FRAGRANCE GROUP LIMITED

ANNUAL REPORT FY 2019

CONTENTS

CORPORATE PROFILE

THE CROWN HOTEL

With a track record dating back to the mid-1980s, Fragrance Group Limited ("FGL" or "the Group") is a property developer with presence in three continents today, Asia, Australia and Europe. FGL is listed on the main board of the SGX-ST on 3 February 2005.

The core business activities of our Group are the development of residential, commercial, hotel and industrial properties. Other activities of our Group comprise the holding of investment properties and hotel operations.

The strategy for our property development arm is to offer customers quality homes and business spaces at affordable prices. Today's busy urban lifestyle calls for simple design solutions that uncover precious space. Every square foot at our property units are meticulously mapped out to meet its customer's satisfaction and their fittings have been carefully selected to offer comfort and durability. Our projects offer the perfect combination of essential living and convenience with their strategic locations. As at to date, the Group has launched more than 80 projects.

In Singapore, the Group's property investment portfolio includes prime commercial properties situated in and near Singapore's CBD and a unique seafront Food and Beverage outlets and an industrial building.

In Australia, the Group's property portfolio comprises of mixed-use developments, hotels, residential and commercial developments located in Melbourne, Perth and Tasmania. The Group also owns two hotel properties, namely, Novotel Perth Murray Street with 431 rooms in Perth, Western Australia and ibis Styles Hobart with 296 rooms in Hobart, Tasmania.

In United Kingdom, the Group's property portfolio includes primarily hotels and hotel development projects in key cities outside London, namely, Manchester, Liverpool, Bath, Torquay, Paignton, Harrogate, Plymouth and Blackpool.

LETTER TO SHAREHOLDERS

DEAR SHAREHOLDERS,

On behalf of the Board of Directors of Fragrance Group Limited (the "Group"), we are pleased to present the Group's Annual Report for the financial year ended 31 December 2019 ("FY 2019").

OVERVIEW

FY 2019 is a year of consolidation for the Group, where we continued our focus on building a platform for sustainable future growth. On this note, we are delighted to update our shareholders that the Group has completed its second hotel development project in Australia, Novotel Perth Murray Street with 431 rooms in Perth, and commenced operations since mid-December 2019. The Group has completed the development of NV Apartments in Perth and progressing well with the construction of Premier Tower in Melbourne. In Singapore, the Group has launched two residential development projects, namely Jervois Treasures and Urban Treasures in 2019.

During the financial year under review, the Group's revenue dip by 82.2% to $58.2 million, mainly due to decrease in revenue contribution from property development segment. Despite the lower revenue, the Group reported a net profit attributable to shareholders of $79.9 million. This was primarily attributed to the net fair value gain on investment properties.

For FY 2019, the Board has declared a cash dividend of 0.35 cents per share amounting to approximately $23.5 million and dividend-in-specie of 436,383,933 shares in AF Global Limited.

LOOKING FORWARD

The Group has been actively managing its portfolio of assets to diversify and expand our investments to different geographical locations and assets class. Over the past few years, the Group has acquired twelve hotel properties (six operating hotels and six redevelopment sites for hotels) in United Kingdom with a view towards building a portfolio of hotel assets to provide the Group recurring and stable income.

In Australia, our two hotels namely, ibis Styles Hobart hotel in Tasmania (296 rooms) and Novotel Perth Murray Street in Perth (431 rooms) will continue to provide stable stream of revenue. With the completion of development of NV Apartments in Perth, revenue from

LETTER TO SHAREHOLDERS

the sold units will be recognised in FY 2020. Construction works for Premier Tower is in full swing with expected completion in 4Q 2020 or 1H 2021. Marketing efforts are ongoing to sell the remaining units in these two projects.

In Singapore, the Group has completed the purchase of a property located at 62 Waterloo Street Singapore ("Waterloo property") for a consideration of $141.0 million in February 2020. This property will be redeveloped together with the adjacent land plot located at 64 Waterloo Street for a combined comprehensive hotel development with efficient layout and facilities. Demolition works are ongoing on 15 Hoe Chiang Road property paving way for its redevelopment into a hotel.

The Group's various commercial investment properties in Singapore will continue providing rental income to the Group.

Looking ahead, the Coronavirus Disease 2019 ("COVID-19") outbreak is expected to have a negative impact on the global economy. Hospitality is a more vulnerable sector and the impact on the Group business would be largely dependent on when the world can contain the spread of this virus.

ACKNOWLEDGEMENT

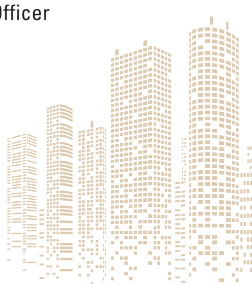
On behalf of the Board of Directors and Management, we would like to take this opportunity to thank our buyers of our residential and commercial units, tenants and business partners for your invaluable trust and support throughout the years. Most of all, we would like to thank you, our Shareholders, for your continued confidence and support.

Koh Wee Meng
Executive Chairman and CEO

Periakaruppan Aravindan
Executive Director and Deputy CEO

BOARD OF DIRECTORS

KOH WEE MENG
Executive Chairman
Chief Executive Officer



APPOINTMENT
Date of first appointment as a director:
28 July 2000
Date of last re-election as a director:
26 April 2018
Length of service as a director:
19 years 5 months
(on 31 December 2019)

BOARD COMMITT0EE(S) SERVED ON
Nominating Committee (Member)

PRESENT DIRECTORSHIPS IN OTHER LISTED COMPANIES
Nil

OTHER PRINCIPAL COMMITMENTS
(other than directorships in listed companies)
Nil

DIRECTORSHIPS IN OTHER LISTED COMPANIES HELD OVER THE PRECEDING THREE YEARS
(from to 31 Dec 2016 to 30 Dec 2019)
Global Premium Hotels Limited

LIM WAN LOOI
Executive Director

APPOINTMENT
Date of first appointment as a director:
28 July 2000
Date of last re-election as a director:
29 April 2019
Length of service as a director:
19 Years 5 months
(on 31 December 2019)

BOARD COMMITTEE(S) SERVED ON
Remuneration Committee (Member)

PRESENT DIRECTORSHIPS IN OTHER LISTED COMPANIES
Nil

OTHER PRINCIPAL COMMITMENTS
(other than directorships in listed companies)
Nil

DIRECTORSHIPS IN OTHER LISTED COMPANIES HELD OVER THE PRECEDING THREE YEARS
(from to 31 Dec 2016 to 30 Dec 2019)
Nil

PERIAKARUPPAN ARAVINDAN
Executive Director
Deputy Chief Executive Officer

APPOINTMENT
Date of first appointment as a director:
28 April 2010
Date of last re-election as a director:
29 April 2019
Length of service as a director:
9 years 8 months
(on 31 December 2019)

BOARD COMMITTEE(S) SERVED ON
Nil

ACADEMIC & PROFESSIONAL QUALIFICATION(S)
Chartered Accountant of Singapore, Institute of Singapore Chartered Accountants (ISCA),
Fellow Member of the Association of Chartered Certified Accountants, United Kingdom (ACCA),
Bachelor in Commerce, Madurai Kamaraj University,
Masters in Business Administration (Finance), Madurai Kamaraj University

PRESENT DIRECTORSHIPS IN OTHER LISTED COMPANIES
AF Global Limited (Non-Executive Director, Member of Audit and Remuneration Committees)

OTHER PRINCIPAL COMMITMENTS
(other than directorships in listed companies)
Nil

DIRECTORSHIPS IN OTHER LISTED COMPANIES HELD OVER THE PRECEDING THREE YEARS
(from to 31 Dec 2016 to 30 Dec 2019)
Global Premium Hotels Limited

BOARD OF DIRECTORS

LEOW CHUNG CHONG YAM SOON
Lead Independent Director

APPOINTMENT
Date of first appointment as a director:
1 April 2014

Date of last re-election as a director:
26 April 2018

Length of service as a director:
5 years 9 months
(on 31 December 2019)

BOARD COMMITTEE(S) SERVED ON
Audit Committee (Chairman)
Nominating Committee (Member)

ACADEMIC & PROFESSIONAL QUALIFICATION(S)
Practising Member, ISCA,
Fellow Member of the ACCA, United Kingdom,
Certified Public Accountants, Colorado State Board of Accountancy, USA.

PRESENT DIRECTORSHIPS IN OTHER LISTED COMPANIES
No Signboard Holdings Ltd (Chairman of Audit Committee and Member of Remuneration and Nominating Committees)
Asian Healthcare Specialists Limited (Lead Independent Director, Chairman of Audit and Risk Committees and Member of Remuneration and Nominating Committees)

OTHER PRINCIPAL COMMITMENTS
(other than directorships in listed companies)
Audit Partner (Ecovis Assurance LLP)
Director (Ecovis Advisory Pte. Ltd.)

DIRECTORSHIPS IN OTHER LISTED COMPANIES HELD OVER THE PRECEDING THREE YEARS
(from to 31 Dec 2016 to 30 Dec 2019)
Nil

TEO CHENG KUANG
Independent Director

APPOINTMENT
Date of first appointment as a director:
20 December 2004

Date of last re-election as a director:
20 April 2017

Length of service as a director:
15 years
(on 31 December 2019)

BOARD COMMITTEE(S) SERVED ON
Nominating Committee (Chairman)
Audit Committee (Member)
Remuneration Committee (Member)

ACADEMIC & PROFESSIONAL QUALIFICATION(S)
National University of Singapore with a Bachelor of Arts (Geography) degree

PRESENT DIRECTORSHIPS IN OTHER LISTED COMPANIES
Nil

OTHER PRINCIPAL COMMITMENTS
(other than directorships in listed companies)
Nil

DIRECTORSHIPS IN OTHER LISTED COMPANIES HELD OVER THE PRECEDING THREE YEARS
(from to 31 Dec 2016 to 30 Dec 2019)
Nil

Watt Kum Kuan
Independent Director

APPOINTMENT
Date of first appointment as a director:
23 January 2006

Date of last re-election as a director:
20 April 2017

Length of service as a director:
13 Years 11 months
(on 31 December 2019)

BOARD COMMITTEE(S) SERVED ON
Remuneration Committee (Chairman)
Audit Committee (Member)
Nominating Committee (Member)

ACADEMIC & PROFESSIONAL QUALIFICATION(S)
Awarded Colombo Plan Fellowship during 1962 to 1964 in Sydney, Australia

PRESENT DIRECTORSHIPS IN OTHER LISTED COMPANIES
Nil

OTHER PRINCIPAL COMMITMENTS
(other than directorships in listed companies)
Nil

DIRECTORSHIPS IN OTHER LISTED COMPANIES HELD OVER THE PRECEDING THREE YEARS
(from to 31 Dec 2016 to 30 Dec 2019)
Nil

CORPORATE INFORMATION

BOARD OF DIRECTORS

MR KOH WEE MENG
(Executive Chairman & CEO)

MR PERIAKARUPPAN ARAVINDAN
(Executive Director & Deputy CEO)

MS LIM WAN LOOI
(Executive Director)

MR LEOW CHUNG CHONG YAM SOON
(Lead Independent Director)

MR TEO CHENG KUANG
(Independent Director)

MR WATT KUM KUAN
(Independent Director)

AUDIT COMMITTEE

MR LEOW CHUNG CHONG YAM SOON (Chairman)
MR TEO CHENG KUANG
MR WATT KUM KUAN

NOMINATING COMMITTEE

MR TEO CHENG KUANG (Chairman)
MR WATT KUM KUAN
MR KOH WEE MENG
MR LEOW CHUNG CHONG YAM SOON

REMUNERATION COMMITTEE

MR WATT KUM KUAN (Chairman)
MR TEO CHENG KUANG
MS LIM WAN LOOI

COMPANY SECRETARIES

MR KELOTH RAJ KUMAR
MS CHEN LOONG MEY

REGISTERED OFFICE

456 Alexandra Road
#26-01 Fragrance Empire Building
Singapore 119962
Tel: 6346 6888

REGISTRATION NUMBER

200006656M

SHARE REGISTRAR AND SHARE TRANSFER OFFICE

TRICOR BARBINDER SHARE REGISTRATION SERVICES
(A division of Tricor Singapore Pte Ltd)
80 Robinson Road
#02-00
Singapore 068898

AUDITORS

DELOITTE & TOUCHE LLP
Public Accountants and Chartered Accountants
6 Shenton Way OUE Downtown 2 #33-00
Singapore 068809

Partner-in-charge: Mr Aw Xin-Pei
Appointed since 31 December 2019

PRINCIPAL FINANCIAL INSTITUTIONS

CIMB BANK BERHAD
COMMONWEALTH BANK OF AUSTRALIA TRADING AS BANKWEST
DBS BANK LIMITED
HONG LEONG FINANCE LIMITED
OVERSEA-CHINESE BANKING CORPORATION LIMITED
SING INVESTMENTS & FINANCE LIMITED
UNITED OVERSEAS BANK LIMITED

CORPORATE STRUCTURE

FRAGRANCE GROUP LIMITED

SINGAPORE

- 100% FRAGRANCE HOMES PTE LTD
- 100% FRAGRANCE REALTY PTE LTD
- 100% FRAGRANCE BIZ SPACE PTE LTD
- 100% FRAGRANCE HOLDINGS PTE LTD
- 100% FRAGRANCE GRANDEUR PTE LTD
- 100% FRAGRANCE REGAL PTE LTD
- 100% THE COLONIAL SETTLEMENT PTE LTD
- 100% FRAGRANCE TREASURES PTE LTD
- 100% FRAGRANCE VICTORY PTE LTD
- 100% FRAGRANCE CORPORATE MGT PTE LTD
- 60% KENSINGTON LAND PTE LTD
- 60% KENSINGTON VILLAGE PTE LTD
- 50% BAYFRONT REALTY PTE LTD
- 50% BAYFRONT VENTURES PTE LTD
- 50% AF CORPORATION PTE LTD
- 41.75% AF GLOBAL LIMITED
- 100% CITY GATE SHOPPING MALL MANAGEMENT PTE LTD

AUSTRALIA

- 100% FRAGRANCE GLOBAL PTE LTD
- 100% FRAGRANCE SOUTH PACIFIC PTY LTD
- 100% FRAGRANCE HF PTY LTD
- 100% FRAGRANCE MACQUARIE HOTEL PTY LTD
- 100% FRAGRANCE VIC-MEL (COLLINS) PTY LTD
- 100% FRAGRANCE VIC-MEL (SPENCER) PTY LTD
- 100% FRAGRANCE WA-PERTH PTY LTD
- 100% FRAGRANCE WA-PERTH (MILLIGAN) PTY LTD
- 100% FRAGRANCE TAS-HOBART PTY LTD
- 100% FRAGRANCE TAS-HOBART (ELIZABETH) PTY LTD
- 100% FRAGRANCE TAS-HOBART (SANDY BAY) PTY LTD
- 100% FRAGRANCE TAS-HOBART (COLLINS) PTY LTD
- 100% FRAGRANCE WA-MURRAY HOTEL PTY LTD
- 100% FRAGRANCE TAS-DEVONPORT PTY LTD

UNITED KINGDOM

- 100% FRAGRANCE GREAT BRITAIN PTE LTD
- 100% FRAGRANCE UK INVESTMENT LIMITED
- 100% FRAGRANCE UK-BLACKPOOL LIMITED
- 100% FRAGRANCE UK-BLACKPOOL 2 LIMITED
- 100% FRAGRANCE UK-BLACKPOOL 3 LIMITED
- 100% FRAGRANCE UK-TORQUAY LIMITED
- 100% FRAGRANCE UK-TORQUAY 2 LIMITED
- 100% FRAGRANCE UK-PAIGNTON LIMITED
- 100% FRAGRANCE UK-PAIGNTON 2 LIMITED
- 100% FRAGRANCE UK-LIVERPOOL LIMITED
- 100% FRAGRANCE UK-HARROGATE LIMITED
- 100% FRAGRANCE UK-MANCHESTER LIMITED
- 100% FRAGRANCE UK-BATH LIMITED
- 100% FRAGRANCE UK-PLYMOUTH LIMITED

YEAR IN BRIEF 2019

APRIL

- ❖ Held annual general meeting with all the resolutions duly passed.
- ❖ Repurchase of S$1.5 million 6.125 per cent Notes due 2021.

MAY

- ❖ Repurchase of S$1.0 million 6.125 per cent Notes due 2021.

JUNE

- ❖ Completion of the acquisition of 64 Waterloo Street, Singapore.

JULY

- ❖ Completion of the acquisition of Duke of Cornwall hotel, UK.
- ❖ Repurchase of S$30 million in aggregate principal amount of Notes @ 4.75 per cent Notes due 2021.

SEPTEMBER

- ❖ Acquisition of 62 Waterloo Street, Singapore.

NOVEMBER

- ❖ Sales launch of residential development project, Urban Treasures in Singapore.

DECEMBER

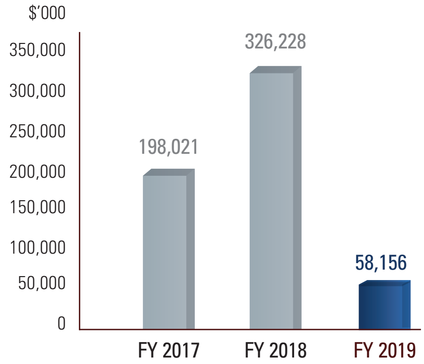
- ❖ Completion of disposal of Fragrance Building @ 168 Changi Road.
- ❖ Soft opening of Novotel Perth Murray Street hotel in Australia.

FINANCIAL HIGHLIGHTS

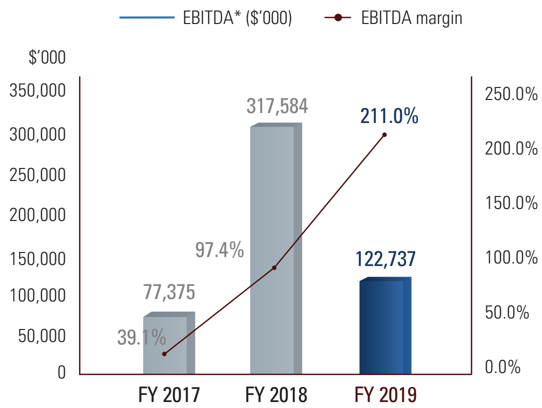
PERFORMANCE AT A GLANCE

	FY 2017	FY 2018	FY 2019
Property development ($'000)	159,193	274,689	7,506
Commercial investment ($'000)	22,153	24,038	21,767
Hotel operations ($'000)	15,357	24,651	24,532
Hospitality investment ($'000)	1,318	2,850	4,351
Total Revenue	**198,021**	**326,228**	**58,156**

TOTAL REVENUE

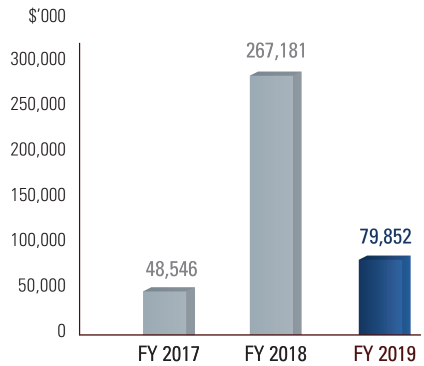


	FY 2017	FY 2018	FY 2019
EBIDTA* ($'000)	77,375	317,584	122,737
EBIDTA margin	39.1%	97.4%	211.0%



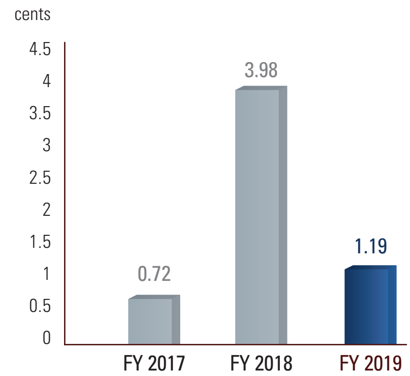
PROFIT ATTRIBUTABLE TO SHAREHOLDERS

	FY 2017	FY 2018	FY 2019
Profit attributable to shareholders ($'000)	48,546	267,181	79,852



EARNINGS PER SHARE

	FY 2017	FY 2018	FY 2019
Earnings per share (cents)	0.72	3.98	1.19



* EBITDA: Earnings before Interest, Tax, Depreciation and Amortization

FINANCIAL HIGHLIGHTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS	FY 2019[1]	FY 2018[1]	Variance
Revenue ($'000)	58,156	326,228	-82.2%
Gross profit ($'000)	42,385	130,770	-67.6%
Finance costs ($'000)	31,549	31,432	0.4%
EBITDA[2] ($'000)	122,737	317,584	-61.4%

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (AS AT 31 DECEMBER)	FY 2019	FY 2018	Variance
Total assets ($'000)	3,155,334	2,819,024	11.9%
Cash and cash equivalents ($'000)	69,452	136,129	-49.0%
Property, plant and equipment ($'000)	205,233	97,875	109.7%
Investment properties ($'000)	1,823,976	1,578,208	15.6%
Total borrowings ($'000)	1,695,311	1,390,040	22.0%
Total liabilities ($'000)	1,764,000	1,500,113	17.6%
Total equity ($'000)	1,391,334	1,318,911	5.5%
Market capitalisation ($ million)	899.5	912.9	-1.5%

Financial Ratios	FY 2019	FY 2018	Variance
Net tangible assets per share (cents)	20.72	19.65	5.5%
Debt equity ratio (net of cash) (times)	1.17	0.95	0.22
Interest coverage ratio (times)	3.90	10.10	-6.2
Earnings per share (cents)	1.19	3.98	-2.79

Notes:

1 The financial year from 1 January to 31 December.
2 EBITDA: Earnings before Interest, Tax, Depreciation and Amortisation
3 FY 2018 numbers has been restated.

FINANCIAL AND OPERATIONS REVIEW

FINANCIAL REVIEW

OVERVIEW

For the full year ended 31 December 2019 (FY 2019), the Group posted a turnover of $58.2 million (FY 2018: $326.2 million). This represents a 82.2% decrease from the revenue in the corresponding period in 2018, which predominantly attributed to the property development segment.

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

Revenue

Property development:

Property development segment contributed $7.5 million in FY 2019 which is 97.3% lower than $274.7 million recorded in FY 2018. This was mainly related to recognition of revenue on sale of a property located at 555 Collins Street, Melbourne, in Australia in FY 2018. City Gate project in Singapore was also the main contributor of revenue in FY 2018, which obtained TOP in November 2018. Our Group's ongoing projects are mainly in Australia and the revenue from the projects in Australia will only be recognised on a completed contract method upon its completion and this contributed to the absence of revenue in FY 2019. Revenue recorded for FY 2019 mainly related to the sales of additional 6 units in City Gate project.

Commercial investment:

Commercial investment segment contributed $21.8 million for FY 2019 which is 9.4% lower than $24.0 million recorded in FY 2018. The decrease in contribution was mainly due to the reduction in rental income from Tower 15 as the building was served with redevelopment notice to tenants to vacate for redevelopment.

JERVOIS TREASURES

ST CHADS HOTEL

FINANCIAL AND OPERATIONS REVIEW

Hospitality investment:
Hospitality investment segment contributed $4.4 million in FY 2019 which is 52.7% higher than $2.9 million recorded in FY 2018. This was mainly due to variable rental, the adjustment in rental rates in second year of operations and contribution from our newly acquired hotel, Duke of Cornwall. The contribution was derived from a portfolio of five hotel properties namely, i) Lyndene Hotel; ii) The Townhouse Hotel; iii) The Crown Hotel, iv) St Chads Hotel; and v) Duke of Cornwell, all located in the United Kingdom.

Hotel operations:
Revenue from Hotel operations stemmed mainly from ibis Styles Hobart, Australia and The Imperial Hotel, United Kingdom contributed $24.5 million in FY 2019 and $24.7 million in FY 2018 respectively. The Group has also soft opened the brand new Novotel Perth Murray Street Hotel in mid-December 2019.

Gross Profit
Our overall gross profit decreased by 67.6% to $42.4 million. This is line with the decrease in revenue for both property development and commercial investment segments.

Profit before income tax
Other operating income decreased by $142 million from $248.1 million in FY 2018 to $106.1 million which was mainly due to higher fair value gain recognised in FY 2018 as a result of change in use for Tower 15 into full hotel usage.

Administrative expenses decreased from $26.9 million in FY 2018 to $26.0 million in FY 2019 mainly due to the following factors:

1. decrease in city council charges relating to properties in Australia; and
2. no performance bonus provision for Directors in 2019.

The above decrease was partly offset by:

1. increase in showflat costs relating to our new development projects in Singapore; and
2. increase in depreciation & amortisation, repair and maintenance, legal and professional fee and payroll expenses; and
3. increase in property tax.

Finance costs increased slightly by 0.4% to $31.5 million in FY 2019 mainly due to:

i) increase in finance costs relating to additional loans drawn down; and
ii) general increase in average interest rates across the floating rate borrowings in FY 2019.

The above increase was partly offset by repayment of borrowings and restatement of FY 2018 finance costs during the year.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION & STATEMENT OF CASH FLOWS
Total assets mainly comprise i) land and building of our investment properties; ii) hotel properties which are accounted as property, plant and equipment; and iii) properties under/held for development. The Group's investment properties totaled at $1.8 billion as at 31 December 2019.

Property, plant and equipment which primarily comprise land and building of our hotel properties totaled $205.2 million as at 31 December 2019. The increase was attributed to the transfer of completed hotel asset, Novotel Perth Murray Street in Australia from properties under development. The increase was partially offset by depreciation and transfer of office premises of $17.6 million to investment property.

An announcement was made on 20 December 2019, AF Corporation Pte. Ltd. ("AFC"), a private limited company jointly controlled by the Group and Aspial Corporation Limited ("Aspial"), has completed the distribution in specie in AF Global Limited ("AF Global"). The Company has now holds a direct interest of 41.75% in AF Global. The Group has now classified direct holding of AF Global as assets held for distribution.

Development properties include land costs, development costs, interest capitalised, mainly relating to our overseas projects, and other related costs and these accounted for $788.3 million or 71.8% of total current assets as at 31 December 2019. The net increase of $95.7 million compared to the balance as at 31 December 2018 was mainly due to the additional costs incurred for Australia and Singapore projects which was partly offset by transfer of completed Novotel Perth Murray Street Hotel to property, plant and equipment.

Trade and other receivables of $25.7 million include $0.31 million of unbilled revenue from our City Gate and Urban Treasures projects in Singapore. The decrease compared to the balance as at 31 December 2018 was mainly due to the collections from the buyers and refund of GST receivable from our Australia development projects.

Total liabilities mainly comprise of secured and unsecured borrowings which saw an increase of $0.26 billion to $1.8 billion. The increase was mainly due to additional drawdown of loans, partly offset by repayment of term loans and repurchased of debt notes during the year.

During the year ended 31 December 2019, the net cash outflow from operating activities amounted to $246.3 million. Cash used in investing activities amounted to $120.6 million which was mainly due to additions of investment properties. Net cash inflow from financing activities amounted to $302.2 million which mainly due to drawdown of additional loans, partially offset by repayment certain borrowings and repurchased of medium term note issued. Cash and cash equivalents stood at $69.5 million as at the end of 31 December 2019 compared to $136.1 million as at the end of 31 December 2018.

FINANCIAL AND OPERATIONS REVIEW

OPERATIONS REVIEW

The Group has completed the development of NV Apartments in Perth, Australia in December 2019 and the settlement of sales is expected to happen in 1H 2020. Construction works for Premier Tower is in full swing with an approximate completion of 70.7% as at 25 February 2020. Marketing efforts are ongoing to sell the remaining units in these two projects. The Group is actively working on the redevelopment plans/works for the following Australian properties:

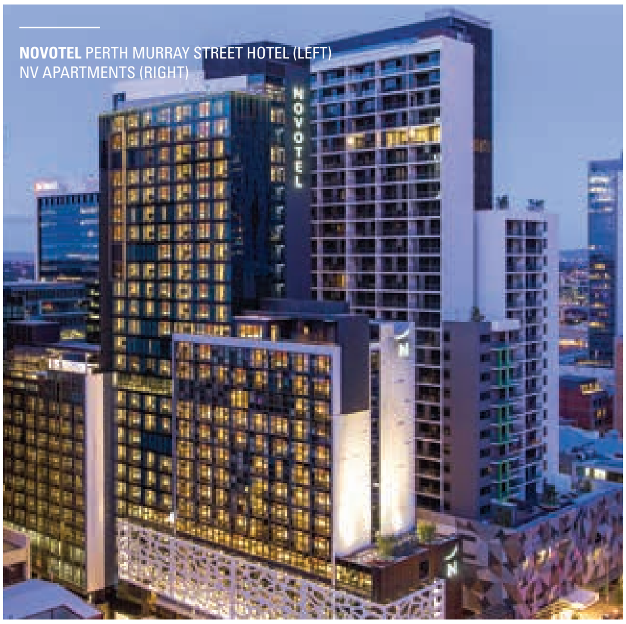
i) 171 Macquarie Street, Hobart, Tasmania – Commercial development
ii) 28-30 Davey Street, Hobart, Tasmania – Hotel development
iii) 2-6 Collins Street, Hobart, Tasmania – Hotel development
iv) 234-250 Elizabeth Street, Hobart, Tasmania – Hotel & Residential development
v) 39-47 Milligan Street and 453-471 Murray Street – Mixed-use development
vi) 5-7 Sandy Bay Road; 9, 11 & 13 Wilmot Street and 4, 6 & 8 Heathfield Avenue, Hobart, Tasmania – Residential development
vii) 179 Macquarie Street, Hobart, Tasmania – Hotel development

As at 31 December 2019, the Group has the following hotels in operation in UK:

i) The Imperial Hotel, Blackpool
ii) St Chads Hotel, Blackpool
iii) Lyndene Hotel, Blackpool
iv) The Crown Hotel, Harrogate
v) The Townhouse Hotel, Manchester
vi) Duke of Cornwall, Plymouth

The Group is actively working on the redevelopment plans/refurbishment works on the following properties in UK:

i) The Palace Hotel
ii) Park Hotel
iii) Corbyn Head Hotel
iv) Municipal Buildings – Hotel development
v) The Lighthouse – Hotel development
vi) Royal National Hospital – Hotel development



NOVOTEL PERTH MURRAY STREET HOTEL (LEFT)
NV APARTMENTS (RIGHT)

ADDITIONAL INFORMATION:

Sustainability Report

The Company will make available its sustainability report on SGXNet in May 2020.

FINANCIAL CONTENTS

CORPORATE GOVERNANCE REPORT

The Board of Directors (the "Board") of Fragrance Group Limited (the "Company") is committed to maintaining a good standard of corporate governance and transparency within the Company and its subsidiaries (the "Group") which is essential to protect the interests of its shareholders and enhance long-term shareholders' value.

This report outlines the main corporate governance practices that were in place throughout the financial year ended 31 December 2019 ("FY 2019"), with specific reference made to the principles and provisions of the Code of Corporate Governance issued in August 2018 (the "Code 2018.").

The Board, after making due inquiries, believes that the Group has complied with the principles and provisions as set out in the Code 2018. In so far as any provision has not been complied with, the reason has been provided.

1. THE BOARD'S CONDUCT OF AFFAIRS – PRINCIPLE 1

The Company is headed by an effective Board which is collectively responsible and works with Management for the long term-term success of the Company.

Provision 1.1 – Principal Duties of the Board

The Board consists of three Executive Directors and three independent Non-Executive Directors. The six Board members are businessperson and professionals with strong financial and business backgrounds, providing the necessary experience and expertise to direct and lead the Group. More details of the Board members can be found under the section 'Board of Directors'.

The principal functions of the Board, apart from its statutory responsibilities, include:

- to provide entrepreneurial leadership, guidance on certain important matters, including those involving the review and approval of strategic direction, material acquisitions and disposal of assets, and ensure that the necessary financial and human resources are in place for the Company to meet its objectives;

- to review the adequacy and effectiveness of the Company's risk management and ensuring that Management maintains a sound system of internal controls (including financial, operational, compliance and information technology) to safeguard the shareholders' interests and the Group's assets;

- to oversee the conduct of the Group and evaluate whether the business is properly managed, and reviewing the performance of Management in meeting agreed goals and objectives;

- to monitor the Group's performance, position and prospects by reviewing management reports and management accounts on a regular basis; and

- to consider sustainability issues such as environmental and social factors as part of its strategy formulation.

The Board exercises due diligence and independent judgement in dealing with the business affairs of the Group and works with Management to make objective decisions in the interest of the Group.

The Company has in place a financial authority matrix and approval guidelines for the operations of the Group. Matters requiring specific written approval of the Board are set out under Provision 1.3 of this Report.

The Company has in place a code of conduct and ethics in relation to avoiding conflicts of interest, maintaining the confidentiality of information, compliance with laws, rules and regulations and reporting of violation of law and company policy. Pursuant to the conflicts of interest policy, Directors must avoid situations in which their own personal or business interests directly or indirectly conflict or potentially conflict, with the interest of the Group should recuse themselves from discussions and decisions involving the issues of conflict.

CORPORATE GOVERNANCE REPORT

Provision 1.2 – Board Induction, Training and Development

Any newly appointed Directors are expected to receive a formal letter explaining their roles and responsibilities, and will be briefed by the Board to familiarise them with the Group's business, its strategic directions and corporate governance practices. All Directors who have no prior experience as Directors of a listed company will need to undergo training and briefing on the roles and responsibilities as Directors of a listed company under the Companies Act and the SGX-ST Listing Manual. No new Director was appointed during FY 2019.

Directors are updated regularly on the Group's strategic directions, financial performance, the latest corporate governance practices, relevant new laws, regulations and changing business risks during Board meetings.

The Directors can attend, at the Company's expense, relevant conferences and seminars including programmes conducted by the Singapore Institute of Directors. In addition, the Company arranges for professional briefings when necessary to update the Directors on any new regulatory development which has an impact on the Group.

The Directors are also regularly briefed by the external auditors on new regulations and key changes to financial reporting standards.

Provision 1.3 – Board Approval

Matters specifically reserved to the Board for its approval are:

(a) Strategic policies of the Group;
(b) Matters involving a conflict of interest for a substantial shareholder or a Director;
(c) Material acquisitions and disposal of assets;
(d) Corporate or financial restructuring; and
(e) Share and bond issuances, interim dividends and other returns to shareholders.

The Board also deliberated on other key business activities and material transactions that exceeded the limits of authority delegated to Management or Board Committees. In addition, the Board considered issues relating to material developments relating to accounting, legal, regulatory and/or corporate governance issues.

Provision 1.4 – Delegation by the Board

The Board has established three Board Committees, namely: (i) the Audit Committee ("AC"), (ii) the Remuneration Committee ("RC") and (iii) the Nominating Committee ("NC"), to assist in the execution of its responsibilities. These Board Committees function within clearly defined terms of references and operating procedures, which are reviewed on a regular basis.

Provision 1.5 – Board and Board Committee Meetings and Attendance Records

The Board and Board Committees meet regularly based on schedules planned one year ahead, and as and when necessary to address any specific significant matters that may arise. On occasions when Directors are unable to attend meetings in person, telephonic participation at the meetings is allowed under the Constitution of the Company. The Board and Board Committees may also make decisions by way of resolutions in writing.

To enable the Board and Board Committees to fulfill its responsibilities, Management provides management reports on a regular basis, with relevant and adequate information prior to the meetings. Directors are free to seek clarifications and explanations from Management on the reports submitted to the Board and Board Committees. The Board also has separate and independent access to the Company Secretaries.

CORPORATE GOVERNANCE REPORT

The attendance of the Directors at meetings of the Board and Board Committees during the financial year is set out below:

	Board	Board Committees		
		Audit	Nominating	Remuneration
No. of meetings held	4	4	1	1
Board members	**No. of Meetings Attended**			
Koh Wee Meng[1]	4	3	1	1
Lim Wan Looi[2]	3	3	1	1
Periakaruppan Aravindan[3]	4	4	1	–
Teo Cheng Kuang	4	4	1	1
Watt Kum Kuan	4	4	1	1
Leow Chung Chong Yam Soon[4]	4	4	1	1

(1) Mr Koh Wee Meng is not a member of the Audit and Remuneration Committees but was invited by the Committee members to attend the meetings.

(2) Ms Lim Wan Looi is not a member of the Audit and Nominating Committee but was invited by the Committee members to attend the meetings.

(3) Mr Periakaruppan Aravindan is not a member of the Audit and Nominating Committees but was invited by the Committee members to attend the meetings.

(4) Mr Leow Chung Chong Yam Soon is not a member of the Remuneration Committee but was invited by the Committee members to attend the meeting.

The Company Secretaries attend the Board and Board Committee meetings and ensure that Board procedures are followed. The Company Secretaries also ensure that the Companies Act, Cap. 50 ("Companies Act") and all other regulations of the Singapore Exchange Securities Trading Limited ("SGX-ST") are complied with.

Provision 1.6 – Complete and Adequate Information

Management provides the Directors with a regular supply of information about the Group's financial and operational performance. Detailed Board Papers are prepared for each meeting of the Board. The Board Papers include sufficient information on financial, business and corporate issues to enable the Directors to be properly briefed on issues to be considered at Board meetings.

The Board and its Committees have separate and independent access to Management and are free to request for additional information as needed to make informed decisions.

Provision 1.7 – Company Secretary and Independent Professional Advice

The role of the Company Secretaries includes, inter alia, advising the Board on all matters regarding the proper functioning of the Board, compliance with the Company's Constitution and applicable regulations, requirements of the Companies Act, the Securities and Futures Act and SGX-ST Listing Manual. The Company Secretaries assist the Board in implementing and strengthening corporate governance policies and procedures.

Under the direction of the Chairman, the Company Secretaries ensure good information flow to and within the Board and its Committees and between Management and Non-Executive Directors.

All Directors have separate and independent access to the Company Secretaries, who are responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with.

CORPORATE GOVERNANCE REPORT

The appointment and removal of the Company Secretaries are subject to the Board's approval as a whole.

During FY 2019, the Company Secretaries attended the meetings of the Board and its Committees and the minutes of such meetings were promptly circulated to all members of the Board and Board committees.

Where the Directors, either individually or as a group, in the furtherance of their duties, require professional advice, the Company Secretaries can assist them in obtaining independent professional advice, at the Company's expense.

2. BOARD COMPOSITION AND GUIDANCE – PRINCIPLE 2

The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the Company.

Provision 2.1 – Board Independence

Three out of six of the Company Directors are considered independent, based on the requirements under the Code 2018. The NC, in its deliberation as to the independence of a Director, took into account guidelines of relationships as set out in the Code 2018, considered whether a Director had business relationships with the Group, and if so, whether such relationships could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent judgement. The process includes the use of a declaration form on independence which each Independent Director is required to complete and submit to the NC for review. The results of the self-assessment are then collated, communicated and reported to the Board.

The NC has assessed the independence of Mr Leow Chung Chong Yam Soon, Mr Teo Cheng Kuang and Mr Watt Kum Kuan, and is satisfied that there is no relationship or other factors such as gifts or financial assistance, past association, business dealings, being a representative of a shareholder, financial dependence, relationship with the Group or the Group's Management, etc. which would impair the independent judgement or which would deem them to be not independent.

Independent Directors with more than 9-year Tenure

Pursuant to Guideline 2.4 of the Code of Corporate Governance 2012, the independence of any director who has served on the Board beyond nine years from the date of first appointment should be subject to particularly rigorous review. The Board, through the NC, assessed the independence of each of the Directors in FY 2019. Based on such assessment and the declarations of independence provided by the respective Directors and taking into account the guidance in the Code 2018, the Company will continue to apply the Guideline 2.4 prior to 1 January 2022, after which the Provision 2.1 of Code 2018 will apply.

Mr Teo Cheng Kuang and Mr Watt Kum Kuan have served as an Independent Director on the Board for more than nine years. The Board conducted a rigorous review on the independence of Independent Directors who have served on the Board beyond nine years.

Under such rigorous review, each Independent Director has confirmed that he nor any of his immediate family, relatives and associates (collectively, "connected persons") does not have any relationship or business dealings with a controlling shareholder or a controlling shareholder's connected persons that would give rise to a conflict of interest or impairment of the Independent Director's independence. Emphasis are placed on whether they have continued to demonstrate integrity, professionalism and independent judgement and/or decisions on matters with the interests of the Company at heart without undue reliance on and influence by others. Having subject their independence to rigorous review, the Board has resolved that Mr Teo and Mr Watt are independent notwithstanding their length of appointment.

Mr Teo and Mr Watt had continued to demonstrate their ability to exercise strong objective judgement and act in the best interests of the Company. They remained independent in expressing their views and in participating in the deliberations and decision making of the Board. In addition, having gained an in-depth understanding of the business of the Group, Mr Teo and Mr Watt provide valuable contributions to the Company with his experience and knowledge of the industry.

CORPORATE GOVERNANCE REPORT

Provisions 2.2 & 2.3 – Composition of Independent and Non-Executive Directors

As at the date of this Report, the Board comprises six Directors; of whom three are Independent and Non-Executive Directors:

Executive Directors	
Koh Wee Meng	Chairman and Chief Executive Officer ("CEO")
Periakaruppan Aravindan	Director and Deputy CEO
Lim Wan Looi	Director
Non-Executive Directors	
Leow Chung Chong Yam Soon	Lead Independent Director
Teo Cheng Kuang	Independent Director
Watt Kum Kuan	Independent Director

Under Provision 2.2 of the Code 2018, the Independent Directors should make up a majority of the Board where the Chairman of the Board is not independent. Under the Provision 2.3 of the Code 2018, the Non-Executive Directors should also make up a majority of the Board. The Board currently has six members, of which, three are Independent Directors. In accordance with Provisions 2.2 & 2.3, the Board currently has Independent and Non-Executive Directors making up at least half of the Board.

Provision 2.4 – Board Composition and Competency of the Board

The Directors have the right competencies and diversity of experience to enable them, to contribute effectively. All the Directors have real estate experience, having been on the Board for a number of years.

On an annual basis, the NC will review the composition and size of the Board, each Board Committee and the skills and core competencies of its members to ensure an appropriate balance and diversity of skills and experience. Core competencies include accounting, business acumen, real estate related industry knowledge, familiarity with regulatory and compliance requirements and knowledge of risk management.

The Board is of the view that there is sufficient diversity in skills, experience and knowledge of the Company in its current Board composition to maximise effectiveness.

The Board will take into consideration the skill sets and experience including gender diversity for any future Board appointments.

Provision 2.5 – Meetings of the Non-Executive and Independent Directors

The Non-Executive and Independent Directors constructively challenged and helped developed both the Group's short-term and long-term business strategies. The Management's progress in implementing such agreed business strategies is monitored by the Non-Executive and Independent Directors.

The Non-Executive and Independent Directors also communicate regularly to discuss matters such as the Group's financial performance, corporate governance initiatives, and the performance of the Management. As the Non-Executive and Independent Directors make up at least half of the Board, objectivity of such deliberations is assured.

Sessions are available for the Non-Executive and Independent Directors to meet without the presence of Management and Executive Directors during the course of Board meetings or outside of Board meetings. If a Director is unable to attend a Board or Board committee meeting, the Director may nevertheless provide his/her comments to the Chairman or relevant Board Committee Chairman separately.

The Non-Executive and Independent Directors have convened sessions without the presence of management.

CORPORATE GOVERNANCE REPORT

3. CHAIRMAN AND CHIEF EXECUTIVE OFFICER – PRINCIPLE 3

There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

Provision 3.1 – Separate Role for Chairman and CEO

Mr Koh Wee Meng is both the Executive Chairman and CEO of the Group. The Board is of the opinion that the present Group structure and business scope do not warrant a split of the role. The Board is of the view that the process of decision making by the Board is independent and based on collective decisions without any individual exercising any considerable concentration of power or influence, and there is good balance of power and authority with all Board Committees chaired by Independent Directors.

Provision 3.2 – Role and Responsibilities of Chairman and CEO

The Executive Chairman leads the Board, approves the agendas for the Board meetings and ensures sufficient allocation of time for thorough discussion of each agenda item. He promotes an open environment for debate, and ensures that the Non-Executive and Independent Directors are able to speak freely and contribute effectively. He ensures that the responsibilities as set out in the Code 2018 are properly discharged.

As CEO, Mr Koh Wee Meng manages and develops the businesses of the Group and implements the Board's decision. He is also responsible to the Board for all corporate governance procedures to be implemented by the Group and to ensure conformance by Management to such practices. Directors are given Board Papers in advance of meetings for them to be adequately prepared for the meeting and senior management staff (who are not Executive Directors) are in attendance at Board and Board Committee meetings whenever necessary.

At general meetings and other shareholder meetings, the Chairman plays a pivotal role in fostering constructive dialogue between shareholders, the Board and Management.

Provision 3.3 – Lead Independent Director

In view that the Chairman is not an Independent Director, the Board has appointed Mr Leow Chung Chong Yam Soon as the Lead Independent Director. As the Lead Independent Director, he leads and encourages dialogue between independent directors and provides feedback to the Chairman and CEO. The Lead Independent Director is also available as the alternate channel for shareholders where they have concerns and for which contact through the normal channels of the communication with the Chairman or Management are inappropriate or inadequate.

4. BOARD MEMBERSHIP – PRINCIPLE 4

The Board has a formal and transparent process for the appointment and re-appointment of Directors, taking into account the need for progressive renewal of the Board.

Provisions 4.1 & 4.2 – Nominating Committee Composition, Role and Responsibilities

The NC consists of the following four Directors with the majority, including the Chairman, being independent. The Lead independent director is also a member of the NC.

Nominating Committee	
Teo Cheng Kuang (Chairman)	Independent and Non-Executive
Watt Kum Kuan	Independent and Non-Executive
Leow Chung Chong Yam Soon	Lead Independent and Non-Executive
Koh Wee Meng	Non-Independent and Executive

CORPORATE GOVERNANCE REPORT

The NC key functions are as follows:

(a) review succession plans for Directors, in particular, the Chairman and the CEO;
(b) make recommendations to the Board on the appointment of new Directors (including alternate Directors) with the appropriate profile having regards to their expertise, experiences, industry background, track record and competencies;
(c) recommendations on re-nomination/re-election of Directors (including alternate Directors) having regard to the Director's contribution and performance;
(d) reviewing the Board structure, size and composition and making recommendation to the Board;
(e) determine Directors' independence;
(f) the development of a process for evaluation of the performance of the Board, its Board Committees and Directors; and
(g) review of training and professional development programs for the Board.

Provision 4.3 – Selection, Appointment and Re-appointment of Directors

In the event that a new Director is required, the NC has access to external search consultants and resources to identify potential candidates. Board members may also make recommendations to the NC. In the process for the selection, appointment and re-appointment of Directors, the NC considers composition and progressive renewal of the Board and each Director's competencies, commitment, contribution and performance (e.g. attendance, preparedness, participation and candour). The NC will then recommend their appointments to the Board for consideration.

The Company's Constitutions require at least one-third of the Directors to retire by rotation at every Annual General Meeting ("AGM") and a retiring Director is eligible for re-election by the shareholders of the Company at the AGM. A newly appointed Director can only hold office until the next AGM and then be eligible for re-election. Having evaluated the performance and contributions, the NC recommends that Mr Teo Cheng Kuang and Mr Watt Kum Kuan be re-elected at the forthcoming AGM.

Provision 4.4 – Continuous Review of Directors' Independence

Each Independent Director is required to make a declaration annually to confirm that there is no relationship as stated in the Code 2018 that would otherwise deemed him not to be independent. The NC has reviewed the declarations of independence by the Independent Directors for FY 2019, and is satisfied that all Independent Directors are suitable to be considered as independent for the purpose of Provision 2.1 of the Code 2018. Each Independent Director had recused himself in the determination of his own independence.

Provision 4.5 – Directors Duties and Obligation

The Board is satisfied that all Directors (including any directors who are newly appointed) have discharged their duties adequately in FY 2019.

The Company has no alternate Director on its Board. When a Director has multiple board representations, such Director has to ensure that sufficient time and attention is given to the affairs of the Company. On the matter of multiple board representations, the Board is of the view that it should be left to the judgment and discretion of each Director. As such, the NC and the Board have decided not to set any maximum number of listed company board representations that any director may hold. The NC is satisfied that sufficient time and attention are being given by all the Directors to the affairs of the Company.

Key information regarding each Director's listed company board directorships and principal commitments which may be found under the 'Board of Directors' section of the Annual Report.

CORPORATE GOVERNANCE REPORT

5. **BOARD PERFORMANCE – PRINCIPLE 5**

The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual Directors.

Provisions 5.1 & 5.2 – Board Evaluation policy and Board performance Criteria

The Board has implemented a process carried out by the NC, for assessing the performance criteria and for evaluating the effectiveness of the Board as a whole and its Board Committees, as well as the contribution by the Chairman and each individual Director to the Board on an annual basis.

Factors which were used to evaluate the Board and its Board Committees includes Board's level of governance, effective delegation to the Board Committees, Board composition, risk management, audit and internal controls, leadership and accountability. The results of the assessment is discussed at the NC meeting. The Chairman will act on the results of the performance evaluation and propose, where appropriate, new members to be appointed to the Board or seek the resignation of Directors. The Board was satisfied with the results of the assessment for FY 2019.

The Board reviews its performance annually. This includes having the Directors evaluate the various aspects of Board performance to enhance shareholders' value in terms of the Group's profitability, liquidity, gearing, earnings per share and total shareholder return against industry peers based on their published financial results.

Individual Director Evaluation

Evaluation of individual Director's performance is a continuous process. For the year under review, the NC and the Board Chairman took note of each individual Director's attendance at meetings of the Board, Board Committees and at general meetings; participation in discussions at meetings; knowledge of where the Group operates; the individual Director's functional expertise and his/her commitment of time to the Company and took such factors into consideration when accessing the performance of the individual Directors.

In FY 2019, the Board did not engage an independent external consultant to facilitate the annual review of the performance of the Board and the Board Committees. The NC has reviewed the evaluations of the Board and is satisfied that the Board has been effective in the conduct of its duties and the Directors have each contributed to the effectiveness of the Board.

6. **REMUNERATION MATTERS**

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES – PRINCIPLE 6

The Board has a formal and transparent procedure for developing policies on Director and Executive remuneration, and for fixing the remuneration packages of individual Directors and Key Management Personnel. No Director is involved in deciding his or her own remuneration.

Provisions 6.1 & 6.2 – Remuneration Committee

The RC consists of the following three Directors with the majority, including the Chairman, being independent:

Remuneration Committee	
Watt Kum Kuan (Chairman)	Independent and Non-Executive
Teo Cheng Kuang	Independent and Non-Executive
Lim Wan Looi	Non-Independent and Executive

The Independent Directors believe that the RC benefits from the experiences and expertise of the participation of Ms Lim Wan Looi. As the RC is made up of a majority of Independent Directors, the Board believes that the independence of the RC will not be compromised.

CORPORATE GOVERNANCE REPORT

The key functions of the RC are as follows:

(a) ensure that the level and structure of remuneration is aligned with the long-term interest of the Company;
(b) review Management's proposal and recommend to the Board on the remuneration packages for the Directors and Key Management Personnel;
(c) review service contracts for the Directors and Key Management Personnel; and
(d) ensure that there is a fair compensation system for the Directors and Key Management Personnel.

The RC recommends to the Board a framework of remuneration for the Directors and Executive Officers, and determines specific remuneration packages for each Executive Director. The RC's recommendations will be submitted for endorsement by the Board. All aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses options, share-based incentives and awards and benefits in kind, will be covered by the RC. Each RC member will abstain from voting on any resolution in respect of his remuneration package.

Provision 6.3 – Termination Clauses

The Company's obligation arising in the event of termination of service contracts of its Executive Directors and Key Management Personnel are contained in their respective employment letters. The RC is satisfied that such contracts of service provide for fair and reasonable termination clauses, applicable to the respective employment class and not overly generous.

Provision 6.4 – Remuneration Consultant

The RC has direct access to the Company's Human Resource department should they have any queries on human resources matters. In addition, the RC has the authority to seek external remuneration consultant advice should such need arises, at the Company's expense.

During FY 2019, the Company has engaged a legal consultant to do up the service agreements for the three Executive Directors. The RC did not require the services of an external remuneration consultant.

7. LEVEL AND MIX OF REMUNERATION – PRINCIPLE 7

The level and structure of remuneration of the Board and Key Management Personnel are appropriate and proportionate to the sustained performance and value creation of the Company, taking into account the strategic objectives of the Company.

Provision 7.1 – Remuneration of Executive Directors and Key Management Personnel

The Company's remuneration structure for its Executive Directors and Key Management Personnel comprises both fixed and variable components. The variable component is performance-related and is linked to the Company's performance and individual's performance. This is to ensure that remuneration packages are aligned with the interests of shareholders and to link rewards to corporate and individual performance so as to promote long-term success of the Group.

Executive Directors do not receive Directors' fees. The Executive Directors are paid a basic salary and a performance-related profit sharing bonus pursuant to their respective service agreements.

Presently, the Company does not have any material long-term incentive benefits involving the grant of options or any other form of deferred remuneration which needs to be accrued.

Provision 7.2 – Remuneration of Non-Executive Directors

Non-Executive Directors are compensated based on a fixed annual fee taking into considerations their respective contribution and attendance at meetings.

CORPORATE GOVERNANCE REPORT

The Board concurred with the RC's proposal for Non-Executive Directors' fees for FY 2019. The Board and the RC are of the view that the remuneration of these Directors is appropriate and not excessive taking into account factors such as effort and time spent.

The Non-Executive Directors' fees are recommended to shareholders for approval at the AGM and paid after the necessary approval has been obtained.

Provision 7.3 – Attract, Retain and Motivate staffs

The Fragrance Performance Share Plan (PSP) is a share-based incentive scheme established with the objective of rewarding, motivating, and retaining staffs to optimise their performance standards. Through the PSP, the Company will be able to recognise and reward past contributions and services, and motivate the plan participants to continue to strive for the Company's long-term success.

8. DISCLOSURE ON REMUNERATION – PRINCIPLE 8

The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

Details on the remuneration of Directors and Key Management Personnel for FY 2019 are presented below. In FY 2019, there was no termination, retirement and post-employment benefits granted to any Director and/or Key Management Personnel.

Provision 8.1(a) – Directors' Remuneration

The details of the remuneration of the Directors for FY 2019 are as follows:

Directors Remuneration	Directors' Fee %	Base Salary %	Performance-based Bonus %
Non-Executive Directors			
Below $250,000			
Leow Chung Chong Yam Soon	100	–	–
Teo Cheng Kuang	100	–	–
Watt Kum Kuan	100	–	–
Executive Directors			
$500,000 to $750,000			
Koh Wee Meng	–	100	–
Periakaruppan Aravindan	–	100	–
$250,000 to $500,000			
Lim Wan Looi	–	100	–

Provision 8.1(b) – Remuneration of Top 5 Key Management Personnel

In FY 2019, as there were only two Key Management Personnel (who is not a Director or the CEO), disclosure is only made in respect of the remuneration of these two Key Management Personnel ("KMP"). Details as follows:

Range	Base Salary %	Performance-based Bonus %
Below $500,000		
KMP 1	84	16
KMP 2	86	14

CORPORATE GOVERNANCE REPORT

In FY 2019, there was no termination, retirement and post-employment benefits granted to the above KMP.

The Board is of the opinion that it is not in the best interests of the Company to disclose the details of the remuneration of each Director and KMP, given the sensitivity and confidentiality of remuneration matters, such disclosure of details in relating to remuneration and the names of its KMP in a highly competitive market for talents may potentially result in staff movement. It is important for the Company to retain talent for the long-term interests of the Company and ensure stability and continuity of business operations.

Provision 8.2 – Substantial Shareholders or Immediate Family Members of a Director or CEO

Koh Wee Meng and Lim Wan Looi are Executive Directors of the Company who are also the substantial shareholders of the Company. Koh Wee Meng is the spouse of Lim Wan Looi. Details of their remunerations are disclosed under Provision 8.1(a) – Directors Remuneration.

The Company has one employee Lim Wan Mee, who is the sibling of our Executive Director, Lim Wan Looi and whose remuneration is below the band of $100,000 in FY 2019. "Immediate family member" refers to the spouse, child, adopted child, step-child, sibling or parent of such person.

Provision 8.3 – Employee Share Schemes and Executive Performance Conditions

The Company performance share plan consist of the grant of fully paid shares to staffs who met certain eligibility requirements. The fair value of the share grants are based on the market price (last done price) of the securities on the grant date. Other than the Fragrance Performance Share Plan, the Company does not have any employee share scheme nor any long-term incentive scheme.

The information on the link between remuneration of Executive Directors and Key Management Personnel, and performance is set out under Provision 7.1 of this Report.

9. ACCOUNTABILITY AND AUDIT

RISK MANAGEMENT AND INTERNAL CONTROLS – PRINCIPLE 9

The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the Company and its shareholders.

Provision 9.1 – Risk Management and Internal Control Systems

The Board is responsible for overseeing risk management in the Company. The Board recognises the importance of maintaining a sound system of risk management and internal controls to safeguard shareholders' interests and the Group's assets. The AC oversees and ensures that such system has been appropriately implemented and monitored. Management reviews all significant control policies and procedures and will highlight significant matters to the Board and the AC.

The Group has had in place an Enterprise Risk Management ("ERM") Framework which sets out the required environmental and organisational components for managing risk in an integrated, systematic and consistent manner. The Framework and related policies are reviewed at least annually. As part of the Framework, Management, amongst other things, undertakes and performs a risk and control self-assessment process. As a result of the self-assessment process, Management produces and maintains a risk register which identifies the material risks it faces and the corresponding internal controls in place to manage or mitigate those risks. The material risks of the Group are deliberated by Management and reported to the AC at least once a year.

The AC will ensure that a review of the adequacy and effectiveness of the Group-wide system of internal controls, including financial, operational, compliance and information technology controls, and risk management is conducted annually. In this respect, the AC will review the audit plans, and the findings of the external and internal auditors and will ensure that the Company follows up on auditors' recommendations raised, if any, during the audit process.

CORPORATE GOVERNANCE REPORT

Board Risk Committee

The AC oversees the Company's risk management and framework. Having considered the Company's business and operations as well as its existing internal control and risk management systems, the Board is of the view that a separate Board Risk Committee is not required for the time being.

Provision 9.2 – Board's Comment on Adequacy and Effectiveness of Risk Management and Internal Controls Systems

Accountability

The Board reviews and approves the results as well as any announcement before its release. Shareholders are provided with the first three quarters and the full-year financial results within the legally prescribed period.

In presenting the annual financial statements and quarterly announcements to the shareholders, it is the aim of the Board to provide a balanced and understandable assessment of the Group's performance, position and prospects. Financial reports and other price sensitive information are publicly released to shareholders through announcement via SGXNet or press releases.

In accordance with SGX-ST's requirements, the Board issued Negative Assurance statements in its quarterly financial results announcement, confirming to the best of its knowledge that nothing had come to the attention of the Board which might render the financial statements false or misleading in any material aspect.

In addition, the Company had, pursuant to the Rule 720(1) of the SGX-ST Listing Manual, received undertakings from all its Directors and Executive Officers in the form set out in Appendix 7.7.

The Group recognises the importance of providing the Board with accurate and relevant information on a timely basis. Management provides the Board with a continual flow of relevant information on a timely basis in order that it may effectively discharge its duties. All Board members are provided with up-to-date financial reports and other information on the Group's performance for effective monitoring and decision making.

For the financial year ended 31 December 2019, the Board has received the assurance from the CEO and Deputy CEO that:

(a) the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operation and finances; and
(b) the risk management and internal control systems maintained by the Group are reasonably adequate and effective to safeguard the assets and investments of the Group.

Based on the review of the material risks identified through the ERM process, and the internal controls established and maintained by the Group, work performed by the internal and external auditors, reviews performed by Management and the AC; and the aforesaid assurances from the CEO and Deputy CEO, the Board, with the concurrence of the AC, is of the opinion that the Group's existing internal controls and risk management system, including financial, operational, compliance and information technology controls are adequate and effective for the risks which the Group considers relevant and material to its operations for the financial year ended 31 December 2019.

The Board acknowledges that a system of internal control is designed to manage rather than to eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss and therefore no cost effective internal control system will preclude all errors and irregularities.

CORPORATE GOVERNANCE REPORT

10. AUDIT COMMITTEE – PRINCIPLE 10

The Board has an Audit Committee ("AC") which discharges its duties objectively.

Provision 10.1 – Audit Committee

The AC consists of the following three Directors, all of whom, including the Chairman, being Independent and Non-Executive:

Audit Committee	
Leow Chung Chong Yam Soon (Chairman)	Lead Independent and Non-Executive
Teo Cheng Kuang	Independent and Non-Executive
Watt Kum Kuan	Independent and Non-Executive

The Independent Directors do not have any existing business or professional relationship of a material nature with the Group, other Directors or substantial shareholders. They are also not related to the other Directors or the substantial shareholders.

Role and Responsibilities of the Audit Committee

The AC assists the Board in discharging its responsibility to safeguard the Group's assets, maintain adequate accounting records and develop and maintain effective systems of internal control, with the overall objective of ensuring that Management creates and maintains an effective control environment. The AC provides a channel of communication between the Board, Management and external auditors on audit matters.

The duties and responsibilities of the AC are contained in a written terms of reference. The AC meets periodically to perform the following main functions:

- to review the audit plans of the external and internal auditors, including the results of the auditors' review and evaluation of the Group's system of internal controls;
- to review the annual consolidated financial statements and the external auditors' report on those financial statements, and discuss any significant adjustments, major risk areas, changes in accounting policies, compliance with Singapore financial reporting standards, concerns and issues arising from their audits including any matters that the auditors may wish to discuss in the absence of the Management, where necessary, before submission to the Board for approval;
- to review the quarterly and full-year financial results prior to recommending their approval to the Board for release on SGX-ST;
- to review with Management the adequacy and effectiveness of the Group's internal control systems, including financial, operational, compliance and information technology controls and risk management;
- to review and discuss with external and internal auditors any suspected fraud, irregularity or infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position and Management's response;
- to review the co-operation given by Management to the external auditors;
- to review the independence and objectivity of the external auditors;
- to review the nature and extent of non-audit services performed by external auditors;
- to make recommendations to the Board on the appointment/re-appointment of the external auditors and the audit fees;
- to review and approve any interested person transactions as defined under the SGX-ST Listing Manual;
- to review any potential conflicts of interest;
- to undertake such other reviews and projects as may be requested by the Board, and report to the Board its findings from time to time on matters that require the attention of the AC; and
- to undertake other functions and duties as may be required by law or the SGX-ST Listing Manual, and by such amendments made thereto from time to time.

CORPORATE GOVERNANCE REPORT

Whistle-blowing Policy

The Company has put in place whistle-blowing policies by which staff may raise concerns about fraudulent activities, malpractices or improprieties within the Group, without fear of reprisal. To ensure independent investigation of such matters and for appropriate follow up action, all whistle-blowing reports can be sent directly to the AC Chairman. There have been no significant incidents pertaining to whistle-blowing for the financial year ended 31 December 2019.

Measures taken by AC to keep abreast on changes to Accounting Standards

The AC members keep abreast of changes in accounting standards and issues which have a direct impact on financial statements by attending external seminars. The AC members are also briefed by the external auditors on such changes during the quarterly AC meetings.

In AC's review of the financial statements of the Group for FY 2019, it had discussed with Management the accounting principles that were applied and their judgement of items that could affect the integrity of the financial statements and also considered the clarity of key disclosures in the financial statements.

The following significant matters impacting the financial statements were discussed with Management and the external auditors and were reviewed by the AC:

Key Audit Matters	How these issues were addressed by the AC
Valuation of investment properties	The AC considered the qualifications, competencies and scope of work of the external professional valuers. In addition, the AC obtained assurance from Management that the valuation had been undertaken using appropriate methodology and assumptions used for the basis of projecting income, and estimating the capitalisation rate. The AC considered Management's observation that recent bid for government land sale for hotel use were comparably higher than the past. In regards to the Group's proposed redevelopment plan for its investment property located on Lot 01958P MK01, it was noted that the change of use is certain and the Urban Redevelopment Authority ("URA") has already made the proposed amendment to the master plan for the rezoning for hotel development. The fair value of the property will be impacted in the unlikely event that the final approval from URA is not received. The AC had also considered the disclosures in the financial statements in describing the subjectivity of the valuations, the key observable inputs and the relationships between the key unobservable inputs and fair value. Discussions with the external auditors on their review of the reasonableness and relevance of the assumptions used by the external professional valuers were also held with the AC. Following the above, the AC is satisfied that the carrying value of the investment properties is not materially misstated.

CORPORATE GOVERNANCE REPORT

Key Audit Matters	How these issues were addressed by the AC
Recoverable amounts of development properties	The AC evaluated the appropriateness of the key judgements and estimates applied by Management to compute the gross development value for the relevant projects. In regards to the estimated cost of projects where development plan are not firm or pending outcome of submissions of development plans to the relevant authorities, the AC reviewed the projected costs against the estimated costs of a comparable project which has elements of contracted and projected costs. For residential developments which have been launched for sale, the AC took into account the selling prices and the headroom relative to cost. The adequacy of disclosures in the financial statements in describing the status of the properties, the significant assumptions and accounting estimates involved were also reviewed. The observations and findings presented by the external auditors on Management's assessment of recoverable amount were also taken into consideration. The above procedures provided the AC with assurance and concurred with Management's conclusion that no impairment loss was required as at 31 December 2019.

The AC also has express power to investigate any matter brought to its attention, within its terms of reference, with the power to retain professional advice at the Company's expense.

The AC has been given full access to Management and has reasonable resources to discharge its function properly. The AC has full discretion to invite any Director or Executive Officer to attend its meetings.

The number of meetings convened by the AC is set out in The Board's Conduct of its Affairs – Principle 1. The Directors and the Company Secretaries are invited to these meetings. Minutes of the AC meetings are submitted to the Board for information and review with such recommendations as the AC considers appropriate.

Provision 10.2 – Qualification Audit Committee Member

The AC members bring with them invaluable professional expertise in the accounting and related financial management field. The NC is of the view that the AC members are appropriately qualified to discharge their responsibilities.

Provision 10.3 – Cooling off Period for Partners or Directors of the Company's Auditing Firm

None of the AC members were previous partners or Directors of the Company's external auditor within the last two years or hold any financial interest in the external auditor.

CORPORATE GOVERNANCE REPORT

Provision 10.4 – Internal Auditor

The Company outsourced the internal audit function to professional firms in FY 2019. The internal auditors report directly to the AC Chairman on all internal audit matters and to Management on administrative matters. The AC will ensure the adequacy of the internal audit function at least annually.

The internal auditor function is staffed by suitably qualified and experienced professionals with the relevant experience. The Australian internal auditor is a member of the Institute of Internal Auditors and the audit work carried out is guided by the International Standards for the Professional Practice of Internal Auditing set up by The Institute of Internal Auditors.

The internal audit function plans its internal audit schedules in consultation with, but independent of, the Management. The AC approves the internal audit plan, and review the scope and the results of the internal audit performed by the internal auditor. In addition, the summary of findings and recommendations are discussed at the AC meeting. Having reviewed the audit plan, the AC is satisfied that the Company's outsourced internal audit function is adequately resourced to perform the work for the Group.

Adequacy and Effectiveness of Internal Audit Function

The AC has reviewed the Company's internal control assessment and based on the internal auditor and external auditors' reports and the internal controls in place, it is satisfied that there are adequate and effective internal controls to meet the needs of the Group in its current business environment.

Provision 10.5 – External Auditors

During the financial year under review, the AC also held meetings with the external auditors without the presence of Management.

Non-Audit Services

The AC has conducted a review of all non-audit services provided by Deloitte & Touche LLP ("DT") during FY 2019 and the corresponding fees and ensured that the fees for such non-audit services did not impair their audit independence. Based on their review, the AC is satisfied that given the nature and extent of non-audit services provided and the fees for such services, neither the independence nor the objectivity of DT was put at risk.

The total fees paid/payable to our external auditor are as disclosed in the table below:

External Auditor fees for FY 2019	**$'000**	**% of total audit fees**
Statutory audit fees	218	–
Tax compliance	51	19%
Total fees	**269**	**–**

The Company has complied with Rule 712 and Rule 715 (read with Rule 716) of the SGX-ST Listing Manual in relation to the appointment of its auditors.

CORPORATE GOVERNANCE REPORT

11. SHAREHOLDERS RIGHTS AND ENGAGEMENT

SHAREHOLDERS RIGHTS AND CONDUCT OF GENERAL MEETINGS – PRINCIPLE 11

The Company treats all shareholders fairly and equitably in order to enable them to exercise of shareholders' rights and have the opportunity to communicate their views on matters affecting the Company. The Company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

Provision 11.1 – Opportunity for Shareholders to Participate and Vote at General Meetings

Shareholders are entitled to attend the general meetings and are given the opportunity to participate effectively in and vote at the general meetings of the Company. Resolutions tabled at general meetings are passed through a process of voting by poll which procedures are clearly explained by the scrutineers at such general meetings.

Voting by Poll at General Meetings

All resolutions at general meetings are put to vote by electronic poll. Voting and polling procedures are disclosed at the general meetings. Votes cast for, or against, each resolution will be read out to shareholders immediately. The total numbers of votes cast for or against the resolutions are also announced after the general meetings via SGXNet.

Provision 11.2 – Separate Resolutions at General Meetings

The Company provides for separate resolutions at general meetings on each substantial issue, including the re-election or re-appointment of each Director as a separate subject matter.

Provision 11.3 – Attendees at General Meetings

All Directors are required to attend general meetings of shareholders and the Chairman of the Board and the respective Chairman of the AC, NC and RC are usually present and available to address shareholders' queries at these meetings. The external auditors will also be present at the AGMs to address shareholders' queries about the conduct of audit and the preparation and content of the auditor's report.

Provision 11.4 – Shareholders' Participation

All shareholders of the Company receive the notice of the general meetings. The notice is also advertised in the newspapers. At the general meetings, shareholders are given the opportunity to voice their views and ask Directors or Management questions regarding the Company. The Company's Constitution provides that shareholders of the Company are allowed to vote in person or by way of duly appointed proxies.

Appointment of Proxies

Pursuant to the provisions in the Company's Constitution, shareholders who are not "relevant intermediaries" may appoint up to two proxies during his/her absence, to attend, speak, vote on his/her behalf at general meetings. Shareholders who are "relevant intermediaries" such as banks, capital market services licence holders which provide custodial services for securities and the Central Provident Fund Board ("CPF"), are allowed to appoint more than two proxies. This is to facilitate indirect shareholders including CPF investors to participate in general meetings. Such indirect shareholders where so appointed as proxy, will have the same rights as direct shareholders to attend, speak and vote at general meetings.

In order to have a valid registration of proxy, an instrument appointing a proxy must be deposited at such place or places specified in the notice convening the general meetings at least 72 hours before the time appointed for the general meetings.

CORPORATE GOVERNANCE REPORT

An independent scrutineer firm was present to validate the votes at the last AGM. The results of the electronic poll voting on each resolution tabled at the last AGM, including the total number of votes cast for or against each resolution, were also announced after the said meeting via SGXNet.

Provision 11.5 – Disclosure of Information

The Company does not practice selective disclosure. The Board is mindful of the obligation to provide timely and fair disclosure of material information. The Board is accountable to the shareholders while the Management is accountable to the Board.

Results and other material information are released through SGXNet on a timely basis for disseminating to shareholders and the public in accordance with the requirements of the SGX-ST.

The Company Secretary prepares minutes of general meetings that include substantial and relevant comments or queries from shareholders relating to the agenda of the meeting, and responses from the Board and Management, and such minutes are available to shareholders upon their request.

Provision 11.6 – Dividend Policy

The Company does not have a fixed dividend policy. The form, frequency and amount of dividends will depend on the Company's earnings, general financial condition, results of operations, capital requirements, cash flow, general business conditions, development plans and other factors as the Board may deem appropriate. Notwithstanding the foregoing, any pay-out of dividends would be clearly communicated to shareholders via announcements released on SGXNet.

12. ENGAGEMENT WITH SHAREHOLDERS & STAKEHOLDERS – PRINCIPLES 12 & 13

The Company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the Company.

The Board adopts an inclusive approach by considering and balancing the needs and interests of the material stakeholders, as part of its overall responsibility to ensure that the best interests of the Company are served.

Provision 12.1 – Soliciting and Understanding Views of Shareholders

To promote a better understanding of shareholders' views, the Board actively encourages shareholders to participate during the Company's general meetings. These meetings provide excellent opportunities for the Company to obtain shareholders' views on value creation. Information on general meetings is disseminated through notices in the annual reports or circulars sent to all shareholders.

Provisions 12.2 & 12.3 – Communication & Interaction with Shareholders
Provisions 13.1, 13.2 & 13.3 – Engagement with Stakeholders

General meetings have been and are still the principal forum for dialogue with shareholders. During these meetings, shareholders are able to engage the Board and Management on the Group's business activities, financial performance and other business-related matters. Simultaneously, the Company is also able to gather views or input and address shareholders' concerns at general meetings.

The Board informs the shareholders and stakeholders promptly of all major developments that may have an impact on the Group. Information is disseminated to stakeholders on a timely basis through:

- SGXNet systems and news release;
- Annual report prepared and issued to all shareholders; and
- The Company's website at www.fragrancegroup.com.sg at which shareholders and stakeholders can access information on the Group.

CORPORATE GOVERNANCE REPORT

Shareholders and stakeholders can provide their enquiries, concerns and feedbacks on the Company's website.

The Company has released its latest sustainability report on SGXNet in May 2019. Please refer to the section on "Stakeholder Engagement" on page 13 of the sustainability report for more information on how the Company manages its stakeholder relationship.

13. DEALINGS IN SECURITIES

In compliance with Rule 1207 (19) of the Listing Manual issued by the SGX-ST, the Company has in place a policy prohibiting share dealings by Directors and Executive Officers of the Company for the period of one month prior to the announcement of the Company's full yearly results or two weeks prior to the announcement of quarterly results as the case may be, and ending on the date of the announcement of the relevant results. Directors and Executive Officers are expected to observe the insider trading laws at all times even when dealing in securities within the permitted trading period. Also, the officers of the Company are advised not to deal in the Company's securities on short-term considerations.

14. INTERESTED PARTY TRANSACTIONS (IPT)

The Company has adopted an internal policy in respect of any transactions with interested persons and has set out the procedures for review and approval of the Company's interested person transactions. All interested person transactions are subject to review by the Audit Committee.

Details of IPT for the year ended 31 December 2019 are as follows:

Name of interested person	Aggregate value of all IPT during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the SGX-ST Listing Manual)	Aggregate value of all IPT conducted under a shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)
GP Hotel Management Pte Ltd[(1)]		
– Rental Income	$624,494	–
Bayfront Ventures Pte Ltd[(2)]		
– Project Management fee	$416,000	–
– Provision of loan; interest free	$3,650,000	–
Kensington Village Pte Ltd[(2)]		
– Provision of loan; interest-free	$780,000	–
Aspial Corporation Limited[(3)] and AF Corporation Pte. Ltd[(2)]		
– Provision of loan; interest-free	$10,330,000	–
– Provision of loan; with interest	$1,005,000	–
– Investment in Joint Venture, now classified as Assets held for distribution	$23,964,000	–
Knight Frank Property Asset Management Pte Ltd[(4)]		
– Facilities Management fee	$99,956	–

CORPORATE GOVERNANCE REPORT

Notes:

(1) A related party in which Mr Koh Wee Meng has an interest, previously known as Fragrance Hotel Management Pte Ltd.

(2) Bayfront Ventures Pte. Ltd., Kensington Village Pte. Ltd. and AF Corporation Pte. Ltd., these are the companies in which Mr Koh Wee Meng and Mr Koh Wee Seng* have an interest.

(3) Aspial Corporate Limited, a company listed on the SGX-ST in which Mr Koh Wee Meng and Mr Koh Wee Seng* have an interest.

(4) Knight Frank Property Asset Management Pte Ltd is held through a joint venture company, Knight Frank Pte Ltd, which is 55% owned by AF Global Limited in which Mr Koh Wee Meng and Mr Koh Wee Seng* have an interest.

* Sibling of Mr Koh Wee Meng

For the purposes of Rules 905(2) and 906(1)(b) of the SGX-ST Listing Manual, the interested persons are treated as the same interested person and the transactions entered into between the Group and such interested persons are aggregated in determining whether the designated financial thresholds under Rules 905(2) and 906(1)(b) of the SGX-ST Listing Manual are triggered.

The Company does not have a general mandate from shareholders for interested person transactions.

The AC and the Board have reviewed the transactions and were satisfied that the terms were fair and reasonable and were not prejudicial to the interests of the Company and its minority shareholders.

15. MATERIAL CONTRACTS

There was no material contracts entered into by the Company or any of its subsidiary companies involving the interests of the Group's CEO, any Director and/or substantial shareholder as at the end of 31 December 2019.

DIRECTORS' STATEMENT

The directors present their statement together with the audited consolidated financial statements of the group and statement of financial position and statement of changes in equity of the company for the financial year ended December 31, 2019.

In the opinion of the directors, the consolidated financial statements of the group and the statement of financial position and statement of changes in equity of the company as set out on page 42 to 108 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 December 31, 2019 and of the financial performance, changes in equity and cash flows of the group and changes in equity of the company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the company will be able to pay its debts when they fall due.

1 DIRECTORS

The directors of the company in office at the date of this report are:

Koh Wee Meng
Lim Wan Looi
Periakaruppan Aravindan
Leow Chung Chong Yam Soon
Teo Cheng Kuang
Watt Kum Kuan

2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the company to acquire benefits by means of the acquisition of shares or debentures in the company or any other body corporate, except for the performance shares mentioned in paragraph 3 of the Directors' Statement.

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the company holding office at the end of the financial year had no interests in the share capital and debentures of the company and related corporations as recorded in the register of directors' shareholdings kept by the company under Section 164 of the Singapore Companies Act except as follows:

Name of directors	Shareholdings registered in the name of directors		Shareholdings in which directors are deemed to have an interest	
The company	**At beginning of year**	**At end of year**	**At beginning of year**	**At end of year**
Ordinary shares ('000)				
Koh Wee Meng	5,015,500	5,015,500	735,000	735,000
Lim Wan Looi	735,000	735,000	5,015,500	5,015,500
Periakaruppan Aravindan	5,941	6,241	–	–

Subsequent to year end, performance shares of NIL (2018: 300,000) were awarded to Periakaruppan Aravindan.

The directors' interests in the share of the company as at January 21, 2020 were the same at December 31, 2019.

DIRECTORS' STATEMENT

Name of directors and companies in which interest are held	Direct Interest		Deemed interest	
The company	**At beginning of year**	**At end of year**	**At beginning of year**	**At end of year**
GBP Term Notes at 3.25% p.a.[(1)]				
	£'000	**£'000**	**£'000**	**£'000**
Koh Wee Meng	30,450	30,450	12,000	12,000
Lim Wan Looi	12,000	12,000	30,450	30,450
Periakaruppan Aravindan	100	100	–	–
SGD Term Notes at 4.75% p.a.[(2)]				
	$'000	**$'000**	**$'000**	**$'000**
Koh Wee Meng	–	–	5,000	5,000
Lim Wan Looi	5,000	5,000	–	–
Periakaruppan Aravindan	500	500	–	–
SGD Term Notes at 6.125% p.a.[(3)]				
Koh Wee Meng	–	–	5,000	5,000
Lim Wan Looi	5,000	5,000	–	–
Periakaruppan Aravindan	250	250	–	–
Leow Chung Chong Yam Soon	250	250	–	–
A related party – GP Hotel Capital Pte Ltd				
Koh Wee Meng[(2)]	–	–	32,000	–
Koh Wee Meng[(3)]	–	–	4,000	–

(1) The GBP term notes carry fixed coupon of 3.25% per annum and mature on August 23, 2021.

(2) The SGD term notes carry fixed coupon of 4.75% per annum and mature on November 23, 2021.

(3) The SGD term notes carry fixed coupon of 6.125% per annum and mature on April 26, 2021.

The term notes have been issued under a multi-currency debt issuance program and are listed on Singapore Exchange Securities Trading Limited.

By virtue of Section 7 of the Singapore Companies Act, Mr Koh Wee Meng and Ms Lim Wan Looi are deemed to have an interest in all the related corporations of the company.

4 SHARE OPTIONS

(a) *Options to take up unissued shares*

During the financial year, no options to take up unissued shares of the company or any corporation in the group were granted.

(b) *Options exercised*

During the financial year, there were no shares of the company or any corporation in the group issued by virtue of the exercise of an option to take up unissued shares.

(c) *Unissued shares under options*

At the end of the financial year, there were no unissued shares of the company or any corporation in the group under options.

DIRECTORS' STATEMENT

5 AUDIT COMMITTEE

The Audit Committee of the company, consisting of all non-executive directors is chaired by Mr Leow Chung Chong Yam Soon and includes Mr Teo Cheng Kuang and Mr Watt Kum Kuan. The Audit Committee has met four times since the last Annual General Meeting ("AGM") and has reviewed the following, where relevant, with the executive directors and external and internal auditors of the company:

(a) The audit plan and results of the external auditors' examination;

(b) The audit plans and results of the internal auditors' examination and evaluation of the group's systems of internal accounting controls;

(c) The group's financial and operating results;

(d) The statement of financial position and statement of changes in equity of the company and the consolidated financial statements of the group before their submission to the directors of the company and external auditors' report on those financial statements;

(e) The quarterly, half-yearly and annual announcements as well as the related press releases on the results of the group and financial position of the company and the group;

(f) The co-operation and assistance given by the management to the group's external auditors; and

(g) The re-appointment of the external auditors of the group.

The Audit Committee has full access to and has the co-operation of the management and has been given the resources required for it to discharge its functions properly. It also has full discretion to invite any director and executive officer to attend its meetings. The external auditors have unrestricted access to the Audit Committee.

The Audit Committee has recommended to the directors the nomination of Deloitte & Touche LLP for re-appointment as external auditors of the group at the forthcoming AGM of the company.

6 AUDITORS

The auditors, Deloitte & Touche LLP, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE DIRECTORS

....
Koh Wee Meng

....
Periakaruppan Aravindan

Singapore
March 27, 2020

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF FRAGRANCE GROUP LIMITED

REPORT ON THE AUDIT OF FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of the Fragrance Group 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 December 31, 2019, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the group and statement of changes in equity of the company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 42 to 108.

In our opinion, the accompanying consolidated financial statements of the group and the statement of financial position and statement of changes in equity of the company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") 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 December 31, 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the group and of the changes in equity of the company for the year ended on that date.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current 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.

Key audit matters	How the matter was addressed in the audit
Valuation of investment properties (Refer to Note 3 and Note 14 to the financial statements) Investment properties account for $1,823,976,000 (2018: $1,578,208,000) or 57.8% (2018: 55.9%) of total assets. These investment properties are stated at their fair values based on valuations of independent professional valuers. The valuation process involves significant judgements in determining the appropriate valuation methodologies; in estimating adjustments to comparable property prices when using the direct comparison method; in projecting income and estimating the appropriate capitalisation rate under the income capitalisation method. In August 2019, the group made a planning submission to Urban Redevelopment Authority ("URA") for a change in use in respect of the property at Lot 01958P MK01 to full hotel usage. The group had received the grant of provisional permission from URA prior to December 31, 2019. The proposed amendment to the change in use was processed and updated in the masterplan by URA prior to December 31, 2019. The fair value of the property will be impacted in the unlikely event that the final approval from URA is not received. Management has recorded a fair value gain of $116,900,000 on this property as at December 31, 2019 based on full hotel usage.	We read the valuation reports from the external professional valuers and held a discussion with the valuers to: • evaluate the independence, qualifications, competence and objectivity of the external professional valuers and the scope of work of the valuers. • consider the valuation methodologies used, the comparable properties used by the valuers and the judgemental adjustments made by the valuers for differences in property attributes between the group's properties when using the direct comparison method; and the basis of projecting income and estimating the capitalisation rate. We have discussed with management as well as external professional valuer on proposed redevelopment plan of the property at Lot 01958P MK01 and noted that the change in use is certain as the masterplan has been updated with the new rezoning for hotel development. We have also sighted to the letter of grant of provisional permission from URA on the rezoning. We considered the adequacy of disclosures in the financial statements in describing the inherent subjectivity of the valuations, the key unobservable inputs and the relationships between the key unobservable inputs and fair value.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF FRAGRANCE GROUP LIMITED

<table>
<tr><th>Key audit matters</th><th>How the matter was addressed in the audit</th></tr>
<tr><td>Recoverable amounts of development properties
(Refer to Note 3 and Note 9 to the financial statements.)

Total cost of development properties held by the group amount to $788.3 million (2018: $692.5 million) or 25.0% (2018: 24.6%) of total assets of the group as of December 31, 2019.

In evaluating the recoverable amounts of these properties, management considered trends in land prices and macroeconomic factors for properties in the preliminary stage of planning.

Future market values which can be realised and future cost to be incurred may be significantly different from current estimates due to changes in types and physical attributes of development that are eventually built and macroeconomic changes impacting demand and supply.

Properties with approved development plans: (a) significant assumptions are made by management regarding the types and physical attributes of development; (b) significant estimates are made regarding projected gross development values ("GDV") and development cost upon completion of development.

For some of the properties with detailed development plans are not firm, these are pending completion of the group's planning and evaluation activities; or pending outcome of submissions of development plans to the relevant authorities.</td><td>We obtained and reviewed management's assessment on recoverability of development properties, including information such as:
• status of planning and submissions to authorities,
• assumptions made regarding the types and physical attributes of the developments, and
• basis of estimation of GDVs and development cost.

We compared information on trends in land prices and macro economic factors considered by management in assessing recoverability of cost of the properties against published reports from real estate firms.

We also considered the headroom between projected GDVs and projected cost for individual properties to determine whether the margins are thin and would require sensitivity analysis of the effects of reasonably of unfavourable adjustments to these estimates. There was no such instance.

In some instances, the estimated cost of projects that are less advanced in the planning phase have been estimated through benchmarking with estimated cost of a comparable project which has elements of contracted and projected cost. We compared the projected cost with the benchmark and obtained information from management on the basis of adjusting the projected cost for differences between the benchmark and subject properties.

We considered the adequacy of disclosures in the financial statements in describing the status of the properties, the significant assumptions and accounting estimates involved and the inherent uncertainty and subjectivity of such estimates.</td></tr>
</table>

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 annual report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF FRAGRANCE GROUP LIMITED

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional skepticism 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.

(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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF FRAGRANCE GROUP LIMITED

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

The engagement partner on the audit resulting in this independent auditor's report is Mr Aw Xin-Pei.

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

March 27, 2020

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2019

	Note	Group December 31, 2019 $'000	Group December 31, 2018 $'000 (Restated)	Group January 1, 2018 $'000 (Restated)	Company December 31, 2019 $'000	Company December 31, 2018 $'000 (Restated)	Company January 1, 2018 $'000 (Restated)
ASSETS							
Current assets							
Cash and cash equivalents	6	**69,452**	136,129	121,530	**32,848**	95,691	93,068
Trade and other receivables	7	**25,703**	82,598	159,263	**399,658**	74,396	98,752
Inventories		**119**	97	132	**–**	–	–
Financial assets at fair value through profit or loss		**4,018**	1,419	–	**4,018**	1,419	–
Non-current assets held for distribution	8	**115,539**	–	–	**104,900**	–	–
Properties under/held for development	9	**788,282**	692,541	425,109	**–**	–	101,807
Properties held for sale	10	**89,971**	94,066	58,908	**31,847**	35,965	636
Derivative financial instruments	19	**4,183**	–	–	**2,157**	–	–
Total current assets		**1,097,267**	1,006,850	764,942	**575,428**	207,471	294,263
Non-current assets							
Subsidiaries	11	**–**	–	–	**663,848**	987,796	834,193
Investment in joint venture	13	**67**	113,444	113,737	**76**	90,313	89,163
Other receivables and prepayment	7	**28,791**	18,388	7,839	**743**	1,258	491
Investment properties	14	**1,823,976**	1,578,208	1,290,235	**–**	–	–
Property, plant and equipment	15	**205,233**	97,875	104,532	**–**	–	–
Deferred tax asset	20	**–**	4,259	2,494	**–**	–	–
Total non-current assets		**2,058,067**	1,812,174	1,518,837	**664,667**	1,079,367	923,847
Total assets		**3,155,334**	2,819,024	2,283,779	**1,240,095**	1,286,838	1,218,110
LIABILITIES AND EQUITY							
Current liabilities							
Trade and other payables	16	**48,716**	70,706	42,627	**16,060**	34,404	33,715
Notes payable	17	**2,821**	2,802	1,452	**2,821**	2,802	1,452
Term loans	18	**172,362**	273,241	469,952	**22,623**	64,000	84,225
Derivative financial instrument	19	**–**	7,576	904	**–**	4,759	474
Income tax payable		**8,813**	20,131	1,608	**8,760**	10,942	607
Total current liabilities		**232,712**	374,456	516,543	**50,264**	116,907	120,473
Non-current liabilities							
Trade and other payables	16	**–**	–	–	**4,646**	3,417	2,193
Notes payable	17	**274,587**	302,931	180,941	**274,587**	302,931	180,941
Term loans	18	**1,245,541**	811,066	463,438	**–**	–	45,000
Deferred tax liabilities	20	**11,160**	11,660	16,365	**–**	1,874	8,170
Total non-current liabilities		**1,531,288**	1,125,657	660,744	**279,233**	308,222	236,304
Capital and reserves							
Share capital	21	**150,000**	150,000	150,000	**150,000**	150,000	150,000
Treasury shares	22	**(885)**	(945)	(945)	**(885)**	(945)	(945)
Performance share reserve	23	**325**	325	325	**325**	325	325
Revaluation reserve	24	**40**	51,550	50,892	**–**	–	–
Foreign currency translation reserve	25	**(73,896)**	(68,668)	(27,580)	**–**	–	–
Investment revaluation reserve		**2**	(580)	(120)	**–**	–	–
Accumulated profits		**1,307,361**	1,178,476	924,721	**761,158**	712,329	711,953
Equity attributable to owners of the company		**1,382,947**	1,310,158	1,097,293	**910,598**	861,709	861,333
Non-controlling interests		**8,387**	8,753	9,199	**–**	–	–
Total equity		**1,391,334**	1,318,911	1,106,492	**910,598**	861,709	861,333
Total liabilities and equity		**3,155,334**	2,819,024	2,283,779	**1,240,095**	1,286,838	1,218,110

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED DECEMBER 31, 2019

	Note	Group 2019 $'000	Group 2018 $'000 (Restated)
Revenue	26	**58,156**	326,228
Cost of sales		**(15,771)**	(195,458)
Gross profit		**42,385**	130,770
Investment gain (loss)	27	**219**	(26)
Other operating income	28	**106,090**	248,122
Other expenses	29	**(7,302)**	(20,919)
Selling and distribution costs		**(3,615)**	(16,422)
Administrative expenses		**(25,963)**	(26,899)
Finance costs	30	**(31,549)**	(31,432)
Share of results of joint venture	13	**7,371**	(326)
Profit before income tax		**87,636**	282,868
Income tax expense	31	**(8,150)**	(16,133)
Profit for the year	32	**79,486**	266,735
Other comprehensive income, net of tax:			
Items that will not be reclassified subsequently to profit or loss			
Share of other comprehensive income of joint venture			
Revaluation of land and buildings	13	**262**	868
Income tax relating to components of other comprehensive income that will not be reclassified subsequently	13	**45**	(210)
		307	658
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		**(11,216)**	(39,773)
Share of other comprehensive income of joint venture			
Share of exchange translation differences of joint venture	13	**3,783**	(1,315)
Fair value gain (loss) on investment securities	13	**3**	(460)
		(7,430)	(41,548)
Other comprehensive loss for the year, net of tax		**(7,123)**	(40,890)
Total comprehensive income for the year		**72,363**	225,845
Profit attributable to:			
– Owners of the company		**79,852**	267,181
– Non-controlling interests	11(b)	**(366)**	(446)
		79,486	266,735
Total comprehensive income attributable to:			
– Owners of the company		**72,729**	226,291
– Non-controlling interests		**(366)**	(446)
		72,363	225,845
Earnings per share:			
– Basic and Diluted	33	**1.19 cents**	3.97 cents

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED DECEMBER 31, 2019

	Note	Share capital $'000	Treasury shares $'000	Performance share reserve $'000	Revaluation reserve $'000	Foreign currency translation reserve $'000	Investment revaluation reserve $'000	Accumulated profits $'000	Attributable to equity holders of the company $'000	Non-controlling interests $'000	Total $'000
Group											
At January 1, 2018		150,000	(945)	325	50,892	(27,580)	(120)	929,254	1,101,826	10,080	1,111,906
Effect of prior years' adjustments		–	–	–	–	–	–	(4,533)	(4,533)	(881)	(5,414)
At January 1, 2018 (restated)		150,000	(945)	325	50,892	(27,580)	(120)	924,721	1,097,293	9,199	1,106,492
Dividend paid, representing transactions with owners, recognised directly in equity	34	–	–	–	–	–	–	(13,426)	(13,426)	–	(13,426)
		150,000	(945)	325	50,892	(27,580)	(120)	911,295	1,083,867	9,199	1,093,066
Total comprehensive income for the year											
Profit for the year (restated)		–	–	–	–	–	–	267,181	267,181	(446)	266,735
Other comprehensive income for the year		–	–	–	658	(41,088)	(460)	–	(40,890)	–	(40,890)
Total		–	–	–	658	(41,088)	(460)	267,181	226,291	(446)	225,845
At December 31, 2018 (restated)		150,000	(945)	325	51,550	(68,668)	(580)	1,178,476	1,310,158	8,753	1,318,911
Transactions with owners, recognised directly in equity											
Award of performance shares		–	60	–	–	–	–	–	60	–	60
Effect of transfer on sale of investment property		–	–	–	(24,165)	–	–	24,165	–	–	–
Effect of transfer of distribution-in-specie of a joint venture		–	–	–	(27,652)	2,205	579	24,868	–	–	–
		–	60	–	(51,817)	2,205	579	49,033	60	–	60
Total comprehensive income for the year											
Profit for the year		–	–	–	–	–	–	79,852	79,852	(366)	79,486
Other comprehensive income for the year		–	–	–	307	(7,433)	3	–	(7,123)	–	(7,123)
Total		–	–	–	307	(7,433)	3	79,852	72,729	(366)	72,363
At December 31, 2019		**150,000**	**(885)**	**325**	**40**	**(73,896)**	**2**	**1,307,361**	**1,382,947**	**8,387**	**1,391,334**

STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED DECEMBER 31, 2019

	Note	Share capital $'000	Treasury shares $'000	Performance share reserve $'000	Accumulated profits $'000	Total $'000
Company						
At January 1, 2018		150,000	(945)	325	714,832	864,212
Effect of prior years' adjustments		–	–	–	(2,879)	(2,879)
At January 1, 2018 (restated)		150,000	(945)	325	711,953	861,333
Dividend paid, representing transactions with owners, recognised directly in equity	34	–	–	–	(13,426)	(13,426)
		150,000	(945)	325	698,527	847,907
Profit for the year, representing total comprehensive income for the year (restated)		–	–	–	13,802	13,802
At December 31, 2018 (restated)		150,000	(945)	325	712,329	861,709
Award performance shares, representing transactions with owners, recognised directly in equity		–	60	–	–	60
		150,000	(885)	325	712,329	861,769
Profit for the year, representing total comprehensive income for the year		–	–	–	48,829	48,829
At December 31, 2019		**150,000**	**(885)**	**325**	**761,158**	**910,598**

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2019

	Group	
	2019	**2018**
	$'000	**$'000**
		(Restated)
Operating activities		
Profit before income tax	**87,636**	282,868
Adjustments for:		
Depreciation of property, plant and equipment	**1,784**	1,842
Amortisation of prepaid land lease	**–**	780
Amortisation of rental incentives granted	**1,231**	275
Amortisation of processing fee on debt note issued	**537**	387
Gain on disposal of held for trading investment	**(167)**	(26)
Change in fair value of held for trading investments	**(52)**	52
Fair value gain on investment properties	**(100,861)**	(245,555)
Fair value on derivative financial instrument	**7,302**	17,820
Loss on disposal of property, plant and equipment	**–**	8
Interest income	**(1,621)**	(1,889)
Interest expense	**31,549**	31,432
Unrealised gain on foreign exchange differences	**(1,718)**	1,907
Bad debts written off (recovered)	**5**	(45)
Share of results of joint venture	**(7,371)**	326
Change in fair value of financial liabilities at fair value through profit or loss	**(36)**	–
Gain on settlement of financial liabilities	**(1,020)**	–
Operating cash flows before movements in working capital	**17,198**	90,182
Trade and other receivables	**34,833**	59,061
Inventories	**(22)**	35
Development properties and properties held for sale	**(199,860)**	(336,339)
Trade and other payables	**(42,270)**	38,532
Cash used in operations	**(190,121)**	(148,529)
Interest paid	**(43,540)**	(37,737)
Income tax paid	**(12,622)**	(671)
Net cash used in operating activities	**(246,283)**	(186,937)
Investing activities		
Interest received	**1,500**	1,889
Additional capital contribution in joint venture	**(10,580)**	(1,150)
Capital redemption from a joint venture	**19,881**	–
Purchase of financial assets at fair value through profit or loss	**–**	(1,710)
Proceeds from disposal of financial assets at fair value through profit or loss	**1,638**	265
Proceeds from disposal of investment property	**28,800**	–
Proceeds from disposal of property, plant and equipment	**–**	13
Purchase/transfer of investment property (Note B)	**(142,628)**	(49,119)
Payment for derivative financial instruments	**(19,026)**	(10,808)
Purchase of property, plant and equipment	**(138)**	(639)
Net cash used in investing activities	**(120,553)**	(61,259)

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2019

	Group	
	2019	2018
	$'000	$'000
Financing activities		
Proceeds from borrowings	**756,533**	308,417
Proceeds from notes issued	–	125,000
Repayment of borrowings	**(421,902)**	(155,320)
Repurchased of medium term note issued	**(32,962)**	–
Dividends paid	–	(13,426)
Advances to non-controlling interests	**520**	440
Net cash from financing activities	**302,189**	265,111
Net (decrease) increase in cash and cash equivalents	**(64,647)**	16,915
Cash and cash equivalents at beginning of year (Notes A and 6)	**136,129**	121,530
Effect of exchange rate change on balances of cash held in foreign currencies	**(2,030)**	(2,316)
Cash and cash equivalents at end of year (Notes A and 6)	**69,452**	136,129

Note A: Included in the cash and cash equivalents is an amount of $1,341,000 (2018: $6,647,000) deposited in the project accounts. Withdrawals of these monies for expenditure related to specific properties under development are governed by the Housing Developers (Control and Licensing) Act.

Note B:

	Group	
	2019	2018
	$'000	$'000
Addition of investment properties (Note 14)	**156,088**	42,418
Currency translation differences	**(2,740)**	4,939
Deposit paid in 2018 for an investment property (Note 7)	**(10,563)**	–
Payment of cost accrued in preceding year	**(157)**	1,762
	142,628	49,119

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

1 GENERAL

The company (Registration No. 200006656M) is incorporated in Singapore with its principal place of business and registered office at 456 Alexandra Road, #26-01 Fragrance Empire Building, Singapore 119962. The company was admitted to the Mainboard of Singapore Exchange Securities Trading Limited on February 3, 2005.

The principal activity of the company is that of investment holding.

The principal activities of its subsidiaries, joint operations and joint venture are described in Notes 11, 12 and 13 to the financial statements.

The financial statements are expressed in Singapore dollars, which is also the functional currency of the company.

The consolidated financial statements of the group and the statement of financial position and statement of changes in equity of the company for the year ended December 31, 2019 were authorized for issue by the Board of Directors on March 27, 2020.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING – The financial statements have been prepared in accordance with the historical cost basis except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards (International) ("SFRS(I)s").

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated 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 Payments, leasing transactions that are within the scope of SFRS(I) 1-16 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.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based 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 in its entirety, which are described as follows:

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

ADOPTION OF NEW AND REVISED STANDARDS – On January 1, 2019, the group and the company adopted all the new and revised SFRS(I) pronouncements that are relevant to its operations. The adoption of these new/revised SFRS(I) pronouncements does not result in changes to the group's and the company's accounting policies and has no material effect on the amounts reported for the current or prior years.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

SFRS(I) 16 LEASES

SFRS(I) 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting 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. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. There is no significant impact on the group's consolidated financial statements except for additional disclosure requirements for lessor accounting.

BASIS OF CONSOLIDATION – The consolidated financial statements incorporate the financial statements of the company and entities (including structured entities) controlled by the company and its subsidiaries. Control is achieved when the company:

- 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 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.

When the company 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 considers all relevant facts and circumstances in assessing whether or not the company's voting rights in an investee are sufficient to give it power, including:

- The size of the company'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, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the company 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 obtains control over the subsidiary and ceases when the company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the company gains control until the date when the company ceases to control the subsidiary.

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 is 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.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the group's accounting policies.

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

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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)s). 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 or a joint venture.

In the company's financial statements, investments in subsidiaries are carried at cost less any impairment in net recoverable value that has been recognised in the profit or loss.

FINANCIAL INSTRUMENTS – Financial assets and financial liabilities are recognised on the group's statement of financial position when the group becomes a party to the contractual provisions of the instrument.

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.

Financial assets

All financial assets are recognised and de-recognised on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned.

All recognised financial assets are subsequently measured in their entirety at amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (Continued)

Classification of financial assets (Continued)

By default, all other financial assets are subsequently measured at fair value through profit or loss (FVTPL).

Despite the aforegoing, the group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and

- the group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the “other operating income” line item.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (Continued)

Equity instruments designated as at FVTOCI

On initial recognition, the group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination to which SFRS(I) 3 applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling 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 evidence of 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).

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss when the group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "Other operating income" line item in profit or loss.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL.

Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The group has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value as at each reporting date, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "Other operating income" line item (Note 28). Fair value is determined in the manner described in Note 4(b)(vi).

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (Continued)

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate as at each reporting date. Specifically, for financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the “other operating income” or “other operating expenses” line items.

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 FVTOCI, contract assets, as well as on loan commitments and financial guarantee contracts. 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.

The group always recognises lifetime ECL for trade receivables and contract assets. 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.

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 if whether lifetime ECL should be recognised should be recognised is based on significant increases 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.

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 12 months after the reporting date.

Significant increase in credit risk

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 if 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 debtor 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 the real estate, hospitality and retail industries.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (Continued)

Significant increase in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- 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;
- an 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
- an 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 90 days past due, unless the group has reasonable and supportable information that demonstrates otherwise.

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 internal or external credit rating of "investment grade" as per globally understood definition.

For 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 of a loan commitment, the group considers changes in the risk of a default occurring on the loan to which a loan commitment relates; for financial guarantee contracts, the group considers the changes in the risk that the specified debtor will default on the contract.

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.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (Continued)

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 receivables that meet either of the following criteria are generally not recoverable.

- 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.

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:

- significant financial difficulty of the issuer or the borrower; or

- a breach of contract, such as a default or past due event; or

- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

- 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.

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 a year 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.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (Continued)

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.

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 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.

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:

- Nature of financial instruments (i.e. the group's trade and other receivables and amounts due from customers are each assessed as a separate group. Loans to related parties are assessed for expected credit losses on an individual basis);
- 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.

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.

The group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (Continued)

Derecognition of financial assets

The group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. 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.

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.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by the 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.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by a group entity are recorded at the proceeds received, net of direct issue costs.

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.

Treasury shares

When the company purchase its own equity share capital, the consideration paid, including any directly attributable costs, is recognised as 'Treasury shares' within equity. When the treasury shares are subsequently disposed, the realised gains or losses on disposal of the treasury shares are recognised in equity.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

However, 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 set out below.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities and equity instruments (Continued)

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is 1) contingent consideration of an acquirer in a business combination to which SFRS(I) 3 applies, 2) held for trading, or 3) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- 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 FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- 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 IFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL 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 operating income" or "other operating expenses" line item.

However, for financial liabilities that are designated as at FVTPL, 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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities and equity instruments (Continued)

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held-for-trading, or 3) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

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 and points 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.

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.

Financial guarantee contracts issued by a group entity are initially measured at their fair values and, if not designated as at FVTPL and do not arise from a transfer of a financial asset, are subsequently measured at the higher of:

- 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.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost as at each reporting date, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the “other operating income” and “other operating expense” line item in profit or loss for financial liabilities that are not part of a designated hedging relationship.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

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.

DERIVATIVE FINANCIAL INSTRUMENTS – The group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts and interest rate swaps. Further details of derivative financial instruments are disclosed in Note 19.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities and equity instruments (Continued)

Derecognition of financial liabilities (Continued)

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value as at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

HEDGING ACCOUNTING – The group designates certain derivatives as hedging instruments in respect of foreign currency risk and interest rate risk in fair value hedges, cash flow hedges, or hedges of net investments in foreign operations as appropriate.

At the inception of the hedge relationship, the group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the group documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again. Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated under the heading of foreign currency translation reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the “other gains and losses” line item.

Gains and losses on the hedging instrument relating to the effective portion of the hedge accumulated in the foreign currency translation reserve are reclassified to profit or loss on the disposal or partial disposal of the foreign operation.

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated under the heading of foreign currency translation reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the “other gains and losses” line item.

Gains and losses on the hedging instrument relating to the effective portion of the hedge accumulated in the foreign currency translation reserve are reclassified to profit or loss on the disposal or partial disposal of the foreign operation.

OFFSETTING ARRANGEMENTS – Financial assets and financial liabilities are offset and the net amount presented in the statements of financial position when the company and the group has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. A right to set-off must be available today rather than being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

Leases (Before January 1, 2019)

LEASES – Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease over the lease term including lease incentives granted to tenants are recognised on the profit or loss statement on a straight-line basis over the period of the lease.

The group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Lease incentives received from lessors are recognised as reductions of rental expense on a straight-line basis over the period of the lease.

Leases (From January 1, 2019)

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 12 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.

The group as lessor

The group enters into lease agreements as a lessor with respect to its investment properties.

Leases for which the group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

NON-CURRENT ASSETS HELD FOR DISTRIBUTION – Non-current assets are classified as held for distribution when the group is committed to distribute the asset to the owners. This condition is regarded as met only when the distribution is highly probable and the asset is available for immediate distribution in its present condition. Management must be committed to the distribution which should be expected to qualify for recognition as a completed distribution within one year from the date of classification. Non-current assets classified has held for distribution are measured at the lower of their previous carrying amount and fair value less costs to sell.

INVENTORIES – Inventories comprising mainly consumables for hotel operations and are stated at cost.

PROPERTIES UNDER/HELD FOR DEVELOPMENT – Development properties are stated at cost less any impairment loss. Cost comprises the payment made for acquisition of land, development costs, finance costs and other related expenditure which are capitalised during the period when activities necessary to get the asset ready for its intended use are conducted, until such time that the properties are substantially completed.

Foreseeable losses, if any, are provided as soon as they become known based on the management’s estimates of net realisable value and estimates of cost to complete.

PROPERTIES HELD FOR SALE – Properties held for sale are stated at the lower of cost (specific identification) and net realisable value. Net realisable value is determined by reference to estimated sale proceeds less selling expense.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cost of property includes acquisition costs, development expenditure, interests and other direct costs attributable to such property.

PROPERTY, PLANT AND EQUIPMENT – Office premises and plant and equipment are carried at cost, less accumulated depreciation and any impairment losses.

Depreciation is charged so as to write off the cost of assets, other than freehold land and construction-in-progress, over their estimated useful lives, using the straight-line method, on the following bases:

Building – office premises	–	2%
Building – hotel	–	over the estimated useful life of 60 years
Motor vehicles	–	20%
Furniture, fixtures and fittings	–	20%
Office equipment	–	20%
Computer	–	20% to $33^1/_3$%
Renovation	–	20%

The estimated useful lives, residual values and depreciation method are reviewed each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Fully depreciated assets are retained in the financial statements until they are no longer in use.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit or loss.

INVESTMENT PROPERTIES – Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties, including those under construction, are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss for the period in which they arise.

IMPAIRMENT OF TANGIBLE ASSETS – At the end of each reporting period, the group reviews the carrying amounts of its 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.

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.

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 the 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.

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, to the extent 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 the 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.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

JOINT VENTURE – 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.

The results and assets and liabilities of 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 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 joint venture. When the group's share of losses of a joint venture exceeds the group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the group's net investment in the 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 joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in 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.

The requirements of SFRS(I) 9 are applied to determine whether it is necessary to recognise any impairment loss with respect to the group's investment in 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 forms part of 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.

The group discontinues the use of the equity method from the date when the investment ceases to be a joint venture, or when the investment is classified as held for sale. When the group retains an interest in the former joint venture and the retained interest is a financial asset, the group measures the retained interest at fair value at that date and the 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 joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the joint venture is included in the determination of the gain or loss on disposal of the joint venture. In addition, the group accounts for all amounts previously recognised in other comprehensive income in relation to that joint venture on the same basis as would be required if that 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 joint venture would 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.

The group continues to use the equity method when 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.

When the group reduces its ownership interest in 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 would be reclassified to profit or loss on the disposal of the related assets or liabilities.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

When a group entity transacts with a joint venture of the group, profits and losses resulting from the transactions with the joint venture are recognised in the group's consolidated financial statements only to the extent of interests in the joint venture that are not related to the group.

The company carries investment in the joint venture at cost less any impairment loss and does not equity account for the results of the joint venture.

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.

When a group entity undertakes its activities under joint operations, the group/company as a joint operator recognises in relation to its interest in a joint operation:

- Its assets, including its share of any assets held jointly;
- Its liabilities, including its share of any liabilities incurred jointly;
- Its revenue from the sale of its share of the output to the joint operation;
- Its share of the revenue from the sale of the output by the joint operation; and
- Its expenses, including its share of any expenses incurred jointly.

Consistent with the substance of the arrangement with the other joint operation, the group/company accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the FRSs applicable to the particular assets, liabilities, revenues and expenses.

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/company is considered to be conducting the transaction with the other party to the joint operation, and gains and losses resulting from the transactions are recognised in the group's consolidated financial statements and the company's financial statements only to the extent of other party's interests in the joint operation.

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/company does not recognise its share of the gains and losses until it resells those assets to a third party.

PROVISIONS – Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, and it is probable that the group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

SHARE-BASED PAYMENTS – The group issues equity-settled share-based payments to certain employees.

Equity-settled share-based payments in the form of performance share awards without a vesting period are measured at fair value of the equity instruments at the date of award. The fair value is recognised as the cost of employment benefit recognised in profit or loss. When shares awarded are from treasury shares, the treasury shares are reduced at by an amount equal to the fair value on acquisition of those treasury shares. The difference between the fair value at date of award and the fair value on initial acquisition of the treasury shares are recorded in performance share reserve, a component of equity.

REVENUE RECOGNITION – Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes. The group recognises revenue when it transfers control of the goods or services to a customer.

The group constructs and sells properties under long-term contracts with customers in Singapore. Such contracts are entered into before construction of the properties begins. Under the terms of the contracts, the group is contractually restricted from redirecting the properties to another customer and has an enforceable right to payment for work done. Revenue from construction of residential properties is therefore recognised over time on a cost-to-cost method, i.e. based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. Management considers that this input method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under SFRS(I) 15.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease, including lease incentives given to tenants, are recognised in the profit or loss statements on a straight-line basis over the lease term.

Revenue for hotel operations and other related services is recognised at a point in time when the services are rendered.

Interest income is accrued on a time basis, by reference to the principal sums and at the applicable effective interest rates.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Income from providing financial guarantees to financial institutions for credit facilities used by certain wholly-owned subsidiaries are recognised as income of the company over the guarantee period.

DEFFERED COMMISSION EXPENSES – Commission paid in connection with sales of development properties are amortised as expense in profit or loss at the same percentage as revenue from the sale recognised on a percentage completion basis.

BORROWING COSTS – Borrowing costs directly attributable to the acquisition and construction of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Development of properties are considered substantially ready for sale upon the launch for sale.

All other borrowing costs are recognised in the profit or loss in the period in which they are incurred.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RETIREMENT BENEFIT OBLIGATIONS – Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered the services entitling them to the contributions. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

EMPLOYEE LEAVE ENTITLEMENT – Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

INCOME TAX – Income tax expense represents the sum of the tax currently payable and deferred tax.

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 by the end of the reporting period.

Deferred tax is recognised on 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.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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.

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.

FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION – The individual financial statements of each group entity are measured and presented in its functional currency which is the currency of the primary economic environment in which the entity operates. The consolidated financial statements of the group and the statement of financial position and statement of changes in equity of the company are presented in Singapore dollars, which is the functional currency of the company and the presentation currency for the consolidated financial statements.

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. At the end of each reporting period, 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.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Exchange differences on foreign currency borrowings used to finance assets under construction for future productive use, the total cost of financing the assets during the construction period, are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the group's foreign operations (including comparatives) are expressed in Singapore dollars 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 fluctuated 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 foreign currency translation reserve.

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 foreign currency translation reserve as hedges of such investments, are recognised in other comprehensive income and accumulated in a component of equity.

CASH AND CASH EQUIVALENTS IN THE STATEMENT OF CASH FLOWS – Cash and cash equivalents in the statement of cash flows comprise cash on hand and demand deposits that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

3.1 Critical judgements in applying the entity's accounting policies

Management is of the opinion that there are no critical judgements involved that have a significant effect on the amounts recognised in the financial statements except as discussed below, and except for those affecting accounting estimates.

3.1(a) Classification of development properties, properties held for sale, investment properties and properties, plant and equipment

The group has acquired a number of properties in Singapore, Australia and United Kingdom, of which some are intended for development into residential and mixed use properties and some are hotels. As planning for some of these properties are at very preliminary stages, these classifications reflect management's intent based on current circumstances. These are subject to potential changes depending on eventual components of mixed developments, macroeconomic factors which evolve over time and operating models for any hotel component which may be retained.

Australia

All properties with mixed use in Australia (residential, hotel, commercial components) are wholly classified as development properties except for 2 hotel properties classified as property, plant and equipment, which is based on the terms of the hotel operating agreements.

United Kingdom

All properties are classified as investment properties except for one development property and one property, plant and equipment. For the development property, management's intention is to develop into a residential development for sale. The hotel property is classified as property, plant and equipment based on the terms of the hotel operating agreement.

Singapore

Some commercial units at a completed mixed-use freehold development have been rented out in 2018 and 2019 on 2 to 3 year lease terms. These remain classified as properties held for sale as management's original intention to sell remains and leases are arranged pending disposal at prices which management seek to achieve over time. The lease terms permit sale by the group without consultation with the lessees. Within this freehold development, one significantly larger commercial unit tenanted since 2016 has been classified as investment property since 2016.

3.1 (b) Deferred taxation on revaluation gains from investment properties

For the purposes of measuring deferred tax liabilities or deferred tax 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, while certain of the group's investment properties are depreciable, 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. Therefore, no deferred tax is provided on revaluation gains from all investment properties.

3.1 (c) Valuation of investment properties

In August 2019, the group made a planning submission to URA for a change in use in respect of the property at Lot 01958P MK01 to full hotel usage. The group had received the grant of provisional permission from URA prior to December 31, 2019. The proposed amendment to the change in use was processed and updated in the masterplan by URA prior to December 31, 2019. Management is of the opinion that the final approval will be obtained from URA upon fulfilling the other requirements under the grant of provisional permission. Accordingly, management has recorded a fair value gain of $116,900,000 on this property as at December 31, 2019 based on full hotel usage.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

3.2 Key sources of estimation uncertainty

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

3.2 (a) Revenue and costs from properties under development

The revenue from property development is stated in Note 26 to the financial statements.

As described in Note 2 to the financial statements, revenue and costs associated with sold units of Singapore properties under development are recognised over time on a cost-to-cost method, i.e. based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs.

The key judgements and accounting estimates relate to (1) the estimation of total estimated cost to completion which impacts the total budgeted cost and the percentage of completion; and (2) the appropriate allocation of land and development cost between the commercial and residential components.

The cost to completion have been estimated by management after considering the remaining work to be done and the estimated total cost based on contracts awarded or experience from comparable past projects.

The allocation of land cost to residential and commercial components within the same development is based on relative estimated sales value of the finished commercial and residential components. Development cost have been allocated between the two components based on floor area.

3.2 (b) Recoverable amounts of development properties for sale and properties under/held for development

The amounts and nature of these properties are described in Notes 9 and 10 to the financial statements.

For properties in Singapore, management considers the expected net realisable values based on prices achieved from recent sales for the same development and the cost to completion as described in the preceding section "Revenue and costs from properties under development".

Detailed development plans are not firm for some of the properties in Australia, Singapore and United Kingdom pending completion of the group's planning and evaluation activities; or pending outcome of submissions of development plans to the relevant authorities.

In evaluating the recoverable amounts of these properties, management considered trends in land prices and macroeconomic factors for properties in the preliminary stage of planning.

For other properties: (a) significant assumptions are made by management regarding the types and physical attributes of development; (b) significant estimates are made regarding projected gross development values ("GDV") and development cost upon completion of development.

Future market values which can be realised and future cost to be incurred may be significantly different from current estimates due to changes in types and physical attributes of development that are eventually built and macroeconomic changes impacting demand and supply.

On the basis of assumptions made regarding the type of development an estimates regarding selling prices, gross development values and development cost, management expects cost to be recoverable.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

3.2 Key sources of estimation uncertainty (Continued)

3.2 (c) Valuation of investment properties

Investment properties are stated at fair values based on independent professional valuations. In determining the fair value, the valuer has used valuation techniques which involve certain estimates and significant unobservable inputs which are disclosed in Note 14.

In relying on the valuation reports, management has exercised its judgement and is satisfied that the independent valuer has appropriate recognised professional qualifications and the estimates are reflective of current market conditions at the end of each reporting period.

In addition to the above, management had also considered advice from management and external professional valuer and assessed that the change in use is certain and had recorded a fair value gain of $116,900,000 as at December 31, 2019 (Note 14).

3.2 (d) Income tax

Significant estimate is involved in determining the provision for income taxes. The basis on which land and land related cost are allocated between different components of a mixed development on a common plot of land; as determined by the company may differ from the basis that the tax authorities eventually assess. Tax assessments in respect of back years have yet to be finalised. The group recognises liabilities based on estimates of whether additional taxes will be due. Where the final tax outcomes of these matters are different from the amounts that were initially estimated, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Information about the deferred tax and income tax expenses are disclosed in Notes 20 and 31 respectively.

3.2 (e) Recoverable amounts of trade and other receivables

When measuring ECL, a considerable amount of judgement and accounting estimates such as supportable forward-looking information is required in assessing the ultimate realisation of trade and other receivables (Note 7).

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

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.

Should any buyer of properties under development default on payment obligations, collections to date are forfeitable to the extent necessary to make good those obligations, after deducting the net values realisable from resale of the property.

The carrying amounts of trade and other receivables are disclosed in Note 7 of the financial statements.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

(a) Categories of financial instruments

The following table sets out the financial instruments as at the end of the reporting period:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Financial assets				
Financial asset at amortised cost	**98,676**	205,430	**432,473**	170,075
Financial asset measured at FVTPL	**4,018**	1,419	**4,018**	1,419
Derivative financial instrument	**4,183**	–	**2,157**	–
Financial liabilities				
Financial liabilities at amortised cost	**1,740,609**	1,441,877	**313,196**	397,797
Derivative financial instrument	**–**	7,576	**–**	4,759
Financial guarantee contracts	**–**	–	**7,539**	5,466

(b) Financial risk management policies and object

The group is exposed to various financial risks in the normal course of business. There is no significant change in these risks except for increased exposure to the effect of foreign currency translation of assets and liabilities denominated in Australian dollar and British Pound. This result from the group's increased acquisition and development of properties in these two countries in previous years.

(i) Foreign exchange risk management

The group has ten properties in Australia and twelve properties in United Kingdom (Notes 9, 14 and 15). Changes in exchange rates between Australian dollars, British Pounds and the group's reporting currency result in currency translation movements which are recognised in Other Comprehensive Income. The group equity accounts for its share of the results and net assets of a joint venture (Note 13) which has invested in another listed group with operations in a number of countries and exposures to variability in exchange rates.

(ii) Interest rate risk management

The group has issued fixed rate medium term notes to reduce variability in interest rates. It has term loans with variable rate borrowings. Management actively reviews cost of funds and sources of funds to optimise funding cost. Summary quantitative data of the group's interest-bearing financial instruments can be found in Section (vi) of this Note.

Interest rate sensitivity

If interest rates had been 50 basis points higher or lower and all other variables were held constant, interest cost would increase or decrease by approximately $7,090,000 (2018: $5,422,000).

Reasonably possible changes in interest rates on cash and cash equivalents (Note 6) are not expected to have a significant impact on operating results.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

(b) Financial risk management policies and object (Continued)

(iii) Equity price risk management

The group is exposed to equity risks arising from equity investments classified as held-for-trading. Management has not performed any equity price sensitivity analysis as the impact to the group's and company's net profit for the year is not significant.

(iv) Overview of the group's credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the group. As at December 31, 2019, the group'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 due to failure to discharge an obligation by the counterparties and financial guarantees provided by the group arises from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position; and
- the maximum amount the group would have to pay if the financial guarantee is called upon, irrespective of the likelihood of the guarantee being exercised as disclosed in Note 4(b)(vi). The related loss allowance is disclosed in the respective notes to the financial statements.

The group develops and maintains its credit risk gradings to categorise exposures according to their degrees of risk of default. The group uses its trading records to rate its major customers and other debtors. The group does not hold any collateral to cover its credit risks associated with its financial assets.

The group's current credit risk framework comprises the following categories:

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 has no realistic prospect of recovery.	Amount is written off

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

4 **FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT** (CONTINUED)

(b) **Financial risk management policies and object** (Continued)

(iv) Overview of the group's credit risk (Continued)

Further details on the credit quality and maximum exposure to credit risk of the group's financial assets are detailed in Note 7.

The carrying amount of the group's financial assets at FVTPL best represents their respective maximum exposure to credit risk. The group holds no collateral over any of these balances.

(v) Credit risk management

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in financial loss to the group.

The group's financial assets are cash and bank balances, and trade and other receivables. The group's credit risk with respect to trade receivables is mitigated by legal recourse to the properties sold, in the event of default in payment by buyers of the property.

Deposits are collected from tenants to reduce exposure to expected credit losses.

The group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The group has no significant concentration of credit risk.

Cash is held with creditworthy financial institutions.

The carrying amounts of financial assets recorded in the financial statements, grossed up for any allowances for losses, represent the group's maximum exposure to credit risk.

(vi) Liquidity risk management

The group generally finance investments and projects with a long development cycle through a mix of internal funds and longer term debt which are secured over the assets of the group and/or subject to financial covenants such as debt to security ratio. Management reviews the maturity profile of its borrowings relative to expected cash inflows, monitors compliance with financial covenants and maintains sufficient cash and cash equivalents to ensure liquidity for the group.

All financial assets are either repayable on demand or due within one year from the respective reporting periods and non-interest bearing other than the fixed deposits (Note 6).

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

(b) Financial risk management policies and object (Continued)

(vi) Liquidity risk management (Continued)

Liquidity and interest risk analyses

Financial liabilities

The following undiscounted cash flows of financial liabilities based on the earliest date on which the group and company can be required to pay includes both interest and principal cash flows. The adjustment column represents the possible future cash flows attributable to future interest which are not included in the carrying amounts of the financial liabilities in the statement of financial position.

	Weighted average effective interest rate %	On demand or within 1 year $'000	Within 2 to 5 years $'000	After 5 years $'000	Adjustment $'000	Total $'000
Group						
2019						
Non-interest bearing	**NA**	**45,298**	**–**	**–**	**–**	**45,298**
Fixed interest rate instruments	**4.44**	**16,389**	**281,669**	**–**	**(20,650)**	**277,408**
Variable interest rate instruments	**2.77**	**208,146**	**1,304,143**	**15,763**	**(110,149)**	**1,417,903**
2018 (restated)						
Non-interest bearing	NA	51,804	–	–	–	51,804
Fixed interest rate instruments	4.89	17,750	326,218	–	(38,202)	305,766
Variable interest rate instruments	2.78	302,876	823,928	42,525	(85,022)	1,084,307

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

4 **FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT** (CONTINUED)

(b) **Financial risk management policies and object** (Continued)

(vi) Liquidity risk management (Continued)

Liquidity and interest risk analyses (Continued)

Financial liabilities (Continued)

	Weighted average effective interest rate %	On demand or within 1 year $'000	Within 2 to 5 years $'000	After 5 years $'000	Adjustment $'000	Total $'000
Company						
2019						
Non-interest bearing	**NA**	**13,164**	**–**	**–**	**–**	**13,164**
Fixed interest rate instruments	**4.44**	**16,389**	**281,669**	**–**	**(20,649)**	**277,409**
Variable interest rate instruments	**3.26**	**23,359**	**–**	**–**	**(736)**	**22,623**
2018						
Non-interest bearing	NA	28,064	–	–	–	28,064
Fixed interest rate instruments	4.89	17,741	326,192	–	(38,200)	305,733
Variable interest rate instruments	2.48	65,587	–	–	(1,587)	64,000

All loans above are covered by corporate guarantees given by the company to the financial institutions.

(vii) Fair value of financial assets and financial liabilities

The carrying amounts of cash and bank balances, trade and other current receivables and trade and other payables approximate their respective fair values due to the relatively short-term maturity of these financial instruments. The carrying amounts of term loans with floating interest rate repriced based on market benchmarks are considered representative of fair value. The fair values of quoted notes payable are disclosed in Note 17.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

(c) Capital management policies and objectives

The capital structure of the group consists of equity and reserves; and borrowings through term loans from financial institutions (Note 18) and notes issued on the capital market (Note 17)

The management reviews the capital structure at least on a semi-annual basis. As part of the review, the management considers the cost of capital, risks and tenures associated with each class of capital. Based on the review, the group may adjust the capital structure through the payment of dividends, purchase of treasury shares, issuance of new shares, issuance of new debt instruments or the redemption of existing debts.

The group manages its capital to ensure that entities in the group will be able to continue as going concerns while optimising the return to stakeholders through a combination of debt and equity balance.

Management monitors the following financial data relating to the group:

	Group	
	2019	**2018**
	$'000	**$'000**
Total assets	**3,155,334**	2,819,024
Total debts	**1,695,311**	1,390,040
Total equity	**1,382,947**	1,310,158
Debt-to-total assets	**53.7%**	49.3%
Debt-to-total equity	**122.6%**	106.1%

5 RELATED PARTY TRANSACTIONS

Related companies in these financial statements refer to the members of the company's group of companies.

Transactions and arrangements between the company and the members of the group on the basis determined between the parties are reflected in these financial statements. The intercompany balances are unsecured, interest-free and repayable on demand unless otherwise stated. Intragroup transactions and balances that have been eliminated in these consolidated financial statements are not disclosed as related company transactions.

Transactions and arrangements between the group and related parties on the basis determined between the parties are reflected in these financial statements. The balances with related parties are unsecured, interest-free and repayable on demand unless stated otherwise.

Transactions with the related parties include:

	Group	
	2019	**2018**
	$'000	**$'000**
Rental income received from related parties in which directors has interest	**711**	963
Project management fee received from a related party in which directors has interest	**419**	972
Service fee paid to related parties in which directors has interest	**(213)**	(10)

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

5 RELATED PARTY TRANSACTIONS

Compensation of directors and key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	Group	
	2019	2018
	$'000	$'000
Short-term benefits	**2,328**	4,768
Post-employment benefits	**67**	86
Share-based payments	**47**	–

The remuneration of directors and key management personnel is determined by the remuneration committee having regard to the performance of individuals and market trends.

6 CASH AND CASH EQUIVALENTS

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Cash and bank balances	**18,766**	16,819	**4,432**	3,733
Fixed deposits	**49,345**	112,663	**28,416**	85,311
Project accounts	**1,341**	6,647	**–**	6,647
Total	**69,452**	136,129	**32,848**	95,691

Monies received from sale of units of the properties under development are deposited into the project accounts, withdrawals from which are governed by the Housing Developers (Control and Licensing) Act.

All fixed deposits are for terms of approximately one to three months with interest rate of 1.24% (2018: 2.47%) per annum.

NOTES TO FINANCIAL STATEMENTS

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7 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Rental debtors – external parties	**2,625**	2,297	**2**	–
Goods and services tax receivables	**1,494**	6,767	**16**	–
Contract assets[i]:				
– Unbilled revenue on completed properties	**66**	51,959	**66**	51,959
– Unbilled revenue on properties under for development	**244**	–	**–**	–
Deposits	**1,179**	757	**30**	44
Prepayments	**8,516**	9,874	**760**	1,270
Subsidiaries	**–**	–	**399,325**	21,926
Advances to non-controlling interests	**2,140**	2,140	**–**	–
Deferred commission expenses	**15,260**	15,044	**–**	–
Others[ii]	**22,970**	12,148	**202**	455
	54,494	100,986	**400,401**	75,654
Less: Non-current portion				
– Prepayment	**(6,530)**	(7,825)	**(743)**	(1,258)
– Other receivable	**(22,261)**	(10,563)	**–**	–
	(28,791)	(18,388)	**(743)**	(1,258)
	25,703	82,598	**399,658**	74,396

The amount due from subsidiaries to the company and the amounts due from non-controlling interests to the group are unsecured, interest-free and repayable on demand.

(i) The significant changes to the contract asset balances during the reporting period is due to collections from buyers in 2019 upon Temporary Occupational Permit of a property development in November 2018.

(ii) Other receivables comprised mainly deposit of $18,343,000 (2018: $10,563,000) for purchases of land and building for redevelopment.

Unbilled revenue on properties under/held for development are classified as current because they are expected to be realised in the normal operating cycle.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

7 TRADE AND OTHER RECEIVABLES (CONTINUED)

Analysis of trade receivables

The average credit period ranges from 14 to 30 days (2018: 14 to 30 days) and non-interest bearing. Loss allowance for trade receivables has always been measured at an amount equal to lifetime expected credit losses (ECL). The ECL on trade receivables are estimated using a provision matrix 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.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

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. None of the trade receivables that have been written off is subject to enforcement activities.

The aging of receivables past due but not impaired amounted to $261,000 (2018: $309,000) and ranged above 30 days (2018: 30 days). The Group has not recognised a loss allowance of 100% against all receivables over a year past due because historical experience has indicated that these receivables are generally recoverable.

Other receivables

For purpose of impairment assessment, 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 the receivables since initial recognition. Accordingly, for the purpose of impairment assessment for these receivables, the loss allowance is measured at an amount equal to 12-month expected credit losses (ECL).

In determining the ECL, management 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 of the industry in which the debtors operate, 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.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for other receivables.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

8 NON-CURRENT ASSETS HELD FOR DISTRIBUTION

On December 20, 2019, the restructuring exercise of AF Corporation Pte Ltd ("AFC") was completed. Following the completion of the restructuring exercise of AFC, the company received a distribution-in-specie from AFC in the form of shares of AF Global Pte Ltd ("AFG") and ceased to hold a deemed interest in the shares of AFG.

On March 2, 2020, the shareholders of the company approved the distribution-in-specie of the issued share capital of AFG held by the company to the shareholders of the company via an Extraordinary General Meeting.

9 PROPERTIES UNDER/HELD FOR DEVELOPMENT

	Group	
	2019	**2018**
	$'000	**$'000**
		(Restated)
Land and other related costs	**409,948**	412,992
Development costs	**468,523**	272,711
Interest, property tax and other costs	**37,702**	6,838
	916,173	692,541
Less: Cost of properties sold to date	**(613)**	–
Cost of properties transferred to property, plant and equipment (Note 15)	**(127,896)**	–
Currency alignment	**618**	–
	788,282	692,541

Interest expenses capitalised in property under/held for development during the year was $15,050,000 (2018: $10,642,000) for the group and $Nil (2018: $3,629,000) for the company. Interest rates ranged from 2.71% to 6.13% (2018: 2.65% – 6.13%) per annum for the group; and Nil% (2018: 3.27%) per annum for the company.

Properties under/held for development are classified as current assets in accordance with SFRS(I) 1-1 because they are expected to be realised in the normal operating cycle.

All properties in Singapore are mortgaged to the banks and finance companies to secure credit facilities of the subsidiaries (Note 18).

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

9 PROPERTIES UNDER/HELD FOR DEVELOPMENT (CONTINUED)

The properties under/held for development as at the end of respective reporting periods were as follows:

			Land area (sq m)	
Property and address	**Description of development**	**Tenure**	**2019**	**2018**
205 Jalan Eunos, Singapore 419535	Proposed development of residential condominium.	Freehold	**10,380**	10,380
31, Jervois Road, Singapore 249080	Proposed development of residential apartment building.	Freehold	**1,834**	1,834
179 Macquarie Street, Hobart,Tasmania	Proposed development of multi-storey hotel building.	Freehold	**2,162**	2,162
374 – 396 Murray Street, Perth, Australia	Multi-storey hotel building with residential space.	Freehold	**2,358**	4,927
134-160 Spencer Street, Melbourne, Victoria	Multi-storey mixed development with commercial and residential space.	Freehold	**1,833**	1,833
171 Macquarie Street Hobart, Tasmania	Existing commercial building.	Freehold	**525**	525
28 – 30 Davey Street Hobart, Tasmania	Proposed development of multi-storey hotel building space.	Freehold	**1,153**	1,153
39 – 47 Milligan Street and 453 – 471 Murray Street, Perth, Australia	Proposed development of multi-storey mixed use, consisting of retail, office, hotel and residential use.	Freehold	**3,560**	3,560
2 – 6 Collins Street Hobart, Tasmania	Multi-storey hotel building.	Freehold	**3,009**	3,009
234 – 250 Elizabeth Street, Hobart, Tasmania	Multi-storey mixed development with commercial and residential space.	Freehold	**3,501**	3,501
5 – 7 Sandy Bay Road, 9, 11 & 13 Wilmot Street and 4, 6 & 8 Healthfield Avenue Hobart, Tasmania	Existing commercial building.	Freehold	**4,868**	4,868
Orchard Cottage Babacombe Road Torquay TQ1 3TG UK	Proposed development of mixed use hotel building and residential space.	Freehold	**133**	133

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

10 PROPERTIES HELD FOR SALE

	Group $'000	Company $'000
Balance as at January 1 2018 (restated)	58,908	636
Add: Additions during the year	224,298	133,765
Less: Transfer to cost of sales	(189,140)	(97,986)
Balance as at December 31, 2018 (restated)	94,066	35,965
Less: Transfer to cost of sales	(4,095)	(4,118)
Balance as at December 31, 2019	89,971	31,847

The properties held for sale as at the end of respective reporting periods were as follows:

Property and address	Description of development	Tenure	Strata/Land area (sq m) 2019	2018
#01-10/11/14/15 at 218 Pasir Panjang Road	4 units of completed commercial retail units of shop and restaurant.	Freehold(1)	**170**	170
277 Wak Hassan Drive	1 unit of completed detached dwelling house	99 years leasehold(1)	**503**	503
#01-48/49/50 at Tanah Merah Kechil Link	3 units of completed commercial retail units of shop.	99 years leasehold(1)	**113**	113
#B1-01/04/05/07/08/09/10/11/46, #01-19/24/25/26/37/38/43, #02-04/05/06/07/08/09/10 /11/16/21/22/26/30/31/44/45 /48/49/50/51 at 371 Beach Road	36 units of completed commercial units	99 years leasehold(1)(2)	**2,082**	2,401
#01-08/09/10/11/12/13/14/15 /16/17/19/20/23/40/45/46/47 /49/50/51/52/54/56 at 2 Jalan Lokam	23 units of completed commercial retail units of shop and restaurant.	Freehold(1)	**1,421**	1,421

(1) Strata area

(2) Land area

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

11 SUBSIDIARIES

	Company 2019 $'000	Company 2018 $'000
Unquoted equity shares, at cost	55,105	55,005
Additional funding provided to subsidiaries to support longer term funding needs of subsidiaries	573,065	906,586
Fair value of financial guarantees given by the company for credit facilities of subsidiaries[4]	35,678	26,205
	663,848	987,796

(a) Details of the company's subsidiaries are as follows:

Name of subsidiaries	Country of incorporation and operation	Proportion of ownership interest 2019 %	Proportion of ownership interest 2018 %	Proportion of voting power held 2019 %	Proportion of voting power held 2018 %	Principal activities
Held by the company						
Fragrance Homes Pte Ltd[1]	Singapore	**100**	100	**100**	100	Development, dealing and trading in properties.
Fragrance Realty Pte Ltd[1]	Singapore	**100**	100	**100**	100	Development, dealing and trading in properties.
Fragrance Holdings Pte Ltd[1]	Singapore	**100**	100	**100**	100	Investment holding and investing in properties.
Fragrance Biz Space Pte Ltd[1]	Singapore	**100**	100	**100**	100	Development, dealing and trading in properties.
Fragrance Grandeur Pte Ltd[1]	Singapore	**100**	100	**100**	100	Investment holding and investing in properties.
Fragrance Regal Pte Ltd[1]	Singapore	**100**	100	**100**	100	Investment holding and investing in properties.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

11 SUBSIDIARIES (CONTINUED)

(a) Details of the company's subsidiaries are as follows: (Continued)

Name of subsidiaries	Country of incorporation and operation	Proportion of ownership interest 2019 %	2018 %	Proportion of voting power held 2019 %	2018 %	Principal activities
The Colonial Settlement Pte Ltd[1]	Singapore	**100**	100	**100**	100	Investment holding and investing in properties.
Fragrance Treasures Pte Ltd[1]	Singapore	**100**	100	**100**	100	Development, dealing and trading in properties.
Fragrance Victory Pte Ltd[1]	Singapore	**100**	100	**100**	100	Development, dealing and trading in properties.
Fragrance Corporate Mgt Pte Ltd[1][5]	Singapore	**100**	–	**100**	–	Provision of management services
Kensington Land Pte Ltd[1]	Singapore	**60**	60	**60**	60	Development, dealing and trading in properties.
Kensington Village Pte Ltd[1]	Singapore	**60**	60	**60**	60	Development, dealing and trading in properties.
Fragrance Global Pte Ltd[1]	Singapore	**100**	100	**100**	100	Investment holding.
Fragrance Great Britain Pte Ltd[1]	Singapore	**100**	100	**100**	100	Investment holding.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

11 SUBSIDIARIES (CONTINUED)

(a) Details of the company's subsidiaries are as follows: (Continued)

Name of subsidiaries	Country of incorporation and operation	Proportion of ownership interest 2019 %	Proportion of ownership interest 2018 %	Proportion of voting power held 2019 %	Proportion of voting power held 2018 %	Principal activities
Held by Fragrance Global Pte Ltd						
Fragrance South Pacific Pty Ltd[2]	Australia	**100**	100	**100**	100	Investment holding.
Fragrance WA-Perth Pty Ltd[2]	Australia	**100**	100	**100**	100	Development, dealing and trading in properties.
Fragrance WA-Perth (Milligan) Pty Ltd[2]	Australia	**100**	100	**100**	100	Development, dealing and trading in properties
Fragrance TAS-Hobart Pty Ltd[2]	Australia	**100**	100	**100**	100	Hotel owner and development in properties.
Fragrance TAS-Hobart (Collins) Pty Ltd[2]	Australia	**100**	100	**100**	100	Development, dealing and trading in properties.
Fragrance TAS-Hobart (Elizabeth) Pty Ltd[2]	Australia	**100**	100	**100**	100	Development, dealing and trading in properties
Fragrance VIC-MEL (Collins) Pty Ltd[2]	Australia	**100**	100	**100**	100	Development, dealing and trading in properties.
Fragrance VIC-MEL (Spencer) Pty Ltd[2]	Australia	**100**	100	**100**	100	Development, dealing and trading in properties.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

11 SUBSIDIARIES (CONTINUED)

(a) Details of the company's subsidiaries are as follows: (Continued)

Name of subsidiaries	Country of incorporation and operation	Proportion of ownership interest 2019 %	Proportion of ownership interest 2018 %	Proportion of voting power held 2019 %	Proportion of voting power held 2018 %	Principal activities
Fragrance Macquarie Hotel Pty Ltd[(2)]	Australia	**100**	100	**100**	100	Hotel operations.
Fragrance TAS-Hobart (Sandy Bay) Pty Ltd[(2)]	Australia	**100**	100	**100**	100	Development, dealing and trading in properties.
Fragrance HF Pty Ltd[(2)]	Australia	**100**	100	**100**	100	Inactive.
Fragrance WA-Murray Hotel Pty Ltd[(2)(5)]	Australia	**100**	–	**100**	–	Hotel operations
Fragrance TAS-Devonport Pty Ltd[(2)(5)]	Australia	**100**	–	**100**	–	Inactive
Held by Fragrance Great Britain Pte Ltd						
Fragrance UK Investments Limited[(3)]	United Kingdom	**100**	100	**100**	100	Investment holding.
Fragrance UK-Blackpool Limited[(3)]	Britain	**100**	100	**100**	100	Hotel operations.
Fragrance UK-Blackpool 2 Limited[(3)]	Britain	**100**	100	**100**	100	Long term investment in hotel property.
Fragrance UK-Harrogate Limited[(3)]	Britain	**100**	100	**100**	100	Long term investment in hotel property.
Fragrance UK-Manchester Limited[(3)]	Britain	**100**	100	**100**	100	Long term investment in hotel property.
Fragrance UK-Torquay Limited[(3)]	Britain	**100**	100	**100**	100	Long term investment in hotel property.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

11 SUBSIDIARIES (CONTINUED)

(a) Details of the company's subsidiaries are as follows: (Continued)

Name of subsidiaries	Country of incorporation and operation	Proportion of ownership interest 2019 %	2018 %	Proportion of voting power held 2019 %	2018 %	Principal activities
Fragrance UK-Torquay 2 Limited[(3)]	Britain	100	100	100	100	Long term investment in hotel property.
Fragrance UK- Paignton Limited[(3)]	Britain	100	100	100	100	Long term investment in hotel property
Fragrance UK- Paignton 2 Limited[(3)]	Britain	100	100	100	100	Long term investment in hotel property.
Fragrance UK- Liverpool Limited[(3)]	Britain	100	100	100	100	Long term investment in hotel property.
Fragrance UK-Blackpool 3 Limited[(3)]	Britain	100	100	100	100	Long term investment in hotel property.
Fragrance UK-Bath Limited[(3)]	Britain	100	100	100	100	Long term investment in hotel property.
Fragrance UK-Plymouth Limited[(3)(5)]	Britain	100	–	100	–	Long term investment in hotel property.

(1) Audited by Deloitte & Touche LLP, Singapore.

(2) Audited by overseas practices of Deloitte Touche Tohmatsu Limited.

(3) Audited by PKF FrancisClark LLP, United Kingdom.

(4) Management estimates the fair value of the financial guarantees at 1% (2018: 1%) per annum of the loans guaranteed.

(5) Newly incorporated in 2019.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

12 INVESTMENT IN JOINT OPERATIONS

Details of the company's joint operations as at the end of the reporting period are as follows:

Name of joint operations	Country of incorporation and operation	Proportion of ownership interest 2019 %	2018 %	Principal activities
Bayfront Ventures Pte Ltd[1]	Singapore	**50**	50	Development, dealing and trading in properties.
Bayfront Realty Pte Ltd[1]	Singapore	**50**	50	Development, dealing and trading in properties.
Held by Bayfront Ventures Pte Ltd				
City Gate Shopping Mall Management Pte Ltd[2]	Singapore	**50**	50	Property management.

(1) Audited by Ernst & Young LLP, Singapore.

(2) Audited by CG Alliance, Singapore.

The group is entitled to a proportionate share of the income received and bears a proportionate share of the joint operations' expenses.

The other joint operator is an entity controlled by the brother of an executive director of the company.

13 INVESTMENT IN JOINT VENTURE

	Group		Company	
	2019 $'000	**2018 $'000**	**2019 $'000**	**2018 $'000**
Cost of equity investment in joint venture	**75**	5,000	**75**	5,000
Additional capital contributions	**1**	85,313	**1**	85,313
Share of post-acquisition profit (loss), net of dividend received	**(9)**	2,350	–	–
Share of other comprehensive income:				
Exchange loss on translation of foreign operations	–	(6,024)	–	–
Revaluation gain on land and buildings (net of tax)	–	27,385	–	–
Fair value loss on investment securities	–	(580)	–	–
	67	113,444	**76**	90,313

During the year, the group completed the restructuring exercise of AFC and ceased to hold a deemed interest in the shares of AFG via AFC (Note 8).

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

13 INVESTMENT IN JOINT VENTURE (CONTINUED)

Details of the joint venture at the end of the reporting period are as follow:

Name of joint venture	Country of incorporation and operation	Proportion of ownership interest 2019 %	Proportion of ownership interest 2018 %	Principal activities
AF Corporation Pte Ltd[1]	Singapore	**50**	50	Investment holding.
Held by AF Corporation Pte Ltd[1]				
AF Global Limited	Singapore	**–**	41.75[2]	Property investment and consultancy; and hospitality.

(1) Audited by Ernst & Young LLP, Singapore.

(2) In 2018, AF Corporation Pte Ltd controlled 83.50% of the voting rights attached to shares in AF Global Limited. The group's effective equity interest in AF Global Limited was 41.75%. At the end of the reporting period, the indirect investment in AF Global Limited was distributed to the shareholders of the company via a distribution-in-specie.

The above joint venture is accounted for using the equity method in these consolidated financial statements.

Summarised financial information of the joint venture is set out below.

	Group 2019 $'000	Group 2018 $'000
Current assets	**56**	173,866
Non-current assets	**–**	351,427
Current liabilities	**(45)**	(294,764)
Non-current liabilities	**–**	(46,726)
Net assets	**11**	183,803

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

13 INVESTMENT IN JOINT VENTURE (CONTINUED)

Information relating to the joint venture:

	Group	
	2019	2018
	$'000	$'000
Statement of financial position		
Cash and cash equivalent	**56**	19,583
Current financial liabilities (excluding trade and other payables and provision)	**(3)**	(68,636)
Non-current financial liabilities (excluding trade and other payables and provision)	**–**	(46,726)
Statement of comprehensive income		
Revenue	**27,299**	33,890
Profit for the year	**19,148**	2,336
Profit for the year:		
– attributable to owners of the company	**14,740**	(651)
– attributable to non-controlling interests	**4,409**	2,987
	19,149	2,336
Other comprehensive income (loss):		
– attributable to owners of the company	**8,190**	(2,234)
– attributable to non-controlling interests	**5,892**	974
	14,082	(1,260)
Total comprehensive income:		
– attributable to owners of the company	**22,930**	(2,885)
– attributable to non-controlling interests	**10,301**	3,961
Total comprehensive income for the year	**33,231**	1,076
The above profit (loss) for the year include the following:		
Depreciation and amortisation	**3,781**	6,729
Interest income	**522**	483
Interest expense	**(1,880)**	(2,939)

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

13 INVESTMENT IN JOINT VENTURE (CONTINUED)

Reconciliation of the above summarised financial information with the carrying amount of the interest in the joint venture recognised in these consolidated financial statements:

	Group	
	2019	2018
	$'000	$'000
Net assets of the joint venture*	11	183,803
Proportion of the group's ownership interest in the joint venture	50%	50%
	6	91,902
Excess of net assets acquired over consideration paid on additional investment of joint venture	61	(10,792)
Pre-acquisition loss	–	(415)
Pre-acquisition reserve	–	374
Non-controlling interest	–	(52,938)
	67	28,131
Additional contribution to joint venture*	–	85,313
Carrying amount of the group's interest on the joint venture	67	113,444

* Additional contribution to the joint venture is recorded by the joint venture as payable to shareholders and deducted from net assets of the joint venture.

14 INVESTMENT PROPERTIES

	Group	
	2019	2018
	$'000	$'000
At fair value:		
At January 1	1,578,208	1,290,235
Additions	156,088	42,418
Transfer from property plant and equipment (Note 15)	17,619	–
Disposal of investment property	(28,800)	–
Gain from fair value adjustments included in profit or loss (Note 28)	100,861	245,555
At December 31	1,823,976	1,578,208

The investment properties held by the group since December 31, 2019 are as follows:

Location	Tenure	Description
Duke of Cornwell	Freehold	73 bedrooms hotel with restaurant and bar
64 Waterloo Street	Freehold	Proposed hotel development

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

14 INVESTMENT PROPERTIES (CONTINUED)

The investment properties held by the group since December 31, 2018 are as follows:

Location	Tenure	Description
110 Lor 23 Geylang	60 year leasehold (w.e.f. – 2012)	7 storey high-specification ramp-up B1 business space building with commercial facilities located at roof level.
#01-12, #02-02/03/04/05/09/10/11/12/13/15/16 at 218 Pasir Panjang Road	Freehold	Retail units at first and second level within a part 2/part 5-storey residential cum commercial development with attic.
#01-09/13/14/15/21/22/23/25/26/28/33/37/39/40/41/42/43/44 at 275 Thomson Road	Freehold	Retail units on first level within a 4-storey residential cum commercial development with carpark facility.
15 Hoe Chiang Road	Freehold	29-storey commercial building with a 3-storey hotel block and a multi-level carpark.
456 Alexandra Road	Freehold	26-storey commercial building with a carpark podium.
3 Punggol Point Road	15 years leasehold (w.e.f – 2013)	2-storey food and beverage outlets.
168 Changi Road(1)	Freehold	5-storey commercial building.
#01-37 at 2 Jalan Lokam	Freehold	Supermarket unit on first level within a 5-storey residential cum commercial development with carpark facility.
The Palace Hotel Babacombe Road, Torquay TQ13TG	Freehold	Proposed development of multi-storey hotel building.
Corbyn Head Hotel, Torbay Road, Livermead, Torquay	Freehold	Independent hotel with 45 bedrooms, bar and restaurant slated for redevelopment into a new hotel building.
Municipal Building, Dale Street, Liverpool, L2 2DH	250 years-lease (w.e.f – 2018) with an option to purchase	Proposed development of multi-storey hotel building.
Park Hotel, Esplanade Road, Paignton TQ4 6BQ	Freehold	Proposed development of multi-storey hotel building.
The Lighthouse, Esplanade Road, Paignton, Devon, TQ4 TBG	Freehold	Proposed development of multi-storey hotel building.
Lyndene Hotel, 303-315 Promenade, Blackpool	Freehold	Detached hotel with 141 bedrooms, 2 large restaurants and two cabaret lounges.

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14 INVESTMENT PROPERTIES (CONTINUED)

The investment properties held by the group since December 31, 2018 are as follows: (Continued)

Location	Tenure	Description
The Crown Hotel, Montpellier Road, Harrogate	Freehold	Independent hotel with 115 bedrooms, a restaurant and 7 meeting and Conference facilities.
The Townhouse Hotel, 101 Portland Street, Manchester M1 6DF	Freehold	Independent hotel with 85 bedrooms, a bar and restaurant and 8 meeting rooms.
St Chads Hotel 317-327 The Promenade Blackpool, Lancashire, FY16BN	Freehold	Hotel with restaurant and bar.
Royal National Hospital Upper Borough Walls, BA1 1RL	Freehold	Proposed refurbishment of existing building into a luxury hotel building.

(1) In 2019, the group sold the building at 168 Changi Road for a consideration of $28.8 million.

Fair value measurement of the group's investment properties

The fair values of the group's investment properties as at December 31, 2019 and 2018 were estimated by an independent professional valuer who has the appropriate qualifications and experience in the fair value measurement of the different types of properties in Singapore and United Kingdom.

The fair values of the investment properties were determined by adopting the direct comparison approach making reference to recent transactions of comparable properties and making adjustments for differences relating to the properties. In determining the market value of the investment properties, investment method was also adopted, which capitalises an income stream into a present value using capitalisation rates. The valuation methods conform to International Valuation Standards. There has been no change to the valuation techniques during the year except that the valuer added depreciated replacement cost as a check but not for the final valuation.

The fair values are classified as Level 3 of the fair value hierarchy.

NOTES TO FINANCIAL STATEMENTS

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14 INVESTMENT PROPERTIES (CONTINUED)

Fair value measurement of the group's investment properties (Continued)

The following table shows the significant unobservable inputs used in the valuation model:

Description	Fair value as at 2019 $'000	Fair value as at 2018 $'000	Valuation technique(s)	Significant unobservable input(s)	Inputs 2019 $'000	Inputs 2018 $'000
Industrial building	**92,000**	95,000	Direct comparison method.	price per square meter(1)	**$5,830**	$6,020
			Investment method.	capitalisation rate(2)	**5%**	5%
Retail units in mixed development	**79,270**	81,678	Direct comparison method.	price per square meter(1)	**$19,562, $32,548, $59,989**	$14,387, $32,548, $67,705
Commercial buildings	**1,365,914**	1,261,500	Direct comparison method.	price per square meter(1)	**$25,161 to $28,879**	$18,550 to $28,879
			Investment method.	long-term net rental income margin(1)	**40% to 75%**	70% to 78%
				capitalisation rate(2)	**NA**	3% to 5%
Land and hotel buildings	**274,676**	125,530	Direct comparison method.	value per room(1)	**$29,477 to $280,895**	$28,863 to $264,864
			Investment method.	capitalisation rate(2)	**6.80% to 8.25%**	N.A
Building for food & beverage and retail	**12,116**	14,500	Direct comparison method.	price per square meter(1)	**$4,039**	$4,833
			Investment method.	long-term net rental income margin(1)	**79%**	78%
				capitalisation rate(2)	**5.75%**	5.75%

(1) Any significant isolated increase (decrease) in these inputs will result in a significantly higher (lower) fair value measurement.

(2) Any significant isolated increase (decrease) in these inputs will result in a significantly lower (higher) fair value measurement.

Rental income from the group's investment properties which are leased out under operating lease amounted to $25,404,000 (2018: $26,807,000). Direct operating expenses (including repairs and maintenance) relating to these properties amounted to $7,027,000 (2018: $7,030,000).

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15 PROPERTY, PLANT AND EQUIPMENT

	Freehold land – Office & hotel premises $'000	Building – Office & hotel premises $'000	Motor vehicles $'000	Furniture, fixtures and fittings $'000	Office equipment $'000	Computer $'000	Renovation $'000	Total $'000
Group								
Cost								
At January 1, 2018	28,685	75,410	55	1,241	220	819	140	106,570
Additions	–	7	71	438	–	67	96	679
Disposal	–	–	(27)	–	–	–	–	(27)
Written off	–	–	(26)	(16)	(19)	(190)	–	(251)
Currency realignment	(1,239)	(4,217)	–	(84)	(9)	(32)	–	(5,581)
At December 31, 2018	27,446	71,200	73	1,579	192	664	236	101,390
Additions	–	46	–	22	29	12	29	138
Written off	–	–	–	(2)	–	(3)	–	(5)
Transfer from development property	17,159	110,737	–	–	–	–	–	127,896
Transfer to investment property (Note 14)	–	(19,100)	–	–	–	–	–	(19,100)
Currency realignment	320	(1,626)	–	9	(2)	(8)	–	(1,307)
At December 31, 2019	44,925	161,257	73	1,608	219	665	265	209,012
Accumulated depreciation:								
At January 1, 2018	–	1,282	31	179	71	435	40	2,038
Depreciation	–	1,291	10	288	35	180	38	1,842
Disposal	–	–	(6)	–	–	–	–	(6)
Written off	–	–	(26)	(16)	(19)	(190)	–	(251)
Currency realignment	–	(76)	–	(20)	(2)	(10)	–	(108)
At December 31, 2018	–	2,497	9	431	85	415	78	3,515
Depreciation	–	1,208	6	322	39	158	51	1,784
Disposal	–	–	–	–	–	–	–	–
Written off	–	–	–	(2)	–	(3)	–	(5)
Transfer to investment property (Note 14)	–	(1,481)	–	–	–	–	–	(1,481)
Currency realignment	–	(33)	–	5	(1)	(5)	–	(34)
At December 31, 2019	–	2,191	15	756	123	565	129	3,779
Carrying amount:								
At December 31, 2019, at cost	44,925	159,066	58	852	96	100	136	205,233
At December 31, 2018, at cost	27,446	68,703	64	1,148	107	249	158	97,875

NOTES TO FINANCIAL STATEMENTS

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16 TRADE AND OTHER PAYABLES

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000 (Restated)	$'000	$'000
Contract liabilities:				
– Progress billings on properties under development	**1,001**	–	–	–
Retention sums payable	**1,244**	2,089	**849**	1,698
Goods and services tax payable	**2,417**	18,869	**2**	4,291
Subsidiaries (Note 11)	–	–	**11,676**	23,194
Amounts due to non-controlling interests [Note 11(c)]	**920**	400	–	–
Financial guarantee contracts	–	–	**7,539**	5,466
Deposits received	**7,417**	8,035	**144**	45
Accruals	**17,058**	8,381	**394**	2,098
Sundry creditors	**17,847**	31,438	**102**	1,029
Others	**812**	1,494	–	–
	48,716	70,706	**20,706**	37,821
Less: Non-current portion of financial guarantee contract	–	–	**(4,646)**	(3,417)
	48,716	70,706	**16,060**	34,404

The amounts due to subsidiaries and non-controlling interests are unsecured, interest-free and repayable on demand. Amounts due to non-controlling interests are related to project financing.

17 NOTES PAYABLE

	Group and Company	
	2019	2018
	$'000	$'000
Notes payables	**277,408**	305,733
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(2,821)**	(2,802)
Amount due for settlement after 12 months	**274,587**	302,931
Fair value as at end of reporting period	**274,035**	292,808

On August 23, 2017, the company issued GBP 45,000,000 of notes under a $1 billion multi-currency debt programme at a fixed coupon rate of 3.25% per annum, maturing on August 23, 2021.

On November 23, 2017, the company issued SGD 100,000,000 of notes under a $1 billion multi-currency debt programme at a fixed coupon rate of 4.75% per annum, maturing on November 23, 2021.

On April 26, 2018, the company issued SGD125,000,000 of notes under a $1 billion multi-currency debt programme at a fixed coupon rate of 6.125% per annum, maturing on April 26, 2021.

The notes are listed and the fair values above are considered Level 1 of the fair value hierarchy.

The notes are unsecured but carry financial covenants which the company has complied with.

NOTES TO FINANCIAL STATEMENTS

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18 TERM LOANS

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Secured – At amortised cost				
Term loans	**1,417,903**	1,084,307	**22,623**	64,000
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(172,362)**	(273,241)	**(22,623)**	(64,000)
Amount due for settlement after 12 months	**1,245,541**	811,066	–	–

Term loans bear floating interest rates and their carrying amounts approximate fair value.

The term loans from banks and finance companies bear interest rates from 2.34% to 3.97% (2018: 2.34% to 3.97%) per annum for the group and at 3.26% (2018: 2.48%) per annum for the company. The variable interest rates are referenced to market benchmarks.

The term loans are secured against the properties of the group with carrying amounts of $2,468,473,000 (2018: $1,982,546,000) (Notes 9, 10, 14 and 15); and covered by corporate guarantees by the company and assignment of developer's rights and benefits in the sale and purchase agreements.

Reconciliation of liabilities arising from financing activities

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.

Group	**Note payables (Note 17)**	**Term loans (Note 18)**	**Total**
	$'000	**$'000**	**$'000**
January 1, 2018	182,393	933,390	1,115,783
Financing cash flows[i]	125,000	153,097	278,097
Other changes[ii]	(1,660)	(2,180)	(3,840)
December 31, 2018	305,733	1,084,307	1,390,040
Financing cash flows[i]	(32,962)	334,631	301,669
Other changes[ii]	4,637	(1,035)	3,602
December 31, 2019	277,408	1,417,903	1,695,311

(i) The cash flows make up the net amount of proceeds from borrowings and repayments of borrowings in the statement of cash flows.

(ii) Other changes include unrealised loss on foreign exchange, interest accruals and interest payments.

NOTES TO FINANCIAL STATEMENTS

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19 DERIVATIVE FINANCIAL INSTRUMENT

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Analysed as:				
Current				
Forward foreign currency contracts	**4,183**	(7,576)	**2,157**	(4,759)

In 2019, the notional amount of the outstanding forward foreign exchange contracts was A$331,162,000 and GBP 9,500,000 for the group (2018: A$331,162,000) and A$200,000,000 and GBP 9,500,000 for the company (2018: A$200,000,000).

The fair value loss on the contracts amounting to $7,302,000 (2018: fair value loss of $17,820,000) has been charged or credited to profit or loss in the year (Notes 28 and 29).

20 DEFERRED TAX

The following are the major deferred tax liabilities recognised by the group and the movements during the year:

	Percentage of completion profit from sold properties under development	Changes in value of properties held for sale prior to transfer to investment properties and accelerated tax depreciation	Tax losses	Total
	$'000	$'000	$'000	$'000
Group				
At January 1, 2018	11,679	4,152	(1,960)	13,871
Transfer from income tax payable	(6,296)	–	–	(6,296)
Charge (Credit) to profit or loss for the year	–	1,065	(1,417)	(352)
Currency realignment	–	–	178	178
At December 31, 2018	5,383	5,217	(3,199)	7,401
Charge (Credit) to profit or loss for the year	(2,102)	160	5,643	3,701
Currency realignment	–	20	38	58
At December 31, 2019	3,281	5,397	2,482	11,160

Deferred tax is recognised for timing differences between profits (a) recognised on a percentage completion method; and (b) profit subject to current taxation only on completion of development and up to the amount of entitlement to residual instalments of purchase prices after completion of development.

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Deferred tax assets	–	4,259	–	–
Deferred tax liabilities	**(11,160)**	(11,660)	–	(1,874)
	(11,160)	(7,401)	–	(1,874)

NOTES TO FINANCIAL STATEMENTS

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21 SHARE CAPITAL

	Group and Company			
	2019	2018	2019	2018
	Number of ordinary shares('000)		$'000	$'000
Issued and paid up:				
At beginning and end of the year	**6,720,000**	6,720,000	**150,000**	150,000

Fully paid ordinary shares, which have no par value, carry one vote per share and carry a right to dividends as and when declared by the company.

22 TREASURY SHARES

	Group and Company			
	2019	2018	2019	2018
	Number of ordinary shares		$'000	$'000
At beginning of the year	**6,840,000**	7,230,000	**(945)**	(945)
Award of performance shares	**(440,000)**	(390,000)	**60**	–
At end of the year	**6,400,000**	6,840,000	**(885)**	(945)

In 2019, performance share awards of 440,000 treasury share with carrying amount of $60,000 were awarded based on performance for 2018.

In 2018, performance share awards of 390,000 treasury shares with carrying amount of $54,000 were awarded based on performance for 2017. The company accrued for the share based payment expense at the end of 2017.

23 PERFORMANCE SHARE RESERVE

The performance share reserve arises on the grant of the performance shares to directors and employees under the performance share plan.

The company has a performance share plan for all employees of the company. The plan is administered by the Remuneration Committee, comprising of Mr Watt Kum Kuan, Ms Lim Wan Looi and Mr Teo Chang Kuang. Awards are given upon the employee achieving the specific performance targets during the vesting period. The awards are forfeited if the employee leaves the group before the awards vest.

Equity-settled share-based payments in the form of performance share awards without a vesting period are measured at fair value of the equity instruments at the date of award. The fair value is recognised as the cost of employment benefit recognised in profit or loss. When shares awarded are from treasury shares, the treasury shares are reduced at by an amount equal to the fair value on acquisition of those treasury shares. The difference between the fair value at date of award and the fair value on initial acquisition of the treasury shares are recorded in performance share reserve, a component of equity.

24 REVALUATION RESERVE

Upon vacating of a property previously occupied by the group and its lease to third parties, the difference between the depreciated cost and the fair value of the property, at date of change of use, was recorded in revaluation reserve. Such revaluation reserve will be transferred to retained earnings if subsequently realised through a disposal of the property.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

25 FOREIGN CURRENCY TRANSLATION RESERVE

Exchange differences relating to the translation from the functional currencies of the group's foreign subsidiaries into Singapore dollars are accounted for as other comprehensive income and accumulated in foreign currency translation reserve, a component of equity.

Movement in translation reserve

	Group	
	2019	**2018**
	$'000	**$'000**
At January 1	**(68,668)**	(27,580)
Exchange loss on translation of foreign operations during the year, included in other comprehensive income	**(5,228)**	(41,088)
At December 31	**(73,896)**	(68,668)

26 REVENUE

The Group derives its revenue from the transfer of services over time and at a point in time in the following major revenue streams. This is consistent with the revenue information that is disclosed for each reportable segment under SFRS(I) 8 (see Note 35).

	Group	
	2019	**2018**
	$'000	**$'000**
Segment revenue		
Commercial investment recognised over time	**21,767**	24,038
Property development	**7,506**	274,689
– recognised over time	**7,506**	133,513
– recognised at a point in time	**–**	141,176
Hotel operations recognised at a point in time	**24,532**	24,651
Hospitality investment recognised over time	**4,351**	2,850
	58,156	326,228

Hotel operations include room revenue, food and beverage revenue, leisure revenue and car park revenue which are recorded at a point in time.

As of December 31, 2019 and 2018, there was no performance obligations that are unsatisfied or partially satisfied, other than performance obligations to be rendered during the remaining period, which generally cover a period of year. As the group has the right to bill the customers based on the length of stay of the customers, the group has applied the practical expedient not to disclose the related unsatisfied performance obligation.

Commercial and hospitality investment revenue comprise of rental income earned from the investment properties (Note 14).

Property development revenue comprises of revenue recognised over time for the development properties in Singapore on a cost-to-cost method, based on the proportion of contracts costs performed to date relative to the estimated total contract costs and rental income earned from existing buildings on land in Australia, which have been acquired for development purposes (Note 9).

In 2019, the Group enters into contracts with customers to sell 8 units of residential units of a property development for a total consideration of $9,638,000 (2018: $Nil). The sale of residential units are identified a single performance obligation that the group satisfies over time. As of December 31, 2019, the aggregate amount of the transaction price allocated to the remaining performance obligation is $8,906,000 and the group will recognise this revenue over time in accordance with the progress of the property development. The property development is expected to complete in 2023.

NOTES TO FINANCIAL STATEMENTS

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27 INVESTMENT GAIN (LOSS)

	Group	
	2019	2018
	$'000	$'000
Gain on disposal of financial assets fair value through profit or loss	**167**	26
Unrealised loss arising from change in fair value of financial assets fair value through profit or loss	**52**	(52)
	219	(26)

28 OTHER OPERATING INCOME

	Group	
	2019	2018
	$'000	$'000
Fair value gain on investment properties (Note 14)	**100,861**	245,555
Interest income	**1,621**	1,889
Gain on foreign exchange option premium	**1,734**	–
Others	**1,874**	678
	106,090	248,122

29 OTHER EXPENSES

	Group	
	2019	2018
	$'000	$'000
Loss on disposal of fixed assets	**–**	8
Loss on forward foreign exchange contracts	**7,302**	17,820
Loss on foreign exchange difference	**–**	3,091
	7,302	20,919

30 FINANCE COSTS

	Group	
	2019	2018
	$'000	$'000
Interest expense on term loans (Note 18)	**27,231**	26,055
Interest expense on notes payable (Note 17)	**4,316**	5,375
Interest expense on finance lease	**2**	2
	31,549	26,249

NOTES TO FINANCIAL STATEMENTS

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31 INCOME TAX EXPENSE

	Group	
	2019	**2018**
	$'000	**$'000**
Current tax	**8,812**	20,559
Deferred tax	**1,187**	(7,317)
Withholding tax	**2,958**	3,061
Overprovision in prior years – current tax	**(7,321)**	(839)
Underprovision in prior years – deferred tax	**2,514**	669
	8,150	16,133

The income tax varied from the amount of income tax expense determined by applying the Singapore income tax rate of 17% (2018: 17%) to profit before income tax as a result of the following differences:

	Group	
	2019	**2018**
	$'000	**$'000**
Profit before income tax	**87,636**	281,707
Income tax expense at the statutory rate	**14,898**	47,890
Effect of income exempted from taxation	**(85)**	(148)
Effect of double taxation relief	**(2,958)**	(3,061)
Tax effect of items that are not (taxable) deductible in determining taxable profit	**(3,275)**	(35,260)
Effects of different tax rates of subsidiaries operating in other jurisdictions	**114**	1,857
Effect of utilisation of deferred tax benefits previously not recognised	**(81)**	(151)
Effect of unutilised tax losses not recognised as deferred tax assets	**1,408**	2,130
Withholding tax	**2,958**	3,061
(Over) Under provision in prior years – current and deferred tax	**(4,807)**	(170)
Others	**(22)**	(15)
Net	**8,150**	16,133

Subject to the agreement by the tax authorities, at the end of the reporting period, the group has unutilised tax losses of $7.5 million (2018: $11.5 million) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

NOTES TO FINANCIAL STATEMENTS

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32 PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging (crediting):

	Group	
	2019	**2018**
	$'000	**$'000**
Audit fees for auditors of the company	**180**	172
Audit fees for other auditors of the company	**108**	–
Non-audit fees for auditors of the company	**75**	250
Directors' fee	**195**	195
Cost of development properties recognised as expenses	**4,877**	190,745
Employee benefits expense:		
Staff costs	**4,227**	3,950
Directors' remuneration	**1,662**	4,089
Cost of defined contribution plans included in employee benefits expense	**401**	311

33 EARNINGS PER SHARE

The calculation of the earnings per share attributable to the ordinary equity holders of the group is based on the following data:

	Group	
	2019	**2018**
	$'000	**$'000**
Net profit attributable to equity holders of the group	**79,852**	267,181

	2019	**2018**
	Number of shares ('000)	
Weighted average number of ordinary shares for purposes of earnings per share	**6,713,512**	6,713,114

There are no dilutive ordinary shares for 2019 and 2018.

34 DIVIDENDS AND DISTRIBUTIONS

In the financial year 2018, the company declared and paid an interim one-tier tax exempt dividend of $0.002 per ordinary share amounting to $13,426,000 in respect of the financial year ended December 31, 2018.

Subsequent to the financial year, the company proposed the following:

Interim dividend

The company proposed an interim one-tier tax exempt dividend of $0.0035 per ordinary share amounting to approximately $23,498,000 in respect of the financial year ended December 31, 2019. This dividend is subject to approval by the shareholders at the Annual General Meeting.

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34 DIVIDENDS AND DISTRIBUTIONS (CONTINUED)

Distribution-in-specie

The company proposed a distribution-in-specie of the issued share capital of AFG held by the company, representing $0.0170 per ordinary share amounting to $114,410,000 in respect of the financial year ended December 31, 2019. The dividend amount per share and total dividend amount are based on the carrying amount of AFG as at December 31, 2019. The dividend was approved by the shareholders at the Extraordinary General Meeting on March 2, 2020.

The above interim dividend and distribution-in-specie are not recorded in the financial statements as these are subjected to approval from the shareholders in the Annual General Meeting.

35 SEGMENT INFORMATION

For the purposes of the resource allocation and assessment of segment performance, the group's chief operating decision maker focuses on the business operating units stated in the table below.

The accounting policies of the reportable segments are as described in Note 2. Segment revenue represents revenue generated from external customers. Segment profit represents the profit earned by each segment after allocating central administrative costs and finance costs. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

Business segments

The group has the following business segments:

Property development segment is involved in the development and sale of residential and commercial properties. Commercial investment segment is involved in investing in properties for rental yield and capital appreciation. Hotel operations relate to hotel managed by appointed operators with the group retaining variability in operating results. Hospitality investment relate to lease of hotels to operators with limited variability in rental income.

Group	Commercial investment $'000	Property development $'000	Hotel operations $'000	Hospitality investment $'000	Total $'000
2019					
REVENUE	21,767	7,506	24,532	4,351	58,156
RESULT					
Segment result	21,767	2,629	13,638	4,351	42,385
Other operating income (loss)	107,429	4,645	260	(6,025)	106,309
Other expenses	–	(7,302)	–	–	(7,302)
Operating expenses	(10,575)	(9,551)	(8,009)	(1,443)	(29,578)
Finance costs	(22,850)	(7,597)	(1,102)	–	(31,549)
	95,771	(17,176)	4,787	(3,117)	80,265
Share of results of joint venture	–	7,371	–	–	7,371
Profit before income tax					87,636
Income tax					(8,150)
Profit after income tax					79,486

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35 SEGMENT INFORMATION (CONTINUED)

Group	Commercial investment $'000	Property development $'000	Hotel operations $'000	Hospitality investment $'000	Total $'000
2018 (Restated)					
REVENUE	24,038	274,689	24,651	2,850	326,228
RESULT					
Segment result	24,038	90,289	13,593	2,850	130,770
Other operating income (loss)	250,264	1,895	305	(4,368)	248,096
Other expenses	–	(20,921)	–	2	(20,919)
Operating expenses	(9,256)	(25,132)	(7,424)	(1,509)	(43,321)
Finance costs	(19,625)	(11,807)	–	–	(31,432)
	245,421	34,324	6,474	(3,025)	283,194
Share of results of joint venture	–	(326)	–	–	(326)
Profit before income tax					282,868
Income tax					(16,133)
Profit after income tax					266,735
2019					
Segment assets	1,461,035	1,208,868	343,752	141,679	3,155,334
Segment liabilities	(897,308)	(750,037)	(4,330)	(112,325)	(1,764,000)
OTHER INFORMATION					
Fair value gain (loss) on investment properties	106,891	–	–	(6,030)	100,861
Addition of non-current assets	26	137,788	77	18,336	156,227
Depreciation expense	340	50	1,381	13	1,784
2018					
Segment assets	1,491,950[1]	1,111,007	83,890	132,177	2,819,024
Segment liabilities	(731,470)	(614,585)	(3,075)	(150,983)	(1,500,113)
OTHER INFORMATION					
Fair value gain (loss) on investment properties	249,986	–	–	(4,431)	245,555
Addition of non-current assets	181	83	413	42,420	43,097
Amortisation of land lease	780	–	–	–	780
Depreciation expense	443	45	1,350	4	1,842

(1) Segment assets under Commercial Investment segment above include the full carrying amount of a building which is primarily used for lease to other parties; and has not been reduced with the carrying amount relating to a small proportion of space occupied by the group.

Geographical information

Segment revenue: Segment revenue is analysed based on the location of properties.

Segment non-current assets: Segment non-current assets are analysed based on the locations of those assets.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

35 SEGMENT INFORMATION (CONTINUED)

	Revenue		Non-current assets	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Singapore	**28,372**	156,566	**1,712,258**	1,602,723
Australia	**15,790**	156,812	**184,604**	59,958
United Kingdom	**13,994**	12,850	**161,205**	149,493
Total	**58,156**	326,228	**2,058,067**	1,812,174

Information about major customers

There is no customer who accounts for 10% or more of the group's revenue other than the sale of property located at 555 Collins Street from the Property Development segment of $141,176,000 in 2018.

36 COMMITMENT

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Contracted construction costs of properties yet to be incurred and not provided for in the financial statements	**311,713**	282,103	**73**	73

37 OPERATING LEASE ARRANGEMENTS

The group as lessor

Operating leases, in which the group is the lessor, relate to investment properties owned by the group with lease terms of between 2 to 6 years. The lessee does not have an option to purchase the units within the investment properties at the end of the expiry of the lease period.

The unguaranteed residual values do not represent a significant risk for the group, as they relate to properties located in Singapore and United Kingdom with no significant changes in value over the last 10 years.

Maturity analysis of operating lease payments:

	Group
	2019
	$'000
Year 1	**21,776**
Year 2	**15,129**
Year 3	**8,855**
Year 4	**1,307**
Year 5	**434**
Year 6 and onwards	**31**
	47,532

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

37 OPERATING LEASE ARRANGEMENTS (CONTINUED)

During the year ended December 31, 2019, rental income earned by the group from operating leases of properties amounted to $27,641,000 (2018: $27,804,000).

In 2018, the group has contracted with tenants for the following future minimum lease income:

	Group 2018 $'000
Within one year	20,309
In the second to fifth years inclusive	23,895
After fifth year	23
	44,227

38 RESTATEMENTS

The group previously capitalised borrowing costs in relation to its development properties in Singapore. In March 2019, the International Financial Reporting Standards Interpretation Committee ("IFRS IC")issued its agenda decision that borrowing costs relating to contracts with customers for which an entity transfer control of units over time, should not be capitalised.

Arising from the above agenda decision by IFRS IC, the group has changed its accounting policy in relation to borrowing costs for development properties in Singapore. Accordingly, the change has been applied retrospectively in accordance with SFRS(I) 1-8 Accounting Policies, Changes in Accounting Estimates and Errors.

The effects of the restatement on the group's and company' prior years' financial statements are as follow:

	As previously reported $'000	As restated $'000
2018 Statements of financial position		
Group		
Properties held for sale	98,319	94,066
Accumulated profits	1,181,848	1,178,476
Non-controlling interests	9,634	8,753
Company		
Properties held for sale	37,683	35,965
Accumulated profits	714,047	712,329
2017 Statements of financial position		
Group		
Properties under/held for development	427,988	425,109
Properties held for sale	61,443	58,908
Accumulated profits	929,254	924,721
Non-controlling interests	10,080	9,199
Company		
Properties under/held for development	104,686	101,807
Accumulated profits	714,832	711,953

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

38 RESTATEMENTS (CONTINUED)

	As previously reported $'000	As restated $'000
2018 Consolidated statement of comprehensive income		
Group		
Cost of sales	(201,802)	(195,458)
Finance costs	(26,249)	(31,432)
Profit before income tax	281,707	282,868
Profit for the year	265,574	266,735
Total comprehensive income for the year	224,684	225,845
Profit attributable to owners of the company	266,020	267,181
Total comprehensive income attributable to owners of the company	225,130	226,291
Earnings per share – Basic and Diluted	3.96 cents	3.97 cents
2018 Consolidated statement of cash flows		
Group		
Operating activities:		
Profit before income tax	281,707	282,868
Interest expense	26,249	31,432
Development properties and properties held for sale	(329,995)	(336,339)

39 STANDARDS ISSUED BUT NOT EFFECTIVE

At the date of authorisation of these financial statements, the following SFRS(I) pronouncements were issued but not effective and are expected to have an impact to the group and the company in the periods of their initial application.

Effective for annual periods beginning on or after January 1, 2020

- 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

Management anticipates that the adoption of the above SFRS(I)s, SFRS(I) INTs and amendments to SFRS(I) in future periods will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption.

40 EVENT AFTER REPORTING PERIOD

Coronavirus outbreak subsequent to the reporting period is expected to have some impact on the business and operation of the group. Given the dynamic nature of the circumstances, the related impact on the group's financial statements could not be reasonably estimated at this stage and management has determined that there is no condition or event that may affect the group's liquidity risk management. The related impacts, if any, will be reflected in the group's 2020 financial statements.

SHAREHOLDING STATISTICS

AS AT 18 MARCH 2020

SHAREHOLDERS' INFORMATION

No. of issued shares	:	6,713,600,000 (excluding treasury shares)
Issued and fully paid-up	:	$150.0 million
Class of shares	:	Ordinary shares
Voting rights	:	One vote for each ordinary share
Treasury shares	:	6,400,000 (with no voting rights)

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	10	0.34	267	0.00
100 – 1,000	48	1.62	34,686	0.00
1,001 – 10,000	510	17.21	3,865,748	0.06
10,001 – 1,000,000	2,313	78.06	245,866,934	3.66
1,000,001 AND ABOVE	82	2.77	6,463,832,365	96.28
TOTAL	**2,963**	**100.00**	**6,713,600,000**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	SHAREHOLDER'S NAME	NUMBER OF SHARES HELD	%
1	KOH WEE MENG	4,070,500,000	60.63
2	CITIBANK NOMINEES SINGAPORE PTE LTD	397,323,867	5.92
3	LIM WAN LOOI	373,000,000	5.56
4	HONG LEONG FINANCE NOMINEES PTE LTD	353,622,400	5.27
5	DBS NOMINEES PTE LTD	337,178,699	5.02
6	SING INVESTMENTS & FINANCE NOMINEES (PTE) LTD	310,740,000	4.63
7	UNITED OVERSEAS BANK NOMINEES PTE LTD	124,665,700	1.86
8	MAYBANK KIM ENG SECURITIES PTE. LTD	54,582,553	0.81
9	TAN SU KIOK OR SIA LI WEI JOLIE (SHE LIWEI JOLIE)	51,122,000	0.76
10	JIMMY LEE PENG SIEW	49,512,000	0.74
11	PHILLIP SECURITIES PTE LTD	46,895,300	0.70
12	CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	42,512,746	0.63
13	UOB KAY HIAN PTE LTD	36,012,100	0.54
14	LEE AH POY	16,693,000	0.25
15	RAFFLES NOMINEES (PTE) LIMITED	14,124,400	0.21
16	KOH KIAN SOO	13,870,000	0.21
17	OCBC NOMINEES SINGAPORE PTE LTD	9,309,200	0.14
18	HSBC (SINGAPORE) NOMINEES PTE LTD	8,960,000	0.13
19	LAI CHOOI FOONG	7,596,000	0.11
20	LIEW SHIAU WEI OR LIEW SHIAU MIN	7,192,000	0.11
	TOTAL	**6,325,411,965**	**94.23**

SHAREHOLDING STATISTICS

AS AT 18 MARCH 2020

Substantial Shareholders

	Direct Interest	%	Indirect Interest	%
Koh Wee Meng[(1)]	5,015,500,000[(2)]	74.71	735,000,000[(3)]	10.95
Lim Wan Looi[(1)]	735,000,000[(3)]	10.95	5,015,500,000[(2)]	74.71

Notes:

(1) Koh Wee Meng is the husband of Lim Wan Looi. Each of them deemed to be interested in the shares held by each other.

(2) Of the 5,015,500,000 shares in which Koh Wee Meng has an interest, 300,000,000 shares are held through DBS Nominees Pte Ltd, 350,000,000 shares are held through Hong Leong Finance Nominees Pte Ltd and 295,000,000 are held through Sing Investments & Finance Nominees (Pte) Ltd.

(3) Of the 735,000,000 shares in which Lim Wan Looi has an interest, 362,000,000 shares are held through CIMB Nominees Singapore Pte Ltd.

SHAREHOLDINGS HELD IN THE HANDS OF THE PUBLIC

Based on information available to the Company as at 18 March 2020, approximately 10.08% of the issued ordinary shares of the Company is held by the public and therefore, Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited is complied with.

PARTICULARS OF PROPERTIES OWNED BY THE GROUP

AS AT DECEMBER 31, 2019

A CLASSIFIED AS PROPERTIES UNDER/HELD FOR DEVELOPMENT (NOTE 9 TO THE FINANCIAL STATEMENTS)

Location	Tenure	Approximate Land Area (Sqm)	Approximate Gross Floor Area (sqm)	Stage of completion as at 18 March 2020	Expected date of completion	Effective stake	Description and existing use
Jervois Treasures 31 Jervois Road Singapore 249080	Freehold	1,834	2,824	Sub-structural works in progress	31-Mar-2022	100%	Proposed development of residential apartment building
Urban Treasures 205 Jalan Eunos Singapore 419535	Freehold	10,380	18,269	Sub-structural works in progress	30-Jun-2023	100%	Proposed development of residential condominium
NV Apartments 380 Murray Street, Perth, Australia	Freehold	2,358	45,003	Completed	N.A.	100%	388 completed residential apartments
134-160 Spencer Street Melbourne, Victoria	Freehold	1,833	86,247	Structural works in progress	2021	100%	Proposed development of multi-storey building with hotel, commercial space and residential apartments
171 Macquarie Street Hobart, Tasmania	Freehold	525	TBA	N.A	To be commenced	100%	Existing Commercial building
179 Macquarie Street Hobart, Tasmania	Freehold	2,162	TBA	N.A	To be commenced	100%	Proposed development of multi-storey hotel building
28-30 Davey Street Hobart, Tasmania	Freehold	1,153	TBA	N.A	To be commenced	100%	Proposed development of multi-storey hotel building
39-47 Milligan Street and 453-471 Murray Street, Perth, Australia	Freehold	3,560	26,698	N.A	To be commenced	100%	Proposed development of multi-storey building for hotel and commercial units
2-6 Collins Street Hobart, Tasmania	Freehold	3,009	TBA	N.A	To be commenced	100%	Proposed development of multi-storey hotel building
234-250 Elizabeth Street Hobart, Tasmania	Freehold	3,720	TBA	N.A	To be commenced	100%	Proposed development of multi-storey hotel building and residential apartments
5-7 Sandy Bay Road,9, 11 & 13 Wilmot Street and 4, 6 & 8 Healthfield Avenue Hobart, Tasmania	Freehold	4,868	TBA	N.A	To be commenced	100%	Existing Commercial building
Orchard Cottage Babbacombe Road Torquay TQ1 3TG UK	Freehold	133	TBA	N.A	To be commenced	100%	Proposed development of residential house

N.A – Not applicable
TBA – To be advised

PARTICULARS OF PROPERTIES OWNED BY THE GROUP

AS AT DECEMBER 31, 2019

B CLASSIFIED AS PROPERTIES HELD FOR SALE (NOTE 10 TO THE FINANCIAL STATEMENTS)

Location	Tenure	Approximate Floor area (Sqm)	Effective stake	Description and existing use
Icon @ Pasir Panjang #01-10/11/14/15 at 218 Pasir Panjang Road	Freehold	170	100%	4 units of completed commercial retail units of shop and restaurant
Kensington Square #01-08/09/10/11/12/13/14/15/16/17/19/ 20/23/40/45/46/47/49/50/51/52/54/56 at 2 Jalan Lokam	Freehold	1,421	100%	23 units of completed commercial retail units of shop and restaurant
277 Wak Hassan Drive	99 years leasehold	503	100%	1 unit of completed detached dwelling house
Urban Vista #01-48/49/50 at Tanah Merah Kechil Link	99 years leasehold	113	100%	3 units of completed commercial retail units of shop
City Gate #B1-01/04/05/07/08/09/10/11/46, #01-19/24/25/26/37/38/43/46, #02- 04/05/06/07/08/09/10/11/16/ 21/22/26/30/31/44/45/48/49/50/51 at 371 Beach Road	99 years leasehold	2,082	50%	36 units of completed commercial units

C CLASSIFIED AS INVESTMENT PROPERTIES (NOTE 14 TO THE FINANCIAL STATEMENTS)

Name and location	Tenure	Effective Stake	Description and existing use
Fragrance Empire Building 456 Alexandra Road Singapore 119962	Freehold	100%	26-storey commercial building with retail space and a carpark podium
Tower 15# 15 Hoe Chiang Road Singapore 089316	Freehold	100%	29-storey commercial building with a 3-storey hotel block and a multi-level carpark
Icon @ Pasir Panjang #01-12, #02-02/03/04/05/09/10/ 12/13/15/16 at 218 Pasir Panjang Road Singapore 118579	Freehold	100%	Retail units at first and second level within a part 2/part 5-storey residential cum commercial development with carpark facility
Novena Regency #01-09/13/14/15/21/22/ 23/25/26/ 28/33/37/39/40/41/42/43/44 at 275 Thomson Road Singapore 307645	Freehold	100%	Retail units on first level within a 4-storey residential cum commercial development with carpark facility
Victory Centre 110 Lor 23 Geylang Singapore 388410	60 years leasehold w.e.f-2012	100%	7-storey B1 business space building with facilities located at roof level
The Punggol Settlement 3 Punggol Point Road Singapore 828694	15 years leasehold w.e.f-2013	100%	2-storey food and beverage outlets with an open carpark
Kensington Square 2 Jalan Lokam #01-37 Singapore 537864	Freehold	60%	A supermarket unit on first level within a 5-storey residential cum commercial development with carpark facility

This property will be redeveloped into a hotel building. Demolition works are currently ongoing.

PARTICULARS OF PROPERTIES OWNED BY THE GROUP

AS AT DECEMBER 31, 2019

Name and location	Tenure	Effective Stake	Description and existing use
64 Waterloo Street Singapore 187959	999 years leasehold	100%	Proposed development of multi-storey hotel building
The Palace Hotel Babacombe Road, Torquay TQ1 3TG	Freehold	100%	Proposed development of multi-storey hotel building
Municipal Buildings Dale Street Liverpool, L2 2DH	250 years-lease (w.e.f-2017) with an option to purchase	100%	Proposed refurbishment of existing office building into a luxury hotel building
Park Hotel Esplanade Road, Paignton TQ4 6BQ	Freehold	100%	Proposed development of multi-storey hotel building
The Lighthouse 26 Esplanade Road, Paignton, Devon, TQ4 6BG	Freehold	100%	Proposed development of multi-storey hotel building
Corbyn Head Hotel Torbay Road, Seafront, Torquay TQ2 6RH	Freehold	100%	Proposed development of multi-storey hotel building
Royal National Hospital Upper Borough Walls, Bath, BA1 1RL	Freehold	100%	Proposed refurbishment of existing building into a luxury hotel building
Lyndene Hotel 303-315 Promenade, Blackpool, Lancashire FY1 6AN	Freehold	100%	141 bedrooms detached hotel with restaurants and lounges
The Crown Hotel Crown Place, Harrogate, North Yorkshire HG1 2RZ	Freehold	100%	115 bedrooms hotel with a restaurant and meeting & conference facilities
The Townhouse Hotel 101 Portland Street, Manchester M1 6DF	Freehold	100%	85 bedrooms hotel with a bar and restaurant and eight meeting rooms
St Chads Hotel 317-327 The Promenade, Blackpool, Lancashire, FY1 6BN	Freehold	100%	120 bedrooms hotel with restaurant and bar
Duke of Cornwall Hotel 13 Millbay Road, Plymouth, Devon, PL1 3LG	Freehold	100%	73 bedrooms hotel with restaurant and bar

PARTICULARS OF PROPERTIES OWNED BY THE GROUP

AS AT DECEMBER 31, 2019

D CLASSIFIED AS PROPERTY, PLANT AND EQUIPMENT (NOTE 15 TO THE FINANCIAL STATEMENTS)

Location	Tenure	No of Rooms	Effective Stake
ibis Styles Hobart 173 Macquarie Street, Hobart, Tas 7000, Australia	Freehold	296	100%
Novotel Perth Murray Street 388 Murray Street, Perth WA 6000, Australia	Freehold	431	100%
The Imperial Hotel North Promenade, Lancashire Blackpool FY1 2HB	Freehold	180	100%

The above additional information are provided in compliance with Rule 1207 (11) of the Listing Manual.

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