First Sponsor Group Limited
and its subsidiaries
(Incorporated in the Cayman Islands)

Annual Report
Year ended 31 December 2018

KPMG LLP (Registration No. T08LL1267L), an accounting limited liability partnership registered in Singapore under the Limited Liability Partnership Act (Chapter 163A) and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Directors' statement

We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 31 December 2018.

In our opinion:

(a) the financial statements set out on pages FS1 to FS95 are drawn up so as to give a true and fair view of the consolidated financial positions of the Group and the financial position of Company as at 31 December 2018 and the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date in accordance with International Financial Reporting Standards; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The board of directors of the Company has, on the date of this statement, authorised these financial statements for issue.

Directors

The directors in office at the date of this statement are as follows:

Ho Han Leong Calvin	
Ho Han Khoon	(Alternate Director to Ho Han Leong Calvin)
Kingston Kwek Eik Huih	(Appointed on 5 March 2019)
Neo Teck Pheng	
Ting Ping Ee, Joan Maria	
Yee Chia Hsing	
Wee Guan Oei Desmond	

Directors' interests

According to the register kept by the Company, particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and children) in shares, debentures, warrants and share options in the Company and in related corporations are as follows:

	Holdings in the name of the director, spouse and/ or children		**Holdings in which directors are deemed to have an interest**	
	At beginning of the year	**At end of the year**	**At beginning of the year**	**At end of the year**
The Company				
Ordinary shares				
Ho Han Leong Calvin	1,300,000	2,050,000	265,264,991	291,791,490
Ho Han Khoon (Alternate Director to Ho Han Leong Calvin)	700,000	1,050,000	260,694,791	286,764,270

	Holdings in the name of the director, spouse and/ or children		Holdings in which directors are deemed to have an interest	
	At beginning of the year	**At end of the year**	**At beginning of the year**	**At end of the year**
The Company				
Ordinary shares				
Neo Teck Pheng	–	–	274,146,791	301,561,470
Ting Ping Ee, Joan Maria	–	110,000	–	–
Yee Chia Hsing	100,000	220,000	–	–
$162.2 million 3.98% Perpetual convertible capital securities				
Ho Han Leong Calvin	–	425,000	–	66,316,247
Ho Han Khoon (Alternate Director to Ho Han Leong Calvin)	–	225,000	–	–
Neo Teck Pheng	–	3,363,000	–	–
Ting Ping Ee, Joan Maria	–	25,000	–	–
Yee Chia Hsing	–	100,000	–	–

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

There were no changes in any of the above mentioned interests in the Company between the end of the financial year and 21 January 2019.

Except as disclosed under the "Share options" section of this statement, neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Share options

Employee share option scheme

On 19 May 2014, the shareholders of the Company adopted a share option scheme known as the First Sponsor Employee Share Option Scheme (the "Share Option Scheme").

The Share Option Scheme will provide eligible participants (which include the Non-Executive Directors) with an opportunity to participate in the equity of the Company and to motivate them towards better performance through increased dedication and loyalty.

The Share Option Scheme is administered by the Administration Committee, comprising members of the Remuneration Committee and the Nominating Committee. The exercise price of the options that are granted under the Share Option Scheme shall be determined at the discretion of the Administration Committee and may be:

(a) set at a discount to a price (the "Market Price") equal to the average of the last dealt prices for the shares on the Singapore Exchange Securities Trading Limited ("SGX-ST") for the five consecutive market days immediately preceding the relevant date of grant of the relevant option (subject to a maximum discount of 20.0%), in which event, such options may be exercised after the second anniversary from the date of grant of the options; or

(b) fixed at the Market Price. These options may be exercised after the first anniversary of the date of grant of the options.

The aggregate number of shares which may be offered by way of grant of options to all controlling shareholders of the Company and their respective associates under the Share Option Scheme shall not exceed 25.0% of the total number of shares available under the Share Option Scheme, with the number of shares which may be offered by way of granting options to each controlling shareholder of the Company and his respective associate not exceeding 10.0% of the total number of shares available under the Share Option Scheme.

During the financial year, no options have been granted under the Share Option Scheme.

During the financial year, there were:

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

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

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

Audit Committee

The members of the Audit Committee during the financial year and at the date of this statement are:

Yee Chia Hsing	(Chairman)
Ting Ping Ee, Joan Maria	(Member)
Ho Han Leong Calvin	(Member)
Ho Han Khoon (Alternate Director to Ho Han Leong Calvin)	

The Audit Committee performs the functions specified in the SGX-ST Listing Manual and the Code of Corporate Governance.

The Audit Committee has held 4 meetings since the last directors' statement. In performing its functions, the Audit Committee met with the Company's external and internal auditors to discuss the scope of their work, the results of their examination and evaluation of the Company's internal accounting control system.

The Audit Committee also reviewed the following:

- assistance provided by the Company's officers to the external and internal auditors;
- quarterly financial information and annual financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption; and
- interested person transactions (as defined in Chapter 9 of the SGX-ST Listing Manual).

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

The Audit Committee is satisfied with the independence and objectivity of the external auditors and has recommended to the board of directors of the Company that the auditors, KPMG LLP, be nominated for re-appointment as auditors at the forthcoming annual general meeting of the Company.

In appointing our auditors for the Company and its subsidiaries, we have complied with Rules 712 and 715 of the SGX-ST Listing Manual.

Auditors

The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors

____
Ho Han Leong Calvin
Director

____
Neo Teck Pheng
Director

6 March 2019

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Independent auditors' report

Members of the Company
First Sponsor Group Limited

Opinion

We have audited the financial statements of First Sponsor 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 31 December 2018, the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages FS1 to FS95.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the International Financial Reporting Standards ("IFRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the '*Auditors' 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 period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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<table>
<tr><td colspan="2">Valuation of investment properties ($259.1 million)
(Refer to Note 3.5 and Note 5 to the financial statements)</td></tr>
<tr><td>The key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>The Group owns a portfolio of investment properties in China and the Netherlands. These investment properties are carried at their fair values. The Group engaged external valuers to value its properties, where appropriate. The valuation models applied to determine the value of investment properties are sensitive to assumptions around occupancy rates, capitalisation rates, rental yield, sales prices and discount rates, where applicable.</td><td>Our response:
We assessed the competency and objectivity of the valuers engaged and held discussions with the valuers to understand their valuation methods and assumptions used, when necessary.

We reviewed the valuation methodologies and assumptions used by the valuers and management in arriving at the valuations of the Group's investment properties. This includes a comparison of capitalisation rates, sales prices and discount rates with externally derived data. We also tested the data and information used by the valuers including the occupancy rates and rental yield by comparing to the actual occupancy rates and rental yield, and analysed trends of these key assumptions.

Our findings:
The valuers are members of recognised professional bodies for valuers.

The valuation methodologies applied were consistent with generally accepted market practices. The key assumptions used were within the range of market data and our expectations.</td></tr>
</table>

Valuation of property, plant and equipment ($170.4 million) (Refer to Note 3.3 and Note 4 to the financial statements)	
The key audit matter	*How the matter was addressed in our audit*
The Group owns two hotels (Crowne Plaza Wenjiang and Holiday Inn Express Wenjiang) and the adjoining hotspring property in Wenjiang as at 31 December 2018. Crowne Plaza Wenjiang incurred an accounting loss during the year and the hotspring property did not perform as well as expected. Indicators of impairment for these assets were identified. The Group performed an impairment assessment of Crowne Plaza Wenjiang and hotspring property separately as at 31 December 2018. The estimation of the recoverable amount of Crowne Plaza Wenjiang and the hotspring property is dependent on assumptions about the future. Specifically, significant judgement is required in relation to the appropriate occupancy rate, average daily rate, revenue growth rate and the discount rate to use in determining the recoverable amount. No indicator of impairment was identified for Holiday Inn Express Wenjiang as at 31 December 2018.	**Our response:** We reviewed the key assumptions adopted by management in determining the recoverable amounts of Crowne Plaza Wenjiang and hotspring property. This included a comparison of occupancy rate, average daily rate and revenue growth rate to historical rates and trends. We also compared the discount rate against externally derived data. **Our findings:** The valuation methodology applied was consistent with generally accepted market practices. The key assumptions used were within the range of market data and our expectations.

Valuation of investment in Dongguan East Sun Limited ("East Sun") (Refer to Note 9 to the financial statements)	
The key audit matter	*How the matter was addressed in our audit*
The Group accounted for the investment in East Sun as a financial asset measured at fair value through profit or loss. In estimating the fair value of this investment, the Group has used the net asset value of the investee, adjusted for the fair values of the underlying properties held by the investee based on independent external valuations, and applied a discount to take into consideration the non-marketable nature of the investment, where applicable. Judgement is involved in determining an appropriate valuation method and the key assumptions to be applied in fair valuing the investment.	**Our response:** We engaged internal valuation specialists to assess the valuation approach and assumptions used by the Group in deriving the fair value of the equity securities against those applied for similar equity securities. We assessed the reasonableness of the fair values of the underlying properties held by the investee as well as the discount rate applied, by considering comparable properties and available industry market data. **Our findings:** The valuation approach used by the Group in deriving the fair value of the investment in East Sun is in line with generally accepted market practices and data.

Other information

Management is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

We have obtained the Directors' Statement prior to the date of this auditors' report. The Financial Highlights, Chairman's Statement, Milestones Since IPO, Board of Directors, Senior Management, Corporate Structure, Corporate Directory, Sustainability Reporting, Corporate Governance, Financial Review, Major Properties, and Statistics of Ordinary Shareholdings (the "Reports") are expected to be made available to us after that date.

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

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

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

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

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 IFRSs, 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.

Auditors' 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 auditors' 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 scepticism throughout the audit. We also:

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

- Obtain an understanding of internal controls 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 controls.

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless the law or regulations preclude 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.

The engagement partner on the audit resulting in this independent auditors' report is Koh Wei Peng.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
6 March 2019

Statements of Financial Position
As at 31 December 2018

	Note	Group		Company	
		2018	**2017**	**2018**	**2017**
		$'000	**$'000**	**$'000**	**$'000**
Non-current assets					
Property, plant and equipment	4	170,435	230,844	306	389
Investment properties	5	259,135	282,634	–	–
Subsidiaries	6	–	–	720,981	653,581
Interests in associates and joint ventures	7	80,817	64,361	9,669	–
Derivative assets	8	19,385	350	19,385	350
Other investments	9	78,131	23,380	–	–
Deferred tax assets	10	33,387	25,905	–	–
Trade and other receivables	11	660,948	284,455	779,204	370,608
		1,302,238	911,929	1,529,545	1,024,928
Current assets					
Development properties	12	356,890	390,704	–	–
Inventories		215	175	–	–
Trade and other receivables	11	505,887	445,534	389,902	570,997
Assets held-for-sale	13	51,610	–	–	–
Other investments	9	39,262	38,863	–	–
Cash and cash equivalents	14	125,711	319,298	18,139	4,527
		1,079,575	1,194,574	408,041	575,524
Total assets		2,381,813	2,106,503	1,937,586	1,600,452
Equity					
Share capital	15	81,405	73,640	81,405	73,640
Reserves	16	1,069,091	1,006,514	868,766	807,067
Equity attributable to owners of the Company		1,150,496	1,080,154	950,171	880,707
Perpetual convertible capital securities	17	161,285	–	161,285	–
Non-controlling interests		11,713	6,727	–	–
Total equity		1,323,494	1,086,881	1,111,456	880,707
Non-current liabilities					
Loans and borrowings	18	641,390	609,988	604,732	574,171
Derivative liabilities	8	5,564	13,122	5,564	13,122
Other payables	19	12,527	12,811	–	–
Deferred tax liabilities	10	8,638	3,870	–	–
		668,119	639,791	610,296	587,293
Current liabilities					
Loans and borrowings	18	45,338	–	45,338	–
Current tax payable		36,994	30,306	30	145
Trade and other payables	19	138,381	166,093	170,466	128,139
Contract liabilities	20	161,279	177,726	–	–
Receipts in advance	21	8,208	1,538	–	–
Derivative liability	8	–	4,168	–	4,168
		390,200	379,831	215,834	132,452
Total liabilities		1,058,319	1,019,622	826,130	719,745
Total equity and liabilities		2,381,813	2,106,503	1,937,586	1,600,452

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Profit or Loss
Year ended 31 December 2018

	Note	Group 2018 $'000	Group 2017 $'000
Revenue	22	277,361	384,392
Cost of sales		(115,861)	(231,360)
Gross profit		161,500	153,032
Administrative expenses		(27,997)	(24,146)
Selling expenses		(7,782)	(5,319)
Other income/(expenses) (net)		3,257	(13,998)
Other gains/(losses) (net)	23	2,838	(56)
Results from operating activities		131,816	109,513
Finance income		17,132	17,082
Finance costs		(9,902)	(9,010)
Net finance income	24	7,230	8,072
Share of after-tax profit of associates and joint ventures		5,502	3,648
Profit before tax	25	144,548	121,233
Tax expense	26	(26,298)	(27,940)
Profit for the year		118,250	93,293
Attributable to:			
Equity holders of the Company		113,008	88,283
Non-controlling interests		5,242	5,010
Profit for the year		118,250	93,293
Earnings per share			
- Basic (cents)	27	16.72	13.61[1]
- Diluted (cents)	27	15.02	13.61[1]

[1] The figures have been restated for the effect of the bonus issue undertaken in April 2018.

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Comprehensive Income
Year ended 31 December 2018

	Note	Group 2018 $'000	Group 2017 $'000
Profit for the year		118,250	93,293
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences on financial statements arising from liquidation of subsidiaries reclassified to profit or loss		1,187	–
Share of translation differences on financial statements of foreign associates and joint ventures, net of tax	7	(1,589)	893
Translation differences on financial statements of foreign subsidiaries, net of tax		(22,464)	(16,574)
Translation differences on monetary items forming part of net investment in foreign subsidiaries, net of tax		(1,486)	(1,470)
Net change in fair value of other investments, net of tax		–	(3,949)
Total other comprehensive income for the year, net of tax		(24,352)	(21,100)
Total comprehensive income for the year		93,898	72,193
Total comprehensive income attributable to:			
Equity holders of the Company		88,912	67,361
Non-controlling interests		4,986	4,832
Total comprehensive income for the year		93,898	72,193

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Changes in Equity
Year ended 31 December 2018

Group	Share capital $'000	Share premium $'000	Statutory reserve $'000	Capital reserve $'000	Distributable reserve $'000	Fair value reserve $'000	Foreign currency translation reserve S'000	Retained earnings $'000	Total attributable to equity holders of the Company $'000	Perpetual convertible capital securities $'000	Non-controlling interests $'000	Total equity $'000
At 1 January 2018	73,640	9,609	33,447	225	662,764	(3,949)	36,950	267,468	1,080,154	–	6,727	1,086,881
Adjustment on initial application of IFRS 9	–	–	–	–	–	3,949	–	(3,949)	–	–	–	–
Adjusted balance at 1 January 2018	73,640	9,609	33,447	225	662,764	–	36,950	263,519	1,080,154	–	6,727	1,086,881
Total comprehensive income for the year												
Profit for the year	–	–	–	–	–	–	–	113,008	113,008	–	5,242	118,250
Other comprehensive income												
Foreign currency translation differences on financial statements arising from liquidation of subsidiaries reclassified to profit or loss	–	–	–	–	–	–	1,187	–	1,187	–	–	1,187
Share of translation differences on financial statements of foreign associates and joint ventures, net of tax	–	–	–	–	–	–	(1,589)	–	(1,589)	–	–	(1,589)
Translation differences on financial statements of foreign subsidiaries, net of tax	–	–	–	–	–	–	(22,208)	–	(22,208)	–	(256)	(22,464)
Translation differences on monetary items forming part of net investment in foreign subsidiaries, net of tax	–	–	–	–	–	–	(1,486)	–	(1,486)	–	–	(1,486)
Total other comprehensive income	–	–	–	–	–	–	(24,096)	–	(24,096)	–	(256)	(24,352)
Total comprehensive income for the year	–	–	–	–	–	–	(24,096)	113,008	88,912	–	4,986	93,898

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Changes in Equity (cont'd)
Year ended 31 December 2018

	Share capital $'000	Share premium $'000	Statutory reserve $'000	Capital reserve $'000	Distributable reserve $'000	Fair value reserve $'000	Foreign currency translation reserve S'000	Retained earnings $'000	Total attributable to equity holders of the Company $'000	Perpetual convertible capital securities $'000	Non-controlling interests $'000	Total equity $'000
Transaction with owners, recognised directly in equity												
Contributions by and distributions to owners												
Dividends paid to owners of the Company (Note 16)	–	–	–	–	–	–	–	(14,271)	(14,271)	–	–	(14,271)
Issuance of bonus shares (Note 15)	7,735	–	–	–	(7,735)	–	–	–	–	–	–	–
Issuance of perpetual convertible capital securities ("PCCS") (Note 17)	–	–	–	–	–	–	–	–	–	162,199	–	162,199
PCCS issue expenses	–	–	–	–	–	–	–	–	–	(672)	–	(672)
Distributions of PCCS	–	–	–	–	–	–	–	(4,541)	(4,541)	–	–	(4,541)
Issuance of new shares pursuant to conversion of PCCS	30	212	–	–	–	–	–	–	242	(242)	–	–
Liquidation of subsidiaries	–	–	(2,588)	20	–	–	–	2,568	–	–	–	–
Transfer to statutory reserve	–	–	5,748	–	–	–	–	(5,748)	–	–	–	–
Total contributions by and distributions to owners	7,765	212	3,160	20	(7,735)	–	–	(21,992)	(18,570)	161,285	–	142,715
Total transactions with owners of the Company	7,765	212	3,160	20	(7,735)	–	–	(21,992)	(18,570)	161,285	–	142,715
At 31 December 2018	81,405	9,821	36,607	245	655,029	–	12,854	354,535	1,150,496	161,285	11,713	1,323,494

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Changes in Equity (cont'd)
Year ended 31 December 2018

Group	Share capital $'000	Share premium $'000	Statutory reserve $'000	Capital reserve $'000	Distributable reserve $'000	Fair value reserve $'000	Foreign currency translation reserve S'000	Retained earnings $'000	Total attributable to equity holders of the Company $'000	Non-controlling interests $'000	Total equity $'000
At 1 January 2017	736,404	9,609	27,445	225	–	–	53,923	196,983	1,024,589	5,108	1,029,697
Total comprehensive income for the year											
Profit for the year	–	–	–	–	–	–	–	88,283	88,283	5,010	93,293
Other comprehensive income											
Share of translation differences on financial statements of foreign associates, net of tax	–	–	–	–	–	–	893	–	893	–	893
Translation differences on financial statements of foreign subsidiaries, net of tax	–	–	–	–	–	–	(16,396)	–	(16,396)	(178)	(16,574)
Translation differences on monetary items forming part of net investment in foreign subsidiaries, net of tax	–	–	–	–	–	–	(1,470)	–	(1,470)	–	(1,470)
Net change in fair value of available-for-sale equity securities, net of tax	–	–	–	–	–	(3,949)	–	–	(3,949)	–	(3,949)
Total other comprehensive income	–	–	–	–	–	(3,949)	(16,973)	–	(20,922)	(178)	(21,100)
Total comprehensive income for the year	–	–	–	–	–	(3,949)	(16,973)	88,283	67,361	4,832	72,193
Transaction with owners, recognised directly in equity											
Contributions by and distributions to owners											
Dividends paid to owners of the Company (Note 16)	–	–	–	–	–	–	–	(11,796)	(11,796)	–	(11,796)
Capital reduction by a subsidiary	–	–	–	–	–	–	–	–	–	(3,213)	(3,213)
Disposal of a subsidiary	–	–	(1,261)	–	–	–	–	1,261	–	–	–
Transfer to statutory reserve	–	–	7,263	–	–	–	–	(7,263)	–	–	–
Total contributions by and distributions to owners	–	–	6,002	–	–	–	–	(17,798)	(11,796)	(3,213)	(15,009)
Capital reduction (Note 15)	(662,764)	–	–	–	662,764	–	–	–	–	–	–
Total transactions with owners	(662,764)	–	6,002	–	662,764	–	–	(17,798)	(11,796)	(3,213)	(15,009)
At 31 December 2017	73,640	9,609	33,447	225	662,764	(3,949)	36,950	267,468	1,080,154	6,727	1,086,881

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Cash Flows
Year ended 31 December 2018

	Note	Group 2018 $'000	Group 2017 $'000
Cash flows from operating activities			
Profit for the year		118,250	93,293
Adjustments for:			
Depreciation of property, plant and equipment	4	6,172	5,510
Fair value (gain)/loss on:			
- derivative assets/liabilities (net)		(30,761)	14,177
- investment properties	5	(6,930)	(4,038)
- other investments		(12,850)	–
Finance income	24	(17,132)	(17,082)
Finance costs	24	9,902	9,010
(Gain)/loss on disposal of:			
- a subsidiary	23	(1)	–
- assets held-for-sale	23	(6,253)	–
- investment properties	23	(272)	62
- property, plant and equipment	23	1	(6)
Impairment loss on:			
- assets held-for-sale	13	4,088	–
- investment properties	5	–	602
- property, plant and equipment	4	14,053	9,345
Loss on liquidation of subsidiaries (net)	23	85	–
Property, plant and equipment written off	23	1	–
Share of after-tax profit of associates and joint ventures	7	(5,502)	(3,648)
Tax expense	26	26,298	27,940
Trade receivables written off		–	13
Write down of development properties	12	3,153	987
		102,302	136,165
Changes in:			
- development properties		24,172	5,910
- inventories		(42)	(97)
- trade and other receivables		(458,197)	(370,367)
- trade and other payables		(126,488)	(29,034)
- loans and borrowings		128,173	277,923
- contract liabilities		(12,226)	(6,877)
Cash (used in)/generated from operating activities		(342,306)	13,623
Interest received		80,705	54,611
Interest paid		(13,054)	(7,012)
Tax paid		(22,074)	(24,070)
Net cash (used in)/from operating activities		(296,729)	37,152

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Cash Flows (cont'd)
Year ended 31 December 2018

	Note	Group 2018 $'000	Group 2017 $'000
Cash flows from investing activities			
Deposits received in respect of disposal of assets held-for-sale		6,839	–
Deposits received in respect of sales of a subsidiary	28	–	2,200
Dividends received from an associate		18,295	–
Interest received		15,366	16,179
Loans to a third party		–*	(57,073)
Payment for acquisition of other investments		(3,395)	–
Payment for additions to:			
- investment properties		(15,851)	(42,391)
- property, plant and equipment		(421)	(6,423)
Payment for investments in associate and joint ventures		(36,778)	(6,187)
Placement of other investments		(1,427)	(62,554)
Proceeds from disposal of:			
- assets held-for-sale		29,665	–
- investment properties		3,278	745
- property, plant and equipment		68	18
Receipt of deferred consideration from dilution of interest in subsidiaries		–	41,000
Receipt of investment principal and returns from a PRC government linked entity		–	9,663
Repayment of loans by third parties		–	139,168
Return of capital from an associate		5,369	1,533
Net cash from investing activities		21,008	35,878
Cash flows from financing activities			
Advances from associates		3,009	13,484
Decrease in restricted cash		–	263
Distributions to PCCS holders	27	(4,541)	–
Dividends paid to the owners of the Company	16	(14,271)	(11,796)
Interest paid		(5,038)	(7,255)
Loan from a non-controlling interest		–	12,490
Payment of transaction costs related to:			
- bank borrowings		(3,153)	(7,545)
- PCCS		(672)	–
Proceeds from bank borrowings		293,551	766,308
Proceeds from disposal of a subsidiary		–*	–
Proceeds from issuance of PCCS		162,199	–
Redemption of medium term notes		–	(50,000)
Repayment of bank borrowings		(345,950)	(744,192)
Return of capital to non-controlling interests		–	(3,213)
Net cash from/(used in) financing activities		85,134	(31,456)

* Amount less than $1,000

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Cash Flows (cont'd)
Year ended 31 December 2018

	Note	Group 2018 $'000	Group 2017 $'000
Net (decrease)/increase in cash and cash equivalents		(190,587)	41,574
Cash and cash equivalents at beginning of the year		319,298	280,304
Effect of exchange rate changes on balances held in foreign currencies		(3,000)	(2,580)
Cash and cash equivalents at end of the year	14	125,711	319,298

The accompanying notes form an integral part of these financial statements.

Notes to the financial statements

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 6 March 2019.

1 Domicile and activities

First Sponsor Group Limited ("FSGL" or the "Company") is incorporated in the Cayman Islands and has its registered office at P.O. Box 31119, Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands.

The principal activities of the Company are those relating to investment holding. The principal activities of the subsidiaries are those relating to investment holding, property development and sales, property investment, hotel ownership and operations and provision of property financing services.

The financial statements of the Group as at and for the year ended 31 December 2018 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities"), and the Group's interests in equity-accounted investees.

2 Basis of preparation

2.1 Statement of compliance

The financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRSs").

This is the first set of the Group's annual financial statements in which IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments* have been applied. Changes to significant accounting policies are described in note 2.5.

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except as otherwise described in the notes below.

2.3 Functional and presentation currency

The financial statements are presented in Singapore dollars, which is the Company's functional currency. All financial information presented in Singapore dollars have been rounded to the nearest thousand, unless otherwise stated.

2.4 Use of estimates and judgements

The preparation of the financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are included in Notes 3.1 and Note 9 – Assessment of ability to control or exert significant influence over partly-owned investment.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 3.18 – Estimation of provisions for current and deferred taxation
- Note 4 – Estimation of useful lives, residual values and recoverable amounts of property, plant and equipment
- Note 5 – Valuation of investment properties
- Notes 6 and 11 – Measurement of recoverable amounts of interests in and balances with subsidiaries
- Note 7 – Measurement of recoverable amounts of interests in associates and joint ventures
- Notes 10 and 26 – Estimation of provisions for withholding tax and land appreciation tax
- Note 11 – Estimation of recoverability of trade receivables, balances with associates and loans to third parties
- Note 12 – Measurement of realisable amounts of properties under development and completed properties for sale
- Notes 9 and 30 – Valuation of financial instruments

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. The Group Chief Executive Officer ("Group CEO") and Group Chief Financial Officer ("Group CFO") have overall responsibility for all significant fair value measurements, including Level 3 fair values.

If third party information, such as broker quotes or pricing services, is used to measure fair values, then the Group CEO and Group CFO assess the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest).

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 5 – Valuation of investment properties

- Notes 9 and 30 – Valuation of financial instruments

2.5 Changes in accounting policies

The Group has applied the following standards for the first time for the annual period beginning on 1 January 2018:

- IFRS 15 *Revenue from Contract with Customers;* and
- IFRS 9 *Financial Instruments*

A number of other new standards are also effective from 1 January 2018 but they do not have a material effect on the Group's financial statements and the Company's statement of financial position.

Due to the transition methods chosen by the Group in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards, except for separately presenting impairment loss on trade receivables (see B).

A. IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related interpretations. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

The Group has adopted IFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). Accordingly, the information presented for 2017 has not been restated – i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations. Additionally, the disclosure requirements in IFRS 15 have not generally been applied to comparative information.

There was no material impact on the Group's financial statements for the years ended 31 December 2017 and 2018 upon the adoption of IFRS 15.

For additional information about the Group's accounting policies relating to revenue recognition, see notes 3.13 and 22.

B. IFRS 9 *Financial Instruments*

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. It also introduces a new expected credit loss model and a new general hedge accounting model.

As a result of the adoption of IFRS 9, the Group has adopted consequential amendments to IAS 1 *Presentation of Financial Statements*, which require impairment of financial assets to be presented in a separate line item in the statement of profit or loss and other comprehensive income.

Additionally, the Group has adopted consequential amendments to IFRS 7 *Financial Instruments: Disclosures* that are applied to disclosures about 2018 but have not been generally applied to comparative information.

The following table summarises the impact, net of tax, of transition to IFRS 9 on the opening balance of fair value reserve and retained earnings.

	Impact of adopting IFRS 9 on opening balance Group $'000
Fair value reserve	
Closing balance under IAS 39 (31 December 2017)	3,949
Cumulative change in fair value of available-for-sale equity securities	(3,949)
Opening balance under IFRS 9 (1 January 2018)	–
Retained earnings	
Closing balance under IAS 39 (31 December 2017)	267,468
Cumulative change in fair value of available-for-sale equity securities	(3,949)
Opening balance under IFRS 9 (1 January 2018)	263,519

The impact upon adoption of IFRS 9 is described below.

(i) *Classification and measurement of financial assets and financial liabilities*

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income and fair value through profit or loss. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities.

For an explanation of how the Group classifies and measures financial instruments and accounts for related gains and losses under IFRS 9, see note 3.7(ii).

The following tables and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as at 1 January 2018.

Group	**Note**	**Original classification under IAS 39**	**New classification under IFRS 9**	**Original carrying amount under IAS 39 $'000**	**New carrying amount under IFRS 9 $'000**
Financial assets					
Trade and other receivables		Loans and receivables	Amortised cost	717,896	717,896
Cash and cash equivalents		Loans and receivables	Amortised cost	319,298	319,298
Other investments – structured deposits	(a)	Loans and receivables	Fair value through profit or loss	38,863	38,863
Other investments – equity securities	(b)	Available-for-sale	Fair value through profit or loss	23,380	23,380
Total financial assets				1,099,437	1,099,437
Company					
Financial assets					
Redeemable preference shares		Out-of-scope	Amortised cost	507,712	507,712
Trade and other receivables		Loans and receivables	Amortised cost	941,566	941,566
Cash and cash equivalents		Loans and receivables	Amortised cost	4,527	4,527
Total financial assets				1,453,805	1,453,805

(a) The structured deposits categorised as available-for-sale under IAS 39 are held by the Group in a separate portfolio to provide interest income, but may be sold to meet liquidity requirements arising in the normal course of business. These assets have therefore been classified as financial assets at fair value through profit or loss under IFRS 9.

(b) These equity investments were designated as measured at fair value through profit or loss because they were managed on a fair value basis and their performance was monitored on this basis. The Group has designated these investments at 1 January 2018 as measured at fair value through profit or loss.

(ii) *Impact of financial assets*

IFRS 9 replaces the "incurred loss" model in IAS 39 with an expected credit loss model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at fair value through other comprehensive income, but not to investments in equity instruments.

Under IFRS 9, credit losses are recognised earlier than under IAS 39 – see note 3.9(i). For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Group and the Company have determined that the application of IFRS 9's impairment requirements at 1 January 2018 do not result in significant additional allowance for impairment.

Additional information about how the Group measure the allowance for impairment is described in note 3.9 (i).

(iii) *Transition*

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below.

- The Group has used an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Difference in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not generally reflect the requirement of IFRS 9, but rather those of IAS 39.

- The determination of the business model within which a financial asset is held has been made on the basis of the facts and circumstances that existed at the date of initial application.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities, except as explained in Note 2.5, which addresses changes in accounting policies.

3.1 Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method in accordance with IFRS 3 *Business Combinations* as at the date of acquisition, which is the date on which control is transferred to the Group.

The Group measures goodwill at the date of acquisition as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree,

over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. Any goodwill that arises is tested annually for impairment.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is recognised at fair value at the date of acquisition and included in the consideration transferred. If the contingent consideration that meets the definition of a financial instrument is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the date of acquisition. The measurement basis taken is elected on a transaction-by-transaction basis. All other non-controlling interests are measured at acquisition-date fair value, unless another measurement basis is required by IFRSs.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners and therefore no adjustments are made to goodwill and no gain or loss is recognised in profit or loss. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(iii) Acquisitions from entities under common control

Business combinations arising from transfer of interests in entities that are under the control of the shareholder that controls the Group are accounted for using book value accounting. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity and any gain or loss arising is recognised directly in equity.

(iv) Loss of control

When the Group losses the control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests and the other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(v) Investments in associates and joint ventures (equity-accounted investees)

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies of these entities. Significant influence is presumed to exist when the Group holds 20% or more of the voting power of another entity. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Investments in associates and joint ventures are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment, together with any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation to fund the investee's operations or has made payments on behalf of the investee.

(vi) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Subsidiaries, associates and joint ventures in the separate financial statements

Investments in subsidiaries, associates and joint ventures are stated in the Company's statement of financial position at cost less accumulated impairment losses.

3.2 Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are recognised in profit or loss.

(ii) Foreign operations

The assets and liabilities of foreign operations, excluding goodwill and fair value adjustments arising on acquisition, are translated to Singapore dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Singapore dollars at exchange rates at the dates of the transactions. Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and are translated at the exchange rates at the reporting date.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity. However, if the foreign operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control or significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or a joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item that are considered to form part of a net investment in a foreign operation are recognised in other comprehensive income, and are presented in the foreign currency translation reserve in equity.

3.3 Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalised borrowing costs, less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes:

- the cost of materials and direct labour;
- any other costs directly attributable to bringing the assets to a working condition for their intended use;
- when the Group has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- capitalised borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised net in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment, unless it is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. No depreciation is recognised on construction-in-progress.

Depreciation is recognised from the date that property, plant and equipment are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

The estimated useful lives for the current and comparative years are as follows:

Buildings	
• Core component of hotel and hotspring buildings	35 years
• Other buildings	50 years
• Surface, finishes and services of hotel and hotspring buildings	30 to 35 years
Plant and machinery	5 to 15 years
Equipment and furniture	3 to 10 years
Motor vehicles	5 to 10 years

Residual values ascribed to the core component of the hotel and hotspring buildings depend on the nature, location and tenure of the hotel and hotspring properties. No residual values are ascribed to building surface, finishes and services of the hotel and hotspring buildings.

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

3.4 Intangible assets

Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For the measurement of goodwill at initial recognition, see Note 3.1(i).

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of associates and joint ventures, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the associates and joint ventures.

3.5 Investment properties

Investment properties are properties (including interests in leasehold land under operating leases) held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment properties are measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the property) is recognised in profit or loss.

Property that is being constructed for future use as investment property is accounted for at fair value.

Transfers

Transfers to, or from, investment properties are made when there is a change in use, evidenced by:

- commencement of development with a view to sell, for a transfer from investment properties to development properties;
- commencement of an operating lease to another party, for a transfer from development properties or property, plant and equipment to investment properties; or
- commencement of occupation by owner, for a transfer from investment properties to property, plant and equipment.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of transfer becomes its cost for subsequent accounting.

3.6 Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and are not recognised in the Group's consolidated statement of financial position.

3.7 Financial instruments

(i) Recognition and initial measurement

Non-derivative financial assets and financial liabilities

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Non-derivative financial assets – Policy applicable from 1 January 2018

On initial recognition, a financial asset is classified as measured at: amortised cost or fair value through profit or loss.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:
- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at fair value through profit or loss

All other financial assets are measured at fair value through profit or loss. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets: Business model assessment – Policy applicable from 1 January 2018

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:
- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held-for-trading or are managed and whose performance is evaluated on a fair value basis are measured at fair value through profit or loss.

Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest – Policy applicable from 1 January 2018

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Non-derivative financial assets: Subsequent measurement and gains and losses – Policy applicable from 1 January 2018

Financial assets at fair value through profit or loss

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Non-derivative financial assets – Policy applicable before 1 January 2018

The Group classifies non-derivative financial assets into loans and receivables, and available-for-sale financial assets.

Non-derivative financial assets: Subsequent measurement and gains and losses – Policy applicable before 1 January 2018

Loans and receivables

Loans and receivables were financial assets with fixed or determinable payments that were not quoted in an active market. Such assets were initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables were measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprised cash and cash equivalents, and trade and other receivables.

Available-for-sale financial assets

Available-for-sale financial assets were non-derivative financial assets that were designated as available-for-sale or were not classified in any of the above categories of financial assets. Available-for-sale financial assets were initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they were measured at fair value and changes therein, other than impairment losses, interest income and foreign currency differences on available-for-sale debt investments, were recognised in other comprehensive income and accumulated in the fair value reserve in equity. When these amounts were derecognised, the gain or loss accumulated in equity was reclassified to profit or loss.

Available-for-sale financial assets comprised equity securities and structured deposits.

Non-derivative financial liabilities: Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost.

Financial liabilities are initially measured at fair value less directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. These financial liabilities comprised loans and borrowings, and trade and other payables.

(iii) Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(iv) Offsetting

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

(v) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, bank deposits, term deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and have maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

(vi) Derivative financial instruments

Derivatives are initially measured at fair value and any directly attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

(vii) Share capital

Ordinary shares and perpetual convertible capital securities

Ordinary shares are classified as equity. Perpetual convertible capital securities are classified as equity when there is no contractual obligation to deliver cash or other financial assets to another person or entity to exchange financial assets or liabilities with another person or entity that are potentially unfavourable to the issuer.

Incremental costs directly attributable to the issue of ordinary shares and perpetual convertible capital securities are recognised as a deduction from equity, net of any tax effects.

Repurchase, disposal and reissue of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the reserve for own share account. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is presented in a non-distributable capital reserve.

3.8 Development properties

Properties under development for sale

Properties under development are those properties which are held with the intention of development and sale in the ordinary course of business. They are stated at the lower of cost and estimated net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses.

The cost of properties under development for sale comprises specifically identified costs, including the prepaid land lease payments, acquisition costs, development expenditure, capitalised borrowing costs and other related expenditure. Borrowing costs payable on loans funding a development property are capitalised, on a specific identification basis, as part of the cost of the properties under development for sale until the completion of development. When completed, the properties under development are classified as completed properties for sale.

Completed properties for sale

Completed properties for sale are measured at the lower of cost or net realisable value. Cost is determined by apportionment of the total land costs, development costs and capitalised borrowing costs if any, based on floor area of the unsold properties. Net realisable value is determined by reference to sale proceeds of properties sold in the ordinary course of business less all estimated selling expenses; or is estimated by management in the absence of comparable transactions after taking into consideration prevailing market conditions.

The aggregated costs are presented as development properties while progress billings are presented separately as contract liabilities in the consolidated statement of financial position.

3.9 Impairment

(i) Non-derivative financial assets

Policy applicable from 1 January 2018

The Group recognises loss allowances for expected credit losses on financial assets measured at amortised costs.

Loss allowances of the Group are measured on either of the following bases:
- 12-month expected credit losses: these are expected credit losses that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime expected credit losses: these are expected credit losses that result from all possible default events over the expected life of a financial instrument.

Simplified approach

The Group applies the simplified approach to provide for expected credit losses for all trade receivables. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime expected credit losses.

General approach

The Group applies the general approach to provide for expected credit losses on all other financial instruments. Under the general approach, the loss allowance is measured at an amount equal to 12-month expected credit losses at initial recognition.

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime expected credit losses.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and includes forward-looking information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month expected credit losses.

The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held).

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of *expected credit losses*

Expected credit losses are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). Expected credit losses are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised costs are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:
- significant financial difficulty of the borrower or issuer;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for expected credit losses in the statement of financial position

Loss allowances for financial assets measured at amortised cost and contract assets are deducted from the gross carrying amount of these assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Policy applicable before 1 January 2018

A financial asset not carried at fair value through profit or loss, including an interest in an associate and joint venture, was assessed at the end of each reporting period to determine whether there was objective evidence that it was impaired. A financial asset was impaired if objective evidence indicated that a loss event(s) had occurred after the initial recognition of the asset, and that the loss event(s) had an impact on the estimated future cash flows of that asset that could be estimated reliably.

Objective evidence that financial assets (including equity investments) were impaired included default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer would enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost was objective evidence of impairment.

Loans and receivables

The Group considered evidence of impairment for loans and receivables, at both an individual asset and collective level. All individually significant assets were individually assessed for impairment. Those found not to be impaired were then collectively assessed for any impairment that had been incurred but not yet identified. Assets that were not individually significant were collectively assessed for impairment. Collective assessment was carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group used historical information on the timing of recoveries and the amount of loss incurred, and made an adjustment if current economic and credit conditions were such that the actual losses were likely to be greater or lesser than suggested by historical trends.

An impairment loss was calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses were recognised in profit or loss and reflected in an allowance account against loans and receivables. When the Group considered that there were no realistic prospects of recovery of the asset, the relevant amounts were written off. If the amount of impairment loss subsequently decreased and the decrease was related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss was reversed through profit or loss.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets were recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The amount reclassified was the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss recognised previously in profit or loss. If the fair value of an impaired available-for-sale debt security subsequently increased and the increase was related objectively to an event occurring after the impairment loss was recognised, then the impairment loss was reversed through profit or loss. Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale were not reversed through profit or loss.

(ii) Associates and joint ventures

An impairment loss in respect of an associate or a joint venture is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with the requirements for non-financial assets. An impairment loss is recognised in profit or loss. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

(iii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment properties, development properties, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit ("CGU") exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value-in-use and its fair value less costs to sell. 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 or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Goodwill that forms part of the carrying amount of an investment in an associate or joint venture is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate or joint venture is tested for impairment as a single asset when there is objective evidence that the investment in an associate or joint venture may be impaired.

3.10 Non-current assets held-for-sale

Non-current assets, or disposal groups comprising assets and liabilities, that are highly probable to be recovered primarily through sale rather than through continuing use, are classified as held-for-sale. Immediately before classification as held-for-sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter, the assets, or disposal group, classified as held-for-sale are generally measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on *pro rata* basis, except that no loss is allocated to inventories, financial assets, deferred tax assets and investment property, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held-for-sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Property, plant and equipment once classified as held-for-sale are not depreciated. In addition, equity accounting of associates and joint ventures ceases once classified as held-for-sale.

3.11 Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(ii) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts.

Payments to defined contribution plans are charged as an expense when employees have rendered the services entitling them to the contributions. Payments made to state-managed defined contribution schemes, such as the Singapore Central Provident Fund, are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

Pursuant to the relevant regulations of the People's Republic of China ("PRC") government, the PRC subsidiaries of the Group ("PRC Subsidiaries") have participated in central pension schemes (the "Schemes") operated by local municipal governments whereby the PRC Subsidiaries are required to contribute a certain percentage of the basic salaries of their employees to the Schemes to fund their retirement benefits. The local municipal governments undertake to assume the retirement benefit obligations of all existing and future retired employees of the PRC Subsidiaries. The only obligation of the PRC Subsidiaries with respect to the Schemes is to pay the ongoing required contributions under the Schemes mentioned above. Contributions under the Schemes are accounted for as contributions to defined contribution plans as described above.

(iii) Share-based payment transactions

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

3.12 Provisions and contingent liabilities

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

3.13 Revenue

(i) Sale of properties

Revenue is recognised when control over a development property has been transferred to the customer by determining when (a) the construction of the relevant property has been completed; (b) the property is ready for handover to the purchasers; and (c) collectability of the proceeds is reasonably assured.

Revenue is measured at the transaction price agreed under the contract. Progress billings to the customer are based on terms set out in the sales and purchase agreement.

Where the period between the satisfaction of a performance obligation and payment by the customer exceeds a year, the Group adjusts the transaction price with its customer and recognises a financing component. In adjusting for the financing component, the Group uses a discount rate that would reflect that of a separate financing transaction between the Group and its customer at contract inception. The Group has elected to apply the practical expedient not to adjust the transaction price for the existence of significant financing component when the period between the transfer of control of good or service to a customer and the payment date is one year or less.

(ii) Rental income

Rental income from investment properties are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iii) Hotel income

Hotel revenue from accommodation, sales of food and beverages and other ancillary services is recognised when the Group satisfied a performance obligation by transferring control of a promised good or services to the customer. The amount of revenue recognised is the amount of the transaction price allocated to the satisfied performance obligation.

(iv) Interest income on entrusted loans, vendor financing arrangements and loans to associates

Interest income on entrusted loans made via entrustment banks and from vendor financing arrangements with selected buyers of the Group's development properties, and on loans to associates is recognised as it accrues in profit or loss, using the effective interest method.

3.14 Government grants

An unconditional government grant is recognised in profit or loss as other income when the grant becomes receivable.

Government grants relating to assets are deducted against the carrying amount of the assets, and released to profit or loss over the expected useful life of the relevant asset or over the benefits received by the Group related to the assets.

3.15 Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

3.16 Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted-average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprises perpetual convertible capital securities.

3.17 Finance income and finance costs

The Group's finance income and finance costs include:

- interest income on funds invested and other receivables (other than entrusted loans, vendor financing arrangements and loans to associates); and
- interest expense on borrowings and financial derivatives.

Interest income or expense is recognised using the effective interest method.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:
- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

3.18 Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to a business combination, or items recognised directly in equity or in other comprehensive income.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty to related income taxes, if any.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future; and

- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Where investment properties are carried at their fair values in accordance with the accounting policy set out in Note 3.5, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

3.19 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group CEO and Group CFO (the chief operating decision makers ("CODM")) to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CODM include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses and tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and investment properties.

3.20 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective and have not been applied in preparing these financial statements. An explanation of the impact, if any, on adoption of these new requirements is provided in Note 35.

4 Property, plant and equipment

	Interests in leasehold land held for own use under operating leases $'000	Buildings $'000	Plant and machinery $'000	Equipment and furniture $'000	Motor vehicles $'000	Construction-in-progress $'000	Total $'000
Group							
Cost							
At 1 January 2017	29,581	183,372	7,871	2,000	2,621	24,472	249,917
Additions	–	160	763	300	509	10,041	11,773
Written off during the year	–	–	–	(46)	(38)	–	(84)
Disposals	–	–	(1)	(10)	(101)	–	(112)
Reclassification	–	29,677	4,245	111	–	(34,033)	–
Transfer from development properties	–	3,897	–	–	–	–	3,897
Translation differences on consolidation	(575)	(3,524)	(147)	(35)	(27)	(480)	(4,788)
At 31 December 2017	29,006	213,582	12,731	2,320	2,964	–	260,603
At 1 January 2018	29,006	213,582	12,731	2,320	2,964	–	260,603
Additions	–	36	149	128	31	77	421
Written off during the year	–	–	–	(2)	–	–	(2)
Disposals	–	–	(116)	(2)	(153)	–	(271)
Reclassification to assets held-for-sale	(8,692)	(47,576)	(1,630)	(528)	5	–	(58,421)
Transfer to development properties	(613)	(738)	–	–	–	–	(1,351)
Translation differences on consolidation	(534)	(4,354)	(290)	(44)	(37)	(2)	(5,261)
At 31 December 2018	19,167	160,950	10,844	1,872	2,810	75	195,718

Group	Note	Interests in leasehold land held for own use under operating leases $'000	Buildings $'000	Plant and machinery $'000	Equipment and furniture $'000	Motor vehicles $'000	Construction-in-progress $'000	Total $'000
Accumulated depreciation, amortisation and impairment loss								
At 1 January 2017		845	12,085	584	630	1,236	–	15,380
Charge for the year	25	825	2,660	1,376	346	303	–	5,510
Impairment loss	25	–	9,345	–	–	–	–	9,345
Written off during the year		–	–	–	(46)	(38)	–	(84)
Disposals		–	–	–	(8)	(92)	–	(100)
Translation differences on consolidation		(15)	(220)	(10)	(7)	(40)	–	(292)
At 31 December 2017		1,655	23,870	1,950	915	1,369	–	29,759
At 1 January 2018		1,655	23,870	1,950	915	1,369	–	29,759
Charge for the year	25	695	3,196	1,670	320	291	–	6,172
Impairment loss	25	–	14,053	–	–	–	–	14,053
Written off during the year		–	–	–	(1)	–	–	(1)
Disposals		–	–	(83)	(1)	(118)	–	(202)
Transfer to development properties		(77)	(15)	–	–	–	–	(92)
Reclassification to assets held-for-sale		(1,146)	(21,293)	(888)	(427)	–	–	(23,754)
Translation differences on consolidation		(30)	(519)	(66)	(17)	(20)	–	(652)
At 31 December 2018		1,097	19,292	2,583	789	1,522	–	25,283
Carrying amounts								
At 1 January 2017		28,736	171,287	7,287	1,370	1,385	24,472	234,537
At 31 December 2017		27,351	189,712	10,781	1,405	1,595	–	230,844
At 31 December 2018		18,070	141,658	8,261	1,083	1,288	75	170,435

	Equipment and furniture $'000	Motor vehicles $'000	Total $'000
Company			
Cost			
At 1 January 2017	47	356	403
Additions	108	–	108
Written off during the year	(1)	–	(1)
At 31 December 2017	154	356	510
Additions	21	–	21
At 31 December 2018	175	356	531
Accumulated depreciation			
At 1 January 2017	11	25	36
Charge for the year	36	50	86
Written off during the year	(1)	–	(1)
At 31 December 2017	46	75	121
Charge for the year	55	49	104
At 31 December 2018	101	124	225
Carrying amounts			
At 1 January 2017	36	331	367
At 31 December 2017	108	281	389
At 31 December 2018	74	232	306

(i) Reclassification

In 2018, the Group reclassified one hotel building and related assets in the Chengdu Cityspring project to assets held-for-sale as the Group had entered into a sale and purchase agreement to dispose these assets by May 2019.

(ii) Transfer(to)/from development properties

In 2018, certain parts of the Chengdu Cityspring project used to accommodate M Hotel Chengdu staff amounting to $1,259,000 were transferred from property, plant and equipment to development properties as these properties were no longer used by the Group upon the closure of the hotel. The Group intends to sell these assets to third parties.

In 2017, 174 car park lots, amounting to $3,897,000, were transferred from development properties to property, plant and equipment as the Group decided to retain these car park lots for its hotel operations in Chengdu.

(iii) Capitalisation of staff costs

Included in the Group's property, plant and equipment are staff costs capitalised of Nil (2017: $650,000) during the financial year ended 31 December 2018 (Note 25).

(iv) Significant accounting estimates

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account the estimated residual values. The Group reviews the estimated useful lives and residual values of the assets at each reporting date. Changes in the expected level of use of these assets and the Group's historical experience with similar assets after taking into account anticipated technological changes could impact the economic useful lives and the residual values of the assets. Any changes in the economic useful lives and residual values could impact the depreciation charge and consequently, impact the Group's results.

Impairment assessment of property, plant and equipment

Management's judgement is required in the area of asset impairment, particularly in assessing:

- whether an event has occurred that may indicate that the related asset values may not be recoverable;
- whether the carrying value of an asset can be supported by its estimated recoverable amount which may be determined by using its fair value or value-in-use; and
- the appropriate key assumptions to be applied in arriving at the recoverable amount.

Changing the assumptions used in determining the recoverable amount could impact the Group's financial conditions and results.

(v) Impairment loss

Management undertook their annual review of the carrying amount of hotels and hotspring facility for indicators of impairment and, where appropriate, external valuation was also undertaken.

Hotspring facility

In 2018, based on this assessment, an impairment charge of $14,053,000, included in other expenses, was made in relation to the hotspring facility located in the PRC. The impairment in relation to the hotspring facility was a result of market conditions in Chengdu, affecting the operating performance of hotspring facility. In particular, the revenue generated by the hotspring facility were lower than expected. The estimated recoverable amount was based on the value-in-use of the hotspring facility determined by management.

The fair value measurement is categorised as Level 3 on the fair value hierarchy.

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

Valuation technique	**Key unobservable inputs**	**Inter-relationship between key unobservable inputs and fair value measurement**
Discounted cash flow method	• Revenue growth rate: 54% at the first year and 6% to 8% at subsequent years (2017: Not applicable) [1] • Discount rate: 8% (2017: Not applicable) [1]	A significant increase in revenue growth rate and a significant decrease in discount rate would result in a significantly higher fair value measurement.

[1] Commenced operations on 27 October 2017.

The carrying amount of hotspring facility is the same as its recoverable amount after the impairment loss. Therefore, any adverse movement in the key assumptions would lead to a further impairment.

M Hotel Chengdu

In 2017, based on management's assessment, an impairment charge of $9,345,000 included in other expenses, was made in relation to M Hotel Chengdu, located in the PRC. The impairment loss was a result of the challenging hospitality market in Chengdu, affecting the operating performance of the hotel. In particular, the room rates achieved by the hotel were lower than expected. The estimated recoverable amount was based on the fair value of the hotel determined by a professional valuer. The fair value measurement was categorised as Level 3 on the fair value hierarchy.

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

Valuation technique	**Key unobservable inputs**	**Inter-relationship between key unobservable inputs and fair value measurement**
Discounted cash flow method	• Occupancy rate: Not applicable in 2018 (2017: 60% to 70%) • Average daily rate ("ADR"): Not applicable in 2018 (2017: RMB420 to RMB610) • Discount rate: Not applicable in 2018 (2017: 8%)	A significant increase in occupancy rate and ADR, and a significant decrease in discount rate would result in a significantly higher fair value measurement.

The carrying amount of M Hotel Chengdu is the same as its recoverable amount after the impairment loss. In May 2018, the Group entered into a sale and purchase agreement for the disposal of M Hotel Chengdu. The assets were reclassified to assets held-for-sale (Note 13). The sale has not yet been completed as at 31 December 2018.

5 Investment properties

		Group	
	Note	**2018**	**2017**
		$'000	**$'000**
At 1 January		282,634	231,197
Additions		15,863	42,391
Capitalised interest expense		105	–
Impairment loss	25	–	(602)
Disposals		(3,006)	(3,269)
Fair value gain (net)	25	6,930	4,038
Lease incentives		(724)	46
Reclassification to assets held-for-sale		(36,722)	–
Translation differences on consolidation		(5,945)	8,833
At 31 December		259,135	282,634

	Group	
	2018	2017
	$'000	$'000
Analysed between:		
Completed properties	205,708	201,902
Properties under construction	53,427	80,732
	259,135	282,634

In July 2017, the Group completed the acquisition of a property located at Poortgebouw Hoog Catharijne in Utrecht, the Netherlands. The property is part of a newly built bare-shell building with a total lettable floor area of approximately 11,604 square metres ("sq m") which will be developed into two hotels with 320 rooms in total. This property, together with 1,381 sq m (2017: 21,875 sq m) of commercial space in Chengdu completed in bare-shell condition constitutes the investment properties under construction.

In May 2018, the Group entered into a sale and purchase agreement for the disposal of certain commercial space in the Chengdu Cityspring project completed in bare-shell condition. Accordingly, the properties were reclassified to assets held-for-sale (Note 13). The sale has not yet been fully completed as at 31 December 2018.

Completed investment properties comprise a number of commercial properties including two hotels in Amsterdam Southeast and adjoining car parks that are leased to external tenants. The leases contain initial non-cancellable periods of ten to twenty five years (2017: one to twenty five years). No contingent rents are charged.

(i) Impairment loss

During the financial year ended 31 December 2017, an impairment charge of $602,000, included in other expenses, was made in relation to investment properties in Dongguan, which were subsequently disposed by the Group in July 2017 via the sale of the shares in the subsidiary owning the properties.

(ii) Security

An investment property of the Group with a total carrying amount of $99,582,000 (2017: $91,069,000) is mortgaged to a financial institution to secure a credit facility (refer to Note 18 for more details of the facility).

Measurement of fair value

(i) Fair value hierarchy

The fair value measurement for investment properties of $10,851,000 (2017: $9,999,000) has been categorised as a Level 2 fair value based on contracted sale prices.

The fair value measurement for investment properties of $248,284,000 (2017: $272,635,000) has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

The fair value of the investment properties as at 31 December 2018 were based on valuations undertaken by independent valuers. The fair values at the reporting date were based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

The valuation of the investment properties was derived based on the discounted cash flow, income capitalisation and market comparable methods. The discounted cash flow method takes into consideration the estimated net rent (using the current and projected average rental rates and occupancy) and a discount rate applicable to the nature and type of asset in question. The income capitalisation approach takes into consideration the estimated net rent and a yield rate applicable to the nature and type of asset in question. The market comparable method takes into consideration the sales of similar properties that have been transacted in the open market.

Level 3 fair value

The following table shows a reconciliation from the beginning balance to the ending balance of investment properties for which fair value measurements are categorised under Level 3 of the fair value hierarchy.

	Group	
	2018	**2017**
	$'000	**$'000**
At 1 January	272,635	221,577
Additions	15,863	42,391
Capitalised interest expense	105	–
Disposals	(1,311)	(3,217)
Fair value gain recognised in profit or loss – unrealised (net)	7,138	4,038
Lease incentives	(724)	46
Reclassification to assets held-for-sale	(36,722)	–
Change in fair value hierarchy to level 2 [(i)]	(3,045)	(1,221)
Translation differences on consolidation	(5,655)	9,021
At 31 December	248,284	272,635

[(i)] During the financial years ended 31 December 2018 and 2017, the Group had entered into various sale and purchase agreements with third parties for the sale of retail and commercial units. In this respect, the fair value measurements of such investment properties were reclassified from level 3 to level 2, with the fair value of the investment properties being the contracted sale prices.

(ii) Valuation technique and key unobservable inputs

The following table shows the key unobservable inputs used in the valuation models:

Type	**Valuation technique**	**Key unobservable inputs**	**Inter-relationship between key unobservable inputs and fair value measurement**
Completed properties	Discounted cash flow method	• Rental yield of 6.3% (2017: 5.5% to 7.4%) • Discount rate of 8.3% (2017: 5.0% to 8.3%)	A significant decrease in rental yield and discount rate would result in a significantly higher fair value measurement.
	Market comparable method	• Average sales price of RMB18,895 to RMB25,740 (2017: RMB37,009 to RMB38,029) per sq m	A significant increase in average sales prices would result in a significantly higher fair value measurement.
	Income capitalisation method	• Capitalisation rate of 5.9% (2017: 6.6%) • Occupancy rate of 100.0% (2017: 100.0%)	A significant decrease in capitalisation rate and a significant increase in occupancy rate would result in a significantly higher fair value measurement.
Properties under construction	Discounted cash flow method	• Rental yield of 6.5% (2017: 6.3% to 7.2%) • Discount rate of 8.5% (2017: 6.0% to 8.3%)	A significant decrease in rental yield and discount rate would result in a significantly higher fair value measurement.
	Market comparable method	• Average sales price: Not applicable in 2018 (2017: RMB8,156 to RMB8,316) per sq m	A significant increase in average sales prices would result in a significantly higher fair value measurement.

6 Subsidiaries

	Company	
	2018	**2017**
	$'000	**$'000**
Unquoted equity shares, at cost	145,869	145,869
Redeemable preference shares	575,112	507,712
	720,981	653,581

The investment in redeemable preference shares relate to a wholly-owned subsidiary, which entitles the Company to receive a fixed cumulative preferential dividend of 9.00 Singapore cents per share per annum and to redeem at par the whole or any part of the redeemable preference shares held by the Company upon giving not less than 30 days prior written notice to the subsidiary. The wholly-owned subsidiary may redeem the whole or any part of the redeemable preference shares at the original issue price upon giving not less than 30 days prior written notice to the holders of the redeemable preference shares. The investment is not expected to be redeemed in the next 12 months.

In 2017, the wholly-owned subsidiary redeemed 40,318,594 redeemable preference shares held by the Company at the redemption price of $1.00 each. No redemption was made in 2018.

Details of significant subsidiaries are as follows:

	Name of subsidiaries	Principal activity	Principal place of business/ Country of incorporation	Effective equity interest held by the Group 2018 %	2017 %
	Held by the Company				
^	FS Investment Holdings Limited	Investment holding	British Virgin Islands	100	100
	Held through subsidiaries				
**	Chengdu Gaeronic Real Estate Co., Ltd (“CGRE”)	Property development, property investment, hotel ownership and operations, and investment holding	People’s Republic of China	100	100
**	Chengdu Millennium Zhong Ren Real Estate Co., Ltd (“CMZRRE”)	Property development, hotel ownership and operations, and property investment	People’s Republic of China	100	100
**	Chengdu Ming Ming Management Consultancy Co., Ltd (i)	Consultancy and management services	People’s Republic of China	–	100
**	Chengdu Yong Chang Real Estate Co., Ltd (“CYCRE”)	Property development and property investment	People’s Republic of China	100	100
**	First Sponsor (Guangdong) Group Limited (“FSGGL”)	Investment holding	People’s Republic of China	100	100

	Name of subsidiaries	Principal activity	Principal place of business/ Country of incorporation	Effective equity interest held by the Group 2018 %	2017 %
^	FS Euro Capital Limited	Property financing	British Virgin Islands	100	100
^	FS NL Amstel Development 16 B.V	Property investment	The Netherlands	100	100
^	FS NL Property 2 B.V.	Property investment	The Netherlands	100	100
^	FS NL Zuid Property 12 B.V [(ii)]	Property investment and property development	The Netherlands	100	100
^	FS NL Zuidoost Property 11 B.V.	Property investment and property development	The Netherlands	100	100
^	FS NL Zuidoost Property 15 B.V.	Property investment and property development	The Netherlands	100	100
^	NL Property 1 B.V. [(iii)] ("NLP1")	Property investment	The Netherlands	33	33
**	Shanghai Sigma Investment Co., Ltd [(iv)]	Provision of property financing services	People's Republic of China	100	100

** Audited by other member firms of KPMG International

^ Not subject to audit by law of country of incorporation

(i) The subsidiary was liquidated on 9 November 2018.

(ii) The subsidiary was incorporated on 17 November 2017 to hold a development property acquired from a third party during the financial year ended 31 December 2017.

(iii) The entire equity interest in NLP1 was acquired from a third party by an indirect subsidiary of the Company and three co-investors in 2015. Pursuant to a call option agreement entered amongst the Company and the three co-investors in 2015, the three co-investors have irrevocably and unconditionally granted to the Company, or its nominee, the right (but not the obligation) to acquire such number of new non-redeemable and non-convertible preference voting shares in the capital of NLP1 at EUR1 each, such that the Group would have majority voting interest in NLP1 (the "Call Option"). As a result of this Call Option, the Company is deemed to have control over NLP1 and consolidates NLP1 as a subsidiary. To date, the Company has not exercised the Call Option.

(iv) CMZRRE and CYCRE hold 33.3% equity interest each and CGRE and FSGGL hold 16.7% equity interest each (2017: CGRE and FSGGL held 50.0% equity interest each).

7 Interests in and balances with associates and joint ventures

	Note	Group 2018 $'000	Group 2017 $'000	Company 2018 $'000	Company 2017 $'000
Interests in associates		58,245	58,015	–	–
Interests in joint ventures		22,572	6,346	9,669	–
Total interests in associates and joint ventures		80,817	64,361	9,669	–
Balances with associates and joint ventures					
Loans to associates (trade)	11	608,379	497,882	–	–
Loans to joint ventures (trade)	11	59,388	–	–	–
Amounts due from associates (non-trade)	11	41,831	42,895	–	–
Amounts due from a joint venture (non-trade)	11	521	–	–	–
Amounts due to associates (non-trade)	19	(14,124)	(12,437)	–	–

The loans to associates as at 31 December 2018 were unsecured and interest bearing with nominal interest rates that range between 3.7% and 12.9% per annum (2017: 3.6% to 12.9% per annum). $119,580,000 (2017: $122,727,000) of the year end balance will mature within the twelve months after the year end. The remaining loans will mature between 2023 to 2027 (2017: 2018 to 2026).

$39,860,000 of the loans to joint ventures as at 31 December 2018 was secured. The loans to joint ventures were interest bearing with nominal interest rate of between 6.0% and 7.5% per annum. The loans are due between 2021 to 2024.

The non-trade amounts due from associates and a joint venture were unsecured and interest-free. $39,051,000 (2017: $40,078,000) of the year end balance is not expected to be receivable within the twelve months after the year end. The remaining balance of $3,301,000 (2017: $2,817,000) is repayable on demand.

The non-trade amounts due to associates are unsecured, interest-free and repayable on demand.

Details of significant associates are as follows:

	Name of associates	Principal activity	Principal place of business/Country of incorporation	Effective equity interest held by the Group 2018 %	2017 %
	Held by the Company				
^	FS Dongguan Investment Holdings Limited ("FSDIH")	Investment holding	British Virgin Islands	30	30
	Held through subsidiaries				
*	FSMC NL Property Group B.V. ("FSMC")	Property investment and investment holding	The Netherlands	33	33
^	FSMCR Hilton Rotterdam B.V.	Investment holding	The Netherlands	24.7	–

^ Not subject to audit by law of country of incorporation.

* Audited by BDO Audit Assurance B.V. and KPMG Accountants N.V. for the financial year ended 31 December 2018 and 2017, respectively.

The following summarises in aggregate, the financial information of the Group's interests in its associates, based on the amounts reported in the Group's consolidated financial statements.

	2018 $'000	2017 $'000
Carrying amounts of interests in associates	58,245	58,015
Group's share of:		
- net profit	5,091	3,648
- other comprehensive income	(1,285)	893
- total comprehensive income	3,806	4,541

Details of significant joint ventures are as follows:

	Name of joint ventures	Principal activity	Principal place of business/Country of incorporation	Effective equity interest held by the Group 2018 %	2017 %
	Held by the Company				
*	FS Nieuw Holland Pte. Ltd. [(i)]	Investment holding	Singapore	50	–
	Held through subsidiaries				
^	FSCT DE Property 1 GmbH & Co. KG ("KG")	Property investment	Germany	50	50
^	FSCT DE Property 1 GmbH	Property investment and general partner of KG	Germany	50	50
^	Dongguan Huijing Hotel Co., Ltd ("DGHH") [(ii)]	Hotel ownership	People's Republic of China	10	–

^ Not subject to audit by law of country of incorporation

* Not required to be audited for the financial period ended 31 December 2018

(i) The joint venture was incorporated on 17 September 2018

(ii) Although the Group holds only 10% ownership interest in DGHH, pursuant to a shareholder's agreement between the Group and its joint venture partner, joint control is exercised by both parties over the activities of DGHH. Accordingly, DGHH is classified as a joint venture of the Group.

The following summarises, in aggregate, the financial information of the Group's interests in joint ventures, based on the amounts reported in the Group's consolidated financial statements.

	2018 $'000	2017 $'000
Carrying amounts of interests in joint ventures	22,572	6,346
Group's share of:		
- net profit	411	–
- other comprehensive income	(304)	–
- total comprehensive income	107	–

8 Derivative assets and liabilities

	Group and Company	
	2018	**2017**
	$'000	**$'000**
Non-current derivative assets		
Cross currency swaps	18,310	350
Foreign currency swap	1,075	–
	19,385	350
Derivative liabilities		
Cross currency swaps	(5,564)	(17,290)
Non-current	(5,564)	(13,122)
Current	–	(4,168)
	(5,564)	(17,290)

As part of the Group's strategy to hedge its exposure to fluctuation in Euros against S$ arising from its acquisitions in Europe, the Group and Company has entered into various financial derivatives involving cross currency swap contracts ("CCSs") and foreign currency swaps ("FCSs") with financial institutions whereby the end result is also to achieve a corresponding Euro liability. In November 2018, the Group entered into the property financing market in Australia via a 50-50 owned joint venture with Tai Tak. The Group has also adopted the same approach as its European assets, which is to fully hedge its Australian dollar ("AUD") cost base.

As at 31 December 2018, the Group and Company had 14 CCSs and one FCS outstanding. The total notional amount of such contracts amounted to approximately EUR447,505,000 and AUD10,000,000 (2017: EUR333,154,000) with remaining tenors of between approximately 1 year to 5 years (2017: 0.5 years to 5 years). Under these contracts, the Group and Company would pay the fixed EUR denominated notional amounts and receive fixed amounts of $550,559,000 and US$196,280,000 in aggregate (2017: $335,672,000 and US$135,176,000) on the maturity dates of the financial derivatives.

9 Other investments

	Group	
	2018	**2017**
	$'000	**$'000**
Non-current		
Available-for-sale equity securities	–	23,380
Financial assets measured at fair value through profit or loss		
– equity securities	38,631	–
– debt securities	39,500	–
	78,131	23,380
Current		
Available-for-sale financial assets – structured deposits	–	38,863
Financial assets measured at fair value through profit or loss		
– structured deposits	39,262	–
	117,393	62,243

As at 31 December 2018, the financial assets measured at fair value through profit or loss comprised:

(a) the Group's 90% (2017: 85%) equity interest (unquoted) in Dongguan East Sun Limited ("East Sun") of $35,305,000 (2017: $23,380,000 in available-for-sale equity securities);

(b) a 3-year S$ denominated convertible bond with principal value of $39,500,000 (2017: Nil), and a coupon of 12% (2017: Nil) per annum, which the Group had subscribed from a joint venture in late December 2018. The convertible bond is secured by (a) 100% equity shares of (i) the joint venture and (ii) the joint venture's wholly owned subsidiary, (b) corporate guarantees from the holding company and a related company of the joint venture and (c) personal guarantee from a director of the joint venture; and

(c) a quoted equity investment of $3,326,000 (2017: Nil).

The Group has determined that it has no control nor significant influence over East Sun as the Group does not have any power over the relevant activities of East Sun, and it is not involved in East Sun's business activities including policy making processes.

Structured deposits relate to amounts placed with financial institutions in the PRC, which are principal-guaranteed. The structured deposits are not publicly traded and bear interest at 2.45% to 3.5% (2017: 4.1%) per annum.

Information about the Group's exposure to credit and market risks, and fair value measurement, is included in Note 30.

10 Deferred tax assets/(liabilities)

Movements in deferred tax assets and liabilities of the Group (prior to offsetting of balances) during the year are as follows:

Group	At 1 January 2017 $'000	Recognised in profit or loss (Note 26) $'000	Translation differences on consolidation $'000	At 31 December 2017 $'000	Recognised in profit or loss (Note 26) $'000	Translation differences on consolidation $'000	At 31 December 2018 $'000
Deferred tax assets							
Development properties	11,644	4,554	(225)	15,973	(1,040)	(391)	14,542
Property, plant and equipment	–	2,066	2	2,068	2,932	(119)	4,881
Contract liabilities	6,792	3,493	(128)	10,157	2,353	(314)	12,196
Receipts in advance	–	–	–	–	328	(7)	321
Trade and other receivables	–	1,420	2	1,422	1,035	(77)	2,380
Others	1,125	2,023	48	3,196	(92)	(84)	3,020
Total	19,561	13,556	(301)	32,816	5,516	(992)	37,340
Deferred tax liabilities							
Investment properties	(7,923)	(2,284)	(92)	(10,299)	45	234	(10,020)
Property, plant and equipment	(597)	585	12	–	–	–	–
Contract liabilities	(35)	34	1	–	–	–	–
Trade and other receivables	(758)	261	15	(482)	68	11	(403)
Other investments	–	–	–	–	(2,218)	50	(2,168)
Total	(9,313)	(1,404)	(64)	(10,781)	(2,105)	295	(12,591)

The amounts determined after appropriate offsetting are included in the consolidated statement of financial position as follows:

	Group	
	2018	**2017**
	$'000	**$'000**
Deferred tax assets	33,387	25,905
Deferred tax liabilities	(8,638)	(3,870)

Unrecognised deferred tax liabilities

As at 31 December 2018, deferred tax liabilities of $15,079,000 (2017: $13,408,000) in respect of temporary differences of $266,161,000 (2017: $237,727,000) related to the withholding tax on the distributable profit of the Group's subsidiaries in the PRC were not recognised because the Group controls whether the liability will be incurred and it is satisfied that it will not be incurred in the foreseeable future.

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2018	**2017**
	$'000	**$'000**
Tax losses	4,083	16,879

The tax losses and deductible temporary differences are subject to agreement by the tax authorities and compliance with tax regulations in the respective countries in which certain subsidiaries operate.

Deferred tax assets have not been recognised in respect of the above items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits.

The tax losses with expiry dates are as follows:

	Group	
	2018	**2017**
	$'000	**$'000**
Expiry date:		
- After 5 years	–	13,763

11 Trade and other receivables

	Note	Group 2018 $'000	Group 2017 $'000	Company 2018 $'000	Company 2017 $'000
Trade receivables	(i)	370,378	137,790	–	–
Loans to associates (trade)	7	608,379	497,882	–	–
Loans to joint ventures (trade)	7	59,388	–	–	–
Amounts due from associates (non-trade)	7	41,831	42,895	–	–
Amounts due from a joint venture (non-trade)	7	521	–	–	–
Loans to third parties (non-trade)	(ii)	35,713	35,051	–	–
Non-trade amounts due from subsidiaries	(iii)	–	–	1,166,483	940,662
Security deposits		25,839	218	–	–
Other receivables	(iv)	7,736	4,060	2,566	904
		1,149,785	717,896	1,169,049	941,566
Prepayments	(v)	17,050	12,093	57	39
		1,166,835	729,989	1,169,106	941,605
Non-current		660,948	284,455	779,204	370,608
Current		505,887	445,534	389,902	570,997
		1,166,835	729,989	1,169,106	941,605

(i) Included in trade receivables are (i) entrusted loans to third parties of $241,153,000 (2017: $119,568,000) via entrusted banks in the PRC bearing interest (including penalty interest) ranging from 10.0% to 18.0% (2017: 6.5% to 30.4%) per annum and (ii) a loan to a third party of $115,594,000 (2017: Nil) bearing interest of 12.0% (2017: Nil) per annum. $241,153,000 (2017: $95,022,000) of the aforementioned loans are secured. Refer to Note 30 for more details.

(ii) The loans outstanding as at 31 December 2018 relate to unsecured interest-free loans which are repayable on demand.

(iii) The non-trade amounts due from subsidiaries as at 31 December 2018 were unsecured and comprised the following:

- an amount of $721,311,000 (2017: $657,637,000) bearing interest ranging from 1.2% to 1.9% (2017: 1.3% to 2.3%) per annum and due on 2021 (2017: 2018 to 2026); and
- an amount of $445,172,000 (2017: $283,025,000) which is interest-free and repayable on demand.

(iv) Included in the other receivables of the Group as at 31 December 2018 was interest receivable of $2,056,000 (2017: $1,747,000).

(v) Included in the prepayments of the Group as at 31 December 2018 was prepaid taxes of $12,102,000 (2017: $11,450,000).

The Group's historical experience in the collection of accounts receivable falls within the recorded allowances. Due to these factors, management believes that no additional credit risk beyond the amounts provided for collection losses is inherent in the Group's trade receivables. Refer to Note 30 for more details.

12 Development properties

	Group	
	2018	2017
	$'000	$'000
Properties under development for sale	334,335	326,382
Completed properties for sale	26,695	65,309
	361,030	391,691
Write down	(4,140)	(987)
	356,890	390,704

The movement of write down in respect of development properties during the year is as follows:

		Group	
	Note	2018	2017
		$'000	$'000
At 1 January		987	–
Allowance made	25	3,153	987
At 31 December		4,140	987
Net interest expense capitalised in properties under development during the year		985	314

Net interest has been capitalised at rates ranging from 1.4% to 2.3% (2017: 0.9% to 2.3%) per annum for development properties during the financial year ended 31 December 2018.

Included in development properties are staff costs capitalised of $1,201,000 (2017: $2,105,000) during the financial year ended 31 December 2018 (Note 25).

During the financial year ended 31 December 2018, development properties recognised in cost of sales amounted to $73,668,000 (2017: $208,675,000).

Management assesses properties under development for sale for impairment based on their estimates of selling prices and construction costs or independent professional valuations undertaken, where appropriate. Selling prices are based on recent selling prices and the prevailing market conditions. Construction costs are estimated based on contracted amounts and in respect of amounts not contracted for, management's estimates of the amounts to be incurred. Where independent professional valuations are undertaken, the valuations were based on the market comparable method which takes into consideration the sales of similar properties that have been transacted in the open market.

Management also assesses if any write down of completed properties for sale is required based on their estimates of selling prices which are based on recent selling prices and the prevailing market conditions. The write down is included in "other expenses".

13 Assets held-for-sale

In May 2018, the Group entered into a sale and purchase agreement with a third party (the "Purchaser") in relation to the disposal of certain assets within the Chengdu Cityspring project for a total cash consideration of approximately $94.8 million (RMB465.0 million), to be paid over several tranches.

Property, plant and equipment and investment properties amounting to $34,667,000 and $36,722,000 respectively, were accordingly reclassified to assets held-for-sale.

The assets were to be transferred to the Purchaser over three tranches. The first instalment had been paid by the Purchaser and the first tranche of assets had been transferred to the Purchaser resulting in a gain on disposal of $6,253,000 recorded in other gains in the profit or loss account. An impairment loss of $4,088,000 has been taken on part of the remaining assets held-for-sale which would be transferred by May 2019.

Cumulative income or expenses recognised in other comprehensive income

There are no cumulative income or expenses included in other comprehensive income relating to the assets held-for-sale.

14 Cash and cash equivalents

	Group		Company	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Fixed deposits	23,779	150	7,264	115
Cash at bank and in hand	101,932	319,148	10,875	4,412
	125,711	319,298	18,139	4,527

The balance as at 31 December 2018 included Nil (2017: $40,295,000) which were held under PRC development project rules, where the utilisation of the funds is restricted to project related payments.

Cash and cash equivalents at 31 December 2018 included $111,581,000 (2017: $296,319,000) which were deposited with financial institutions in the PRC. The remittance of these funds by the Group out of the PRC is subject to currency exchange restrictions.

15 Share capital

	Group and Company			
	2018		2017	
	Number of shares	US$'000	Number of shares	US$'000
Authorised share capital:				
At 1 January	2,000,000,000	200,000	2,000,000,000	2,000,000
Capital reduction	–	–	–	(1,800,000)
At 31 December	2,000,000,000	200,000	2,000,000,000	200,000

	Group and Company			
	2018		2017	
	Number of shares	$'000	Number of shares	$'000
Ordinary shares issued and fully paid				
At 1 January	589,814,949	73,640	589,814,949	736,404
Issue of bonus shares	58,981,032	7,735	–	–
Conversion of perpetual convertible capital securities ("PCCS") during the year	219,687	30	–	–
Capital reduction - transfer to distributable reserve (Note 16)	–	–	–	(662,764)
At 31 December	649,015,668	81,405	589,814,949	73,640

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

Issuance of ordinary shares

On 18 April 2018, the Company issued 58,981,032 ordinary shares of US$0.10 each on the basis of one bonus shares for every 10 existing ordinary shares (2017: Nil).

Additionally, 219,687 (2017: Nil) ordinary shares were issued as a result of the conversion of PCCS (see Note 17).

Capital reduction

On 31 August 2017, following the capital reduction carried out by the Company, the issued and fully paid up share capital of the Company had reduced from US$589,814,949 comprising 589,814,949 ordinary shares of US$1.00 each to US$58,981,494.90 comprising 589,814,949 ordinary shares of US$0.10 each. The credit arising from such reduction of approximately US$530,833,000 (approximately $662,764,000) was transferred to a distributable reserve account of the Company (see Note 16). In addition, the authorised share capital of the Company was reduced from US$2,000,000,000 divided into 2,000,000,000 shares with a par value of US$1.00 each to US$200,000,000 divided into 2,000,000,000 shares with a par value of US$0.10 each.

Capital management

The Group defines "capital" as including all components of equity. The Group's objectives when managing its capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. This will in turn maintain investor and creditor confidence and sustain the future development of the business.

In order to achieve an optimal capital structure, the Group may issue new shares, obtain new borrowings or sell its assets. Excess capital, if any, may also be returned to shareholders.

The Group's capital structure is regularly reviewed and managed with due regard to its capital management objectives and practices. Adjustments are made to the capital structure in light of changes in economic conditions affecting the Company or the Group, to the extent that these do not conflict with the directors' fiduciary duties towards the Company.

There were no changes in the Group's approach to capital management during the financial year.

The Company is not subject to any externally imposed capital requirements. However, the subsidiaries incorporated in the PRC are subject to currency exchange restrictions on the remittance of funds out of the PRC.

16 Reserves

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Share premium	9,821	9,609	10,033	9,821
Statutory reserve	36,607	33,447	–	–
Capital reserve	245	225	(5,988)	(5,988)
Distributable reserve	655,029	662,764	655,029	662,764
Fair value reserve	–	(3,949)	–	–
Foreign currency translation reserve	12,854	36,950	–	–
Retained earnings	354,535	267,468	209,692	140,470
	1,069,091	1,006,514	868,766	807,067

Share premium

The share premium account represents the excess of the issue price over the par value of ordinary shares issued by the Company and may be applied only for the purposes specified in the Cayman Islands Companies Law.

Statutory reserve

In accordance with the Foreign Enterprise Law applicable to the subsidiaries in the PRC, wholly-owned subsidiaries are required to make appropriation to a statutory reserve. At least 10.0% of the statutory after tax profits as determined in accordance with the applicable PRC accounting standards and regulations must be allocated to the statutory reserve until the cumulative total of the reserve reaches 50.0% of the subsidiaries' registered capital. Subject to approval from the relevant PRC authorities, the statutory reserve may be used to offset any accumulated losses or increase the registered capital of the subsidiaries. The statutory reserve is not available for dividend distribution to shareholders of the PRC subsidiaries.

Capital reserve

The capital reserve of the Group comprises:

(a) interest waived on intercompany loans;

(b) the difference between the adjustment to non-controlling interests and the fair value of consideration paid on acquisition of non-controlling interests in a subsidiary; and

(c) the difference between the fair value and the cost of the treasury shares reissued.

The capital reserve of the Company comprises:

(a) interest waived on intercompany loans;

(b) the difference between the fair value and the cost of the treasury shares reissued; and

(c) accrued dividend income on the redeemable preference shares waived by a subsidiary of the Company during the year ended 31 December 2015.

Distributable reserve

Distributable reserve arises from the capital reduction carried out by the Company in August 2017 (see Note 15). In 2018, distributable reserve of $7,735,000 (2017: Nil) was utilised for issuance of bonus shares (see Note 15).

Fair value reserve

In 2017, the fair value reserve comprised the cumulative net change in the fair value of available-for-sale equity securities until the assets are derecognised or impaired.

Foreign currency translation reserve

The foreign currency translation reserve comprises:

(a) foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the functional currency of the Company; and

(b) the exchange differences on monetary items which form part of the Group's net investment in foreign operations, provided certain conditions are met.

Dividends

The following dividends were declared and paid by the Group and Company:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
For the year ended 31 December				
Final tax-exempt (one-tier) ordinary dividend paid of 1.20 cents (2017: 1.00 cent) per ordinary share in respect of financial year ended 31 December 2017 (2017: 31 December 2016)	7,785	5,898	7,785	5,898
Interim tax-exempt (one-tier) ordinary dividend paid of 1.00 cent (2017: 1.00 cent) per ordinary share in respect of financial year ended 31 December 2018 (2017: 31 December 2017)	6,486	5,898	6,489	5,898
	14,271	11,796	14,274	11,796

After the respective reporting dates, the following exempt (one-tier) ordinary dividend was proposed by the directors of the Company. The exempt (one-tier) ordinary dividend has not been provided for.

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
1.30 cents per qualifying ordinary share (2017: 1.20 cents)	8,434	7,078	8,438	7,078

17 Perpetual convertible capital securities

On 19 April 2018, the Company issued 147,453,737 PCCS on the basis of one PCCS for every four existing ordinary shares at an issue price of S$1.10 for each PCCS. Each PCCS shall entitle the PCCS holder to convert such PCCS into one new ordinary share of the Company, subject to adjustments under certain conditions.

During the financial year, 219,687 PCCS were converted into 219,687 ordinary shares of the Company (see Note 15).

The PCCS confer a right to the holder to receive a distribution of 3.98% per annum but the Company may, at its sole discretion, elect to defer the distribution. Any arrears of PCCS distribution will have to be paid prior to any dividend distribution by the Company to its ordinary shareholders. In the event the conversion rights are exercised, any arrears of PCCS distribution will be extinguished.

18 Loans and borrowings

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Non-current liabilities				
Secured bank loan	36,658	35,817	–	–
Unsecured bank loans	604,732	574,171	604,732	574,171
	641,390	609,988	604,732	574,171
Current liabilities				
Unsecured bank loans	45,338	–	45,338	–
Total loans and borrowings	686,728	609,988	650,070	574,171

The term loans are obtained from banks and financial institutions.

Terms and debt repayment schedule

Terms and conditions of outstanding loans and borrowings are as follows:

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Secured term loans				
Repayable:				
– After 1 year but within 5 years	36,658	35,817	–	–
	36,658	35,817	–	–

The secured bank loan of the Group is secured by a mortgage of an investment property of a subsidiary (Note 5), assignment of its bank accounts, lease receivables and insurance proceeds (where applicable).

The Group's secured term loans bore interest rate of 1.37% (2017: 1.37%) per annum at the end of the year.

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Unsecured term loans				
Repayable:				
– Within 1 year	45,338	–	45,338	–
– After 1 year but within 5 years	604,732	574,171	604,732	574,171
	650,070	574,171	650,070	574,171

The unsecured term loans of the Group and Company bore interest rates ranging from 1.20% to 3.91% (2017: 1.20% to 2.84%) per annum at the end of the year.

Reconciliation of movements of liabilities to cash flows arising from financing activities

	Liabilities				
	Bank loans	**Notes**	**Other payable**	**Non-trade amounts due to associates**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Balance at 1 January 2018	609,988	–	12,811	12,437	635,236
Changes from financing cash flows					
Advances from associates	–	–	–	3,009	3,009
Payment of transaction costs related to borrowings	(3,153)	–	–	–	(3,153)
Proceeds from bank borrowings	293,551	–	–	–	293,551
Repayment of bank borrowings	(345,950)	–	–	–	(345,950)
	(55,552)	–	–	3,009	(52,543)
The effect of changes in foreign exchange rates	75	–	(284)	(1,322)	(1,531)
Other changes					
Liability-related					
Amortisation of transaction costs	4,044	–	–	–	4,044
Net proceeds from bank borrowings in operating cash flows [(i)]	128,173	–	–	–	128,173
Total liability-related other changes	132,217	–	–	–	132,217
Balance at 31 December 2018	686,728	–	12,527	14,124	713,379
Balance at 1 January 2017	306,688	49,950	–	39,167	395,805
Changes from financing cash flows					
Advances from associates	–	–	–	13,484	13,484
Payment of transaction costs related to borrowings	(7,545)	–	–	–	(7,545)
Proceeds from bank borrowings	766,308	–	–	–	766,308
Repayment of bank borrowings	(744,192)	–	–	–	(744,192)
Redemption of medium term notes	–	(50,000)	–	–	(50,000)
Loan from a non-controlling interest	–	–	12,490	–	12,490
	14,571	(50,000)	12,490	13,484	(9,455)
The effect of changes in foreign exchange rates	7,976	–	321	(1,047)	7,250
Other changes					
Liability-related					
Amortisation of transaction costs	2,830	50	–	–	2,880
Net proceeds from bank borrowings in operating cash flows [(i)]	277,923	–	–	–	277,923
Offset against non-trade balances due from associates [(ii)]	–	–	–	(39,167)	(39,167)
Total liability-related other changes	280,753	50	–	(39,167)	241,636
Balance at 31 December 2017	609,988	–	12,811	12,437	635,236

(i) This relates to the net proceeds from bank borrowings for on-lending to the Group's European associates and joint ventures, which is part of the Group's property financing operations.

(ii) In 2017, an amount due to associates of $39,167,000 was offset against an amount due from associates of $39,167,000.

19 Trade and other payables

	Note	Group		Company	
		2018 $'000	2017 $'000	2018 $'000	2017 $'000
Trade payables		65,668	106,851	–	–
Accruals		25,228	21,150	7,466	6,927
Value added tax, business tax and other taxes payable		4,312	6,772	–	–
Non-trade amounts due to:					
- former shareholders and affiliates of subsidiaries		1,738	1,748	–	–
- subsidiaries		–	–	160,813	120,120
- associates	7	14,124	12,437	–	–
Loan from a non-controlling interest of a subsidiary		12,527	12,811	–	–
Other payables		27,311	17,135	2,187	1,092
		150,908	178,904	170,466	128,139

The non-trade amounts due to former shareholders and affiliates of subsidiaries, subsidiaries and associates are unsecured, interest-free and repayable on demand.

The loan from a non-controlling interest of a subsidiary is unsecured, bears interest at 8.9% (2017: 8.9%) per annum and is due in 2022.

	Group		Company	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Non-current	12,527	12,811	–	–
Current	138,381	166,093	170,466	128,139
	150,908	178,904	170,466	128,139

20 Contract liabilities

Contract liabilities mainly represent advance consideration received from customers for sale of development properties.

Contract liabilities are recognised as revenue when the Group fulfils its performance obligations under contract with its customers. The significant changes in the contract liabilities during the year are as follows:

	2018 $'000	2017 $'000
Revenue recognised that was included in contract liabilities at the beginning of the year	(90,243)	(178,525)
Increases due to cash received, excluding amounts recognised as revenue during the year	73,796	167,910

21 Receipts in advance

Receipts in advance comprise advance receipts received from the disposal of assets held-for-sale and rental income collected in advance.

22 Revenue

	Group	
	2018	**2017**
	$'000	**$'000**
Sale of properties	139,336	308,162
Rental income from investment properties	13,732	12,270
Interest income under the effective interest method on:		
- loans to third parties	44,459	30,635
- loans to associates and joint ventures	37,672	17,093
- vendor financing arrangements	209	56
	82,340	47,784
Hotel operations	41,953	16,176
	277,361	384,392

The following tables provide information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies:

Property development

Nature of goods or services	The Group constructs residential, commercial and mixed development properties for sale in the PRC and Europe.
When revenue is recognised	**Properties under development for which revenue is recognised at a point in time** For the contracts to sell residential properties and commercial properties in the PRC, the Group assessed that revenue is recognised when, (i) the construction of the relevant properties has been completed, (ii) the properties are ready for handover to the purchasers, and (iii) collectability of the proceeds is reasonably assured. **Completed properties for which revenue is recognised at a point in time** Where contracts relate to the sale of completed properties, revenue is recognised when collectability of the proceeds is reasonably assured.
Significant payment terms	**Properties under development and completed properties** Billings to customers are based on terms set out in the sale and purchase agreement.

Property financing

Nature of goods or services	The Group generates interest income from property financing and vendor financing.
When revenue is recognised	Interest income is recognised as revenue using the effective interest method.
Significant payment terms	Interest is received according to the terms set out in the loan agreement.

Hotel operations

Nature of goods or services	The Group generates hotel income from owning and operating hotels.
When revenue is recognised	Hotel income is recognised at the point at which the accommodation and related services are provided.
Significant payment terms	For hotel room income, payment is received when the accommodation and related services are provided to the customers. For hotel banquet sales, contract consideration will be billed in stages with the final payment to be received when the goods and services are provided to the customers (i.e. at the end of the event). For protective reasons, a portion of the contract consideration is received upfront upon signing of the contract, and the remaining consideration will be billed in stages with the final payment to be received from the customers when goods and services are provided to the customers. As such, no financing component has been recognised as the payment terms are for reasons other than financing. For hotel food and beverages sales, payment is received when the goods are provided to the customers.

Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by primary geographical markets and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments.

	Reportable segments							
	Property development		**Property financing**		**Hotel operations**		**Total***	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Primary geographical markets								
PRC	134,066	306,573	47,200	31,183	22,646	16,176	203,912	353,932
Europe	5,270	1,589	35,140	16,601	19,307	–	59,717	18,190
	139,336	308,162	82,340	47,784	41,953	16,176	263,629	372,122
Timing of revenue recognition								
Products transferred at a point in time	139,336	308,162	82,340	47,784	41,953	16,176	263,629	372,122

* This excludes rental income from investment properties.

23 Other gains/(losses) (net)

Other gains/(losses) comprise:

	Note	Group 2018 $'000	Group 2017 $'000
Gain/(loss) on disposal of:			
- assets held-for-sale		6,253	–
- a subsidiary	28	1	–
- investment properties		272	(62)
- property, plant and equipment (net)		(1)	6
Impairment loss on assets held-for-sale		(4,088)	–
Loss on liquidation of subsidiaries (net)		(85)	–
Property, plant and equipment written off		(1)	–
Others		487	–
		2,838	(56)

24 Net finance income

	Group 2018 $'000	Group 2017 $'000
Finance income		
Interest income under the effective interest method on:		
- bank deposits	1,149	1,271
- loans to local government authority in the PRC	–	3,546
Total interest income arising from financial assets measured at amortised cost	1,149	4,817
Interest income on:		
- structured deposits	7,130	8,253
- financial derivatives	8,853	4,012
	17,132	17,082
Finance costs		
Amortisation of transaction costs	(4,044)	(2,880)
Interest expense on bank loans	(4,550)	(4,874)
Interest expense on financial derivatives	(1,259)	(1,112)
Interest expense on third party loan	(1,139)	(458)
	(10,992)	(9,324)
Less: Amount capitalised	1,090	314
	(9,902)	(9,010)
Net finance income	7,230	8,072

25 Profit before tax

Profit before tax includes the following:

	Note	Group 2018 $'000	Group 2017 $'000
Audit fees paid/payable to:			
- auditors of the Company		243	249
- other auditors		112	139
Non-audit fees paid/payable to:			
- auditors of the Company		161	96
- other auditors		44	–
Depreciation of property, plant and equipment	4	6,172	5,510
Direct operating expenses arising from rental of investment properties		5,785	1,627
Exchange loss/(gain) (net)		26,248	(10,933)
Fair value (gain)/loss (net) on:			
- investment properties	5	(6,930)	(4,038)
- derivative assets/liabilities		(30,761)	14,177
- other investments		(12,850)	–
Write down of development properties	12	3,153	987
Impairment loss on:			
- investment properties	5	–	602
- property, plant and equipment	4	14,053	9,345
Hotel and hotspring base stocks written off		–	756
Hotel and hotspring pre-opening expenses		–	2,425
Net investment return from a PRC government linked entity		–	(403)
Operating lease expense		483	450
Staff costs		19,665	17,673
Trade receivables written off		–	13
Staff costs			
Wages and salaries		19,019	18,724
Contributions to defined contribution plans		1,591	1,672
Termination benefits		256	32
		20,866	20,428
Less: Amounts capitalised in			
- development properties	12	(1,201)	(2,105)
- property, plant and equipment	4	–	(650)
		19,665	17,673

26 Tax expense

	Group	
	2018	**2017**
	$'000	**$'000**
Current tax expense		
Current year	23,475	30,783
(Over)/under provision in respect of prior years	(101)	744
	23,374	31,527
Withholding tax	1,714	27
Land appreciation tax expense	4,621	8,538
	29,709	40,092
Deferred tax (credit)/expense		
Origination and reversal of temporary differences	(2,845)	(12,152)
Under provision in respect of prior years	100	–
Effect of changes in tax rates	(666)	–
Total tax expense	26,298	27,940

Reconciliation of effective tax rate

	2018 $'000	2017 $'000
Profit for the year	118,250	93,293
Tax expense	26,298	27,940
Profit before tax	144,548	121,233
Tax calculated using tax rate of 25% (2017: 25%)	36,137	30,308
Effect of changes in tax rates	(666)	–
Effect of different tax rates in other jurisdictions	(2,975)	(648)
Effect of deferred tax assets not recognised	1,546	1,459
Expenses not deductible for tax purposes	8,161	1,563
Income not subject to tax	(16,979)	(7,588)
Recognition of previously unrecognised deferred tax assets	(2,729)	(3,417)
Land appreciation tax expense	4,621	8,538
Effect of tax deduction on land appreciation tax expense	(1,155)	(2,134)
(Over)/under provision in respect of prior years	(1)	744
Withholding tax	1,714	27
Effect of results of associates and joint ventures	(1,376)	(912)
	26,298	27,940

The Company is established under the laws of the Cayman Islands and is not subject to income tax in that jurisdiction. The Company is a Singapore tax resident from the Year of Assessment 2015 onwards.

The Group's operations are mainly in the PRC and the Netherlands. Pursuant to the PRC and Dutch Corporate Income Tax Law, the statutory tax rates applicable to the Group's subsidiaries in the PRC and the Netherlands during the financial year ended 31 December 2018 are 25% (2017: 25%).

Withholding tax arising from the distribution of dividends

Pursuant to the Netherlands tax law, a 15% withholding tax is in principle levied on dividends declared to foreign investors from the foreign investment enterprises established in the Netherlands. However if, *inter alia*, the recipient of the dividends is a company which holds at least 25% of the share capital of the Dutch incorporated company (either directly or indirectly) paying the dividends, the tax treaty between Singapore and the Netherlands shall apply and no withholding tax shall be levied on the dividends. Based on the current structure, the Group is therefore exempted from withholding taxes on dividends distributed by those subsidiaries established in the Netherlands.

A 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in the PRC in respect of earnings generated from 1 January 2008.

The Group's determination as to whether to accrue for withholding taxes arising from the distribution of dividends by certain subsidiaries is subject to judgement on the timing of the payment of the dividends (Note 10). The Group considered that the applicable withholding tax rate to be 5% to 10% (2017: 5% to 10%).

PRC Land Appreciation Tax ("LAT")

LAT is levied on properties developed by the Group for sale in the PRC, at prevailing progressive rates ranging from 30% to 60% on the appreciation of land value, which under the applicable regulations is calculated based on the proceeds of the sales of properties less deductible costs including borrowing costs and relevant development expenditures. However, the implementation and settlement of the tax varies amongst different tax jurisdictions in various cities of the PRC and certain projects of the Group have not finalised their land appreciation tax calculations and payments with the local tax authorities. The final outcome could be different from the amounts that were initially recorded, and any differences will impact the LAT expenses and the related provision in the period in which the differences realise.

Accordingly, significant judgement is required in determining the amount of land appreciation and the related income tax provision.

Effect of changes in tax rates

The credit in 2018 of $666,000 (2017: Nil) relates to the effect of a reduction in the corporate income tax rates in the Netherlands on opening deferred tax balances. Specifically, a reduction to 22.55% in the rate applicable from 1 January 2020 and a further reduction to 20.5% in the rate applicable from 1 January 2021 were substantively enacted as at 31 December 2018 and this has reduced the deferred tax liability accordingly as at 31 December 2018.

27 Earnings per share

Basic earnings per share

The calculation of basic earnings per share was based on the profit attributable to ordinary shareholders as set out below, and the weighted average number of ordinary shares outstanding, calculated as follows:

Profit attributable to ordinary shareholders

	Group	
	2018	**2017**
	$'000	**$'000**
Profit for the year, attributable to the owners of the Company	113,008	88,283
Distributions on PCCS	(4,541)	–
Profit attributable to ordinary shareholders	108,467	88,283

Weighted average number of ordinary shares

	Group	
	2018	**2017**
	'000	**'000**
		Restated [1]
Issued ordinary shares at 1 January	589,815	589,815
Issuance of bonus shares	58,981	–
Effect of own shares held [2]	(129)	–
Effect of PCCS converted during the year	50	–
Adjustment for the effect of bonus issue	–	58,981
Weighted average number of ordinary shares during the year	648,717	648,796

[1] Restated for the effect of bonus issue undertaken in April 2018.
[2] Adjusted for the effect of shares in the Company held by a subsidiary. As at 31 December 2018, the subsidiary held 307,682 (2017: Nil) of the Company's shares.

Diluted earnings per share

	Group	
	2018	**2017**
	$'000	**$'000**
Profit attributable to ordinary shareholders (basic)	108,467	88,283
Distributions on PCCS	4,541	–
Profit attributable to ordinary shareholders (diluted)	113,008	88,283

Weighted average number of ordinary shares (diluted)

	Group	
	2018	**2017**
	'000	**'000**
		Restated [1]
Weighted average number of ordinary shares (basic)	648,667	648,796
Effect of conversion of PCCS	103,773	–
Weighted-average number of ordinary shares (diluted) during the year	752,440	648,796

[1] Restated for the effect of bonus issue undertaken in April 2018.

28 Disposal of a subsidiary

On 18 December 2018, the Group disposed of its entire equity interest in FS Dongguan No. 8 Co. Ltd for a consideration of RMB1.

The net assets and cash flows of the subsidiary disposed are provided below:

	2018 **$'000**
Other payables	(1)
Identified net liabilities disposed	(1)
Consideration	–*
Less:	
Cash and cash equivalents disposed	–
Net cash inflow	–*
Total consideration	–*
Less:	
Net identified liabilities on disposal	(1)
Gain on disposal	1

* Amount less than $1,000

On 3 July 2017, the Group disposed of its entire equity interest in Guangdong Idea Valley Advertisement Limited for a consideration of $2,874,000.

The net assets and cash flows of the subsidiary disposed in 2017 are provided below:

	2017 **$'000**
Investment property	2,462
Trade and other receivables	25
Cash and cash equivalents	674
Trade and other payables	(225)
Current tax payable	(62)
Identified net assets disposed	2,874
Consideration	2,874
Less:	
Cash and cash equivalents disposed	(674)
Net cash inflow	2,200
Total consideration	2,874
Less:	
Net identified assets on disposal	(2,874)
Gain on disposal	–

29 Operating segments

Information reported to the Group's CODM for the purpose of resource allocation and assessment of performance is specifically focused on the functionality of services provided. The following summary describes the operations in each of the Group's reportable segments:

- Property development – development and/or purchase of properties for sale
- Property investment – development and/or purchase of investment properties (including hotels) for lease
- Property financing – provision of interest bearing loans to associates, joint ventures and third parties, subscription of debt securities, and vendor financing arrangements
- Hotel operations – hotels and hotspring owner

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the Group's CODM. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Information about reportable segments

2018	Property development $'000	Property investment $'000	Property financing $'000	Hotel operations $'000	Total reportable segments $'000	Unallocated $'000	Total $'000
Segment revenue	139,336	13,734	82,340	42,513	277,923	10,100	288,023
Elimination of inter-segment revenue	–	(2)	–	(560)	(562)	(10,100)	(10,662)
External revenue	139,336	13,732	82,340	41,953	277,361	–	277,361
Profit/(loss) from operating activities	54,378	36,849	75,194	(20,873)	145,548	(13,732)	131,816
Finance income	9,772	5,206	2,015	8	17,001	131	17,132
Finance costs	(2,208)	(6,630)	–	–	(8,838)	(1,064)	(9,902)
Share of after-tax (loss)/profit of associates and joint ventures	(231)	10,847	180	(5,294)	5,502	–	5,502
Segment profit/(loss) before tax	61,711	46,272	77,389	(26,159)	159,213	(14,665)	144,548
Other material non-cash items:							
Depreciation	(77)	–	(97)	(5,794)	(5,968)	(204)	(6,172)
Impairment loss on assets held-for-sale	(4,088)	–	–	–	(4,088)	–	(4,088)
Impairment loss on property, plant and equipment	–	–	–	(14,053)	(14,053)	–	(14,053)
Fair value gain on other investments	–	12,850	–	–	12,850	–	12,850
Fair value gain on investment properties (net)	–	6,930	–	–	6,930	–	6,930
Fair value gain on derivatives (net)	6,482	5,492	18,744	–	30,718	–	30,718

Information about reportable segments

	Property development $'000	Property investment $'000	Property financing $'000	Hotel operations $'000	Total reportable segments $'000	Unallocated $'000	Total $'000
2018							
Assets							
Segment assets	534,378	385,145	1,116,569	209,233	2,245,325	55,671	2,300,996
Interests in associates and joint ventures	43,218	22,463	15,136	–	80,817	–	80,817
	577,596	407,608	1,131,705	209,233	2,326,142	55,671	2,381,813
Liabilities							
Segment liabilities	(372,210)	(103,367)	(524,257)	(11,447)	(1,011,281)	(47,038)	(1,058,319)
Other segment information:							
Capital expenditure	–	15,863	–	291	16,154	130	16,284

Information about reportable segments

2017	Property development $'000	Property investment $'000	Property financing $'000	Hotel operations $'000	Total reportable segments $'000	Unallocated $'000	Total $'000
Segment revenue	308,162	12,273	47,784	16,500	384,719	7,517	392,236
Elimination of inter-segment revenue	–	(3)	–	(324)	(327)	(7,517)	(7,844)
External revenue	308,162	12,270	47,784	16,176	384,392	–	384,392
Profit/(loss) from operating activities	93,125	12,754	36,321	(20,266)	121,934	(12,421)	109,513
Finance income	10,241	1,232	4,971	7	16,451	631	17,082
Finance costs	(2,173)	(6,728)	–	–	(8,901)	(109)	(9,010)
Share of after-tax profit of associates	1,433	4,574	–	(2,359)	3,648	–	3,648
Segment profit/(loss) before tax	102,626	11,832	41,292	(22,618)	133,132	(11,899)	121,233
Other material non-cash items:							
Depreciation	(151)	–	–	(5,074)	(5,225)	(285)	(5,510)
Impairment loss on property, plant and equipment	–	–	–	(9,345)	(9,345)	–	(9,345)
Impairment loss on investment properties	–	(602)	–	–	(602)	–	(602)
Fair value gain on investment properties (net)	–	4,038	–	–	4,038	–	4,038
Fair value gain/(loss) on derivatives (net)	350	(5,041)	(9,486)	–	(14,177)	–	(14,177)
Other items:							
Hotel and hotspring base stocks written off	–	–	–	(756)	(756)	–	(756)
Hotel and hotspring pre-opening expenses	–	–	–	(2,425)	(2,425)	–	(2,425)

Information about reportable segments

	Property development $'000	Property investment $'000	Property financing $'000	Hotel operations $'000	Total reportable segments $'000	Unallocated $'000	Total $'000
2017							
Assets							
Segment assets	623,553	353,879	803,282	232,615	2,013,329	28,813	2,042,142
Interests in associates and joint ventures	44,159	20,202	–	–	64,361	–	64,361
	667,712	374,081	803,282	232,615	2,077,690	28,813	2,106,503
Liabilities							
Segment liabilities	(485,168)	(104,043)	(388,211)	(9,223)	(986,645)	(32,977)	(1,019,622)
Other segment information:							
Capital expenditure	–	42,391	–	11,610	54,001	163	54,164

Geographical information

The Group's main businesses are those relating to property development, property investment, property financing and hotel operations. Property financing and hotel operations are mainly in the PRC whilst property development and property investment are mainly in the PRC and Europe.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers and segment assets are based on the geographical location of the assets.

	2018 **$'000**	**2017** **$'000**
Revenue		
PRC	204,972	354,343
Europe	72,389	30,049
	277,361	384,392
Non-current assets*		
PRC	221,312	301,121
Europe	278,494	269,803
Other countries	10,581	6,915
	510,387	577,839

* Include property, plant and equipment, investment properties and interests in associates and joint ventures.

30 Financial risk management

Overview

Risk management is integral to the whole business of the Group. The management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved.

Risk management framework

The board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

Credit risk

Credit risk is the risk of potential financial loss resulting from the failure of a customer or counterparty to settle its financial and contractual obligations to the Group, as and when they fall due.

The trade receivables of the Group comprise three (2017: two) borrowers that represented 48% (2017: 41%) of the trade receivables as at 31 December 2018.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset on the statement of financial position.

Trade and other receivables

The Group has a credit policy in place which establishes credit limits for customers and monitors their balances on an ongoing basis.

The Group assesses the credit risk in respect of its property development operations to be relatively low as payments are usually received from property buyers in advance. In respect of the credit risk arising from its property investment operations, the Group manages the risk by collecting rental deposits in advance and monitors the outstanding balances on an ongoing basis.

In respect of the credit risk arising from the property financing operations, entrusted loans to third parties are generally secured by a first legal mortgage of land use rights and/or property as well as personal guarantees and/or corporate guarantees in favour of the entrusted bank, except for loans to third parties for which the Group has an equity interest. The loan disbursed is capped at a pre-set loan to value ratio of the property collateral.

Comparative information under IAS 39

In 2017, the Group established an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance were a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses had have been incurred but not yet identified. The collective loss allowance was determined based on historical data of payment statistics for similar financial assets.

The ageing of trade receivables of the Group that were not impaired on 31 December 2017 was:

	Group **\$'000**
Not past due	81,138
Past due 1 – 60 days	236
Past due 61 – 90 days	112
More than 90 days	56,304
	137,790

Expected credit loss assessment as at 1 January and 31 December 2018

There is no change on impairment loss allowance on the initial application of IFRS 9.

The Group uses a provision matrix to measure the lifetime expected credit loss allowance for trade receivables.

In measuring the expected credit losses, trade receivables are grouped based on shared credit risk characteristics and days past due.

In calculating the expected credit loss rates, the Group benchmarks to historical data for similar financial assets and adjusts for forward-looking macroeconomic factors.

The Group considers a financial asset to be in default if the counterparty fails to make contractual payments when they fall due, and writes off the financial asset only when the Group is satisfied that no recovery of the amount owing is possible. Where receivables are written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognised in profit or loss.

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December 2018:

	Group	
	Gross carrying amount $'000	**Credit impaired**
Not past due	336,467	No
Past due 1 – 60 days	11	No
Past due 61 – 90 days	–	No
More than 90 days	33,900	Yes
	370,378	

Out of the gross trade receivable balances past due more than 90 days, $33.9 million (RMB170.0 million) (2017: $56,159,000 (RMB274.6 million)) relate to entrusted loan receivables, for which the borrowers defaulted on their interest payments. The Group had called for an event of default and accelerated the principal loan repayment date on these defaulted loans. The Group holds the first legal mortgage to the properties pledged as loan collateral, and has also successfully placed numerous first preservation orders on various properties and other assets owned by the personal and corporate guarantors of the loans. The Group had successfully enforced on part of the defaulted loans during the financial years ended 31 December 2018 and 2017 which resulted in the partial settlement of outstanding loan receivables during both years and the recognition of penalty interest included as part of property financing revenue income in the profit or loss account.

Based on the external valuation of the mortgaged properties and internal assessment of the value of the additional properties and assets owned by the personal and corporate guarantors of the loans which have been the subject of various layers of preservation orders placed by the Group under the various entrusted loan agreements where applicable, no impairment was deemed necessary for the outstanding loan principal due and interest accrued at the reporting date.

Based on the aforementioned and historical default rates, the Group believes that no impairment allowance is required at the reporting date.

Non-trade amounts due from subsidiaries

The Company held non-trade receivables from its subsidiaries of $1,166,483,000 (2017: $940,662,000). These balances represent amounts lent to its subsidiaries to satisfy their long and short term funding requirements. Impairment on these balances has been measured on the 12-month expected loss basis which reflects the low credit risk of the exposure. No allowance of these balances is required at the reporting date.

Derivatives and structured deposits

Derivatives and structured deposits are only entered into with bank and financial institution counterparties with sound credit ratings.

Cash and cash equivalents

Cash and fixed deposits are placed with banks and financial institutions which are regulated. The Group limits its credit risk exposure in respect of investments by only investing in liquid securities and only with counterparties that have a sound credit rating.

Financial guarantees

As at 31 December 2018, the Group has issued guarantees to banks of up to $229,527,000 (2017: $321,315,000) to secure the mortgage arrangements of the buyers of the Group's development properties held-for-sale. The guarantees would be terminated upon the completion of the transfer of legal title of the properties to the buyers. At the reporting date, the directors did not consider it probable that the Group will sustain a loss under these guarantees as the Group has the authority to sell the property to recover any outstanding loan balance should the buyers default on payment. The Group had not recognised any liabilities in respect of these guarantees.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as and when they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Typically, the Group ensures that it maintains sufficient reserves of cash on demand and adequate committed lines of funding from major financial institutions and its shareholders to meet its liquidity requirements in the short and longer term. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted.

The Group has contractual commitments to incur expenditure on its development properties, investment properties and property, plant and equipment (see Note 31).

The followings are the expected undiscounted cash outflows of financial liabilities, including interest payments, if any, and excluding netting agreements:

	Carrying amount $'000	Contractual cash flows $'000	Cash flows within 1 year $'000	Cash flows after 1 year but within 5 years $'000	Cash flows after 5 years $'000
Group					
2018					
Non-derivative financial liabilities					
Loans and borrowings	686,728	695,718	45,870	649,848	–
Trade and other payables	150,908	154,955	138,381	16,574	–
Recognised financial liabilities	837,636	850,673	184,251	666,422	–
Financial guarantees	–	229,527	229,527	–	–
	837,636	1,080,200	413,778	666,422	–
Derivative financial instruments					
Cross currency and foreign currency swaps (gross settled)	(19,385)				
- Outflow		(107,019)	(65,254)	(41,765)	–
- Inflow		105,281	65,129	40,152	–
Cross currency swaps (gross settled)	5,564				
- Outflow		(689,120)	(57,691)	(631,429)	–
- Inflow		713,430	73,715	639,715	–
2017					
Non-derivative financial liabilities					
Loans and borrowings	609,988	652,165	13,271	638,894	–
Trade and other payables	178,904	184,183	166,093	18,090	–
Recognised financial liabilities	788,892	836,348	179,364	656,984	–
Financial guarantees	–	321,315	321,315	–	–
	788,892	1,157,663	500,679	656,984	–
Derivative financial instruments					
Cross currency swaps (gross settled)	(350)				
- Outflow		(128,388)	(1,201)	(127,187)	–
- Inflow		128,669	2,954	125,715	–
Cross currency swaps (gross settled)	17,290				
- Outflow		(462,701)	(58,639)	(404,062)	–
- Inflow		441,961	60,545	381,416	–

	Carrying amount $'000	Contractual cash flows $'000	Cash flows within 1 year $'000	Cash flows after 1 year but within 5 years $'000	Cash flows after 5 years $'000
Company					
2018					
Non-derivative financial liabilities					
Loans and borrowings	650,070	695,216	45,719	649,497	–
Trade and other payables	170,466	170,466	170,466	–	–
Recognised financial liabilities	820,536	865,682	216,185	649,497	–
Derivative financial instruments					
Cross currency and foreign currency swaps (gross settled)	(19,385)				
Outflow		(107,019)	(65,254)	(41,765)	–
Inflow		105,281	65,129	40,152	–
Cross currency swaps (gross settled)	5,564				
- Outflow		(689,120)	(57,691)	(631,429)	–
- Inflow		713,430	73,715	639,715	–
2017					
Non-derivative financial liabilities					
Loans and borrowings	574,171	612,418	12,750	599,668	–
Trade and other payables	128,139	128,139	128,139	–	–
Recognised financial liabilities	702,310	740,557	140,889	599,668	–
Derivative financial instruments					
Cross currency swaps (gross settled)	(350)				
- Outflow		(128,388)	(1,201)	(127,187)	–
- Inflow		128,669	2,954	125,715	–
Cross currency swaps (gross settled)	17,290				
- Outflow		(462,701)	(58,639)	(404,062)	–
- Inflow		441,961	60,545	381,416	–

The maturity analyses show the contractual undiscounted cash flows of the financial liabilities of the Group and the Company on the basis of their earliest possible contractual maturity.

The interest payments on variable interest rate loans in the table above reflect market forward interest rates at the period end and these amounts may change as market interest rates change. Except for these financial liabilities and the cash flows arising from the financial guarantees issued, it is not expected that the cash flows included in the maturity analyses above could occur significantly earlier, or at significantly different amounts.

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Interest rate risk

The Group's interest rate risk arises primarily from its cash and cash equivalents, trade and other receivables, and loans and borrowings. Presently, the Group does not use derivative financial instruments to hedge its interest rate risk.

Interest rate profile

At the reporting date, the interest rate profile of the interest bearing financial instruments of the Group and the Company were:

	Group Nominal amount		Company Nominal amount	
	2018 $'000	**2017 $'000**	**2018 $'000**	**2017 $'000**
Fixed rate instruments				
Financial assets	1,073,104	617,598	7,264	115
Financial liabilities	(500,806)	(380,716)	(488,279)	(367,904)
	572,298	236,882	(481,015)	(367,789)
Variable rate instruments				
Financial assets	157,414	357,948	732,186	662,049
Financial liabilities	(207,439)	(251,965)	(170,728)	(216,077)
	(50,025)	105,983	561,458	445,972

Sensitivity analysis

The Group does not account for any fixed rate financial assets at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 (2017: 100) basis points ("bps") in interest rates at the reporting date would have increased/(decreased) profit before tax by the amounts shown below. There is no impact on other components of equity. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	(Decrease)/increase in profit before tax	
	100 bps increase $'000	**100 bps decrease $'000**
Group		
31 December 2018		
Variable rate instruments	(500)	500
31 December 2017		
Variable rate instruments	1,060	(1,060)

	Increase/(decrease) in profit before tax	
	100 bps increase $'000	100 bps decrease $'000
Company		
31 December 2018		
Variable rate instruments	5,615	(5,615)
31 December 2017		
Variable rate instruments	4,460	(4,460)

Foreign currency risk

The Group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Group entities. The currencies giving rise to this risk are primarily the Euro, Singapore dollar, Renminbi, US dollar, Malaysian Ringgit and Australian dollar.

The exposure of the Group and Company to foreign currencies based on nominal amounts is as follows:

	Euro $'000	Singapore dollar $'000	Renminbi $'000	US dollar $'000	Malaysian Ringgit $'000	Australian dollar $'000
Group						
2018						
Cash and cash equivalents	11,420	–	7,443	84	–	20
Trade and other receivables	–	–	–	597	44	–
Trade and other payables	(1,374)	(451)	(152)	(547)	(1,687)	–
Intercompany balances	879,144	–	–	–	–	–
Loans and borrowings	(170,503)	–	–	(268,650)	–	–
Net statement of financial position exposure	718,687	(451)	7,291	(268,516)	(1,643)	20
Cross currency swaps	(745,958)	–	–	268,650	–	(9,669)
Net exposure	(27,271)	(451)	7,291	134	(1,643)	(9,649)
2017						
Cash and cash equivalents	3,589	44	210	94	–	–
Trade and other receivables	–	–	–	–	44	–
Trade and other payables	(133)	(7)	(142)	(26)	(1,696)	–
Intercompany balances	708,767	–	–	–	–	–
Loans and borrowings	(216,077)	–	–	(181,906)	–	–
Net statement of financial position exposure	496,146	37	68	(181,838)	(1,652)	–
Cross currency swaps	(532,280)	–	–	181,906	–	–
Net exposure	(36,134)	37	68	68	(1,652)	–

	Euro $'000	Renminbi $'000	US dollar $'000	Australian dollar $'000
Company				
2018				
Cash and cash equivalents	10,003	7,314	27	20
Trade and other receivables	4	–	594	–
Trade and other payables	(1,374)	–	(547)	–
Intercompany balances	879,144	(35,104)	(66)	–
Loans and borrowings	(170,503)	–	(268,650)	–
Net statement of financial position exposure	717,274	(27,790)	(268,642)	20
Cross currency swaps	(745,958)	–	268,650	(9,669)
Net exposure	(28,684)	(27,790)	8	(9,649)
2017				
Cash and cash equivalents	3,589	79	48	–
Trade and other receivables	3	–	334	–
Trade and other payables	(136)	–	(236)	–
Intercompany balances	708,767	(50)	(268)	–
Loans and borrowings	(216,077)	–	(181,906)	–
Net statement of financial position exposure	496,146	29	(182,028)	–
Cross currency swaps	(532,280)	–	181,906	–
Net exposure	(36,134)	29	(122)	–

Sensitivity analysis

A 10% (2017: 10%) strengthening of the following major currencies against the functional currency of each of the Group's entities at the reporting date would impact the profit before any tax of the Group and the Company by the amounts shown below. A 10% weakening of the above major currencies against the functional currency of each of the Group's entities at the reporting date would have an equal but opposite effect. There is no impact on other components of equity. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Group Increase/(decrease) in profit before tax		Company Increase/(decrease) in profit before tax	
	2018 $'000	**2017 $'000**	**2018 $'000**	**2017 $'000**
Euro	(2,727)	(3,613)	(2,868)	(3,613)
Singapore dollar	(45)	4	–	–
Renminbi	729	7	(2,779)	3
US dollar	13	7	1	(12)
Malaysian Ringgit	(164)	(165)	–	–
Australian dollar	(965)	–	(965)	–

Accounting classifications and fair values

Fair values versus carrying amounts

The carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy are set out below. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

		Carrying amount					Fair value		
	Note	**Designated as fair value through profit or loss $'000**	**Amortised cost $'000**	**Other financial liabilities $'000**	**Financial liabilities at fair value through profit or loss $'000**	**Total $'000**	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**
Group									
2018									
Financial assets not measured at fair value									
Trade and other receivables, excluding prepayments	11	1,149,785	–	–	–	1,149,785		1,145,600	
Cash and cash equivalents	14	125,711	–	–	–	125,711			
		1,275,496	–	–	–	1,275,496			
Financial assets measured at fair value									
Derivative assets	8	–	–	–	19,385	19,385		19,385	
Other investments:									
- Equity securities	9	–	–	–	38,631	38,631	3,326		35,305
- Debt securities*	9	–	–	–	39,500	39,500			
- Structured deposits	9	–	–	–	39,262	39,262		39,262	
		–	–	–	136,778	136,778			

* As the investment was made towards the year end, management has assessed that the initial investment value approximates the fair value.

	Note	Carrying amount					Fair value	
		Designated as fair value through profit or loss $'000	Amortised cost $'000	Other financial liabilities $'000	Financial liabilities at fair value through profit or loss $'000	Total $'000	Level 2 $'000	Level 3 $'000
Group								
2018								
Financial liabilities not measured at fair value								
Loans and borrowings	18	–	–	(686,728)	–	(686,728)		
Trade and other payables	19	–	–	(150,908)	–	(150,908)		
		–	–	(837,636)	–	(837,636)		
Financial liabilities measured at fair value								
Derivative liabilities	8	–	–	–	(5,564)	(5,564)	(5,564)	

		Carrying amount					Fair value	
	Note	**Loans and receivables $'000**	**Available-for-sale $'000**	**Other financial liabilities $'000**	**Financial liabilities at fair value through profit or loss $'000**	**Total $'000**	**Level 2 $'000**	**Level 3 $'000**
Group								
2017								
Financial assets not measured at fair value								
Trade and other receivables, excluding prepayments	11	717,896	–	–	–	717,896	714,490	
Cash and cash equivalents	14	319,298	–	–	–	319,298		
		1,037,194	–	–	–	1,037,194		
Financial assets measured at fair value								
Derivative assets	8	–	–	–	350	350	350	
Other investments:								
- Available-for-sale equity securities	9	–	23,380	–	–	23,380		23,380
- Structured deposits	9	–	38,863	–	–	38,863	38,863	
		–	62,243	–	350	62,593		

		Carrying amount					Fair value	
	Note	**Loans and receivables $'000**	**Available-for-sale $'000**	**Other financial liabilities $'000**	**Financial liabilities at fair value through profit or loss $'000**	**Total $'000**	**Level 2 $'000**	**Level 3 $'000**
Group								
2017								
Financial liabilities not measured at fair value								
Loans and borrowings	18	–	–	(609,988)	–	(609,988)		
Trade and other payables	19	–	–	(178,904)	–	(178,904)		
		–	–	(788,892)	–	(788,892)		
Financial liabilities measured at fair value								
Derivative liabilities	8	–	–	–	(17,290)	(17,290)	(17,290)	

		Carrying amount				Fair value
	Note	**Designated as fair value through profit or loss $'000**	**Amortised cost $'000**	**Financial liabilities at fair value through profit or loss $'000**	**Total $'000**	**Level 2 $'000**
Company						
2018						
Financial assets not measured at fair value						
Investment in redeemable preference shares	6	–	575,112	–	575,112	
Trade and other receivables, excluding prepayments	11	1,169,049	–	–	1,169,049	
Cash and cash equivalents	14	18,139	–	–	18,139	
		1,187,188	575,112	–	1,762,300	
Financial assets measured at fair value						
Derivative assets	8	–	–	19,385	19,385	19,385
Financial liabilities not measured at fair value						
Loans and borrowings	18	–	(650,070)	–	(650,070)	
Trade and other payables	19	–	(170,466)	–	(170,466)	
		–	(820,536)	–	(820,536)	
Financial liabilities measured at fair value						
Derivative liabilities	8	–	–	(5,564)	(5,564)	(5,564)

		Carrying amount				Fair value
	Note	**Loans and receivables $'000**	**Available-for-sale $'000**	**Financial liabilities at fair value through profit or loss $'000**	**Total $'000**	**Level 2 $'000**
2017						
Financial assets not measured at fair value						
Trade and other receivables, excluding prepayments	11	941,566	–	–	941,566	
Cash and cash equivalents	14	4,527	–	–	4,527	
		946,093	–	–	946,093	
Financial assets measured at fair value						
Derivative assets	8	–	–	350	350	350
Financial liabilities not measured at fair value						
Loans and borrowings	18	–	(574,171)	–	(574,171)	
Trade and other payables	19	–	(128,139)	–	(128,139)	
		–	(702,310)	–	(702,310)	
Financial liabilities measured at fair value						
Derivative liabilities	8	–	–	(17,290)	(17,290)	(17,290)

Measurement of fair value

Valuation techniques and significant unobservable inputs

The following tables show the valuation techniques used in measuring Level 2 and Level 3 fair values, as well as the significant unobservable inputs used.

Financial instruments measured at fair value

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Group			
Equity securities - at fair value through profit or loss (2017: Available-for-sale financial assets – Equity securities)	Net asset value of the investee entity adjusted for the fair value of the underlying properties held by the investee	Discount rate of 0% (2017: 0%)	An increase in the discount rate would result in a lower fair value measurement.
Financial assets - Structured deposits	Market comparison technique - bank's price quotation	Not applicable	Not applicable
Group and Company			
Derivative financial instruments	Market comparison technique - bank's price quotation	Not applicable	Not applicable

Financial instruments not measured at fair value

Type	Valuation technique
Group	
Trade and other receivables, excluding prepayments	Discounted cash flows

Level 3 fair values

The following table shows a reconciliation of the opening balances to the ending balances for Level 3 fair values:

	Group Equity instrument - at fair value through profit or loss $'000
At 1 January 2018 [(1)]	23,380
Acquisition	42,896
Change in fair value included in profit or loss	12,850
Effect of movements in exchange rates	(995)
At 31 December 2018	78,131

(1) Before 1 January 2018, these equity securities were classified as available-for-sale in accordance with IAS 39. From 1 January 2018, these securities are classified as fair value through profit or loss in accordance with IFRS 9 (Note 9).

Sensitivity analysis

For the Group's equity investment at fair value through profit or loss, a 10% increase in the discount rate applied, where applicable, would have decreased the Group's profit before tax by $7,813,000. A decrease in the discount rate applied at the reporting date would have and equal but opposite effect.

	Group Available-for-sale equity securities $'000
At 1 January 2017	–
Acquisition	27,301
Unrealised losses for the year included in other comprehensive income	(3,949)
Effect of movements in exchange rates	28
At 31 December 2017	23,380

Sensitivity analysis

For the Group's available-for-sale equity securities in 2017, a 10% increase in the discount rate applied, where applicable, would have decreased the Group's profit before tax by $6,287,000 and increased the Group's other comprehensive income by $3,949,000 after tax.

31 Commitments

The Group has the following commitments as at the reporting date:

(a) Capital commitments

	Group	
	2018	**2017**
	$'000	**$'000**
Contracted but not provided for in the financial statements:		
- Expenditure in respect of investment properties and development properties	72,220	68,187
- Commitment in respect of an investment in a joint venture	–	1,678

As at 31 December 2018, the Group entered into an irrevocable binding agreement to acquire a hotel for a purchase consideration of approximately $14.4 million (EUR9.3 million). Please refer to Note 34 Subsequent events for further details.

(b) Operating lease commitments

Leases as lessee

The Group leases three offices and a hotel under operating leases. The leases run for a period of two to twenty-nine years (2017: two to four years), with an option to renew the lease after that date. At the reporting date, the Group has commitments for future minimum lease payments under non-cancellable operating leases as follows:

	Group	
	2018	**2017**
	$'000	**$'000**
Within 1 year	5,461	958
After 1 year but within 5 years	19,983	2,804
After 5 years	100,830	1,058
	126,274	4,820

Leases as lessor

The Group is a lessor in respect of its investment properties. At the reporting date, the Group has non-cancellable operating lease rental receivables as follows:

	Group	
	2018	**2017**
	$'000	**$'000**
Within 1 year	19,473	18,368
After 1 year but within 5 years	79,925	76,769
After 5 years	135,382	212,932
	234,780	308,069

32 Related parties

Other than as disclosed elsewhere in the financial statements, the transactions with related parties based on terms agreed between the parties are as follows:

	Group	
	2018	2017
	$'000	$'000
Associates and joint ventures		
Interest income received and receivable	50,080	17,093
Consultancy fees received and receivable	292	149
Service income received and receivable	36	157
Lease expenses paid and payable	4,067	–
Affiliated corporations		
Service income received and receivable	19	78
Information technology fees paid and payable	3	18
Licence fees, hotel management fees and reservation system fees paid and payable	68	56

An affiliated corporation is defined as a corporation:

(a) in which a director of the Group has substantial financial interests or who is in a position to exercise significant influence; and/or

(b) which directly or indirectly, through one or more intermediaries is under the control of a common shareholder.

Transactions with key management personnel

The key management personnel compensation comprises:

	Group	
	2018	2017
	$'000	$'000
Directors' fees	298	298
Short-term employee benefits	6,860	5,729
Defined contribution plans	71	68
	7,229	6,095

33 Employee share option scheme

On 19 May 2014, the shareholders of the Company adopted a share option scheme known as the First Sponsor Employee Share Option Scheme (the "Share Option Scheme") that entitles eligible participants (which include the non-executive directors) to purchase shares in the Company. The Share Option Scheme shall continue in operation for a maximum period of 10 years commencing from 19 May 2014, and may continue for any further period thereafter with the approval of the shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

The Share Option Scheme is administered by the Administration Committee, comprising members of the Remuneration Committee and the Nominating Committee.

The aggregate number of shares which may be offered by way of grant of options to all controlling shareholders of the Company and their respective associates under the Share Option Scheme shall not exceed 25% of the total number of shares available under the Share Option Scheme, with the number of shares which may be offered by way of granting options to each controlling shareholder of the Company and his respective associate not exceeding 10% of the total number of shares available under the Share Option Scheme.

The exercise price of the options granted under the Share Option Scheme shall be determined at the discretion of the Administration Committee and may be:

(a) set at a discount to a price (the "Market Price") equal to the average of the last dealt prices for the shares on the SGX-ST for the five consecutive market days immediately preceding the relevant date of grant of the relevant option (subject to a maximum discount of 20.0%), in which event, such options may be exercised after the second anniversary from the date of grant of the options; or

(b) fixed at the Market Price. These options may be exercised after the first anniversary of the date of grant of that option.

Options granted under the Share Option Scheme will have a life span of 10 years.

During the years ended 31 December 2018 and 2017, no options have been granted under the Share Option Scheme.

34 Subsequent events

(i) On 24 January 2019, FS Milan Property 1 S.r.l. ("FSP1"), an indirect wholly-owned subsidiary of the Company incorporated in Italy on 11 January 2019, acquired a six-storey building with a basement ("Property") situated in Milan from a third party seller. The Property was formerly a 65-room four-star hotel named Grand Hotel Puccini which has since closed and is currently vacant and not leased under any valid lease agreement. The current designation of use of the Property is as a hotel. The Group will completely refurbish the Property into a hostel to tap on the youth hospitality market.

The purchase consideration of the Property which has been fully paid on the date of acquisition amounted to approximately $14.4 million (EUR9.3 million). This is excluding related acquisition costs of $1.4 million (EUR0.9 million) incurred to-date, which comprise (a) related tax and legal advisory fees of $0.5 million (EUR0.3 million) and (b) $1.1 million (EUR0.7 million) insurance premium and taxes paid in respect of the Insurance Policy as further defined below.

There is an on-going litigation brought by a former tenant of the Property ("Ex-Tenant") against the seller with respect to the Property in the courts of Milan ("Litigation"). Based on documents available to the Purchaser, the Ex-Tenant has alleged that (a) a preliminary sale and purchase agreement in relation to the Property exists between the seller and the Ex-Tenant and (b) the seller is obliged, but has failed, to execute the sale and purchase agreement to sell the Property to the Ex-Tenant. The Ex-Tenant has sought a court ruling in order to declare, inter alia, the existence of such preliminary sale and purchase agreement and to give effect to the sale of the Property to the Ex-Tenant.

The next hearing of the Litigation is expected to be held in late March 2019 at which the court is likely to set deadlines for the parties to file their final pleadings. Thereafter, a court ruling is expected to be issued sometime at the end of 2019. Assuming that appeals are made up to the Supreme Court in Italy, the litigation process may take up to approximately eight (8) years.

The seller is obliged under the sale and purchase agreement entered with FSP1 to, among other things, continue with the Litigation, consult with FSP1 on the appropriate defences and not to compromise, dispose or settle the Litigation without FSP1's prior consent. The seller has undertaken to transfer to FSP1 the entire price actually paid by the Ex-Tenant for the purchase of the Property in the unlikely event of loss in the Litigation. Based on information available to the Purchaser, the Ex-Tenant has alleged that the seller has agreed to sell the Property to it for approximately $9.4 million (EUR6.1 million).

Based on a legal opinion dated 29 March 2018 issued by the seller's lawyers to the seller, they are of the opinion that the seller has good prospects of succeeding in the Litigation. Notwithstanding this, FSP1 has taken up an insurance policy to cover, in particular the price paid for the Property and the cost and expenses suffered by it should the Ex-Tenant succeed in the Litigation ("Insurance Policy").

(ii) On 21 February 2019, the Group has, through a newly German-incorporated indirect wholly-owned subsidiary, FS DE Property 2 GmbH, entered into a conditional sale and purchase agreement for the proposed acquisition from a third party seller of 94.9% equity interest in two German companies which own and operate the 340-room Westin Bellevue Dresden Hotel in Germany. The property acquisition cost is valued at approximately $75.7 million (EUR49.5 million), including estimated transaction costs. The proposed acquisition would be made in collaboration with Event Hotels Group ("Event"), which manages the hotel and owns the remaining 5.1% equity stake in both target companies. Event is also the Group's joint venture partner in the Bilderberg portfolio in the Netherlands acquired in August 2017. The completion of the proposed acquisition is expected to take place within the first half of 2019 after which the two target companies will become subsidiaries of the Group.

35 New standards and interpretations not yet adopted

A number of new standards and interpretations and amendments to standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted; however, the Group has not early adopted the new or amended standards and interpretations in preparing these financial statements.

Of those standards that are not yet effective, IFRS 16 is expected to have a material impact on the Group's statement of financial position in the period of initial application.

IFRS 16 *Leases*

The Group is required to adopt IFRS 16 *Leases* from 1 January 2019. The Group has assessed the estimated impact that initial application of IFRS 16 will have on its consolidated financial statements, as described below. The actual impact of adopting the standard on 1 January 2019 may change because the new accounting policies are subject to change until the Group presents its first financial statements that include the date of initial application.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset ("ROU") representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard- i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance, including IAS 17 *Leases,* IFRIC 4 *Determining whether an Arrangement contains a Lease,* SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.*

i Leases which the Group is a lessee

The Group will recognise new assets and liabilities for its portfolio of operating leases. The nature of expenses related to those leases will now change because the Group will recognise a depreciation charge for ROU assets and interest expense on lease liabilities.

Previously, the Group recognised operating lease expense on a straight-line basis over the term of the leases, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

Based on the information currently available, the Group expects an increase in ROU assets of $78,294,000, an increase in lease liabilities of $80,258,000 and a decrease in retained earnings of $1,964,000 as at 1 January 2019. The Company expects an increase in ROU assets of $303,000, an increase in lease liabilities of $312,000 and a decrease in retained earnings of $9,000 as at 1 January 2019.

ii Leases in which the Group is a lessor

IFRS 16 substantially carries forward the current existing lessor accounting requirement.

No significant impact is expected for leases in which the Group is a lessor.

iii Transition

The Group plans to apply IFRS 16 initially on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.

The Group plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

Other standards

The following amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements.

- IFRIC 23 *Uncertainty over Tax Treatments.*
- *Prepayment Features with Negative Compensation (Amendments to IFRS 9).*
- *Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28).*
- *Plan Amendment, Curtailment or Settlement (Amendments to IAS 19).*
- *Annual Improvements to IFRS Standards 2015-2017 Cycle-* various standards.
- *Amendments to References to Conceptual Framework in IFRS Standards.*
- IFRS 17 *Insurance Contracts.*