:			
- holding corporation	**(5,709,400)**	(3,400,300)	SFRS(I) 1-24.13
- associates/joint ventures	**(16,789,800)**	(15,879,700)	SFRS(I) 1-24.19.d
Payments made on behalf to/(by) and reimbursed by/(to):			
- holding corporation	**600,700**	503,400	SFRS(I) 1-24.13
- fellow subsidiaries	**(450,400)**	(305,400)	SFRS(I) 1-24.19.g
Management/Professional/Technical fees received from/(paid to):			
- holding corporation	**(1,400,200)**	(1,203,200)	SFRS(I) 1-24.13
- associates/joint ventures	**1,200,400**	1,030,600	SFRS(I) 1-24.19.d
Advances/(Repayments) made to/from:			
- holding corporation	**503,200**	406,300	SFRS(I) 1-24.13
- fellow subsidiaries	**(405,600)**	(304,100)	SFRS(I) 1-24.19.g
Sale/(Purchase) commitments to/from: (1)			
- fellow subsidiaries	**30,506,000**	25,607,000	SFRS(I) 1-24.19.g
- other related parties	**10,406,000**	8,040,000	SFRS(I) 1-24.19.g

The Company is a subsidiary of FKT Global Ltd, incorporated in United Kingdom, which is also the Company's ultimate holding corporation. Fellow subsidiaries refer to members of the holding corporation's group of companies. SFRS(I) 1-24.19.g

Other related parties comprise mainly companies which are controlled by the Group's key management personnel and their close family members. SFRS(I) 1-24.9

Sale of goods are made at the Group's usual list prices at average discounts of 3%. Purchases are made at market price discounted to reflect the quantity of goods purchased and the relationships between the companies. SFRS(I) 1-24.23

All intercompany balances are unsecured, interest-free and repayable on demand, unless otherwise stated elsewhere in these financial statements. No guarantees have been given or received. No expense has been recognised in the reporting period for bad or doubtful debts in respect of the amounts owed by related parties. SFRS(I) 1-24.18.b SFRS(I) 1-24.18.c SFRS(I) 1-24.18.d

41 Related party transactions (cont'd)

(b) Key management personnel compensation [(2)]

	The Group 2019 $	The Group 2018 $	Reference
Wages and salaries	**2,200,690**	2,001,304	SFRS(I) 1-24.17.a
Defined contribution plans, including Central Provident Fund	**214,056**	200,132	SFRS(I) 1-24.17.b
Defined benefit plans			SFRS(I) 1-24.17.b
Share-based payments (equity-settled)	**45,023**	40,233	SFRS(I) 1-24.17.e
Share-based payments (cash-settled)			SFRS(I) 1-24.17.e
Other staff benefits	**210,507**	205,472	SFRS(I) 1-24.17.c
	2,670,276	2,447,141	

The remuneration of key management personnel, all of which are the Company's directors, is determined by the Remuneration Committee having regard to the performance of individuals and market trends. SFRS(I) 1-24.17

Guidance Notes – Related party transactions

(N.B. The highlighted items are not the actual figures related to the Group but have been illustrated as such to provide an example for disclosing these types of related party transactions. They are included for purpose of completeness of illustration.)

Guarantees

It is not uncommon for controlling shareholder cum director to give guarantees in respect of the borrowings of an entity, often without making a charge to the entity. The provision of such a guarantee will be a related party transaction and should be clearly disclosed here. SFRS(I) 1-24.18

Commitments

(1) If an entity has had related party transactions during the period, it shall disclose the nature of the related party relationships as well as information about these transactions and outstanding balances, including commitments. An entity shall disclose commitments to do something if a particular event occurs or does not occur in the future, including recognised and unrecognised executory contracts. The following are examples of commitments which could require disclosure of the amounts as at the reporting date, and the related terms and conditions: SFRS(I) 1-24.18

- long-term incentive schemes for KMP
- agreements with members of KMP to pay certain benefits in the event of termination of employment
- agreements (including options) between the entity and a related party to purchase or sell assets
- agreements (including options) to provide services to or receive services from a related party
- commitments under lease agreements with related parties

Key management personnel (KMP) compensation paid by another related entity

(2) The disclosure required is in respect of services provided to the entity. Therefore, where KMP are paid a single salary in respect of services to more than one entity within the group, it will be necessary to allocate the amounts paid between the services provided to the different group entities for the purposes of disclosure in the separate financial statements of each individual group entity. SFRS(I) 1-24.17

Non-monetary benefits to KMP

For purposes of SFRS(I) 1-24, it would be appropriate to disclose non-monetary benefits granted to KMP. For example, where a member of KMP is given, as part of his employment package, the benefit of staying in a residential property owned by the reporting entity, it would be appropriate to disclose the depreciation of the property recognised in the period, because that is the amount the entity has recognised in profit or loss in respect of the benefits. SFRS(I) 1-24.17.c

SFRS(I) 1-24 does not require disclosure of fair value of the benefit provided. The entity should consider whether the amount recognised reflects the nature of the benefit provided. If the fair value of the benefit could be determined reliably, disclosure of additional information that is relevant to users, including a description of the terms and conditions of the compensation, is encouraged. SFRS(I) 1-24.17.c

KMP services to reporting entity

A reporting entity discloses as a related party any entity, or any member of a group of which it is a part, that provides KMP services to the reporting entity or to the parent of the reporting entity. SFRS(I) 1-24.9.b

42 Operating segments

The Group has the following strategic divisions, which are its reportable segments. These divisions offer different products and services, and are managed separately because they require different technology and marketing strategies. The Group's Chief Executive Officer ("CEO") (the chief operating decision maker ("CODM")) reviews internal management reports of each division on a monthly basis. The following summary describes the operations in each of the Group's reportable segments: [1] SFRS(I) 8.20-22

(i)	Real Estate:	Property investment and development of property for sale.
(ii)	Industrial Construction:	Construction and engineering design of heavy industrial assets and machineries.
(iii)	Engineering Materials:	Sale of engineering materials used in construction and maintenance activities.
(iv)	Hotel Operations: (discontinued operations)	Operation and management of hotel and related facilities and restaurants.

Other operations include investment holding, property management and interior design. None of these business units meets any of the criteria to be classified as reportable segments in 2019 and 2018. SFRS(I) 8.16

There are varying levels of integration between the Industrial Construction and Engineering Materials segments. This integration includes transfers of raw materials and shared distribution services, respectively. Inter-segment pricing is determined on an arm's length basis. SFRS(I) 8.27.a

Information regarding the results of each reportable segment is included below. Performance of each segment is measured based on segment profit (loss) before tax, as included in the internal management reports that are reviewed by the Group's CEO. Segment profit (loss) is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. SFRS(I) 8.27

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of central administration costs and directors' salaries, share of results of associates, interest income, investment income, finance costs and tax expense. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance. SFRS(I) 8.27 SFRS(I) 8.23.f

For the purposes of monitoring segment performance and allocating resources between segments, the CODM also monitors the tangible, intangible and financial assets attributable to each segment. SFRS(I) 8.27

All assets are allocated to reportable segments other than investment in associates (Note 8), tax assets and certain financial assets. Goodwill has been allocated to reportable segments as described in Note 3. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments. SFRS(I) 8.27

42 Operating segments (cont'd)

Information of the reportable segments as reviewed by the CODM, before any reconciling adjustments to the Group's consolidated financial information, are set out below: (2)

	Continuing operations						Discontinued operations -						
	Real Estate		Industrial Construction		Engineering Materials		Hotel Operations		Other operations		Total		
The Group	**2019 $**	2018 $ (Restated)	**2019 $**	2018 $ (Restated)	**2019 $**	2018 $ (Restated)	**2019 $**	2018 $ (Restated)	**2019 $**	2018 $ (Restated)	**2019 $**	2018 $ (Restated)	
External revenue	**22,329,100**	20,255,090	**42,324,464**	33,155,103	**37,995,363**	28,760,900	**4,629,576**	5,481,704	**-**	-	**107,278,503**	87,652,797	SFRS(I) 8.23.a,32
Inter-segment revenue	**-**	-	**-**	-	**4,150,890**	2,689,034	**-**	-	**159,024**	120,372	**4,309,914**	2,809,406	SFRS(I) 8.23.b
Interest income	**698,374**	544,916	**-**	-	**-**	-	**-**	-	**14,892**	11,842	**713,266**	556,758	SFRS(I) 8.23.c
Finance costs	**2,091,122**	1,875,310	**-**	-	**107,297**	87,267	**-**	-	**-**	-	**2,198,419**	1,962,577	SFRS(I) 8.23.d
Depreciation and amortisation	**225,655**	180,932	**1,200,834**	1,000,548	**959,825**	741,184	**88,710**	71,345	**-**	-	**2,475,024**	1,994,009	SFRS(I) 8.23.e
Segment profit (loss) before tax	**1,102,245**	2,509,822	**1,108,932**	2,609,983	**1,186,971**	1,731,843	**(1,198,898)**	(1,347,849)	**16,872**	13,492	**2,216,122**	5,517,291	SFRS(I) 8.21.b,23
Share of results of associates	**3,097,812**	1,981,606	**-**	-	**-**	-	**-**	-	**-**	-	**3,097,812**	1,981,606	SFRS(I) 8.23.g
Other material non-cash items:													
- Impairment loss on financial assets and contract assets	**310,200**	-	**400,142**	60,534	**180,900**	70,266	**103,400**	58,100	**-**	-	**994,642**	188,900	SFRS(I) 8.23.i
- Allowance made for diminution in value of development properties	**1,090,291**	304,612	**-**	-	**-**	-	**-**	-	**-**	-	**1,090,291**	304,612	SFRS(I) 8.23.i
- Fair value gains/(losses) of investment properties	**437,779**	(504,006)	**-**	-	**-**	-	**-**	-	**-**	-	**437,779**	(504,006)	SFRS(I) 8.23.i
Reportable segment assets	**65,349,898**	61,226,086	**32,098,877**	34,099,825	**30,766,244**	33,088,724	**2,955,822**	-	**32,087**	26,722	**131,202,928**	128,441,357	SFRS(I) 8.21.b
Investment in associates	**56,976,604**	53,253,995	**-**	-	**-**	-	**-**	-	**-**	-	**56,976,604**	53,253,995	SFRS(I) 8.24.a
Capital expenditure	**224,532**	-	**1,123,378**	86,376	**987,223**	78,092	**-**	-	**-**	-	**2,335,133**	164,468	SFRS(I) 8.24.b
Reportable segment liabilities	**(41,300,814)**	(31,855,150)	**(19,800,344)**	(21,399,822)	**(17,988,022)**	(21,990,326)	**(2,255,000)**	-	**(15,877)**	(12,988)	**(81,360,057)**	(75,258,286)	SFRS(I) 8.21.b

42 Operating segments (cont'd)

Reconciliation of the revenue, profit or loss, assets and liabilities of the reportable segments to the Group's consolidated financial information are as follows: (3) SFRS(I) 8.28

	The Group 2019 $	2018 $ (Restated)	
Revenue			SFRS(I) 8.28.a
Total revenue for reportable segments	**111,588,417**	90,462,203	
Revenue for other operations	**-**	-	
Elimination of inter-segment revenue	**(4,309,914)**	(2,809,406)	
Elimination of discontinued operations	**(4,629,576)**	(5,481,704)	
Consolidated revenue	**102,648,927**	82,171,093	
Profit or loss before tax			SFRS(I) 8.28.b
Total profit or loss before tax for reportable segments	**2,199,250**	5,503,799	
Profit or loss before tax for other operations	**16,872**	13,492	
	2,216,122	5,517,291	
Elimination of inter-segment profits	**(659,883)**	(233,522)	
Elimination of discontinued operations	**1,198,898**	1,347,849	
Unallocated amounts:			
- other corporate expenses	**(919,247)**	(598,522)	
Share of results of associates	**3,097,812**	1,981,606	
Consolidated profit before tax from continuing operations	**4,933,702**	8,014,702	
Assets			SFRS(I) 8.28.c
Total assets for reportable segments	**131,170,841**	128,414,635	
Assets for other operations	**32,087**	26,722	
Investment in associates	**56,976,604**	53,253,995	
Other unallocated amounts	**5,890,034**	7,099,823	
Consolidated total assets	**194,069,566**	188,795,175	
Liabilities			SFRS(I) 8.28.d
Total liabilities for reportable segments	**(81,360,057)**	(75,258,286)	
Liabilities for other operations	**(15,877)**	(12,988)	
Other unallocated amounts	**(3,283,946)**	(3,076,235)	
Consolidated total liabilities	**(84,659,880)**	(78,347,509)	

For the other material non-cash items of the reportable segments, there are no reconciling differences to the Group's consolidated financial information. SFRS(I) 8.28.e

The Group operates in four principal geographical areas namely, Singapore, Malaysia, Hong Kong and China. SFRS(I) 8.33.a

The Group's revenue from external customers and information about its segment assets by geographical location are detailed below: SFRS(I) 8.33.b

The Group	Revenue 2019 $	Revenue 2018 $	Assets 2019 $	Assets 2018 $
Singapore	**54,998,834**	43,899,345	**110,988,651**	107,899,023
Malaysia	**21,099,834**	20,899,342	**42,098,236**	40,899,230
Hong Kong	**17,099,823**	13,099,823	**22,890,300**	21,509,856
China	**6,462,344**	3,172,760	**12,202,345**	11,387,243
Others	**2,988,092**	1,099,823	**5,890,034**	7,099,823
Consolidated total	**102,648,927**	82,171,093	**194,069,566**	188,795,175

Includes in the Group's consolidated revenue are sales of approximately $21.8 million (2018: $18.8 million) to a corporate customer who contributes to at least 10% of the Group's revenue for 2019 and 2018 in the Industrial Construction segment. SFRS(I) 8.34

Guidance Notes – Operating segments

Requirements of SFRS(I) 8

The following segment information is required by SFRS(I) 8, to be presented in the consolidated financial statements of a group with a parent (and in the separate or individual financial statements of an entity):

- whose debt or equity instruments are traded in a public market; or
- who files, or is 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.

SFRS(I) 15 and SFRS(I) 8 do not have similar aggregation criteria. More disaggregation may be required for SFRS(I) 15, because SFRS(I) 8 permits aggregation in certain situations. Management should not assume the two SFRS(I) disclosures will be disaggregated at the same level, unless they can conclude that the disaggregation level is the same in both SFRS(I) and segment revenue is measured on the same basis. In that case, repetition of revenue disclosure information is not necessary.

Segment description

(1) Entities shall disclose factors used to identify its reportable segments, including the basis of organisation, and types of products and services from which each reportable segment derives its revenues. Entities must also disclose the judgements made by management in applying the aggregation criteria of the standard, including a description of the aggregated segments and the economic indicators that have been assessed in determining that the aggregated segments share similar economic characteristics. SFRS(I) 8.22

Disclosure information

(2) SFRS(I) 8.23
- a measure of profit or loss for each reportable segment;
- a measure of assets and/or liabilities for each reportable segment if such amounts are provided regularly to the CODM; and
- the following about each reportable segment if the specified amounts are included in the measure of profit or loss reviewed by the CODM or are otherwise provided regularly to the CODM, even if they are not included in that measure of segment profit or loss:
  – revenues from external customers;
  – revenues from transactions with other operating segments of the same entity;
  – interest revenue;
  – interest expense;
  – depreciation and amortisation;
  – material items of income and expense
  – the entity's interest in the profit or loss of associates and joint ventures accounted for by the equity method;
  – tax expense or income; and
  – material non-cash items other than depreciation and amortisation.

Reconciliation of segment information to SFRS(I) financial statements

(3) Underlying SFRS(I) 8 is a 'management approach' to reporting the financial performance of operating segments, in which an entity presents segment information that is consistent with that reviewed by an entity's CODM. This means that segment information disclosed in the financial statements will not be in accordance with SFRS(I) if this is how the information reported to the CODM is prepared. SFRS(I) 8.27,28

To help users understand the segment information presented, SFRS(I) 8 requires an entity to disclose:

- information about the measurement basis adopted, such as the nature and effects of any differences between the measurements used in reporting segment information and those used in the entity's financial statements, and the nature and effect of any asymmetrical allocations to reportable segments; and
- reconciliations of segment information to the corresponding amounts in the entity's SFRS(I) financial statements.

In addition, if the CODM reviews a non-GAAP measure (e.g. EBITDA) to assess performance of the reportable segments, a reconciliation to the Group's consolidated net profit before tax and discontinued operations is required.

Operating segments aggregated

Where management has aggregated operating segments, the entity discloses: SFRS(I) 8.22.aa

- a brief description of the operating segments that have been aggregated; and
- the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics.

'Entity-wide' disclosures

As part of the required 'entity-wide disclosures', an entity discloses revenue from external customers for each product and service, or each group of similar products and services, regardless of whether the information is used by the CODM in assessing segment performance. Such disclosure is based on the financial information used to produce the entity's financial statements. SFRS(I) 8.32

Measure of segment assets and liabilities

SFRS(I) 8 requires a measure of segment assets and segment liabilities to be disclosed only if the amounts are regularly provided to the CODM. SFRS(I) 8.23

NTA 43
Reference

43 Leases

(i) The Group as lessee

(a) Properties

The Group leases several factory cum warehouse premises for operation and storage purposes (Note 5). Certain of these factory cum warehouse premises are sublet to third parties, as discussed below under the Group's leasing activities as intermediate lessor of sublease. SFRS(I) 16.59.a

The Group has made an upfront payment to secure a 30-year leasehold building that is used as office premises. This leasehold building is recognised within the Group's right-of-use assets (Note 5). SFRS(I) 16.59.a

The Group makes quarterly lease payments for the use of a land parcel to construct and hold a commercial building that is accounted for as an investment property. This leasehold land is also classified within the Group's investment properties (Note 6). SFRS(I) 16.59.a

There are no externally imposed covenants on these property lease arrangements. SFRS(I) 16.59.c

(b) Plant and equipment and motor vehicles

The Group makes monthly lease payments to acquire plant and equipment used for manufacturing and construction activities. The Group also acquires motor vehicles under hire purchase arrangements to render internal logistics support. These plant and equipment and motor vehicles are recognised as the Group's right-of-use assets (Note 5). The hire purchase agreements for motor vehicles prohibit the Group from subleasing them to third parties. SFRS(I) 16.59.c

(c) Future cash outflows not capitalised in lease liabilities – Extension options

The leases for certain factory cum warehouse premises, plant and equipment, and motor vehicles provide for optional extension periods, for which the related lease payments have not been included in lease liabilities because the Group is not reasonably certain to exercise these extension options. The Group negotiates extension options to optimise operational flexibility in terms of managing the assets used in the Group's operations. The extension options are exercisable only by the Group and not by the lessor. The undiscounted potential future cash outflows for the lease payments during the extension periods amount to $180,000. SFRS(I) 16.B50.a

Information regarding the Group's right-of-use assets and lease liabilities are disclosed in Note 5 and 25 respectively. SFRS(I) 16.52

43 Leases (cont'd)

(ii) The Group as lessor

Investment properties

Operating leases, in which the Group is the lessor, relate to investment properties (Note 6) owned by the Group with lease terms of between 6 to 8 years with one-year extension option. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period. SFRS(I) 16.89

These leases are classified as operating lease because the risk and rewards incidental to ownership of the assets are not substantially transferred. The unguaranteed residual values do not represent a significant risk for the Group, as they relate to properties which are located in locations with constant increase in value over the last 5 years. The Group has not identified any indications that this situation will change. SFRS(I) 16.92.a,b

The Group's revenue from rental income received on the investment properties are disclosed in Note 29. SFRS(I) 1-40.75.f.i

The future minimum rental receivable under non-cancellable operating leases contracted for at the reporting date are as follows: SFRS(I) 16.97

	The Group 2019 $
Undiscounted lease payments to be received:	
- Year 1	**2,800,800**
- Year 2	**2,800,800**
- Year 3	**2,305,600**
- Year 4	**2,305,600**
- Year 5	**2,006,700**
- Year 6 and onwards	**1,605,300**
	13,824,800

43 Leases (cont'd)

(iii) The Group as intermediate lessor of sublease

The Group acts as an intermediate lessor under arrangements whereby it subleases out certain plant and equipment and factory cum warehouse premises to third parties for monthly lease payments. For the sublet plant and equipment, their sublease periods do not form a major part of the remaining head lease terms and accordingly, their subleases are classified as operating lease. For the sublet factory cum warehouse premises, their subleases are classified as finance lease because these subleases are for substantial portion of the remaining head lease terms. SFRS(I) 16.92.a

(a) Subleases – classified as operating lease

Rental income of $75,244 and variable lease payments received that do not depend on an index or rate of $12,823 from subleasing the plant and equipment during the year are included within "other income" in profit or loss. SFRS(I) 16.53.f SFRS(I) 16.90.b

Undiscounted lease payments from the sublease of the plant and equipment to be received after the reporting date are as follows: SFRS(I) 16.97

	The Group 2019 $
Less than one year	77,800
One to two years	48,900
Total undiscounted lease payments	126,700

(b) Subleases – classified as finance lease

The Group's sublease of its right-of-use of the factory cum warehouse premises is accounted for by derecognising the right-of-use assets relating to the head leases and recognising the net investment in the sublease under the Group's finance lease receivables (Note 10). SFRS(I) 16.92.a

Finance income on the net investment in sublease of $22,109 for the year is recognised within "interest income" in profit or loss. SFRS(I) 16.90.a

The maturity analysis of the undiscounted lease payments to be received is disclosed in Note 10. SFRS(I) 16.94

Guidance Notes – Leases

Disclosure on leases in a single note or separate section

An entity shall disclose information about its leases in a single note or separate section in the financial statements. However, there is no need to duplicate certain information that is already presented elsewhere, provided that information is incorporated by cross-reference in a single note or separate section. SFRS(I) 16.52

(N.B. The Group has opted to disclose leasing activities and related profit or loss information in this note and separately the disclosure information on ROU assets and lease liabilities in Note 5 and 25 respectively and then make necessary cross references to one another. An alternative shall be to include all the required disclosure information in this note.)

Guidance Notes – Leases (cont'd)

Disclosures by lessee and lessor

SFRS(I) 16 requires disclosure of the following information, which users of the financial statements have identified as being most useful to their analysis: SFRS(I) 16.53

- depreciation charge for right-of-use assets, split by class of underlying asset;
- interest expense on lease liabilities;
- short-term lease expense for such leases with a lease term greater than one month;
- low-value asset lease expense (except for portions related to short-term leases);
- variable lease expense (i.e. for variable lease payments not included in the lease liability);
- income from subleasing right-of-use assets;
- total cash outflow for leases;
- additions to right-of-use assets;
- gains and losses arising from sale and leaseback transactions; and
- carrying amount of right-of-use assets at the end of the reporting period by class of underlying asset.

All of the above disclosures are required to be presented in a tabular format, unless another format is more appropriate. The amounts to be disclosed must include costs that the lessee has included in the carrying amount of another asset during the reporting period. SFRS(I) 16.54

SFRS(I) 16 requires disclosure of the total cash outflow for leases. This includes all lease payments regardless whether the payments are capitalised as part of lease liabilities. SFRS(I) 16.53.g

SFRS(I) 16 requires disclosure of the amount of lease commitments for short-term leases when short-term lease commitments at the end of the reporting period are dissimilar to the same period's short-term lease expense (that is otherwise required to be disclosed). SFRS(I) 16.55

Additional disclosures

SFRS(I) 16 requires additional qualitative and quantitative information about an entity's leasing activities necessary to meet the disclosure objective. These additional information may include, but is not limited to, information that helps users of the financial statements to assess: SFRS(I) 16.59

- the nature of the lessee's leasing activities;
- future cash outflows to which the lessee is potentially exposed that are not reflected in the measurement of lease liabilities:
  - variable lease payments
  - extension options and termination options
  - residual value guarantees
  - leases not yet commenced to which the lessee is committed;
- restrictions or covenants imposed by leases; and
- sale and leaseback transactions.

Entities would need to exercise judgement in determining the extent of disclosures needed to satisfy the disclosure objective of the standard (i.e. to provide a basis for users to assess the effect of leases on the financial position, financial performance and cash flows of the lessee).

Right-of-use assets classified as investment property

If right-of-use assets meet the definition of investment property, a lessee shall apply the disclosure requirements in SFRS(I) 1-40. In that case, a lessee is not required to provide the following disclosures: SFRS(I) 16.56

- depreciation charge for right-of-use assets by class of underlying assets;
- income from subleasing right-of-use assets;
- additions to right-of-use assets; and
- the carrying amount of right-of-use assets at the reporting period by class of underlying asset.

Sale and leaseback

For any sale and leaseback transactions entered, an entity is expected to disclose qualitative and quantitative information about the transaction, for example: SFRS(I) 16.59.d SFRS(I) 16.B52

(a) lessee's reasons for sale and leaseback transactions and the prevalence of those transactions;
(b) key terms and conditions of individual sale and leaseback transactions;
(c) payments not included in the measurement of lease liabilities; and
(d) the cash flow effect of sale and leaseback transactions in the reporting period.

(N.B. In view of the various disclosure requirements, a disclosure information checklist for SFRS(I) 16 has been included in **Appendix E: Disclosure Requirements of SFRS(I) 16** to assist users to understand how these illustrative financial statements seek to fulfil the disclosure information required.)

NTA 44
Reference

44 Commitments

(a) Capital commitments

Capital expenditures contracted for at the reporting date but not recognised in the financial statements, excluding those relating to investment in associates, are as follows:

	The Group		
	2019	2018	
	$	$	
Investment properties			SFRS(I) 1-40.75.h
Development properties	**1,500,900**	1,600,300	
Property, plant and equipment	**467,200**	870,200	SFRS(I) 1-16.74.c
Intangible assets			SFRS(I) 1-38.122.e
	1,968,100	2,470,500	

(b) Repairs and maintenance – investment properties

	The Group		
	2019	2018	
	$	$	
Contractual obligations for future repairs and maintenance – not recognised as liability	**1,308,200**	1,200,900	SFRS(I) 1-40.75.h

(c) Operating lease commitments – where the Group is lessee

The Group leases properties and plant and equipment from non-related parties under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

As at 31 December 2018, the future minimum lease payables under non-cancellable operating leases contracted for but not recognised as liabilities, are as follows: SFRS(I) 1-17.35.a

The Group	2018 $
Not later than one year	787,788
Between one and five years	2,627,371
Later than five years	156,973
	3,572,132

As disclosed in Note 2(b), the Group has adopted SFSR(I) 16 on 1 January 2019. These lease payments have been recognised as right-of-use assets and lease liabilities on the statement of financial position as at 1 January 2019, except for short-term and low value leases.

44 Commitments (cont'd)

(d) Operating lease commitments – where the Group is lessor

The Group leased out investment properties to third parties under non-cancellable operating leases. During the year ended 31 December 2018, property rental income earned was $2,054,268. The Group's investment properties were expected to generate rental yields of 6% on an ongoing basis. All of the properties held had committed tenants for the next seven years. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period. SFRS(I) 1-17.56.b,c

As at 31 December 2018, the Group had contracted with tenants for the following future minimum lease payments: SFRS(I) 1-17.56.a

The Group	2018 $
Not later than one year	2,200,900
Between one and five years	8,803,600
Later than five years	1,800,400
	12,804,900

In addition, the Group also subleases out certain plant and equipment and factory cum warehouse premises to third parties under non-cancellable operating leases. The sublessees are required to pay contingent rents computed based on their usage during the lease period.

As at 31 December 2018, the future minimum lease receivables under non-cancellable operating leases contracted for but not recognised as receivables, are as follows: SFRS(I) 1-17.56.a

The Group	2018 $
Not later than one year	174,800
Between one and five years	144,300
	319,100

On 1 January 2019, the Group has adopted SFRS(I) 16 and the undiscounted lease payments from the operating leases to be received after 31 December 2019 are disclosed in Note 43.

Guidance Notes – Commitments

Operating lease commitments

For entities that adopt the cumulative catch-up approach to transition to SFRS(I) 16, there is no requirement to restate comparative financial statements including disclosure information. Therefore, all previous year's disclosure information shall not be restated or removed. SFRS(I) 16.C5.b

If the entity adopts the full retrospective transition approach, then all comparative disclosure information regarding the entity's leasing activities in previous year shall be restated in accordance with SFRS(I) 16 disclosure requirements and included in Note 43 for comparative purposes. SFRS(I) 16.C5.a

45 Contingencies

(a) Contingent liabilities SFRS(I) 1-37.86

Contingent liabilities, excluding those relating to business combinations (Note 7(a)) and investment in associates (Note 8), of which the probability of settlement is not remote at the reporting date, are as follows:

(i) A claim for unspecified damages was lodged against a wholly-owned subsidiary of the Company, FKT Construction Pte Ltd, in December 2018 in relation to alleged non-performance under a sales contract. The subsidiary has disclaimed liability and is defending the action. It is not practical to estimate the potential effect of this claim, but legal advice indicates that it is not probable that a significant liability will arise. SFRS(I) 1-37.86,91

(ii) In September 2019, a claim was lodged in Hong Kong against FKT Engineering (Shenzhen) Co Ltd, a wholly-owned subsidiary of the Group, asserting that the subsidiary had breached certain registered patents of a competitor. The matter is currently being considered by the local courts, and the Group expects judgment before the end of June 2020. The Group considers it to be probable that the judgment will be in its favour and has therefore not recognised a provision in relation to this claim. The potential undiscounted amount of the total payments that the Group could be required to make, if there was an adverse decision related to the lawsuit, is estimated to be approximately $250,000. SFRS(I) 1-37.86

(b) Contingent assets

In November 2019, FKT Construction (HK) Limited, a subsidiary of the Group, has lodged a claim in Hong Kong for $150,000 against a supplier for damages caused by the supply of faulty products. The matter has been referred to arbitration and, having received legal advice, the directors believe that a favourable outcome is probable. However, the contingent asset has not been recognised as a receivable at 31 December 2019 as receipt of the amount is dependent on the outcome of the arbitration process. SFRS(I) 1-37.89

Guidance Notes – Contingencies

Application of definitions

Careful consideration will need to be given to each potential contingent liability or asset. For example, in the case of an entity that has: SFRS(I) 1-37.10

- incurred liabilities in acting as trustee for a trust: if the liabilities of the trust are insignificant compared to the assets in the trust and the chances of the trustee being called to meet those liabilities is remote, no contingent liability and asset disclosures will need to be made. It is likely that it will be possible to demonstrate remoteness where the entity is acting as trustee for an equity trust that has no borrowings and holds investments that can be readily sold to meet any liabilities that do arise. Remoteness is unlikely to be demonstrated where an entity acts as trustee for a trust that is carrying on a business and the trustee is incurring liabilities and undertaking the risks relating to the business.
- provided a guarantee or indemnity to another party: it will be more difficult to demonstrate the probability of having to meet the potential liabilities as being remote because there are likely to be commercial risks which gave rise to the need for the guarantee or indemnity.

46 Financial risk management

The Group's risk management is predominantly controlled by a central treasury department (Group treasury) under policies approved by the board of directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity. SFRS(I) 7.31-33

The Group uses a variety of derivative financial instruments to manage its exposure to interest rate and foreign currency risk, including: SFRS(I) 7.21A.a

- interest rate swaps to mitigate the risk of rising interest rates; and
- forward exchange contracts to hedge the exchange rate risks arising from trade receivables and trade payables, and firm commitments to buy or sell goods.

Where all relevant criteria are met, hedge accounting is applied to remove the accounting mismatch between the hedging instrument and the hedged item. This will effectively result in recognising interest expense at a fixed interest rate for the hedged floating rate loans and inventory at the fixed foreign currency rate for the hedged purchases. SFRS(I) 7.21A.c

The Group does not hold or issue derivative financial instruments for speculative purposes.

There has been no change to 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. SFRS(I) 7.33.c SFRS(I) 7.40.c

(i) Foreign exchange risk management

The Group transacts business in various foreign currencies, including the United States dollar (USD), Chinese renminbi (RMB), Malaysian ringgit (MYR) and Hong Kong dollar (HKD), and therefore is exposed to foreign exchange risk. SFRS(I) 7.33,34

As at each reporting date, the carrying amounts of monetary assets and monetary liabilities denominated in currencies other than the respective group entities' functional currencies are as follows: (1a) (1b) SFRS(I) 7.34.a

The Group

	Liabilities		Assets	
	2019	2018	**2019**	2018
	$	$	**$**	$
USD	**5,099,802**	4,689,902	**13,099,265**	15,009,080
RMB	**3,098,800**	2,980,073	**9,002,370**	10,800,923
MYR	**3,209,882**	3,108,892	**4,057,820**	7,089,902
HKD	**2,008,092**	1,807,789	**4,090,231**	4,088,930
	13,416,576	12,586,656	**30,249,686**	36,988,835

The Company

	Liabilities		Assets	
	2019	2018	**2019**	2018
	$	$	**$**	$
USD	**1,509,890**	1,089,009	**2,490,890**	3,508,990
RMB	**1,409,899**	1,109,800	**2,409,982**	3,098,870
	2,919,789	2,198,809	**4,900,872**	6,607,860

Companies in the Group use forward contracts to hedge their exposure to foreign currency risk in the local reporting currency. Group treasury is responsible for hedging the net position in each borrowing currency.

46 Financial risk management (cont'd)

(i) Foreign exchange risk management (cont'd)

The Group and the Company has a number of investments in foreign subsidiaries, whose net assets are exposed to currency translation risk. The Group and the Company does not currently designate its foreign currency denominated debt as a hedging instrument for the purpose of hedging the translation of its foreign operations.

Foreign currency sensitivity

The following table details the sensitivity to a 10% increase and decrease in the relevant foreign currencies against the functional currency of each group entity. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where they gave rise to an impact on the Group's profit or loss and/or equity. SFRS(I) 7.40.a,b

If the relevant foreign currency weakens by 10% against the functional currency of each group entity, profit or loss and other equity will increase (decrease) by: [1c]

The Group

	Profit or loss			Other equity		
	2019	2018		**2019**	2018	
	$	$		**$**	$	
USD impact	**(799,946)**	(1,031,918)	(i)	**(39,997)**	(41,277)	(ii)
RMB impact	**(590,357)**	(782,085)	(i)	**(29,518)**	(31,283)	(ii)
MYR impact	**(84,794)**	(398,101)	(i)	**-**	-	
HKD impact	**(208,214)**	(228,114)	(i)	**-**	-	

The Company

	Profit or loss			Other equity	
	2019	2018		**2019**	2018
	$	$		**$**	$
USD impact	**(98,100)**	(241,998)	(i)	**-**	-
RMB impact	**(100,008)**	(198,907)	(i)	**-**	-

If the relevant foreign currency strengthens by 10% against the functional currency of each group entity, profit or loss and other equity will increase (decrease) by: [1c]

The Group

	Profit or loss			Other equity		
	2019	2018		**2019**	2018	
	$	$		**$**	$	
USD impact	**799,946**	1,031,918	(i)	**39,997**	41,277	(ii)
RMB impact	**590,357**	782,085	(i)	**29,518**	31,283	(ii)
MYR impact	**84,794**	398,101	(i)	**-**	-	
HKD impact	**208,214**	228,114	(i)	**-**	-	

The Company

	Profit or loss			Other equity	
	2019	2018		**2019**	2018
	$	$		**$**	$
USD impact	**98,100**	241,998	(i)	**-**	-
RMB impact	**100,008**	198,907	(i)	**-**	-

46 Financial risk management (cont'd)

(i) Foreign exchange risk management (cont'd)

Foreign currency sensitivity (cont'd)

(i) This is mainly attributable to the exposure outstanding on receivables and payables at the reporting date in the Group and in the Company respectively.

(ii) This is mainly as a result of the changes in fair value of derivative instruments designated as cash flow hedges.

The Group's sensitivity to foreign currency has decreased during the current year mainly due to the disposal of USD investments and the reduction in USD sales in the last quarter of the financial year which has resulted in lower USD denominated trade receivables.

(ii) Interest rate risk management

Summary quantitative data of the Group's interest-bearing financial instruments can be found in section (v) of this note. The Group's policy is to maintain cash equivalents and borrowings in fixed rate instruments. The Group sometimes borrows at variable rates and uses interest rate swaps as cash flow hedges of future interest payments, which have the economic effect of converting borrowings from floating rates to fixed rates. The interest rate swaps allow the Group to raise long-term borrowings at floating rates and swap them into fixed rates that are lower than those available if the Group borrows at fixed rates directly. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals, the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts. Further details of the interest rate swaps can be found in Note 16. SFRS(I) 7.33,34

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. SFRS(I) 7.34.a SFRS(I) 7.40.b

If interest rates have been 50 basis points higher or lower and all other variables are held constant, the Group's: SFRS(I) 7.40.a

- Profit for the year ended 31 December 2019 would increase/decrease by $200,000 (2018: increase/decrease by $220,000), mainly attributable to the Group's exposure to interest rates on its variable rate borrowings; and
- Other equity reserves would decrease/increase by $21,000 (2018: decrease/increase by $23,000) mainly as a result of the changes in the fair value of fixed rate instruments measured at FVOCI.

If interest rates have been 50 basis points higher or lower and all other variables are held constant, the Company's: SFRS(I) 7.40.a

- Profit for the year ended 31 December 2019 would increase/decrease by $130,000 (2018: increase/decrease by $170,000), mainly attributable to the Company's exposure to interest rates on its variable rate borrowings; and
- Other equity reserves would decrease/increase by $21,000 (2018: decrease/increase by $23,000) mainly as a result of the changes in the fair value of fixed rate instruments measured at FVOCI.

The Group's and the Company's sensitivity to interest rates cash flow risks has decreased during the current period mainly due to the reduction in variable rate debt instruments and the increase in interest rate swaps. SFRS(I) 7.40.a

46 Financial risk management (cont'd)

(iii) Equity price risk management

The Group is exposed to equity risks arising from equity investments classified as held-for-trading and at FVOCI. Equity investments measured at FVOCI are held for strategic rather than trading purposes. The Group does not actively trade such investments. SFRS(I) 7.33,34

Further details of these equity investments can be found in Note 9.

Equity price sensitivity

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date. SFRS(I) 7.40.a,b

In respect of equity investments at FVOCI, if the inputs to the valuation model have been 10% higher/lower while all other variables are held constant:

- The Group's and the Company's net profit for the year ended 31 December 2019 would have been unaffected as the equity investments are classified as at FVOCI; and
- The Group's and the Company's fair value reserve would decrease/increase by $114,000 (2018: decrease/increase by $103,000).

In respect of held-for-trading equity investments, if equity prices have been 10% higher/lower:

- The Group's and the Company's net profit for the year ended 31 December 2019 would decrease/increase by $102,000 (2018: decrease/increase by $100,000).

The Group's and the Company's sensitivity to equity prices has not changed significantly from the prior year.

(iv) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group and the Company. As at 31 December 2019, the Group's and the Company's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the Group and the Company due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group and the Company arises from: SFRS(I) 7.7 SFRS(I) 7.31 SFRS(I) 7.35K.a

- the carrying amount of the respective recognised financial assets as stated in the statements of financial position; and
- the maximum amount the Group and the Company would have to pay if the financial guarantee is called upon, irrespective of the likelihood of the guarantee being exercised. The related loss allowance is disclosed in the respective notes to the financial statements. SFRS(I) 7.35M SFRS(I) 7.B10.c

46 Financial risk management (cont'd)

(iv) Credit risk management (cont'd)

In order to minimise credit risk, the Group has tasked its credit management committee to develop and maintain the Group's and the Company's credit risk gradings to categorise exposures according to their degree of risk of default. The credit rating information is supplied by independent rating agencies where available and, if not available, the credit management committee uses other publicly available financial information and the Group's and the Company's own trading records to rate its major customers and other debtors. The Group's and the Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. SFRS(I) 7.35B.a SFRS(I) 7.35F.a.i

The Group's and the Company's current credit risk grading framework comprises the following categories: (2)

Category	**Description**	**Basis for recognising expected credit losses (ECL)**
Performing	The counterparty has a low risk of default and does not have any past-due amounts.	12-month ECL
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL – not credit-impaired
In default	Amount is >90 days past due or there is evidence indicating the asset is credit-impaired.	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group or the Company has no realistic prospect of recovery.	Write-off of amount

The tables below detail the credit quality of the Group's and the Company's financial assets and other items, as well as maximum exposure to credit risk by credit risk rating grades: SFRS(I) 7.35M SFRS(I) 7.35N SFRS(I) 7.36.a

The Group	Note	External credit rating	Internal credit rating	12-month or Lifetime ECL	Gross carrying amount	Loss allowance	Net carrying amount
					$	$	$
2019							
Trade receivables	13	n.a	(i)	Lifetime ECL (simplified approach)	**15,933,905**	**(575,400)**	**15,358,505**
Other receivables	13	n.a	Performing	12-month ECL	**7,684,039**	**-**	**7,684,039**
Contract assets	14	n.a	(i)	Lifetime ECL (simplified approach)	**12,052,371**	**(768,573)**	**11,283,798**
Finance lease receivables	10	n.a	(i)	Lifetime ECL (simplified approach)	**948,531**	**-**	**948,531**
Debt investments at amortised cost	9	AA	Performing	12-month ECL	**1,000,000**	**-**	**1,000,000**
					37,618,846	**(1,343,973)**	**36,274,873**
2018							
Trade receivables	13	n.a	(i)	Lifetime ECL (simplified approach)	18,660,641	(474,800)	18,185,841
Other receivables	13	n.a	Performing	12-month ECL	8,766,276	-	8,766,276
Contract assets	14	n.a	(i)	Lifetime ECL (simplified approach)	13,799,824	(168,231)	13,631,593
Finance lease receivables	10	n.a	(i)	Lifetime ECL (simplified approach)	-	-	-
Debt investments at amortised cost	9	AA	Performing	12-month ECL	372,000	-	372,000
					41,598,741	(643,031)	40,955,710

46 Financial risk management (cont'd)

(iv) Credit risk management (cont'd)

The Company	Note	External credit rating	Internal credit rating	12-month or Lifetime ECL	Gross carrying amount	Loss allowance	Net carrying amount
					$	$	$
2019							
Other receivables	13	n.a	Performing	12-month ECL	**13,032,695**	**-**	**13,032,695**
Debt investments at amortised cost	9	AA	Performing	12-month ECL	**1,000,000**	**-**	**1,000,000**
					14,032,695	**-**	**14,032,695**
2018							
Other receivables	13	n.a	Performing	12-month ECL	15,712,482	-	15,712,482
Debt investments at amortised cost	9	AA	Performing	12-month ECL	372,000	-	372,000
					16,084,482	-	16,084,482

(i) For trade receivables, contract assets and finance lease receivables, the Group has applied the simplified approach in SFRS(I) 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix.

The carrying amount of the Group's and the Company's financial assets at FVOCI and at FVPL represents their respective maximum exposure to credit risk. The Group and the Company holds no collateral over any of these balances. SFRS(I) 7.36.a,b SFRS(I) 7.B10.b

In order to minimise credit risk, the Group and the Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group and the Company only transacts with entities that are rated the equivalent of investment grade and above and investments in these instruments, where the counterparties have minimum BBB- credit rating, are considered to have low credit risk for the purpose of impairment assessment. SFRS(I) 7.35B SFRS(I) 7.35F.a.i

Before accepting any new customer, a dedicated team responsible for the determination of credit limits uses an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed and approved twice a year by the risk management committee. 80% of the trade receivables have the best credit scoring attributable under the external credit scoring system used by the Group and the Company. SFRS(I) 7.34.c

Credit approvals and other monitoring procedures are also in place to ensure that follow-up action is taken to recover overdue debts. Furthermore, the Group and the Company reviews the recoverable amount of each trade debt and debt investment on an individual basis at the reporting date to ensure that adequate loss allowance is made for irrecoverable amounts. In this regard, management considers that the Group's and the Company's credit risk is significantly reduced.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee insurance cover is purchased.

46 Financial risk management (cont'd)

(iv) Credit risk management (cont'd)

Of the trade receivables balance at the end of the year, $4.3 million (2018: $4.8 million) is due from Customer A, the Group's largest customer. Apart from this, the Group does not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk related to Customer A did not exceed 20% of gross monetary assets at any time during the year. Concentration of credit risk to any other counterparty did not exceed 5% of gross monetary assets at any time during the year. The concentration of credit risk is limited due to the fact that the customer base is large and unrelated. SFRS(I) 7.B8 SFRS(I) 7.34.c SFRS(I) 7.35B.c

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. SFRS(I) 7.B10.b

The Company is exposed to credit risk in relation to financial guarantees given to banks. the company's maximum exposure in this respect is the maximum amount the Company would have to pay if the guarantee is called upon. SFRS(I) 7.B10.c

The Group and the Company does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets, except that the credit risk associated with finance lease receivables is mitigated because they are secured over the leased assets. The carrying amount of finance lease receivables amounts to $XXX (2018: $XXX) and the fair value of the leased assets is estimated to be approximately $XXX (2018: $XXX). The Group is not permitted to sell or repledge the collateral in the absence of default by the lessee. There has not been any significant changes in the quality of the collaterals held for finance lease receivables. The Group has not recognised a loss allowance for the finance lease receivables as a result of these collaterals. (3) SFRS(I) 7.35K.b

(v) Liquidity risk management

The Group and the Company maintains sufficient cash and cash equivalents, and internally generated cash flows to finance their activities. Group treasury finances their liquidity through internally generated cash flows and minimises liquidity risk by keeping committed credit lines available. Undrawn facilities are disclosed in Note 23. SFRS(I) 7.33 SFRS(I) 7.39.c

Liquidity and interest risk analysis

Non-derivative financial liabilities

The following tables detail the remaining contractual maturity (4) for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. The table includes both interest and principal cash flows. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which is not included in the carrying amount of the financial liability on the statement of financial position. SFRS(I) 7.34,35 SFRS(I) 7.39.a

46 Financial risk management (cont'd)

(v) Liquidity risk management (cont'd)

The Group	Weighted average effective interest rate	On demand or within one year	Within 2 to 5 years	After 5 years	Adjustment	Total
	%	$	$	$	$	$
2019						
Non-interest bearing	n.a.	**22,970,868**	**-**	**-**	**-**	**22,970,868**
Lease liabilities (fixed rate)	6.5%	**702,392**	**2,157,280**	**260,722**	**(312,520)**	**2,807,874**
Variable interest rate instruments	5.7%	**2,789,006**	**15,230,680**	**7,689,080**	**(2,409,890)**	**23,298,876**
Fixed interest rate instruments	5.7%	**943,050**	**16,270,605**	**834,060**	**(1,407,340)**	**16,640,375**
		27,405,316	**33,658,565**	**8,783,862**	**(4,129,750)**	**65,717,993**
2018						
Non-interest bearing	n.a.	19,230,686	-	-	-	19,230,686
Obligations under finance lease (fixed rate)	6.5%	109,768	329,303	-	(36,568)	402,503
Variable interest rate instruments	5.6%	3,001,505	19,222,903	8,094,003	(2,740,500)	27,577,911
Fixed interest rate instruments	5.7%	895,093	14,451,982	788,030	(1,380,230)	14,754,875
		23,237,052	34,004,188	8,882,033	(4,157,298)	61,965,975

The Company	Weighted average effective interest rate	On demand or within one year	Within 2 to 5 years	After 5 years	Adjustment	Total
	%	$	$	$	$	$
2019						
Non-interest bearing	n.a.	**2,103,233**	**-**	**-**	**-**	**2,103,233**
Variable interest rate instruments	5.9%	**1,409,800**	**7,591,547**	**1,708,090**	**(980,340)**	**9,729,097**
Fixed interest rate instruments	5.7%	**943,050**	**16,270,605**	**834,060**	**(1,407,340)**	**16,640,375**
		4,456,083	**23,862,152**	**2,542,150**	**(2,387,680)**	**28,472,705**
Financial guarantee contracts [5]	n.a.	**3,000,000** [a]	**-**	**-**	**(2,893,510)**	**106,490**
2018						
Non-interest bearing	n.a.	3,917,006	-	-	-	3,917,006
Variable interest rate instruments	5.8%	689,002	2,545,011	908,090	(360,340)	3,781,763
Fixed interest rate instruments	5.7%	895,093	14,451,982	788,030	(1,380,230)	14,754,875
		5,501,101	16,996,993	1,696,120	(1,740,570)	22,453,644
Financial guarantee contracts [5]	n.a.	3,000,000 [a]	-	-	(2,852,620)	147,380

[a] The amounts included above for financial guarantee contracts are the maximum amounts the Company can be forced to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the reporting date, the Company considers that it is more likely than not that such an amount will not be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses. SFRS(I) 7.B10.c

46 Financial risk management (cont'd)

(v) Liquidity risk management (cont'd)

Non-derivative financial assets (6)

The following table details the expected maturity for non-derivative financial assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Group's and the Company's liquidity risk management as the Group's and the Company's liquidity risk is managed on a net asset and liability basis. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Group and the Company anticipates that the cash flow will occur in a different period. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial asset on the statement of financial position. SFRS(I) 7.B11E

The Group	Weighted average effective interest rate	On demand or within one year	Within 2 to 5 years	After 5 years	Adjustment	Total
	%	$	$	$	$	$
2019						
Non-interest bearing	n.a.	**23,478,226**	**-**	**-**	**-**	**23,478,226**
Finance lease receivables (fixed rate)	6.5%	**172,662**	**573,292**	**357,344**	**(154,767)**	**948,531**
Variable interest rate instruments	1.9%	**17,199,985**	**-**	**-**	**-**	**17,199,985**
Fixed interest rate instruments	5.9%	**7,710,600**	**-**	**-**	**-**	**7,710,600**
		48,561,473	**573,292**	**357,344**	**(154,767)**	**49,337,342**
2018						
Non-interest bearing	n.a.	27,585,405	-	-	-	27,585,405
Variable interest rate instruments	1.8%	29,593,076	-	-	-	29,593,076
Fixed interest rate instruments	5.9%	5,950,400	-	-	-	5,950,400
		63,128,881	-	-	-	63,128,881

The Company	Weighted average effective interest rate	On demand or within one year
	%	$
2019		
Non-interest bearing	n.a.	**13,032,695**
Variable interest rate instruments	1.1%	**11,924,853**
Fixed interest rate instruments	5.9%	**7,710,600**
		32,668,148
2018		
Non-interest bearing	n.a.	15,712,482
Variable interest rate instruments	2.0%	18,975,540
Fixed interest rate instruments	5.9%	5,950,400
		40,638,422

46 Financial risk management (cont'd)

(v) Liquidity risk management (cont'd)

Derivative financial instruments

The following table details the liquidity analysis for derivative financial instruments. The table has been drawn up based on the undiscounted net cash inflows (outflows) on the derivative instrument that settle on a net basis and the undiscounted gross inflows and (outflows) on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the reporting date. SFRS(I) 7.39.b

The Group	On demand or within one year $
2019	
Net settled asset/(liability):	
- Interest rate swap	**720,983**
- Forward foreign currency contracts	**(689,500)**
	31,483
2018	
Net settled asset/(liability):	
- Interest rate swap	405,487
- Forward foreign currency contracts	(349,800)
	55,787

The Company does not have any derivative financial instruments at the reporting date in 2019 and 2018.

Guidance Notes – Financial risk management

Sensitivity analysis

If the entity prepares a sensitivity analysis such as value-at-risk that reflects interdependencies 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 SFRS(I) 7 which are disclosed in these illustrative financial statements. SFRS(I) 7.41

In determining what a reasonably possible change in the relevant risk variable is for sensitivity analysis, an entity shall consider: SFRS(I) 7.B19

- The economic environments in which it operates. This shall not include remote or "worst case" scenarios or "stress test"; and
- The effects of changes reasonably possible over the period until the entity next presents these disclosures (usually the next annual reporting period).

Information on foreign currency balances

(1a) The table above provides an example of summary quantitative data about exposure to foreign exchange risks arising from monetary assets and liabilities at the reporting date that an entity may provide internally to key management personnel. SFRS(I) 7.34.a

Quantitative data disclosures – Foreign exchange risk

(1b) If the quantitative data disclosed as at the reporting date are unrepresentative of an entity's exposure to the associated risk during the period, an entity shall provide further information that is representative. SFRS(I) 7.35

To meet this requirement, an entity might disclose the highest, lowest and average amount of risk to which it has been exposed during the period. For example, if an entity typically has a large exposure to a particular currency, but at year-end unwinds the position, the entity might disclose a graph that shows the exposure at various times during the period, or disclose the highest, lowest and average exposures. SFRS(I) 7.IG20

Sensitivity analysis unrepresentative of risk

(1c) When the sensitivity analyses disclosed in accordance with SFRS(I) 7 are unrepresentative of a risk inherent in a financial instrument (for example, because the year-end exposure does not reflect the exposure during the year), the entity shall disclose that fact and the reason it believes the sensitivity analysis is unrepresentative. An illustrative disclosure is as follows: SFRS(I) 7.42

"In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year. US dollar denominated sales are seasonal with lower sales volume in the last quarter of the financial year, which results in a reduction in US dollar receivables at the reporting date."

Credit risk grading

(2) SFRS(I) 7 requires the disclosure of information about an entity's credit risk exposure and significant concentrations of credit risk by credit risk grading at the reporting date. The number of credit risk rating grades used to disclose such information should be consistent with the number that the entity reports to key management personnel for credit risk management purposes. However, in some cases, delinquency and past due information may be the only borrower-specific information available without undue cost or effort, which is used to assess whether credit risk has increased significantly since initial recognition. In such cases, an entity should provide an analysis of those financial assets by past due status. SFRS(I) 7.35M SFRS(I) 7.B8I

Impairment requirements not applied

For all financial instruments within the scope of SFRS(I) 7, but to which the impairment requirements in SFRS(I) 9 are not applied, SFRS(I) 7 requires an entity to disclose by class of financial instrument the amount that best represents the entity's maximum credit risk exposure at the end of the reporting period, excluding the effect of any collateral and other amounts that do not qualify for offset in accordance with SFRS(I) 1-32. Examples of financial instruments that are within the scope of SFRS(I) 7 but that are not subject to the SFRS(I) 9 impairment requirements include: SFRS(I) 7.36.a

- Financial assets and derivatives measured at FVPL;
- Financial guarantee contracts issued measured at FVPL; and
- Loan commitments issued measured at FVPL.

Equity investments, regardless of whether they are measured at FVPL or FVOCI, are also in the scope of SFRS(I) 7 but not subject to the SFRS(I) 9 impairment requirements; however, they do not give rise to an exposure to credit risk and therefore are not subject to the SFRS(I) 7 credit risk disclosures.

Guidance Notes – Financial risk management (cont'd)

Collateral held as security and other credit enhancements

For all financial instruments to which the impairment requirements in SFRS(I) 9 are applied, SFRS(I) 7 specifies that entities should disclose the following: SFRS(I) 7.35K.b,c

- a narrative description of collateral held as security and other credit enhancements, including:
  - (a) a description of the nature and quality of the collateral held;
  - (b) 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
  - (c) information about financial instruments for which an entity has not recognised a loss allowance because of the collateral.
- quantitative information about the collateral held as security and other credit enhancements (for example, quantification of the extent to which collateral and other credit enhancements mitigate credit risk) for financial assets that are credit-impaired at the reporting date.

Collateral over finance lease receivables

(3) (N.B. The situation is not applicable to the Group as the finance lease receivables are in relation to sublease. Therefore the Group does not have the right to the underlying asset for pledging purposes.)

Quantitative data about exposure to interest rates

(4) The tables above include the weighted average effective interest rate and reconciliations to the carrying amounts in the statement of financial position as an example of summary quantitative data about exposure to interest rates at the reporting date that an entity may provide internally to key management personnel. An entity must use its judgement to determine an appropriate number of time bands. For a non-financial institution, an appropriate time band could be: "On demand or within 1 year", "Within 2 to 5 years" and "After 5 years". SFRS(I) 7.34.a

Quantitative data about exposure to liquidity risk

Liquidity risk disclosures apply only to financial liabilities that are settled by delivering cash or another financial asset. This excludes financial liabilities that are settled by the entity by delivering its own equity instruments or non-financial assets. SFRS(I) 7.App.A

An entity has to disclose summary quantitative data about its exposure to liquidity risk on the basis of information provided internally to key management personnel, and explain how the data is determined. SFRS(I) 7.B10A

If outflows of cash (or another financial asset) included in those data could either occur significantly earlier than indicated in the data, or for significantly different amounts from those indicated in the data, an entity has to state the fact and provide quantitative information that enables users to evaluate the extent of risk, unless information is included in the liquidity risk management or maturity analysis disclosures. SFRS(I) 7.B10A

(5) For issued financial guarantee contracts, an entity should disclose the maximum amount of guarantee in the contractual maturity analysis, allocated to the earliest period in which it could be called. SFRS(I) 7.B11C.c

Maturity analysis for financial assets

(6) An entity is not required to disclose a maturity analysis for financial assets in all cases. The minimum required disclosure is for a maturity analysis for financial liabilities only. However, a maturity analysis shall be disclosed for financial assets if it holds financial assets for managing liquidity risk and that information is necessary to enable users of its financial statements to evaluate the nature and extent of liquidity risk. SFRS(I) 7.B11E

Maturity analysis for derivatives

For derivatives, an entity should disclose a quantitative maturity analysis for derivative financial liabilities that shows remaining contractual maturities if the contractual maturities are essential for an understanding of the timing of the cash flows. For example, this would be the case for: SFRS(I) 7.39.b

- An interest rate swap with a remaining maturity of five years in a cash flow hedge of a variable rate financial asset or liability.
- All loan commitments.

For embedded derivatives, an entity should not separate it from the hybrid financial instrument. For such an instrument, the entity should disclose the contractual maturity of the entire instrument. SFRS(I) 7.B11A

47 Fair value measurement

(i) Non-financial assets and liabilities

(a) Fair value hierarchy

SFRS(I) 13.93.a-b
SFRS(I) 13.97,99

Other than as disclosed elsewhere in these financial statements, the carrying amounts and fair values of non-financial assets and liabilities, including their fair value hierarchy level, are set out below:

SFRS(I) 13.94

			Fair value		
		Carrying amount	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
The Group	Note	$	$	$	$
2019					
Assets measured at fair value (recurring):					
Investment properties:					
- Completed commercial properties	6	**26,485,516**	**-**	-	**26,485,516**
- Retail property under redevelopment	6	**XXX**	**-**	**-**	**XXX**
Property, plant and equipment:					
- Freehold land and building	4	**XXX**	**-**	**-**	**XXX**
Right-of-use assets:					
- Leasehold building	5	**XXX**	**-**	**-**	**XXX**
Assets measured at fair value (non-recurring):					
Asset classified as held-for-sale:					
- Land parcel	19	**XXX**	**-**	**XXX**	**-**
Liabilities measured at fair value (non-recurring):					
Liability associated with asset classified as held-for-sale:					
- Decommission liability	19	**XXX**	**-**	**-**	**XXX**
2018					
Assets measured at fair value (recurring):					
Investment properties:					
- Completed commercial properties	6	17,271,449	-	-	17,271,449
- Completed retail property	6	XXX	-	XXX	-
Property, plant and equipment:					
- Freehold land and building	4	XXX	-	-	XXX
- Leasehold building	4	XXX	-	-	XXX

SFRS(I) 1-1.38

The Group's policy is to recognise transfer into and transfer out of fair value hierarchy levels as at the reporting date. SFRS(I) 13.95

There are no transfers between Level 1 and Level 2 for recurring fair value measurement in 2019 and 2018. Information regarding transfer into and out of Level 3 measurement is disclosed below. SFRS(I) 13.93.c

47 Fair value measurement (cont'd)

(i) Non-financial assets and liabilities (cont'd)

(b) Valuation techniques used to determine Level 2 and Level 3 fair values SFRS(I) 13.91.a SFRS(I) 13.93.d

Properties

The Group obtains independent valuations for its investment properties at least annually and for its freehold land and building and leasehold building at least every three years. At the end of each reporting period, the directors update their assessment of the fair value of each property, taking into account the most recent independent valuations. The directors determine a property's value within a range of reasonable fair value estimates. SFRS(I) 1-16.77.a SFRS(I) 1-40.75.e

The best evidence of fair value is current prices in an active market for similar properties. Where such information is not available, the directors consider information from a variety of sources including:

- current prices in an active market for properties of a different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences (direct comparison method);
- capitalised income projections based on a property's estimated net market income, and a capitalisation rate derived from an analysis of market evidence (income method); or
- discounted cash flow projections based on reliable estimates of future cash flows (discounted cash flow method).

All resulting fair value estimates for properties in 2019 and 2018 are included in Level 3, except for the completed retail property in 2018 as disclosed in part (d) below.

Land parcel classified as held-for-sale

The fair value hierarchy Level 2 measurement of the land held for sale has been derived using the sales comparison approach. The key inputs under this approach are the price per square metre from current year sales of comparable lots of land in the area (location and size). SFRS(I) 13.93.d

Decommission liability associated with land parcel classified as held-for-sale

The Group uses the expected present value technique to measure the fair value of the decommission liability. SFRS(I) 13.IE37

The Group concludes that a market participant would use all the following inputs, probability-weighted as appropriate, when estimating the price it would expect to receive if the Group is contractually allowed to transfer the decommission liability to the market participant:

- labour costs and allocation of overhead costs;
- the compensation that a market participant would require for undertaking the activity and for assuming the risk associated with the obligation to dismantle and remove the asset;
- effect of inflation on estimated costs and profit;
- time value of money, represented by the risk-free rate; and
- non-performance risk relating to the risk that the Group will not fulfil the obligation, including own credit risk.

As there are several significant unobservable inputs, this is a fair value hierarchy Level 3 measurement.

47 Fair value measurement (cont'd)

(i) Non-financial assets and liabilities (cont'd)

(c) Fair value measurements using significant unobservable inputs (Level 3) SFRS(I) 13.93.e

The following table presents the changes in Level 3 items for the year ended 31 December 2018 and 31 December 2019 for recurring fair value measurements:

The Group		Completed commercial properties $	Retail property under redevelopment $	Freehold land and building $	Leasehold building $
2019					
At 1 January		**17,271,449**	**-**	**XXX**	**-**
Adoption of SFRS(I) 16					
- Initial recognition		**1,200,000**	**-**	**-**	**-**
- Reclassification		**-**	**-**	**-**	**XXX**
Transfer from Level 2	(a)	**-**	**XXX**	**-**	**-**
Additions - Business combination		**-**	**-**	**-**	**-**
Additions		**7,500,000**	**-**	**-**	**-**
Disposals		**-**	**-**	**-**	**-**
Amounts recognised in profit or loss:					
- Depreciation		**-**	**-**	**-**	**-**
- Impairment		**-**	**-**	**-**	**-**
- Gains recognised in "other gains and losses"	(b)	**437,779**	**XXX**	**XXX**	**XXX**
Gains recognised in other comprehensive income		**-**	**-**	**-**	**-**
Others		**76,288**	**-**	**-**	**-**
At 31 December		**26,485,516**	**XXX**	**XXX**	**XXX**

(a) Transferred from Level 2 to Level 3 due to commencement of redevelopment of the retail property in 2019. SFRS(I) 13.93.d

(b) Included gains of $XXX attributed to balances held at end of the reporting period. SFRS(I) 13.93.f

SFRS(I) 1-1.38

The Group		Completed commercial properties $	Freehold land and building $	Leasehold building $
2018				
At 1 January		22,486,533	XXX	XXX
Additions - Business combination		-	-	-
Additions		-	-	-
Disposals		(4,800,000)	-	-
Amounts recognised in profit or loss:				
- Depreciation		-	-	-
- Impairment		-	-	-
- Losses recognised in "other gains and losses"	(c)	(504,006)	XXX	XXX
Gains recognised in other comprehensive income		-	-	-
Others		88,922	-	-
At 31 December		17,271,449	XXX	XXX

(c) Included losses of $XXX attributed to balances held at end of the reporting period. SFRS(I) 13.93.f

47 Fair value measurement (cont'd)

(i) Non-financial assets and liabilities (cont'd)

(d) Transfers between Level 2 and Level 3 and changes in valuation techniques

The Group commences redevelopment of the retail property in October 2019. The retail property comprises one floor in a retail mall which is made up of several lettable units of equal size. The redevelopment will increase the net lettable area of the floor owned by the Group and is expected to be completed in early 2020. In 2018, prior to redevelopment, this retail property was valued using the sales comparison approach based on recent published sale prices of similar units on other floors in the same mall. This resulted in a fair value hierarchy Level 2 measurement. Upon redevelopment, the Group has to revise its valuation technique for the retail property under redevelopment. The revised valuation technique uses significant unobservable inputs. Accordingly, the fair value measurement hierarchy is reclassified to Level 3. SFRS(I) 13.93.d

The revised valuation technique for the retail property under redevelopment estimates the fair value of the completed retail property and deducts: SFRS(I) 13.93.d

- estimated construction and other costs to completion that would be incurred by a market participant, and
- estimated profit margin that a market participant would require to hold and develop the property to completion, based on the state of the property as at 31 December 2019.

(e) Valuation inputs and relationship to fair value (Level 3)

The following table summarises the quantitative information about the significant unobservable inputs used in the Level 3 fair value measurements. SFRS(I) 13.93.d SFRS(I) 13.99

SFRS(I) 13.91.a SFRS(I) 13.93.d.h.i

The Group	Unobservable inputs	Range of inputs (probability-weighted average)	Relationship of unobservable inputs to fair value
2019			
Completed commercial properties	Price of lettable area	**$1,200 to $2,100 ($1,800) per sqm**	**Higher the price of lettable area and the net income margin, higher the fair value**
	Net income margin	**29% to 37% (32%)**	
	Capitalisation rate	**4% to 4.5% (4.4%)**	**Higher the capitalisation rate, lower the fair value**
	Rental growth rate	**3% to 3.6% (3.2%)**	**Higher the rental growth rate and the terminal yield, higher the fair value**
	Terminal yield	**6% to 7% (6.6%)**	
Retail property under redevelopment	Estimated cost to completion	**$3,230,000 to $3,510,000 ($3,395,000)**	**Higher the estimated costs and the estimated profit margin required, lower the fair value**
	Estimated profit margin required to hold and develop property to completion	**12.5% to 13% (12.7%) of property value**	
Freehold land and building	Discount rate	**6% to 7% (6.6%)**	**Higher the discount rate, lower the fair value**
	Terminal yield	**8% to 9% (8.2%)**	**Higher the terminal yield, higher the fair value**
Leasehold building	Discount rate	**10% to 12% (11.1%)**	**Higher the discount rate, lower the fair value**
	Terminal yield	**14% to 15% (14.3%)**	**Higher the terminal yield, higher the fair value**
Decommission liability	Discount rate	**11% to 13% (12%)**	**Higher the discount rate, lower the fair value**
	Estimated profit margin required to assume obligation	**20% to 26% (23%) of decommission cost**	**Higher the profit margin required to assume obligation, higher the fair value**

47 Fair value measurement (cont'd)

(i) Non-financial assets and liabilities (cont'd)

(e) Valuation inputs and relationship to fair value (Level 3) (cont'd)

SFRS(I) 1-1.38

The Group	Unobservable inputs	Range of inputs (probability-weighted average)	Relationship of unobservable inputs to fair value
2018			
Completed commercial properties	Price of lettable area	$1,100 to $2,000 ($1,700) per sqm	Higher the price of lettable area and the net income margin, higher the fair value
	Net income margin	28% to 36% (30%)	
	Capitalisation rate	4.3% to 4.9% (4.7%)	Higher the capitalisation rate, lower the fair value
	Rental growth rate	2.8% to 3.4% (3.1%)	Higher the rental growth rate and the terminal yield, higher the fair value
	Terminal yield	5% to 6% (5.8%)	
Freehold land and building	Discount rate	6% to 7% (6.9%)	Higher the discount rate, lower the fair value
	Terminal yield	7% to 8% (7.8%)	Higher the terminal yield, higher the fair value
Leasehold building	Discount rate	10% to 12% (10.6%)	Higher the discount rate, lower the fair value
	Terminal yield	13% to 14% (13.8%)	Higher the terminal yield, higher the fair value

There are no significant inter-relationships between unobservable inputs that materially affect fair values in 2019 and 2018. SFRS(I) 13.93.h.i

(f) Valuation processes SFRS(I) 13.93.g

The Group engages external, independent and qualified valuers to determine the fair value of the Group's investment properties at the end of every financial year, and for other land and buildings at least every three years. As at 31 December 2019, the fair values of the investment properties have been determined by Charlie Chartered Surveyors LLP, as disclosed in Note 6. A directors' valuation has been performed for the land and buildings classified as property, plant and equipment and right-of-use assets as at 31 December 2019. The last independent valuations of these land and buildings were performed as at 31 December 2018. SFRS(I) 40.75.e SFRS(I) 1-16.77.a,b

The main Level 3 inputs used by the Group are derived and evaluated, as follows:

- Completed commercial properties - Price of lettable area, net income margin, capitalisation rate, rental growth rate and terminal yield are estimated by Charlie Chartered Surveyors LLP or management based on comparable transactions and industry data.
- Retail property under development - Costs to completion and profit margin are estimated by Charlie Chartered Surveyors LLP based on market conditions as at 31 December 2019. The estimates are consistent with the budgets developed internally by the Group based on management's experience and knowledge of market conditions.
- Land and buildings - Discount rate and terminal yield are estimated by management and approved by the directors. These estimates are consistent with the most recent internal budgets of the Group and the latest industry trends.
- Decommission liability – Discount rate incorporating non-performance risk as estimated by management and approved by the directors is consistent with the market trends. Estimated profit margin required by market participant to assume obligation is projected from the quotations obtained from several specialist contractors.

Changes in Level 2 and Level 3 fair values are analysed at each reporting date by management and approved by the directors.

47 Fair value measurement (cont'd)

(ii) Financial assets and liabilities

(a) Fair value hierarchy

Other than as disclosed elsewhere in these financial statements, the carrying amounts and fair values of financial assets and liabilities, including their fair value hierarchy level, are set out below: SFRS(I) 13.93.b

The Group	Note	Carrying amount $	Fair value: Quoted prices in active markets (Level 1) $	Fair value: Significant observable inputs (Level 2) $	Fair value: Significant unobservable inputs (Level 3) $
2019					
Assets measured at fair value (recurring):					
Unquoted debt securities (at FVOCI)	9	**242,000**	**-**	**242,000**	**-**
Quoted debt securities (at FVOCI)	9	**200,000**	**200,000**	**-**	**-**
Unquoted equity shares (at FVOCI and FVPL)	9	**2,400,000**	**-**	**-**	**2,400,000**
Quoted equity shares (at FVPL)	9	**926,600**	**926,600**	**-**	**-**
Derivative financial instruments:					
- Interest rate swaps	16	**720,983**	**-**	**720,983**	**-**
Assets for which fair value is disclosed:					
Long-term loan to associates	8	**7,584,625**	**-**	**-**	**7,281,240**
Unquoted debt securities (at amortised cost)	9	**1,000,000**	**-**	**1,040,000**	**-**
Liabilities measured at fair value (recurring):					
Contingent consideration payable	26	**520,000**	**-**	**-**	**520,000**
Derivative financial instruments:					
- Forward foreign currency contracts	16	**689,500**	**-**	**689,500**	**-**
Liabilities for which fair value is disclosed:					
Borrowings (non-current portion)	23	**27,727,259**	**-**	**23,805,466**	**-**
2018					
Assets measured at fair value (recurring):					
Unquoted debt securities (at FVOCI)	9	489,200	-	489,200	-
Quoted debt securities (at FVOCI)	9	500,000	500,000	-	-
Unquoted equity shares (at FVOCI and FVPL)	9	1,800,000	-	-	1,800,000
Quoted equity shares (at FVPL)	9	500,000	500,000	-	-
Derivative financial instruments:					
- Interest rate swaps	16	405,587	-	405,587	-
Assets for which fair value is disclosed:					
Long-term loan to associates	8	7,412,879	-	-	7,116,364
Quoted debt securities (at amortised cost)	9	372,000	386,880	-	-
Liabilities measured at fair value (recurring):					
Derivative financial instruments:					
- Forward foreign currency contracts	16	349,800	-	349,800	-
Liabilities for which fair value is disclosed:					
Borrowings (non-current portion)	23	29,962,083	-	25,713,413	-

SFRS(I) 1-1.38

47 Fair value measurement (cont'd)

(ii) Financial assets and liabilities (cont'd)

(a) Fair value hierarchy (cont'd)

The Company	Note	Carrying amount $	Quoted prices in active markets (Level 1) $	Fair value Significant observable inputs (Level 2) $	Significant unobservable inputs (Level 3) $
2019					
Assets measured at fair value (recurring):					
Unquoted debt securities (at FVOCI)	9	**242,000**	**-**	**242,000**	**-**
Quoted debt securities (at FVOCI)	9	**200,000**	**200,000**	**-**	**-**
Unquoted equity shares (at FVOCI and FVPL)	9	**2,400,000**	**-**	**-**	**2,400,000**
Quoted equity shares (at FVPL)	9	**926,600**	**926,600**	**-**	**-**
Assets for which fair value is disclosed:					
Long-term loan to subsidiaries	7	**14,976,575**	**-**	**-**	**14,377,512**
Long-term loan to associates	8	**7,584,625**	**-**	**-**	**7,281,240**
Unquoted debt securities (at amortised cost)	9	**1,000,000**	**-**	**1,040,000**	**-**
Liabilities for which fair value is disclosed:					
Borrowings (non-current portion)	23	**25,096,250**	**-**	**21,555,953**	**-**
2018					
Assets measured at fair value (recurring):					
Unquoted debt securities (at FVOCI)	9	489,200	-	489,200	-
Quoted debt securities (at FVOCI)	9	500,000	500,000	-	-
Unquoted equity shares (at FVOCI and FVPL)	9	1,800,000	-	-	1,800,000
Quoted equity shares (at FVPL)	9	500,000	500,000	-	-
Assets for which fair value is disclosed:					
Long-term loan to subsidiaries	7	15,480,929	-	-	14,861,692
Long-term loan to associates	8	7,412,879	-	-	7,116,364
Quoted debt securities (at amortised cost)	9	372,000	386,880	-	-
Liabilities for which fair value is disclosed:					
Borrowings (non-current portion)	23	17,453,750	-	15,018,788	-

SFRS(I) 1-1.38

The fair value of current financial assets and liabilities, including cash and cash equivalents, trade and other receivables, trade and other payables, and current portion of borrowings, approximate their carrying amounts due to their short-term maturities. SFRS(I) 7.29

The Group's and the Company's policy is to recognise transfer into and transfer out of fair value hierarchy levels as at the reporting date. SFRS(I) 13.95

There are no transfers between Level 1 and Level 2 for recurring fair value measurement in 2019 and 2018. Information regarding transfer into and out of Level 3 measurement is disclosed below. SFRS(I) 13.93.c

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded debt securities and equity shares) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group and the Company is the current bid price. These instruments are included in Level 1. SFRS(I) 13.76 SFRS(I) 13.91.a

47 Fair value measurement (cont'd)

(ii) Financial assets and liabilities (cont'd)

(a) Fair value hierarchy (cont'd)

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. SFRS(I) 13.81 SFRS(I) 13.91.a

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. This is the case for unquoted equity shares and long-term loans to related parties. SFRS(I) 13.86

(b) Valuation techniques used to determine Level 2 and Level 3 fair values

Specific valuation techniques used to value financial instruments in Level 2 and Level 3 include: SFRS(I) 13.91.a SFRS(I) 13.93.d

• Unquoted debt securities:	Market comparison/Discounted cash flows: The fair value is estimated considering (i) current or recent quoted prices for identical securities in markets that are not active and (ii) a net present value calculated using discount rates derived from quoted yields of securities with similar maturity and credit rating that are traded in active markets, adjusted by an illiquidity factor.
• Unquoted equity shares:	Discounted cash flows: The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, the discount rate, credit risk and volatility. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these non-listed equity investments.
• Interest rate swaps:	Swap models: The fair value is calculated as the present value of the estimated future cash flows. Estimates of future floating-rate cash flows are based on quoted swap rates, futures prices and interbank borrowing rates. Estimated cash flows are discounted using a yield curve constructed from similar sources and which reflects the relevant benchmark interbank rate used by market participants for this purpose when pricing interest rate swaps. The fair value estimate is subject to a credit risk adjustment that reflects the credit risk of the Group and of the counterparty; this is calculated based on credit spreads derived from current credit default swap or bond prices.
• Forward foreign currency contracts:	Forward pricing: The fair value is determined using quoted forward exchange rates at the reporting date and present value calculations based on high credit quality yield curves in the respective currencies.
• Long-term loans to related parties; Contingent consideration payable; and Borrowings (non-current portion)	Discounted cash flows: The valuation model considers the present value of expected payments, discounted using a risk adjusted discount rate.

All of the resulting fair value estimates are included in Level 2, except for unquoted equity shares, long-term loans to related parties and contingent consideration payable, which are in Level 3 as their fair value measurements involve certain significant unobservable inputs. SFRS(I) 13.93.b

47 Fair value measurement (cont'd)

(ii) Financial assets and liabilities (cont'd)

(c) Fair value measurements using significant unobservable inputs (Level 3)

The following table presents the changes in Level 3 items for the year ended 31 December 2018 and 31 December 2019 for recurring fair value measurements: SFRS(I) 13.93.e

		The Group and the Company Unquoted equity shares	**The Group** Contingent consideration payable
		$	$
2019			
At 1 January		**1,800,000**	**-**
Transfer from Level 2		**-**	**-**
Additions - Business combination		**-**	**(520,000)**
Additions		**-**	**-**
Disposals		**-**	**-**
Amounts recognised in profit or loss:			
- Impairment		**-**	**-**
- Gains recognised in "other gains and losses"	(a)	**400,000**	**-**
Gains recognised in other comprehensive income		**200,000**	**-**
Others		**-**	**-**
At 31 December		**2,400,000**	**(520,000)**

(a) Included gains of $400,000 attributed to balances held at end of the reporting period.

SFRS(I) 1-1.38

	The Group and the Company Unquoted equity shares
	$
2018	
At 1 January	1,632,000
Additions - Business combination	-
Additions	100,000
Disposals	-
Amounts recognised in profit or loss:	
- Impairment	-
- Gains recognised in "other gains and losses"	-
Gains recognised in other comprehensive income	68,000
Others	-
At 31 December	1,800,000

(d) Transfers between Level 2 and Level 3

In 2019, the Group transfers a hedging foreign currency forward from Level 2 into Level 3 as the counterparty for the derivative has encountered significant financial difficulties. This resulted in a significant increase to the discount rate which is not based on observable inputs as it reflects credit risk specific to the counterparty. Credit risk was not considered to be a significant input factor in previous years. SFRS(I) 13.93.d

47 Fair value measurement (cont'd)

(ii) Financial assets and liabilities (cont'd)

(e) Valuation inputs and relationship to fair value (Level 3)

The following table summarises the quantitative information about the significant unobservable inputs used in the Level 3 fair value measurements. SFRS(I) 13.93.d SFRS(I) 13.99

SFRS(I) 13.91.a SFRS(I) 13.93.d SFRS(I) 13.93.h.i,ii

The Group and the Company	Unobservable inputs	Range of inputs (probability-weighted average)	Relationship of unobservable inputs to fair value
2019			
Unquoted equity shares	Long-term growth rate for cash flows for subsequent years	**3.1% to 5.2% (4.2%)**	**50 basis points increase (decrease) in the growth rate would increase (decrease) the fair value by $10,000**
	Long-term operating margin	**5.0% to 12.1% (8.3%)**	**3% increase (decrease) in the margin would increase (decrease) the fair value by $12,000**
	WACC	**11.2% to 14.3% (12.6%)**	**1% increase (decrease) in the WACC would decrease (increase) the fair value by $11,000**
	Discount for lack of marketability	**5.1% to 15.6% (12.1%)**	**5% increase (decrease) in the discount would decrease (increase) the fair value by $18,000**
2018			
Unquoted equity shares	Long-term growth rate for cash flows for subsequent years	3.1% to 5.1% (4.0%)	50 basis points increase (decrease) in the growth rate would increase (decrease) the fair value by $8,000
	Long-term operating margin	5.2% to 12.3% (8.5%)	3% increase (decrease) in the margin would increase (decrease) the fair value by $10,000
	WACC	11.5% to 14.1% (12.3%)	1% increase (decrease) in the WACC would decrease (increase) the fair value by $13,000
	Discount for lack of marketability	5.4% to 15.7% (12.3%)	5% increase (decrease) in the discount would decrease (increase) the fair value by $20,000

SFRS(I) 1-1.38

The Group	Unobservable inputs	Range of inputs (probability-weighted average)	Relationship of unobservable inputs to fair value
2019			
Contingent consideration payable	Assumed probability – Target results of acquiree	**80% to 90% (85%)**	**5% increase (decrease) in the assumed probability would increase (decrease) the fair value by $21,000**
	Discount rate	**11.8% to 14.9% (13.2%)**	**1% increase (decrease) in the discount rate would decrease (increase) the fair value by $12,000**
	Discount for own non-performance risk	**1% to 3% (2%)**	**50 basis points increase (decrease) in the discount would decrease (increase) the fair value by $7,000**

There are no significant inter-relationships between unobservable inputs that materially affect fair values in 2019 and 2018. SFRS(I) 13.93.h.i

47 Fair value measurement (cont'd)

(ii) Financial assets and liabilities (cont'd)

(f) Valuation processes SFRS(I) 13.93.g

Group treasury team performs the valuations of non-property items required for financial reporting purposes, including Level 3 fair values. This team reports directly to the directors. Discussions of valuation processes and results are held at least once every six months, in line with the Group's half-yearly reporting periods.

The main Level 3 inputs used by the Group and the Company are derived and evaluated as follows:

- Discount rates for financial assets and financial liabilities are determined using the Capital Asset Pricing Model to calculate a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the asset.
- Risk adjustments specific to the counterparties (including assumptions about credit default rates) are derived from credit risk gradings determined by the Group's internal credit risk management group.
- Earnings growth factors for unquoted equity shares are estimated based on market information for similar types of companies.
- Contingent consideration – Expected cash inflows are estimated based on the terms of the sale and purchase agreement and the Group's knowledge of the business and how the current economic environment is likely to impact it.

Changes in Level 2 and Level 3 fair values are analysed at each reporting date by management and approved by the directors.

Guidance Notes – Fair value measurement

Fair value hierarchy

The categorisation of fair value measurements into the different levels of the fair value hierarchy depends on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement. SFRS(I) 13.97 SFRS(I) 13.93.d

Classes

An entity groups financial instruments into classes that are appropriate to the nature of the information disclosed and that take into account the characteristics of those financial instruments. Although SFRS(I) 7 does not define 'classes', as a minimum, instruments measured at amortised cost should be distinguished from instruments measured at fair value. SFRS(I) 7.6 SFRS(I) 7.B1-B3

The disclosures in SFRS(I) 13 must be made separately for each class of assets and liabilities. Entities shall determine appropriate classes of assets and liabilities by considering: SFRS(I) 13.94

- the nature, characteristics and risks of the asset or liability, and
- the level of the fair value hierarchy within which the fair value measurement is categorised.

A class of assets and liabilities will often require greater disaggregation than the line items presented in the balance sheet. The number of classes may also need to be greater for fair value measurements categorised within Level 3 of the hierarchy, as those measurements have a greater degree of uncertainty and subjectivity. Entities shall disclose sufficient information to allow a reconciliation back to the line items disclosed in the balance sheet. SFRS(I) 13.94

Financial instruments carried at other than fair value

An entity should disclose the fair value for each class of financial assets and financial liabilities in a way that permits it to be compared with its carrying amount. Fair values do not need to be disclosed for the following: SFRS(I) 7.6 SFRS(I) 7.25,29

- when the carrying amount is a reasonable approximation of fair value for example, for financial instruments such as short-term trade receivables and payables;
- a contract containing a discretionary participation feature (as described in SFRS(I) 4 *Insurance Contracts*) if the fair value of that feature cannot be measured reliably; or
- for lease liabilities.

A statement that the carrying amount of financial assets or financial liabilities is a reasonable approximation of their fair value should only be made if it can be substantiated. That is, entities must have made a formal assessment of the carrying amounts of their financial assets and liabilities in comparison to their fair values and documented this assessment. If the fair values are not a reasonable approximation of the carrying amounts, the fair values must be disclosed.

Sensitivity analysis

For fair value measurements in Level 3, if changing one or more of the unobservable inputs to reflect reasonably possible alternative assumptions would change fair value significantly, that fact shall be stated and the effect of these changes disclosed. Significance shall be judged with respect to profit or loss, total assets or liabilities or total equity. SFRS(I) 13.93.h.ii

Transfers

For any significant transfers between Level 1 and Level 2, the reasons for the transfers need to be disclosed. Transfers into each level shall be disclosed and discussed separately from transfers out of each level. For this purpose, significance shall be judged with respect to profit or loss, and total assets or total liabilities. SFRS(I) 13.93.c

For any transfers into and out of Level 3, the reasons for the transfers need to be disclosed. For significant transfers, transfers into Level 3 shall be disclosed and discussed separately from transfers out of Level 3. For this purpose, significance shall be judged with respect to profit or loss, and total assets or total liabilities. SFRS(I) 13.93.e.iv

Assets and liabilities not measured at fair value in the balance sheet but for which fair value is disclosed

For each class of assets and liabilities not measured at fair value in the statement of financial position but for which fair value is disclosed, an entity shall disclose the information required as follows: SFRS(I) 13.97

- the level of the fair value hierarchy within the fair value measurements are categorised in their entirely level (Level 1, 2 or 3); SFRS(I) 13.93.b
- for recurring and non-recurring fair value measurements categorised within Level 2 and Level 3 of the fair value hierarchy, a description of the valuation techniques and inputs used in the fair value measurement. If there has been a change in valuation technique (e.g. changing from a market approach to an income approach or the use of an additional valuation technique), the entity shall disclose that change and the reasons for making it; and SFRS(I) 13.93.d
- for recurring and non-recurring fair value measurements of non-financial assets, if the highest and best use differs from its current use, an entity shall disclose that fact and why the non-financial asset is being used in a manner that differs from its highest and best use. SFRS(I) 13.93.i

48 Financial instruments

(i) Categories of financial instruments

The carrying amounts of the different categories of financial instruments are as follows: SFRS(I) 7.8

	The Group 2019 $	The Group 2018 $	The Company 2019 $	The Company 2018 $	
Financial assets					
Financial assets at amortised cost	**47,010,851**	62,617,193	**25,957,548**	35,060,022	SFRS(I) 7.8.f
Financial assets at FVPL	**2,547,583**	1,405,587	**1,826,600**	1,000,000	SFRS(I) 7.8.a
Financial assets at FVOCI	**1,942,000**	2,289,200	**1,942,000**	2,289,200	SFRS(I) 7.8.h
Financial liabilities					
Financial liabilities at amortised cost	**65,815,269**	59,875,207	**28,174,303**	22,016,531	SFRS(I) 7.8.g
Financial liabilities at FVPL	**1,209,500**	349,800	**-**	-	SFRS(I) 7.8.e

(ii) Financial instruments subject to offsetting, enforceable master netting arrangements and similar agreements SFRS(I) 7.13C

The Group has the following financial instruments subject to enforceable master netting arrangements or other similar agreements as follows:

	Related amounts set off in the statement of financial position			Related amounts not set off in the statement of financial position		
	Gross amounts - financial assets	Gross amounts - financial liabilities	Net amounts - presented in the statement of financial position	Financial assets / (liabilities)	Financial collaterals received	Net amount
The Group	$	$	$	$	$	$
	(A)	*(B)*	*(C)=(A)-(B)*	*(D)*		*(E)=(C)+(D)*
2019						
Interest rate swaps						
Forward foreign exchange contracts						
Trade receivables						
Forward foreign exchange contracts						
Trade payables						
2018						
Interest rate swaps						
Forward foreign exchange contracts						
Trade receivables						
Forward foreign exchange contracts						
Trade payables						

In reconciling the "Net amounts - presented in the statement of financial position" to the line item amounts presented in the statement of financial position, the above amounts represent only those which are subject to offsetting, enforceable master netting arrangements and similar agreements. The residual amounts relate to those that are not in scope of the offsetting disclosures. SFRS(I) 7.B46

48 Financial instruments (cont'd)

(ii) Financial instruments subject to offsetting, enforceable master netting arrangements and similar agreements (cont'd)

The Company does not have any financial instruments which are subject to enforceable master netting arrangements or similar netting agreements in 2019 and 2018.

Guidance Notes – Financial instruments

Scope for disclosure of financial instruments

SFRS(I) 7 does not apply to the following items as they are not financial instruments as defined in SFRS(I) 1-32: SFRS(I) 1-32.11
(a) prepayments made (right to receive future good or service, not cash or a financial asset)
(b) tax receivables and payables and similar items (statutory rights or obligations, not contractual), or
(c) contract liabilities (obligation to deliver good or service, not cash or financial asset).

While contract assets are also not financial assets, they are explicitly included in the scope of SFRS(I) 7 for the purpose of the credit risk disclosures. Liabilities for sales returns and volume discounts may be considered financial liabilities on the basis that they require payments to the customer. However, they should be excluded from financial liabilities if the arrangement is executory. SFRS(I) 7.5A

Financial liabilities designated as at FVPL

If an entity has designated a financial liability as at FVTPL and is required to present all changes in the fair value of that liability (including the effects of changes in the credit risk of the liability) in profit or loss (because recognising changes in the credit risk of the liability in other comprehensive income would enlarge an accounting mismatch in profit or loss), it shall disclose: SFRS(I) 7.10A SFRS(I) 7.11.c

- the amount of change, during the period and cumulatively, in the fair value of the financial liability that is attributable to changes in the credit risk of that liability;
- the difference between the financial liability's carrying amount and the amount the entity would be contractually required to pay at maturity to the holder of the obligation; and
- a detailed description of the methodologies used to determine whether presenting the effects of changes in a liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss, and a detailed description of the economic relationship between the characteristics of the liability and the characteristics of the other financial instrument, when the effects of changes in the liability's credit risk are recognised in profit or loss.

Rights of set-off and related arrangements

SFRS(I) 7 requires entities to disclose information about rights of set-off and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar agreement, irrespective of whether they are set off.

With respect to the financial instruments disclosed in column (D) of the table above, include a note for description of the rights of set off associated with the entity's recognised financial assets and recognised financial liabilities subject to enforceable master netting arrangements and similar agreements, including the nature of those rights. SFRS(I) 7.13E

If the disclosures required under SFRS(I) 7 are disclosed in more than one notes, the entity shall cross-refer between those notes. SFRS(I) 7.13F

The disclosures required by SFRS(I) 7 may be grouped by type of financial instrument or transaction (for example, derivatives, repurchase and reverse repurchase agreements or securities borrowing and securities lending agreements), or alternatively by counterparty. If an entity provides the required information by counterparty, the entity is not required to identify the counterparties by name. However, designation of counterparties (Counterparty A, Counterparty B, Counterparty C, etc.) shall remain consistent from year to year for the years presented to maintain comparability. Qualitative disclosures shall be considered so that further information can be given about the types of counterparties. When disclosure of the amounts is provided by counterparty, amounts that are individually significant in terms of total counterparty amounts shall be separately disclosed and the remaining individually insignificant counterparty amounts shall be aggregated into one line item. SFRS(I) 7.B51 SFRS(I) 7.B52

(N.B. The Group and the Company do not have such items subject to offsetting or enforceable master netting arrangements. The above table has been included for illustration purposes only.)

49 Capital management

SFRS(I) 1-1.134
SFRS(I) 1-1.135

The Group manages its capital to ensure that the entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2018.

The capital structure of the Group consists of equity attributable to owners of the parent, comprising issued capital, reserves and retained earnings.

The Group is not subject to any externally imposed capital requirements.

The Group's risk management committee reviews the capital structure on a semi-annual basis. As a part of this review, the risk management committee considers the cost of capital and the risks associated with each class of capital. The Group has a target gearing ratio not to exceed 30% determined as the proportion of net debt to equity.

The gearing ratio of the Group at the reporting date is as follows:

	The Group	
	2019	2018
	$	$
Debt (i)	**42,747,125**	42,735,289
Cash and bank balances (including cash and bank balances in a disposal group classified as held-for-sale)	**(20,299,985)**	(35,293,076)
Net debt	**22,447,140**	7,442,213
Equity (ii)	**106,351,533**	109,194,211
Net debt to equity ratio (%)	**21.1%**	6.8%

(i) Debt is defined as long and short-term borrowings, including lease liabilities (2018: obligations under finance lease) but excluding derivative financial instruments and financial guarantee contracts.

(ii) Equity includes all capital and reserves of the Group that are managed as capital.

Guidance Notes – Capital management

Objectives, policies and processes

Where the entity discloses information that enables users of its financial statements to evaluate the entity's objectives, policies and processes for managing capital, quantitative disclosure should be added. SFRS(I) 1-1.134

If the entity's capital management policy also includes monitoring that of the Company, then relevant disclosures about the Company's financial figures shall be included in table above too.

Externally imposed capital requirements

When an entity is subject to externally imposed capital requirements, the following disclosures are required: SFRS(I) 1-1.135

- the nature of those requirements;
- how those requirements are incorporated into the management of capital;
- any changes in those requirements from the previous period;
- whether during the period, the entity complied with any externally imposed capital requirements to which it is subject to; and
- when the entity has not complied with such externally imposed capital requirements, the consequences of such non-compliance.

When the entity has not complied with such externally imposed capital requirements, it should disclose the consequences of such non-compliance. SFRS(I) 1-1.135.e

An illustrative disclosure incorporating externally imposed capital requirements is as follows:

"The Group manages its capital to ensure that it will able to continue as a going concern, to maximise the return to stakeholders through the optimisation of the debt and equity balance, and to ensure that all externally imposed capital requirements are complied with.

The capital structure of the Group consists of debt, which includes borrowings disclosed in Note 23, issued capital, reserves and retained earnings. One of the subsidiaries of the Group is required to set aside a minimum amount of 10% of profits annually. Such profits are accumulated in a separate reserve called "statutory reserves". The statutory reserves may only be distributed to shareholders upon liquidation of the subsidiary. The Group is in compliance with externally imposed capital requirements for the financial year ended 31 December 2019 and 2018.

The Group's risk management committee also reviews the capital structure on a semi-annual basis. As a part of this review, the committee considers the cost of capital and the risks associated with each class of capital. The committee also ensures that the Group maintains gearing ratios within a set range to comply with the loan covenant imposed by a bank. Based on recommendations of the committee, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

The Group's overall strategy remains unchanged from 2018."

50 Prior year adjustment

In 2019, a wholly-owned subsidiary of the Group discovers that maintenance expenses had been erroneously omitted in its financial statements for the year ended 31 December 2018 and 2017. As a consequence, maintenance expenses and the related liabilities had been understated. The errors have been corrected by restating each of the affected financial statement line items for the prior periods. The following table summarises the impacts on the Group's consolidated financial statements. SFRS(I) 1-8.49.a SFRS(I) 1-8.49.b,c

The Group	As previously reported $	Adjustment $	As restated $
(i) Consolidated statement of financial position			
At 1 January 2018:			
Trade and other payables	29,917,384	203,656	30,121,040
Retained earnings	43,032,958	(203,656)	42,829,302
At 31 December 2018:			
Trade and other payables	18,843,242	387,444	19,230,686
Retained earnings	45,845,811	(387,444)	45,458,367
(ii) Consolidated statement of profit or loss and other comprehensive income			
For the year ended 31 December 2018:			
Other expenses	4,397,439	183,788	4,581,227
Profit for the year	5,421,813	(183,788)	5,238,025
(iii) Consolidated statement of cash flows			
For the year ended 31 December 2018:			
Operating cash flows before movements in working capital	9,578,318	(183,788)	9,394,530
Cash generated from/(used in) operations	(19,531,063)	(183,788)	(19,714,851)
Net cash generated from/(used in) operating activities	(21,797,096)	(183,788)	(21,980,884)
(iv) Earnings per share			
For the year ended 31 December 2018:			
Basic earnings per share (Cents)	5.67	(0.23)	5.44
Diluted earnings per share (Cents)	4.92	(0.18)	4.74

Guidance Notes – Prior year adjustment

Correction of prior year errors

If any prior period errors are corrected in the current year's financial statements, then an entity discloses: SFRS(I) 1-8.49

- 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.

Change in accounting policy

When a change in accounting policy, either voluntarily or as a result of the adoption of a new, revised or amended SFRS(I), has an effect on the current period or any prior period, an entity discloses, among other things and to the extent practicable, the amount of the adjustment for the current period and each prior period presented for each financial statement line item affected, unless specific transitional requirements are available in the new, revised or amended SFRS(I). SFRS(I) 1-1.10.f SFRS(I) 1-8.28,29

Adoption of SFRS(I) 16

In relation to the adoption of SFRS(I) 16 in the current period, if the entity elects for the cumulative catch-up approach, it is exempted from disclosing the impact for each financial statement line item affected and earnings per share disclosure. Instead, it shall disclose: SFRS(I) 16.C5.b SFRS(I) 16.C12

(a) the weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the statement of financial position at the date of initial application; and

(b) an explanation of any difference between:

(i) operating lease commitments disclosed applying SFRS(I) 1-17 at the end of the reporting period immediately preceding the date of initial application, discounted using the incremental borrowing rate at the date of initial application; and
(ii) lease liabilities recognised in the statement of financial position at the date of initial application.

However, if the entity adopted the full retrospective approach to transition to SFRS(I) 16, it shall adhere to all disclosure requirements of SFRS(I) 1-8. SFRS(I) 16.C5.a

Reclassifications and comparative figures

Where the presentation or classification of items in the statements is amended, comparative amounts shall be reclassified unless the reclassification is impracticable. When comparative amounts are reclassified, an entity shall disclose the nature of the reclassification, the amount of each item or class of items that is reclassified and the reason for the reclassification. An illustrative disclosure is as follows: SFRS(I) 1-1.41,42

"Certain reclassifications have been made to the prior year's financial statements to enhance comparability with the current year's financial statements because [state reasons].

As a result, certain line items have been amended in the [statements of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flow,] and the related notes to the financial statements. Comparative figures have been adjusted to conform to the current year's presentation.

The items were reclassified as follows:

	The Group		***The Company***	
	Previously reported 2018 $	*After reclassification 2018 $*	*Previously reported 2018 $*	*After reclassification 2018 $*
[to provide details, where applicable]	*XXX*	*XXX*	*XXX*	*XXX*

51 Events after the reporting period

On 2 February 2020, the premises of a wholly-owned subsidiary of the Group, FKT Engineering (Shenzhen) Co Ltd, are seriously damaged by fire. Insurance claims are in process but the cost of refurbishment is currently expected to exceed the amounts that will be reimbursed by $134,000. SFRS(I) 1-10.21

Guidance Notes – Events after the reporting period

Nature and financial effect

For each material category of non-adjusting event after the reporting date, an entity discloses the nature of the event and an estimate of its financial effect, or a statement that such an estimate cannot be made. SFRS(I) 1-10 provides examples of non-adjusting events that normally would require disclosure. SFRS(I) 1-10.22

If the financial effect of a material non-adjusting event after the reporting date cannot be estimated, an entity discloses that fact. SFRS(I) 1-10.21.b

Business combination

For each business combination effected after the reporting date but before the financial statements are authorised for issue, an entity discloses the information pursuant to the requirements of SFRS(I) 3 to enable users of its financial statements to evaluate the nature and financial effect of each business combination. The disclosure requirements are the <u>same</u> as those required for business combinations effected during the period. If disclosure of any information is impracticable, then an entity discloses this fact and the reasons for it. SFRS(I) 3.59.b SFRS(I) 3.B66

Discontinued operations

For discontinued operations or assets held for sale where the criteria as held for sale are met after the end of the reporting period, an entity shall provide a description of the non-current asset or disposal group, the facts and circumstances and expected timing of the sale or disposal, and the reportable segment in which the assets and associated liabilities are presented (where applicable). SFRS(I) 1-10.22.c SFRS(I) 5.12 SFRS(I) 5.41.a,b,d

Current / Non-current classification of loan

For events that occur after the reporting date and which would have affected the classification of a loan as current if they have occurred before the end of the reporting period, the following events may require disclosure: SFRS(I) 1-1.76

- refinancing on a long-term basis
- rectification of a breach of a long-term agreement, and
- the receipt from the lender of a period of grace to rectify a breach of a long-term loan agreement ending at least 12 months after the reporting period.

Appendix A: Implication of Going Concern on Auditor's Report

App A Reference

Under the going concern basis of accounting, the financial statements are prepared on the assumption that the entity is a going concern and will continue its operations for the foreseeable future. SSA 570.2

The auditor's responsibilities are to obtain sufficient appropriate audit evidence regarding, and conclude on, the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements, and to conclude, based on the audit evidence obtained, whether a material uncertainty exists about the entity's ability to continue as a going concern. SSA 570.6

Matters related to going concern may be determined to be Key Audit Matter ("KAM"). Material uncertainty related to events or conditions that may cast significant doubt on an entity's ability to continue as a going concern is, by nature, a KAM but is reported separately in the 'Material Uncertainty Related to Going Concern' section in the auditor's report. Emphasis of Matter paragraph is no longer to be used for communications about going concern. The following outlines the reporting to be considered for each type of going concern issue. SSA 700.29

Going concern issue:	Reporting to be considered:	
• If the use of the going concern basis of accounting is inappropriate	• Adverse opinion • Description of the circumstance in the 'Basis for Adverse Opinion' section • Reference to the 'Basis for Adverse Opinion' section in the KAM section	SSA 570.21 SSA 570.A26-A27
• 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 the entity's ability to continue as a going concern, • and disclosures in the financial statements are adequate	• Unmodified opinion • Separate 'Material Uncertainty Related to Going Concern' section, as follows: ***"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 (2018: $XXX) and total comprehensive loss of $XXX (2018: $XXX) during the financial year ended 31 December 2019, and as at that date, the Company's current and total liabilities exceeded its current and total assets by $XXX (2018: $XXX) and $XXX (2018: $XXX) respectively. 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 to the 'Material Uncertainty Related to Going Concern' section in the KAM section, as follows: *"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 year. 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. <u>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.</u>"*	SSA 570.22 SSA 570.A28-A31 SSA 570.A34

Appendix A: Implication of Going Concern on Auditor's Report (cont'd)

Reference

Going concern issue:	Reporting to be considered:	Reference
• 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 the entity's ability to continue as a going concern, • and disclosures in the financial statements are inadequate or omitted	• Qualified or adverse opinion • Description of the circumstance in the 'Basis for Qualified / Adverse Opinion' section • Reference to the 'Basis for Qualified / Adverse Opinion' section in the KAM section	SSA 570.23 SSA 570.A32-A34
• When the use of the going concern basis of accounting is appropriate, • but events or conditions are identified that may cast significant 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)	• Unmodified opinion • Requirement for the auditor to evaluate the adequacy of disclosures (2) in "close call" situations, when events or conditions are identified that may cast significant doubt on the entity's ability to continue as a going concern, but no material uncertainty is concluded	SSA 570.20 SSA 570.A24-A25

(1) This is otherwise known as a "close call" situation.

(2) SFRS(I) 1-1 *Presentation of Financial Statements* requires disclosure of the judgements that 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 requirement shall apply to judgement made in a situation when events or conditions are identified that may cast significant doubt on the entity's ability to continue as a going concern, but management concludes that no material uncertainty exists. SFRS(I) 1-1.25 SFRS(I) 1-1.122

App B Reference

Appendix B: Illustrative Examples of Key Audit Matters

SSA 700 (Revised).33 – 34

SSA 701.11

Key Audit Matter	Risk	Our responses and work performed
Impairment of goodwill	*Goodwill represents XX% 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.*
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) are included in notes to the consolidated financial statements.*
Inventory excess and obsolete provision	*The total inventory and related excess and obsolete provision as of 31 December 2019 amounts to $ XX million and $ XX 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 anticipated repair costs.* *We also assessed the adequacy of the related disclosures in the notes to the financial statements.*

Appendix B: Illustrative Examples of Key Audit Matters (cont'd)

Reference

SSA 700 (Revised).33 – 34

SSA 701.11

Key Audit Matter	Risk	Our responses and work performed
Accounting for discontinued hotel and restaurant operations	*On 21 November 2019, the Group decided to discontinue the hotel and restaurant operations and dispose the business by selling assets and settling its liabilities piecemeal. Note XX to the financial statements discloses the result from the discontinued operations as well as the net assets to be disposed.*	*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 SFRS(I) 5 Non-current Assets Held for Sale and Discontinued Operations. These procedures also included challenging management's assumptions used in determining fair value less cost to sell. We also assessed whether the Group's disclosures adequately described the key judgements exercised.*
Valuation of financial instruments	*The Company's investments in structured financial instruments represent (XX%] 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 is significant to our audit.* *The Group's disclosures about its structured financial instruments are included in Note XX to the financial statements.*
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 31 December 2019, the provisions from legal proceedings amount to $ XX million. In cases where the Group 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 organisation, and the recording and continuous re-assessment of the related contingent liabilities and provisions and disclosures, in accordance with SFRS(I). 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 disclosures regarding contingent liabilities from legal proceedings and investigations as contained in Note XX Provisions, Note XX Other Liabilities and Note XX Contingent Assets and Liabilities.*

Appendix B: Illustrative Examples of Key Audit Matters (cont'd)

Reference

SSA 700 (Revised).33 – 34

SSA 701.11

Key Audit Matter	Risk	Our responses and work performed
Classification of cumulative preference shares	*On dd/mm/yy, the Company issued XX million convertible redeemable preference shares raising $XX million in proceeds for the Company.*	*The assessment of the Company as to classification of these cumulative preference shares as a financial liability is significant to our audit and has been identified as a key audit matter.* *We considered management's analysis regarding classification of the convertible redeemable preference shares and assessed whether the classification complies with SFRS(I) 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 XX, in December 20X1, the Group completed the acquisition of XYZ Business. XYZ Business was a division of a large private company. As of 311 December 20X1, the Group has completed the initial acquisition accounting on a preliminary basis. The Group will finalise the initial acquisition accounting during 20X2, and the amounts recorded as of 31 December 20X1 could change.*	*We focused on this transaction because it is material to the consolidated financial statements as a whole and that values had not previously been assigned to the division as a standalone operation, and therefore identified it 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 disclosures regarding the acquisition of XYZ Business.*
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 SFRS(I), 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 the year, 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 XX, whilst the remaining disclosures are located in notes XX and XX.*	*In accordance with SFRS(I) 1-32 Financial Instruments: Presentation, read with SFRS(I) 1-1 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. 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.*

Appendix B: Illustrative Examples of Key Audit Matters (cont'd)

Reference

SSA 700 (Revised).33 – 34

SSA 701.11

Key Audit Matter	Risk	Our responses and work performed
Put arrangements over non-controlling interests (cont'd)		*We considered the appropriateness of the accounting treatment adopted by management, which we found to be conservative in terms of the alternatives permitted under the accounting standards. We engaged 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 by comparing them to external data sources and historical performance. We recalculated the value of the liability at the end of the year and the related finance charge for the year as a result of the unwinding of the liability.* *We also assessed the disclosure regarding put arrangements over non-controlling interests.*
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 is 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 are in accordance with the SFRS(I). We also assessed the adequacy of the related disclosures in the notes to the financial statements.*
Recognition of deferred tax assets relating to losses	*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, $XX million and $XX million, respectively.*	*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 also assessed the adequacy of the related disclosures in the notes to the financial statements*

Appendix C: Material Inconsistencies Regarding Other Information

App C Reference

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

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 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 C: Material Inconsistencies Regarding Other Information (cont'd)

Reference

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)

Appendix C: Material Inconsistencies Regarding Other Information (cont'd)

Reference

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.

Appendix C: Material Inconsistencies Regarding Other Information (cont'd)

Reference

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 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 C: Material Inconsistencies Regarding Other Information (cont'd)

Reference

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 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 C: Material Inconsistencies Regarding Other Information (cont'd)

Reference

Appendix 2 of SSA 720 (Revised)

<table>
<tr><th>DIRECTORS' STATEMENT</th><th>AUDITOR'S REPORT</th><th>MATERIAL INCONSISTENCIES EXIST?</th><th>HOW TO REPORT? – REFER TO ILLUSTRATION 7 IN APPENDIX 2 OF SSA 720 (REVISED)</th></tr>
<tr><td colspan="4">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</td></tr>
<tr><td>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.</td><td>(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)</td><td>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).</td><td>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.</td></tr>
</table>

Appendix C: Material Inconsistencies Regarding Other Information (cont'd)

Reference

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)

Appendix D: Illustrative examples of significant judgements and critical accounting estimates and assumptions

App D

Revenue recognition – Sales return

SFRS(I) 15.123
SFRS(I) 15.126.a,b

The Group has recognised revenue amounting to $XXX for sale of engineering materials to a wholesale customer in December 2019. The buyer has the right to rescind the sale if there is 5% dissatisfaction with the quality of the first 100 deliveries. This specific concession was made because this is a new product line specifically designed for this customer segment. However, consistent with other contracts, the Group does not have a right to payment until the good has been delivered to the customer. Based on the quality assurance system implemented, the Group is confident that the quality of the product is such that the dissatisfaction rate will be well below 5%. Management has determined that it is highly probable that there will be no rescission of the contract, and that a significant reversal in the amount of revenue recognised will not occur. It is therefore appropriate to recognise full revenue on this transaction during 2019 as control of the product is transferred to the customer. The profit recognised for this sale was $XXX. The Group would suffer an estimated pre-tax loss of $XXX in its 2020 financial statements if the sale is cancelled ($XXX for the reversal of 2019 profits and $XXX of costs connected with returning the stock to the warehouse).

Revenue recognition – Allocating transaction price

SFRS(I) 15.123.b
SFRS(I) 15.126.c

The points in a customer loyalty program provide a material right to customers that they would not receive without entering into a contract. Therefore, the promise to provide points to the customer is a separate performance obligation. The transaction price is allocated to the product and the points on a relative stand-alone selling price basis. Management estimates the stand-alone selling price per point on the basis of the discount granted when the points are redeemed and on the basis of the likelihood of redemption, based on past experience. The stand-alone selling price of the product sold is estimated on the basis of the retail price. Discounts are not considered as they are only given in rare circumstances.

Some fixed-price maintenance support contracts include an allowance for one free of charge service per contract period up to a specified value. Because these contracts include two performance obligations, the transaction price must be allocated to the performance obligations on a relative stand-alone selling price basis. Management estimates the stand-alone selling price at contract inception, based on observable prices of the type of maintenance service likely to be provided and the services rendered in similar circumstances to similar customers. If a discount is granted, it is allocated to both performance obligations based on their relative stand-alone selling prices.

Revenue recognition – Identifying distinct or non-distinct performance obligations

The application of SFRS(I) 15 requires the Group to exercise judgement in identifying distinct or non-distinct performance obligations. For bundled sale contracts, the Group is required to estimate the standalone selling prices of performance obligations, which materially impacts the allocation of revenue between performance obligations. Where the Group does not sell equivalent goods or services in similar circumstances on a standalone basis, it is necessary to estimate the standalone selling price. Changes in estimates of standalone selling prices can significantly influence the allocation of the transaction price between performance obligations. When estimating the standalone selling price, the Group maximises the use of observable inputs.

Revenue recognition – Principal or agent

The assessment of whether the Group presents operating revenue as the principal, or net after deduction of costs as an agent, is a matter of judgement which requires an analysis of both the legal form and the substance of contracts. Depending on the conclusion reached, there may be material differences in the amounts of revenues and expenses, though there is no impact on profit.

Leases – Residual value guarantee

SFRS(I) 16.59.b.iii
SFRS(I) 16.B51

To optimise lease costs during the contract period, the Group sometimes provides residual value guarantees in relation to equipment leases. The Group initially estimates and recognises amounts expected to be payable under residual value guarantees as part of the lease liability. Typically the expected residual value at lease commencement is equal to or higher than the guaranteed amount, and so the Group does not expect to pay anything under the guarantees. At the end of each reporting period, the expected residual values are reviewed to reflect actual residual values achieved on comparable assets and expectations about future prices. As at 31 December 2019, $XXX is expected to be payable and is included in calculating the lease liabilities while $XXX (undiscounted) is not expected to be payable and has hence been excluded from the lease liabilities.

Pension and employee liabilities

The determination of the Group's obligation cost for pension and employee benefits liabilities is dependent on its selection of certain assumptions used by the independent actuaries in calculating such amounts. Those assumptions include among others, discount rates, future annual salary increase, annual employee turn-over rate, disability rate, retirement age and mortality rate. Actual results that differ from the Group's assumptions are recognised in profit or loss as and when they occurred. While the Group believes that its assumptions are reasonable and appropriate, significant changes in the Group's assumptions may materially affect its estimated liabilities for pension and employee benefits and net employee benefits expense. The carrying amount of employee benefit liabilities as at 31 December 2019 amounts to $XXX (2018: $XXX). If the discount rate decreases by 1% from management's estimates, the present value of the pension and employee benefits obligation will be increased by $XXX (2018: $XXX).

Appendix D: Illustrative examples of significant judgements and critical accounting estimates and assumptions (cont'd)

Classification of property

The Group determines whether a property is classified as development property, investment property or owner-occupied property as follows:

- *Development properties comprise completed properties for sale, properties for development and properties in the course of development in the ordinary course of business. Principally, these are residential, offices and retail properties that the Group develops and intends to sell before or on completion of construction.*
- *Investment properties comprise offices and retail units which are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation.*
- *Owner-occupied property is property that is used by the Group in the production or supply of goods or services or for administrative purposes.*

When differentiating between owner-occupied property or investment property, some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Warranty

The Group generally offers 12-month warranties for its engineering material products. Management estimates the related provision for future warranty claims based on historical warranty claim information, as well as recent trends that might suggest that past cost information may differ from future claims. The assumptions made in relation to the current period are consistent with those in the prior year. Factors that could impact the estimated claim information include the success of the Group's productivity and quality initiatives, as well as parts and labour costs. As at 31 December 2019, this particular provision had a carrying amount of $XXX (2018 - $XXX). If claims costs were to differ by 10% from management's estimates, the warranty provisions would be an estimated $XXX higher or lower (2018 – $XXX higher/lower).

Useful life of intangible asset

The Group has recently completed the development of software that is used to analyse business processes by the consulting division. As at 31 December 2019, the carrying amount of this software was $XXX (2018 – $nil). The Group estimates the useful life of the software to be at least five years based on the expected technical obsolescence of such assets. However, the actual useful life may be shorter or longer than five years, depending on technical innovations and competitor actions. If it were only three years, the carrying amount would be $XXX as at 31 December 2019. If the useful life were estimated to be eight years, the carrying amount would be $XXX.

Classification and measurement of financial assets

Classification and measurement of financial assets depends on the results of the SPPI and the business model test (Note XX).The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed. As stated in Note XX, the Group has investment portfolio which includes quoted and unquoted non-equity instruments. The Group has accounted for these non-equity investments at fair value through profit or loss as they will be sold from time to time to realise capital appreciation or for liquidity management.

Claims, litigations and reviews

The Group entered into various contracts with third parties in its ordinary course of business and is exposed to the risk of claims, litigations, latent defects or review from the contractual parties and/or government agencies. These can arise for various reasons, including change in scope of work, delay and disputes, defective specifications or routine checks etc. The scope, enforceability and validity of any claim, litigation or review may be highly uncertain. In making its judgment as to whether it is probable that any such claim, litigation or review will result in a liability and whether any such liability can be measured reliably, management relies on past experience and the opinion of legal and technical expertise.

Fair values of derivative financial instruments

The Group uses valuation techniques to determine the fair values of financial instruments. The valuation techniques used for different financial instruments are selected to reflect how the market would be expected to price the instruments, using inputs that reasonably reflect the risk-return factors inherent in the instruments. Depending upon the characteristics of the financial instruments, observable market factors are available for use in most valuations, while others involve a greater degree of judgment and estimation.

App E
Reference

Appendix E: Disclosure Requirements of SFRS(I) 16 *Leases*

Part (i) : Checklist of SFRS(I) 16 disclosure requirements

Paragraph	Description	Illustration
	Presentation	
47	A lessee shall either present in the statement of financial position (SOFP), or disclose in the notes: (a) right-of-use (ROU) assets separately from other assets. If a lessee does not present right-of-use assets separately in the statement of financial position, the lessee shall: (i) include right-of-use assets within the same line item as that within which the corresponding underlying assets would be presented if they were owned; and (ii) disclose which line items in the statement of financial position include those right-of-use assets. (b) lease liabilities separately from other liabilities. If the lessee does not present lease liabilities separately in the statement of financial position, the lessee shall disclose which line items in the statement of financial position include those liabilities.	 Presented in consolidated SOFP, ROU assets separately from other assets. Refer to Note 5 "ROU assets". N/A. As above. Disclosed in Note 2(e), page 60. Presented in consolidated SOFP, lease liabilities separately from other liabilities. Refer to Note 25 "Lease liabilities". Disclosed in Note 2(e), page 59.
48	The requirement in paragraph 47(a) does not apply to right-of-use assets that meet the definition of investment property, which shall be presented in the statement of financial position as investment property.	ROU asset (leasehold land holding an investment property) presented within "Investment property" (Note 6).
49	In the statement of profit or loss and other comprehensive income (SPLOCI), a lessee shall present interest expense on the lease liability separately from the depreciation charge for the right-of-use asset. Interest expense on the lease liability is a component of finance costs, which paragraph 82(b) of SFRS(I) 1-1 *Presentation of Financial Statements* requires to be presented separately in the statement of profit or loss and other comprehensive income.	Presented in consolidated SPLOCI, interest expense of lease liabilities in "Finance costs" (Note 34), and depreciation of ROU assets in "Depreciation and amortisation" (Note 35).
50	In the statement of cash flows (SOCF), a lessee shall classify: (a) cash payments for the principal portion of the lease liability within financing activities; (b) cash payments for the interest portion of the lease liability applying the requirements in SFRS(I) 1-7 Statement of Cash Flows for interest paid; and (c) short-term lease payments, payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability within operating activities.	Presented in consolidated SOCF, "repayments of lease liabilities" within financing activities; "interest paid" within financing activities; and included in "profit for the year" within operating activities.
	Lessees	
52	A lessee shall disclose information about its leases for which it is a lessee in a single note or separate section in its financial statements. However, a lessee need not duplicate information that is already presented elsewhere in the financial statements, provided that the information is incorporated by cross-reference in the single note or separate section about leases.	Disclosed in following: -Note 43 "Leases" -Note 5 "ROU assets" -Note 25 "Lease liabilities" Alternative is to: -present ROU assets in "PPE" (Note 4) and lease liabilities in "Borrowings" (Note 23); and -disclose all leasing related information in Note 43 "Leases".

Appendix E: Disclosure Requirements of SFRS(I) 16 *Leases* (cont'd)

Reference

Part (i) : Checklist of SFRS(I) 16 disclosure requirements (cont'd)

Paragraph	Description	Illustration
53	A lessee shall disclose the following amounts for the reporting period: (a) depreciation charge for right-of-use assets by class of underlying asset; (b) interest expense on lease liabilities; (c) the expense relating to short-term leases accounted for by applying SFRS(I) paragraph 6; (d) the expense relating to leases of low-value assets accounted for applying SFRS(I) 16 paragraph 6. This expense shall not include the expense relating to short-term leases of low-value assets included in paragraph 53(c); (e) the expense relating to variable lease payments not included in the measurement of lease liabilities; (f) income from subleasing right-of-use assets; (g) total cash outflow for leases; (h) additions to right-of-use assets. (i) gains or losses arising from sale and leaseback transactions; and (j) the carrying amount of right-of-use assets at the end of the reporting period by class of underlying asset.	 Note 5 "ROU assets" Note 25 "Lease liabilities" and Note 34 "Finance costs" Note 25 "Lease liabilities" and Note 33 "Other expenses" Note 25 "Lease liabilities" and Note 33 "Other expenses" Note 25 "Lease liabilities" and Note 33 "Other expenses" Note 31 "Other income" and Note 43 "Leases" Note 25 "Lease liabilities" Note 5 "ROU assets" N/A as there is nil. Not illustrated. Note 5 "ROU assets"
54	A lessee shall provide the disclosures specified in paragraph 53 in a tabular format, unless another format is more appropriate. The amounts disclosed shall include costs that a lessee has included in the carrying amount of another asset during the reporting period.	Note 5 "ROU assets" and Note 25 "Lease liabilities"
55	A lessee shall disclose the amount of its lease commitments for short-term leases accounted for applying SFRS(I) 16 paragraph 6 if the portfolio of short-term leases to which it is committed at the end of the reporting period is dissimilar to the portfolio of short-term leases to which the short term lease expense disclosed applying paragraph 53(c) relates.	N/A as there is no significant difference. Disclosed statement in Note 25 "Lease liabilities" to clarify so even though no requirement to do so.
57	If a lessee measures right-of-use assets at revalued amounts applying SFRS(I) 1-16, the lessee shall disclose the information required by paragraph 77 of SFRS(I) 1-16 for those right-of-use assets.	N/A. No ROU assets on revaluation model. All PPE are at cost, thus no choice made available to elect revaluation model for ROU assets.
58	A lessee shall disclose a maturity analysis of lease liabilities applying paragraphs 39 and B11 of SFRS(I) 7 *Financial Instruments: Disclosures* separately from the maturity analyses of other financial liabilities.	Note 25 "Lease liabilities"
59	In addition to the disclosures required in paragraphs 53–58, a lessee shall disclose additional qualitative and quantitative information about its leasing activities necessary to meet the disclosure objective in paragraph 51 (as described in paragraph B48). This additional information may include, but is not limited to, information that helps users of financial statements to assess: (a) the nature of the lessee's leasing activities; (b) future cash outflows to which the lessee is potentially exposed that are not reflected in the measurement of lease liabilities. This includes exposure arising from: (i) variable lease payments (as described in paragraph B49); (ii) extension options and termination options (as described in paragraph B50); (iii) residual value guarantees (as described in paragraph B51); and (iv) leases not yet commenced to which the lessee is committed. (c) restrictions or covenants imposed by leases; and (d) sale and leaseback transactions (as described in paragraph B52).	Note 43 "Leases" Note 43 "Leases" Note 43 "Leases" Note 43 "Leases" Note 43 "Leases" N/A as there is none. Not illustrated. Note 43 "Leases" N/A as there is none. Not illustrated.

Appendix E: Disclosure Requirements of SFRS(I) 16 *Leases* (cont'd)

Reference

Part (i) : Checklist of SFRS(I) 16 disclosure requirements (cont'd)

Paragraph	Description	Illustration
60	A lessee that accounts for short-term leases or leases of low-value assets applying paragraph 6 shall disclose that fact.	Note 2(e), page 59
	Lessors	
90	A lessor shall disclose the following amounts for the reporting period: (a) for finance leases: (i) selling profit or loss; (ii) finance income on the net investment in the lease; and (iii) income relating to variable lease payments not included in the measurement of the net investment in the lease. (b) for operating leases, lease income, separately disclosing income relating to variable lease payments that do not depend on an index or a rate.	 N/A as there is nil. Not illustrated. Note 30 "Interest income" Note 31 "Other income" Note 31 "Other income"
91	A lessor shall provide the disclosures specified in paragraph 90 in a tabular format, unless another format is more appropriate.	N/A. As above.
92	A lessor shall disclose additional qualitative and quantitative information about its leasing activities necessary to meet the disclosure objective in paragraph 89. This additional information includes, but is not limited to, information that helps users of financial statements to assess: (a) the nature of the lessor's leasing activities; and (b) how the lessor manages the risk associated with any rights it retains in underlying assets. In particular, a lessor shall disclose its risk management strategy for the rights it retains in underlying assets, including any means by which the lessor reduces that risk. Such means may include, for example, buy-back agreements, residual value guarantees or variable lease payments for use in excess of specified limits.	Note 43 "Leases" Note 43 "Leases" Note 43 "Leases"
	Lessors - Finance Leases	
93	A lessor shall provide a qualitative and quantitative explanation of the significant changes in the carrying amount of the net investment in finance leases.	Note 10 "Finance lease receivables"
94	A lessor shall disclose a maturity analysis of the lease payments receivable, showing the undiscounted lease payments to be received on an annual basis for a minimum of each of the first five years and a total of the amounts for the remaining years. A lessor shall reconcile the undiscounted lease payments to the net investment in the lease. The reconciliation shall identify the unearned finance income relating to the lease payments receivable and any discounted unguaranteed residual value.	Note 10 "Finance lease receivables"
	Lessors - Operating Leases	
95	For items of property, plant and equipment subject to an operating lease, a lessor shall apply the disclosure requirements of SFRS(I) 1-16. In applying the disclosure requirements in SFRS(I) 1-16, a lessor shall disaggregate each class of property, plant and equipment into assets subject to operating leases and assets not subject to operating leases. Accordingly, a lessor shall provide the disclosures required by SFRS(I) 1-16 for assets subject to an operating lease (by class of underlying asset) separately from owned assets held and used by the lessor.	N/A. All are subleases.
97	A lessor shall disclose a maturity analysis of lease payments, showing the undiscounted lease payments to be received on an annual basis for a minimum of each of the first five years and a total of the amounts for the remaining years.	Note 43 "Leases"

Appendix E: Disclosure Requirements of SFRS(I) 16 *Leases* (cont'd)

Reference

Part (i) : Checklist of SFRS(I) 16 disclosure requirements (cont'd)

Paragraph	Description	Illustration
	Transition	
C4	If an entity chooses the practical expedient in paragraph C3, it shall disclose that fact and apply the practical expedient to all of its contracts. As a result, the entity shall apply the requirements in paragraphs 9–11 only to contracts entered into (or changed) on or after the date of initial application.	Note 2(b), page 36
C12	If a lessee elects to apply this Standard in accordance with paragraph C5(b), the lessee shall disclose information about initial application required by paragraph 28 of SFRS(I) 1-8, except for the information specified in paragraph 28(f) of SFRS(I) 1-8. Instead of the information specified in paragraph 28(f) of SFRS(I) 1-8, the lessee shall disclose:	
	a) the weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the statement of financial position at the date of initial application; and	Note 2(b), page 39
	b) an explanation of any difference between:	Note 2(b), page 39
	(i) operating lease commitments disclosed applying SFRS(I) 1-17 at the end of the annual reporting period immediately preceding the date of initial application, discounted using the incremental borrowing rate at the date of initial application as described in paragraph C8(a); and	
	(ii) lease liabilities recognised in the statement of financial position at the date of initial application.	
C13	If a lessee uses one or more of the specified practical expedients in paragraph C10, it shall disclose that fact.	Note 2(b), page 37

(N.B. There are certain disclosure information illustrated in more than one note for ease of reference. Disclosure of these information in an appropriate note to the financial statements is sufficient.)

Appendix E: Disclosure Requirements of SFRS(I) 16 *Leases* (cont'd)

Reference

Part (ii) : Full retrospective transition approach – SFRS(I) 1-8 disclosure requirements

Financial impact of initial application of SFRS(I) 16

The tables below show the amount of adjustment for each financial statement line item affected by the application of SFRS(I) 16 for the current and prior years.

		The Group		
		2019	2018	
		$	$	
Impact on profit or loss				SFRS(I) 1-8.28.f.i
Impact on profit or loss for the year				
Increase in finance income	(6)			
Increase in depreciation and amortisation expense	(1)			
Increase in finance costs	(1)			
Decrease in other expenses	(1),(5)			
Increase (Decrease) in profit for the year				
Impact on earnings per share				SFRS(I) 1-8.28.f.ii
Increase (Decrease) in earnings per share from continuing and discontinued operations:				
- Basic				
- Diluted				
Increase (Decrease) in earnings per share from continuing operations:				
- Basic				
- Diluted				

		The Group			
		As previously reported	SFRS(I) 16 adjustments	As adjusted	
		$	$	$	
Impact on assets, liabilities and equity as at 1 January 2018					SFRS(I) 1-8.28.f.i
Property, plant and equipment	(2),(6)				
Right-of-use assets	(1),(2)				
Finance lease receivables	(6)				
Net impact on total assets					
Obligations under finance leases	(3)				
Lease liabilities	(1),(3)				
Provisions	(4)				
Trade and other payables	(5)				
Net impact on total liabilities					
Retained earnings					

Appendix E: Disclosure Requirements of SFRS(I) 16 *Leases* (cont'd)

Reference

Part (ii) : Full retrospective transition approach – SFRS(I) 1-8 disclosure requirements (cont'd)

Financial impact of initial application of SFRS(I) 16 (cont'd)

		The Group		
		As previously reported	SFRS(I) 16 adjustments	As adjusted
		$	$	$
Impact on assets, liabilities and equity as at 31 December 2018				
Property, plant and equipment	(2),(6)			
Right-of-use assets	(1),(2)			
Finance lease receivables	(6)			
Net impact on total assets				
Obligations under finance leases	(3)			
Lease liabilities	(1),(3)			
Provisions	(4)			
Trade and other payables	(5)			
Net impact on total liabilities				
Retained earnings				
Impact on assets, liabilities and equity as at 31 December 2019				
Property, plant and equipment	(2),(6)			
Right-of-use assets	(1),(2)			
Finance lease receivables	(6)			
Net impact on total assets				
Obligations under finance leases	(3)			
Lease liabilities	(1),(3)			
Provisions	(4)			
Trade and other payables	(5)			
Net impact on total liabilities				
Retained earnings				

SFRS(I) 1-8.28.f.i

SFRS(I) 1-8.28.f.i

Group as a lessee

(1) The application of SFRS(I) 16 to leases previously classified as operating leases under SFRS(I) 1-17 resulted in the recognition of right-of-use assets and lease liabilities. It resulted in a decrease in "Other operating expenses" and an increase in depreciation and interest expense.

(2) Equipment under finance lease arrangements previously presented within property, plant and equipment is now presented within the line item right-to-use assets. There has been no change in the amount recognised.

(3) Lease liability on leases previously classified as finance leases under SFRS(I) 1-17 and previously presented within obligations under finance leases is now presented in the line "lease liabilities". There has been no change in the liability recognised.

(4) Provision for onerous lease contracts required under SFRS(I) 1-37 has been derecognised as right-of-use assets are subject to impairment under SFRS(I) 1-36.

(5) Lease incentives liability previously recognised with respect to operating leases has been derecognised and the amount factored into the measurement of the right-to-use assets and lease liabilities.

Group as a lessor

(6) The Group, as a lessor, has reclassified certain of its sublease agreements as finance lease. The leased assets have been derecognised and finance lease receivables have been recognised. This change in accounting changes the timing of recognition of the related revenue (recognised in finance income).

Appendix E: Disclosure Requirements of SFRS(I) 16 *Leases* (cont'd)

Reference

Part (ii) : Full retrospective transition approach – SFRS(I) 1-8 disclosure requirements (cont'd)

Financial impact of initial application of SFRS(I) 16 (cont'd)

The application of SFRS(I) 16 has an impact on the consolidated statement of cash flows of the Group. SFRS(I) 1-8.28.f.i

Under SFRS(I) 16, lessees must present:

- short-term lease payments, payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability as part of operating activities (the Group has included these payments as part of cash used in operations);
- cash paid for the interest portion of lease liability as either operating activities or financing activities, as permitted by SFRS(I) 1-7 (the Group has opted to include interest paid as part of operating activities); and
- cash payments for the principal portion for lease liability, as part of financing activities.

Under SFRS(I) 1-17, all lease payments on operating leases were presented as part of cash flows from operating activities.

Consequently, the net cash generated by operating activities has increased by $XXX (2018: $XXX) and net cash used in financing activities increased by the same amount.

The adoption of SFRS(I) 16 did not have an impact on net cash flows.

Appendix E: Disclosure Requirements of SFRS(I) 16 *Leases* (cont'd)

Reference

Part (iii) : Presentation of ROU assets within PPE note

4 Property, plant and equipment

(N.B. Only additional disclosures required by SFRS(I) 16 are illustrated. These are required as there is no more note on ROU assets (e.g. the movement schedule of ROU assets).)

The Group	Note	Freehold land and building $	Leasehold building $	Factory cum warehouse premises $	Plant and equipment $	Motor vehicles $	Furniture and fittings $	Total $	SFRS(I) 1-1.78.a SFRS(I) 1-16.73.d,e
Cost or Valuation									
At 1 January 2018		2,000,000	3,000,000	-	8,762,009	2,555,526	3,940,849	20,258,384	
Currency translation differences		-	-	-	54,762	11,622	16,736	83,120	SFRS(I) 1-16.73.e.viii
Additions		-	-	-	-	462,340	-	462,340	SFRS(I) 1-16.73.e.i
Disposals		-	-	-	-	(378,579)	-	(378,579)	SFRS(I) 1-16.73.e.ii
Revaluation increase/(decrease)									SFRS(I) 1-16.73.e.iv
Revaluation adjustment									SFRS(I) 1-16.73.e.iv
At 31 December 2018		**2,000,000**	**3,000,000**	**-**	**8,816,771**	**2,650,909**	**3,957,585**	**20,425,265**	
Adoption of SFRS(I) 16									
- Initial recognition		**-**	**-**	**1,062,092**	**659,816**	**-**	**-**	**1,721,908**	SFRS(I) 1-16.73.e.ix
At 1 January 2019, as adjusted		**2,000,000**	**3,000,000**	**1,062,092**	**9,476,587**	**2,650,909**	**3,957,585**	**22,147,173**	
Currency translation differences		**-**	**-**	**3,285**	**54,286**	**7,802**	**15,408**	**80,781**	SFRS(I) 1-16.73.e.viii
Additions		**-**	**-**	**-**	**1,006,143**	**875,780**	**519,297**	**2,401,220**	SFRS(I) 1-16.73.e.i
Additions - Business combination	7(a)	**-**	**-**	**-**	**250,000**	**-**	**-**	**250,000**	SFRS(I) 1-16.73.e.iii
Disposals		**-**	**-**	**-**	**(425,500)**	**(814,318)**	**(9,964)**	**(1,249,782)**	SFRS(I) 1-16.73.e.ii
Transfer to disposal group classified as held-for-sale	19	**-**	**-**	**-**	**(721,500)**	**-**	**(60,010)**	**(781,510)**	SFRS(I) 1-16.73.e.ii
Revaluation increase/(decrease)									SFRS(I) 1-16.73.e.iv
Revaluation adjustment									SFRS(I) 1-16.73.e.iv
At 31 December 2019		**2,000,000**	**3,000,000**	**1,065,377**	**9,640,016**	**2,720,173**	**4,422,316**	**22,847,882**	
Comprising:									
At 1 January 2018:									
Cost		2,000,000	3,000,000	-	8,762,009	2,555,526	3,940,849	20,258,384	SFRS(I) 1-16.73.a
Valuation									SFRS(I) 1-16.73.a
At 31 December 2018:									
Cost		2,000,000	3,000,000	-	8,816,771	2,650,909	3,957,585	20,425,265	SFRS(I) 1-16.73.a
Valuation									SFRS(I) 1-16.73.a
At 1 January 2019, as adjusted:									
Cost		**2,000,000**	**3,000,000**	**1,062,092**	**9,476,587**	**2,650,909**	**3,957,585**	**22,147,173**	SFRS(I) 1-16.73.a
Valuation									SFRS(I) 1-16.73.a
At 31 December **2019**:									
Cost		**2,000,000**	**3,000,000**	**1,065,377**	**9,640,016**	**2,720,173**	**4,422,316**	**22,847,882**	SFRS(I) 1-16.73.a
Valuation									SFRS(I) 1-16.73.a

FKT Holdings Limited
and its subsidiaries

Appendix E: Disclosure Requirements of SFRS(I) 16 *Leases* (cont'd)

Reference

Part (iii) : Presentation of ROU assets within PPE note (cont'd)

4 Property, plant and equipment (cont'd)

The Group	Note	Freehold land and building $	Leasehold building $	Factory cum warehouse premises $	Plant and equipment $	Motor vehicles $	Furniture and fittings $	Total $	SFRS(I) 1-1.78.a SFRS(I) 1-16.73.d,e
Accumulated depreciation and impairment									
At 1 January 2018		-	2,500,000	-	4,263,132	947,329	393,629	8,104,090	
Currency translation differences		-	-	-	25,320	8,724	12,428	46,472	SFRS(I) 1-16.73.e.viii
Depreciation									
- Continuing operations		-	100,000	-	940,984	211,567	610,113	1,862,664	SFRS(I) 1-16.73.e.vii
- Discontinued operations		-	-	-	71,345	-	-	71,345	SFRS(I) 1-16.73.e.vii
Disposals		-	-	-	-	(102,428)	-	(102,428)	SFRS(I) 1-16.73.e.ii
Revaluation adjustment									SFRS(I) 1-16.73.e.ix
At 31 December 2018		**-**	**2,600,000**	**-**	**5,300,781**	**1,065,192**	**1,016,170**	**9,982,143**	
Adoption of SFRS(I) 16									
- Initial recognition		**-**	**-**	**213,768**	**-**	**-**	**-**	**213,768**	SFRS(I) 1-16.73.e.ix
At 1 January 2019, as adjusted		**-**	**2,600,000**	**213,768**	**5,300,781**	**1,065,192**	**1,016,170**	**10,195,911**	
Currency translation differences		**-**	**-**	**1,278**	**24,510**	**4,622**	**11,808**	**42,218**	SFRS(I) 1-16.73.e.viii
Depreciation									
- Continuing operations		**-**	**100,000**	**123,022**	**1,090,125**	**349,031**	**644,136**	**2,306,314**	SFRS(I) 1-16.73.e.vii
- Discontinued operations		**-**	**-**	**-**	**88,710**	**-**	**-**	**88,710**	SFRS(I) 1-16.73.e.vii
Disposals		**-**	**-**	**-**	**(88,561)**	**(127,118)**	**(4,964)**	**(220,643)**	SFRS(I) 1-16.73.e.ii
Impairment loss		**-**	**-**	**-**	**207,141**	**-**	**-**	**207,141**	SFRS(I) 1-16.73.e.v
Transfer to disposal group classified as held-for-sale	19	**-**	**-**	**-**	**(350,100)**	**-**	**(25,011)**	**(375,111)**	SFRS(I) 1-16.73.e.ii
Revaluation adjustment									SFRS(I) 1-16.73.e.ix
At 31 December 2019		**-**	**2,700,000**	**338,068**	**6,272,606**	**1,291,727**	**1,642,139**	**12,244,540**	
Carrying amount									
At 31 December 2019		**2,000,000**	**300,000**	**727,309**	**3,367,410**	**1,428,446**	**2,780,177**	**10,603,342**	
At 31 December 2018		2,000,000	400,000	-	3,515,990	1,585,717	2,941,415	10,443,122	

Appendix E: Disclosure Requirements of SFRS(I) 16 *Leases* (cont'd) Reference

Part (iii) : Presentation of ROU assets within PPE note (cont'd)

4 Property, plant and equipment (cont'd)

Right-of-use of assets acquired under leasing arrangements are presented together with the owned assets of the same class. Information about the Group's leasing activities are disclosed in Note 43. SFRS(I) 16.52

Right-of-use assets classified within property, plant and equipment are as follows:

	The Group		
	At 31 December 2019	At 1 January 2019	
	$	$	SFRS(I) 16.54
Leasehold building	**300,000**	400,000	SFRS(I) 16.53.j
Factory cum warehouse premises	**727,309**	848,324	
Plant and equipment	**569,777**	659,816	
Motor vehicles	**308,194**	344,258	
	1,905,280	2,252,398	

Depreciation charge of right-of-use assets during the year are as follows:

	The Group	
	2019	
	$	
Leasehold building	**100,000**	SFRS(I) 16.53.a
Factory cum warehouse premises	**123,022**	
Plant and equipment	**91,389**	
Motor vehicles	**102,151**	
	416,562	

Additions of right-of-use assets during the year amounts to $66,087. SFRS(I) 16.53.h

(I) Hedge of net investments in foreign operations

Included in interest-bearing loans at 31 December 2019 was a borrowing of USD3,600,000 which has been designated as a hedge of the net investments in two subsidiaries in the United States, Entity A Inc. and Entity B Inc., beginning in 2019. This borrowing is being used to hedge the Group's exposure to the USD foreign exchange risk on these investments. Gains or losses on the retranslation of this borrowing are transferred to OCI to offset any gains or losses on translation of the net investments in the subsidiaries. SFRS(I) 7.22B.a

There is an economic relationship between the hedged item and the hedging instrument as the net investment creates a translation risk that will match the foreign exchange risk on the USD borrowing. The Group has established a hedge ratio of 1:1 as the underlying risk of the hedging instrument is identical to the hedged risk component. The hedge ineffectiveness will arise when the amount of the investment in the foreign subsidiary becomes lower than the amount of the fixed rate borrowing. SFRS(I) 7.22B.b SFRS(I) 7.22B.c SFRS(I) 7.22C

The impact of the hedging instrument on the statement of financial position as at 31 December 2019 is as follows: SFRS(I) 7.24A

SFRS(I) 7.24A.a-d

	Notional amount	Carrying amount	Line item in the statement of financial position	Change in fair value used for measuring ineffectiveness for the period
	USD	$		$
Foreign currency denominated borrowing	3,600,000	4,246,000	Interest-bearing loans and borrowings	278,000

The impact of the hedged item on the statement of financial position is as follows: SFRS(I) 7.24B.b

	Foreign currency translation reserve	Change in fair value used for measuring ineffectiveness for the period
	$	$
Net investment in foreign subsidiaries	195,000	278,000

The hedging gain recognised in OCI before tax is equal to the change in fair value used for measuring effectiveness. There is no ineffectiveness recognised in profit or loss. SFRS(I) 7.24B.b

(II) Fair value hedge

At 31 December 2019, the Group had an interest rate swap agreement in place with a notional amount of USD3,600,000 ($4,246,000) (2018: $Nil) whereby the Group receives a fixed rate of interest of 8.25% and pays interest at a variable rate equal to LIBOR+0.2% on the notional amount. The swap is being used to hedge the exposure to changes in the fair value of its fixed rate 8.25% secured loan. SFRS(I) 7.22B.a

There is an economic relationship between the hedged item and the hedging instrument as the terms of the interest rate swap match the terms of the fixed rate loan (i.e. notional amount, maturity, payment and reset dates). The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the interest rate swap is identical to the hedged risk component. To test the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instrument against the changes in fair value of the hedged item attributable to the hedged risk. SFRS(I) 7.22B.b SFRS(I) 7.22B.c SFRS(I) 7.22C

The hedge ineffectiveness can arise from:

- different interest rate curve applied to discount the hedged item and hedging instrument;
- differences in timing of cash flows of the hedged item and hedging instrument; and
- the counterparties' credit risk differently impacting the fair value movements of the hedging instrument and hedged item.

The impact of the hedging instrument on the statement of financial position as at 31 December 2019 is as follows: SFRS(I) 7.24A

SFRS(I) 7.24A.a-d

	Notional amount	Carrying amount	Line item in the statement of financial position	Change in fair value used for measuring ineffectiveness for the period
	USD	$		$
Interest rate swap	3,600,000	75,000	Other current financial liability	75,000

The impact of the hedged item on the statement of financial position as at 31 December 2019 is as follows: SFRS(I) 7.24B.b

	Carrying amount	Accumulated fair value adjustments	Line item in the statement of financial position	Change in fair value used for measuring ineffectiveness for the period
	$	$		$
Fixed-rate borrowing	4,246,000	75,000	Interest-bearing loans and borrowings	75,000

The ineffectiveness recognised in the statement of profit or loss is immaterial. SFRS(I) 7.24B.b

App G Reference

Defined benefits plan

The Group operates defined benefit pension plans in China and Hong Kong under broadly similar regulatory frameworks. All of the plans are final salary pension plans, which provide benefits to members in the form of a guaranteed level of pension payable for life. The level of benefits provided depends on members' length of service and their salary in the final years leading up to retirement. In the plans in China, pensions in payment are generally updated in line with the retail price index, whereas in the plans Hong Kong, pensions generally do not receive inflationary increases once in payment. With the exception of this inflationary risk in China, the plans face broadly similar risks, as described below. SFRS(I) 1-19.139.a SFRS(I) 1-1.112.c

The majority of benefit payments are from trustee-administered funds; however, there are also a number of unfunded plans where the Group meets the benefit payment obligation as it falls due. Plan assets held in trusts are governed by local regulations and practice in each country, as is the nature of the relationship between the Group and the trustees (or equivalent) and their composition. Responsibility for governance of the plans – including investment decisions and contributions schedules – lies jointly with the Group and the board of trustees. The board of trustees must be composed of representatives of the Group and plan participants in accordance with the plan's regulations.

The amounts recognised in the statement of financial position and the movements in the net defined benefit obligation over the year are as follows: SFRS(I) 1-19.140.a.i SFRS(I) 1-19.140.a.ii SFRS(I) 1-19.141

The Group	Present value of obligation $	Fair value of plan assets $	Total $	Impact of minimum funding requirement / asset ceiling $	Net amount $	
2019						
At 1 January	**449,200**	**(279,700)**	**169,500**	**20,500**	**190,000**	
Current service cost	**75,100**	**-**	**75,100**	**-**	**75,100**	SFRS(I) 1-19.141.a
Past service cost	**6,500**	**-**	**6,500**	**-**	**6,500**	SFRS(I) 1-19.141.d
Interest expense/(income)	**43,100**	**(30,800)**	**12,300**	**900**	**13,200**	SFRS(I) 1-19.141.b
Total amount recognised in profit or loss	**124,700**	**(30,800)**	**93,900**	**900**	**94,800**	
Remeasurements:						SFRS(I) 1-19.141.c
- Return on plan assets, excluding amounts included in interest income	**-**	**(18,700)**	**(18,700)**	**-**	**(18,700)**	
- Loss from change in demographic assumptions	**3,200**	**-**	**3,200**	**-**	**3,200**	
- Loss from change in financial assumptions	**12,100**	**-**	**12,100**	**-**	**12,100**	
- Experience losses	**(15,000)**	**-**	**(15,000)**	**-**	**(15,000)**	
- Change in asset ceiling, excluding amounts included in interest expense	**-**	**-**	**-**	**10,000**	**10,000**	
Total amount recognised in other comprehensive income	**300**	**(18,700)**	**(18,400)**	**10,000**	**(8,400)**	
Exchange differences	**(6,100)**	**(2,500)**	**(8,600)**	**-**	**(8,600)**	SFRS(I) 1-19.141.e
Contributions:						SFRS(I) 1-19.141.f
- Employers	**-**	**(90,800)**	**(90,800)**	**-**	**(90,800)**	
- Plan participants	**5,500**	**(5,500)**	**-**	**-**	**-**	
Payments from plan:						
- Benefit payments	**(56,600)**	**56,600**	**-**	**-**	**-**	SFRS(I) 1-19.141.g
- Settlement	**(28,000)**	**28,000**	**-**	**-**	**-**	SFRS(I) 1-19.141.g
Acquired in business combination	**369,100**	**(177,700)**	**191,400**	**-**	**191,400**	SFRS(I) 1-19.141.h
At 31 December	**858,100**	**(521,100)**	**337,000**	**31,400**	**368,400**	

Defined benefits plan (cont'd)

The Group	Present value of obligation $	Fair value of plan assets $	Total $	Impact of minimum funding requirement / asset ceiling $	Net amount $	
2018						
At 1 January	347,900	(226,400)	121,500	12,000	133,500	
Current service cost	31,900	-	31,900	-	31,900	SFRS(I) 1-19.141.a
Past service cost	17,900	-	17,900	-	17,900	SFRS(I) 1-19.141.d
Interest expense/(income)	21,400	(15,600)	5,800	500	6,300	SFRS(I) 1-19.141.b
Total amount recognised in profit or loss	71,200	(15,600)	55,600	500	56,100	
Remeasurements:						SFRS(I) 1-19.141.c
- Return on plan assets, excluding amounts included in interest income	-	(8,500)	(8,500)	-	(8,500)	
- Loss from change in demographic assumptions	2,000	-	2,000	-	2,000	
- Loss from change in financial assumptions	6,100	-	6,100	-	6,100	
- Experience losses	64,100	-	64,100	-	64,100	
- Change in asset ceiling, excluding amounts included in interest expense	-	-	-	8,000	8,000	
Total amount recognised in other comprehensive income	72,200	(8,500)	63,700	8,000	71,700	
Exchange differences	(32,400)	2,200	(30,200)	-	(30,200)	SFRS(I) 1-19.141.e
Contributions:						
- Employers	-	(41,100)	(41,100)	-	(41,100)	SFRS(I) 1-19.141.f
- Plan participants	3,000	(3,000)	-	-	-	
Benefit payments	(12,700)	12,700	-	-	-	SFRS(I) 1-19.141.g
At 31 December	449,200	(279,700)	169,500	20,500	190,000	

One of the China plans has a surplus that is not recognised, on the basis that future economic benefits are not available to the entity in the form of a reduction in future contributions or a cash refund. SFRS(I) 1-19.141

In connection with the closure of a factory, a curtailment loss was incurred and a settlement arrangement agreed with the plan trustees, effective on 31 December 2019, which settled all retirement benefit plan obligations relating to the employees of that factory. In the prior year, the Group made minor amendments to the terms of the plan, resulting in past service cost of $179,000. SFRS(I) 1-19.139.c

The net liability disclosed above relates to funded and unfunded plans as follows: SFRS(I) 1-19.138.e

The Group	**2019 $**	2018 $
Present value of funded obligations	**615,500**	294,300
Fair value of plan assets	**(521,100)**	(279,700)
Deficit of funded plans	**94,400**	14,600
Present value of unfunded obligations	**242,600**	154,900
Total deficit of defined benefit pension plans (before asset ceiling)	**337,000**	169,500

Appendix G: Defined Benefits Plan (cont'd)

Reference

Defined benefits plan (cont'd)

The Group has no legal obligation to settle the deficit in the funded plans with an immediate contribution or additional one off contributions. The Group intends to continue to contribute to the defined benefit section of the plan at a rate of 14% of salaries, in line with the actuary's latest recommendations. SFRS(I) 1-1.112.c

The following table shows a breakdown of the defined benefit obligation and plan assets by country: SFRS(I) 1-19.138.a

	2019			2018		
	China	**Hong Kong**	**Total**	China	Hong Kong	Total
The Group	**$**	**$**	**$**	$	$	$
Present value of obligation	**421,500**	**436,600**	**858,100**	105,000	344,200	449,200
Fair value of plan assets	**(210,200)**	**(310,900)**	**(521,100)**	(39,400)	(240,300)	(279,700)
	211,300	**125,700**	**337,000**	65,600	103,900	169,500
Impact of minimum funding requirement/asset ceiling	**31,400**	**-**	**31,400**	20,500	-	20,500
Total liability	**242,700**	**125,700**	**368,400**	86,100	103,900	190,000

As at the last valuation date, the present value of the defined benefit obligation included approximately $3,120,000 (2018 – $1,371,000) relating to active employees, $3,900,000 (2018 – $2,115,000) relating to deferred members and $1,561,000 (2018 – $1,006,000) relating to members in retirement. SFRS(I) 1-19.137.a

The significant actuarial assumptions were as follows: SFRS(I) 1-19.144

	2019		2018	
	China	**Hong Kong**	China	Hong Kong
Discount rate (%)				
Salary growth rate (%)				
Pension growth rate (%)				
Long-term increase in healthcare costs (%)				
Claim rates (%)				

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in each territory. These assumptions translate into an average life expectancy in years for a pensioner retiring at age 65:

	2019		2018	
	China	**Hong Kong**	China	Hong Kong
Retiring at the end of the reporting period:				
- Male				
- Female				
Retiring 20 years after the end of the reporting period:				
- Male				
- Female				

 Reference

Defined benefits plan (cont'd)

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is: SFRS(I) 1-19.145.a

	Change in assumption		Impact on defined benefit obligation					
			Increase in assumption			Decrease in assumption		
	2019	2018		**2019**	2018		**2019**	2018
Discount rate (%)	**0.5%**	0.3%	Decrease by:	**8.2%**	6.6%	Increase by:	**9.0%**	7.2%
Salary growth rate (%)								
Pension growth rate (%)								
Life expectancy (no. of years)	**+/-1 year**	+/-1 year	Increase by:	**2.8%**	2.5%	Decrease by:	**2.9%**	2.7%
Long-term increase in healthcare costs (%)								
Claim rates (%)								

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit liability recognised in the statement of financial position. SFRS(I) 1-19.145.b

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period. SFRS(I) 1-19.145.c

The major categories of plan assets are as follows:

		2019			2018	
The Group	**China** **$**	**Hong Kong** **$**	**Total** **$**	China $	Hong Kong $	Total $
Equity instruments:						
- Information technology						
- Energy						
- Manufacturing						
- Others						
Debt instruments:						
- Government						
- Corporate bonds (investment grade)						
- Corporate bonds (non-investment)						
Property						
- China						
- Hong Kong						
Qualifying insurance policies						
Cash and cash equivalents						
Investment funds						
Total						

The assets set out in the above table include ordinary shares issued by the Group with a fair value of $530,000 (2018 – $410,000) and land and buildings occupied by the Group with a fair value of $550,000 (2018 – $580,000). SFRS(I) 1-19.143

Appendix G: Defined Benefits Plan (cont'd) Reference

Defined benefits plan (cont'd)

Through its defined benefit pension plans, the Group is exposed to a number of risks, the most significant of which are detailed below: SFRS(I) 1-19.139.b

Asset volatility	The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will create a deficit. Both the China and Hong Kong plans hold a significant proportion of equities, which are expected to outperform corporate bonds in the long term while providing volatility and risk in the short term. As the plans mature, the Group intends to reduce the level of investment risk by investing more in assets that better match the liabilities. The first stage of this process was completed in FY2019 with the sale of a number of equity holdings and purchase of a mixture of government and corporate bonds. The government bonds represent investments in government securities only. The corporate bonds are global securities with an emphasis on China and Hong Kong. However, the Group believes that, due to the long-term nature of the plan liabilities and the strength of the supporting Group, a level of continuing equity investment is an appropriate element of the Group's long-term strategy to manage the plans efficiently.
Changes in bond yields	A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.
Inflation risks	Some of the Group's pension obligations are linked to salary inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect the plan against extreme inflation). The majority of the plan's assets are either unaffected by (fixed interest bonds) or loosely correlated with (equities) inflation, meaning that an increase in inflation will also increase the deficit. In the Hong Kong plans, the pensions in payment are not linked to inflation, so this is a less material risk.
Life expectancy	The majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities. This is particularly significant in the China plan, where inflationary increases result in higher sensitivity to changes in life expectancy.

In the case of funded plans, the Group ensures that the investment positions are managed within an asset-liability matching (ALM) framework that has been developed to achieve long-term investments that are in line with the obligations under the pension schemes. Within this framework, the Group's ALM objective is to match assets to the pension obligations by investing in long-term fixed interest securities with maturities that match the benefit payments as they fall due and in the appropriate currency. SFRS(I) 1-19.146

The Group actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the pension obligations. The Group has not changed the processes used to manage its risks from previous periods. The Group does not use derivatives to manage its risk. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets.

A large portion of assets in 2019 consists of equities and bonds, although the Group also invests in property, bonds, cash and investment (hedge) funds. The Group believes that equities offer the best returns over the long term with an acceptable level of risk. The majority of equities are in a globally diversified portfolio of international blue chip entities, with a target of 60% of equities held in China and Hong Kong, 30% in the US, and the remainder in emerging markets.

Defined benefits plan (cont'd)

The Group has agreed that it will aim to eliminate the pension plan deficit over the next nine years. Funding levels are monitored on an annual basis, and the current agreed contribution rate is 14% of pensionable salaries in China and 12% in Hong Kong. The next valuation is due to be completed as at 31 December 2020. The Group considers that the contribution rates set at the last valuation date are sufficient to eliminate the deficit over the agreed period and that regular contributions, which are based on service costs, will not increase significantly. SFRS(I) 1-19.147.a

Expected contributions to post-employment benefit plans for the year ending 31 December 2020 are $1,150,000. SFRS(I) 1-19.147.b

The weighted average duration of the defined benefit obligation is 25.2 years (2018 – 25.8 years). The expected maturity analysis of undiscounted pension is as follows: SFRS(I) 1-19.147.c

	Less than a year $	Between 1-2 years $	Between 2-5 years $	Over 5 years $	Total $
2019					
Defined benefit obligation					
2018					
Defined benefit obligation					

Appendix H: Joint venture and joint operation

App H Reference

Investment in joint ventures

	The Group		The Company	
	2019	2018	**2019**	2018
	$	$	**$**	$
Unquoted equity shares, at cost				
Share of post-acquisition profits and reserves				
Currency translation differences				

Set out below are the joint ventures of the Group as at 31 December 2019, which are material to the Group.

SFRS(I) 12.21.a.i
SFRS(I) 12.21.a.iii
SFRS(I) 12.21.a.iv

Name of joint venture	**Principal activities**	**Principal place of business / Country of incorporation**	**Proportion of ownership interest and voting rights held by the Group**	
			2019	2018
Held by the Company				
XXX	XXX	XXX	**XX%**	XX%
XXX	XXX	XXX	**XX%**	XX%

[joint venture name] provides freight forwarding services and gives the Group access to efficient freight forwarding processes in China and Hong Kong SFRS(I) 12.21.a.ii

The Group has $XXX (2018: $XXX) of commitments to provide funding if called, relating to its joint ventures. SFRS(I) 12.23

[joint venture name] has an unresolved legal case relating to a contract dispute with a customer. As the case is at an early stage in proceedings, it is not possible to determine the likelihood or amount of any settlement if [joint venture name] be unsuccessful.

Set out below are the summarised financial information for [joint venture name]. SFRS(I) 12.21.b.ii

SFRS(I) 12.B12
SFRS(I) 12.B13

	[joint venture name]	
	2019	2018
	$	$
Current assets	**XXX**	XXX
Includes:		
- Cash and cash equivalents	**XXX**	XXX
Current liabilities	**(XXX)**	(XXX)
Includes:		
- Financial liabilities (excluding trade payables)	**(XXX)**	(XXX)
Non-current assets	**XXX**	XXX
Non-current liabilities	**(XXX)**	(XXX)
Includes:		
- Financial liabilities (excluding trade payables)	**(XXX)**	(XXX)

Appendix H: Joint venture and joint operation (cont'd)

Reference

Investment in joint ventures (cont'd)

SFRS(I) 12.B12
SFRS(I) 12.B13

	[joint venture name]	
	2019	2018
	$	$
Revenue	**XXX**	XXX
Interest income	**XXX**	XXX
Expenses		
Includes:		
- Depreciation and amortisation	**(XXX)**	(XXX)
- Interest expense	**(XXX)**	(XXX)
Profit from continuing operations	**XXX**	XXX
Income tax expense	**(XXX)**	(XXX)
Post-tax profit from continuing operations	**XXX**	XXX
Post-tax profit from discontinued operations	**XXX**	XXX
Other comprehensive income	**XXX**	XXX
Total comprehensive income	**XXX**	XXX
Dividend received from joint venture	**XXX**	XXX

The information above reflects the amounts presented in the financial statements of the joint venture (and not the Group's share of those amounts), adjusted for differences in accounting policies between the Group and the joint venture. SFRS(I) 12.B14.a

Reconciliation of the summarised financial information presented to the carrying amount of the Group's interest in joint venture is as follows: SFRS(I) 12.B14.b

	[joint venture name]	
	2019	2018
	$	$
Net assets	**XXX**	XXX
Group's equity interest	**XX%**	XX%
Group's share of net assets	**XXX**	XXX
Goodwill	**XXX**	XXX
Carrying value	**XXX**	XXX

Joint operation

A subsidiary has a 50% interest in a joint arrangement called the XYZ Partnership which was set up as a partnership together with DEF Constructions Limited, to develop properties for residential housing in regional areas in the south of Country Q. SFRS(I) 12.7.b SFRS(I) 12.21.a

The principal place of business of the joint operation is in Country Q. SFRS(I) 12.21.a.iii

The joint venture agreement in relation to the XYZ Partnership require unanimous consent from all parties for all relevant activities. The two partners have direct rights to the assets of the partnership and are jointly and severally liable for the liabilities incurred by the partnership. This entity is therefore classified as a joint operation, and the Group recognises its direct right to the jointly held assets, liabilities, earned revenues and incurred expenses SFRS(I) 12.7.c

Appendix I: Areas of Changes in SFRS(I)

App I
Reference

Standards and Interpretations issued and effective on 1 January 2019:

Effective for financial periods at the end of														
New Pronouncement	**Our Publication**	**Effective Date**	**Dec**	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sept**	**Oct**	**Nov**
SFRS(I) 16 *Leases*	FKT Financial Reporting Updates 1Q 2019	1 January 2019	2019	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020
Amendments to SFRS(I) 9 *Financial Instruments*	FKT Financial Reporting Updates 1Q 2018	1 January 2019	2019	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020
Amendments to SFRS(I) 1- 28 *Investments In Associates and Joint Ventures*	FKT Financial Reporting Updates 1Q 2018	1 January 2019	2019	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020
Annual Improvements to SFRS(I) 2015 – 2017 *Cycle*	FKT Financial Reporting Updates 1Q 2018	1 January 2019	2019	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020
Amendments to SFRS(I) 1-19: Plan Amendment, Curtailment or Settlement	FKT Financial Reporting Updates 2Q 2018	1 January 2019	2019	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020
SFRS(I) INT 23 *Uncertainty of Tax Treatments*	FKT Financial Reporting Updates 3Q 2017	1 January 2019	2019	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020

Appendix I: Areas of Changes in SFRS(I) (cont'd)

Standards and Interpretations issued and effective after 1 January 2019:

			Effective for financial periods at the end of											
New Pronouncement	**Our Publication**	**Effective Date**	**Dec**	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sept**	**Oct**	**Nov**
Amendments to SFRS(I) 3: Definition of a Business	FKT Financial Reporting Updates 2Q 2019	1 January 2020	2020	2021	2021	2021	2021	2021	2021	2021	2021	2021	2021	2021
Amendments to SFRS(I) 1-1 and SFRS(I) 1-8: Definition of Material	FKT Financial Reporting Updates 2Q 2019	1 January 2020	2020	2021	2021	2021	2021	2021	2021	2021	2021	2021	2021	2021
SFRS(I)17 *Insurance Contracts*	FKT Financial Reporting Updates 4Q 2017	1 January 2021	2021	2022	2022	2022	2022	2022	2022	2022	2022	2022	2022	2022

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