

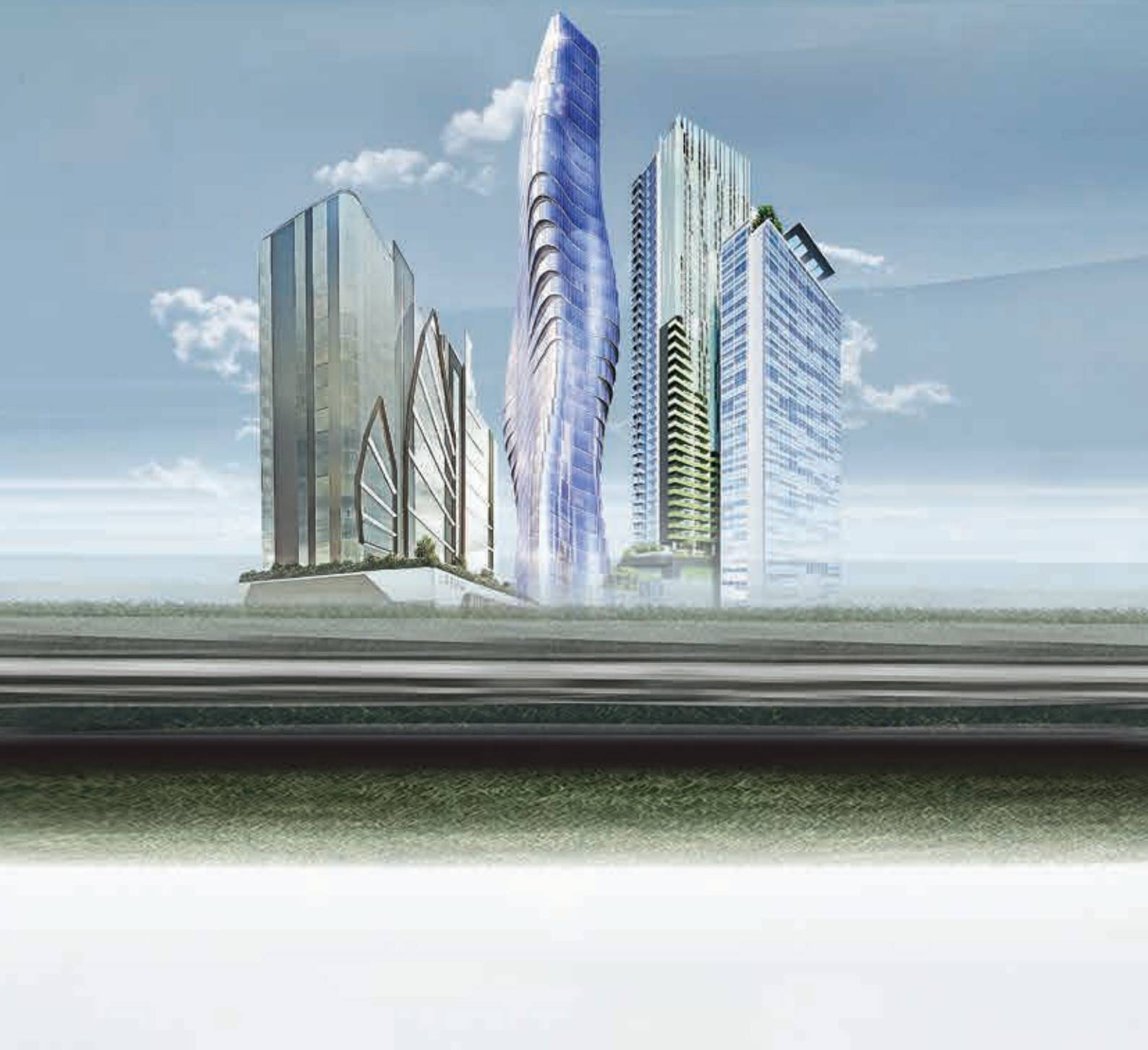


FRAGRANCE GROUP LIMITED

FY 2016

ANNUAL
REPORT

A VISION FOR
**CONTINUING
GROWTH**
LOCALLY, GLOBALLY



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CORPORATE PROFILE

With a track record dating back to the mid-1980s, Fragrance Group Limited ("FGL" or "the Group") is a property developer with presence in three continents today – Asia, Australia and Europe. FGL is listed on the main board of the SGX-ST since 2005 and has a current market capitalisation in excess of S\$1 billion.

FGL's development projects comprise mainly residential, commercial, hotel and industrial properties, with over 80 project launches to date. FGL's current overseas development properties include its maiden project, *Premier Tower*, a skyscraper mixed-use development located in Melbourne, Australia, and *NV Apartments*, freehold apartments located in the Central Business District of Perth, Western Australia.

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

The Group's other significant business sector is property investment. FGL's current property investment portfolio includes prime commercial properties situated in and near Singapore's CBD and a unique seafront Food and Beverage outlets and an industrial building.

In early 2017, FGL expanded its business operations into the United Kingdom with acquisition of The Imperial Hotel, Blackpool, UK.



FRAGRANCE EMPIRE BUILDING

MESSAGE FROM
THE CHAIRMAN

The Singapore residential property market is forecasted to remain subdued and competitive. However, the Group is well positioned to capitalise on new acquisition opportunities both locally and globally.

DEAR SHAREHOLDERS

On behalf of the Board of Directors of Fragrance Group Limited ("FGL" or the "Group"), I am pleased to present the Group's Annual Report for the financial year ended 31 December 2016 ("FY2016").

REVIEW OF FY2016**FINANCIAL PERFORMANCE**

2016 was indeed a challenging year for the property market in Singapore. With less ongoing projects, the Group reported revenue of \$118.73 million for FY2016; a decrease of 58.4% compared to financial year 2015 ("FY2015"). Profit attributable to owners of the Company decreased by 89% from \$68.16 million in FY2015 to \$7.50 million, resulting in a drop in earnings per share to 0.11 cents.

Despite the fall in profit, total shareholders' fund improved to \$1,039.24 million compared to \$1,035.58 million a year ago, representing a net asset value of \$15.5 cents per share. Our loan to equity ratios stands healthily at 0.81.

**PROPERTY DEVELOPMENT
COMPLETED PROJECTS**

Revenue from *Urban Vista* (Group has 50% interest) and *Kensington Square* (Group has 60% interest), contributed significantly to the Group's revenue in FY2016. The temporary occupation permits ("TOP") for these two projects were issued on 27 April 2016 and 3 August 2016, respectively. The residential and commercial units in these projects were substantially sold and the sale proceeds received provided a good cash flow support for the Group.

ONGOING PROJECTS

The construction works for *City Gate* (Group has 50% interest) commenced in the second half of FY2016. The Group has started to, and will progressively recognise revenue – on percentage of completion method – of approximately \$331 million (Group's 50% share) attributable to the number of units sold to-date.

MESSAGE FROM THE CHAIRMAN

ONGOING PROJECTS

The Group's first Australian development project, *Premier Tower*, which was launched in June 2015 has been well received by the market. To-date, more than 70% of the total available residential units have been sold. Slated for completion in 2021, demolition works for *Premier Tower* started in early December 2016 and the ground breaking ceremony was held on 18 January 2017. *NV Apartments*, the Group's second Australian development project was launched for sale in March 2016 and the construction works are expected to commence in second half of this year. Revenue from our Australian projects will be recognised based on the completed contract method.

The details of the completed and ongoing projects can be found in our Operations and Financial review section.

PROPERTY INVESTMENT

The Group's five investment properties namely – *Fragrance Empire Building*, *Tower 15*, *Fragrance Building*, *The Punggol Settlement*



and the *Victory Centre* – accounted for 16% of the Group's total revenue in FY2016. Despite the weak market sentiment, the occupancy status of most of these properties have slightly improved compared to FY2015.

Marketing efforts are currently ongoing to lease out the available space in these properties.

UNITED KINGDOM

In early 2017, we announced our maiden foray into the United Kingdom ("UK") real estate market. The Group has recently completed the acquisition of its first UK property – The Imperial Hotel, Blackpool (the "Imperial Hotel").

Separately, the Group has participated and emerged as the top contender from the tender exercise to acquire the property located at Dale Street, Liverpool, L2 2DH, United Kingdom (the "Property"). The Property was offered for sale by the Liverpool City Council through a public tender exercise. It was sold by way of a lease for a term of 250 years with an option to purchase the freehold title upon completion of certain works on the property. We shall update all of you on this potential acquisition in due course.

LOOKING FORWARD

The existing cooling measures and weak market sentiment present an uncertain year ahead for the Singapore residential property market. The Group has sold almost all of its residential units in its Singapore projects and is now well positioned to seize new opportunities in Singapore should there be encouraging signs of market recovery. Meanwhile, with the timely diversification of operations into Australia and the United Kingdom, the Group has laid a good foundation for sustainable growth in future years.

ACKNOWLEDGEMENT

I would like to take this opportunity to thank our shareholders, home buyers, tenants and business partners for your invaluable trust and support throughout the years.

To the management and staff of the Group, I wish to express my heartfelt appreciation for their commitment and dedication during the course of the year.

Koh Wee Meng
Executive Chairman and CEO



CORPORATE
INFORMATION

PRINCIPAL FINANCIAL INSTITUTIONS

CIMB BANK BERHAD
DBS BANK LIMITED
HONG LEONG FINANCE LIMITED
OVERSEA-CHINESE BANKING CORPORATION LIMITED
RHB BANK BERHAD
SING INVESTMENTS & FINANCE LIMITED
UNITED OVERSEAS BANK LIMITED

AUDITORS

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

Partner-in-charge: **Mrs Wong-Yeo Siew Eng**
 Appointed since 10 April 2015

BOARD OF DIRECTORS

MR KOH WEE MENG
 (Executive Chairman and CEO)
MS LIM WAN LOOI
 (Executive Director)
MR PERIAKARUPPAN ARAVINDAN
 (Executive Director)
MR LEOW CHUNG CHONG YAM SOON
 (Lead Independent Director)
MR TEO CHENG KUANG
 (Independent Director)
MR WATT KUM KUAN
 (Independent Director)

AUDIT COMMITTEE

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

NOMINATING COMMITTEE

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

REMUNERATION COMMITTEE

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

COMPANY SECRETARIES

MR PERIAKARUPPAN ARAVINDAN
MR KELOTH RAJ KUMAR

REGISTERED OFFICE

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

REGISTRATION NUMBER
200006656M

SHARE REGISTRAR AND
SHARE TRANSFER OFFICE

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

BOARD OF DIRECTORS

KOH WEE MENG

Executive Chairman &
Chief Executive Officer

Koh Wee Meng is the Founder, Executive Chairman and CEO of our Group. He is the key decision maker who charts the strategic direction, vision and growth of the Group's core businesses. In addition, he is also responsible for overseeing the smooth and profitable operations of the group's businesses and providing guidance to the management staff. Mr. Koh has extensive knowledge and experience in property and hotel industry having more than 25 years of experience. Mr. Koh was awarded an Honorary Doctorate in Philosophy in Entrepreneurship from Wisconsin International University in 2004.

DIRECTORSHIP IN OTHER LISTED COMPANIES

Company Name:
Global Premium Hotels Limited

Position:
Chairman & Non-Executive Director

LIM WAN LOOI

Non-Executive Director

Lim Wan Looi was appointed as an Executive Director on 28 July 2000. From July 2012 to 7 September 2015, Ms. Lim served the Board as a Non-Executive Director. On 8 September 2015, Ms. Lim was re-designated as an Executive Director of the Company. Ms. Lim assisted our CEO, Koh Wee Meng in the property development business in the early 1990s and subsequently played an active role in hotel operations when the group diversified into this business. Ms. Lim was instrumental in the setting up of premium hotel brand, Parc Sovereign Hotel, in 2011.

DIRECTORSHIP IN OTHER LISTED COMPANIES

Company Name:
Nil

Position:
Nil

PERIAKARUPPAN ARAVINDAN

Executive Director

Periakaruppan Aravindan joined our Group in 1999 and was appointed as an Executive Director on 28 April 2010. Mr Aravindan is a Chartered Accountant and is a member of the Institute of Singapore Chartered Accountants as well as a fellow of the Association of the Chartered Certified Accountants, United Kingdom. Mr Aravindan graduated with a Bachelor in Commerce and a Masters in Business Administration (Finance). Mr Aravindan is responsible for strategic management of the entire spectrum of financial, accounting, secretarial and tax functions of our Group.

DIRECTORSHIP IN OTHER LISTED COMPANIES

Company Name:
Global Premium Hotels Limited

Position:
Non-Executive Director

Company Name:
AF Global Ltd

Position:
Non-Executive Director

BOARD OF DIRECTORS

LEOW CHUNG CHONG YAM SOON

Lead Independent Director,
Audit Committee Chairman

Leow Chung Chong Yam Soon was appointed as our Independent Director and the Chairman of the Audit Committee on 1 April 2014. On 19 February 2016, Mr Leow was appointed as the Lead Independent Director of the Company and a member of the Nominating Committee. Mr Leow is currently an audit partner at Ecovis Assurance LLP. Prior to that he was an audit partner with Deloitte & Touche LLP. Mr Leow has more than 20 years of accounting and financial audit experience. He is a practising member of the Institute of Singapore Chartered Accountants (ISCA). He is also a Fellow Chartered Association of Certified Accountants, UK and Certified Public Accountants, USA.

DIRECTORSHIP IN OTHER LISTED COMPANIES

Company Name:
Nil

Position:
Nil

TEO CHENG KUANG

Independent Director,
Nominating Committee Chairman

Teo Cheng Kuang was appointed as our Independent Director on 20 December 2004. From 1967 to 1999, Mr Teo worked for the Ministry of Home Affairs, Immigration Department where he rose through the ranks from Deputy Assistant Controller of Immigration to Assistant Commander of the Woodlands Checkpoint before he retired in 1999. Through the years, Mr Teo had been the Head of the Work Permit Unit and the Singapore Restricted Passport Centre, as well as the Assistant Officer-in-Charge of both the Woodlands Checkpoint and Singapore Changi Airport. He graduated from the then Nanyang University with a Bachelor of Arts (Geography) degree in 1964.

DIRECTORSHIP IN OTHER LISTED COMPANIES

Company Name:
Nil

Position:
Nil

WATT KUM KUAN

Independent Director,
Remuneration Committee Chairman

Watt Kum Kuan was appointed as our Independent Director on 23 January 2006. Mr Watt was previously from the Institute of Technical Education where he held various positions such as Project Manager, Administrative Manager and Training Manager for more than 10 years. Mr Watt was awarded with the Colombo Plan Fellowship during 1962 to 1964 in Sydney, Australia.

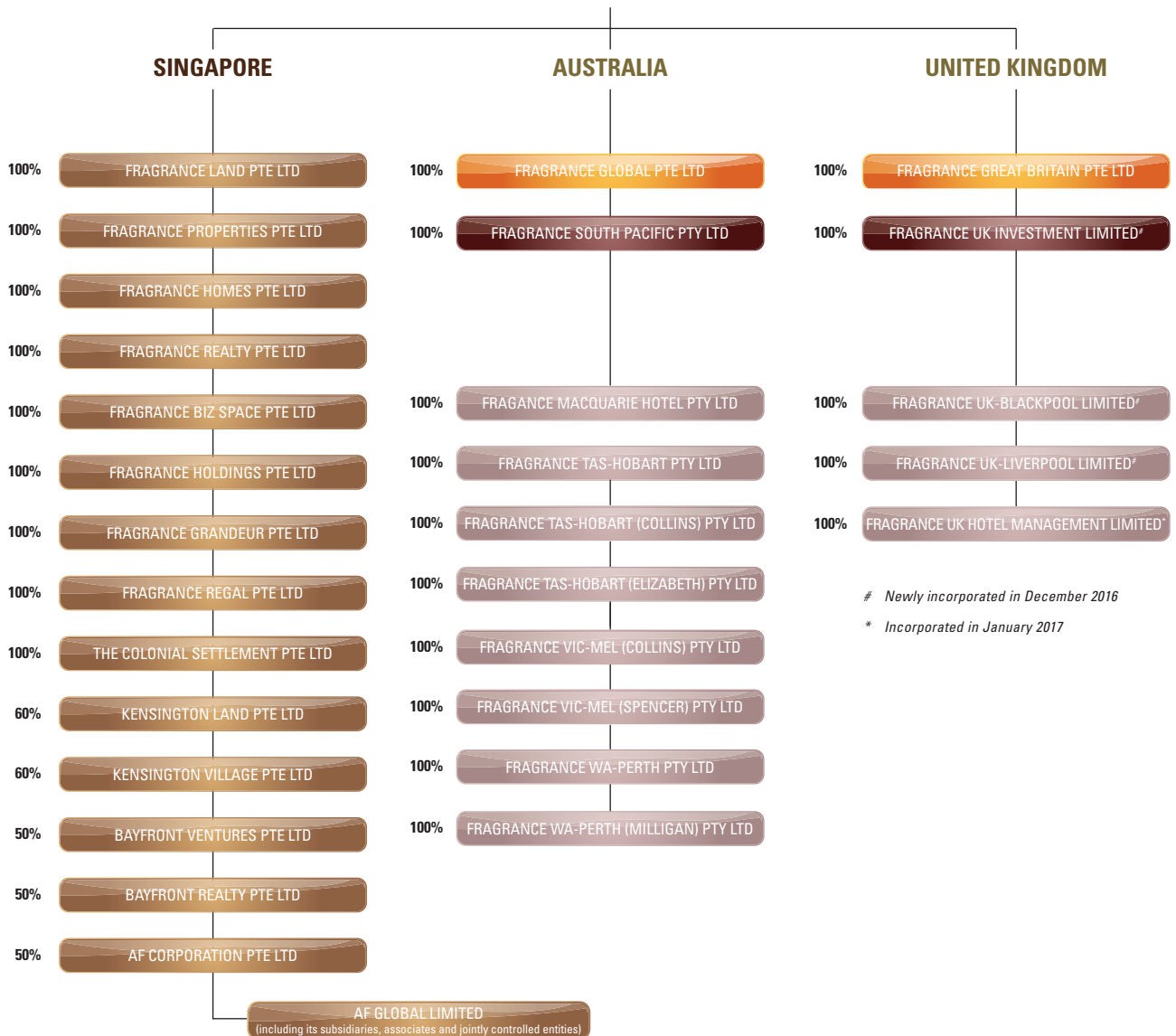
DIRECTORSHIP IN OTHER LISTED COMPANIES

Company Name:
Nil

Position:
Nil

CORPORATE
STRUCTURE

FRAGRANCE GROUP LIMITED



Newly incorporated in December 2016

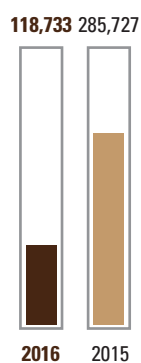
* Incorporated in January 2017

FINANCIAL
HIGHLIGHTS

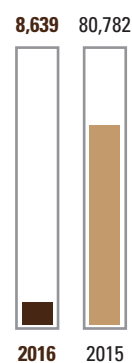
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

GROUP	2016 \$'000	2015 \$'000	Change %
Turnover	118,733	285,727	(58.4)
Cost of sales	(75,411)	(194,462)	(61.2)
Gross profit	43,322	91,265	(52.5)
Other operating income	4,317	31,067	(86.1)
Other operating expenses	(22,809)	(27,427)	(16.8)
Finance costs	(17,502)	(12,514)	39.9
Share of results of a joint venture	1,311	(1,609)	181.5
Profit before income tax	8,639	80,782	(89.3)
Taxation	(864)	(9,430)	(90.8)
Profit for the period	7,775	71,352	(89.1)
Attributable to:			
Equity holders of the Company	7,503	68,164	(89.0)
Non-controlling interests	272	3,188	(91.5)
Net other comprehensive income	2,814	4,963	(43.3)
Total comprehensive income	10,589	76,315	(86.1)
Attributable to:			
Equity holders of the Company	10,317	73,127	(85.9)
Non-controlling interests	272	3,188	(91.5)

GROUP TURNOVER (\$'000)



PROFIT BEFORE INCOME TAX (\$'000)

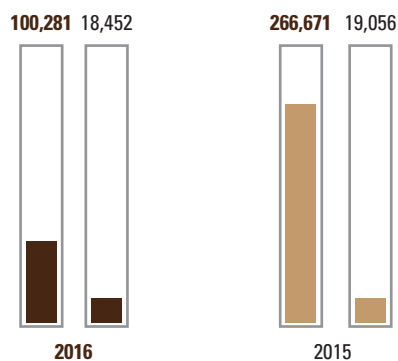


FINANCIAL HIGHLIGHTS

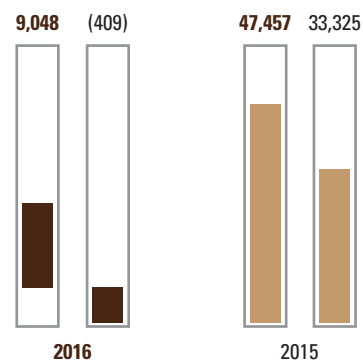
SEGMENTED RESULTS

GROUP	PROPERTY DEVELOPMENT \$'000	PROPERTY INVESTMENT \$'000	TOTAL \$'000
FY2016			
REVENUE	100,281	18,452	118,733
RESULT			
Segment result	24,870	18,452	43,322
Other operating income, net	1,569	2,748	4,317
Other operating expenses	(14,582)	(8,227)	(22,809)
Profit from operations	11,857	12,973	24,830
Finance costs	(4,120)	(13,382)	(17,502)
Share of results of a joint venture	1,311	—	1,311
Profit before income tax	9,048	(409)	8,639
Income tax			(864)
Profit after income tax			7,775
FY2015			
REVENUE	266,671	19,056	285,727
RESULT			
Segment result	72,209	19,056	91,265
Other operating income, net	2,662	28,405	31,067
Other operating expenses	(22,324)	(5,103)	(27,427)
Profit from operations	52,547	42,358	94,905
Finance costs	(3,481)	(9,033)	(12,514)
Share of results of a joint venture	(1,609)	—	(1,609)
Profit before income tax	47,457	33,325	80,782
Income tax			(9,430)
Profit after income tax			71,352

REVENUE BY SEGMENT (\$'000)



PROFIT BEFORE INCOME TAX BY SEGMENT (\$'000)



FINANCIAL
HIGHLIGHTS

STATEMENTS OF FINANCIAL POSITION

	Group		Company	
	31-Dec-2016	31-Dec-2015	31-Dec-2016	31-Dec-2015
	\$'000	\$'000	\$'000	\$'000
Non-current assets				
Property, plant and equipment	18,903	19,166	–	–
Other receivables	1,238	–	1,238	–
Investment properties	1,172,223	1,141,782	–	–
Prepayment	8,128	8,908	–	–
Subsidiaries	–	–	750,152	633,324
Investment in a joint venture	93,566	66,312	87,313	60,313
Deferred tax asset	1,254	743	–	–
Total non-current assets	1,295,312	1,236,911	838,703	693,637
Current assets				
Cash and cash equivalents	45,513	94,354	8,621	59,000
Trade and other receivables	75,276	265,920	40,583	175,928
Held for trading investments	–	4,155	–	4,155
Development properties	476,476	442,811	181,795	216,554
Properties held for sale	67,731	29,162	636	–
Asset held for sale	–	86,797	–	–
Total current assets	664,996	923,199	231,635	455,637
Current liabilities				
Trade and other payables	32,920	113,400	40,159	140,052
Notes payable	76,048	1,476	76,048	1,476
Term loans	151,734	439,887	–	46,000
Income tax payable	16,848	20,599	11,440	310
Derivative financial instrument	87	–	–	–
Total current liabilities	277,637	575,362	127,647	187,838
Net current assets	387,359	347,837	103,988	267,799
Non-current liabilities				
Trade and other payables	–	–	2,000	1,411
Notes payable	–	85,000	–	85,000
Term loans	626,692	435,701	105,725	108,305
Deferred tax liabilities	2,692	14,698	2,692	11,347
Total non-current liabilities	629,384	535,399	110,417	206,063
Net Assets	1,053,287	1,049,349	832,304	755,373
Shareholders' equity				
Share capital	150,000	150,000	150,000	150,000
Treasury shares	(999)	(1,050)	(999)	(1,050)
Performance share reserve	318	308	318	308
Revaluation reserve	35,682	33,266	–	–
Foreign currency translation reserve	(26,254)	(26,721)	–	–
Investment revaluation reserve	(141)	(72)	–	–
Retained earnings	880,635	879,844	682,955	606,115
Equity attributable to the owners of the Company	1,039,241	1,035,575	832,274	755,373
Non-controlling interests	14,046	13,774	–	–
Total Equity	1,053,287	1,049,349	832,274	755,373

OPERATIONS AND FINANCIAL REVIEW

OVERVIEW

For the full year ended 31 December 2016, the Group posted turnover of \$118.73 million (FY2015: \$285.73 million). This represents a 58.4% decrease from the revenue in the corresponding period in 2015. The decrease came predominantly from the property development sector.

REVENUE

PROPERTY DEVELOPMENT:

Property development sector contributed \$100.28 million in FY2016 which is 62.4% lower than \$266.67 million recorded in FY2015. The main contributor to the revenue in FY2016 was the progressive recognition of revenue from our completed and ongoing development projects:

COMPLETED PROJECTS WITH SIGNIFICANT CONTRIBUTIONS TO REVENUE IN FY2016

URBAN VISTA
 A CONDOMINIUM
 DEVELOPMENT LOCATED
 JUST OPPOSITE
 TANAH MERAH MRT.



KENSINGTON SQUARE
 (PREVIOUSLY TAI KENG
 COURT) A FREEHOLD
 MIXED-USE
 DEVELOPMENT.
 THE GROUP HAS 60%
 INTEREST.

OPERATIONS AND FINANCIAL REVIEW

ONGOING PROJECTS WITH CONTRIBUTIONS TO REVENUE IN FY2016



CITY GATE

A MIXED-USE DEVELOPMENT
LOCATED AT BEACH ROAD,
PURCHASED FOR \$360.0
MILLION. THE GROUP
HAS 50% INTEREST.

ONGOING AUSTRALIAN PROJECTS

The Group's Australian projects which will contribute to future revenue are as follows:



PREMIER TOWER

A SKYSCRAPER
MIXED-USE
DEVELOPMENT
LOCATED AT
134-160 SPENCER
STREET, AUSTRALIA

OPERATIONS AND **FINANCIAL REVIEW**



NV APARTMENTS
 FREEHOLD APARTMENTS
 LOCATED IN THE CENTRAL
 BUSINESS DISTRICT OF PERTH,
 WESTERN AUSTRALIA

The development works for 173-177 Macquarie Street, Hobart is progressing well for the development of a hotel building with 296 rooms, with retail/restaurant and full amenities.

The Group is actively working on the redevelopment plans/works for the following Australian properties:

- i) 171 Macquarie Street, Hobart, Tasmania – Commercial development
- ii) 28-30 Davey Street, Hobart, Tasmania – Hotel development
- iii) 2-6 Collins Street, Hobart, Tasmania – Hotel development
- iv) 234-250 Elizabeth Street, Hobart, Tasmania – Mixed-use development
- v) 37-47 Milligan Street and 453-471 Murray Street – Mixed-use development

PROPERTY INVESTMENT:

Property investment sector contributed \$18.45 million for FY2016; a slight decrease of 3.2% from the \$19.06 million recorded in FY2015. This was mainly due to the lower rental income from our investment property at Hoe Chiang Road due to lower occupancy as a result of weak market sentiment. This decrease was partly offset by the full-year rental income from our investment properties – *Frangrance Empire Building* and *Victory Centre*. These properties were under Asset Enhancement works during the first half of FY2015.

OPERATIONS AND FINANCIAL REVIEW

INVESTMENT PROPERTIES WITH SIGNIFICANT CONTRIBUTIONS TO REVENUE IN FY2016



TOWER 15
A COMMERCIAL
BUILDING LOCATED
WITHIN CBD



**THE PUNGGOL
SETTLEMENT**
A 2-STOREY SEAFRONT
F&B DEVELOPMENT



FRAGRANCE EMPIRE BUILDING
A COMMERCIAL BUILDING
LOCATED NEAR
CBD



VICTORY CENTRE
A MULTI-USER INDUSTRIAL
BUILDING LOCATED NEAR
MRT STATION

OPERATIONS AND FINANCIAL REVIEW

GROSS PROFIT

Our overall gross profit decreased by 52.5% to \$43.32 million. Gross profit margin of property development sector decreased to 24.8% during FY2016 from the 27.1% achieved in FY2015. This is in line with less ongoing development projects in FY2016.

PROFIT BEFORE TAXATION

Other operating income decreased by \$26.75 million from \$31.07 million recorded in twelve months of 2015 to \$4.32 million in FY2016 mainly due to the decrease in fair value gain by \$26.00 million.

Other operating expenses decreased from \$27.43 million during FY2015 to \$22.81 million in FY2016 mainly because of the following factors:

1. Decrease in commission and promotion expenses relating to the development projects;
2. Decrease in utilities expense due to the commencement of construction activities on *City Gate*;
3. Decrease in performance related bonuses to executive directors; and partly offset by
4. Increase in property tax expenses pertaining to investment properties and the absentee owner charge relating to the Group's two development properties in Melbourne, Australia; and
5. Increase in depreciation expenses relating to the owner-occupied office premises.

Finance costs increased by \$4.99 million in FY2016 mainly due to:

1. Full period interest charges relating to investment properties – *Fragrance Empire Building*, *Victory Centre* and *Icon@Pasir Panjang*. The interest charges for these investment properties were expensed-off following completion of development and issuance of Temporary Occupation Permit ("TOP") in 2015. Prior to issuance of TOP, these interest charges were capitalised; and
2. General increase in overall interest rates across the floating rate borrowings.

Overall profit before taxation decreased by 89.3% from \$80.78 million in FY2015 to \$8.64 million in FY2016.

STATEMENTS OF FINANCIAL POSITION & STATEMENT OF CASH FLOWS

Non-current assets mainly comprise land and building of our investment properties and office. The Group's investment properties totaled at \$1,172.22 million as at 31 December 2016.

Investment in a joint venture comprises the Group's investment in AF Global Limited, through AF Corporation Pte Ltd.

Current assets comprise mainly development properties, trade and other receivables and properties held for sale. As at 31 December 2016, the Group's current assets totaled \$665.00 million.

Development properties include land costs, development costs, interest capitalised and other related costs and these accounted for \$476.48 million or 71.7% of total current assets as at 31 December 2016. The increase of \$33.67 million compared to the balance as at 31 December 2015 was mainly due to additional costs incurred during the period, and the reclassification of development costs relating to the property at 555 Collins Street, Melbourne, Victoria from Asset held for Sale, following a change in business plans. The planning permit for this property was obtained from the local authority in September 2016. This increase is partially offset by the progressive billings.

Trade and other receivables of \$75.28 million include \$34.39 million of revenue from our property development projects in Singapore which are recognised based on the percentage of completion method and have yet to be billed. Billing is based on the payment schedule in the standard sale and purchase agreement. Decrease of 85.5% compared to the balance as at 31 December 2015 was mainly due to the collections from the buyers partly offset by additional revenue recognised, yet to be billed.

Trade and other payables, which mainly comprise trade creditors, amount due to a joint operator and accrual for project costs decreased from \$110.40 million as at 31 December 2015 to \$32.92 million due to less ongoing development projects.

Progressive collections from development properties have been used to repay some bank loans resulting in decrease in the Group's total borrowings by 11.1% to \$778.43 million from \$875.59 million as at 31 December 2015.

During the year ended 31 December 2016, the Group generated net cash inflow of \$102.70 million from operating activities. Cash outflow from investing activities amounted to \$25.49 million which was substantially used towards investing in AF Corporation Pte Ltd. Net cash outflow from financing activities amounted to \$125.91 million which comprise cash outflow on the repayment of borrowings partly offset by proceeds from project related loans. Cash and cash equivalents stood at \$45.51 million as at the end of 31 December 2016 compared to \$94.35 million as at the end of 31 December 2015.

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CORPORATE GOVERNANCE REPORT

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

This report outlines the main corporate governance practices that were in place throughout the financial year ended 31 December 2016 (“FY2016”), with specific reference made to the principles and guidelines of the Code of Corporate Governance issued in May 2012 (the “Code”).

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

1. THE BOARD’S CONDUCT OF ITS AFFAIRS – PRINCIPLE 1

Every Company should be headed by an effective Board to lead and control the Company. The Board is collectively responsible for the long-term success of the Company. The Board works with Management to achieve this objective and Management remains accountable to the Board.

Guideline 1.1 – Principal Duties of the Board

The Board consists of three executive directors and three independent non-executive directors. The six Board members are businessmen and professionals with strong financial and business backgrounds, providing the necessary experience and expertise to direct and lead the Group. More details of the board members can be found under the section ‘Board of Directors’.

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

- to provide guidance and to decide on certain important matters, including those involving the review and approval of strategic direction, material acquisitions and disposal of assets;
- to review the adequacy and effectiveness of the Company’s risk management and ensuring that the Management maintains a sound system of internal controls (including financial, operational, compliance and information technology) to safeguard the shareholders’ interests and the Group’s assets;
- to oversee the conduct of the Group and evaluate whether the business is properly managed, and reviewing the performance of the Management in meeting agreed goals and objectives;
- to monitor the Group’s performance, position and prospects by reviewing management reports and management accounts on a regular basis; and
- to consider sustainability issues such as environmental and social factors as part of its strategic formulation.

Guideline 1.2 – Objective Decision Making

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

Guideline 1.3 – Delegation by the Board

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

CORPORATE GOVERNANCE REPORT

Guideline 1.4 – Board Meetings and Attendance Records

The Board and its Committees meet regularly based on schedules planned one year ahead, and as and when necessary to address any specific significant matters that may arise. On occasions when directors are unable to attend meetings in person, telephonic participation at the meetings is allowed under the Constitution of the Company. To enable the Board to fulfill its responsibility, the Management provides the Board with management reports on a regular and timely basis, with relevant and adequate information prior to the meetings. The Board also has separate and independent access to the Company Secretaries and the Company's Senior Management.

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

	Board	Board Committees		
		Audit	Nominating	Remuneration
No. of meetings held	4	5	1	1
Board members	No. of Meetings Attended			
Koh Wee Meng ¹	4	–	1	1
Lim Wan Looi	3	–	–	–
Periakaruppan Aravindan ²	4	5	1	1
Teo Cheng Kuang	4	5	1	1
Watt Kum Kuan	4	5	1	1
Leow Chung Chong Yam Soon ³	4	5	1	1

(1) Mr Koh Wee Meng is not a member of the Remuneration Committee but was invited by the Committee to attend its meeting.

(2) Mr Periakaruppan Aravindan is not a member of the Audit, Nominating and Remuneration Committees but he attended the Committee meetings in the capacity of Company Secretary.

(3) Mr Leow Chung Chong Yam Soon is not a member of Nominating and Remuneration Committees but was invited by the Committee to attend its meeting.

The Company Secretary attends all Board meetings and ensures that Board procedures are followed. The Company Secretary also ensures that the Companies Act and all other regulations of the SGX-ST are complied with.

Guideline 1.5 – Matters Requiring Board Approval

Matters involving the review and approval of strategic direction, material acquisitions and disposal of assets, corporate or financial restructuring and share issuances, dividends and other returns to shareholders are reserved to the full Board for decision-making.

Guideline 1.6 – Board Induction and Training

Guideline 1.7 – Appointment Letter to new Director

Newly appointed directors will receive a formal letter explaining their roles and responsibilities, and will be briefed by the Board to familiarise them with the Group's business, its strategic directions and corporate governance practices. All directors who have no prior experience as directors of a listed company will undergo training and briefing on the roles and responsibilities as directors of a listed company under the Companies Act and the SGX Listing Manual. No new director was appointed during FY2016.

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

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

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

2. **BOARD COMPOSITION AND GUIDANCE – PRINCIPLE 2**

There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% Shareholders Note 1. No individual or small group of individuals should be allowed to dominate the Board's decision making.

Guideline 2.1 – Independent Element of the Board Induction

Guideline 2.2 – Composition of Independent Directors

The Board comprises six directors, of whom three are independent non-executive directors:

Executive Directors

Koh Wee Meng	Executive Chairman and Chief Executive Officer ("CEO")
Lim Wan Looi	Executive Director
Periakaruppan Aravindan	Executive Director

Non-Executive Directors

Leow Chung Chong Yam Soon	Lead Independent Director
Teo Cheng Kuang	Independent Director
Watt Kum Kuan	Independent Director

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

Guideline 2.3 – Independence of Directors

The criteria for independence are determined based on the definition as provided in the Code. The Board considers an independent director as one who has no relationship with the Company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the directors' independent business judgment with a view to the best interests of the Group.

Guideline 2.4 – Independent Directors with more than 9-year Tenure

Mr Teo Cheng Kuang and Mr Watt Kum Kuan have served as an independent director on the Board for more than nine years. The Board conducted a rigorous review on Mr Teo and Mr Watt's status and determined that both Mr Teo and Mr Watt are independent as the Board is of the view that Mr Teo and Mr Watt, despite their length of service, had continued to demonstrate their ability to exercise strong objective judgement and act in the best interests of the Company. They remained independent in expressing their views and in participating in the deliberations and decision making of the Board. In addition, having gained an in-depth understanding of the business of the Group, Mr Teo and Mr Watt provide valuable contributions to the Company with his experience and knowledge of the industry.

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Guideline 2.5 – Board Composition

Guideline 2.6 – Competency of the Board

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

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

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

Guideline 2.7 – Role of Non-Executive Directors

Guideline 2.8 – Meetings of the Non-Executive Directors

The independent directors constructively challenged and helped develop both the Group's short-term and long-term business strategies. The Management's progress in implementing such agreed business strategies is monitored by the independent directors.

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

Note 1: The term 10% shareholder shall refer to a person who has an interest or interests in one or more voting shares in the Company and the total votes attached to that share, or those shares, is not less than 10% of the total votes attached to all voting shares in the Company. Voting shares exclude treasury shares.

3. CHAIRMAN AND CHIEF EXECUTIVE OFFICER – PRINCIPLE 3

There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

Guideline 3.1 – Separate Role for Chairman and CEO

Mr Koh Wee Meng is both the Executive Chairman and CEO of the Group. The Board is of the opinion that the present Group structure and business scope does not warrant a split of the role. The Board is of the view that the process of decision making by the Board is independent and based on collective decisions without any individual exercising any considerable concentration of power or influence, and there is good balance of power and authority with all critical committees chaired by independent directors. In addition, the Company appointed a lead independent director since 19 February 2016.

Guideline 3.2 – Role and Responsibilities of Chairman

The CEO, together with the Executive Directors and Executive Officers, has full executive responsibilities over the business directions and operational decisions. The CEO is responsible to the Board for all corporate governance procedures to be implemented by the Group and to ensure conformance by the Management to such practices. Directors are given Board Papers in advance of meetings for them to be adequately prepared for the meeting and senior management staff (who are not executive directors) are in attendance at Board and Board Committee meetings whenever necessary.

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Guideline 3.3 – Lead Independent Director

Guideline 3.4 – Lead Independent Director to lead in Periodical Meetings

In view that the Chairman is not an Independent Director, the Board has appointed Mr Leow Chung Chong Yam Soon as the Lead Independent Director. As the Lead Independent Director, he leads and encourages dialogue between independent directors and provides feedback to the Chairman and CEO. The Lead Independent Director is also available as the alternate channel for shareholders, should shareholders fail to resolve concerns through the normal channels of the Chairman, CEO, and Executive Directors or when such normal channels are inappropriate.

4. BOARD MEMBERSHIP – PRINCIPLE 4

There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

Guideline 4.1 – Nominating Committee

Guideline 4.2 – Role and Responsibilities of the Nominating Committee

The Nominating Committee (“NC”) consists of the following directors with the majority, including the Chairman, being independent:

Nominating Committee

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

The NC main functions are as follows:

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

Guideline 4.3 – Review of Directors’ Independence

Each independent director is required to make a declaration annually to confirm that there is no relationship as stated in the Code that would otherwise deemed him not to be independent. The NC has reviewed the declarations of independence by the independent directors for FY2016, and is satisfied that all independent directors are suitable to be considered as independent for the purpose of Principle 2 of the Code. Each independent director had recused himself in the determination of his own independence.

Guideline 4.4 – Multiple Board Representations

When a director has multiple board representations, such director has to ensure that sufficient time and attention is given to the affairs of the Company. On the matter of multiple board representations, the Board is of the view that it should be left to the judgment and discretion of each director. As such, the NC and the Board have decided not to set any maximum number of listed company board representations that any director may hold. The NC is satisfied that sufficient time and attention are being given by all the directors to the affairs of the Company.

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Guideline 4.5 – Alternate Directors

The Company has no alternate director on its Board in FY2016.

Guideline 4.6 – Appointment and Re-appointment of Directors

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

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

Guideline 4.7 – Key Information on Directors

Key information regarding the directors is given in the 'Board of Directors' section of the annual report.

5. BOARD PERFORMANCE – PRINCIPLE 5

There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.

The NC examines its size to satisfy that it is appropriate for effective decision making, taking into account the nature and scope of the Group's operations. The directors are also from diverse background and areas of expertise, such as property development, hospitality and hotel operations, banking, finance and accounting and manpower matters. The directors bring to the Board their related experience and knowledge and also provide guidance in the various Board Committees as well as to the Management of the Group.

The NC reviews and evaluates the performance of the Board as a whole, taking into consideration inter alia the directors' attendance, participation and level of participation and contribution at the main Board and Board Committee meetings.

6. ACCESS TO INFORMATION – PRINCIPLE 6

In order to fulfill their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

Guidelines 6.1 & 6.2 – Complete and Adequate Information

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

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Guidelines 6.3 – Company Secretary

All directors have unrestricted access to the Company's records and information. Directors also liaise with senior management as and when required. In addition, directors have separate and independent access to the Company Secretaries, who are responsible to the Board for ensuring that relevant statutes and regulations are complied with. The Company Secretary(ies) will attend all Board and Board Committees' meetings.

Guidelines 6.4 – Appointment and Removal of Company Secretary

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

Guidelines 6.5 – Independent Professional Advice

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

7. REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES – PRINCIPLE 7

There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

Guideline 7.1 – Remuneration Committee

The Remuneration Committee ("RC") consists of the following directors with the majority, including the Chairman, being independent:

Remuneration Committee

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

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

The key duties and responsibilities of the RC are as follows:

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

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Guideline 7.2 – Remuneration Framework

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

Guideline 7.3 – Expert Advice

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

During FY2016, the RC did not require the services of an external remuneration consultant.

Guideline 7.4 – Termination Clauses

The Company's obligation arising in the event of termination of service contracts of its executive directors and key management personnel are contained in their respective employment letters. The RC is satisfied that such contracts of service provide for fair and reasonable termination clauses applicable to the respective employment class and not overly generous.

8. LEVEL AND MIX OF REMUNERATION – PRINCIPLE 8

The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

Guideline 8.1 – Remuneration of Executive Directors and Key Management Personnel

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

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

Guideline 8.2 – Long-term Incentive Scheme

Presently, the Company does not have any long-term incentive scheme or schemes involving the grant of options or any other form of deferred remuneration.

Guideline 8.3 – Remuneration of Non-executive Directors

Non-executive directors are compensated based on a fixed annual fee taking into considerations their respective contributions and attendance at meetings.

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The Board concurred with the RC's proposal for non-executive directors' fees for FY2016. The Board and the RC are of the view that the remuneration of these directors is appropriate and not excessive taking into account factors such as effort and time spent.

The non-executive directors' fees are recommended to shareholders for approval at the AGM and paid after the necessary approval has been obtained.

Guideline 8.4 – Reclaim Incentives

Considering that the variable component of the executive directors and key management personnel is moderate, the RC is of the view that there is no requirement to institute contractual provisions in the terms of the employment to reclaim incentive components of the remuneration paid in prior years.

9. DISCLOSURE ON REMUNERATION – PRINCIPLE 9

Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

Guideline 9.1 – Remuneration Report

Details on the remuneration of directors and key management personnel for FY2016 are presented below. In FY2016, there was no termination, retirement and post-employment benefits granted to any director and/or key management personnel.

Guideline 9.2 – Directors' Remuneration

The details of the remuneration of the directors during the year are as follows:

Directors Remuneration	Directors' Fee	Base Salary	Performance-based Bonus	Others
	%	%	%	%
Non-Executive Directors				
<u>Below S\$250,000</u>				
Teo Cheng Kuang	100	—	—	—
Watt Kum Kuan	100	—	—	—
Leow Chung Chong Yam Soon	100	—	—	—
Executive Directors				
<u>S\$1,000,000 to S\$1,500,000</u>				
Koh Wee Meng	—	63	37	—
<u>S\$500,000 to S\$1,000,000</u>				
Periakaruppan Aravindan	—	54	46	—
<u>Below S\$500,000</u>				
Lim Wan Looi	—	55	45	—

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Guideline 9.3 – Remuneration of Top 5 Key Management Personnel

In FY2016, as there was only one key management personnel (who is not a director or the CEO), disclosure is only made in respect of the remuneration of that key management personnel. Details as follows:

Range	Base Salary	Performance-based Bonus	Others
	%	%	%
Below S\$500,000	90	7	3

In FY2016, there was no termination, retirement and post-employment benefits granted to the above key management personnel (who is not a director or the CEO).

Guideline 9.4 – Employee Related to Directors or CEO

For FY2016, the remuneration of the employees who are related to directors or substantial shareholders is as follows:

Range	No. of Executives
Below S\$250,000	1

The Board is of the opinion that it is not in the best interests of the Company to disclose:

- the total remuneration of each director and key management personnel in dollars terms, given the sensitivity of remuneration matters; and
- the names of its key executives (who are not directors or the CEO) in order to ensure the Company's competitive advantage in the retention of its staff.

Guideline 9.5 – Employee Share Schemes

Other than the Fragrance Performance Share Plan, the Company does not have any employee share scheme nor any long-term incentive scheme.

Guideline 9.6 – Executive Performance Conditions

The information on the link between remuneration of executive directors and key management personnel, and performance is set out under Guideline 8.1 of this Report.

10. ACCOUNTABILITY – PRINCIPLE 10

The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

Guideline 10.1 – Accountability for Accurate Information

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

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

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Guideline 10.2 – Compliance with Legislative and Regulatory Requirements

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

In addition, the Company had, pursuant to the amended Rule 720(1) of the Listing Manual of the SGX-ST, received undertakings from all its directors and executive officers based on the revised form Appendix 7.7.

Guideline 10.3 – Management Accounts

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

11. RISK MANAGEMENT AND INTERNAL CONTROLS – PRINCIPLE 11

The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

Guideline 11.1 – Risk Management and Internal Control Systems

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

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

Guideline 11.2 – Adequacy and Effectiveness of Risk Management and Internal Control Systems

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

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As part of the Group's continuous effort to ensure that its risk management and internal control systems are adequate and effective, the Company has implemented the following new policy:

(a) Information Security Policy

This policy provides guidelines to employees on the proper use of the Group's information systems and to ensure that the confidentiality of proprietary information is protected.

Guideline 11.3 – Board's Comment on Adequacy and Effectiveness of Internal Controls

For the financial year ended 31 December 2016, the Board has received the assurance from the CEO and an Executive Director that:

- a) the financial records have been properly maintained and the financial statements give a true and fair view of the Group's finances;
- b) the system of internal controls in place for the Group is robust, adequate and effective to address financial, operational, compliance and information technology risks which the Group considers relevant and material to its operations; and
- c) the risk management systems in place for the Group are adequate and effective to address the risks which the Group considers relevant and material to its operations.

Based on the review of the Group's policies and procedures in addressing the key risks, the monitoring and review of the Group's overall performance and representation from Management, the Board, with the concurrence of the Audit Committee, is of the view that the Group's risk management system remains adequate and effective to address the risks which the Group considers relevant and material to its operations.

The Board, with the concurrence of the Audit Committee, is of the opinion that the Group's existing system of internal controls, including financial, operational, compliance and information technology controls are adequate and effective for the risks which the Group considers relevant and material to its operations for the financial year ended 31 December 2016. This opinion is derived based on the internal controls established and maintained by the Group, work performed by the external auditors, reviews performed by Management, as well as assurances received from the CEO and an Executive Director.

Guideline 11.4 – Risk Committee

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

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12. AUDIT COMMITTEE – PRINCIPLE 12

The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

Guideline 12.1 – Audit Committee

The AC consists of the following directors, all of whom, including the Chairman, being independent and non-executive:

Audit Committee

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

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

Guideline 12.2 – Qualification of Audit Committee Member

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

Guideline 12.3 & 12.4 – Role and Responsibilities of the Audit Committee

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

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

- to review the audit plans of external auditors, including the results of the auditors' review and evaluation of the Group's system of internal controls;
- to review the annual consolidated financial statements and the external auditors' report on those financial statements, and discuss the Key Audit Matters included in the Auditor's Report, any significant adjustments, major risk areas, changes in accounting policies, compliance with Singapore financial reporting standards, concerns and issues arising from their audits including any matters that the auditors may wish to discuss in the absence of the Management, where necessary, before submission to the Board for approval;
- to review the quarterly and full-year financial results prior to recommending their approval to the Board for release on SGX-ST;
- to review with Management the adequacy and effectiveness of the Group's internal control systems, including financial, operational, compliance and information technology controls and risk management;
- to review and discuss with external auditors any suspected fraud, irregularity or infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position and the Management's response;
- to review the co-operation given by the Management to the external auditors;
- to review the independence and objectivity of the external auditors;
- to review the nature and extent of non-audit services performed by external auditors;

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- to make recommendations to the Board on the appointment/re-appointment of the external auditors and the audit fees;
- to review and approve any interested person transactions as defined under the Singapore Exchange Listing Manual (“the Listing Manual”);
- to review any potential conflicts of interest;
- to undertake such other reviews and projects as may be requested by the Board, and report to the Board its findings from time to time on matters that require the attention of the AC; and
- to undertake other functions and duties as may be required by law or the Listing Manual, and by such amendments made thereto from time to time.

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

The AC has been given full access to the Management and has reasonable resources to discharge its function properly. The AC has full discretion to invite any director or executive officer to attend its meetings.

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

Guideline 12.5 – External Auditors

The AC meets with external auditors, without the presence of the Management, at least once a year.

Guideline 12.6 – Independence of External Auditors

The AC confirms that it has undertaken a review of all non-audit services provided by external auditors and such services would not, in the AC’s opinion, affect the independence and objectivity of the external auditors. The breakdown of the estimated fees for the external auditors for audit and non-audit services can be found in the Notes to the Financial Statements in this Annual Report.

The Company has complied with Rule 712 and Rule 715 read with Rule 716 of the Listing Manual in relation to the appointment of its auditor.

Guideline 12.7 – Whistle-blowing Policy

The Company has put in place whistle-blowing policies by which staff may raise concerns about fraudulent activities, malpractices or improprieties within the Group, without fear of reprisal. To ensure independent investigation of such matters and for appropriate follow up action, all whistle-blowing reports can be sent directly to the AC Chairman.

Guideline 12.8 – Measures taken by AC to keep abreast on changes to Accounting Standards

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

Guideline 12.9 – Cooling off Period for Partners or Directors of the Company’s Auditing Firm

None of the AC members were previous partners or directors of the Company’s external auditor within the last twelve months or hold any financial interest in the external auditor.

CORPORATE GOVERNANCE REPORT

13. INTERNAL AUDIT – PRINCIPLE 13

The Company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

The Board acknowledges that it is responsible for maintaining an internal audit function that is independent of the activities it audits. The effectiveness of the internal control systems and procedures are monitored by the Management.

The current structure of the Group does not warrant the establishment of an in-house internal audit function for both its Singapore and Australian operations. The Group's business, customers and suppliers are substantially in Singapore, and the Management has set in place sufficient internal control systems.

As the Group's Australian operations begin to expand, the AC has recommended to the Board to consider outsourcing its internal audit function so as to be in line with Guideline 13.2 of the Code. The AC and the Board noted that such guideline shall be complied with in the financial year ending 31 December 2017.

14. SHAREHOLDERS RIGHTS AND RESPONSIBILITIES – PRINCIPLE 14, 15 & 16

Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the Company.

Guideline 14.1 – Sufficient Information to Shareholders

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

Guideline 14.2 – Opportunity for Shareholders to Participate and Vote at General Meetings

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

Guideline 14.3 – Appointment of Proxies

Currently, the Constitution of the Company allows all shareholders to appoint up to two proxies to attend the general meetings and to vote on their behalf through proxy form sent in advance.

On 3 January 2016, the legislation was amended, among other things, to allow certain members, defined as "relevant intermediary" to attend and participate in general meetings without being constrained by two-proxy requirement. Relevant intermediary includes corporations holding licenses in providing nominees and custodial services and CPF Board which purchase shares on behalf of the CPF investors.

CORPORATE GOVERNANCE REPORT

Guideline 15.1 – Communication with Shareholders

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

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

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

Guideline 15.2 – Disclosure of Information on a Timely Basis

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

Guideline 15.3 – Interaction with Shareholders

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

Guideline 15.4 – Soliciting and Understanding Views of Shareholders

To promote a better understanding of shareholders' views, the Board actively encourages shareholders to participate during the Company's general meetings. These meetings provide excellent opportunities for the Company to obtain shareholders' views on value creation.

Guideline 15.5 – Dividend Policy

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

Guideline 16.1 – Shareholders' Participation

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

CORPORATE GOVERNANCE REPORT

Guideline 16.2 – Separate Resolutions at General Meetings

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

Guideline 16.3 – Attendees at General Meetings

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

Guideline 16.4 – Minutes of General Meetings

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

Guideline 16.5 – Voting by Poll at General Meetings

The Company conducted poll voting for all resolutions passed at its last AGM held on 15 April 2016.

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

15. DEALINGS IN SECURITIES

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

CORPORATE GOVERNANCE REPORT

16. INTERESTED PARTY TRANSACTIONS (IPT)

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

Details of IPT for the year ended 31 December 2016 are as follows:

Name of interested person	Aggregate value of all IPT during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the Listing Manual)	Aggregate value of all IPT conducted under a shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)
<u>AF Corporation Ltd</u> – Acquisition of shares in AF Global Ltd	S\$37,079,987	–
<u>Repurchase of Notes</u> – Mr Koh Wee Meng	S\$10,337,000	–
<u>Sale of Properties (NV Apartments)</u> – Mr Koh Wee Meng (2 units)	A\$1,294,000	–
<u>Global Premium Hotels Limited*</u> – Rental Income	S\$564,080	–

* A related party in which a director has interest.

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

17. MATERIAL CONTRACTS

The material contract entered into by the Group involving the interest of the Group's substantial shareholder and/or any director which subsisted as at the end of the financial year, is as follows:

- (a) Project Management Services Agreement dated 5 January 2016 entered between the Company and Global Premium Hotels Limited* in relation to a new development situated at Lot 19 Pier Street, Lots 50 & 18 St Georges Terrace, Perth, Western Australia. The service fee shall be 0.5% of the estimated construction contract sum or 0.5% of the actual construction contract sum, whichever is higher. The service fee shall be paid over 30 months commencing from a period to be determined by both parties.

* A related party in which a director has interest.

Other than as disclosed above, there were no material contracts entered into by the Company or any of its subsidiary companies involving the interests of the Group's CEO, any director and/or substantial shareholder as at the end of 31 December 2016.

AUDIT COMMITTEE REPORT

The primary role of the Group's Audit Committee ("AC") is to provide governance and oversight over the integrity of the Group's financial reporting, and internal controls and risk management frameworks. The AC's role and responsibilities are set out on page 29 of this Annual Report.

Composition and Frequency of Meetings

The AC comprises Mr Teo Cheng Kuang, Mr Watt Kum Kuan and myself as AC Chairman.

Each of the AC members is considered to be appropriately qualified and experienced to fulfil their role. Further details of the members' qualifications and experience are available on page 6 of the Annual Report.

The AC met five times during the financial year ended 31 December 2016 ("FY2016"). The meetings were scheduled around the financial reporting period to allow the AC to discharge its duties in relation to the financial statements. The attendance record of the AC members is set out on page 18 of this Annual Report.

Significant Issues in relation to the Financial Statements

The AC pays particular attention to matters it considers to be important by virtue of their size, complexity, level of judgement required and the potential impact on the financial statements.

Following discussions with management and the external auditors, the AC has determined that the following areas are the key risks of misstatement of the Group's financial statements. The table below indicates how these matters were discussed and addressed:

Matters	Action
Recognition of revenue and cost of sale of properties under development	Revenue from development properties accounted for 82% of total revenue, of which the <i>City Gate</i> project is the main contributor of this segment. The AC considered the appropriateness of the accounting treatment and key judgements and accounting estimates applied by management in relation to recognition of revenue and cost from sale of properties for this project. In addition, the AC obtained an understanding on the work performed by the external auditors. As a result of the above procedures, the AC is satisfied that appropriate accounting treatment has been adopted and the basis of the estimates appear reasonable.
Valuation of investment properties	The valuation of investments properties was conducted by external valuers. The AC considered the qualifications, competencies and scope of work of the valuer. In addition, the AC obtained assurance from management that the valuation had been undertaken using appropriate methodology and assumptions used for the basis of projecting income, and estimating the capitalisation rate. The AC has also considered the disclosures in the financial statements in describing the subjectivity of the valuations, the key observable inputs and the relationships between the key unobservable inputs and fair value. The AC discussed with the external auditors on their review of the reasonableness and relevance of the assumptions used by the valuers. Following the above, the AC is satisfied that the carrying value of the investment properties is not materially misstated.

AUDIT COMMITTEE REPORT

Matters	Action
Recoverable amounts of development properties in Australia	The AC considered the appropriateness of the key judgements and estimates applied by management to compute the gross development value for the relevant projects and the estimated total cost of development. In addition, the AC considered the observations and findings presented by the external auditors on management's assessment of recoverable amount. The above procedures provided the AC with the assurance and concurred with the management's conclusion that no impairment loss was required as at 31 December 2016.

Internal Audit

The current structure of the Group does not warrant the establishment of an in-house internal audit function. The AC has also concurred with Management that there was no necessity to engage a firm of internal auditors for FY2016 based on the current level of activities and further considering that the Group's business, customers and suppliers are substantially based in Singapore, and the property development business is regulated by the Housing Developers Rule. In addition, Management has set in place sufficient internal control processes.

As the Group's Australian operations begin to expand, the AC has recommended to the Board to consider outsourcing its internal audit function during the financial year ending 31 December 2017.

External Audit

Deloitte has been the Group's auditors since 2004. The audit partner rotates every five years and the latest rotation took effect during 2015.

The AC met with the external auditors in November 2016 to agree on the audit plan for FY2016. Upon completion of the audit work, the external auditors presented their audit findings which were reviewed and discussed by the AC. Appropriate enquiries and clarifications were made, particularly to the key risk areas as identified above.

The AC evaluated the effectiveness of the audit process through a review of the audit planning process and discussions with key members of the Group's finance team. The evaluations concluded that there continued to be a good quality audit process.

As part of the review of the auditors' independence, Deloitte has confirmed to the AC that they are independent of the Group and have complied with relevant auditing standards. The AC also performs a review of the audit and non-audit services provided by the external auditors, and the fees charged for those services, to ensure that there was no impairment of objectivity or independence. In addition, the AC held a private meeting with the external auditors. The AC continues to be satisfied with the performance of the external auditors and confirmed that Deloitte continues to be objective and independent.

The AC recommends the reappointment of Deloitte at the AGM scheduled on 20 April 2017.

Whistle-blowing

The Group has put in place a whistle-blowing framework endorsed by the AC. The AC Chairman is the primary point of contact for the employees to raise concerns, in confidence.

Details of the whistle-blowing policies and arrangements have been made available to all employees.

There was no reported incident pertaining to whistle-blowing for the financial year ended 31 December 2016.

Leow Chung Chong Yam Soon
Chairman of the Audit Committee

DIRECTORS' STATEMENT

The directors present their statement together with the audited consolidated financial statements of the group and statement of financial position and statement of changes in equity of the company for the financial year ended December 31, 2016.

In the opinion of the directors, the consolidated financial statements of the group and the statement of financial position and statement of changes in equity of the company as set out on page 44 to 97 are drawn up so as to give a true and fair view of the financial position of the group and of the company as at December 31, 2016 and of the financial performance, changes in equity and cash flows of the group and changes in equity of the company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the company will be able to pay its debts when they fall due.

1 DIRECTORS

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

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

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

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

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

Name of directors	Shareholdings registered in the name of directors			Shareholdings in which directors are deemed to have an interest		
	At beginning of year	At end of year	At January 21, 2017	At beginning of year	At end of year	At January 21, 2017
The company						
Ordinary shares						
Koh Wee Meng	4,992,680,000	5,010,300,000	5,011,200,000	735,000,000	735,000,000	735,000,000
Lim Wan Looi	735,000,000	735,000,000	735,000,000	4,992,680,000	5,010,300,000	5,011,200,000
Periakaruppan Aravindan	5,336,000	5,516,000	5,716,000	—	—	—

During the year, performance shares of 200,000 were awarded to Periakaruppan Aravindan (Note 23).

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

DIRECTORS' STATEMENT

4 SHARE OPTIONS

a) Options to take up unissued shares

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

b) Options exercised

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

c) Unissued shares under options

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

5 AUDIT COMMITTEE

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

- a) The audit plan and results of the auditors' examination;
- b) The group's financial and operating results, evaluation of group's systems of internal accounting controls and accounting policies;
- c) The statement of financial position and statement of changes in equity of the company and the consolidated financial statements of the group before their submission to the directors of the company and external auditors' report on those financial statements;
- d) The quarterly, half-yearly and annual announcements as well as the related press releases on the results of the group and financial position of the company and the group;
- e) The co-operation and assistance given by the management to the group's external auditors; and
- f) The re-appointment of the external auditors of the group.

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

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

DIRECTORS' **STATEMENT**

6 AUDITORS

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

ON BEHALF OF THE DIRECTORS

.....
Koh Wee Meng

.....
Periakaruppan Aravindan

March 16, 2017

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF FRAGRANCE GROUP LIMITED

REPORT ON THE AUDIT OF FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of the Fragrance Group Ltd (the "company") and its subsidiaries (the "group"), which comprise the consolidated statement of financial position of the group and the statement of financial position of the company as at December 31, 2016, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the group and statement of changes in equity of the company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 44 to 97.

In our opinion, the accompanying consolidated financial statements of the group and the statement of financial position and statement of changes in equity of the company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the group and the financial position of the company as at December 31, 2016 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the group and of the changes in equity of the company for the year ended on that date.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters

Recognition of revenue and cost from sale of properties under development (Refer to Note 3 and Note 26 to the financial statements)

Revenue from development properties in Singapore amounts to \$97,058,000 or 82% of total revenue. Revenue is recognised based on percentage of completion which is the proportion of cost incurred relative to estimated total cost to completion. Cost of sale for residential and commercial components differ due to the different values attached to land cost and development cost for dissimilar types of properties with significantly different market value on a per square metre basis.

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

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

The allocation of land cost to residential and commercial components within the same development is based on relative estimated sales value of the finished commercial and residential components. Development costs have been allocated between the two components based on specific cost as determined by quantity surveyor or by floor area.

How the matter was addressed in the audit

The development properties comprise those developed by a subsidiary which we audit and those developed by a joint operation which is audited by another auditor. The procedures below comprise those performed by us and those performed by the other auditor whose file have been reviewed by us to ascertain the procedures and evidence obtained by the other auditor:

- tested the cost incurred to date and evaluated the basis and support for estimated cost to completion;
- examined the basis of cost allocation between residential and commercial components, and verified the calculation.

We considered the adequacy of the disclosures of significant judgement and accounting estimates in Note 3 to the financial statements.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF FRAGRANCE GROUP LIMITED

Key audit matters

Valuation of investment properties (Refer to Note 3 and Note 15 to the financial statements)

The aggregate value of investment properties amounting to \$1,172,223,000 represents 60% of total assets. These investment properties are stated at their fair values based on valuations of an independent professional valuer. The valuation process involves significant judgements in determining the appropriate valuation methodologies, in estimating adjustments to comparable property prices when using the direct comparison method, in projecting income and estimating the appropriate capitalisation rate under the income capitalisation method.

How the matter was addressed in the audit

We read the valuation reports from the external professional valuer and held a discussion with the valuer to:

- evaluate the independence, qualifications, competence and objectivity of the external professional valuer and the scope of work of the valuer.
- consider the valuation methodologies used, the comparable properties used by the valuer and the judgemental adjustments made by the valuer for differences in property attributes between the Group's properties when using the direct comparison method; and the basis of projecting income and estimating the capitalisation rate.

We considered the adequacy of disclosures in the financial statements in describing the inherent subjectivity of the valuations, the key unobservable inputs and the relationships between the key unobservable inputs and fair value.

Recoverable amounts of development properties in Australia

(Refer to the Note 3 and Note 9 to the financial statements)

Total cost of nine development properties in Australia amount to \$294,681,000 representing approximately 14.5% of total assets of the Group as of December 31, 2016. Two projects have commenced sales and development, one project has commenced development, another project has received approval of planning permit and the remaining five properties are at preliminary stage of evaluation.

Significant assumptions are made by management regarding the types and physical attributes of development. Significant estimates comprise projected gross development values and development cost upon completion of development. Future market values which can be realised and future cost to be incurred may be significantly different from current estimates due to changes in types and physical attributes of development and macroeconomic changes impacting demand and supply.

We obtained details of management estimates of gross development values ("GDVs") and total cost of development, compared components of these estimates with third party estimates or quotations and transaction values of comparable properties where available; and where not available, evaluated the basis of management's estimates.

We considered the effects of unfavourable adjustments for sensitivity analysis to evaluate whether this may result in foreseeable losses. These estimates indicate no foreseeable losses.

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

Future circumstances and actual results may differ from current assumptions and projections.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF FRAGRANCE GROUP LIMITED

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

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

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

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

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- (a) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF FRAGRANCE GROUP LIMITED

- (d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

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

The engagement partner on the audit resulting in this independent auditor's report is Wong-Yeo Siew Eng.

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

March 16, 2017

STATEMENTS OF
FINANCIAL POSITION

DECEMBER 31, 2016

		Group		Company	
	Note	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
ASSETS					
Current assets					
Cash and cash equivalents	6	45,513	94,354	8,621	59,000
Trade and other receivables	7	75,276	265,920	40,583	175,928
Held for trading investments	8	—	4,155	—	4,155
Properties under/held for development	9	476,476	442,811	181,795	216,554
Properties held for sale	10	67,731	29,162	636	—
Assets held for sale	11	—	86,797	—	—
Total current assets		664,996	923,199	231,635	455,637
Non-current assets					
Subsidiaries	12	—	—	750,152	633,324
Investment in joint operations	13	—	—	—	—
Investment in joint venture	14	93,566	66,312	87,313	60,313
Other receivables and prepayment	7	9,366	8,908	1,238	—
Deferred tax asset	20	1,254	743	—	—
Investment properties	15	1,172,223	1,141,782	—	—
Property, plant and equipment	16	18,903	19,166	—	—
Total non-current assets		1,295,312	1,236,911	838,703	693,637
Total assets		1,960,308	2,160,110	1,070,338	1,149,274
LIABILITIES AND EQUITY					
Current liabilities					
Trade and other payables	17	32,920	113,400	40,159	140,052
Notes payable	18	76,048	1,476	76,048	1,476
Term loans	19	151,734	439,887	—	46,000
Derivative financial instrument		87	—	—	—
Income tax payable		16,848	20,599	11,440	310
Total current liabilities		277,637	575,362	127,647	187,838
Non-current liabilities					
Trade and other payables	17	—	—	2,000	1,411
Notes payable	18	—	85,000	—	85,000
Term loans	19	626,692	435,701	105,725	108,305
Deferred tax liabilities	20	2,692	14,698	2,692	11,347
Total non-current liabilities		629,384	535,399	110,417	206,063
Capital and reserves					
Share capital	21	150,000	150,000	150,000	150,000
Treasury shares	22	(999)	(1,050)	(999)	(1,050)
Performance share reserve	23	318	308	318	308
Revaluation reserve	24	35,682	33,266	—	—
Foreign currency translation reserve	25	(26,254)	(26,721)	—	—
Investment revaluation reserve		(141)	(72)	—	—
Accumulated profits		880,635	879,844	682,955	606,115
Equity attributable to owners of the company		1,039,241	1,035,575	832,274	755,373
Non-controlling interests		14,046	13,774	—	—
Total equity		1,053,287	1,049,349	832,274	755,373
Total liabilities and equity		1,960,308	2,160,110	1,070,338	1,149,274

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended December 31, 2016

	Note	Group 2016 \$'000	2015 \$'000
Revenue	26	118,733	285,727
Cost of sales		<u>(75,411)</u>	<u>(194,462)</u>
Gross profit		43,322	91,265
Investment gain	27	467	1,722
Other operating income	28	3,850	29,345
Selling and distribution costs		<u>(5,426)</u>	<u>(9,489)</u>
Administrative expenses		<u>(17,383)</u>	<u>(17,938)</u>
Finance costs	29	<u>(17,502)</u>	<u>(12,514)</u>
Share of results of joint venture	14	<u>1,311</u>	<u>(1,609)</u>
Profit before income tax		8,639	80,782
Income tax expense	30	<u>(864)</u>	<u>(9,430)</u>
Profit for the year	31	<u>7,775</u>	<u>71,352</u>
Other comprehensive income, net of tax:			
<u>Items that will not be reclassified subsequently to profit or loss</u>			
Revaluation of land and buildings		–	7,770
Income tax relating to components of other comprehensive income that will not be reclassified subsequently		–	489
<i>Share of other comprehensive income of joint venture</i>			
Revaluation of land and buildings	14	2,028	10,603
Income tax relating to components of other comprehensive income that will not be reclassified subsequently	14	<u>388</u>	<u>(1,502)</u>
		<u>2,416</u>	<u>17,360</u>
<u>Items that may be reclassified subsequently to profit or loss</u>			
Exchange differences on translation of foreign operations		3,871	(10,904)
<i>Share of other comprehensive income of joint venture</i>			
Exchange differences on translation of foreign operations	14	(3,404)	(1,421)
Fair value loss on investment securities	14	<u>(69)</u>	<u>(72)</u>
		<u>398</u>	<u>(12,397)</u>
Other comprehensive income for the year, net of tax		<u>2,814</u>	<u>4,963</u>
Total comprehensive income for the year		<u>10,589</u>	<u>76,315</u>
Profit attributable to:			
Owners of the company		7,503	68,164
Non-controlling interests	12(b)	<u>272</u>	<u>3,188</u>
		<u>7,775</u>	<u>71,352</u>
Total comprehensive income attributable to:			
Owners of the company		10,317	73,127
Non-controlling interests		<u>272</u>	<u>3,188</u>
		<u>10,589</u>	<u>76,315</u>
Earnings per share			
– Basic and Diluted	32	<u>0.11 cents</u>	<u>1.01 cents</u>

See accompanying notes to financial statements.

STATEMENTS OF
CHANGES IN EQUITY

Year ended December 31, 2016

	Note	Share capital \$'000	Treasury share \$'000	Performance shares reserve \$'000	Revaluation reserve \$'000	Foreign currency translation reserve \$'000	Investment revaluation reserve \$'000	Accumulated profits \$'000	Attributable to equity holders of the company \$'000	Non controlling interests \$'000	Total \$'000
Group											
Balance at January 1, 2015		150,000	(503)	271	15,906	(14,396)	—	828,463	979,741	58,586	1,038,327
Transactions with owners, recognised directly in equity											
Dividends paid	33	—	—	—	—	—	—	(16,783)	(16,783)	—	(16,783)
Dividends paid to non-controlling interests		—	—	—	—	—	—	—	—	(48,000)	(48,000)
Repurchase of shares	22	—	(623)	—	—	—	—	—	(623)	—	(623)
Award of performance shares	22 & 23	—	76	37	—	—	—	—	113	—	113
Total		—	(547)	37	—	—	—	(16,783)	(17,293)	(48,000)	(65,293)
Total comprehensive income for the year											
Profit for the year		—	—	—	—	—	—	68,164	68,164	3,188	71,352
Other comprehensive income for the year		—	—	—	17,360	(12,325)	(72)	—	4,963	—	4,963
Total		—	—	—	17,360	(12,325)	(72)	68,164	73,127	3,188	76,315
Balance at December 31, 2015		150,000	(1,050)	308	33,266	(26,721)	(72)	879,844	1,035,575	13,774	1,049,349
Transactions with owners, recognised directly in equity											
Dividends paid	33	—	—	—	—	—	—	(6,712)	(6,712)	—	(6,712)
Dividends paid to non-controlling interests		—	—	—	—	—	—	—	—	—	—
Repurchase of shares	22	—	—	—	—	—	—	—	—	—	—
Award of performance shares	22 & 23	—	51	10	—	—	—	—	61	—	61
Total		—	51	10	—	—	—	(6,712)	(6,651)	—	(6,651)
Total comprehensive income for the year											
Profit for the year		—	—	—	—	—	—	7,503	7,503	272	7,775
Other comprehensive income for the year		—	—	—	2,416	467	(69)	—	2,814	—	2,814
Total		—	—	—	2,416	467	(69)	7,503	10,317	272	10,589
Balance at December 31, 2016		150,000	(999)	318	35,682	(26,254)	(141)	880,635	1,039,241	14,046	1,053,287

STATEMENTS OF CHANGES IN EQUITY

Year ended December 31, 2016

				Performance		
	Note	Share capital \$'000	Treasury share \$'000	shares reserve \$'000	Accumulated profits \$'000	Total \$'000
<u>Company</u>						
Balance at January 1, 2015		150,000	(503)	271	291,483	441,251
Transactions with owners, recognised directly in equity						
Dividends declared	33	—	—	—	(16,783)	(16,783)
Repurchase of shares	22	—	(623)	—	—	(623)
Award of performance shares	22 & 23	—	76	37	—	113
Total		—	(547)	37	(16,783)	(17,293)
Profit for the year, representing total comprehensive income for the year		—	—	—	331,415	331,415
Balance at December 31, 2015		150,000	(1,050)	308	606,115	755,373
Transactions with owners, recognised directly in equity						
Dividends declared	33	—	—	—	(6,712)	(6,712)
Repurchase of shares	22	—	—	—	—	—
Award of performance shares	22 & 23	—	51	10	—	61
Total		—	51	10	(6,712)	(6,651)
Profit for the year, representing total comprehensive income for the year		—	—	—	83,552	83,552
Balance at December 31, 2016		150,000	(999)	318	682,955	832,274

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31, 2016

	Group	
	2016	2015
	\$'000	\$'000
Operating activities		
Profit before income tax	8,639	80,782
Adjustments for:		
Depreciation of property, plant and equipment	486	154
Amortisation of prepaid land lease	780	780
Amortisation of rental incentives granted	(721)	(265)
Amortisation of processing fee on debt note issued	192	192
Property, plant and equipment written off	1	–
Change in fair value of held for trading investments	(467)	(1,722)
Fair value gain on investment properties	(2,208)	(28,187)
Fair value on derivative financial instrument	87	–
Interest income	(640)	(789)
Interest expense	17,502	12,514
Unrealised gain on foreign exchange differences	(91)	311
Allowance for doubtful receivables	56	–
Performance share award expenses	61	113
Share of results of joint venture	(1,311)	1,609
Operating cash flows before movements in working capital	22,366	65,492
Trade and other receivables	178,824	75,341
Development properties and properties held for sale	(6,722)	82,903
Trade and other payables	(52,398)	8,905
Cash generated from operations	142,070	232,641
Interest paid	(22,246)	(24,554)
Income tax paid	(17,127)	(30,320)
Net cash from operating activities	102,697	177,767
Investing activities		
Interest received	640	789
Investment in joint venture	(27,000)	(60,313)
Purchase of held for trading investments	(1,354)	–
Proceeds from disposal of held for trading investments	5,976	–
Purchase of investment property (Note B)	(3,530)	(22,781)
Purchase of property, plant and equipment	(224)	(53)
Net cash used in investing activities	(25,492)	(82,358)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31, 2016

	Group	
	2016	2015
	\$'000	\$'000
Financing activities		
Proceeds from borrowings	65,357	44,000
Proceeds from notes issued	–	84,616
Repayment of notes issued	(10,250)	–
Repayment of borrowings	(162,420)	(173,090)
Repurchase of shares	–	(623)
Dividends paid (Note C)	(6,712)	(34,783)
Advances (to) from non-controlling interests (Note D)	(11,880)	2,900
Net cash used in financing activities	(125,905)	(76,980)
Net (decrease) increase in cash and cash equivalents	(48,700)	18,429
Cash and cash equivalents at beginning of year (Notes A and 6)	94,354	76,543
Effect of exchange rate change on balances of cash held in foreign currencies	(141)	(618)
Cash and cash equivalents at end of year (Notes A and 6)	45,513	94,354

Note A: Included in the cash and cash equivalents is an amount of \$3,854,000 (2015: \$48,713,000) deposited in the project accounts and fixed deposits. Withdrawals of these monies for expenditure related to specific properties under development are governed by the Housing Developers (Control and Licensing) Act.

Note B:

	Group	
	2016	2015
	\$'000	\$'000
Addition of investment properties (Note 15)	2,760	27,624
Capitalised interest included as interest in statement of cash flows	–	(4,302)
Payment of cost accrued in preceding year/(cost incurred yet to be paid)	770	(541)
	3,530	22,781

Note C: In 2015, dividends paid comprise those declared in 2015 and the \$18,000,000 declared in 2014.

Note D: In 2015, the dividend payable to non-controlling interest of \$48,000,000 was offset against advances from non-controlling interest.

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

1 GENERAL

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

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

The principal activities of its subsidiaries, joint operations and joint venture are described in Notes 12, 13 and 14 to the financial statements.

The financial statements are expressed in Singapore dollars, which is also the functional currency of the company. The consolidated financial statements of the group and the statement of financial position and statement of changes in equity of the company for the year ended December 31, 2016 were authorised for issue by the Board of Directors on March 16, 2017.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of FRS 102 *Share-based Payments*, leasing transactions that are within the scope of FRS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in FRS 2 *Inventories* or value in use in FRS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

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

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

ADOPTION OF NEW AND REVISED STANDARDS – On January 1, 2016, the group adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are effective from that date and are relevant to its operations. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the group's and company's accounting policies and has no material effect on the amounts reported for the current or prior years except as disclosed below.

At the date of authorisation of these financial statements, the following FRSs and amendments to FRS that are relevant to the group and the company were issued but not effective:

- FRS 109 *Financial Instruments* ²
- FRS 115 *Revenue from Contracts with Customers (with clarifications issued)* ²
- FRS 116 *Leases* ³
- Amendments to FRS 7 *Statement of Cash Flows: Disclosure Initiative* ¹

Consequential amendments were also made to various standards as a result of these new/revised standards.

¹ Applies to annual periods beginning on or after January 1, 2017, with early application permitted.

² Applies to annual periods beginning on or after January 1, 2018, with early application permitted.

³ Applies to annual periods beginning on or after January 1, 2019, with earlier application permitted if FRS 115 is adopted.

Management has not early adopted any of the above new/amended FRS.

FRS 109 Financial Instruments

FRS 109 will replace FRS 39 Financial Instruments: Recognition and Measurement and introduced new requirements for (i) the classification and measurement of financial assets and financial liabilities (ii) general hedge accounting (iii) impairment requirements for financial assets.

Based on the existing profile of financial instruments (absence of equity and debt investments and absence of financial liabilities designated as "fair value to profit and loss") new requirements for classification and measurement of financial instruments under FRS 109 will have no effect on the group.

In respect of hedge accounting, FRS 109 provides greater flexibility to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Should the present type and nature of hedging be existing on date of adoption of FRS109, there will be no impact on the measurement and recognition of fair value changes.

In relation to the impairment of financial assets, FRS 109 requires an expected credit loss model, as opposed to an incurred credit loss model under FRS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. It is no longer necessary for a credit event to have occurred before credit losses are recognised.

On adoption of FRS 109, the group will need to account for expected credit losses and expect to use historical experience, modified by any future change such as customers' profile and payment modes.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

FRS 115 Revenue from Contracts with Customers

In November 2014, FRS 115 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. FRS 115 will supersede the current revenue recognition guidance including FRS 18 *Revenue*, FRS 11 *Construction Contracts* and the related Interpretations when it becomes effective. Further clarifications to FRS 115 were also issued in June 2016.

The core principle of FRS 115 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contracts with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under FRS 115, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in FRS 115 to deal with specific scenarios. Furthermore, extensive disclosures are required by FRS 115.

Based on the existing sources of revenue as at December 31, 2016 management has made a preliminary assessment that the application of FRS 115 may not have a material impact on the group’s financial statements. Further evaluation will be undertaken should there be further updates on the application of FRS 115 or should the sources of revenue change in the year when FRS 115 becomes effective.

FRS 116 Leases

FRS 116 was issued in June 2016 and will supersede FRS 17 Leases and its associated interpretative guidance.

The identification of leases, distinguishing between leases and service contracts, are determined on the basis of whether there is an identified asset controlled by the customer. Significant changes to lessee accounting are introduced, with the distinction between operating and finance leases removed and assets and liabilities recognised in respect of all leases (subject to limited exceptions for short-term leases and leases of low value assets). The Standard maintains substantially the lessor accounting approach under the predecessor FRS 17.

Upon adoption of FRS 116, the group will recognise liabilities for non-cancellable operating lease commitments (other than those which fall within the exceptions stated above); and recognise a corresponding right of use asset to be amortised on a straight line basis over the lease period. Note 36 provides an indication of the nature and extent of lease commitments which fall within FRS 116.

FRS convergence in 2018

Singapore-incorporated companies listed on the SGX will be required to apply a new Singapore financial reporting framework that is identical to the International Financial Reporting Standards (“IFRS”) for annual periods beginning on or after 1 January 2018. The group will be adopting the new framework for the first time for financial year ending 31 December 2018.

Based on a preliminary assessment of the potential impact arising from IFRS 1 First-time adoption of IFRS, management does not expect significant changes to the group’s current accounting policies or material adjustments on transition to the new framework, other than those that may arise from implementing new/revised IFRSs as set out in the preceding paragraphs on the equivalent FRSs.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Management is currently performing a detailed analysis of the transition options and other requirements of IFRS 1. The preliminary assessment above may be subject to change arising from the detailed analysis.

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

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

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

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

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

Consolidation of a subsidiary begins when the company obtains control over the subsidiary and ceases when the company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the company gains control until the date when the company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

When the group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable FRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39, or when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts to present value, the estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period. Income and expense are recognised on an effective interest basis for debt instruments other than those financial instruments "at fair value through profit or loss".

Financial assets

All financial assets are recognised and de-recognised on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value plus transaction costs, except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Financial assets are classified into the following specified categories, financial assets "at fair value through profit or loss", "held-to-maturity investments", "available-for-sale" financial assets and "loans and receivables". The classification depends on the nature and purpose of financial assets and is determined at the time of initial recognition.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets are classified as at FVTPL where the financial liability is either held for trading or it is designated as FVTPL.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling in the near future; or
- It is a part of an identified portfolio of financial instruments that the group manages together and has a recent pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed with its performance evaluated on a fair value basis, in accordance with the group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and FRS 39 – *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as FVTPL.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial assets (cont'd)

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest paid on the financial asset and is included in "investment revenue" line in the statement of profit or loss and other comprehensive income. Fair value is determined in the manner described in Note 4.

Loans and receivables

Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For all other financial assets, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the group's past experience of collecting payments according to the contractual terms of the receivables as well as observable change in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of receivables where the carrying amount is reduced through the use of an allowance account. When a receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

In a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial assets (cont'd)

Derecognition of financial assets

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

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by the group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

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

Other financial liabilities

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis.

Interest-bearing bank loans are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the group's accounting policy for borrowing costs (see below).

Financial guarantee contract liabilities of the company are measured initially at their fair values and subsequently at the higher of the amount of obligation under the contract recognised as a provision in accordance with FRS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation in accordance with FRS 18 Revenue.

Financial guarantees

The company has issued corporate guarantees to banks and financial institutions for bank borrowings of its subsidiaries. These financial guarantees require the company to reimburse the banks and financial institutions if the subsidiaries fail to make principal or interest payments when due in accordance with the terms of their borrowings.

Financial guarantee contracts are initially recognised at their fair value plus any transaction costs.

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

Derecognition of financial liabilities

The group derecognises financial liabilities when, and only when, the group's obligations are discharged, cancelled or they expire.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial liabilities and equity instruments (cont'd)

Derivative financial instruments

The group uses foreign currency option contracts to manage its exposure to foreign exchange rate risk.

The financial derivatives are initially recognised at fair value on the contract date and are subsequently remeasured at their fair values at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately.

The fair values of the derivatives are determined by reference to market value quoted by a bank at the reporting date.

PROPERTIES UNDER DEVELOPMENT – Development properties are stated at cost plus recognised profits on units sold, less progress billings and any impairment loss. Cost comprises the payment made for acquisition of land, development costs, finance costs and other related expenditure which are capitalised as and when activities that are necessary to get the asset ready for its intended use until such time that the properties are substantially completed.

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

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

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

PROPERTY, PLANT AND EQUIPMENT

Office premises and plant and equipment are carried at cost, less accumulated depreciation and any impairment losses.

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

Building – office premises	–	2%
Motor vehicles	–	20%
Furniture, fixtures and fittings	–	20%
Office equipment	–	20%
Computer	–	20% to 33 $\frac{1}{3}$ %
Electrical installation	–	20%
Renovation	–	20%

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the revaluation reserve is transferred directly to retained earnings. No transfer is made from the revaluation reserve to retained earnings except when an asset is derecognised.

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

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

The group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the group's net investment outstanding in respect of the leases.

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

The group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Contingent rentals, if any, arising under operating leases are recognised as an expense in the period in which they are incurred.

Lease incentives received from lessors are recognised as reductions of rental expense on a straight-line basis over the period of the lease.

IMPAIRMENT OF TANGIBLE ASSETS – At the end of each reporting period, the group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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

NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE – Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

JOINT VENTURE – A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with FRS 105. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the group's share of the profit or loss and other comprehensive income of the joint venture. When the group's share of losses of a joint venture exceeds the group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the group's net investment in the joint venture), the group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

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

The requirements of FRS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the group's investment in a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with FRS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with FRS 36 to the extent that the recoverable amount of the investment subsequently increases.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

The group discontinues the use of the equity method from the date when the investment ceases to be a joint venture, or when the investment is classified as held for sale. When the group retains an interest in the former joint venture and the retained interest is a financial asset, the group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with FRS 39. The difference between the carrying amount of the joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the joint venture is included in the determination of the gain or loss on disposal of the joint venture. In addition, the group accounts for all amounts previously recognised in other comprehensive income in relation to that joint venture on the same basis as would be required if that joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The group continues to use the equity method when an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the group reduces its ownership interest in a joint venture but the group continues to use the equity method, the group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

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

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

INTERESTS IN JOINT OPERATIONS – A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

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

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

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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

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

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

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

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

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

Equity-settled share-based payments are measured at fair value of the equity instruments at the date of grant. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 23. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the group's estimate of the number of equity instruments that will eventually vest. At the end of each reporting period, the group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

REVENUE RECOGNITION – Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

The group recognises profits on sale of properties under development in Singapore using the percentage of completion method when the transfer of significant risks and rewards of ownership occurs as development progresses. The percentage of completion is measured by reference to the percentage of physical completion at the end of each reporting period determined by independent qualified surveyors. When losses are expected, full provision is made in the financial statements after taking into account estimated costs to completion. Revenue from sale of properties in Australia will be recognised on completion of development.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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

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

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

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

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

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

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

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

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The group's liability for current tax is calculated using tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

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

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model of the group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The group has not rebutted the presumption that the carrying amount of the investment properties will be recovered entirely through sale.

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

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

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

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

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

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

SEGMENT – 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.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

The group determines and presents operating segments based on information that is internally provided to the Chief Executive Officer who is the group's chief operating decision maker. Decisions about resources to be allocated and assessment of performance, are distinguished by operating segments.

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

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgements in applying the entity's accounting policies

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

Allocation of costs to individual units of different components in mixed development projects

For mixed development projects, the group segregates the land cost and all costs directly related to the acquisition of the land between commercial, retail and residential components based on the relative estimated sales value of each finished component. Management considers the use of this basis for allocating cost of land more closely approximates the basis on which the economic value of the land had been determined. Other development costs such as construction costs are allocated based on specific cost as determined by quantity surveyor or the floor area of each unit relative to the total floor area available for sale.

Deferred taxation on revaluation gains from investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the management has reviewed the group's investment property portfolio and concluded that, while certain of the group's investment properties are depreciable, they are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, no deferred tax is provided on revaluation gains from all investment properties.

Classification of development properties and investment properties

For the purposes of classifying properties held for sales or held for investment purposes, management reviews the business objectives upon completion of development of properties. In maximizing shareholders' value, management considers potential earnings of unsold commercial units and the actions taken to secure tenancies before classifying these unsold units as "Investment Properties". Such transfer of units can be made on enbloc basis or by individual units based on the adopted strategy to maximise shareholders' value.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION (CONT'D)

Key sources of estimation uncertainty

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

Revenue and costs from properties under development

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

As described in Note 2 to the financial statements, revenue and costs associated with sold units of Singapore properties under development are recognised as revenue and expenses respectively by reference to the stage of completion of project activity at the end of the reporting period, using architects' or quantity surveyors' estimates. Percentage of completion is the ratio of costs certified over total projected cost to complete the development.

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

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

The allocation of land cost to residential and commercial components within the same development is based on relative estimated sales value of the finished commercial and residential components. Development costs have been allocated between the two components based on specific cost as determined by quantity surveyor or by floor area.

Recoverable amounts of development properties for sale and properties under/held for development

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

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

Total cost of nine development properties in Australia amount to \$294,681,000 representing approximately 15% of total assets of the Group as of December 31, 2016. Two projects have commenced sales and development, one project has commenced development, another project has received approval of planning permit and the remaining five properties are at preliminary stage of evaluation.

Significant assumptions are made by management regarding the types and physical attributes of development. Significant estimates comprise projected gross development values and development cost upon completion of development. Future market values which can be realised and future cost to be incurred may be significantly different from current estimates due to changes in types and physical attributes of development and macroeconomic changes impacting demand and supply.

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

Valuation of investment properties

Investment properties are stated at fair values based on independent professional valuations. In determining the fair value, the valuer has used valuation techniques which involve certain estimates and significant unobservable inputs which are disclosed in Note 15.

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

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION (CONT'D)

Key sources of estimation uncertainty (cont'd)

Income tax

Significant estimate is involved in determining the provision for income taxes. The group recognises liabilities based on estimates of whether additional taxes will be due. Where the final tax outcomes of these matters are different from the amounts that were initially estimated, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

In 2016, the group transferred certain properties previously held for sale to investment properties as described in the section "Classification of development properties and investment properties". No tax is attributed to the change in fair values of these properties relative to cost at the date of transfer from development properties held for sale to investment properties.

In 2016, the group reassessed for tax purposes, the allocation of land cost between sold residential properties and unsold commercial properties (classified as investment property) in a mixed development. The relative values of development charge applicable to residential and commercial development used by the relevant authorities to levy charges for enhancement of land through development, was used to allocate land cost instead of the accounting basis of allocation. This resulted in an adjustment to prior year tax estimates, recorded in 2016.

Information about the deferred tax and income tax expenses are disclosed in Notes 20 and 30 respectively.

Recoverable amounts of trade and other receivables

A considerable amount of judgement and accounting estimates is required in assessing the ultimate realisation of trade and other receivables (Note 7). Based on observed collection patterns, management expects all receivables to be recoverable and no allowance for doubtful receivables is required.

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

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

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

(a) Categories of financial instruments

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

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Financial assets				
Fair value through profit or loss (FVTPL):				
Held for trading investments	—	4,155	—	4,155
Assets held for sale	—	86,797	—	—
Loans and receivables (including cash and cash equivalents)	94,149	338,488	39,519	223,958
Financial liabilities				
Amortised cost	886,890	1,014,495	220,691	319,737
Derivative financial instrument	87	—	—	—
Financial guarantee contracts	—	—	3,050	2,489

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONT'D)

(b) *Financial risk management policies and object*

The group is exposed to various financial risks in the normal course of business. There is no significant change in the risks except for increased exposure to the effect of foreign currency translations of assets in an Australian dollar functional currency environment as the group increases its acquisition of properties in Australia and exposure to effects of currency movements when equity accounting for a share of results and assets of a joint venture.

(i) Foreign exchange risk management

The group has nine properties in Australia (Note 9). Changes in exchange rates between Australian dollars and the group's reporting currency result in currency translation movements which are recognised in Other Comprehensive Income. The group equity accounts for its share of the results and net assets of a joint venture (Note 14) which has invested in another listed group with operations in a number of countries and exposures to variability in exchange rates. Management has not entered into any hedge arrangements in respect of these foreign currency positions.

(ii) Interest rate risk management

The Group has variable rate borrowings. Management actively reviews the debt portfolio and switches to more cost-effective sources of funding to achieve a certain level of protection against interest hikes. Summary quantitative data of the group's interest-bearing financial instruments can be found in Section (iv) of this Note.

Interest rate sensitivity

If interest rates had been 50 basis points higher or lower and all other variables were held constant, interest cost would increase/decrease by approximately \$3,120,000 (2015: \$2,051,000).

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

(iii) Credit risk management

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

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

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

Cash is held with creditworthy financial institutions.

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

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONT'D)*(b) Financial risk management policies and object (cont'd)**(iv) Liquidity risk management*

The group maintains sufficient cash and cash equivalents, and internally generated cash flows to finance their activities. The group finances its liquidity needs through internally generated cash flows and external financing, and minimises liquidity risk by keeping committed credit lines available and reviewing the maturity profile of its borrowings relative to expected cash inflows.

*Liquidity and interest risk analyses**Financial liabilities*

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

	Weighted Average Effective Interest rate %	On demand or within 1 year \$'000	Within 2 to 5 years \$'000	After 5 years \$'000	Adjustment \$'000	Total \$'000
<u>Group</u>						
2016						
Non-interest bearing	N.A	32,416	—	—	—	32,416
Fixed interest rate instruments	3.75	76,163	—	—	(115)	76,048
Variable interest rate instruments	2.12	<u>159,460</u>	<u>563,483</u>	<u>129,474</u>	<u>(73,991)</u>	<u>778,426</u>
2015						
Non-interest bearing	NA	52,431	—	—	—	52,431
Fixed interest rate instruments	3.75	3,188	85,128	—	(1,840)	86,476
Variable interest rate instruments	2.42	<u>450,421</u>	<u>353,372</u>	<u>141,861</u>	<u>(70,066)</u>	<u>875,588</u>
<u>Company</u>						
2016						
Non-interest bearing	NA	38,918	—	—	—	38,918
Fixed interest rate instruments	3.75	76,163	—	—	(115)	76,048
Variable interest rate instruments	2.78	<u>2,939</u>	<u>107,195</u>	<u>—</u>	<u>(4,409)</u>	<u>105,725</u>
2015						
Non-interest bearing	NA	78,956	—	—	—	78,956
Fixed interest rate instruments	3.75	3,188	85,128	—	(1,840)	86,476
Variable interest rate instruments	2.79	<u>50,198</u>	<u>108,560</u>	<u>—</u>	<u>(4,453)</u>	<u>154,305</u>

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

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONT'D)

(b) *Financial risk management policies and object (cont'd)*

(iv) Liquidity risk management (cont'd)

Financial assets

The following undiscounted cash flows are based on contractual maturities of the financial assets including any interest except where the group and the company anticipates that the cash flow will occur in a different period. The adjustment column represents the possible future cash flows attributable to future interest which are not included in the carrying amount of the financial asset on the statements of financial position.

	Weighted Average Effective Interest rate %	On demand or within 1 year \$'000	Adjustment \$'000	Total \$'000
<u>Group</u>				
2016				
Non-interest bearing	NA	93,147	—	93,147
Fixed interest rate instruments	1.00	1,003	(1)	1,002
2015				
Non-interest bearing	NA	393,429	—	393,429
Fixed interest rate instruments	0.82	36,026	(15)	36,011
<u>Company</u>				
2016				
Non-interest bearing	NA	39,519	—	39,519
Fixed interest rate instruments	NA	—	—	—
2015				
Non-interest bearing	NA	193,102	—	193,102
Fixed interest rate instruments	0.82	35,025	(14)	35,011

(vi) Fair value of financial assets and financial liabilities

The carrying amounts of cash and bank balances, trade and other current receivables and trade and other payables and short-term loans approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to the financial statements.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONT'D)

(c) Capital management policies and objectives

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

The capital structure of the group consists of equity and reserves; and borrowings through term loans from financial institutions (Note 19) and notes issued on the capital market (Note 18). The group is in compliance with financial covenants associated with external borrowings.

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

The group monitors capital using debt ratios as follows:

	Group	
	2016	2015
	\$'000	\$'000
Total assets	1,960,308	2,160,110
Total debts	854,474	962,064
Total equity	1,053,287	1,049,349
Debt-to-total assets	43.6%	44.5%
Debt-to-total equity	81.1%	91.7%

5 RELATED PARTY TRANSACTIONS

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

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

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

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

5 RELATED PARTY TRANSACTIONS (CONT'D)

Transactions with the related parties include:

	Group	
	2016	2015
	\$'000	\$'000
Early redemption of a note by a director (Note 18)	10,337	–
Sale of two property units to be developed in Australia to a director	1,330	–
Rental income received from a related party in which directors has interest	564	264
Project management fee received from a related party in which directors has interest	28	100

Compensation of directors and key management personnel

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

	Group	
	2016	2015
	\$'000	\$'000
Short-term benefits	2,545	5,150
Post-employment benefits	69	49
Share-based payments	33	42

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

6 CASH AND CASH EQUIVALENTS

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Cash and bank balances	40,657	29,630	5,460	3,537
Fixed deposits	1,002	36,011	–	35,011
Project accounts	3,854	28,713	3,161	20,452
Total	45,513	94,354	8,621	59,000

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

All fixed deposits are for terms of approximately one to three months with interest rate of 1% at the end of the year (2015 : 0.8%).

NOTES TO
FINANCIAL STATEMENTS

DECEMBER 31, 2016

7 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Rental debtors	2,454	1,006	–	3
Less: Allowance for doubtful receivables	(56)	–	–	–
	2,398	1,006	–	3
Goods and services tax receivables	2,514	791	282	2
Unbilled revenue on completed properties	29,298	12,821	14,771	–
Unbilled revenue on properties under/held for development	5,091	223,969	5,091	139,028
Deposits	5,900	866	1,277	126
Prepayments	9,480	10,266	9	201
Subsidiaries	–	–	9,759	25,798
Advances to non-controlling interests	5,260	4,980	–	–
Deferred commission expenses	22,774	19,637	9,394	10,767
Others	1,927	492	1,238	3
	84,642	274,828	41,821	175,928
Less: Prepayment (non-current portion)	(8,128)	(8,908)	–	–
Other receivable (non-current portion)	(1,238)	–	(1,238)	–
	75,276	265,920	40,583	175,928
Contracts in progress at the end of the reporting period:				
Amounts due from customers on sale of completed properties	29,298	12,821	14,771	–
Amounts due from customers on sale of properties under development	5,091	223,969	5,091	139,028
	34,389	236,790	19,862	139,028
Contract costs incurred plus recognised profits	1,331,146	1,347,407	363,531	285,558
Less: Progress billings	(1,296,757)	(1,110,617)	(343,669)	(146,530)
	34,389	236,790	19,862	139,028

Unbilled revenue on properties under/held for development are classified as current in accordance with Financial Reporting Standards FRS 1 because they are expected to be realised in the normal operating cycle.

The group's and company's trade receivables include receivables with a carrying amount of \$1,042,000 and \$Nil (2015 : \$445,000 and \$3,000) respectively which are past due as at the end of the reporting period for which the group and the company has not made any allowance for doubtful receivables as management considers this amount to be recoverable.

Allowance for doubtful receivables charged to profit and loss statement in 2016 amounted to \$56,000 (2015 : \$Nil).

The group and the company generally do not assess the credit quality of customers buying properties as it is not within the group's and the company's control to ensure that buyers are able to obtain external financing if they need to borrow subsequent to contracting to purchase the properties. Deposits and/or progress receipts from defaulters can be forfeited to the extent necessary to make good the obligations of these buyers after deducting net proceeds from resale of properties.

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

Prepayment includes prepaid operating lease of a land parcel amounting to \$8,909,000 (2015 : \$9,689,000). The lease period of the land is 15 years. Prepaid land lease amortised during the year amounted to \$780,000 (2015 : \$780,000).

Other receivables included deposits of \$1,238,000 for purchase of a land parcel. The purchase was completed on 20 February 2017.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

7 TRADE AND OTHER RECEIVABLES

The table below is an analysis of the trade receivables as at the end of the reporting period:

	Group	
	2016	2015
	\$'000	\$'000
Not past due and not impaired	1,412	561
Past due but not impaired	1,042	445
Trade receivables not impaired	2,454	1,006
Impaired receivables	56	—
Less: Allowance for doubtful debts	(56)	—
	—	—
Total trade receivables, net	2,454	1,006

The aging profile of trade receivables which were past due but not impaired is as follows:

	Group	
	2016	2015
	\$'000	\$'000
Past due by:		
30 days to 60 days	112	178
60 days to 90 days	30	19
More than 90 days	900	248
	1,042	445

8 HELD FOR TRADING INVESTMENTS

	Group and Company	
	2016	2015
	\$'000	\$'000
Quoted equity shares, at fair value	—	4,155

Fair values at December 31, 2015 were based on quoted market prices. All investments were disposed in 2016 (Note 27).

NOTES TO
FINANCIAL STATEMENTS

DECEMBER 31, 2016

9 PROPERTIES UNDER/HELD FOR DEVELOPMENT

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Land and other related costs	408,604	775,026	185,879	332,914
Development costs	84,887	225,489	31,083	71,652
Interest, property tax and other costs	34,427	63,626	16,275	21,179
	527,918	1,064,141	233,237	425,745
Less: Cost of properties sold to date	(51,442)	(621,330)	(51,442)	(209,191)
	476,476	442,811	181,795	216,554

Interest expenses capitalised in property under/held for development during the year was \$4,480,000 (2015: \$8,512,000) for the group and \$3,170,000 (2015: \$4,563,000) for the company. Interest rates ranged from 1.96% to 2.78% (2015: 1.95% to 2.83%) per annum for the group; and 2.78% (2015: 2.38% to 2.83%) per annum for the company.

Properties under/held for development are classified as current assets in accordance with Financial Reporting Standards FRS 1 because they are expected to be realised in the normal operating cycle.

All properties in Singapore are mortgaged to the banks and finance companies to secure credit facilities of the subsidiaries (Note 19).

The properties under/held for development as at December 31, 2016 were as follows:

Property and address	Description of development	Tenure	Land area (sq m)
Lot 534W of TS 15 at 371 Beach Road ⁽¹⁾	30-storey building with apartments and commercial units	99 years leasehold	7,269
374 – 396 Murray Street, Perth, Australia	Multi-storey hotel building and a residential building	Freehold	4,926
173 – 177 Macquarie Street, Tasmania	Multi-storey hotel building consisting of 296 rooms	Freehold	2,000
134-160 Spencer Street, Melbourne, Victoria	Multi-storey mixed development with commercial, hotel and residential space	Freehold	1,800
171 Macquarie Street Hobart, Tasmania	Proposed development of multi-storey commercial space	Freehold	525
28-30 Davey Street Hobart, Tasmania	Proposed development of multi-storey hotel building	Freehold	1,153
39-47 Milligan Street and 453-471 Murray Street, Perth, Australia	Proposed development of multi-storey mixed use, consisting of retail, office, hotel and residential use	Freehold	3,560

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

9 PROPERTIES UNDER/HELD FOR DEVELOPMENT (CONT'D)

Property and address	Description of development	Tenure	Land area (sq m)
555 Collins Street Melbourne, Victoria	Multi-storey mixed development with commercial and residential space	Freehold	2,300
2 – 6 Collins Street Hobart, Tasmania	Multi-storey hotel building	Freehold	3,009
234 – 250 Elizabeth Street, Hobart, Tasmania	Multi-storey mixed development with commercial and residential space	Freehold	3,501

The properties under/held for development as at December 31, 2015 were as follows:

Property and address	Description of development	Tenure	Land area (sq m)
Lot 02083X MK23 at Jalan Lokam	5-storey residential building with commercial space	Freehold	9,643
Lot 10765A MK 27 at Tanah Merah Kechil Link ⁽¹⁾	9 blocks multi-storey condominium building	99 years leasehold	13,999
Lot 534W of TS 15 at 371 Beach Road ⁽¹⁾	30-storey building with apartments and commercial units	99 years leasehold	7,269
374 – 396 Murray Street, Perth, Australia	Multi-storey hotel building with residential space	Freehold	4,926
173 – 177 Macquarie Street, Tasmania	Multi-storey of commercial space	Freehold	2,000
134-160 Spencer Street, Melbourne, Victoria	Multi-storey mixed development with commercial and residential space	Freehold	1,800
171 Macquarie Street Hobart, Tasmania	Proposed development of multi-storey commercial space	Freehold	525
28-30 Davey Street Hobart, Tasmania	Proposed development of multi-storey commercial space	Freehold	1,153
39-47 Milligan Street and 453-471 Murray Street, Perth, Australia	Proposed development of multi-storey mixed use, consisting of retail, office, hotel and residential use	Freehold	3,560

⁽¹⁾ These properties under development are in joint operations of the group and the company (Note 13).

NOTES TO
FINANCIAL STATEMENTS

DECEMBER 31, 2016

10 PROPERTIES HELD FOR SALE

	Group \$'000	Company \$'000
Balance as at December 31, 2014	14,936	–
Add: Additions during the year	140,227	–
Less: Transfer to cost of sales	(4,576)	–
Transfer to investment properties (Note 15)	(121,425)	–
Balance as at December 31, 2015	29,162	–
Add: Additions during the year	66,262	636
Less: Transfer to cost of sales	(2,220)	–
Transfer to investment properties (Note 15)	(25,473)	–
Balance as at December 31, 2016	67,731	636

Additions during the year comprise transfer from properties under development (Note 9) upon completion of development.

The properties held for sale as at December 31, 2016 are as follows:

Property and address	Description	Tenure	Floor area (sq m)
#01-10/11/14/15 at Pasir Panjang Road	4 units of completed commercial retail units of shop and restaurant	Freehold	170
267/277 at Wak Hassan Drive	2 units of completed detached dwelling houses	99 years leasehold	994
#01-48/49/50 at Tanah Merah Kechil Link	3 units of completed commercial retail units of shop	99 years leasehold	113
#01-05/08/09/10/11/12/13/14 15/16/17/19/20/23/40/45/46/47/ 49/50/51/52/54/56 at Jalan Lokam	24 units of completed commercial retail units of shop and restaurant	Freehold	1,443

The properties held for sale as at December 31, 2015 were as follows:

Property and address	Description	Tenure	Floor area (sq m)
#04-18 at 279 Thomson Road	A completed residential unit	Freehold	145
#01-10/11/14/15, #02-02/03/ 04/05/09/10/11/12/13/15/16 at Pasir Panjang Road	15 units of completed commercial retail units of shop and restaurant	Freehold	1,055
267/277 at Wak Hassan Drive	2 units of completed detached dwelling houses	99 years leasehold	994

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

11 ASSETS HELD FOR SALE

In 2015, management approved the sale of a property in Australia originally intended to be developed by the group. A third party agent was appointed to market the property. Cost of \$86,797,000 was transferred from properties held for development.

In 2016, management reassessed the development potential, secured a planning permit from the Australian authorities in September 2016 to develop the property. With this change, the cost of the property was reclassified to "Properties under/held for development" (Note 9).

12 SUBSIDIARIES

	Company	
	2016	2015
	\$'000	\$'000
Unquoted equity shares, at cost	63,784	54,780
Amount due from subsidiaries as part of net investment	665,474	558,187
Fair value of financial guarantees given by the company for credit facilities of subsidiaries ⁽³⁾	20,894	20,357
	750,152	633,324

(a) Details of the company's subsidiaries at December 31, 2016 are as follows:

Name of subsidiaries	Country of incorporation and operation	Proportion of ownership interest		Proportion of voting power held		Principal activities
		%	%	%	%	
		2016	2015	2016	2015	
Held by the company						
Fragrance Land Pte Ltd ⁽⁵⁾	Singapore	100	100	100	100	Dormant
Fragrance Properties Pte Ltd ⁽⁵⁾	Singapore	100	100	100	100	Dormant
Fragrance Homes Pte Ltd ⁽¹⁾	Singapore	100	100	100	100	Development, dealing and trading in properties
Fragrance Realty Pte Ltd ⁽¹⁾	Singapore	100	100	100	100	Development, dealing and trading in properties
Fragrance Holdings Pte Ltd ⁽¹⁾	Singapore	100	100	100	100	Investment holding and investing in properties
Fragrance Biz Space Pte Ltd ⁽¹⁾	Singapore	100	100	100	100	Development, dealing and trading in properties
Fragrance Grandeur Pte Ltd ⁽¹⁾	Singapore	100	100	100	100	Investment holding and investing in properties
Fragrance Regal Pte Ltd ⁽¹⁾	Singapore	100	100	100	100	Investment holding and investing in properties

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FINANCIAL STATEMENTS

DECEMBER 31, 2016

12 SUBSIDIARIES (CONT'D)

Name of subsidiaries	Country of incorporation and operation	Proportion of ownership interest		Proportion of voting power held		Principal activities
		%	%	%	%	
		2016	2015	2016	2015	
<u>Held by the company</u>						
The Colonial Settlement Pte Ltd ⁽¹⁾	Singapore	100	100	100	100	Investment holding and investing in properties
Kensington Land Pte Ltd ⁽¹⁾	Singapore	60	60	60	60	Development, dealing and trading in properties
Kensington Village Pte Ltd ⁽¹⁾	Singapore	60	60	60	60	Development, dealing and trading in properties
Fragrance Global Pte Ltd ⁽¹⁾	Singapore	100	100	100	100	Investment holding
Fragrance Great Britain Pte Ltd ⁽⁴⁾	Singapore	100	—	100	—	Investment holding
<u>Held by Fragrance Global Pte Ltd</u>						
Fragrance South Pacific Pty Ltd ⁽²⁾	Australia	100	100	100	100	Investment holding
Fragrance WA-Perth Pty Ltd ⁽²⁾	Australia	100	100	100	100	Development, dealing and trading in properties
Fragrance WA-Perth (Milligan) Pty Ltd ⁽²⁾	Australia	100	100	100	100	Development, dealing and trading in properties
Fragrance TAS-Hobart Pty Ltd ⁽²⁾	Australia	100	100	100	100	Development, dealing and trading in properties
Fragrance TAS-Hobart (Collins) Pty Ltd (formerly known as Fragrance TAS-Hobart (Davey) Pty Ltd) ⁽²⁾	Australia	100	100	100	100	Development, dealing and trading in properties
Fragrance TAS-Hobart (Elizabeth) Pty Ltd (formerly known as Fragrance VIC-MEL (Southbank) Pty Ltd) ⁽²⁾	Australia	100	100	100	100	Development, dealing and trading in properties
Fragrance VIC-MEL (Collins) Pty Ltd ⁽²⁾	Australia	100	100	100	100	Development, dealing and trading in properties
Fragrance VIC-MEL (Spencer) Pty Ltd ⁽²⁾	Australia	100	100	100	100	Development, dealing and trading in properties
Fragrance Macquarie Hotel Pty Ltd ⁽²⁾ (formerly known as Fragrance QLD-Brisbane Pty Ltd) ⁽²⁾	Australia	100	100	100	100	Development, dealing and trading in properties

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

(2) Audited by Deloitte & Touche LLP, Singapore for consolidation purposes.

(3) Management estimates the fair value of the financial guarantees at 1% (2015: 1%) per annum of the loans guaranteed.

(4) The entity is newly incorporated during the year.

(5) These dormant entities are in the process of being stricken off.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

12 SUBSIDIARIES (CONT'D)

(b) The table below shows details of subsidiaries of the group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interest and voting rights held by non-controlling interests		Profit (Loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		December 31,	December 31,	December 31,	December 31,	December 31,	December 31,
		2016	2015	2016	2015	2016	2015
				\$'000	\$'000	\$'000	\$'000
Kensington Land Pte Ltd	Singapore	40%	40%	(26)	(578)	5,209	5,235
Kensington Village Pte Ltd	Singapore	40%	40%	298	3,766	8,837	8,539
				272	3,188	14,046	13,774

(c) Non-controlling interests

The summarised financial information below represents amounts before intragroup eliminations.

	Kensington Land Pte Ltd		Kensington Village Pte Ltd	
	December 31,	December 31,	December 31,	December 31,
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Current assets	13,435	14,172	69,403	163,823
Non-current assets	1	4	11,500	—
Current liabilities	412	1,088	58,810	139,124
Non-current liabilities	—	—	—	3,351
Equity attributable to owner of the company	7,815	7,853	13,256	12,809
Non-controlling interest	5,209	5,235	8,837	8,539
Revenue	17	7	16,653	96,023
Expenses	(80)	(1,451)	(15,909)	(86,606)
(Loss) Profit, representing total comprehensive income for the year	(63)	(1,444)	744	9,417
(Loss) Profit, representing total comprehensive income attributable to owners of the company for the year	(37)	(866)	446	5,651
(Loss) Profit, representing total comprehensive income attributable to the non-controlling interest for the year	(26)	(578)	298	3,766
Total comprehensive (loss) income for the year	(63)	(1,444)	744	9,417
Net cash (outflow) inflow from operating activities	(606)	(563)	77,088	26,131
Net cash inflow from investing activities	—	—	8	1
Net cash inflow (outflow) from financing activities	500	—	(82,420)	(23,250)
Net cash (outflow) inflow	(106)	(563)	(5,324)	2,882

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

13 INVESTMENT IN JOINT OPERATIONS

Details of the company's joint operations at December 31, 2016 and 2015 are as follows:

Name of joint operations	Country of incorporation and operation	Proportion of ownership interest		Principal activities
		2016 %	2015 %	
Bayfront Ventures Pte Ltd ⁽¹⁾	Singapore	50	50	Development, dealing and trading in properties
Bayfront Realty Pte Ltd ⁽¹⁾	Singapore	50	50	Development, dealing and trading in properties
Bayfront Land Pte Ltd ⁽²⁾	Singapore	—	50	Development, dealing and trading in properties

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

(2) Struck off from the Register of Companies on November 7, 2016.

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

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

14 INVESTMENT IN JOINT VENTURE

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Cost of equity investment in joint venture	5,000	5,000	5,000	5,000
Additional capital contributions	82,313	55,313	82,313	55,313
Share of post-acquisition loss, net of dividend received	(298)	(1,609)	—	—
Share of other comprehensive income:				
Exchange differences on translation of foreign operations	(4,825)	(1,421)	—	—
Revaluation of land and buildings (net of tax)	11,517	9,101	—	—
Fair value loss on investment securities	(141)	(72)	—	—
	93,566	66,312	87,313	60,313

On January 9, 2015, the company acquired a 50% equity stake in AF Corporation Pte Ltd (formerly known as AF Global Pte Ltd). On March 12, 2015, AF Corporation Pte Ltd acquired 576,437,569 ordinary shares or 54.61% equity interest in AF Global Limited (formerly known as LCD Global Investments Ltd) for \$190.22 million.

On June 6, 2016, AF Corporation Pte Ltd acquired additional 304,946,000 ordinary shares or 28.89% equity interest in AF Global Limited for \$74.16 million.

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14 INVESTMENT IN JOINT VENTURE (CONT'D)

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

Name of joint venture	Country of incorporation and operation	Proportion of ownership interest		Principal activities
		2016 %	2015 %	
AF Corporation Pte Ltd ⁽¹⁾	Singapore	50	50	Investment holding
<u>Held by AF Corporation Pte Ltd⁽¹⁾</u>				
AF Global Limited	Singapore	41.75	27.31	Property investment, development and consultancy; and hospitality

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

At December 31, 2016, AF Corporation Pte Ltd controls 83.50% (2015 : 54.61%) of the voting rights attached to shares in AF Global Limited.

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

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

	Group	
	2016 \$'000	2015 \$'000
Current assets	36,292	59,186
Non-current assets	441,167	459,402
Current liabilities	(195,110)	(221,340)
Non-current liabilities	(148,307)	(92,458)
Net assets	134,042	204,790

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14 INVESTMENT IN JOINT VENTURE (CONT'D)

Information relating to the joint venture:

	Group	
	2016	2015
	\$'000	\$'000
Cash and cash equivalent	20,827	33,115
Current financial liabilities (excluding trade and other payables and provision)	(68,916)	(98,779)
Non-current financial liabilities (excluding trade and other payables and provision)	(68,043)	(60,572)
Revenue	54,237	40,720
Profit (Loss) for the year	8,286	(1,836)
Profit (Loss) for the year:		
– attributable to owners of the company	2,622	(3,218)
– attributable to non-controlling interests	5,664	1,382
	8,286	(1,836)
Other comprehensive (loss) income:		
– attributable to owners of the company	(2,114)	15,216
– attributable to non-controlling interests	(4,123)	9,790
	(6,237)	25,006
Total comprehensive income:		
– attributable to owners of the company	508	11,998
– attributable to non-controlling interests	1,541	11,172
Total comprehensive income for the year	2,049	23,170
The above profit (loss) for the year include the following:		
Depreciation and amortization	7,236	5,994
Interest income	320	324
Interest expense	(3,566)	(3,258)
Income tax expense	(1,860)	(1,766)

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

	Group	
	2016	2015
	\$'000	\$'000
Net assets of the joint venture*	134,042	204,790
Proportion of the group's ownership interest in the joint venture	50%	50%
	67,021	102,395
Excess of net assets acquired over consideration paid on additional investment of joint venture	(10,448)	–
Pre-acquisition gain (loss)	(415)	(74)
Pre-acquisition reserve	374	144
Non-controlling interest	(45,279)	(91,466)
	11,253	10,999
Additional contribution to joint venture*	82,313	55,313
Carrying amount of the group's interest on the joint venture	93,566	66,312

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

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15 INVESTMENT PROPERTIES

	Group	
	2016	2015
	\$'000	\$'000
At fair value:		
At January 1	1,141,782	973,409
Addition	2,760	27,624
Transfer to property, plant and equipment (Note 16)	—	(19,063)
Transfer from property, plant and equipment (Note 16)	—	2,430
Transfer from properties held for sale (Note 10)	25,473	121,425
Gain from fair value adjustments included in profit or loss (Note 28)	2,208	28,187
Gain on fair value adjustment arising from transfer of property, plant and equipment to investment properties included in other comprehensive income	—	7,770
At December 31	1,172,223	1,141,782

The investment properties held by the group as at December 31, 2016 are as follows:

Location	Tenure	Description
110 Lor 23 Geylang	Leasehold (remaining 56 years lease)	7 storey high-specification ramp-up B1 business space building with commercial facilities located at roof level
#01-12, #02-02/03/04/05/ 09/10/11/12/13/15/16 at 218 Pasir Panjang Road	Freehold	Retail units at first and second level within a part 2/part 5-storey residential cum commercial development with attic
#01-09/13/14/15/21/22/ 23/25/26/28/33/37/39/40/ 41/42/43/44 at 275 Thomson Road	Freehold	Retail units on first level within a 4-storey residential cum commercial development with carpark facility
15 Hoe Chiang Road	Freehold	29-storey commercial building with a 3-storey hotel block and a multi-level carpark
456 Alexandra Road ⁽¹⁾	Freehold	26-storey commercial building with a carpark podium
3 Punggol Point Road	Leasehold (remaining 12 years lease)	2-storey food and beverage outlets
168 Changi Road	Freehold	5-storey commercial building
#01-37 at 2 Jalan Lokam	Freehold	Supermarket unit on first level within a 5-storey residential cum commercial development with carpark facility

(1) Investment property relates to the areas rented to external parties

NOTES TO FINANCIAL STATEMENTS

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15 INVESTMENT PROPERTIES (CONT'D)

The investment properties held by the group as at December 31, 2015 are as follows:

Location	Tenure	Description
110 Lor 23 Geylang	Leasehold (remaining 57 years lease)	7 storey high-specification ramp-up B1 business space building with commercial facilities located at roof level
#01-12 at 218 Pasir Panjang Road	Freehold	Retail unit at first level within a part 2/part 5-storey residential cum commercial development with attic
#01-09/13/14/15/21/22/23/25/26/28/33/37/39/40/41/42/43/44 at 275 Thomson Road	Freehold	Retail units on first level within a 4-storey residential cum commercial development with carpark facility
15 Hoe Chiang Road	Freehold	29-storey commercial building with a 3-storey hotel block and a multi-level carpark
456 Alexandra Road ⁽¹⁾	Freehold	26-storey commercial building with a carpark podium
3 Punggol Point Road	Leasehold (remaining 13 years lease)	2-storey food and beverage outlets
168 Changi Road	Freehold	5-storey commercial building

(1) Investment property relates to the areas rented to external parties.

Fair value measurement of the group's investment properties

The fair value of the group's investment properties as at December 31, 2016 and December 31, 2015 were performed by an independent valuer who has the appropriate qualifications and experience in the fair value measurement of the different types of properties in Singapore.

The fair values of the investment properties were determined by adopting the direct comparison approach making reference to recent transactions of comparable properties and making adjustments for differences relating to the properties. In determining the market value of the investment properties, investment method was also adopted, which capitalises an income stream into a present value using capitalisation rates. The valuation conforms to International Valuation Standards. There has been no change to the valuation techniques during the year.

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

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15 INVESTMENT PROPERTIES (CONT'D)

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

Description	Fair value as at December 31, 2016 \$'000	Valuation technique(s)	Significant unobservable input(s)	Range
Industrial building	100,000	Direct comparison method	price per square meter ⁽¹⁾	\$6,337
		Investment method	capitalisation rate ⁽²⁾	5.25%
Retail units in mixed development	94,286	Direct comparison method	price per square meter ⁽¹⁾	\$24,538 to \$67,683
Commercial buildings	960,437	Direct comparison method	price per square meter ⁽¹⁾	\$17,787 to \$19,111
		Investment method	long-term net rental income margin ⁽¹⁾	36% to 80%
			capitalisation rate ⁽²⁾	3.25% to 3.5%
F&B building	17,500	Direct comparison method	price per square meter ⁽¹⁾	\$5,833
		Investment method	long-term net rental income margin ⁽¹⁾	86%
			capitalisation rate ⁽²⁾	5.5%

(1) Any significant isolated increases (decreases) in these inputs would result in a significantly higher (lower) fair value measurement.

(2) Any significant isolated increases (decreases) in these inputs would result in a significantly lower (higher) fair value measurement.

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15 INVESTMENT PROPERTIES (CONT'D)

Description	Fair value as at		Significant unobservable input(s)	Range
	December 31, 2015	Valuation technique(s)		
	\$'000			
Industrial building	100,000	Direct comparison method	price per square meter ⁽¹⁾	\$6,337
		Investment method	capitalisation rate ⁽²⁾	5.5%
Retail units in mixed development	62,926	Direct comparison method	price per square meter ⁽¹⁾	\$52,239 to \$68,850
Commercial buildings	959,856	Direct comparison method	price per square meter ⁽¹⁾	\$17,787 to \$19,111
		Investment method	long-term net rental income margin ⁽¹⁾	72% to 84%
			capitalisation rate ⁽²⁾	3.25% to 3.5%
F&B building	19,000	Direct comparison method	price per square meter ⁽¹⁾	\$6,333
		Investment method	long-term net rental income margin ⁽¹⁾	82%
			capitalisation rate ⁽²⁾	5.75%

(1) Any significant isolated increases (decreases) in these inputs would result in a significantly higher (lower) fair value measurement.

(2) Any significant isolated increases (decreases) in these inputs would result in a significantly lower (higher) fair value measurement.

Rental income from the group's investment properties which are leased out under operating lease amounted to \$18,835,000 (2015: \$19,216,000). Direct operating expenses (including repairs and maintenance) relating to these properties amounted to \$6,269,000 (2015: \$3,313,000).

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16 PROPERTY, PLANT AND EQUIPMENT

	Freehold land – office premises \$'000	Building – office premises \$'000	Motor vehicles \$'000	Furniture, fixtures and fittings \$'000	Office equipment \$'000	Computer \$'000	Electrical installation \$'000	Renovation \$'000	Total \$'000
<u>Group</u>									
Cost or valuation:									
At January 1, 2015	1,672	861	87	174	55	319	201	14	3,383
Additions	–	–	–	13	22	14	4	–	53
Transfer from investment property (Note 15)	–	19,063	–	–	–	–	–	–	19,063
Transfer to investment property (Note 15)	(1,672)	(861)	–	(163)	(3)	–	(205)	(14)	(2,918)
At December 31, 2015	–	19,063	87	24	74	333	–	–	19,581
Additions	–	–	28	–	–	56	–	140	224
Written off	–	–	–	(1)	–	–	–	–	(1)
At December 31, 2016	–	19,063	115	23	74	389	–	140	19,804
Accumulated depreciation:									
At January 1, 2015	–	117	53	158	31	194	191	5	749
Depreciation	–	67	8	7	8	58	4	2	154
Transfer to investment property (Note 15)	–	(133)	–	(149)	(4)	–	(195)	(7)	(488)
At December 31, 2015	–	51	61	16	35	252	–	–	415
Depreciation	–	381	11	2	10	70	–	12	486
At December 31, 2016	–	432	72	18	45	322	–	12	901
Carrying amount:									
At December 31, 2016, at cost	–	18,631	43	5	29	67	–	128	18,903
At December 31, 2015, at cost	–	19,012	26	8	39	81	–	–	19,166

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17 TRADE AND OTHER PAYABLES

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Development work-in-progress	147	59,896	147	59,896
Retention sums payable	1,438	2,200	724	–
Goods and services tax payable	357	1,073	44	122
Subsidiaries (Note 12)	–	–	33,993	72,950
Amounts due to non-controlling interests [Note 12(c)]	5,560	17,160	–	–
Financial guarantee contracts	–	–	3,050	2,489
Deposits received	5,235	5,631	–	116
Accruals	8,437	20,671	2,289	3,889
Sundry creditors	10,805	5,701	1,912	2,000
Others	941	1,068	–	1
	32,920	113,400	42,159	141,463
Less: Non-current portion of financial guarantee contract	–	–	(2,000)	(1,411)
	32,920	113,400	40,159	140,052
Development work-in-progress				
Progress billings	147	59,896	147	59,896
Less: Contract costs incurred plus recognised profits	–	–	–	–
	147	59,896	147	59,896

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

18 NOTES PAYABLE

	Group and Company	
	2016 \$'000	2015 \$'000
Notes payable	76,048	86,476
Less: Amount due for settlement within 12 months (shown under current liabilities)	(76,048)	(1,476)
Amount due for settlement after 12 months	–	85,000

On January 16, 2015, the group and company issued \$85,000,000 of notes under a \$1 billion multi-currency debt program at a fixed coupon rate of 3.75% per annum. The notes payables are due on January 16, 2017. Early redemption of notes by a director in 2016 amounted to \$10,337,000, comprising principal and accrued interest.

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19 TERM LOANS

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
<u>Secured – At amortised cost</u>				
Term loans	778,426	875,588	105,725	154,305
Less: Amount due for settlement within 12 months (shown under current liabilities)	(151,734)	(439,887)	–	(46,000)
Amount due for settlement after 12 months	626,692	435,701	105,725	108,305

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

The term loans from banks and finance companies bear interest rates from 1.79% to 2.78% (2015: 2.03% to 2.83%) per annum for the group and from 2.78% (2015: 2.70% to 2.83%) per annum for the company. The term loans are secured against the properties of the group with a fair value of \$1,440,176,000 (2015: \$1,478,615,000) and of the company with a fair value of \$181,795,000 (2015: \$216,554,000) (Notes 9, 10, 15 and 16), corporate guarantees by the company and assignment of developer's rights and benefits in the sale and purchase agreements.

20 DEFERRED TAX

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

	Percentage of completion profit from sold properties under development \$'000	Revaluation gain of property, plant and equipment \$'000	Tax losses \$'000	Total \$'000
<u>Group</u>				
At December 31, 2014	24,488	489	–	24,977
Transfer to income tax payable	(19,914)	–	–	(19,914)
Charge (Credit) to profit or loss for the year	10,124	–	(743)	9,381
Credit to other comprehensive income for the year	–	(489)	–	(489)
At December 31, 2015	14,698	–	(743)	13,955
Transfer to income tax payable	(15,027)	–	–	(15,027)
Charge (Credit) to profit or loss for the year	3,021	–	(511)	2,510
At December 31, 2016	2,692	–	(1,254)	1,438

Profits from sale of development properties in Singapore are taxed upon completion of development; and based on the timing of entitlement to residual instalments of purchase prices after completion of development.

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20 DEFERRED TAX (CONT'D)

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Deferred tax assets	1,254	743	—	—
Deferred tax liabilities	(2,692)	(14,698)	(2,692)	(11,347)
	<u>(1,438)</u>	<u>(13,955)</u>	<u>(2,692)</u>	<u>(11,347)</u>

21 SHARE CAPITAL

	Group and Company			
	2016	2015	2016	2015
	Number of ordinary shares ('000)		\$'000	\$'000
Issued and paid up:				
At beginning and end of the year	<u>6,720,000</u>	<u>6,720,000</u>	<u>150,000</u>	<u>150,000</u>

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

22 TREASURY SHARES

	Group and Company			
	2016	2015	2016	2015
	Number of ordinary shares		\$'000	\$'000
At beginning of the year	7,600,000	5,150,000	(1,050)	(503)
Purchase during the year	—	3,000,000	—	(623)
Award of performance shares	<u>(370,000)</u>	<u>(550,000)</u>	<u>51</u>	<u>76</u>
At the end of the year	<u>7,230,000</u>	<u>7,600,000</u>	<u>(999)</u>	<u>(1,050)</u>

In 2015, the total amount paid to acquire 3,000,000 shares from the open market was \$623,000 and has been deducted from shareholders' equity.

The company settled performance share awards by issuing 370,000 (2015: 550,000) of treasury shares amounting to \$51,000 (2015: \$76,000) to the recipients of the performance share plan (Note 23).

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23 PERFORMANCE SHARE RESERVE

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

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

On December 30, 2016, 370,000 performance shares were granted. The estimated fair value of the shares granted on the date was \$0.165, based on the market price of the shares on the grant date and total expenses of \$61,000 were recognised.

On December 30, 2015, 550,000 performance shares were granted. The estimated fair value of the shares granted on the date was \$0.205, based on the market price of the shares on the grant date and total expenses of \$113,000 were recognised.

24 REVALUATION RESERVE

The revaluation reserve arises from the revaluation of land and buildings. Where revalued land and buildings are sold, the portion of the property revaluation reserve that relates to that asset is transferred directly to retained earnings.

25 FOREIGN CURRENCY TRANSLATION RESERVE

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

Movement in translation reserve

	Group	
	2016	2015
	\$'000	\$'000
At January 1	(26,721)	(14,396)
Exchange gain (loss) on translation of foreign operations during the year, included in other comprehensive income	467	(12,325)
At December 31	(26,254)	(26,721)

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26 REVENUE

	Group	
	2016	2015
	\$'000	\$'000
Property development	97,058	259,346
Rental income	21,174	26,004
Others	501	377
	118,733	285,727

Rental income comprise income earned from the investment properties (Note 15) and income earned from existing buildings on land in Australia, which have been acquired for development purposes (Note 9).

27 INVESTMENT GAIN

	Group	
	2016	2015
	\$'000	\$'000
Loss on disposal of financial assets classified as held for trading	(636)	—
Unrealised gain arising from change in fair value of financial assets classified as held for trading	1,103	1,722
	467	1,722

28 OTHER OPERATING INCOME

	Group	
	2016	2015
	\$'000	\$'000
Fair value gain on investment properties (Note 15)	2,208	28,187
Interest income	640	789
Gain on foreign exchange option premium	607	—
Others	395	369
	3,850	29,345

29 FINANCE COSTS

	Group	
	2016	2015
	\$'000	\$'000
Interest expense on term loans (Note 19)	14,396	9,457
Interest expense on notes payable (Note 18)	3,106	3,057
	17,502	12,514

NOTES TO FINANCIAL STATEMENTS

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30 INCOME TAX EXPENSE

	Group	
	2016	2015
	\$'000	\$'000
Current tax	15,648	20,360
Deferred tax	(12,517)	(10,533)
Overprovision in prior years:		
Current tax	(2,267)	(397)
	<u>864</u>	<u>9,430</u>

The income tax varied from the amount of income tax expense determined by applying the Singapore income tax rate of 17% (2015: 17%) to profit before income tax as a result of the following differences:

	Group	
	2016	2015
	\$'000	\$'000
Profit before income tax	8,639	80,782
Income tax expense at the statutory rate	1,469	13,733
Effect of income exempted from taxation	(79)	(137)
Tax effect of items that are not taxable in determining taxable profit	1,945	(3,429)
Effects of tax concessions	(202)	(242)
Overprovision in prior year – current tax	(2,267)	(397)
Others	(2)	(98)
Net	<u>864</u>	<u>9,430</u>

31 PROFIT FOR THE YEAR

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

	Group	
	2016	2015
	\$'000	\$'000
Audit fees for auditors of the company	137	172
Non-audit fees for auditors of the company	89	101
Directors' remuneration	2,180	4,724
Directors' fee	185	222
Cost of development properties recognised as expenses	75,411	194,462
Depreciation of property, plant and equipment	486	154
Amortisation of prepaid land lease	780	780
Fair value gain on investment properties	(2,208)	(28,187)
Employee benefits expense (including directors' remuneration)	4,380	6,664
Cost of defined contribution plans included in employee benefits expense	278	237
Interest expense	<u>17,502</u>	<u>12,514</u>

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32 EARNINGS PER SHARE

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

	Group	
	2016	2015
	\$'000	\$'000
Net profit attributable to equity holders of the group	7,503	68,164
	2016	2015
	Number of shares ('000)	
Weighted average number of ordinary shares for purposes of earnings per share	6,712,402	6,713,512

There are no dilutive ordinary shares for 2016 and 2015.

33 DIVIDENDS AND DISTRIBUTIONS

	Group and Company	
	2016	2015
	\$'000	\$'000
Final tax-exempt dividend of \$Nil (2015: \$0.001) per ordinary share in respect of financial year ended December 31, 2015 (2015: December 31, 2014)	—	6,715
Interim tax-exempt dividend of \$0.001 (2015: \$0.002) per ordinary share in respect of financial year ended December 31, 2016 (2015: December 31, 2015)	6,712	10,068
	6,712	16,783

34 SEGMENT INFORMATION

For the purposes of the resource allocation and assessment of segment performance, the group's chief operating decision maker focuses on the business operating units which are segregated based on the products and services of the group.

The group's principal business operating units are property development and investment property.

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

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34 SEGMENT INFORMATION (CONT'D)

Business segments

The group comprises the following main business segments:

Property development segment is involved in the development and sale of residential and commercial properties. Property investment segment is involved in investing in properties for rental yield and capital appreciation.

Group	Property investment \$'000	Property development \$'000	Total \$'000
2016			
REVENUE	18,452	100,281	118,733
RESULT			
Segment result	18,452	24,870	43,322
Other operating income	2,748	1,569	4,317
Operating expenses	(8,227)	(14,582)	(22,809)
Finance costs	(13,382)	(4,120)	(17,502)
	(409)	7,737	7,328
Share of results of joint venture			1,311
Profit before income tax			8,639
Income tax			(864)
Profit after income tax			7,775
2015			
REVENUE	19,056	266,671	285,727
RESULT			
Segment result	19,056	72,209	91,265
Other operating income	28,405	2,662	31,067
Operating expenses	(5,103)	(22,324)	(27,427)
Finance costs	(9,033)	(3,481)	(12,514)
	33,325	49,066	82,391
Share of results of joint venture			(1,609)
Profit before income tax			80,782
Income tax			(9,430)
Profit after income tax			71,352

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34 SEGMENT INFORMATION (CONT'D)

Group	Property investment \$'000	Property development \$'000	Total \$'000
2016			
Segment assets			
Assets:			
Segment assets	1,113,638	846,670	1,960,308
Segment liabilities			
Liabilities:			
Segment liabilities	593,467	313,554	907,021
OTHER INFORMATION			
Addition of non-current assets	2,813	171	2,984
Amortisation of land lease	780	—	780
Depreciation expense	447	39	486
Group	Property investment \$'000	Property development \$'000	Total \$'000
2015			
Segment assets			
Assets:			
Segment assets	1,114,150	1,045,960	2,160,110
Segment liabilities			
Liabilities:			
Segment liabilities	608,145	502,616	1,110,761
OTHER INFORMATION			
Addition of non-current assets	27,661	15	27,676
Amortisation of land lease	780	—	780
Depreciation expense	126	28	154

Geographical information

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

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

	Revenue		Non-current assets	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Singapore	116,341	283,442	1,294,058	1,236,168
Australia	2,392	2,285	1,254	743
Total	118,733	285,727	1,295,312	1,236,911

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

34 SEGMENT INFORMATION (CONT'D)

Information about major customers

There is no customer who accounts for 10% or more of the group's revenue.

35 COMMITMENT

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Contracted construction costs of properties yet to be incurred and not provided for in the financial statements	393,128	82,997	55,700	16,452

36 OPERATING LEASE ARRANGEMENTS

The group as lessor

The group and the company rent out its properties under operating leases. Rental income earned during the year by the group and the company were \$21,174,000 and \$Nil respectively (2015: \$26,004,000 and \$4,502,000) respectively.

At the end of the reporting period, the group has contracted with tenants for the following future minimum lease income:

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Within one year	18,334	18,175	—	—
In the second to fifth years inclusive	10,635	24,516	—	—
After fifth years	67	5,459	—	—
	29,036	48,150	—	—

The group as lessee

Payment recognised as an expense during the year

	(1,010)	(889)	—	—
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At the end of the reporting period, the group has contracted with tenants for the following future minimum lease expenses:

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Within one year	105	229	—	—
In the second to fifth years inclusive	—	121	—	—
After fifth years	—	—	—	—
	105	350	—	—

37 EVENTS AFTER THE REPORTING PERIOD

On January 25, 2017, the group announced that it had entered into a contract to acquire The Imperial Hotel, Blackpool located at Promenade, Blackpool, FY1 2HB, United Kingdom (the "Property"), at the purchase consideration of GBP12,800,000. The acquisition of the Property was completed on February 20, 2017, by a newly incorporated wholly-owned subsidiary, Fragrance UK-Blackpool Limited.

SHAREHOLDING STATISTICS

AS AT 3 MARCH 2017

No of issued shares	:	6,712,770,000 (excluding treasury shares)
Issued and fully paid-up	:	S\$150 million
Class of shares	:	Ordinary shares
Voting rights	:	One vote for each ordinary share
Treasure Shares	:	7,230,000 (with no voting rights)

Based on the information available to the Company as at 3 March 2017, approximately 10.4% of the issued ordinary shares of the Company is held by the public and therefore Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited is complied with.

Size of Shareholding	Number of shareholders	%	Number of shares	%
1 – 99	9	0.26	266	0.00
100 – 1,000	43	1.25	34,786	0.00
1,001 – 10,000	601	17.49	4,624,709	0.07
10,001 – 1,000,000	2,688	78.21	270,278,534	4.03
1,000,001 and above	96	2.79	6,437,831,705	95.90
	3,437	100.00	6,712,770,000	100.00

TWENTY LARGEST SHAREHOLDERS

NO.	SHAREHOLDER'S NAME	NUMBER OF SHARES HELD	%
1	KOH WEE MENG	4,307,350,000	64.17
2	LIM WAN LOOI	735,000,000	10.95
3	DBS NOMINEES PTE LTD	440,872,500	6.57
4	HONG LEONG FINANCE NOMINEES PTE LTD	307,022,300	4.57
5	UNITED OVERSEAS BANK NOMINEES PTE LTD	111,504,000	1.66
6	TAN SU KIOK OR SIA LI WEI JOLIE (SHE LIWEI JOLIE)	52,080,000	0.78
7	JIMMY LEE PENG SIEW	49,512,000	0.74
8	MAYBANK KIM ENG SECURITIES PTE LTD	42,815,631	0.64
9	UOB KAY HIAN PTE LTD	37,777,100	0.56
10	PHILLIP SECURITIES PTE LTD	37,371,500	0.56
11	CITIBANK NOMINEES SINGAPORE PTE LTD	33,377,100	0.50
12	CIMB SECURITIES (SINGAPORE) PTE LTD	16,941,674	0.25
13	LEE AH POY	16,693,000	0.25
14	KOH KIAN SOO	13,870,000	0.21
15	RAFFLES NOMINEES (PTE) LTD	12,015,700	0.18
16	OCBC SECURITIES PRIVATE LTD	10,251,500	0.15
17	HSBC (SINGAPORE) NOMINEES PTE LTD	9,515,000	0.14
18	OCBC NOMINEES SINGAPORE PTE LTD	9,315,500	0.14
19	LIM KWEE HUA (LIN GUIHUA)	9,132,000	0.14
20	LAI CHOOI FOONG	7,596,000	0.11
TOTAL		6,260,012,505	93.26

Name of Substantial Shareholders	Direct Interest		Indirect Interest	
	Number of shares	%	Number of shares	%
Koh Wee Meng ⁽¹⁾⁽²⁾	5,015,089,000	74.71%	735,000,000	10.95%
Lim Wan Looi ⁽¹⁾	735,000,000	10.95%	5,015,089,000	74.71%

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

(2) Of the 5,015,089,000 shares in which Koh Wee Meng has an interest, 407,739,000 shares are held through DBS Nominees Pte Ltd and 300,000,000 shares are held through Hong Leong Finance Nominees Pte Ltd.

PARTICULARS OF PROPERTIES OWNED BY THE GROUP

AS AT DECEMBER 31, 2016

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

Location	Tenure	Land Area (Sqm)	Approximate Gross Floor Area (Sqm)	Stage of completion as at 16 March 2017	Expected date of completion	Effective Stake (%)	Description and existing use
Lot 534W of TS15 at 371 Beach Road	99 years leasehold	7,269	39,615	Structural works in progress	31-Dec-2019	50%	Development of 30-storey building with apartments and commercial units
374 – 396 Murray Street, Perth, Australia	Freehold	4,926	73,181	To be commenced	TBA	100%	Development of multi-storey hotel building and a residential building
39 – 47 Milligan Street and 453 – 471 Murray Street, Perth, Australia	Freehold	3,560	TBA	To be commenced	TBA	100%	Proposed multi-storey mixed use development consisting of retail, office, hotel and residential use
173 – 177 Macquarie Street, Hobart, Tasmania	Freehold	2,000	12,302	Structural works in progress	30-Jun-2017	100%	Development of multi-storey hotel building consisting of 296 rooms
134 – 160 Spencer Street, Melbourne, Victoria	Freehold	1,800	92,601	To be commenced	2021	100%	Development of mixed-use skyscraper with commercial, hotel and residential space
28 – 30 Davey Street, Hobart, Tasmania	Freehold	1,153	TBA	To be commenced	TBA	100%	Proposed development of multi-storey hotel building
171 Macquarie Street, Hobart, Tasmania	Freehold	525	TBA	To be commenced	TBA	100%	Proposed development of multi-storey commercial space

PARTICULARS OF PROPERTIES OWNED BY THE GROUP

AS AT DECEMBER 31, 2016

Location	Tenure	Land Area (Sqm)	Approximate Gross Floor Area (Sqm)	Stage of completion as at 16 March 2017	Expected date of completion	Effective Stake (%)	Description and existing use
555 Collins Street, Melbourne, Australia	Freehold	2,300	TBA	To be commenced	TBA	100%	Proposed development of mixed-use commercial and residential space
2 – 6 Collins Street, Hobart, Tasmania	Freehold	3,009	TBA	To be commenced	TBA	100%	Proposed development of multi-storey hotel building
234 – 250 Elizabeth Street, Hobart, Tasmania	Freehold	3,501	TBA	To be commenced	TBA	100%	Proposed development of mixed-use commercial and residential space

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

Location	Tenure	Floor Area (Sqm)	Effective Stake (%)	Description and existing use
#01-10/11/14/15 at 218 Pasir Panjang Road	Freehold	170	100%	4 completed retail units comprising shops and restaurants
267/277 at Wak Hassan Drive	99 years leasehold	994	100%	2 units of completed detached dwelling houses
#01-48/49/50 at Tanah Merah Kechil Link	99 years leasehold	113	100%	3 units of completed commercial retail shops
#01-05/08/09/10/11/12/13/14/15/16/17/19/20/23/40/45/46/47/49/50/51/52/54/56 at Jalan Lokam	Freehold	1,443	60%	24 units of completed commercial retail units of shop and restaurant

PARTICULARS OF PROPERTIES OWNED BY THE GROUP

AS AT DECEMBER 31, 2016

C CLASSIFIED AS INVESTMENT PROPERTIES (NOTE 15 TO THE FINANCIAL STATEMENTS)

Location	Tenure	Effective Stake (%)	Description and existing use
15 Hoe Chiang Road	Freehold	100%	29-storey commercial building with a 3-storey hotel block and a multi-level carpark
456 Alexandra Road	Freehold	100%	26-storey commercial building with a carpark podium
168 Changi Road	Freehold	100%	5-storey commercial building
3 Punggol Point Road	12 years leasehold	100%	2-storey Food and Beverage outlets
110 Lor 23 Geylang	56 years leasehold	100%	7-storey high-spec ramp-up B1 business space building with commercial facilities located at roof level
#01-12, #02-02/03/04/05/ 09/10/11/12/13/15/16 at 218 Pasir Panjang Road	Freehold	100%	Retail units at first and second level within a part 2/part 5-storey residential cum commercial development with an attic
#01-09/13/14/15/21/22/23/25/26/ 28/33/37/39/40/41/42/43/44 at 275 Thomson Road	Freehold	100%	18, 1st-storey retail units within a 4-storey residential cum commercial development with carpark facility
#01-37 at 2 Jalan Lokam	Freehold	60%	Supermarket unit on first level within a 5-storey residential cum commercial development with carpark facility

Leasehold tenure refers to the residual balance of the respective leasehold title.

The above additional information are provided in compliance with Rule 1207 (10) of the Listing Manual.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Fragrance Group Limited will be held on 20 April 2017 at 9.00 a.m. at 456 Alexandra Road #02-03 Fragrance Empire Building Singapore 119962, to transact the following business:–

ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements for the financial year ended December 31, 2016 together with the Directors' Statement and the Report of the Auditors thereon. **[Resolution 1]**
2. To approve the proposed Directors' fees of \$185,000/- for the financial year ended December 31, 2016. [2015: S\$221,667/-] **[Resolution 2]**
3. To re-elect the following Directors who retire pursuant to the Company's Constitution:–
 - (a) Mr Teo Cheng Kuang {retiring pursuant to Regulation 91} **[Resolution 3]**
 - (b) Mr Watt Kum Kuan {retiring pursuant to Regulation 91} **[Resolution 4]**
4. To re-appoint Messrs Deloitte & Touche LLP as the Company's Auditors and to authorise the Directors to fix their remuneration. **[Resolution 5]**
5. To transact any other ordinary business that may be properly transacted at the Annual General Meeting.

SPECIAL BUSINESS

To consider and if thought fit, to pass, with or without modification, the following resolutions, of which Resolutions 6, 7 and 8 will be proposed as Ordinary Resolutions and Resolution 9 be proposed as a Special Resolution:–

6. Authority to allot and issue shares up to 50% of issued share capital excluding treasury shares.

"THAT pursuant to Section 161 of the Companies Act, Chapter 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Directors of the Company be and are hereby authorised to issue and allot new shares in the Company (whether by way of rights, bonus or otherwise) at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may, in their absolute discretion, deem fit, PROVIDED ALWAYS that the aggregate number of shares and convertible securities to be issued pursuant to this Resolution shall not exceed 50% of the total issued shares excluding treasury shares of the Company, of which the aggregate number of shares and convertible securities to be issued other than on a pro-rata basis to existing shareholders of the Company shall not exceed 20% of the total issued shares excluding treasury shares of the Company, and, unless revoked or varied by the Company in general meeting, such authority shall continue in force until the conclusion of the Company's next Annual General Meeting or the date by which the Company's next Annual General Meeting is required by law or by the Constitution of the Company to be held, whichever is the earlier."

[Resolution 6]

[See Explanatory Note on Special Business (i)]

NOTICE OF ANNUAL GENERAL MEETING

7. Authority to purchase up to ten percent (10%) of issued ordinary shares excluding treasury shares under the Share Buy Back Mandate:

“THAT

- (a) for the purpose of the Companies Act, Chapter 50 of Singapore (the “**Companies Act**”), the exercise by the Directors of the Company of all powers of the Company to purchase or otherwise acquire issued ordinary shares fully paid in the capital of the Company (the “**Shares**”) not exceeding in aggregate the Maximum Limit (as hereafter defined), at such price(s) as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereafter defined), whether by way of:

- (i) market purchase(s) (each a “**Market Purchase**”) on the Singapore Exchange Securities Trading Limited (“**SGX-ST**”); and/or
- (ii) off-market purchase(s) (each an “**Off-Market Purchase**”) in accordance with any equal access scheme(s) as may be determined or formulated by the Directors as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act;

and otherwise in accordance with all other laws and regulations, including but not limited to, the provisions of the Companies Act and listing rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the “**Share Buy Back Mandate**”);

- (b) any Share that is purchased or otherwise acquired by the Company pursuant to the Share Buy Back Mandate shall, at the discretion of the Directors of the Company, either be cancelled or held in treasury and dealt with in accordance with the Companies Act.
- (c) unless varied or revoked by the members of the Company in a general meeting, the authority conferred on the Directors of the Company pursuant to the Share Buy Back Mandate may be exercised by the Directors of the Company at any time and from time to time during the period commencing from the date of the passing of this Ordinary Resolution and expiring on the earlier of:
 - (i) the date on which the next annual general meeting of the Company (“**AGM**”) is held or required by law to be held; or
 - (ii) the date on which the purchases or acquisitions of Shares by the Company pursuant to the Share Buy Back Mandate are carried out to the full extent mandated.

In this Ordinary Resolution:

“**Maximum Limit**” means that number of issued Shares representing 10% of the total number of shares in the issued ordinary share capital of the Company as at the date of the passing of this Ordinary Resolution unless the Company has effected a reduction of the share capital of the Company in accordance with the applicable provisions of the Companies Act, at any time during the Relevant Period, in which event the total number of shares in the issued ordinary share capital of the Company shall be taken to be the amount of the issued ordinary share capital of the Company as altered. For purposes of calculating the Maximum Limit, any of the Shares which are held as treasury shares will be disregarded;

NOTICE OF ANNUAL GENERAL MEETING

"Relevant Period" means the period commencing from the date on which the last AGM was held and expiring on the date the next AGM is held or is required by law to be held, whichever is the earlier, after the date of this Ordinary Resolution; and

"Maximum Price", in relation to a Share to be purchased or acquired, means the purchase price (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) which shall not exceed:

- (a) in the case of a Market Purchase, 105% of the Average Closing Price; and
- (b) in the case of an Off-Market Purchase pursuant to an equal access scheme, 120% of the Average Closing Price,

where:

"Average Closing Price" means the average of the closing market prices of a Share over the last five (5) Market Days (a **"Market Day"** being a day on which the SGX-ST is open for trading in securities), on which transactions in the Shares were recorded, immediately preceding the date of the Market Purchase by the Company or, as the case may be, the day of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted in accordance with the rules of the SGX-ST, for any corporate action that occurs after the relevant five (5) Market Day period; and

"day of the making of the offer" means the day on which the Company announces its intention to make an offer for the purchase of Shares from the shareholders of the Company, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

- (d) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider necessary, expedient, incidental or in the interests of the Company to give effect to the transactions contemplated and/or authorised by this Resolution."

[Resolution 7]

[See Explanatory Note on Special Business (ii)]

- 8. Authority to issue shares under the Fragrance Performance Share Plan.

"THAT pursuant to Section 161 of the Companies Act, Chapter 50, the Directors of the Company be and are hereby authorised to offer and grant Awards in accordance with the rules of the Fragrance Performance Share Plan (the "Plan") and to allot and issue from time to time such number of fully-paid Shares as may be required to be issued pursuant to the vesting of the Awards under the Plan, provided that the aggregate number of Shares to be allotted and issued pursuant to the Plan, when added to the number of Shares issued and issuable in respect of all Awards granted under the Plan, and all Shares issued and issuable in respect of all options granted or awards granted under any other share incentive schemes or share plans adopted by the Company and for the time being in force, shall not exceed 15% of the total Shares (excluding treasury shares) on the day preceding the date on which the Award shall be granted."

[Resolution 8]

[See Explanatory Note on Special Business (iii)]

NOTICE OF ANNUAL GENERAL MEETING

9. Adoption of the New Constitution (as Special Resolution)

“THAT

- (a) the regulations contained in the new Constitution of the Company as set out in Appendix dated 28 March 2017 accompanying this Notice of Annual General Meeting be and are hereby approved and adopted as the Constitution of the Company in substitution for, and to the exclusion of, the existing Constitution; and
- (b) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they and/or he may consider expedient or necessary or in the interests of the Company to give effect to the transactions contemplated and/or authorised by this resolution.”

[Resolution 9]

[See Explanatory Note on Special Business (iv)]

By Order of the Board

PERIAKARUPPAN ARAVINDAN (MR)

KELOTH RAJ KUMAR (MR)

Company Secretaries

28 March 2017

Notes:—

- 1. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the meeting. Where such member’s form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.
- (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member’s form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

“Relevant intermediary” has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50.

- 2. A proxy need not be a Member of the Company.
- 3. Members wishing to vote by proxy/proxies at the meeting may use the proxy form enclosed. The completed proxy form must be deposited at the Registered Office of the Company at 456 Alexandra Road #26-01 Fragrance Empire Building Singapore 119962 not less than 48 hours before the time appointed for the Meeting.

NOTICE OF ANNUAL GENERAL MEETING

Note to item no. 3:–

- (a) Mr Teo Cheng Kuang is an independent Director, who is the Chairman of the Nominating Committee as well as a member of the Audit and Remuneration Committees and he will continue in the said capacities upon re-election as a Director of the Company.
- (b) Mr Watt Kum Kuan is an independent Director, who is the Chairman of the Remuneration Committee as well as a member of the Audit and Nominating Committees and he will continue in the said capacities upon re-election as a Director of the Company.

Explanatory Note on Special Business to be transacted:

- (i) In the proposed Resolution 6 above, the percentage of issued share capital is calculated based on the issued shares excluding treasury shares at the time of the passing of the resolution approving the mandate after adjusting for:– (a) new shares arising from the conversion or exercise of convertible securities; (b) new shares arising from the exercise of share options or vesting of share awards outstanding or subsisting at the time of the passing of the resolution approving the mandate; and (c) any subsequent bonus issue, consolidation or subdivision of shares. The proposed Resolution 6, if passed, will empower the Directors of the Company from the date of the above Meeting until the date of the next Annual General Meeting, to allot and issue new shares in the Company (whether by way of rights, bonus or otherwise). The number of shares which the Directors may issue under this Resolution shall not exceed 50% of the total issued shares excluding treasury shares of the Company. For issue of shares other than on a pro-rata basis to all existing shareholders of the Company, the aggregate number of shares and convertible securities to be issued shall not exceed 20% of the total issued shares excluding treasury shares of the Company. This authority will, unless previously revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.
- (ii) The proposed Resolution 7, if passed, will empower the Directors of the Company from the date of the above meeting until the next Annual General Meeting, or the day by which the next Annual General Meeting is required by law to be held or when varies or revoked by the Company in general meeting, whichever is the earlier, to make on-market and off-market purchases or acquisitions of ordinary shares of the Company up to ten percent (10%) of the total number of shares (excluding treasury shares) in the issued ordinary share capital of the Company as at the date of this Resolution at such price(s) up to the Maximum Price (as defined in Resolution 7 above). Detailed information on the Share Buy Back Mandate (as defined in Resolution 7 above), including the sources of funds to be used for the purchase or acquisition, the amount of financing (if any) and the illustrative financial impact on the Company's financial position, is set out in the Appendix dated 28 March 2017 accompanying this Notice of Annual General Meeting.
- (iii) The proposed Resolution 8, if passed, will empower the Directors of the Company from the date of the above meeting until the next Annual General Meeting, or the day by which the next Annual General Meeting is required by law to be held, whichever is the earlier, to issue shares up to an amount in aggregate not exceeding 15% of the total number of issued shares excluding treasury shares of the Company from time to time pursuant to the vesting of the awards under the Share Plan.
- (iv) The Special Resolution proposed under Resolution 9, is for the Company to adopt a new Constitution following the wide-ranging changes to the Companies Act, Chapter 50 as well as to align the Company's Constitution to the requirements of the Listing Manual of the SGX-ST, among others. Please refer to the Appendix dated 28 March 2017 accompanying this Notice of Annual General Meeting for further information.

NOTICE OF ANNUAL GENERAL MEETING

Personal Data Privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

FRAGRANCE GROUP LIMITED

(Incorporated in the Republic of Singapore)
Company Registration No. 200006656M

IMPORTANT

1. Relevant intermediaries as defined in Section 181 of the Companies Act, Chapter 50 may appoint more than two proxies to attend, speak and vote at the Annual General Meeting.
2. For investors who have used their CPF monies to buy Fragrance Group Limited's shares, this form of proxy is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF investors should contact their respective agent banks if they have any queries regarding their appointment as proxies.
3. By submitting an instrument appointing a proxy(ies) and/or representative(s), a member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting.

PROXY FORM ANNUAL GENERAL MEETING

I/We _____ (Name) NRIC/Passport no. _____

of _____

being a *member/members of Fragrance Group Limited, hereby appoint

Name	Address	NRIC/Passport No.	Proportion of Shareholding (%)
and/or (delete as appropriate)			

or failing the person or both of the persons above, the Chairman of the Annual General Meeting ("AGM") as *my/our proxy/proxies to vote for me/us on my/our behalf at the AGM of the Company to be held on April 20, 2017 at 9.00 a.m. at 456 Alexandra Road #02-03 Fragrance Empire Building Singapore 119962 and at any adjournment thereof.

The proxy is required to vote as indicated with an "✓" on the resolutions set out in the Notice of Meeting and summarised below. If no specific direction as to voting is given, the proxy/proxies may vote or abstain at his/her/their discretion.

No.	Resolution	For**	Against**
1.	To receive and adopt the Audited Financial Statements for the financial year ended December 31, 2016 together with the Directors' Statement and the Report of the Auditors thereon		
2.	To approve the proposed Directors' Fees of S\$185,000/- for the financial year ended December 31, 2016 [2015: S\$221,667/-]		
3.	To re-elect Mr Teo Cheng Kuang as a Director {retiring pursuant to Article 91}		
4.	To re-elect Mr Watt Kum Kuan as a Director {retiring pursuant to Article 91}		
5.	To re-appoint Messrs Deloitte & Touche LLP as Auditors and to authorise the Directors to fix their remuneration		
6.	Authority to allot and issue shares up to 50% of issued share capital		
7.	Authority to purchase up to ten percent (10%) of issued ordinary shares excluding treasury shares under the Share Purchase Mandate		
8.	Authority to issue shares under the Fragrance Performance Share Plan		
9.	Adoption of the New Constitution (as Special Resolution)		

* Delete accordingly

** Voting will be conducted by poll. If you wish to exercise all your votes "For" or "Against" the relevant Resolution, please tick (✓) within the relevant box provided. Alternatively, if you wish to exercise your votes both "For" and "Against" the relevant Resolution, please insert the relevant number of Shares in the boxes provided

Signed this _____ day of _____ 2017

Total No. of Shares held (Note a):	
------------------------------------	--

Signature(s)/Common Seal(s) of Member(s)

Notes:

- a) If the member has shares entered against his name in the Depository Register (maintained by The Central Depository (Pte) Limited), he should insert that number of shares. If the member has shares registered in his name in the Register of Members (maintained by or on behalf of the Company), he should insert that number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member.
- b) (1) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.
- (2) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.
- "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50.
- c) A proxy need not be a member of the Company.
- d) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or if such appointor is a corporation under its common seal or under the hand of its attorney.
- e) Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
- f) The appointment of a proxy or proxies by this instrument shall not preclude a member from attending and voting in person at the Meeting. If a member attends the Meeting in person the appointment of a proxy or proxies shall be deemed to be revoked, and the Company reserves the right to refuse to admit such proxy or proxies to the Meeting.
- g) An instrument appointing a proxy must be deposited at the registered office of the Company 456 Alexandra Road #26-01 Fragrance Empire Building Singapore 119962 not less than 48 hours before the time appointed for holding the meeting.
- h) The Company shall be entitled to reject this instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in this instrument of proxy. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

Personal Data Privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms as set out in the Notice of Annual General Meeting.



FRAGRANCE GROUP LIMITED

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