



## UNI-ASIA GROUP LIMITED

Company Registration No: 201801284Z  
Incorporated in the Republic of Singapore

### FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 SEPTEMBER 2018

#### PART I – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF THIRD QUARTERLY RESULTS

- 1 (a) An income statement and statement of comprehensive income, or a statement of comprehensive income, for the group together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Note	3 <sup>rd</sup> Quarter ("3Q")			9 Months ended 30 September ("9M")		
		2018 US\$'000	2017 US\$'000	% Change	2018 US\$'000	2017 US\$'000	% Change
Charter income	8(i)	9,725	9,480	3%	29,405	27,493	7%
Fee income	8(ii)	1,666	872	91%	5,689	4,729	20%
Hotel income	8(iii)	20,158	13,468	50%	48,168	34,488	40%
Investment returns	8(iv)	(670)	1,083	(162%)	787	5,448	(86%)
Interest income		232	221	5%	640	595	8%
Other income		279	294	(5%)	1,350	797	69%
<b>Total income</b>		<b>31,390</b>	<b>25,418</b>	<b>23%</b>	<b>86,039</b>	<b>73,550</b>	<b>17%</b>
Employee benefits expenses		(4,588)	(3,862)	19%	(13,134)	(11,282)	16%
Amortisation and depreciation		(2,585)	(2,483)	4%	(7,858)	(7,602)	3%
Vessel operating expenses		(4,899)	(4,270)	15%	(13,922)	(12,374)	13%
Hotel lease expenses		(7,409)	(5,018)	48%	(16,129)	(12,339)	31%
Hotel operating expenses		(9,202)	(5,597)	64%	(22,778)	(14,686)	55%
Gain on disposal of property, plant and equipment		4	-	N/M	114	-	N/M
(Impairment)/ Reversal of impairment of property, plant and equipment		(15)	-	N/M	3,092	-	N/M
Other expenses		(1,057)	(1,688)	(37%)	(3,784)	(4,201)	(10%)
Net foreign exchange gain/ (loss)		503	20	N/M	192	(206)	(193%)
<b>Total operating expenses</b>		<b>(29,248)</b>	<b>(22,898)</b>	<b>28%</b>	<b>(74,207)</b>	<b>(62,690)</b>	<b>18%</b>
<b>Operating profit</b>		<b>2,142</b>	<b>2,520</b>	<b>(15%)</b>	<b>11,832</b>	<b>10,860</b>	<b>9%</b>
Finance costs – interest expense		(1,460)	(1,354)	8%	(4,392)	(3,984)	10%
Finance costs – others		(105)	(70)	50%	(336)	(226)	49%
Allocation to Tokumei Kumiai <sup>A</sup> investors		(654)	(768)	(15%)	(685)	(623)	10%
<b>Profit/ (loss) before tax</b>		<b>(77)</b>	<b>328</b>	<b>(123%)</b>	<b>6,419</b>	<b>6,027</b>	<b>7%</b>
Income tax expense		(63)	(161)	(61%)	(216)	(339)	(36%)
<b>Profit/ (loss) for the period</b>		<b>(140)</b>	<b>167</b>	<b>(184%)</b>	<b>6,203</b>	<b>5,688</b>	<b>9%</b>
Attributable to:							
Owners of the parent		(179)	33	N/M	4,955	4,846	2%
Non-controlling interests		39	134	(71%)	1,248	842	48%
		(140)	167	(184%)	6,203	5,688	9%

<sup>A</sup> Tokumei Kumiai ("TK") refers to a form of silent partnership structure used in Japan. Allocation to TK investors refers to share of profit and loss attributable to other TK investors of the TK structure.

	3 <sup>rd</sup> Quarter ("3Q")			9 Months ended 30 September ("9M")		
	2018 US\$'000	2017 US\$'000	% Change	2018 US\$'000	2017 US\$'000	% Change
Profit/ (loss) for the period	(140)	167	(184%)	6,203	5,688	9%
Other comprehensive income/ (expense) for the period, net of tax:						
Items that may be reclassified subsequently to profit or loss:						
Exchange differences on translation of foreign operations	(721)	8	N/M	(531)	815	(165%)
Net movement on cash flow hedges	40	134	(70%)	700	165	N/M
Other comprehensive income/ (expense) for the period, net of tax	(681)	142	N/M	169	980	(83%)
Total comprehensive income/ (expense) for the period	(821)	309	N/M	6,372	6,668	(4%)
Attributable to:						
Owners of the parent	(838)	165	N/M	5,135	5,845	(12%)
Non-controlling interests	17	144	(88%)	1,237	823	50%
	(821)	309	N/M	6,372	6,668	(4%)

N/M: Not meaningful

**1 (b) (i) A statement of financial position for the group and the issuer, together with a comparative statement as at the end of the immediately preceding financial year.**

	Group		Company	
	30 September 2018 US\$'000	31 December 2017 US\$'000	30 September 2018 US\$'000	31 December 2017 US\$'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Investment properties	16,561	14,975	-	-
Investments	26,752	27,668	-	-
Investment in subsidiary	-	-	109,276	109,276
Intangible assets	26	27	-	-
Property, plant and equipment	205,114	222,943	-	-
Rental deposit	6,583	4,567	-	-
Derivative financial instruments	572	430	-	-
Finance lease receivable	7,306	7,643	-	-
Accounts receivable	748	885	-	-
Deferred tax assets	61	129	-	-
<b>Total non-current assets</b>	<b>263,723</b>	<b>279,267</b>	<b>109,276</b>	<b>109,276</b>
<b>Current assets</b>				
Investments	4,058	30,302	-	-
Loans receivable	141	-	-	-
Derivative financial instruments	480	177	-	-
Finance lease receivable	377	364	-	-
Accounts receivable	5,991	4,703	-	-
Amount due from subsidiary	-	-	-	1,824
Prepayments, deposits and other receivables	9,094	9,950	382	550
Tax recoverable	305	711	-	-
Deposits pledged as collateral	4,001	3,847	-	-
Cash and bank balances	49,478	40,556	339	76
<b>Total current assets</b>	<b>73,925</b>	<b>90,610</b>	<b>721</b>	<b>2,450</b>
<b>Total assets</b>	<b>337,648</b>	<b>369,877</b>	<b>109,997</b>	<b>111,726</b>

**NOTES:**

The Group's non-current assets decreased by \$15.6 million from \$279.3 million on 31 December 2017 to \$263.7 million on 30 September 2018. This was mainly due to:

- 1) Decrease in property, plant and equipment from \$222.9 million on 31 December 2017 to \$205.1 million on 30 September 2018 primarily due to the disposal of a hotel and a ship investment held under property, plant and equipment;
- 2) Decrease in investments from \$27.7 million on 31 December 2017 to \$26.8 million on 30 September 2018 due mainly to receipt of capital repayment from existing investments and fair value adjustments;

Offset by:

- 3) Increase in investment properties from \$15.0 million on 31 December 2017 to \$16.6 million on 30 September 2018 due mainly to additional funding of existing investment properties; and
- 4) Increase in rental deposits from \$4.6 million on 31 December 2017 to \$6.6 million on 30 September 2018 due to rental deposits for new hotels added to the Group's hotel operation portfolio.

Current assets decreased by \$16.7 million from \$90.6 million on 31 December 2017 to \$73.9 million on 30 September 2018. In 3Q2018, the Group received capital and partial gain from the second Hong Kong property investment project held under investment in current assets totalling \$29.4 million. Out of this, \$4.1 million was paid to non-controlling interest's share of the second Hong Kong property investment project. The balance of the proceeds were used for the fifth Hong Kong property investment project, other investments, repayment of borrowings, as well as held in cash.

	Group		Company	
	30 September 2018 US\$'000	31 December 2017 US\$'000	30 September 2018 US\$'000	31 December 2017 US\$'000
<b>EQUITY</b>				
<b>Equity attributable to owners of the parent</b>				
Share capital	109,276	109,276	109,276	109,276
Retained earnings	22,396	19,674	(153)	2,332
Hedging reserve	1,623	943	-	-
Exchange reserve	873	1,373	-	-
Capital reserve	(2,907)	(2,907)	-	-
<b>Total equity attributable to owners of the parent</b>	<b>131,261</b>	<b>128,359</b>	<b>109,123</b>	<b>111,608</b>
Non-controlling interests	4,696	7,606	-	-
<b>Total equity</b>	<b>135,957</b>	<b>135,965</b>	<b>109,123</b>	<b>111,608</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Borrowings	138,234	150,343	-	-
Derivative financial instruments	-	108	-	-
Deferred tax liabilities	509	538	-	-
Other payables	77	77	-	-
Provision for onerous contract	1,068	1,735	-	-
<b>Total non-current liabilities</b>	<b>139,888</b>	<b>152,801</b>	<b>-</b>	<b>-</b>
<b>Current liabilities</b>				
Borrowings	48,362	66,462	-	-
Due to Tokumei Kumiai investors	2,500	2,359	-	-
Derivative financial instruments	-	127	-	-
Accounts payable	3,718	3,970	-	-
Amount due to subsidiary	-	-	811	-
Other payables and accruals	6,392	7,716	63	118
Provision for onerous contract	741	439	-	-
Income tax payable	90	38	-	-
<b>Total current liabilities</b>	<b>61,803</b>	<b>81,111</b>	<b>874</b>	<b>118</b>
<b>Total liabilities</b>	<b>201,691</b>	<b>233,912</b>	<b>874</b>	<b>118</b>
<b>Total equity and liabilities</b>	<b>337,648</b>	<b>369,877</b>	<b>109,997</b>	<b>111,726</b>

**NOTES:**

Total liabilities decreased by \$32.2 million from \$233.9 million on 31 December 2017 to \$201.7 million on 30 September 2018 mainly due to decreased in borrowings following repayments made with proceeds from disposal of a hotel and a ship investment (held under "property, plant and equipment") as well as from part of the proceeds received from the Group's second Hong Kong property investment project.

1 (b) (ii) **Aggregate amount of group's borrowings and debt securities.**

	As at 30 September 2018		As at 31 December 2017	
	Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
Amount repayable in one year or less, or on demand	31,385	16,977	40,404	26,058
Amount repayable after one year	126,491	11,743	133,814	16,529
Total	157,876	28,720	174,218	42,587

**Details of any collateral**

The Group's borrowings as at 30 September 2018 are secured by means of:

- legal mortgages over certain cash deposits of a subsidiary
- legal mortgages over investment properties of subsidiaries
- legal mortgages over vessels of subsidiaries
- legal mortgages over a freehold property under the category of "Property, plant and equipment" of a subsidiary

1 (c) A statement of cash flows for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Note	9 Months ended 30 September	
		2018 US\$'000	2017 US\$'000
<b>Cash flows from operating activities</b>			
Profit before tax		6,419	6,027
Adjustments for:			
Investment returns		(787)	(5,448)
Amortisation and depreciation		7,858	7,602
Gain on disposal of property, plant and equipment		(114)	(1)
Reversal of impairment of property, plant and equipment		(3,092)	-
Reversal of provision for receivable (IFRS 9)		(15)	-
Net foreign exchange (gain)/ loss		(192)	206
Interest income		(640)	(595)
Finance costs – interest expense		4,392	3,984
Finance costs – others		336	226
Allocation to Tokumei Kumiai investors		685	623
Operating cash flows before changes in working capital		14,850	12,624
Changes in working capital:			
Net change in accounts receivable		(1,388)	(708)
Net change in prepayments, deposits and other receivables		487	(1,245)
Net change in accounts payable		(125)	(187)
Net change in other payables, accruals and deferred income		(1,709)	(2,483)
Cash flows generated from operations		12,115	8,001
Interest received on bank balances		207	91
Tax reimbursed/ (paid)		326	(529)
Net cash flows generated from operating activities	[A]	12,648	7,563
<b>Cash flows from investing activities</b>			
Purchase of investment properties		(6,601)	(9,392)
Purchase of investments		(10,934)	(7,565)
Proceeds from sale of an investment property		6,029	7,935
Proceeds from redemption/ sale of investments		20,664	3,946
Proceeds from finance lease		279	258
Hotel lease deposit		(2,027)	(1,147)
Deposits for small residential projects		-	(108)
Purchase of property, plant and equipment		(1,225)	(2,547)
Proceeds from disposal of property, plant and equipment		14,472	2
Net (redemption)/ contribution from Tokumei Kumiai investors		(330)	468
Loans advanced		(140)	(5,702)
Loans repaid		-	450
Interest received from loans and finance leases		384	448
Net (increase)/ decrease in deposits pledged as collateral		(261)	39
Income proceeds from investments		16,277	197
Settlement of derivative financial instruments		(20)	(149)
Proceeds from property rental		647	1,320
Net cash flows generated from/ (used in) investing activities	[B]	37,214	(11,547)

	Note	9 Months ended 30 September	
		2018 US\$'000	2017 US\$'000
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		11,907	26,006
Repayment of borrowings		(41,839)	(23,452)
Interest and other finance cost paid		(4,409)	(4,134)
Dividend paid		(2,218)	(1,010)
Payment to non-controlling interest		(4,147)	-
Net cash flows used in financing activities	[C]	(40,706)	(2,590)
Net increase/ (decrease) in cash and bank balances		9,156	(6,574)
Movements in cash and bank balances:			
Cash and bank balances at beginning of the period		40,556	35,552
Net increase/ (decrease) in cash and bank balances		9,156	(6,574)
Effects of foreign exchange rate changes, net		(234)	695
Cash and bank balances at end of the period		49,478	29,673

**NOTES:**

The Group's cash and bank balances increased by \$8.9 million in 9M2018 after the effects of foreign exchange rate changes mainly due to the followings:

[A] Cash flows generated from operating activities amounted to \$12.6 million for 9M2018 compared to \$7.6 million for 9M2017, mainly due to contribution from ship charter income and arrangement fees earned.

[B] Cash flows generated from investing activities were \$37.2 million for 9M2018.

Main cash inflows from investing activities include:

- i) proceeds from sale of an investment property, which pertain to the Group's small residential property investment, ALERO series, of \$6.0 million,
- ii) proceeds from redemption/sale of investments of \$20.7 million, of which \$14.7 million pertains to the capital returned from the Group's second Hong Kong property project investment;
- iii) proceeds from disposal of a hotel and a ship (both of which are classified under property, plant and equipment) totalling \$14.5 million; and
- iv) income proceeds from investments of \$16.3 million, of which \$14.7 million pertains to income proceeds from the Group's second Hong Kong property project investment.

Main cash outflows from investing activities include:

- i) investment in investment properties of \$6.6 million;
- ii) purchase/additional funding of investments of \$10.9 million, of which \$8.0 million pertains to the Group's fifth Hong Kong property project investment ; and
- iii) payment of new hotel lease deposit of \$2.0 million.

[C] Cash flows used in financing activities were \$40.7 million in 9M2018 mainly due to repayments of borrowings offset by new borrowings and refinancing of existing borrowings in 9M2018. Dividend of \$2.2 million for FY2017 approved in AGM was paid in 2Q2018.

**1 (d) (i) A statement for the group and the issuer showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.**

Group	Share capital US\$'000	Share premium US\$'000	Retained earnings US\$'000	Hedging reserve US\$'000	Exchange reserve US\$'000	Capital reserve US\$'000	Total equity attributable to owners of the parent US\$'000	Non-controlling interests US\$'000	Total equity US\$'000
At 1 January 2017	75,167	31,319	14,460	353	525	(117)	121,707	4,185	125,892
Profit for the period	-	-	4,846	-	-	-	4,846	842	5,688
Other comprehensive income/ (expense)	-	-	-	180	819	-	999	(19)	980
Total comprehensive income	-	-	4,846	180	819	-	5,845	823	6,668
Adjustments to equity arising from restructuring <sup>B</sup>	34,109	(31,319)	-	-	-	(2,790)	-	-	-
Distribution to owners - Dividend in respect of 2016	-	-	(1,010)	-	-	-	(1,010)	-	(1,010)
At 30 September 2017	109,276	-	18,296	533	1,344	(2,907)	126,542	5,008	131,550
At 1 January 2018	109,276	-	19,674	943	1,373	(2,907)	128,359	7,606	135,965
Adjustments due to first time adoption of IFRS 9	-	-	(15)	-	-	-	(15)	-	(15)
Profit for the period	-	-	4,955	-	-	-	4,955	1,248	6,203
Other comprehensive income	-	-	-	680	(500)	-	180	(11)	169
Total comprehensive income	-	-	4,955	680	(500)	-	5,135	1,237	6,372
Distribution to owners - Dividend in respect of 2017	-	-	(2,218)	-	-	-	(2,218)	-	(2,218)
Payment to non-controlling interests	-	-	-	-	-	-	-	(4,147)	(4,147)
At 30 September 2018	109,276	-	22,396	1,623	873	(2,907)	131,261	4,696	135,957

Company	Share capital US\$'000	Accumulated losses/ Retained earnings US\$'000	Total equity US\$'000
At date of incorporation on 12 January 2017	-	-	-
Loss for the period	-	(137)	(137)
Total comprehensive expense	-	(137)	(137)
Issuance of shares	109,276	-	109,276
At 30 September 2017	109,276	(137)	109,139
At 1 January 2018	109,276	2,332	111,608
Loss for the period	-	(267)	(267)
Total comprehensive expense	-	(267)	(267)
Distribution to owners - Dividend in respect of 2017	-	(2,218)	(2,218)
At 30 September 2018	109,276	(153)	109,123

<sup>B</sup> Uni-Asia Group Limited (the "Company") was incorporated on 12 January 2017 with an issued and paid-up share capital of US\$1.00, comprising one ordinary share ("Share"). On 26 May 2017, the Company completed the acquisition of all of the shares in the capital of Uni-Asia Holdings Limited pursuant to the restructuring exercise (the "Restructuring Exercise") undertaken by the Company by way of a scheme of arrangement under Section 86 of the Companies Law (2017 Revision) of the Cayman Islands (the "Scheme"). In connection with the Restructuring Exercise and the Scheme, 46,979,279 Shares ("Scheme Shares") were allotted and issued by the Company to the shareholders of Uni-Asia Holdings Limited on 26 May 2017. Following the allotment and issuance of the Scheme Shares, the total issued share capital of the Company increased from one Share to 46,979,280 Shares. Following the completion of the Restructuring Exercise, the Company was listed and quoted on the Main Board of the Singapore Exchange Securities Trading Limited (the "SGX-ST") on 2 June 2017 and Uni-Asia Holdings Limited was delisted from the Main Board of the SGX-ST with effect from 2 June 2017.



- 1 (d) (ii) **Details of any changes in the company’s share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

During the period ended 30 September 2018, there was no change in share capital.

The Company did not have any convertibles or treasury shares as at 30 September 2018, 31 December 2017 and 30 September 2017.

- 1 (d) (iii) **To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

	<b>Uni-Asia Group Limited As at 30 September 2018</b>	<b>Uni-Asia Holdings Limited As at 31 December 2017</b>
Total number of issued shares	46,979,280	46,979,280

- 1 (d) (iv) **A statement showing all sales, transfers, disposal, cancellation and/ or use of treasury shares as at the end of the current financial period reported on.**

Not applicable.

- 2 **Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

The figures have not been audited or reviewed.

- 3 **Where the figures have been audited or reviewed, the auditors’ report (including any qualifications or emphasis of a matter).**

Not applicable.

- 4 **Whether the same accounting policies and method of computation as in the issuer’s most recently audited annual financial statements have been applied.**

The Group has adopted the same accounting policies and method of computation in the financial statements for the current financial period as compared with the audited financial statements for the financial year ended 31 December 2017, except for the adoption of “*IFRS 9 – Financial Instruments*” and “*IFRS 15 – Revenue from Contracts with Customers*” that are effective as of 1 January 2018.

- 5 **If there are any changes in the accounting policies and method of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of the change.**

The Group has adopted IFRS 9 and IFRS 15 on 1 January 2018.

*IFRS 9 – Financial Instruments*

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment, and hedge accounting. There were no significant changes to the classification and measurement of the Group financial instruments and the accounting for hedges.

With regard to impairment, IFRS 9 requires the Group to assess expected credit losses on all of its relevant financial assets, either on a 12-month or lifetime basis. The Group applied the simplified approach and recorded lifetime expected losses on the relevant financial assets. As a result of the assessment, an impairment loss of US\$15,000 was made to the beginning retained earnings on 1 January 2018 (please refer to page 8) and a net reversal of impairment loss of US\$15,000 was made for the period ended 30 September 2018.

**IFRS 15 – Revenue from Contracts with Customers**

IFRS 15 was issued in May 2014, and amended in April 2016, and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The adoption of IFRS 15 did not have a material impact to the Group’s financials.

**6 Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

	3 <sup>rd</sup> Quarter		9 Months ended 30 September	
	2018	2017	2018	2017
Profit/ (loss) attributable to owners of the parent (US\$'000)	(179)	33	4,955	4,846
Weighted average number of ordinary shares in issue ('000)	46,979	46,979	46,979	46,979
Earnings/ (loss) per share (US cents per share) - basic and diluted	(0.38)	0.07	10.55	10.32

**7 Net asset value for the group per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:**

- (a) current financial period reported on; and
- (b) immediately preceding financial year.

	30 September 2018	31 December 2017
Net asset value per ordinary share based on issued share capital (in US\$)	2.89	2.89

**8 A review of the group performance, to the extent necessary for a reasonable understanding of the group’s business. It must include discussion of any significant factors that affected the turnover, costs, and earnings for the current financial period report on, including (where applicable) seasonal or cyclical factors; and any material factors that affected the cash flow, working capital, assets or liabilities of the group during current financial period reported on:**

**Review of Income Statement**

**Total Income**

Total income of the Group was \$86.0 million for 9M2018, a 17% increase from 9M2017. Changes in major components of total income, including charter income, fee income, hotel income and investment returns are explained below.

(i) Charter Income

Charter income increased by 7% from \$27.5 million in 9M2017 to \$29.4 million in 9M2018 mainly due to the inclusion of charter income of the vessel under Fulgida Bulkship S.A. (“Fulgida”) in 9M2018, but not in 9M2017. This is because Fulgida acquired its vessel on 2 November 2017.

(ii) Fee Income

Breakdown of Fee Income:	3Q			9M		
	2018 US\$'000	2017 US\$'000	% Change	2018 US\$'000	2017 US\$'000	% Change
Asset management & administration fee	687	512	34%	1,819	1,632	11%
Arrangement and agency fee	838	214	N/M	3,141	2,662	18%
Brokerage commission	143	93	54%	378	367	3%
Incentive fee	(2)	53	(104%)	351	68	N/M
	1,666	872	91%	5,689	4,729	20%

Total fee income increased by 20% to \$5.7 million in 9M2018 from \$4.7 million in 9M2017. All fee income sub-categories for 9M2018 increased as compared to the same period last year.

(iii) Hotel Income

Hotel income increased by 40% from \$34.5 million in 9M2017 to \$48.2 million in 9M2018 due to more rooms under operations in 9M2018. The growth was in line with the Group's strategy to expand its hotel operation business. Five new hotels were added to the Group's portfolio in 2018 and the number of rooms under operations had increased from 1,851 as at end of 2017 to 2,667 as of end of September 2018.

(iv) Investment Returns

Breakdown of Investment Returns:	3Q			9M		
	2018 US\$'000	2017 US\$'000	% Change	2018 US\$'000	2017 US\$'000	% Change
Realised gain on investment properties	1,263	2,169	(42%)	1,263	2,169	(42%)
Realised gain on investments						
- shipping	65	65	0%	408	197	107%
- small residential property developments	56	249	(78%)	141	257	(45%)
- distressed assets	1,182	-	N/M	1,182	-	N/M
- listed shares	18	324	(94%)	18	691	(97%)
Property rental income	244	246	(1%)	630	637	(1%)
Fair value adjustment on investment properties	-	7	(100%)	-	1,164	(100%)
Fair value adjustment on investments						
- shipping	(3,588)	(1,442)	149%	(6,253)	(1,911)	N/M
- commercial office building	(12)	(4)	N/M	3,052	2,106	45%
- hotel and residential	-	(27)	(100%)	-	(37)	(100%)
- small residential property developments	301	(315)	(196%)	269	(16)	N/M
- listed shares	(203)	(207)	(2%)	118	322	(63%)
Net gain/ (loss) on derivative financial instruments	4	18	(78%)	(41)	(131)	(69%)
	(670)	1,083	(162%)	787	5,448	(86%)

Investment returns for 9M2018 was \$0.8 million in 9M2018 compared to \$5.4 million in 9M2017. \$1.2 million in cash was recovered from distressed assets. Additional fair value loss of \$3.5 million was recognised for the containership investments in 3Q2018 following the deteriorations of containership investments as a result of ongoing trade war.

Total Operating Expenses

The Group's total operating expenses increased by 18% from \$62.7 million in 9M2017 to \$74.2 million in 9M2018. Employee benefits expenses, hotel lease expenses and hotel operating expenses increased in correspond with the increase in hotel income. In particular, pre-opening expenses totalling US\$1.1 million for the 5 new hotels added to the Group's hotel portfolio in 9M2018 contributed to the increase in hotel operating expenses. Depreciation and vessel operating expenses increased due mainly to the aforementioned vessel acquired in November 2017.

The Group made a reversal of impairment of property, plant and equipment totalling \$3.1 million in 9M2018 following the disposal of a hotel as well as a contracted sale of a ship, both of which were impaired in previous years.

## **Operating Profit**

Operating profit of the Group was \$11.8 million for 9M2018, an increase of 9% compared to 9M2017.

## **Net Profit After Tax**

The Group posted a net profit after tax of \$6.2 million for 9M2018, as compared to \$5.7 million for 9M2017.

### **9 Where a forecast, or a prospect statement, has been previously disclosed to shareholders, and variance between it and the actual results.**

Not applicable. The Group has not provided a forecast.

### **10 A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

#### **Dry Bulk**

According to Clarksons Research "Dry Bulk Trade Outlook" September 2018 issue, 2018 has so far seen the balance of fundamentals improve in the bulker sector due to limited fleet growth although going forward, there are a number of risks to the demand outlook including the potential for Chinese major bulk imports to soften. Overall, the fundamentals in the bulkcarrier market initially look set to be broadly balanced in the coming year. The Group monitors the bulkcarrier market carefully and makes adjustments to the Group's bulkcarrier strategy accordingly.

#### **Containership**

According to Howe Robinson Partners Third Quarter Containership Review 2018, the combined impact of tariff, Brexit, financial instability, weaker German growth may result in a highly uncertain containership demand, while the legacy of oversupply from 2018 could weigh on the containership freight, charter and secondhand markets in the coming year. The 4 containerships in the Group shipping portfolio may be impacted under such market conditions.

#### **Hong Kong Property**

In Hong Kong, the high-speed rail link between Hong Kong and mainland China opened to the public on 23 September 2018. The Hong Kong-Zhuhai-Macau bridge linking up Hong Kong, Macau and the mainland's River Delta cities to form the Greater Bay Area was declared officially open on 23 October 2018 by Chinese President Mr. Xi Jinping. Hong Kong's economy is expected to be more robust with the opening of these infrastructures. Following the success of the Group's 2<sup>nd</sup> property investment project at 650 Cheung Sha Wan Road, the Group has invested in the fifth property investment project and is now exploring a sixth property investment project. The aim is to capitalise on Hong Kong's commercial property growth and for such projects to add on to the Group's bottomline annually.

#### **Japan Property**

Japan's property market remains buoyant. While expanding new ALERO projects opportunities, the Group is also exploring new asset/construction management opportunities including hotel redevelopment projects.

#### **Hotel Operation**

For 2017's Hotel Chain Ranking organised by "Jalan.net", one of the largest online hotels and ryokans booking site in Japan, the Group's Hotel Vista was voted first for 2 categories:

- i) "Business Travel – Less Than JPY15,000 Per Night" Category
- ii) "Family Travel – Less Than JPY15,000 Per Night" Category

With the Group's existing portfolio of hotels and new hotels to be added to the Group's portfolio, and the endorsement by guests as top in its category, the Group is in a good position to benefit from the growing hospitality market in Japan.

**11 Dividend**

**(a) Current Financial Period Reported On**

**Any dividend declared for the current financial period reported on?**

No.

**(b) Corresponding period of the Immediately Preceding Financial Year**

**Any dividend declared for the corresponding period of the immediately preceding financial year?**

No.

**(c) Date payable**

Not applicable.

**(d) Books closure date**

Not applicable.

**12 If no dividend has been declared/ recommended, a statement to that effect.**

No dividend has been declared/ recommended by the Directors for the third quarter ended 30 September 2018.

**13 If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.**

<b>Name of Interested Person</b>	<b>Aggregate value of all interested person transactions conducted under the Shareholders' Mandate (excluding transactions less than S\$100,000) pursuant to Rule 920</b> <b>US\$'000</b>
Yamasa Co., Ltd (and its associates)	2,155

**14 Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1).**

The Company confirms that the undertakings under Rule 720(1) of the Listing Manual have been obtained from all its directors and executive officers in the format set out in Appendix 7.7.

**BY THE ORDER OF THE BOARD**

Michio Tanamoto  
Chairman and CEO  
8 November 2018

**CONFIRMATION BY THE BOARD PURSUANT TO RULE 705(5) OF THE LISTING MANUAL**

On behalf of the Board of Directors of the Company, we, the undersigned, hereby confirm to the best of our knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the financial statements for the third quarter ended 30 September 2018 to be false or misleading in any material aspect.

On behalf of the Board of Directors



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Michio Tanamoto  
Chairman and CEO

Date: 8 November 2018