FRAGRANCE GROUP LIMITED

ANNUAL REPORT

FY 2020

CORPORATE INFORMATION

BOARD OF DIRECTORS

MR KOH WEE MENG
(Executive Chairman & CEO)

MR PERIAKARUPPAN ARAVINDAN
(Executive Director & Deputy CEO)

MS LIM WAN LOOI
(Executive Director)

MR LEOW CHUNG CHONG YAM SOON
(Lead Independent Director)

MR TEO CHENG KUANG
(Independent Director)

MR THAM CHEE SOON
(Independent Director) (Appointed on 1 January 2021)

AUDIT COMMITTEE

MR LEOW CHUNG CHONG YAM SOON (Chairman)
MR TEO CHENG KUANG
MR THAM CHEE SOON

NOMINATING COMMITTEE

MR TEO CHENG KUANG (Chairman)
MR KOH WEE MENG
MR LEOW CHUNG CHONG YAM SOON
MR THAM CHEE SOON
(Appointed on 1 January 2021)

REMUNERATION COMMITTEE

MR THAM CHEE SOON (Chairman)
(Appointed on 1 January 2021)
MR TEO CHENG KUANG
MS LIM WAN LOOI

COMPANY SECRETARIES

MR KELOTH RAJ KUMAR

REGISTERED OFFICE

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

REGISTRATION NUMBER

200006656M

SHARE REGISTRAR AND SHARE TRANSFER OFFICE

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

AUDITORS

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

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

PRINCIPAL FINANCIAL INSTITUTIONS

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED
CIMB BANK BERHAD
COMMONWEALTH BANK OF AUSTRALIA TRADING AS BANKWEST
CREDIT SUISSE AG, SINGAPORE PRIVATE BANKING
DBS BANK LIMITED
HONG LEONG FINANCE LIMITED
OVERSEA-CHINESE BANKING CORPORATION LIMITED
SING INVESTMENTS & FINANCE LIMITED
UNITED OVERSEAS BANK LIMITED
WESTPAC BANKING CORPORATION

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LETTER TO SHAREHOLDERS

Dear Shareholders,

On behalf of the Board of Directors of Fragrance Group Limited (the "Group"), we are pleased to present the Group's Annual Report for the financial year ended 31 December 2020 ("FY 2020").

These times are unprecedented and though this is not the first of such uncertain times that the Group has risen from, COVID-19 is certainly far more impactful with consequential recession and economic slowdown globally.

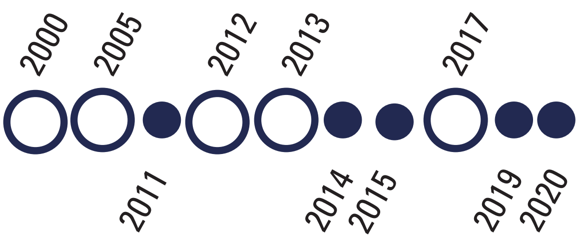
We strive to stay ahead of the wave, with our business strategies and divergence into various markets, which we believe will allow the Group to emerge stronger than before.

LOOKING BACK – OUR 20 YEARS JOURNEY

The Group started its operations in the 1980s and the business operations were organised to come under a holding company, Fragrance Group Limited which was incorporated in 2000 and listed on Singapore Exchange Securities Trading Limited ("SGX-ST") Mainboard in 2005.

2020 marks our 20th year in this journey. We started out from our humble beginnings by building resilience, braving new frontiers and emerging stronger with each step.

Notably, the key milestones across the last 20 years paved the way for the Group's foundation and future direction.



- 2000 – Incorporation of Fragrance Group Limited subsequent to corporate structuring.
- 2005 – Listed on SGX Mainboard with a $50 million market capitalization.
- 2011 – Increased profits for the seventh consecutive year since IPO in 2005.
- 2012 – Successful listing of the Group's former hotel operations segment – Global Premium Hotel Limited ("GPHL") on SGX-ST Mainboard with a market capitalization of $260 million.
- 2012 – Fragrance Group Limited has hit a market capitalisation of $1.8 billion.
- 2013 – Recorded highest revenue of $529.0 million and launch of $1 billion multi-currency debt issuance programme.
- 2014 – Dividend-in-specie to shareholders at 0.08 GPHL shares for every ordinary share of the Company.
- 2014 – Maiden foray into Australia real estate market with acquisition of land plots in 3 key cities, Melbourne, Perth and Hobart.
- 2015 – Launched *Premier Tower* in Melbourne, an iconic mixed-development tower for sale.
- 2017 – Maiden foray into United Kingdom ("UK") real estate market. 2 overseas hotels – *ibis Styles Hobart* (Tasmania, Australia) and *The Imperial Hotel* (Blackpool, UK) commenced its operations under the Group.
- 2019 – Launch of 2 Singapore residential projects – *Jervois Treasures and Urban Treasures*. Commencement of the largest hotel development of our portfolio, *Novotel Hotel Murray Street* in Perth, Australia.
- 2020 – Paid interim dividend of $23.5 million. Cumulatively, the Group has paid a total dividend of $536 million (Cash Dividend: $287 million and Dividend-in-Specie worth $249 million) since its listing in 2005.
- 2020 – Obtained certification of completion for Phase 1 of *Premier Tower* in Melbourne, Australia and settlement of sales to follow in Q1'2021.
- 2020 – *NV Apartments* in Perth, Australia was completed with revenue contribution of $44.5 million.

The focus on building a geographically diversified portfolio across different property segments and a strong balance sheet while keeping a firm anchor in our home ground, laid a strong foundation for us and forged new growth opportunities to ride the Group through this storm to greater heights.

FY 2020

FY 2020 is the year where we demonstrated our resilience, by presenting a 91.4% increase in revenue.

However, the Group observed a 98.5% decline in profit after tax and that was mainly attributable to the effect of revaluation gain on investment properties which was weakened in FY 2020 due to the pandemic. Negating the effect of that, the Group has shown a 40% increase in its Operating Profit After Tax and Minority Interest ("Operating PATMI").

The Group's total assets stand at $3.3 billion (2019: $3.2 billion) as of 31 December 2020 and were mainly attributed to the real estate assets owned by the Group that span across the three continents. These include prime office, hotel, industrial, retail and lifestyle properties and upcoming residential, hotel and mixed-use developments in Singapore, Australia and UK.

LOOKING FORWARD

The Group acknowledges the gloom at the start of this new decade brought upon by COVID-19, where economy will be adversely impacted and the severity of which remains uncertain. The uncertainty of these inculcates fear, tensions, and distress. However, the Group will stand firm by its well-thought strategies and together with its stakeholders to weather through this storm.

We kickstart 2021 with plans to complete Phase 2 of the Group's iconic Australia development project – *Premier Tower* and grand opening of a 5-star hotel in Melbourne, Australia. The 2 hotel properties under development in Singapore – *15 Hoe Chiang Road* and *62 & 64 Waterloo Street*, each with its own unique beauty, are expected to boost the Group's portfolio upon completion.

We also have several hotel properties under development in UK, located strategically across coastal areas, heritage areas and even city centre to catch the wave of increased demand beyond 2021 when effects of the pandemic have eased.

> "The focus on building a geographically diversified portfolio across different property segments and a strong balance sheet while keeping a firm anchor in our home ground, laid a very strong foundation for us and forged new growth opportunities to ride the Group through this storm into greater heights."

Whilst Singapore remains as our core market, we look to fortify our presence in Australia and beyond yet exercise financial prudence amidst our growth. With a strong foundation in place, Fragrance is now well-positioned to continue evolving our business, capturing opportunities, and creating long-term sustainable value for all stakeholders.

Looking ahead, the pandemic is expected to continue its slew of negative impact on the global economy, but things are expected to brighten up with the introduction of vaccines and easing of travel restrictions. Hospitality is a more vulnerable sector, and the Group is expecting slower recovery in the segment as the audience has been reduced to mostly domestic travellers.

APPRECIATION

We welcomed Mr Tham Chee Soon to the Board as Independent Director and bade farewell to Mr Watt Kum Kuan who retired after more than 15 years of dedicated service and contributions to the Group. Management is grateful to the Board for its strong and effective stewardship, and the guidance given to the leadership team.

On behalf of the Board of Directors and Management, we would like to express our heartfelt gratitude to our customers, tenants and business associates for your invaluable trust and support throughout the years. We would also like to thank all our staff for their strong commitment, dedication, and contributions to our progress.

Most of all, we would like to thank you, our Shareholders, for your continued confidence and support.

Stay safe. Stay Healthy.

Koh Wee Meng
Executive Chairman and CEO

Periakaruppan Aravindan
Executive Director and Deputy CEO

BOARD OF DIRECTORS

KOH WEE MENG
Executive Chairman
Chief Executive Officer

Date of first appointment as a director:
28 July 2000

Date of last re-election as a director:
26 April 2018
(Will be seeking re-election at the 2020 AGM)

Length of service as a director:
20 years 5 months
(on 31 December 2020)

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

PRESENT DIRECTORSHIPS IN OTHER LISTED COMPANIES
Nil

OTHER PRINCIPAL COMMITMENTS
(other than directorships in listed companies)
JK Global Capital Pte Ltd and its subsidiaries (Director)

DIRECTORSHIPS IN OTHER LISTED COMPANIES HELD OVER THE PRECEDING THREE YEARS
(from 31 December 2017 to 30 December 2020)
Nil

LIM WAN LOOI
Executive Director

Date of first appointment as a director:
28 July 2000

Date of last re-election as a director:
29 April 2019

Length of service as a director:
20 years 5 months
(on 31 December 2020)

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

PRESENT DIRECTORSHIPS IN OTHER LISTED COMPANIES
Nil

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

DIRECTORSHIPS IN OTHER LISTED COMPANIES HELD OVER THE PRECEDING THREE YEARS
(from 31 December 2017 to 30 December 2020)
Nil

PERIAKARUPPAN ARAVINDAN
Executive Director
Deputy Chief Executive Officer

Date of first appointment as a director:
28 April 2010

Date of last re-election as a director:
29 April 2019

Length of service as a director:
10 years 8 months
(on 31 December 2020)

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

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

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

OTHER PRINCIPAL COMMITMENTS
(other than directorships in listed companies)
Global Premium Hotels Pte Ltd and its subsidiaries (Director)

DIRECTORSHIPS IN OTHER LISTED COMPANIES HELD OVER THE PRECEDING THREE YEARS
(from 31 December 2017 to 30 December 2020)
Nil

LEOW CHUNG CHONG YAM SOON
Lead Independent Director

Date of first appointment as a director:
1 April 2014

Date of last re-election as a director:
26 April 2018
(Will be seeking re-election at the 2020 AGM)

Length of service as a director:
6 years 9 months
(on 31 December 2020)

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

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

PRESENT DIRECTORSHIPS IN OTHER LISTED COMPANIES
Asian Healthcare Specialists Limited (Lead Independent Director, Chairman of Audit & Risk Management Committee and Member of Remuneration and Nominating Committees)

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

DIRECTORSHIPS IN OTHER LISTED COMPANIES HELD OVER THE PRECEDING THREE YEARS
(from 31 December 2017 to 30 December 2020)
Nil

TEO CHENG KUANG
Independent Director

Date of first appointment as a director:
20 December 2004

Date of last re-election as a director:
26 June 2020

Length of service as a director:
16 years
(on 31 December 2020)

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

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

PRESENT DIRECTORSHIPS IN OTHER LISTED COMPANIES
Nil

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

DIRECTORSHIPS IN OTHER LISTED COMPANIES HELD OVER THE PRECEDING THREE YEARS
(from 31 December 2017 to 30 December 2020)
Nil

THAM CHEE SOON
Independent Director

Date of first appointment as a director:
1 January 2021

Date of last re-election as a director:
Not applicable
(Will be seeking re-election at the 2020 AGM)

Length of service as a director:
Not applicable
(on 31 December 2020)

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

ACADEMIC & PROFESSIONAL QUALIFICATION(S)
Bachelor's degree in Accountancy, National University of Singapore,
Fellow, Chartered Accountant (Singapore),
Licensed Insolvency Practitioner,
Certified Public Accountant (US and Australia),
CFA Charterholder

PRESENT DIRECTORSHIPS IN OTHER LISTED COMPANIES
Hwa Hong Corporation Limited (Independent and Non-Executive Director, Chairman of Audit & Risk Committee and Member of Nominating Committee)

OTHER PRINCIPAL COMMITMENTS
(other than directorships in listed companies)
iCFO Advisors Pte. Ltd. (Founder/Director)
iCFO Audit (Founder)
The Teng Ensemble Ltd (Director)
Bone Marrow Donor Programme (Board Member)
Dover Park Hospice (Audit & Risk Committee Member)
Temenggong Artists-in-Residence Ltd (Director)

DIRECTORSHIPS IN OTHER LISTED COMPANIES HELD OVER THE PRECEDING THREE YEARS
(from to 31 December 2017 to 30 December 2020)
Nil

KEY HIGHLIGHTS

REVENUE
$111.3 MILLION
$58.2 MILLION IN 2019

EBITDA
$36.2 MILLION
$122.7 MILLION IN 2019

TOTAL ASSETS
$3.3 BILLION
$3.2 BILLION IN 2019

EARNINGS PER SHARE
0.03 cents
1.19 CENTS IN 2019

MARKET CAPITALISATION
$778.8 MILLION
$899.5 MILLION IN 2019

EBIT
$32.1 MILLION
$119.2 MILLION IN 2019

OPERATING PATMI
($12.6) MILLION
($21.0) MILLION IN 2019

NET ASSET VALUE PER SHARE
19.32 cents
20.72 CENTS IN 2019

LOAN-TO-ASSET RATIO
0.56 TIMES
0.57 TIMES IN 2019

CLOSING SHARE PRICE
11.6 cents
13.4 CENTS IN 2019

5-YEAR FINANCIAL HIGHLIGHTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Revenue ($'000)	118,733	198,021	326,228	58,156	**111,305**
Gross profit ($'000)	43,322	71,520	130,770	42,385	**42,892**
EBIT ($'000)	26,141	75,386	314,300	119,185	**32,092**
Operating PATMI ($'000)	5,295	18,868	21,626	(21,009)	**(12,571)**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (AS AT 31 DECEMBER)	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Total assets ($'000)	1,960,308	2,283,779	2,819,024	3,155,334	**3,310,716**
Cash and cash equivalents ($'000)	45,513	121,530	136,129	69,452	**12,822**
Properties under/held for development ($'000)	476,476	425,109	692,541	788,282	**794,554**
Properties held for sale ($'000)	67,731	58,908	94,066	89,971	**199,692**
Property, plant and equipment ($'000)	18,903	104,532	97,875	205,233	**346,459**
Investment properties ($'000)	1,172,223	1,290,235	1,578,208	1,823,976	**1,910,991**
Total borrowings ($'000)	854,474	1,115,783	1,390,040	1,695,311	**1,930,715**
Total liabilities ($'000)	907,021	1,177,287	1,500,113	1,764,000	**2,013,803**
Total equity ($'000)	1,053,287	1,106,492	1,318,911	1,391,334	**1,296,913**
Market capitalisation ($ million)	1,074.0	1,127.7	912.9	899.5	**778.8**

FINANCIAL RATIOS	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Net tangible assets per share (cents)	15.50	16.40	19.65	20.72	19.32
Earnings per share (cents)	0.11	0.72	3.98	1.19	0.03
Debt equity ratio (net of cash)	0.77	0.89	0.95	1.17	1.48
Loan-to-asset ratio	0.54	0.61	0.55	0.57	0.56

HIGHLIGHTS OF PROPERTIES UNDER DEVELOPMENT

PREMIER TOWER, AUSTRALIA

796-unit luxury apartment located at the heart of Melbourne's CBD, with its visionary design and unique structure, inspired by form and delivering remarkable function.

MÖVENPICK MELBOURNE, AUSTRALIA

172-room 5-star hotel with its unique contemporary design with cosmopolitan vibe that invites exploration and discovery.

IBIS STYLES PAIGNTON, UNITED KINGDOM

Brand new hotel amongst the coastline of Paignton's seafront that provides a haven of rejuvenation and recreation.

NOVOTEL DEVONPORT, AUSTRALIA

187-room 4-star hotel located near the port of the Tasmania's north-west coast, and a key player to Devonport's LIVING CITY Master Plan, the largest urban renewal project ever taken in regional Tasmania.

JERVOIS TREASURES, SINGAPORE

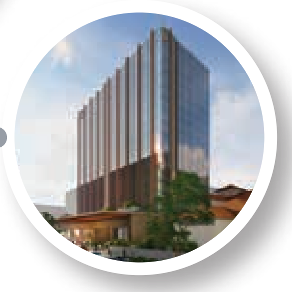
36-unit of five-storey luxury development with a perfect balance of an excellent address, freehold status, affordable pricing, and convenience. With exclusivity and privacy, Jervois Treasure is an ideal home for the discerning homeowner.

URBAN TREASURES, SINGAPORE

237-unit of high-rise residential development nestled within the private and landed residential enclave in Eunos, with expansive unblocked views.

WATERLOO STREET HOTEL, SINGAPORE

14-storey exclusive boutique hotel development located at the heart of the city's rich heritage street.



PERFORMANCE REVIEW

FINANCIAL OVERVIEW

Fragrance Group Limited posted a total group revenue of $111.3 million for the full year ended 31 December 2020 (FY 2020), representing an increment of 91.4% as compared to $58.2 million for FY 2019. This was contributed by the Property Development segment in both Singapore and Australia.

In FY 2020, the Group recorded a lower net gain on investment properties of $14.3 million (2019: $100.9 million). Furthermore, operating expenses increased due to the commencement of a new hotel in Perth, Australia. Overall, the Group recorded a net profit after tax of $1.2 million (2019: $79.5 million) for the full year FY 2020.

REVENUE

The Group reported a 91.4% increase in revenue for FY 2020. The Group's revenue from Property Development segment contributed 58% of total group revenue for FY 2020, an increase of 754.4% to $64.1 million in FY 2020.

NV Apartments (Perth, Australia) obtained its completion certificate in February 2020 and has contributed $44.5 million, approximately 69.4% of the Property Development segment results. In Singapore, two development projects – Urban Treasures and Jervois Treasures which were launched to the market last year, contributed revenue of $13.1 million.

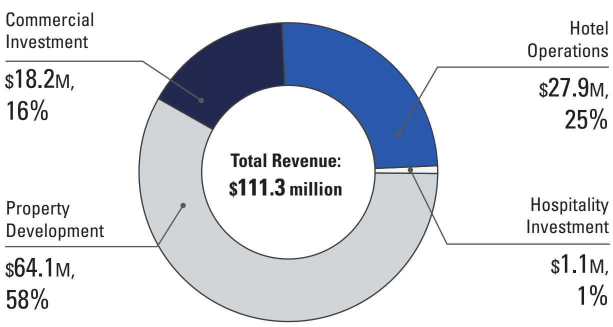
Revenue for Australia development is recognised upon completion when the title is transferred to the buyers while revenue for Singapore development is recognised over time in accordance with the progress of the construction during development.

The Group's iconic Australia development project – Premier Tower, in Melbourne, has received its practical completion certificate issued for 401 residential units located from ground floor to level 45 (Phase 1) in late December 2020, and revenue will only be recognised in 2021 when title is passed to the buyer.

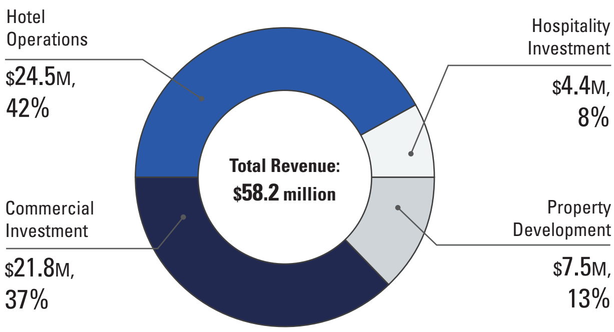
The Property Development segment is expected to remain the strongest segment for the group in 2021, and results from this segment in 2021 is expected to surpass that of 2020's.

Geographically, the Group's two largest markets – Australia and Singapore accounted for approximately 95.1% of the Group's revenue. This is in line with our diversification into the regional market in Australia and United Kingdom ("UK") since 2014 and 2017 respectively. Our Australia market has contributed $68.7 million (2019: $15.8 million) revenue in FY 2020, attributable to the sales of NV Apartments and two hotel operations in Tasmania and Perth.

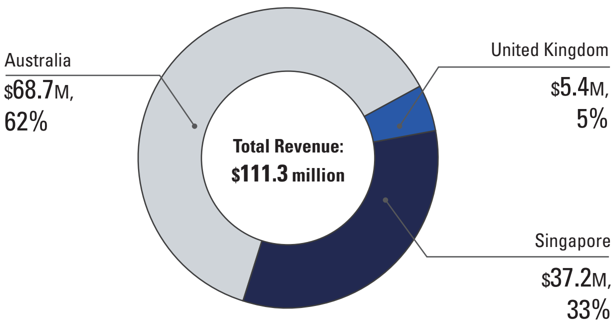
2020 REVENUE BY SEGMENT



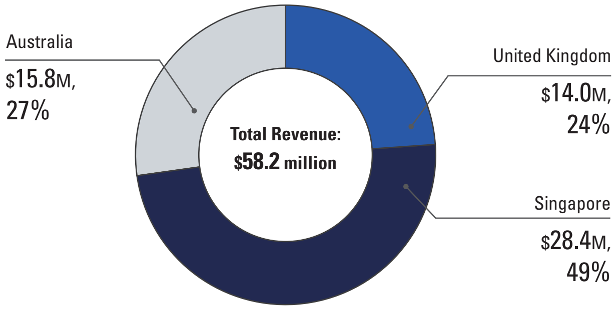
2019 REVENUE BY SEGMENT



2020 REVENUE BY GEOGRAPHY

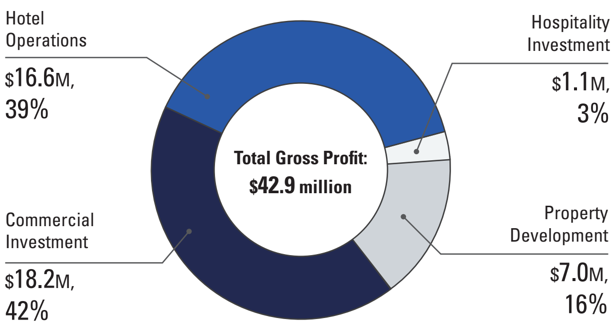


2019 REVENUE BY GEOGRAPHY

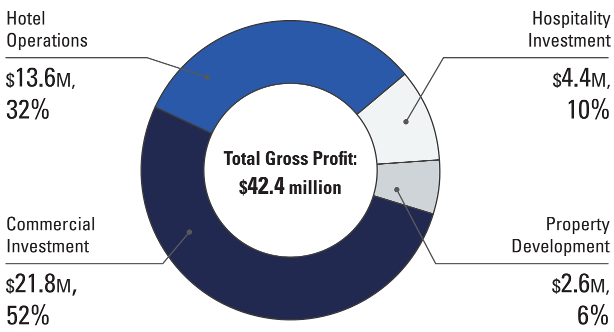


PERFORMANCE REVIEW

2020 GROSS PROFIT BY SEGMENT



2019 GROSS PROFIT BY SEGMENT



GROSS PROFIT

The change in the revenue mix in the Group's four operating segments from Commercial Investment and Hospitality Investment that draw a higher margin, to predominantly the Property Development and Hotel Operations segments that draw a lower margin, has changed the overall gross profit margin from 72.9% to 38.5%. However, gross profit increased by 1.2% to $42.9 million (2019: $42.4 million).

EARNINGS BEFORE INTEREST AND TAX (EBIT)

The Group reported an EBIT of $32.1 million for FY 2020, compared to $119.2 million in FY 2019. The details of the Group's EBIT can be analysed as follows:

	FY 2020		FY 2019	
	$'000	%	$'000	%
Operating profits	17,807	55	18,324	15
Revaluation gains	14,285	45	100,861	85
EBIT	32,092		119,185	

Operating profits for the year remained relatively stable across both comparative financial years despite the challenging business environment arising from the pandemic in FY 2020 as a result of management's continuous efforts to uphold financial prudency.

In terms of revaluation of investment properties, the Group recorded a net fair value gain of $14.3 million in FY 2020 (2019: $100.9 million). The net fair value gain on investment properties in FY 2020 arises mainly from a $21.0 million gain on the recently acquired plot of land at Waterloo Street that is adjacent to an existing land held by the Group for hotel development. The Group has obtained permit to re-zone the total site as a hotel and the enlarged plot ratio over the combined plot of lands translates to a more efficient and comprehensive use as compared to its former state, which resulted in the aforementioned gain.

Singapore and Australia markets remain the key contributors to the Group's EBIT. Singapore accounted for 129.8% (2019: 103.0%) while Australia accounted for 11.9% (2019: 3.4%) respectively.

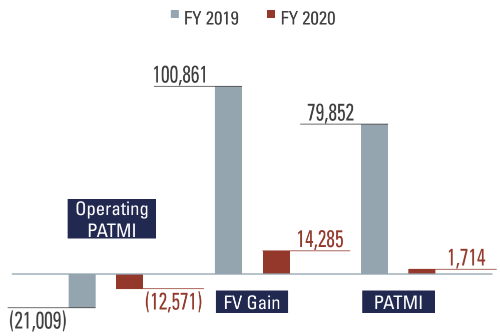
PROFIT AFTER TAX AND MINORITY INTEREST (PATMI)

Overall, the Group achieved a lower PATMI of $1.7 million in FY 2020, a 97.9% drop over FY 2019, on account of lower revaluation gain on investment properties recorded in FY 2020.

Negating the effects of revaluation gain on investment properties, operating PATMI reflected a lower loss after tax and minority interest for FY 2020 of $12.6 million as compared to FY 2019's $21.0 million, driven by lower finance costs and lower tax expenses.

Finance costs decreased by $4.3 million or 13.7% to $27.2 million in FY 2020 due to lower interest rates. Tax expense primarily comprised $1.2 million of income tax, $2.4 million of deferred tax and $3.5 million of withholding tax, offset by a tax credit of $3.4 million, arising from temporary cash flow measures announced by Australian Taxation Office for refunds of corporate tax paid in prior years to cover the tax losses incurred in FY 2020.

The breakdown of the Group's PATMI is shown below:



Notes:

1. Figures are in $'000
2. Operating PATMI = PATMI less FV gain

ASSETS

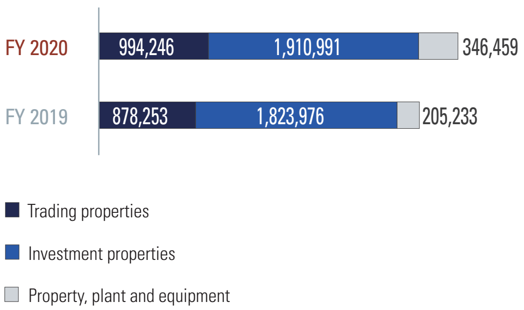
As of 31 December 2020, the Group's total assets stand at $3.3 billion (2019: $3.2 billion). The increase in the Group's non-current assets from $2.1 billion as of 31 December 2019 to $2.3 billion as of 31 December 2020 was mainly due to the acquisition of land at Waterloo Street that is adjacent to an existing land held by the Group for hotel development.

There were six properties under development and one formerly leased hotel, with a view to owner-managed hotels, being reclassified from investment properties to property, plant and equipment. Accordingly, these properties are held at cost under property, plant and equipment. The reclassification from investment properties to property, plant and equipment during the year amounted to $88.7 million.

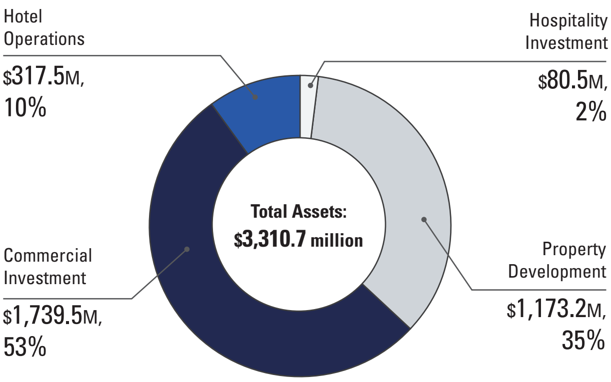
89.3% (2019: 92.9%) of the Group's major asset class are investment properties and trading properties. The Group's investment properties portfolio continues to generate stable recurring income from both our Commercial Investment and Hospitality Investment segments. This is accompanied by a significant contribution from our trading properties in FY 2020.

Geographically, the total assets saw a 16.6% growth in Australia from $723.2 million as at 31 December 2019 to $843.1 million for the year ended in FY 2020. Predominantly, 68.7% of the Group's assets are invested in Singapore market compared to 71.8% as at end of last year. The slow and gradual geographic expansion is observed to carefully steer the effort to diversify into the two other regions.

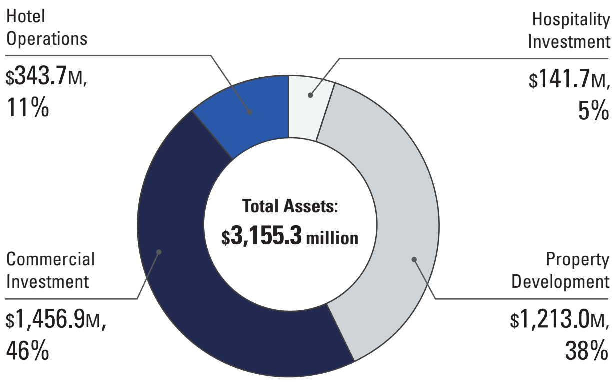
MAJOR ASSET CLASS



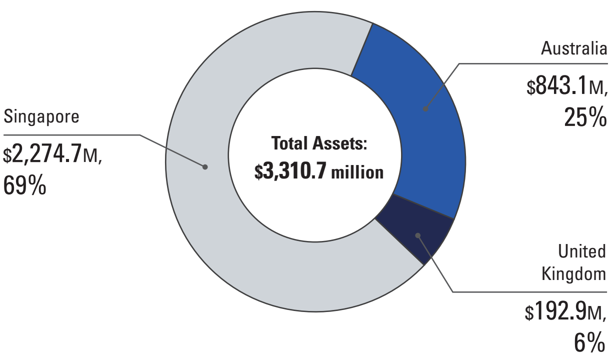
2020 ASSETS BY SEGMENT



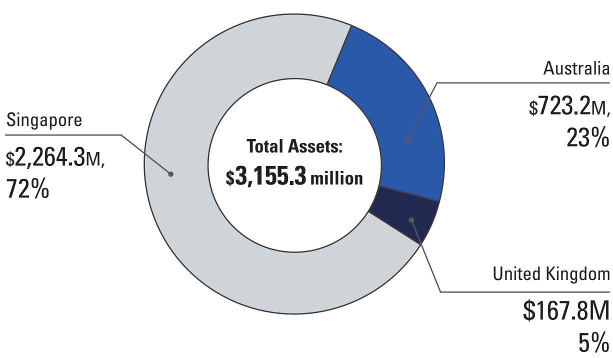
2019 ASSETS BY SEGMENT



2020 ASSETS BY GEOGRAPHY



2019 ASSETS BY GEOGRAPHY



PERFORMANCE REVIEW

BORROWINGS

Total borrowings increased by $235.4 million, or 13.9% to $1.9 billion was mainly due to the drawdown of $265.7 million loans during the year for the acquisition of land and fund ongoing development expenditure for properties under construction, being partially offset by repayment of certain borrowings during the year.

$266.0 million relating to the medium term note from our multi-currency debt issuance programme launched in 2017/2018 will be expiring in 2021 over the following periods:

Maturity Date	Coupon rate	Outstanding Principal Amount ($ million)*
26 April 2021	6.125%	115.0
23 August 2021	3.25%	81.0**
23 November 2021	4.75%	70.0

*As at 31 December 2020
**GBP 45.0 million equivalent

These medium term note were raised for the purpose to fund the expansion into Australia and UK and hence it is timed to be repaid upon the completion of certain of these projects.

The above is expected to be repaid using the proceeds from the settlement of Premier Tower, available cash balances, unutilised and new bank facilities.

Premier Tower, the Group's iconic Australia development project in Melbourne, has received its practical completion certificate issued for 401 residential units located from ground floor to level 45 (Phase 1) in late December 2020. Practical completion certificate for the remaining 395 residential units and the hotel (Phase 2) will be issued in April 2021. The Group has a total contracted sale of AUD 468.2 million from Premier Tower as of FY 2020, representing 84.3% of the total residential units' sales value. As at the date of this report, settlement of the sales is still in progress.

SHAREHOLDERS' EQUITY

As at 31 December 2020, the total Shareholders' funds was $1.3 billion (2019: $1.4 billion). The decrease was mainly due to payment of dividend for 2019, offset by translation of foreign operations arising from the appreciation of AUD against SGD during the year.

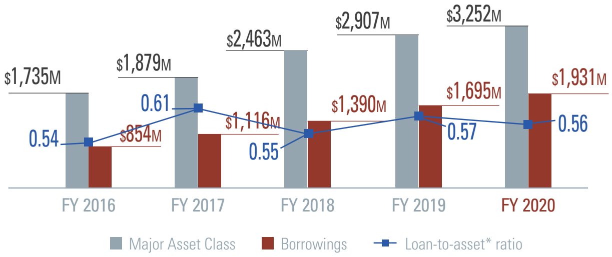
Net assets value per share was 19.32 cents (FY 2019: 20.72 cents)

CASH FLOW MANAGEMENT

The Group maintains a prudent capital structure and actively reviews its cash flows, debt maturity profile relative to expected cash inflows and overall liquidity position on an ongoing basis.

The main sources of the Group's operating cash flows are derived from sales of residential/mixed-used developments, rental income from its investment properties within Commercial Investment and Hospitality Investment segments and revenue from hotel operations.

To support its funding requirements, investment needs and growth plans, the Group actively sources its funding through a mixture of bank facilities and capital market issuances. The Group generally finance investments and projects with a long development cycle through a mix of internally generated funds and longer-term debts which are secured over the Group's assets. This is observed in the chart below that demonstrated the Group's policy on adhering to its loan-to-asset ratio:



* Asset refers to carrying amount of secured properties.

The investment into development of Premier Tower over the past 4 years will be monetised upon the receipt of sales proceed in 2021.

Net cash used towards the costs incurred on our development properties constitutes majority of our cash outflow from operations, as Property Development remains a significant segment for the Group. Typically, the Group is expected to experience negative cash flow from operations to fund these development projects (especially for our Australia properties) during the years in which development of properties is underway. Development costs including land, construction and other relevant costs incurred are capitalised until the development project is completed and sold. Development projects are expected to extend beyond one financial year.

In 2020, the Group continued to incur cash outlay to fund development costs of our ongoing projects namely, Premier Tower, Urban Treasures and Jervois Treasures. In summary, significant cash outlay incurred for development costs is the main reason for the $98.1 million net cash used in operating activities for the year.

Net cash used in investing activities amounted to $153.9 million, was mainly due to additions of investment properties and funding for ongoing development expenditure for hotel properties under construction.

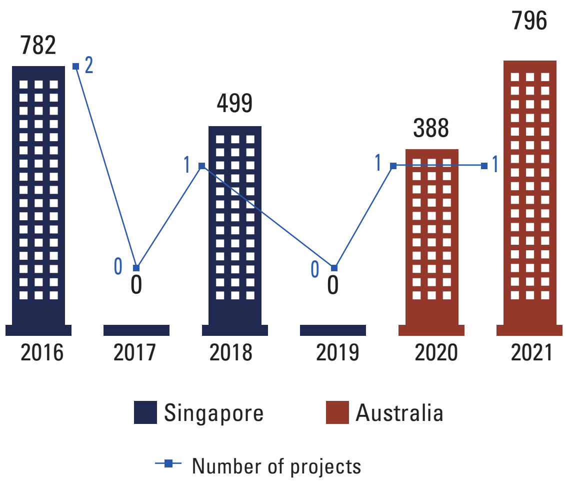
As at 31 December 2020, cash and cash equivalents stood at $12.8 million compared to $69.5 million as at the end of 31 December 2019.

Cash deposits of SGD 52.4 million (AUD 51.5 million equivalent) held in escrow for the sale and purchase agreement executed by the Premier Tower buyers were not recorded as of 31 December 2020 but the Group is expected to recognise these deposits in 2021 upon the settlement or forfeiture of sales for Premier Tower.

OPERATIONAL REVIEW AND HIGHLIGHTS

The Group has gradually transformed from an Asia-focused property developer to a regional player in both Property Development and Hotel Operations across these years because of our stakeholders' endorsement in financing these investments and prudent expansion strategies. The Group's investment strategy is to generate sustainable returns through a diversified yet resilient core portfolio of real estate asset classes in multiple regions.

NUMBER OF UNITS BUILT



Property development

Notably, the Group has scaled up from small mixed-use developments projects in Singapore to sizeable luxurious property developments in Australia and Singapore. By targeting urbanites with its largest-ever development – Premier Tower that is in the heart of Melbourne's Central Business District ("CBD"), to home buyers inclined to exclusive and dedicated facilities with Urban Treasures and Jervois Treasures in Singapore, the Group has diversified concurrently to different geographical regions and consumer groups to maximise the reach of its branding.

In **Singapore**, the prices of private residential properties increased by 2.1% in 4Q 2020, compared with the 0.8% increase in the previous quarter. Property analysts expect the Urban Redevelopment Authority's ("URA") benchmark index for overall private home price to post growth ranging from 0% to 4% in 2021.[1]

In FY 2020, the Group's property development revenue increased by 754.4% to $64.1 million (2019: $7.5 million). NV Apartments in Perth, **Australia** was the main revenue contributor. Premier Tower in Melbourne, Australia will be expecting the settlements for 84.3% of the total development in FY 2021. The Group will continue to market the remaining units in Premier Tower in Melbourne and NV Apartments in Perth.

Hotel operations

The Group has plans to continue its investment in the Hotel Operations segment following the success of the 2 hotels in Australia. Travel demand, both international and domestic, as well as staycation demand are expected to swell once COVID-19 vaccines are rolled out and travel restrictions have eased.[2] International Air Transport Association predicted in early 2021 that air travel is expected to recover in late 2022 and back to pre-pandemic level by 2024[3]. The Group is well-positioned to seize the surge of demand with its upcoming hotel properties in UK and Australia which are expected to be completed by 2021/2022.

The hotel properties in UK are located strategically in coastal areas in Paignton and Blackpool, to heritage areas in Harrogate and city centre in Liverpool and Manchester. This innovative strategy allows the Group to expand its consumer base while minimising its investment risks, and both will improve the Group's financial performance in time to come.

In 2020, lean and essential workforce are employed to minimise cost and that offers the hotels flexibility to scale up when occupancy improves. To mitigate the impact of lower occupancies, the Group is actively marketing its hospitality

PERFORMANCE REVIEW

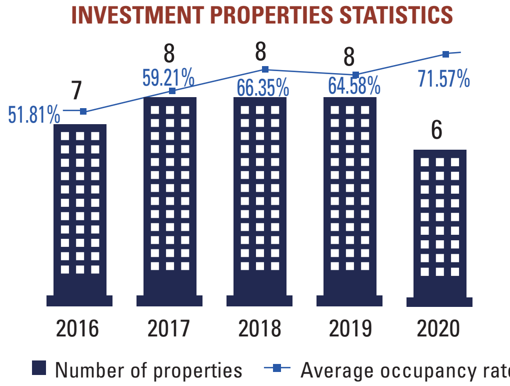
properties and has offered its rooms to house visitors on stay home notices. The Group expects hotel revenue from its UK hotel properties to be soft with the current lockdown measures till May 2021.

Subsequent to the financial year-end, the Group has officially taken over four hotel properties from a former hotel-operator tenant and will be operating these hotels in 2021. A wholly owned subsidiary, Fragrance UK-Hotel Management Limited, held through Fragrance UK Investment Limited was newly incorporated on 12 February 2021, for purpose of operating these hotels.

Following the shift in business strategy, Hospitality Investment will be subsumed into Hotel Operations in 2021.

Commercial investment

Rental income from the Group's investment properties remained a stable arm throughout the years.



Rentals of Singapore's office space decreased by 3.5% in 4Q 2020, compared with the 4.5% decrease in the previous quarter. Nonetheless, the island-wide vacancy rate of office space decreased to 11.8% as at the end of 4Q 2020, from 12% as at the end of the previous quarter.[1] Contrary to the general market trend, our portfolio of six local investment properties has achieved a higher average occupancy rate of 71.6% in FY 2020, compared to 64.6% in the prior comparative year.

The increase in occupancy rate in 2020 despite the lackluster property market highlights the Group's resilience, effective property management and foresight. Management strives in strengthening its foothold in this segment with continuous enhancement to its properties, targeted marketing efforts and proactive lease management. We continue to seek attractive investment opportunities in the local market.

Redevelopment works on 15 Hoe Chiang Road into a mixed development comprising of hotel and commercial spaces is underway. 15 Hoe Chiang Road is located right in the centre of the new Greater Southern Waterfront, located in the extended CBD of Singapore.

Our next redevelopment project in Singapore is the hotel development in 62 & 64 Waterloo Street, which sits on a rich heritage site downtown, showcasing the former grandeur of many Singapore's traditional landmarks while embracing the stellar skyscrapers amongst it.

These two properties under development are expected to greatly boost the Group's portfolio of investment properties upon completion.

Summary

The economic outlook remains challenging for the year ahead with the prolonged COVID-19 pandemic, specifically for the hotel operations in UK.

Revenue from Property Development is expected to be higher in 2021, contributed by the completion of certain settlement from AUD 468.2 million of sold units in Premier Tower, coupled by sale of residential units in NV Apartment, Jervois Treasures and Urban Treasures.

A new 5-star hotel in Melbourne (part of Premier Tower) is expected to commence operations in 2021 as well.

Hotel Operations segment is expected to produce lackluster financial results in 2021 as we continuously observe COVID-19 impacts in tourism sector in the early months of 2021 but the group remain optimistic about the growth in this segment in years to come.

Commercial Investment segment is expected to hold its financial performance.

The Group's results will continue to be dependent on i) the sales and progress of Singapore and Australia development projects; ii) fair value changes in the investment properties; iii) performance of the investment and hotel properties; iv) the prevailing exchange rates of AUD and GBP against SGD.

Footnotes:

1. *Urban Redevelopment Authority 4Q 2020 real estate statistics, 22 January 2021*
2. *Christie & Co Review. Realign. Recover Business-Outlook-2021-Report.pdf*
3. *Flight Global – Air travel could fully recover by late 2022: analyst – 11 Feb 2021*

SUSTAINABILITY REPORTING

The Company will make available its sustainability report on SGXNet in May 2021.

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, including accountability, transparency and sustainability within the Company and its subsidiaries (the "Group"). This is essential in enhancing long-term value to its stakeholders, and in directing and managing the business and affairs of the Company to deliver the Group's long-term strategic objectives and protect the interests of its shareholders.

This report sets out the main corporate governance practices for the financial year ended 31 December 2020 ("FY 2020"), benchmarked against the principles and provisions under the Code of Corporate Governance issued in August 2018 ("Code 2018"). Where the Company's practices vary from any provisions of the Code 2018, appropriate explanations have been provided.

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

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

Provision 1.1 – Principal Duties of the Board

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

The Board has the primary responsibility to foster the success of the Company so as to deliver sustainable value over the long term, and to engage stakeholders based on the principles of sustainability and sound governance. The Board, led by the CEO, oversees the strategic direction, performance and affairs of the Group and provides overall guidance to Management. The Board works with Management to achieve the Company's objectives and Management is accountable to the Board for its performance.

The duties and powers of the Board, apart from its statutory responsibilities, include:

- providing entrepreneurial leadership, guidance on certain important matters, including those involving the review and approval of strategic direction, material acquisitions and disposal of assets, and ensuring that the necessary financial and human resources are in place for the Company to meet its objectives;
- reviewing the adequacy and effectiveness of the Company's risk management and ensuring that Management maintains a sound system of internal controls (including financial, operational, compliance and information technology) to safeguard the shareholders' interests and the Group's assets;
- overseeing the conduct of the Group and evaluating whether the business is properly managed, including overseeing and enhancing corporate governance practices and ethical standards within the Group and reviewing the performance of Management in meeting agreed goals and objectives;
- dealing with matters such as conflicts of interests relating to Directors and/or controlling shareholders (where applicable), major acquisitions and disposals of assets, dividend and other distributions to shareholders, and those transactions or matters which require the Board's approval under the provisions of the listing manual (the "Listing Manual") of the Singapore Exchange Securities Trading Limited ("SGX-ST") or any applicable regulations;
- approving changes in the composition of the Board and board committees (the "Board Committees");
- monitoring the Group's performance, position and prospects by reviewing management reports and management accounts on a regular basis and approving financial results announcements, circulars (if any), and audited financial statements and annual reports; and
- considering sustainability issues such as environmental and social factors as part of its strategy formulation.

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

CORPORATE GOVERNANCE REPORT

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

The Board sets the tone for the Group in respect of ethics, values and desired organisational culture, and ensures proper accountability within the Group. The Group has implemented a code of conduct and ethics to act objectively in the best interests of the Company, by avoiding conflicts of interest, maintaining the confidentiality of information, compliance with laws, rules and regulations and reporting of violation of law and company policy. Pursuant to the conflicts of interest policy, Directors shall avoid any conflicts of interests with the Company. Where a Director's personal or business interests directly or indirectly conflict or potentially conflict with the interests of the Group, the Director shall promptly disclose such interests at a meeting of the Directors or by sending a written notice to the Company Secretary containing details of the interests and the nature of the conflict while recusing himself/herself from discussions and decisions involving the issues of conflict.

Provision 1.2 – Board Induction, Training and Development

Any newly appointed Director is briefed by the Executive Directors and Management 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 attend the relevant programme conducted by the Singapore Institute of Directors ("SID") to acquire knowledge of what is expected of a listed company's Director on the roles and responsibilities under the Companies Act and the SGX-ST Listing Manual.

Mr Tham Chee Soon was appointed on 1 January 2021, as the Group's Independent and Non-Executive Director after careful consideration of his qualifications and experience by the Board. Mr Tham has prior experience as Director of another listed company and had also attended the Listed Company Directors (LCD) Programme organised by the SID in 2018.

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 SID. In addition, the Company arranges for professional briefings when necessary to update the Directors on any new regulatory development which has an impact on the Group.

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

Provision 1.3 – Board Approval

Matters specifically reserved to the Board for its approval are:

(a) Strategic policies and objectives of the Group;
(b) Matters involving a conflict of interest for a substantial shareholder or a Director;
(c) Material acquisitions and disposal of assets;
(d) Bank borrowings as well as debt and equity-linked instruments;
(e) Corporate or financial restructuring, mergers, major acquisitions and divestments; and
(f) Share and bond issuances, interim dividends and other returns to shareholders.

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

There are no material transactions that exceeded the limits of authority delegated to Management or Board Committees during FY 2020.

Provision 1.4 – Delegation by the Board

The Board has established three Board Committees, namely: (i) the Audit Committee (“AC”), (ii) the Remuneration Committee (“RC”) and (iii) the Nominating Committee (“NC”), to assist it in the execution of its responsibilities. Each of these Board Committees is formed with defined terms of references and operates under delegated authority from the Board with the Board retaining oversight. Invitations are extended to all Directors (regardless of them being non-committee members), to voluntarily attend all Board Committee meetings, where appropriate.

The chairpersons of these Board Committees report on the decisions and significant matters discussed at the respective Board Committee meetings to the Board on an annual basis, except the AC who meets three times a year. The minutes of the Board Committee meetings which record the deliberations and decisions taken during these meetings are also circulated to all Board members for their information. The duties and responsibilities of the Board Committees are set out in this Report.

Provision 1.5 – Board and Board Committee Meetings and Attendance Records

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

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

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

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

* Audit Committees met twice over half-yearly and full-yearly results announcements and once for external auditor’s audit plan for FY 2020.

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

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

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

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

(5) Mr Watt Kum Kuan had resigned as an Independent Director of the Company with effect from 31 December 2020 for the purpose of board renewal. Following which, Mr Tham Chee Soon was appointed as an Independent Director of the Company with effect from 1 January 2021. The first meeting attended by Mr Tham was on 24 February 2021.

CORPORATE GOVERNANCE REPORT

The Company Secretary attends the Board and Board Committee 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.

Provision 1.6 – Complete and Adequate Information

The Board is provided with relevant information on a timely basis prior to the Board and Board Committee meetings. This enables Directors to make informed decisions to execute their duties and responsibilities. The Board receives complete, adequate and timely information on Board affairs and issues requiring the Board's decision on an ongoing basis. Such updates enable the Directors to keep abreast of key issues and developments in the Group's core businesses, including updates on market trends, as well as challenges and opportunities for the Group.

Prior to each Board meeting, a detailed Board Paper covering the Group's financial and operational performance as well as business and corporate issues is provided to the Directors to enable them to be properly briefed on issues to be considered at Board meetings.

The Board and its Committees have separate and independent access to Management and are free to request for additional information as needed to make informed decisions. With COVID-19 situation evolving rapidly, the Board recognises the importance of having ease of access to additional information to make prompt decisions.

Provision 1.7 – Company Secretary and Independent Professional Advice

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

Under the direction of the Chairman, the Company Secretary ensures good information flow to and within the Board and its Committees and between Management and Independent Directors.

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

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

During FY 2020, the Company Secretary attended two meetings of the Board and its Committees and the minutes of such meetings were promptly circulated to all members of the Board and Board Committees.

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

2. BOARD COMPOSITION AND GUIDANCE – PRINCIPLE 2

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

Provision 2.1 – Board Independence

The Board, through the NC, reviews from time to time the size and composition of the Board and Board Committees, with a view to ensure that the size of the Board and Board Committees is appropriate in facilitating effective decision-making. The Board and Board Committees have a strong independent element, and their compositions reflect diversity of thought and background. The review considers the scope and nature of the Group's operations, and the competition the Group faces.

The NC, in its deliberation as to the independence of a Director, considered guidelines of relationships as set out in the Code 2018. This includes considering whether a Director had business relationships with the Group, and if so, whether such relationships could interfere, or be reasonably perceived to interfere, with the Director exercising his/her independent judgement. The process includes the use of a declaration form on independence where each Independent Director is required to complete and submit to the NC for review. The results of the self-assessment are then collated, communicated and reported to the Board.

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

Independent Directors with more than 9-year Tenure

Pursuant to Guideline 2.4 of the Code of Corporate Governance 2012, the independence of any Director who has served on the Board beyond nine years from the date of first appointment should be subject to particularly rigorous review. The Board, through the NC, assessed the independence of each of the Directors in FY 2020. Based on such assessment and the declarations of independence provided by the respective Directors and taking into account the guidance in the Code 2018, the Group will continue to apply Guideline 2.4 prior to 1 January 2022, after which Provision 2.1 of the Code 2018 will apply.

In FY 2020, the Board conducted a rigorous review on the independence of Mr Teo Cheng Kuang and Mr Watt Kum Kuan, both of whom have served as an Independent Director on the Board beyond nine years.

Under such rigorous review, each Independent Director has confirmed that neither he nor any of his immediate family, relatives and associates (collectively, "connected persons") has any relationship or business dealings with a controlling shareholder or a controlling shareholder's connected persons that would give rise to a conflict of interest or impairment of the Independent Director's independence. Emphasis is placed on whether they have continued to demonstrate integrity, professionalism and independent judgement and/or decisions on matters with the interests of the Group at heart without undue reliance on and influence by others. Having subject their independence to rigorous review, the Board has resolved that Mr Teo and Mr Watt are independent notwithstanding their length of appointment.

CORPORATE GOVERNANCE REPORT

Mr Teo and Mr Watt had continued to demonstrate their ability to exercise strong objective judgement and act in the best interests of the Group. 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 provided valuable contributions to the Group with their experience and knowledge of the industry.

After 15 years of service, Mr Watt had expressed his intention to make way for board renewal as part of the rejuvenation of the board composition and in an orderly manner, whilst ensuring continuity and sustainability of corporate performance. Mr Watt retired on 31 December 2020 and Mr Tham was appointed as Independent Director in place of Mr Watt with effect from 1 January 2021.

Continuing the renewal of the Board composition, Mr Teo has also expressed his desire to retire before 1 January 2022. The Company is in the process of considering suitable Independent Director candidates.

Rule 210(5)(d)(iii) of the SGX Listing Rules, which will take effect on 1 January 2022, stipulates that the re-appointment of any Independent Director who has served the Board for an aggregate period of more than nine years from the date of their first appointment will undergo the mandatory two-tier voting process at the upcoming AGM, otherwise, that Independent Director will be considered non-independent on 1 January 2022.

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

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

Executive Directors	
Koh Wee Meng	Chairman and Chief Executive Officer ("CEO")
Periakaruppan Aravindan	Director and Deputy CEO
Lim Wan Looi	Director
Non-Executive Directors	
Leow Chung Chong Yam Soon	Lead Independent Director
Teo Cheng Kuang	Independent Director
Tham Chee Soon	Independent Director (Appointed on 1 January 2021)

Under Provision 2.2 of the Code 2018, the Independent Directors should make up a majority of the Board where the Chairman of the Board is not independent. Under Provision 2.3 of the Code 2018, the Non-Executive Directors should also make up a majority of the Board.

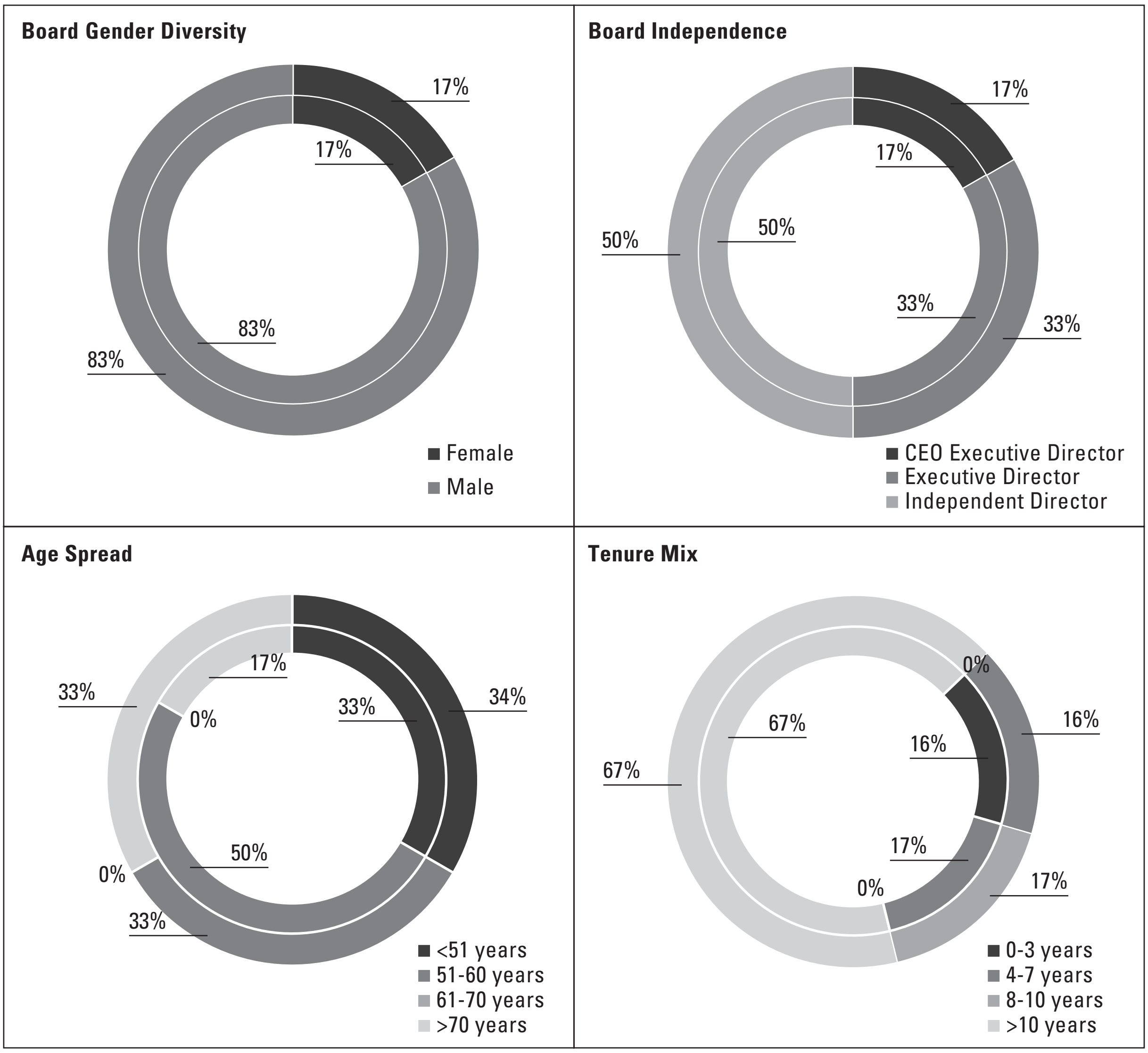
Where the Chairman is not independent, Independent Directors should make up a majority of the Board. In this regard, the Board currently has six members, of which, three are Independent Non-Executive Directors. Whilst Independent Directors do not make up a majority of the Board, the culture practised by the Board is to always obtain consensus from majority of the Board before moving forward. Each of our Independent Directors has constructively challenged and developed strategic proposals. The Independent Directors also encourage sensible and rigorous examination of the Group's current affairs by referencing the strategies to the Group's objectives and performance indicators. Even without majority representation, any issue highlighted by any Director is always looked into and properly addressed in a satisfactory manner. In addition, the Board is of the view that the Independent Directors have demonstrated high commitment in their role as Directors and have ensured that there is a good balance of power and authority and corporate governance.

The Board recognises the values of having Non-Executive Directors who are able to provide fresh perspective, alternative considerations, and the ability to think through strategic issues independently from its day-to-day operations. This oversight is crucial especially in the current unprecedented economic environment amid COVID-19.

Provision 2.4 – Board Composition and Competency of the Board

The Directors have the right competencies and diversity of experience for them to contribute effectively.

The Board currently does not have a formal diversity policy but recognises the importance of an appropriate balance and diversity of skills, experience, age, gender, knowledge and professional qualifications in building an effective Board. For this purpose, the NC reviews the Board's collective skills matrix during the annual assessment of the effectiveness of the Board. The Board considers that the present Board size is appropriate, taking into account the nature and scope of the Group's operations. The current Board comprises Directors who as a group provides core competencies which include accounting, business acumen, real estate related industry knowledge, familiarity with regulatory and compliance requirements and knowledge of risk management. Such diversity enables the Group to consider issues more holistically and strategically, given the various emerging trends and business disruptions that may come up from time to time, such as COVID-19. The biographies of all Board members are set out in the section entitled "Board of Directors".



The inner ring relates to data as at the date of this Report.

CORPORATE GOVERNANCE REPORT

The Board is of the view that there is sufficient diversity in skills, experience and knowledge of the Group in its current Board composition to maximise effectiveness. The Board will continue to take into consideration the skill sets and experience including gender diversity for any future Board appointments.

Provision 2.5 – Meetings of the Independent Directors

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

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

The Independent Directors have convened sessions without the presence of Management.

3. CHAIRMAN AND CHIEF EXECUTIVE OFFICER – PRINCIPLE 3
There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

Provision 3.1 – Separate Role for Chairman and CEO

Mr Koh Wee Meng is both the Executive Chairman and CEO of the Group. The Board is of the opinion that the present Group structure and business scope do not warrant a split of the role. Mr Koh understands the business of the Company, as well as the issues and the competition the Company faces. He plays a significant and active leadership role by providing clear oversight, direction, advice and guidance. However, he will seek the Board's views on issues and challenges for critical appraisal and decision. Consensus from majority of the Board on major decisions is obtained before moving forward.

The Board is of the view that the process of decision making by the Board is independent as collective decisions are made without any individual exercising any considerable concentration of power or influence. There is a good balance of authority and corporate governance, as all Board Committees are chaired by Independent Directors.

Provision 3.2 – Role and Responsibilities of Chairman and CEO

As CEO, Mr Koh Wee Meng has always played an instrumental role in developing the businesses of the Group and provides the Group with strong leadership and vision. In addition to setting and implementing the Group's business direction and strategies as endorsed by the Board, he is also responsible to the Board for the implementation of all corporate governance procedures and to ensure conformance by Management to such practices. Directors are given Board Papers prior to Board meetings for them to be adequately prepared and senior management staff (who are not Executive Directors) attends the Board and Board Committee meetings whenever necessary as well.

As Chairman of the Board, Mr Koh Wee Meng provides leadership to the Board and facilitates the conditions for the overall effectiveness of the Board, Board Committees and individual Directors. With the assistance of the Company Secretary, Mr Koh schedules Board meetings as and when required, prepares the agenda for Board meetings and ensures sufficient allocation of time for thorough discussion of each agenda item especially for strategic issues. He promotes an open environment for debate and ensures that Independent Directors are able to speak freely and contribute effectively. In addition, he sets guidelines and exercises control over the quality, quantity, accuracy and timeliness of information flow between the Board and the Management. He plays a pivotal role in fostering constructive dialogue among shareholders, the Board and Management at general meetings and other shareholder meetings. He also takes a leading role in driving the Group to achieve and maintain a high standard of corporate governance practices with the full support of the Board, the Company Secretary and the Management.

Provision 3.3 – Lead Independent Director

Taking cognisance that the Chairman of the Board is also the CEO, the Board has designated Mr Leow Chung Chong Yam Soon as the Lead Independent Director. As the Lead Independent Director, he leads the Independent Directors to provide a non-executive perspective and encourages dialogue between Independent Directors. He contributes to a balance of viewpoints on the Board, and provides feedback to the Chairman and CEO.

The Lead Independent Director is also available as the alternate channel for shareholders where they have concerns and the normal channels of the communication with the Chairman or Management is inappropriate or inadequate.

4. BOARD MEMBERSHIP – PRINCIPLE 4

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

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

The Board has a formal and transparent process for the appointment and re-appointment of Directors. The Board has established the NC, which makes recommendations to the Board on all appointments to the Board and Board Committees. All Board appointments are made based on merit and approved by the Board.

As at the date of this Report, the NC consists of the following four Directors with the majority, including the Chairman, being independent. The Lead Independent Director is also a member of the NC.

Teo Cheng Kuang (Chairman)	Independent and Non-Executive
Leow Chung Chong Yam Soon	Lead Independent and Non-Executive
Tham Chee Soon	Independent and Non-Executive (Appointed on 1 January 2021)
Koh Wee Meng	Non-Independent and Executive

Under its terms of reference, the NC's scope of duties and responsibilities are as follows:

(a) review succession plans for Directors, in particular, the Chairman and the CEO;
(b) make recommendations to the Board on the appointment of new Directors (including alternate Directors) with the appropriate profile having regards to their expertise, experiences, industry background, track record and competencies;
(c) make recommendations on re-nomination/re-election of Directors (including alternate Directors) having regard to the Director's contribution and performance;
(d) review the Board structure, size and composition and make recommendation to the Board;

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(e) determine Directors' independence;
(f) develop a process for evaluating the performance of the Board, its Board Committees and Directors, which includes ensuring that sufficient time and attention are given to the affairs of each company when a Director has multiple board representations; and
(g) review of training and professional development programmes for the Board.

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

The Board, through the NC, strives to ensure an optimal blend of backgrounds, experience, knowledge and expertise relevant to the Group's business in the Board. The Board also strives to ensure that each Director can bring to the Board an independent and objective perspective in order for balanced and well-considered decisions to be made in the interests of the Group. The Board has a few members who have prior working experience in the sector that the Company operates in.

There is a structured process for determining Board composition and for selecting candidates for appointment as Directors. When an existing Director chooses to retire or the need for a new Director arises, either to replace a retiring Director or to enhance the Board's strength, the NC, in consultation with the Board, evaluates and determines the selection criteria so as to identify candidates with the appropriate expertise and experience for the appointment as new Director. In the event that a new Director is required, the NC also has access to external search consultants and resources to identify potential candidates. Board members may also make recommendations to the NC. In undertaking its duty of reviewing and making Board appointment recommendations to the Board, the NC evaluates the Board's competencies on a long-term basis and identifies competencies commitment, contribution and performance (e.g. attendance, preparedness, participation and candour) which may be further strengthened in the long term.

Board succession planning takes into account the need to maintain flexibility to effectively address succession planning and ensure that the Company continues to attract and retain highly qualified individuals to serve on the Board. The process ensures that the Board composition is such that it has capabilities and experience which are aligned with the Company's strategy and environment.

In FY 2020, as part of the ongoing Board renewal process, Mr Tham Chee Soon joined the Board as an Independent Director in January 2021 upon the recommendation of the NC, in place of Mr Watt Kum Kuan who had retired on 31 December 2020 after serving on the Board for more than 15 years.

The Company's Constitution requires 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.

The Board supports the principle that Board renewal is a necessary and continual process for good governance and for ensuring that the Board has the skills, expertise and experience which are relevant to the evolving needs of the Group's business.

Provision 4.4 – Continuous Review of Directors' Independence

Each Independent Director is required to make a declaration annually to confirm that there is no relationship as stated in the Code 2018 that would otherwise deem him not to be independent. The NC has reviewed the declarations of independence by the Independent Directors for FY 2020, and is satisfied that all Independent Directors are suitable to be considered as independent for the purpose of Provision 2.1 of the Code 2018. Each Independent Director had recused himself in the determination of his own independence.

Provision 4.5 – Directors Duties and Obligation

The Board is satisfied that all Directors (including any Directors who are newly appointed) have discharged their duties adequately in FY 2020.

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

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

5. BOARD PERFORMANCE – PRINCIPLE 5

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

Provisions 5.1 & 5.2 – Board Evaluation Policy and Board Performance Criteria

The Board has implemented a process carried out by the NC, for assessing the performance criteria and for evaluating the effectiveness of the Board as a whole and its Board Committees, as well as the contribution by the Chairman and each individual Director to the Board on an annual basis. The Board and Board Committees completed the questionnaires which assessed mainly on the Board's level of governance, effective delegation to the Board Committees, Board composition, risk management, audit and internal controls, leadership and accountability. The results of the assessment are discussed at the NC meeting. The Chairman will act on the results of the performance evaluation and propose, where appropriate, new members to be appointed to the Board or seek the resignation of Directors. The Board was satisfied with the results of the assessment for FY 2020.

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

Individual Director Evaluation

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

There was no independent external consultant involvement in the annual review of the performance of the Board and the Board Committees for the year. The NC has reviewed the evaluations of the Board and is satisfied that the Board has been effective in the conduct of its duties and the Directors have each contributed to the effectiveness of the Board.

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6. REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES – PRINCIPLE 6

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

Provisions 6.1 & 6.2 – Remuneration Committee Composition, Role and Responsibilities

As at the date of this Report, the RC consists of the following three Directors with the majority, including the Chairman, being independent:

Remuneration Committee	
Tham Chee Soon (Chairman)	Independent and Non-Executive (Appointed on 1 January 2021)
Teo Cheng Kuang	Independent and Non-Executive
Lim Wan Looi	Non-Independent and Executive

The Independent Directors believe that the RC benefits from the experience and expertise 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 is not compromised.

The key functions of the RC are as follows:

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

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

Provision 6.3 – Termination Clauses

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

Provision 6.4 – Remuneration Consultant

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

The Company has engaged a legal consultant to draft the service agreements for the three Executive Directors. The service agreements are valid up to 31 January 2021 and have been extended for a year up to 31 January 2022 under the same terms and conditions. The RC did not require the services of an external remuneration consultant.

7. LEVEL AND MIX OF REMUNERATION – PRINCIPLE 7

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

Provision 7.1 – Remuneration of Executive Directors and Key Management Personnel

The Group'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 Group's and individual's performances. 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 and value creation of the Group.

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

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

Provision 7.2 – Remuneration of Non-Executive Directors

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

The Board concurred with the RC's proposal for Non-Executive Directors' fees for FY 2020. The Board and the RC are of the view that the remuneration of these Directors is appropriate and not excessive taking into account factors such as effort and time spent.

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

Provision 7.3 – Attract, Retain and Motivate staff

The Fragrance Performance Share Plan (PSP) is a share-based incentive scheme established with the objective to attract, reward, retain and motivate the staff and Directors to provide good stewardship of the Company and Key Management Personnel to successfully manage the Company for the long term. Through the PSP, the Company will be able to recognise and reward past contributions and services, and motivate the plan participants to continue to strive for the Company's long-term success.

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8. DISCLOSURE ON REMUNERATION – PRINCIPLE 8

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

Details on the remuneration of Directors and Key Management Personnel for FY 2020 are presented below. In FY 2020, there was no termination, retirement and post-employment benefits (other than Central Provident Fund contributions) granted to any Director and/or Key Management Personnel.

Provision 8.1 (a) – Directors' Remuneration

The details of the remuneration of the Directors for FY 2020 are as follows:

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

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

In FY 2020, as there were only three Key Management Personnel[1] (who is not a Director or the CEO), disclosure is only made in respect of the remuneration of these three Key Management Personnel ("KMP"). Details are as follows:

KMP Remuneration	**Base Salary and Fixed Components** %	**Performance-based Bonus** %
$250,000 to $500,000		
KMP 1	100	–
Below $250,000		
KMP 2	100	–
KMP 3	100	–

1 One of the KMP had resigned with effect from 12 October 2020. Following which, another KMP was appointed with effect from 2 November 2020.

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

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

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

The Group has one employee, Lim Wan Mee, who is the sibling of our Executive Director, Lim Wan Looi and whose remuneration is below the band of $100,000 in FY 2020. "Immediate family member" refers to the spouse, child, adopted child, step-child, sibling or parent of such person.

Provision 8.3 – Employee Share Schemes and Executive Performance Conditions

The Company's PSP consists of the grant of fully-paid shares to staff who met certain eligibility requirements. The fair value of the share grants is based on the market price (last done price) of the securities on the grant date. Other than the PSP, the Company does not have any employee share scheme nor any long-term incentive scheme.

The information on the link between remuneration of Executive Directors and Key Management Personnel, and performance is set out under Provision 7 of this Report.

9. ACCOUNTABILITY AND AUDIT

RISK MANAGEMENT AND INTERNAL CONTROLS- PRINCIPLE 9

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

Provision 9.1 – Risk Management and Internal Control Systems

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

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

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In FY 2020, the Board worked closely with Management in monitoring the risks posed by the COVID-19 pandemic and reviewing issues arising therefrom. The process includes reviewing and reevaluating the business model across all business segments and departments, identifying the potential risks posed by the pandemic, and refining or devising applicable mitigation strategies to address the identified risks.

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

Board Risk Committee

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

Review of Operational Strategies Amid COVID-19

The COVID-19 outbreak has disrupted global economic activities due to lockdowns restricting movements and travel which resulted in temporary closure of businesses. The Group began monitoring the situation closely at the onset of the outbreak so that measures are promptly implemented to safeguard the safety of employees and customers, and to ensure business operations remain sustainable through the identification of emerging risks. One of the key measures undertaken includes the activation of the Group's business continuity plans and making necessary adjustments to the Group's operations to comply with the tighter measures implemented by governments to curb the transmission of the virus.

With the Group's hotel activities in Australia and the United Kingdom being affected by the outbreak, Management has taken steps to work with the local team to curtail operating costs, defer all non-essential capital expenditures and have a lean essential workforce in place to minimise cost which can be scaled up when occupancy improves. The Group also seized the opportunities to be appointed as government-designated accommodations for both its Australia hotels as part of the Australia's health programme to combat the spread of the virus.

At the back of the current COVID-19 pandemic situation, the Group actively reviews the operational strategies and finances for each of its businesses with a focus on liquidity (working capital) and costs, and tap on available government support programmes. The Group's properties under development are sufficiently funded as our financiers continue to provide strong support and make available their credit lines for our projects.

The Group's operational resilience through the COVID-19 pandemic has given the assurance that the Group's business continuity plans are effective.

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

Accountability

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

In presenting the annual financial statements and half-year 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. The Board recognises that a higher degree of caution should be attached to the Group's asset valuations given the unprecedented set of circumstances posed by the COVID-19 outbreak. The Board and Management worked alongside to assess if the Group's asset values are based on best available information and appropriately reported under the current economic environment. The Group also engages external professional valuers to conduct valuation assessment on the Group's investment properties. Details of the key assumptions used in the valuation model can be found in Note 14 of the Group's financial statements. Financial reports and other price sensitive information are publicly released to shareholders through announcement via SGXNet or press releases.

In accordance with SGX-ST's requirements, the Board issued Negative Assurance statements in its half-yearly 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 Rule 720(1) of the SGX-ST Listing Manual, received undertakings from all its Directors and Executive Officers in the form set out in Appendix 7.7.

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

For the financial year ended 31 December 2020, the Board has received the assurance from the CEO, Deputy CEO and CFO that:

a) nothing has come to their attention, which may render the Group's financial statements to be false and misleading in any material aspect pursuant to Rule 705(5) of the Listing Manual of the SGX-ST;
b) the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operation and finances; and
c) the risk management and internal control systems maintained by the Group are reasonably adequate and effective to safeguard the assets and investments of the Group.

Based on the review of the material risks identified through the ERM process and the internal controls established and maintained by the Group, work performed by the external auditors, reviews performed by Management and the AC and the aforesaid assurances from the CEO, Deputy CEO and CFO, the Board, with the concurrence of the AC, is of the opinion that the Group's existing internal controls and risk management system, including financial, operational, compliance and information technology controls are adequate and effective for the risks which the Group considers relevant and material to its operations for the financial year ended 31 December 2020.

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

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10. AUDIT COMMITTEE – PRINCIPLE 10

The Board has an Audit Committee which discharges its duties objectively.

Provision 10.1 – Audit Committee

As at the date of this Report, the AC consists of the following three Directors, all of whom, including the Chairman, being Independent and Non-Executive:

Audit Committee	
Leow Chung Chong Yam Soon (Chairman)	Lead Independent and Non-Executive
Teo Cheng Kuang	Independent and Non-Executive
Tham Chee Soon	Independent and Non-Executive (Appointed on 1 January 2021)

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

Role and Responsibilities of the Audit Committee

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

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

- review the audit plans of the external and internal auditors, including the results of the auditors' review and evaluation of the Group's system of internal controls;
- review the annual consolidated financial statements and the external auditors' report on those financial statements, and discuss any significant adjustments, major risk areas, changes in accounting policies, compliance with Singapore financial reporting standards, concerns and issues arising from their audits including any matters that the auditors may wish to discuss in the absence of the Management, where necessary, before submission to the Board for approval;
- review the half-year[2] and full-year financial results prior to recommending their approval to the Board for release on SGX-ST;
- 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;
- review and discuss with external and internal auditors any suspected fraud, irregularity or infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position and Management's response;
- review the co-operation given by Management to the external auditors;
- review the independence and objectivity of the external auditors;

2 Following the amendments to Rule 705(2) of the SGX-ST Listing Manual which took effect from 7 February 2020, the Group announced on 19 March 2020 that it would cease to announce its financial statements on a quarterly basis with immediate effect and would announce its financial statements on a half-yearly basis, commencing from the financial results announcement for the half-year ended 30 June 2020. Notwithstanding the cessation of quarterly reporting, the Group will continue to keep shareholders updated on any material developments relating to the Group's business and plans, as and when appropriate.

- review the nature and extent of non-audit services performed by external auditors;
- make recommendations to the Board on the appointment/re-appointment of the external auditors and the audit fees;
- review and approve any interested person transactions as defined under the SGX-ST Listing Manual;
- review any potential conflicts of interest;
- 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
- undertake other functions and duties as may be required by law or the SGX-ST Listing Manual, and by such amendments made thereto from time to time.

Whistle-blowing Policy

The Company has established a Code of Conduct and Business Ethics that sets the principles of the code of conduct and business ethics which applies to all employees of the Group. This code covers areas such as conduct in workplace, business conduct, protection of the Company's assets, confidentiality of information and conflict of interest, etc. Directors, KMP and employees are expected to observe and uphold high standards of integrity which are in compliance with the Company's policies and the law and regulations of the countries in which it operates.

The Group has put in place a whistle-blowing framework, endorsed by the AC, which provides the mechanisms where employees may, in confidence, raise concerns or observations about possible corporate malpractices and improprieties in financial reporting or other matters directly to Mr Leow Chung Chong Yam Soon, Chairman of the AC. It has a well-defined process which ensures independent investigation of issues/concerns raised and appropriate follow-up action, and provides assurance that employees will be protected from reprisal within the limits of the law or victimisation for whistle-blowing done in good faith. Anonymous reporting will also be attended to and anonymity honoured. The whistle-blowing policy and procedures are reviewed by the AC from time to time to ensure that they remain relevant.

There have been no incidents pertaining to whistle-blowing for the financial year ended 31 December 2020.

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

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

In AC's review of the financial statements of the Group for FY 2020, it had discussed with Management the accounting principles that were applied and their judgement of items that could affect the integrity of the financial statements and also considered the clarity of key disclosures in the financial statements.

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

Key Audit Matters	How these issues were addressed by the AC
Recognition of revenue and cost from sale of properties under development	The AC has obtained an understanding about the design and implementation of relevant controls that addressed the risks associated with accuracy of cost budget. The AC has obtained assurance from Management that the cost to completion has been estimated after considering the remaining work to be completed and the estimated total cost based on contracts awarded or experience from comparable past projects. The AC had also reviewed the disclosures of the significant judgements and accounting estimates in Note 3 of the financial statements on the estimation of total estimated cost to completion which impacts the total budgeted cost and the percentage of completion. To this end, the AC is satisfied that the revenue and cost from sales of properties under development are reasonably stated.
Valuation of investment properties	The AC considered the qualifications, competencies and scope of work of the external professional valuers. In addition, the AC obtained assurance from Management that the valuation had been undertaken using appropriate methodology and assumptions used for the basis of projecting income, and estimating the capitalisation rate. The AC had also considered the disclosures in the financial statements in describing the subjectivity of the valuations, the key observable inputs and the relationships between the key unobservable inputs and fair value. Discussions with the external auditors on their review of the reasonableness and relevance of the assumptions used by the external professional valuers were also held with the AC. Following the above, the AC is satisfied that the carrying value of the investment properties is not materially misstated.

Key Audit Matters	How these issues were addressed by the AC
Estimation of Net Realisable Value of development properties	The AC evaluated the appropriateness of the key judgements and estimates applied by Management to compute the gross development value for the relevant projects. In regards to the estimated cost of projects where development plans are not firm or pending outcome of submissions of development plans to the relevant authorities, the AC reviewed the projected costs against the estimated costs of a comparable project which has elements of contracted and projected costs. For residential developments which have been launched for sale, the AC took into account the selling prices and the headroom relative to cost. The adequacy of disclosures in the financial statements in describing the status of the properties, the significant assumptions and accounting estimates involved were also reviewed. The observations and findings presented by the external auditors on Management's assessment of recoverable amount were also taken into consideration. The above procedures provided the AC with assurance and the AC concurred with Management's conclusion that no impairment loss was required as at 31 December 2020.

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

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

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

Provision 10.2 – Qualification Audit Committee Member

The AC members bring with them invaluable professional expertise in the accounting and related financial management field. With the recent appointment of Mr Tham Chee Soon, together with the Chairman of AC, the AC has two professionally-accredited chartered accountants' members, with recent and relevant accounting and related financial management expertise and experience. Additional details of Mr Tham can be found under the 'Board of Directors' section. The NC is of the view that the AC members are appropriately qualified to discharge their responsibilities.

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

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

CORPORATE GOVERNANCE REPORT

Provision 10.4 – Internal Auditor

The Company outsourced the internal audit function to professional firms since FY 2018. However, in FY 2020, in view of the pandemic and travel restrictions, the engagement was delayed and no internal audit was conducted. The internal auditors report directly to the AC Chairman and Management on all internal audit matters. The AC will ensure the adequacy of the internal audit function on a regular basis.

Adequacy and Effectiveness of Internal Audit Function

There was no engagement of internal audit for FY 2020 in view of travel restrictions and lockdowns due to COVID-19.

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

Provision 10.5 – External Auditors

The financial statements of the Company and its Singapore-incorporated subsidiaries and significant joint operations are audited by Deloitte & Touche LLP ("DT") and Ernst & Young LLP respectively. Both the auditing firms are registered with the Accounting and Corporate Regulatory Authority. The Group's subsidiaries in Australia and the United Kingdom are audited by Deloitte Touche Tohmatsu Limited, Australia and PKF FrancisClark LLP, United Kingdom respectively. The AC and the Board are satisfied that the appointment of different auditors for the joint operations and overseas subsidiaries does not compromise the standard and effectiveness of the audit of the Company and does not increase overall costs to the Group. The Company has complied with Rules 712, 715 and 716 of the Listing Manual in relation to the appointment of auditors.

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

Non-Audit Services

The AC has conducted a review of all non-audit services provided DT during FY 2020 and the corresponding fees and ensured that the fees for such non-audit services did not impair their audit independence. Based on their review, the AC is satisfied that given the nature and extent of non-audit services provided and the fees for such services, neither the independence nor the objectivity of DT was put at risk.

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

External Auditor fees for FY 2020	**$'000**	**% of total audit fees**
Statutory audit fees	180	–
Tax compliance	46	20%
Total fees	**226**	–

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

11. SHAREHOLDERS RIGHTS AND ENGAGEMENT

SHAREHOLDERS RIGHTS AND CONDUCT OF GENERAL MEETINGS – PRINCIPLE 11

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

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

In view of the COVID-19 pandemic, the forthcoming Annual General Meeting ("2020 AGM") will be held on 27 April 2021 via electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 ("COVID-19 Temporary Measures Order"). Alternative arrangements relating to attendance at the 2020 AGM via electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast or live audio only stream, submission of questions in advance of the 2020 AGM, addressing of substantial and relevant questions prior to or at the 2020 AGM and voting by appointing the Chairman of the meeting as proxy at the 2020 AGM) will be put in place for the 2020 AGM. The description below sets out the Company's usual practice for shareholders' meetings when there are no pandemic risks and the COVID-19 Temporary Measures Order is not in operation.

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

Voting by Poll at General Meetings

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

Provision 11.2 – Separate Resolutions at General Meetings

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

Provision 11.3 – Attendees at General Meetings

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

Provision 11.4 – Shareholders' Participation

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

CORPORATE GOVERNANCE REPORT

Appointment of Proxies

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

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

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

Provision 11.5 – Disclosure of Information

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

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

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

Provision 11.6 – Dividend Policy

The Company does not have a fixed dividend policy. The form, frequency and amount of dividends will depend on the Company's earnings, general financial condition, results of operations, capital requirements, cash flow, general business conditions, development plans and other factors as the Board may deem appropriate.

Notwithstanding the foregoing, any pay-out of dividends would be clearly communicated to shareholders via announcements released on SGXNet.

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

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

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

Provision 12.1 – Soliciting and Understanding Views of Shareholders

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

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

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

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

- SGXNet systems and news release; and
- Annual report prepared and issued to all shareholders.

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

The Group has released its latest sustainability report on SGXNet in May 2020. Please refer to the section on "Stakeholder Engagement" on page 15 of the sustainability report for more information on how the Group manages its stakeholder relationship. In recognition that the COVID-19 outbreak has not only impacted the economic aspects of the business but also on the people element of the business, the upcoming Sustainability Report 2020 which will be published by end May 2021, will highlight the Group's response in dealing with the social risks and opportunities among key stakeholder groups.

13. DEALINGS IN SECURITIES

In compliance with Rule 1207(19) of the Listing Manual issued by the SGX-ST, the Company has in place a policy prohibiting share dealings by Directors and Executive Officers of the Company for the period of one month prior to the announcement of the Company's half yearly and full yearly results, 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

14. INTERESTED PERSON 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 IPT. All IPT are subject to review by the AC.

Details of IPT for the year ended 31 December 2020 are as follows:

Name of interested person	Aggregate value of all IPT during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the SGX-ST Listing Manual)	Aggregate value of all IPT conducted under a shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)
GP Hotel Management Pte Ltd (1) – Rental income – IT support fee	 $394,003 $9,600	 – –
Bayfront Ventures Pte Ltd (2) – Provision of loan; interest free	 $800,000	 –
World Class Land Pte Ltd (2) – Advances; interest-free	 $1,760,000	 –
Knight Frank Pte Ltd (3) and its subsidiaries – Facilities management fee – Agent commission fee	 $346,320 $15,092	 – –

Notes:

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

(2) Bayfront Ventures Pte. Ltd. and World Class Land Pte. Ltd., are companies in which Mr Koh Wee Seng* has an interest.

(3) Knight Frank Pte Ltd is 55% owned by AF Global Limited in which Mr Koh Wee Meng, Ms Lim Wan Looi and Mr Koh Wee Seng* have an interest.

* Sibling of Mr Koh Wee Meng

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

The Company does not have a general mandate from shareholders for IPT.

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

15. MATERIAL CONTRACTS

There was no material contract 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 31 December 2020.

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, 2020.

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 52 to 131 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, 2020 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
Tham Chee Soon (Appointed on January 1, 2021)

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. There were no performance shares issued in 2020 and 2019.

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

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

The directors' interests in the share of the company as at January 21, 2021 were the same at December 31, 2020.

DIRECTORS' STATEMENT

Name of directors in which interest are held	Direct interest		Deemed interest	
The company	**At beginning of year**	**At end of year**	**At beginning of year**	**At end of year**
GBP Term Notes at 3.25% p.a.[(1)]				
	£'000	**£'000**	**£'000**	**£'000**
Koh Wee Meng	30,450	30,850	12,000	12,000
Lim Wan Looi	12,000	12,000	30,450	30,850
Periakaruppan Aravindan	100	100	–	–
SGD Term Notes at 4.75% p.a.[(2)]				
	$'000	**$'000**	**$'000**	**$'000**
Koh Wee Meng	–	–	5,000	5,000
Lim Wan Looi	5,000	5,000	–	–
Periakaruppan Aravindan	500	500	–	–
SGD Term Notes at 6.125% p.a.[(3)]				
	$'000	**$'000**	**$'000**	**$'000**
Koh Wee Meng	–	–	5,000	5,000
Lim Wan Looi	5,000	5,000	–	–
Periakaruppan Aravindan	250	250	–	–
Leow Chung Chong Yam Soon	250	250	–	–

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

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

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

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

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

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 Mr Leow Chung Chong Yam Soon and includes Mr Teo Cheng Kuang and Mr Watt Kum Kuan[(1)]. The Audit Committee has met three times since the last Annual General Meeting ("AGM") and has reviewed the following, where relevant, with the executive directors and external and internal auditors of the company:

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

b) The evaluation of the group's systems of internal accounting controls;

c) The group's financial and operating results;

d) The financial statements of the company and the consolidated financial statements of the group before their submission to the directors of the company and external auditor's report on those financial statements;

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

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

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

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

(1) Mr Watt Kum Kuan had resigned as a member of the Audit Committee with effect from December 31, 2020 and was replaced by Mr Tham Chee Soon with effect from January 1, 2021. The third Audit Committee meeting held on February 24, 2021 was attended by Mr Tham Chee Soon.

DIRECTORS' STATEMENT

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

6 AUDITORS

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

ON BEHALF OF THE DIRECTORS

....
Koh Wee Meng

....
Periakaruppan Aravindan

Singapore
Date: March 30, 2021

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF FRAGRANCE GROUP LIMITED

REPORT ON THE AUDIT OF FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of the Fragrance Group Limited (the "company") and its subsidiaries (the "group"), which comprise the consolidated statement of financial position of the group and the statement of financial position of the company as at December 31, 2020, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the group and statement of changes in equity of the company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 52 to 131.

In our opinion, the accompanying consolidated financial statements of the group and the statement of financial position and statement of changes in equity of the company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the group and the financial position of the company as at December 31, 2020 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the group and of the changes in equity of the company for the year ended on that date.

Basis for Opinion

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF FRAGRANCE GROUP LIMITED

Key Audit Matters

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

Key audit matters	**How the matter was addressed in the audit**
Recognition of revenue and cost from sale of properties under development (Refer to Note 3 and Note 25 to the financial statements)	
Revenue from development properties in Singapore amounts to $13,139,000 or 11.8% of total revenue. Revenue is recognised based on percentage of completion ("POC") which is the proportion of cost incurred relative to total estimated cost to completion. The key judgements and accounting estimates relate to the estimation of total estimated cost to completion which impacts the total budgeted cost and the percentage of completion. The cost to completion have been estimated by management after considering the remaining work to be completed and the estimated total cost based on contracts awarded or experience from comparable past projects.	We have performed the following procedures: • obtained an understanding and evaluated the design and implementation of relevant controls that addressed the risks associated with accuracy of cost budget; • reviewed of management's estimation of cost to completion and any delay relating to project development; • obtained 3rd party quantity surveyors' statements, tested the cost incurred to date and evaluated the basis and support for estimated cost to completion; and • recomputed the POC to assess the reasonableness against revenue recognised as at the year end. We have reviewed the disclosures of significant judgement and accounting estimates in Note 3 of the financial statements.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF FRAGRANCE GROUP LIMITED

Key audit matters	How the matter was addressed in the audit
Valuation of investment properties (Refer to Note 3 and Note 14 to the financial statements) Investment properties account for $1,910,991,000 (2019: $1,823,976,000) or 57.7% (2019: 57.8%) of total assets. These investment properties are stated at their fair values based on valuations of independent professional valuers. The valuation process involves significant judgements in determining the appropriate valuation methodologies; in estimating adjustments to comparable property prices when using the direct comparison method; in projecting income and estimating the appropriate capitalisation rate under the income capitalisation method.	We found the external valuers to have the appropriate level of qualifications and experience and also considered the independence and objectivity of the external valuers. We discussed with the external valuers on the results of their work and the appropriateness of the valuation methodologies used by the independent valuers and considered the following: • the profile and types of these properties; • comparable properties used by valuers; • the judgemental adjustments made by the valuers for differences in property attributes between the group's properties when using the direct comparison method; and • the basis of projecting income and estimating the capitalisation rate Where the derived values were outside the expected range, we undertook further procedures to understand the effect of additional factors and, when necessary, held further discussions with the valuers. Some of the external valuers highlighted that given the unprecedented set of circumstances on which to base a judgment, less certainty and higher degree of caution should be attached to their valuation than would normally be the case. Due to the unknown future impact that the Coronavirus Disease ("COVID-19") pandemic might have on the real estate market, the external valuers have also recommended to keep the valuation of these properties under frequent review. Please refer to Note 3.1.3 for further details. In addition, we have considered the adequacy of disclosures in the financial statements in describing the inherent subjectivity of the valuations, the key unobservable inputs and the relationships between the key unobservable inputs and fair value.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF FRAGRANCE GROUP LIMITED

Key audit matters	How the matter was addressed in the audit
Recoverable amounts of development properties (Refer to Note 3 and Note 9 to the financial statements.) Total cost of development properties held by the group amounted to \$794,554,000 (2019: \$788,282,000) or 24.0% (2019: 25.0%) of total assets of the group as of December 31, 2020. Detailed development plans are not firm for some of the properties pending completion of the group's planning and evaluation activities; or pending outcome of submissions of development plans to the relevant authorities. In evaluating the recoverable amounts of these properties, management considered trends in land prices and macroeconomic factors for properties in the preliminary stage of planning. For other properties: (a) significant assumptions are made by management regarding the types and physical attributes of development; (b) significant estimates are made regarding projected gross development values ("GDV") and development cost upon completion of development. Future market values which can be realised and future cost to be incurred may be significantly different from current estimates due to changes in types and physical attributes of development that are eventually built and macroeconomic changes impacting demand and supply.	We obtained from management information regarding the status of planning and submissions to authorities, the assumptions made regarding the types and physical attributes of the developments, the basis of estimation of GDVs and development cost. Information on trends in land prices and macroeconomic factors considered by management in assessing recoverability of cost of the properties were compared with published reports from real estate firms. In some instances, the estimated cost of projects that are less advanced in the planning phase have been estimated through benchmarking with estimated cost of a comparable project which has elements of contracted and projected cost. We compared the projected cost with the benchmark and obtained information from management on the basis of adjusting the projected cost for differences between the benchmark and subject properties. We considered the headroom between projected GDVs and projected cost for individual properties to determine whether the margins are thin and would require sensitivity analysis of the effects of reasonably of unfavourable adjustments to these estimates. There was no such instance. 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.

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF FRAGRANCE GROUP LIMITED

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

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

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

(d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.

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

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

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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF FRAGRANCE GROUP LIMITED

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

Date: March 30, 2021

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2020

	Note	Group December 31, 2020 $'000	Group December 31, 2019 $'000	Company December 31, 2020 $'000	Company December 31, 2019 $'000
ASSETS					
Current assets					
Cash and cash equivalents	6	**12,822**	69,452	**705**	32,848
Trade and other receivables	7	**44,487**	25,703	**406,631**	399,658
Inventories		**69**	119	**–**	–
Financial assets at fair value through profit or loss ("FVTPL")		**493**	4,018	**493**	4,018
Non-current assets held for distribution	8	**–**	115,539	**–**	104,900
Properties under/held for development	9	**794,554**	788,282	**–**	–
Properties held for sale	10	**199,692**	89,971	**31,157**	31,847
Derivative financial instruments	19	**–**	4,183	**–**	2,157
Total current assets		**1,052,117**	1,097,267	**438,986**	575,428
Non-current assets					
Subsidiaries	11	**–**	–	**693,649**	663,848
Investment in joint venture	13	**–**	67	**–**	76
Other receivables and prepayment	7	**1,149**	28,791	**229**	743
Investment properties	14	**1,910,991**	1,823,976	**–**	–
Property, plant and equipment	15	**346,459**	205,233	**–**	–
Total non-current assets		**2,258,599**	2,058,067	**693,878**	664,667
Total assets		**3,310,716**	3,155,334	**1,132,864**	1,240,095
LIABILITIES AND EQUITY					
Current liabilities					
Trade and other payables	16	**59,637**	48,716	**51,779**	16,060
Notes payable	17	**268,858**	2,821	**268,858**	2,821
Term loans	18	**403,224**	172,362	**22,623**	22,623
Income tax payable		**9,498**	8,813	**8,390**	8,760
Total current liabilities		**741,217**	232,712	**351,650**	50,264
Non-current liabilities					
Trade and other payables	16	**–**	–	**3,245**	4,646
Notes payable	17	**–**	274,587	**–**	274,587
Term loans	18	**1,258,633**	1,245,541	**–**	–
Deferred tax liabilities	20	**13,953**	11,160	**640**	–
Total non-current liabilities		**1,272,586**	1,531,288	**3,885**	279,233
Capital and reserves					
Share capital	21	**150,000**	150,000	**150,000**	150,000
Treasury shares	22	**(885)**	(885)	**(885)**	(885)
Performance share reserve	23	**325**	325	**325**	325
Revaluation reserve		**–**	40	**–**	–
Foreign currency translation reserve	24	**(31,585)**	(73,896)	**–**	–
Investment revaluation reserve		**–**	2	**–**	–
Accumulated profits		**1,171,209**	1,307,361	**627,889**	761,158
Equity attributable to owners of the company		**1,289,064**	1,382,947	**777,329**	910,598
Non-controlling interests		**7,849**	8,387	**–**	–
Total equity		**1,296,913**	1,391,334	**777,329**	910,598
Total liabilities and equity		**3,310,716**	3,155,334	**1,132,864**	1,240,095

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED DECEMBER 31, 2020

	Note	Group 2020 $'000	Group 2019 $'000
Revenue	25	**111,305**	58,156
Cost of sales		**(68,413)**	(15,771)
Gross profit		**42,892**	42,385
Investment (loss) gain	26	**(885)**	219
Other operating income	27	**25,169**	106,090
Other expenses	28	**(515)**	(7,302)
Selling and distribution costs		**(4,451)**	(3,615)
Administrative expenses		**(30,113)**	(25,963)
Finance costs	29	**(27,218)**	(31,549)
Share of results of joint venture	13	**(5)**	7,371
Profit before income tax		**4,874**	87,636
Income tax expense	30	**(3,698)**	(8,150)
Profit for the year	31	**1,176**	79,486
Other comprehensive income, net of tax:			
Items that will not be reclassified subsequently to profit or loss			
Share of other comprehensive income of joint venture			
Revaluation of land and buildings	13	–	262
Income tax relating to components of other comprehensive income that will not be reclassified subsequently	13	–	45
		–	307
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		**42,311**	(11,216)
Share of other comprehensive income of joint venture			
Share of exchange translation differences of joint venture	13	–	3,783
Fair value gain on investment securities	13	–	3
		42,311	(7,430)
Other comprehensive income (loss) for the year, net of tax		**42,311**	(7,123)
Total comprehensive income for the year		**43,487**	72,363
Profit attributable to:			
– Owners of the company		**1,714**	79,852
– Non-controlling interests		**(538)**	(366)
		1,176	79,486
Total comprehensive income attributable to:			
– Owners of the company		**44,025**	72,729
– Non-controlling interests		**(538)**	(366)
		43,487	72,363
Earnings per share:			
– Basic and Diluted	32	**0.03 cents**	1.19 cents

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED DECEMBER 31, 2020

	Note	Share capital $'000	Treasury shares $'000	Performance share reserve $'000	Revaluation reserve $'000	Foreign currency translation reserve $'000	Investment revaluation reserve $'000	Accumulated profits $'000	Attributable to equity holders of the company $'000	Non-controlling interests $'000	Total $'000
Group											
At January 1, 2019		150,000	(945)	325	51,550	(68,668)	(580)	1,178,476	1,310,158	8,753	1,318,911
Total comprehensive income for the year											
Profit for the year		–	–	–	–	–	–	79,852	79,852	(366)	79,486
Other comprehensive income for the year		–	–	–	307	(7,433)	3	–	(7,123)	–	(7,123)
Total		–	–	–	307	(7,433)	3	79,852	72,729	(366)	72,363
Transactions with owners, recognised directly in equity											
Award of performance shares		–	60	–	–	–	–	–	60	–	60
Effect of transfer on sale of investment property		–	–	–	(24,165)	–	–	24,165	–	–	–
Effect of transfer of distribution-in-specie of a joint venture		–	–	–	(27,652)	2,205	579	24,868	–	–	–
		–	60	–	(51,817)	2,205	579	49,033	60	–	60
At December 31, 2019		150,000	(885)	325	40	(73,896)	2	1,307,361	1,382,947	8,387	1,391,334
Total comprehensive income for the year											
Profit for the year		–	–	–	–	–	–	1,714	1,714	(538)	1,176
Other comprehensive income for the year		–	–	–	–	42,311	–	–	42,311	–	42,311
Total		–	–	–	–	42,311	–	1,714	44,025	(538)	43,487
Transactions with owners, recognised directly in equity											
Dividends paid	33	–	–	–	–	–	–	(137,908)	(137,908)	–	(137,908)
Effect of disposal of indirect share investment in a joint venture		–	–	–	(40)	–	(2)	42	–	–	–
		–	–	–	(40)	–	(2)	(137,866)	(137,908)	–	(137,908)
At December 31, 2020		**150,000**	**(885)**	**325**	**–**	**(31,585)**	**–**	**1,171,209**	**1,289,064**	**7,849**	**1,296,913**

STATEMENTS OF
CHANGES IN EQUITY

YEAR ENDED DECEMBER 31, 2020

	Note	Share capital $'000	Treasury shares $'000	Performance share reserve $'000	Accumulated profits $'000	Total $'000
Company						
At January 1, 2019		150,000	(945)	325	712,329	861,709
Profit for the year, representing total comprehensive income for the year		–	–	–	48,829	48,829
Award performance shares, representing transactions with owners, recognised directly in equity		–	60	–	–	60
At December 31, 2019		150,000	(885)	325	761,158	910,598
Loss for the year, representing total comprehensive income for the year		–	–	–	(3,545)	(3,545)
Dividend paid, representing transactions with owners, recognised directly in equity	33	–	–	–	(129,724)	(129,724)
At December 31, 2020		**150,000**	**(885)**	**325**	**627,889**	**777,329**

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2020

	Note	Group 2020 $'000	Group 2019 $'000
Operating activities			
Profit before income tax		**4,874**	87,636
Adjustments for:			
Depreciation of property, plant and equipment	15	**3,888**	1,784
Amortisation of rental incentives granted		**1**	1,231
Amortisation of processing fee on debt note issued		**257**	537
Gain on disposal of financial assets at FVTPL	26	**(7)**	(167)
Change in fair value of financial assets at FVTPL	26	**892**	(52)
Change in fair value of investment properties	14, 27	**(14,285)**	(100,861)
Change in fair value of derivative financial instruments	19, 27	**(6,636)**	7,302
Property, plant and equipment written off	15	**6**	–
Dividend income		**(63)**	–
Interest income	27	**(234)**	(1,621)
Interest expense	29	**27,218**	31,549
Impairment loss on property held for sale	10, 28	**423**	–
Unrealised foreign exchange loss (gain)		**171**	(1,718)
Allowance for expected credit losses	7	**227**	–
Bad debts written off		**5**	5
Share of results of joint venture		**5**	(7,371)
Change in fair value of financial liabilities at FVTPL		**36**	(36)
Gain on settlement of financial liabilities		**(72)**	(1,020)
Loss on disposal of joint venture	28	**56**	–
Operating cash flows before movements in working capital		**16,762**	17,198
Trade and other receivables		**(11,029)**	34,833
Inventories		**50**	(22)
Development properties and properties held for sale		**(40,442)**	(199,860)
Trade and other payables		**(14,063)**	(42,270)
Cash used in operations		**(48,722)**	(190,121)
Interest paid		**(48,856)**	(43,540)
Income tax paid		**(483)**	(12,622)
Net cash used in operating activities		**(98,061)**	(246,283)
Investing activities			
Interest received		**185**	1,500
Dividends received		**63**	–
Additional capital contribution in joint venture		–	(10,580)
Capital redemption from a joint venture		–	19,881
Purchase of financial assets at FVTPL		**(562)**	–
Proceeds from disposal of financial assets at FVTPL		**313**	1,638
Proceeds from disposal of investment property	14	–	28,800
Proceeds from disposal of joint venture		**5**	–
Purchase of investment property	B	**(126,925)**	(142,628)
Receipt from (payment for) derivative financial instruments		**10,836**	(19,026)
Purchase of property, plant and equipment	15	**(37,806)**	(138)
Net cash used in investing activities		**(153,891)**	(120,553)

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2020

	Note	Group 2020 $'000	Group 2019 $'000
Financing activities			
Proceeds from borrowings	18	**265,689**	756,533
Repayment of borrowings	18	**(35,972)**	(421,902)
Purchase of medium term note issued	18	**(6,000)**	(32,962)
Dividends paid	33	**(23,498)**	–
(Advances to) proceeds from non-controlling interests		**(1,760)**	520
Net cash from financing activities		**198,459**	302,189
Net decrease in cash and cash equivalents		**(53,493)**	(64,647)
Cash and cash equivalents at beginning of year	A, 6	**69,452**	136,129
Effect of exchange rate change on balances of cash held in foreign currencies		**(3,137)**	(2,030)
Cash and cash equivalents at end of year	A, 6	**12,822**	69,452

Note A: Included in the cash and cash equivalents is an amount of $1,404,000 (2019: $1,341,000) deposited in the project accounts. Withdrawals of these monies for expenditure related to specific properties under development are governed by the Housing Developers (Control and Licensing) Act.

Note B:

	Group 2020 $'000	Group 2019 $'000
Addition of investment properties (Note 14)	**161,386**	156,088
Currency translation differences	**(755)**	(2,740)
Deposit paid in preceding years for investment properties (Note 7)	**(25,822)**	(10,563)
Payment of cost accrued in preceding year	**(7,884)**	(157)
	126,925	142,628

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

1 GENERAL

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

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

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

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

The consolidated financial statements of the group and the statement of financial position and statement of changes in equity of the company for the year ended December 31, 2020 were authorised for issue by the Board of Directors on March 30, 2021.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of SFRS(I) 2 *Share-based Payments*, leasing transactions that are within the scope of SFRS(I) 1-16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in SFRS(I) 1-2 *Inventories* or value in use in SFRS(I) 1-36 *Impairment of Assets*.

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

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

ADOPTION OF NEW AND REVISED STANDARDS – On January 1, 2020, the group and the company adopted all the new and revised SFRS(I) pronouncements that are relevant to its operations. The adoption of these new/revised SFRS(I) pronouncements does not result in changes to the group's and the company's accounting policies and has no material effect on the amounts reported for the current or prior years.

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.

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

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

All intragroup assets and liabilities, equity, income, expenses, and cash flows relating to transactions between the members of the group are eliminated on consolidation.

Non-controlling interests in subsidiaries are identified separately from the group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis.

Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

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.

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

When the group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable SFRS(I)s). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under SFRS(I) 9, or when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

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

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1. Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

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

1.1 Classification of financial assets

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

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

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

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

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.2 Amortised cost and effective interest method

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.3 Equity instruments designated as at FVTOCI

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

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

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

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

1.4 Financial assets at FVTPL

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

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

Financial assets at FVTPL are measured at fair value as at each reporting date, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "Other operating income" line item (Note 27) and "Other expense" line item (Note 28). Fair value is determined in the manner described in Note 4.2(vii).

NOTES TO FINANCIAL STATEMENTS

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.5 Foreign exchange gains and losses

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

1.6 Impairment of financial assets

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

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

For all other financial instruments, the group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

The assessment of lifetime ECL is based on significant increase in the likelihood of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.7 Significant increase in credit risk

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

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

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 90 days past due, unless the group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The group considers a financial asset to have low credit risk when it has an external credit rating of "investment grade" in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

NOTES TO FINANCIAL STATEMENTS

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

1.8 Definition of default

The group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

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

Irrespective of the above analysis, the group considers that default has occurred when a financial asset is more than 90 days past due unless the group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

1.9 Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.10 Write-off policy

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

1.11 Measurement and recognition of expected credit losses

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

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the group in accordance with the contract and all the cash flows that the group expects to receive, discounted at the original effective interest rate.

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

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

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

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

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

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

1.12 Derecognition of financial assets

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

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

2. Financial liabilities and equity instruments

2.1 Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2.2 Equity instruments

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

Repurchase of the company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the company's own equity instruments.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2.1 Treasury shares

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

2.3 Financial liabilities

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

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, financial guarantee contracts issued by the group, and commitments issued by the group to provide a loan at below-market interest rate are measured in accordance with the specific accounting policies set out below.

2.3.1 Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading, or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities at FVTPL are stated at fair value with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liabilities and is included in the "Other operating income" or "Other expenses" line item.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Gains or losses on financial guarantee contracts and loan commitments issued by the group that are designated by the group as at fair value through profit or loss are recognised in profit or loss.

2.3.2 Financial liabilities subsequently measured at amortised cost

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

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

2.3.3 Financial guarantee contract

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

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

- the amount of the loss allowance determined in accordance with SFRS(I) 9; and
- the amount initially recognised less, where appropriate, cumulative amount of income recognised in accordance with the revenue recognition policies.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3.4 Foreign exchange gains and losses

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

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

2.3.5 Derecognition of financial liabilities

The group derecognises financial liabilities when, and only when, the group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

3. Derivative financial instruments

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

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

4. Offsetting arrangements

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

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

LEASES

The group as lessee

The group assesses whether a contract is or contains a lease, at inception of the contract. The group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The group as lessor

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

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

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

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

INVENTORIES – Inventories comprising mainly consumables for hotel operations and are stated at the lower of cost and net realisable value.

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPERTY, PLANT AND EQUIPMENT – Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use. Office premises and plant and equipment are carried at cost, less accumulated depreciation and any impairment losses.

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

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

Freehold land and construction-in-progress is not depreciated.

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.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

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.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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

The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with SFRS(I) 5.

Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the group's share of the profit or loss and other comprehensive income of the joint venture. When the group's share of losses of a joint venture exceeds the group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the group's net investment in the joint venture), the group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

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

The requirements of SFRS(I) 9 are applied to determine whether it is necessary to recognise any impairment loss with respect to the group's investment in a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with SFRS(I) 1-36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with SFRS(I) 1-36 to the extent that the recoverable amount of the investment subsequently increases.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The group discontinues the use of the equity method from the date when the investment ceases to be a joint venture, or when the investment is classified as held for sale. When the group retains an interest in the former joint venture and the retained interest is a financial asset, the group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with SFRS(I) 9. The difference between the carrying amount of the joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the joint venture is included in the determination of the gain or loss on disposal of the joint venture. In addition, the group accounts for all amounts previously recognised in other comprehensive income in relation to that joint venture on the same basis as would be required if that joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued. The group continues to use the equity method when an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

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

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, 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

GOVERNMENT GRANTS – Government grant are not recognised until there is reasonable assurance that the group will comply with the conditions attaching to them and that the grants will be received.

Government grants expenses are recognised in profit or loss on a systematic basis over the periods in which the group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the group should purchase, construct or otherwise acquire non-current assets (including property, plant and equipment) are recognised as deferred income and transferred to profit or loss on a systematic basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the group with no future related costs are recognised in profit or loss in the period in which they become receivable.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

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

Sale of residential/commercial properties

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

The group becomes entitled to invoice customers for construction of residential properties based on achieving a series of performance-related milestones. When a particular milestone is reached, the customer is sent a relevant statement of work signed by a third party assessor and an invoice for the related milestone payment. The group will previously have recognised a contract asset for any work performed. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. If the milestone payment exceeds the revenue recognised to date under the cost-to-cost method then the group recognises a contract liability for the difference. There is not considered to be a significant financing component in construction contracts with customers as the period between the recognition of revenue under the cost-to-cost method and the milestone payment is always less than one year.

In respect of the group's contracts with customers in Australia, revenue is recognised only when performance obligation is satisfied which is defined when the completed residential project is delivered to the customers and the customers have accepted it in accordance with the sales contract.

Rental income

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.

Service income

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

Interest income

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

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Dividend income

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

Financial guarantee income

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

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

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

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

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 are accounted for 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

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

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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

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

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

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

3.1 Critical judgements in applying the entity's accounting policies

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

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

3.1 Critical judgements in applying the entity's accounting policies (Continued)

3.1.1 Classification of development properties, properties held for sale, investment properties and property, plant and equipment

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

Australia

All properties in Australia are initially classified as properties held for/under development stated at cost. Upon completion of each development, the residential/commercial properties will be reclassified to properties held for sale and those with hotel operations based on the terms of the hotel operating arrangement to property, plant and equipment.

United Kingdom

Management has reassessed its portfolio of hotel properties and existing business model at the beginning of the year. Amidst the findings, the tenanted hotel operations returns were lower than owner-managed hotel operations and the hotels were not properly maintained. Further, for hotel industry in UK, most hotel properties are operated by owners. During the year, properties amounting $88,656,000 was transferred from investment properties to property, plant and equipment.

At the beginning of the financial year, it is management's directive to operate all existing hotels and future hotels, including those under hotel properties development, as owner-managed hotels. For the hotels under development, negotiations on hotel management arrangements with established hotel brands are currently on-going while construction is in progress.

Singapore

Some commercial units in two of the completed mixed-use freehold developments have been rented out in 2019 and 2020 on 2 to 3 year-lease terms. These remain classified as properties held for sale as management's original intention to sell these units remains unchanged. The lease terms permits the group to sell these leased units without concurrence from the lessees as long as it is economically beneficial for the group.

3.1.2 Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, management has reviewed the group's investment property portfolios and concluded that the group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

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

3.1 Critical judgements in applying the entity's accounting policies (Continued)

3.1.3 Valuation of investment properties

As at the valuation date in 2020, the external valuers consider that they can attach less weight to previous market evidence for comparison purposes for properties in UK, to inform opinions of value. The current response to COVID-19 means that external valuers are faced with an unprecedented set of circumstances on which to base a judgment. The valuations across all asset classes are therefore reported on the basis of "material valuation uncertainty" as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – should be attached to the valuations provided than would normally be the case. The external valuers have confirmed, the inclusion of this declaration does not mean that valuations cannot be relied upon. Rather, the phrase is used in order to be clear and transparent with all parties, in a professional manner that – in the current extraordinary circumstances – less certainty can be attached to valuations than would otherwise be the case. Accordingly, we have reviewed the ranges used in assessing the impact of changes in unobservable inputs on the fair value of the group's property portfolio.

In August 2019, the group made a planning submission to URA for a change in use in respect of the property at Lot 01958P MK01 to full hotel usage. The group had received the grant of provisional permission from URA prior to December 31, 2019. The proposed amendment to the change in use was processed and updated in the masterplan by URA prior to December 31, 2019. Management is of the opinion that the final approval will be obtained from URA upon fulfilling the other requirements under the grant of provisional permission. Accordingly, management has recorded a fair value gain of $116.9 million on this property as at December 31, 2019 based on full hotel usage.

3.2 Key sources of estimation uncertainty

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

3.2.1 Revenue and costs from properties under development

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

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

Significant assumptions are also required to estimate the total development costs which are recognised by reference to the stage of completion of a project at the end of the reporting period. In making these estimates, management has relied on costs actually paid or contracted for, and in respect of costs not paid or contracted for, management's estimates of the costs to be incurred taking into consideration historical trends of its project costs or by reference to the survey of work performed by external architects.

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

3.2 Key sources of estimation uncertainty (Continued)

3.2.1 Revenue and costs from properties under development (Continued)

Management has reviewed the status of all its projects and is satisfied that the estimates are realistic, and the estimates of total project costs and sales proceeds indicate full project recovery. The carrying amounts of the development properties and accrued expenses relating to development properties are disclosed in Note 9 to the financial statements. The revenue from property development is stated in Note 25 to the financial statements.

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

Properties held for sale and Properties under/held for development are stated at the lower of cost and net realisable value ("NRV").

For properties in Singapore, management considers the expected recoverable amount based on prices achieved from recent sales for the same development and made reference to market prices at the reporting date for similar properties in the respective markets, where applicable, and the cost to completion as described in the preceding section "Revenue and costs from properties under development".

As at December 31, 2020, majority of the group's development properties in Australia are in their planning phases where the group is still in the midst of obtaining necessary development permits from relevant authorities in each respective jurisdictions.

Recoverable amounts of these development properties are assessed based on management's best estimates of GDV appraised by professional external valuers based on future property market and economic conditions in each respective market, with the assumption that the aforementioned development permits will be obtained, less estimated costs to completion.

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

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

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

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

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

3.2 Key sources of estimation uncertainty (Continued)

3.2.2 Recoverable amounts of development properties for sale and properties under/held for development (Continued)

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

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

3.2.3 Valuation of investment properties

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

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

In 2020, the group recorded a fair value gain of $21.0 million on the recently acquired plot of land at Lot 378V and is adjacent to Lot 383T held by the group in Singapore for hotel development. The group has obtained permit to re-zone the total site as a hotel and the enlarged plot ratio over the combined plot of lands translates to a more efficient and comprehensive use as compared to its former state, which resulted in the aforementioned gain.

In 2019, management has considered advice from external professional valuer and assessed that the change in use was certain and had recorded a fair value gain of $116.9 million for the year ended December 31, 2019.

3.2.4 Income tax

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

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

3.2.5 Recoverable amounts of trade and other receivables

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

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

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

3.2 Key sources of estimation uncertainty (Continued)

3.2.5 Recoverable amounts of trade and other receivables (Continued)

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

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

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

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

4.1. Categories of financial instruments

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

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Financial assets				
Financial asset at amortised cost	**26,140**	104,935	**407,292**	432,407
Financial asset measured at FVTPL	**493**	4,018	**493**	4,018
Derivative financial instrument	–	4,183	–	2,157
Financial liabilities				
Financial liabilities at amortised cost	**1,989,744**	1,740,609	**340,510**	313,196
Financial guarantee contracts	–	–	**5,994**	7,539

4.2. Financial risk management policies and object

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

(i) Foreign exchange risk management

As discussed in Notes 9, 10, 14 and 15 to the financial statements, the group has invested in real estate and development properties in Australia and United Kingdom. Changes in exchange rates between Australian dollar, British pound and the group's reporting currency result in currency translation movements which are recognised in "Other comprehensive income" in the consolidated statement of comprehensive income.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

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

4.2. Financial risk management policies and object (Continued)

(ii) Interest rate risk management

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

Interest rate sensitivity

If interest rates had been 50 basis points higher or lower and all other variables were held constant, interest cost would increase or decrease by approximately $8,259,000 (2019: $7,090,000).

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) Equity price risk management

The group is exposed to equity risks arising from equity investments in listed entities held for strategic rather than trading purpose. Management has not performed any equity price sensitivity analysis as the impact to the group's and company's net profit for the year is not significant.

(iv) Overview of the group's credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the group. As at December 31, 2020 the group's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the group arises from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position; and

- the maximum amount the group would have to pay if the financial guarantee is called upon, irrespective of the likelihood of the guarantee being exercised as disclosed in Note 4.2 (vi). The related loss allowance is disclosed in the respective notes to the financial statements.

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

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

4.2. Financial risk management policies and object (Continued)

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

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

Category	Description	Basis for recognising expected credit losses (ECL)
Performing	The counterparty has a low risk of default and does not have any past-due amounts.	12-month ECL
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL – not credit-impaired
In default	Amount is >90 days past due or there is evidence indicating the asset is credit-impaired.	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the group has no realistic prospect of recovery.	Amount is written off

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

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

(v) Credit risk management

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

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

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

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

Cash is held with creditworthy financial institutions.

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

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

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

4.2. Financial risk management policies and object (Continued)

(vi) Liquidity risk management

The group finances real estate development projects which are classified as properties under/held for development, properties held for sale, investment properties and property, plant and equipment in the statements of financial position with a long development cycle through a mix of internal funds and longer-term debts which are secured over the assets of the group and unsecured notes payable; and/or subject to financial covenants such as debt to security ratio. Management reviews the maturity profile of its borrowings relative to expected cash inflows and monitors compliance with financial covenants to ensure liquidity for the group.

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

At the end of the reporting period, the group's and the company's current assets exceeded its current liabilities by $310.9 million (2019: $864.6 million) and $87.3 million (2019: $525.2 million) respectively; and the group's current liabilities included notes payable and term loans amounting to $268.9 million (2019: $2.8 million) and $403.2 million (2019: $172.4 million) respectively, that are due for settlement and/or refinancing within the next twelve months from the end of the reporting period.

Based on the cashflow forecasts for the twelve months from the date of authorisation of these financial statements prepared by management, the Board of Directors and management are of the view that the use of the going concern assumption in preparation of the financial statements of the group and company is appropriate. One of the key assumptions is management's plans to meet the settlement and/or financing of the $268.9 million notes payable and $403.2 million term loans, due within the next twelve months from the end of the reporting period.

Management has the following plans to meet the settlement and/or refinancing of the $268.9 million notes payable and $403.2 million term loans, due within the next financial year:

1) As Phase 1 of Premier Tower is completed and Phase 2 is expected to complete in early April 2021, management has made arrangements to complete the residential sales contracts for Premier Tower in an expeditious manner. As mentioned in Note 38, as at December 31, 2020, 84.3% of the total residential units had been sold for a total contracted sales value of AUD 468.2 million (SGD 476.5 million equivalent). Subsequent to the year-end, at end of February 2021, the group has collected AUD 64.2 million (SGD 65.3 million equivalent) from the settled sales contracts. Upon completion of Premier Towers, management expects to collect the bulk of the remaining AUD 404.0 million (SGD 411.2 million equivalent) of sales contracts within the next twelve months from the date of this report. Any buyer who fails to complete settlement of the sales contract will forfeit their 10% deposit and the group is able to on-sell the property in the market.

2) Management has and will continue to work with the group's panel of bankers for new and refinancing of existing facilities and is of the opinion that the group will receive support from its bankers in the extension of bank loan facilities or granting of new loan facilities. $394.4 million of the maturing term loans relate to revolving loan facilities and construction loan facilities. Management expects to renew the $158.8 million of revolving loan facilities and convert the $235.6 million of construction loan facilities into new term loan facilities upon completion of the related development projects. Subsequent to the end of the reporting period, management has obtained new loan facilities of $55.0 million and have properties of approximately $800.0 million available as collateral.

As at the date of the authorisation of these financial statements, the group has sufficient funds to fulfill the upcoming settlement of unsecured note payable of $115.0 million due in April 2021.

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

4.2. Financial risk management policies and object (Continued)

(vi) Liquidity risk management (Continued)

Based on the above, management has assessed that twelve months from the date of authorisation of these financial statements, the group and the company will have sufficient cash flows from the existing and new bank facilities and proceeds from the sale of residential units of Premier Tower to finance its ongoing activities and pay its debts as and when they fall due for the next twelve months.

COVID-19 pandemic and the aftermath

The COVID-19 pandemic and the aftermath of the pandemic globally forced to suspend or limit business operations during the reporting year and the aftermath is expected for the unforeseeable period ahead. Measures were taken by the governments to contain the spread of COVID-19, including travels, social distancing and closure of non-essential services. This resulted in an economic slowdown. However, there was no significant impacts on the business of the group. The economic uncertainties have also created questions about the uncertainties relating to the impairment or recoverability of certain assets (including impairment allowances for receivables and non-current assets). An assessment was made by management whether for the current reporting year there were any indications that these assets may be impacted adversely. If any such indication of uncertainties existed, an estimate was made of the realisable amount as disclosed in Note 3 to the financial statements.

Liquidity and interest risk analyses

Financial liabilities

The following undiscounted cash flows of financial liabilities based on the earliest date on which the group and company can be required to pay includes both interest and principal cash flows. The adjustment column represents the possible future cash flows attributable to future interest which are not included in the carrying amounts of the financial liabilities in the 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
Group						
2020						
Non-interest bearing	**NA**	**59,029**	**–**	**–**	**–**	**59,029**
Fixed interest rate instruments	**4.79**	**276,829**	**9,888**	**–**	**(7,842)**	**278,875**
Variable interest rate instruments	**1.45**	**743,887**	**938,532**	**19,640**	**(50,219)**	**1,651,840**
2019						
Non-interest bearing	NA	45,298	–	–	–	45,298
Fixed interest rate instruments	4.44	16,389	281,669	–	(20,650)	277,408
Variable interest rate instruments	2.77	208,146	1,304,143	15,763	(110,149)	1,417,903

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DECEMBER 31, 2020

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

4.2. **Financial risk management policies and object** (Continued)

(vi) Liquidity risk management (Continued)

Liquidity and interest risk analyses (Continued)

Financial liabilities (Continued)

	Weighted average effective interest rate %	On demand or within 1 year $'000	Within 2 to 5 years $'000	After 5 years $'000	Adjustment $'000	Total $'000
Company						
2020						
Non-interest bearing	**NA**	**49,029**	–	–	–	**49,029**
Fixed interest rate instruments	**4.89**	**275,774**	–	–	**(6,916)**	**268,858**
Variable interest rate instruments	**1.76**	**23,021**	–	–	**(398)**	**22,623**
2019						
Non-interest bearing	NA	13,165	–	–	–	13,165
Fixed interest rate instruments	4.44	16,389	281,669	–	(20,650)	277,408
Variable interest rate instruments	3.26	23,359	–	–	(736)	22,623

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

(vii) Fair value of financial assets and financial liabilities

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

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

4.3. Capital management policies and objectives

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

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

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

Management monitors the following financial data relating to the group:

	Group	
	2020	**2019**
Total assets ($'000)	**3,310,716**	3,155,334
Total debts ($'000)	**1,930,715**	1,695,311
Total equity ($'000)	**1,289,064**	1,382,947
Debt-to-assets (%)	**58.3**	53.7
Debt-to-equity (%)	**149.8**	122.6

5 RELATED PARTY TRANSACTIONS

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

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

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

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5 RELATED PARTY TRANSACTIONS (CONTINUED)

Significant transactions with the related parties include:

	Group 2020 $'000	Group 2019 $'000
Rental income received from related parties in which directors have interest	**474**	711
Project management fee received from a related party in which directors have interest	**–**	419
Service fee paid to related parties in which directors have interest	**(371)**	(213)
Interest on notes paid/payable to directors	**3,053**	3,014

Compensation of directors and key management personnel

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

	Group 2020 $'000	Group 2019 $'000
Short-term benefits	**2,229**	2,328
Post-employment benefits	**71**	67
Share-based payments	**–**	47

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

6 CASH AND CASH EQUIVALENTS

	Group		Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Cash and bank balances	**10,921**	18,766	**705**	4,432
Fixed deposits	**497**	49,345	**–**	28,416
Project accounts	**1,404**	1,341	**–**	–
Total	**12,822**	69,452	**705**	32,848

Monies received from sale of units of the properties under development in Singapore 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 week to one month (2019: one to three months) with weighted average interest rate of 0.89% (2019: 1.24%) per annum.

6 CASH AND CASH EQUIVALENTS (CONTINUED)

As of December 31, 2020, cash deposits of SGD 52.4 million (AUD 51.5 million equivalent) held in escrow for the sale and purchase agreement ("S&P") executed by the Premier Tower buyers were not recorded in the books. This is in accordance with the accounting policy on revenue recognition stated in Note 2. Revenue is recognised when performance obligation is satisfied and that is deemed to be the point when title of the property is transferred to the buyers. Phase I of Premier Tower was certified completed before year end but as title has yet to be transferred prior to year end, no revenue was recognised in 2020.

7 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Rental debtors – external parties	**5,686**	2,625	**36**	2
Less: Allowance for expected credit losses	**(227)**	–	**–**	–
Goods and services tax receivables	**2,121**	1,494	**32**	16
Contract assets:				
– Unbilled revenue on completed properties	**–**	66	**–**	66
– Unbilled revenue on properties under/held for development[(1)]	**6,653**	244	**–**	–
Deposits	**562**	1,179	**30**	30
Prepayments	**4,460**	1,947	**241**	760
Subsidiaries	**–**	–	**406,260**	399,325
Advances to non-controlling interests	**2,960**	2,140	**–**	–
Deferred expenses	**19,084**	15,260	**–**	–
Others[(2)]	**4,337**	29,539	**261**	202
	45,636	54,494	**406,860**	400,401
Less: Non-current portion				
– Prepayments	**(1,149)**	(743)	**(229)**	(743)
– Other receivables	**–**	(28,048)	**–**	–
	(1,149)	(28,791)	**(229)**	(743)
	44,487	25,703	**406,631**	399,658

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.

(1) The significant change to contract assets during the reporting period is due to additional revenue recognised upon the sale of additional residential units and an increase in incurred costs over time on a cost-to-cost method, i.e. based on the proportion of contract costs incurred for work performed to date relative to the total estimated contract costs from residential development projects, Urban Treasures and Jervois Treasures, in Singapore.

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

(2) Other receivables comprised mainly deposit of $Nil (2019: $25,822,000) for purchases of land and building for redevelopment.

NOTES TO FINANCIAL STATEMENTS

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7 TRADE AND OTHER RECEIVABLES (CONTINUED)

Analysis of trade receivables

The average credit period ranges from 14 to 30 days (2019: 14 to 30 days). Trade receivables are non-interest bearing. Loss allowance for trade receivables is measured at an amount equal to lifetime expected credit losses (ECL). The ECL on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

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

A trade receivable is written off when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. None of the trade receivables that have been written off is subject to enforcement activities.

The aging of receivables past due but not impaired amounted to $1,165,000 (2019: $261,000) and ranged above 30 days (2019: 30 days). The group has recognised a loss allowance for 32% of trade receivables over a year past due while no loss allowance has been recognised for the remaining 68% of receivables in the same aging bracket because historical experience has indicated that these receivables are generally recoverable.

Other receivables

Other receivables are considered to have low credit risk for the purpose of impairment assessment, as they are not due for payment at the end of the reporting period and there has been no significant increase in the risk of default on the receivables since initial recognition. Accordingly, the loss allowance is measured at an amount equal to 12-month expected credit losses (ECL).

The estimation of ECL comprises the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case. Management took the historical default experience and the financial position of the counterparties into consideration, adjusted for debtors-specific factors and general economic conditions of the industry in which the debtors operate for the estimation of ECL.

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

8 NON-CURRENT ASSETS HELD FOR DISTRIBUTION

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

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

As of December 31, 2020, the group holds 0.41% interest in AFG which has been classified as FVTPL. Correspondingly, all balances in the revaluation reserve, investment revaluation reserve and foreign currency translation reserve pertaining to AFG were reclassified to accumulated profits.

9 PROPERTIES UNDER/HELD FOR DEVELOPMENT

	Group	
	2020	**2019**
	$'000	**$'000**
Land and other related costs	**396,078**	409,948
Development costs	**482,566**	468,523
Interest, property tax and other costs	**45,243**	37,702
	923,887	916,173
Less: Cost of properties sold to date	**(11,769)**	(613)
Cost of properties transferred to property, plant and equipment (Note 15)	–	(127,896)
Cost of properties transferred to properties held for sale (Note 10)	**(149,715)**	–
Currency alignment	**32,151**	618
	794,554	788,282

Interest expenses capitalised in property under/held for development during the year was $6,114,000 (2019: $15,050,000) for the group. Interest rates ranged from 2.15% to 6.13% (2019: 2.71% to 6.13%) per annum for the group.

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

All properties in Singapore, two completed projects and one development project in Australia are mortgaged to the banks and finance companies to secure credit facilities of the subsidiaries (Note 18).

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9 PROPERTIES UNDER/HELD FOR DEVELOPMENT (CONTINUED)

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

Property and address	Description of development	Tenure	Approximate gross floor area ("GFA") (sq m)	Land area (sq m) 2020	Land area (sq m) 2019
205 Jalan Eunos, Singapore[3]	Proposed development of residential condominium. Sub-structural works in progress. Expected completion on 30-Jun-2023.	Freehold	18,269	**10,380**	10,380
31 Jervois Road, Singapore[3]	Proposed development of residential apartment building. Sub-structural works in progress. Expected completion on 31-Mar-2022.	Freehold	2,824	**1,834**	1,834
380/388 Murray Street (fka 374 – 396 Murray Street), Perth, Australia[1][3]	Multi-storey hotel building with residential space. Development completed in 2020.	Freehold	–	**–**	2,358
134-160 Spencer Street, Melbourne, Victoria, Australia[3]	Multi-storey mixed development with commercial and residential space. Phase 1 of development completed in December 2020. Phase 2 of development expected to be completed in April 2021.	Freehold	86,247	**1,833**	1,833
39 – 47 Milligan Street and 453 – 471 Murray Street, Perth, Australia[3]	Proposed development of multi-storey mixed use, consisting of retail, office, hotel and residential use. Development yet to commence.	Freehold	To be determined ("TBD")	**3,560**	3,560

9 PROPERTIES UNDER/HELD FOR DEVELOPMENT (CONTINUED)

Property and address	Description of development	Tenure	Approximate gross floor area ("GFA") (sq m)	Land area (sq m) 2020	2019
179 Macquarie Street, Hobart, Tasmania, Australia[3]	Proposed development of multi-storey hotel building. Development yet to commence.	Freehold	TBD	**2,162**	2,162
171 Macquarie Street, Hobart, Tasmania, Australia[3]	Existing commercial building. Development yet to commence.	Freehold	TBD	**525**	525
28 – 30 Davey Street, Hobart, Tasmania, Australia[3]	Proposed development of multi-storey hotel building space. Development yet to commence.	Freehold	TBD	**1,153**	1,153
2 – 6 Collins Street Hobart, Tasmania, Australia[2][3]	Multi-storey hotel building. Development yet to commence.	Freehold	TBD	**–**	3,009
234 – 250 Elizabeth Street, Hobart, Tasmania, Australia[3]	Multi-storey mixed development with commercial and residential space. Development yet to commence.	Freehold	TBD	**3,501**	3,501
5 – 7 Sandy Bay Road, 9, 11 & 13 Wilmot Street and 4, 6 & 8 Healthfield Avenue, Hobart, Tasmania, Australia[3]	Existing commercial building. Development yet to commence.	Freehold	TBD	**4,868**	4,868
20-26 Best Street, Devonport, Tasmania, Australia[3]	Proposed development of multi-storey hotel building. Expected completion in December 2022.	Freehold	25,648	**2,383**	–

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9 PROPERTIES UNDER/HELD FOR DEVELOPMENT (CONTINUED)

Property and address	Description of development	Tenure	Approximate gross floor area ("GFA") (sq m)	Land area (sq m) 2020	2019
Orchard Cottage, Babacombe Road, Torquay, United Kingdom[(3)]	Proposed development of mixed-use hotel building and residential space. Development yet to commence.	Freehold	TBD	**133**	133
The Mount Pleasant, Millbay Road, Plymouth, Devon, United Kingdom[(3)]	Existing commercial building. Development yet to commence.	Freehold	TBD	**1,000**	–

(1) Mixed-used development project on 380/388 Murray Street, Perth, Australia – 388 residential units located at 380 Murray Street transferred to properties held for sale upon its completion in February 2020 while hotel building located at 388 Murray Street transferred to property, plant and equipment in December 2019.

(2) Transferred to property held for sale as at December 31, 2020. Subsequent to reporting period, the group has completed the sale of the property to a third party for a consideration of SGD8,854,860 (AUD 8,700,000 equivalent) (Note 38).

(3) The group's effective stake in these properties under/held for development at the beginning and end of the year is 100%.

10 PROPERTIES HELD FOR SALE

	Group $'000	Company $'000
Balance as at January 1 2019	94,066	35,965
Less: Transfer to cost of sales	(4,095)	(4,118)
Balance as at December 31, 2019	89,971	31,847
Add: Additions during the year	370	–
Add: Transferred from properties under/held for development (Note 9)	149,715	–
Less: Transfer to cost of sales	(47,390)	(690)
Less: Impairment loss on property held for sale (Note 28)	(423)	–
Currency alignment	7,449	–
Balance as at December 31, 2020	199,692	31,157

10 PROPERTIES HELD FOR SALE (CONTINUED)

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

Property and address	Description of development	Tenure	Strata/Land area (sq m) 2020	2019
#01-10/11/14/15 at 218 Pasir Panjang Road, Singapore[(5)]	4 units of completed commercial retail units of shop and restaurant.	Freehold[(1)]	**170**	170
277 Wak Hassan Drive, Singapore[(6)]	Nil unit (2019: 1 unit) of completed detached dwelling house.	99 years leasehold[(1)]	–	503
#01-48/49/50 at Tanah Merah Kechil Link, Singapore[(4)]	3 units of completed commercial retail units of shop.	99 years leasehold[(1)]	**113**	113
#B1-01/04/05/07/08/09/10/11/46 #01-19/24/25/26/37/38/43 #02- 04/05/06/07/08/09/10/ 11/16/21/22/26/30/31/44/45/ 48/49/50/51 at 371 Beach Road, Singapore[(3)(4)]	35 units (2019: 36 units) of completed commercial units.	99 years leasehold[(1)]	**2,036**	2,082
#01-08/09/10/11/12/ 13/14/15/16/17/19/ 20/23/40/45/46/47/ 49/50/51/52/54/56 at 2 Jalan Lokam, Singapore[(5)]	23 units of completed commercial retail units of shop and restaurant.	Freehold[(1)]	**1,421**	1,421
2 – 6 Collins Street, Hobart, Tasmania, Australia[(5)]	Existing commercial building.	Freehold[(2)]	**3,009**	–
380 Murray Street, Perth, Australia[(5)]	278 units of completed residential units and 7 units of completed commercial retail units of shop and restaurant.	Freehold[(1)]	**17,745**	–
4 Antony Court, Esplanade Road, Paignton, United Kingdom[(6)]	1 unit of completed residential apartment flat.	Freehold[(2)]	**70**	–

(1) Strata area

(2) Land area

(3) The group completed the sale of a property located at #B1-06 of 371 Beach Road, Singapore during the year.

(4) The group's effective stake in these properties held for sale at the beginning and end of the year is 50%.

(5) The group's effective stake in these properties held for sale at the beginning and end of the year is 100%.

(6) The group's effective stake in these properties held for sale at the beginning/end of the year is 100%.

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11 SUBSIDIARIES

	Company 2020 $'000	Company 2019 $'000
Unquoted equity shares, at cost	**55,105**	55,105
Additional funding provided to subsidiaries to support longer term funding needs of subsidiaries	**608,464**	573,065
Fair value of financial guarantees given by the company for credit facilities of subsidiaries [4]	**30,080**	35,678
	693,649	663,848

Details of the company's subsidiaries are as follows:

Name of subsidiaries	Country of incorporation and operation	Proportion of ownership interest 2020 %	Proportion of ownership interest 2019 %	Proportion of voting power held 2020 %	Proportion of voting power held 2019 %	Principal activities
Held by the company						
Fragrance Homes Pte Ltd[1]	Singapore	**100**	100	**100**	100	Development, dealing and trading in properties.
Fragrance Realty Pte Ltd[1]	Singapore	**100**	100	**100**	100	Development, dealing and trading in properties.
Fragrance Holdings Pte Ltd[1]	Singapore	**100**	100	**100**	100	Dormant.
Fragrance Biz Space Pte Ltd[1]	Singapore	**100**	100	**100**	100	Investment holding and investing 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.
The Colonial Settlement Pte Ltd[1]	Singapore	**100**	100	**100**	100	Investment holding and investing in properties.

11 SUBSIDIARIES (CONTINUED)

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

Name of subsidiaries	Country of incorporation and operation	Proportion of ownership interest 2020 %	2019 %	Proportion of voting power held 2020 %	2019 %	Principal activities
Fragrance Treasures Pte Ltd[1]	Singapore	**100**	100	**100**	100	Development, dealing and trading in properties.
Fragrance Victory Pte Ltd[1]	Singapore	**100**	100	**100**	100	Investment holding and investing in properties.
Fragrance Corporate Mgt Pte Ltd[1]	Singapore	**100**	100	**100**	100	Provision of management services.
Kensington Land Pte Ltd[1]	Singapore	**60**	60	**60**	60	Development, dealing and trading in properties.
Kensington Village Pte Ltd[1]	Singapore	**60**	60	**60**	60	Development, dealing and trading in properties.
Fragrance Global Pte Ltd[1]	Singapore	**100**	100	**100**	100	Investment holding.
Fragrance Great Britain Pte Ltd[1]	Singapore	**100**	100	**100**	100	Investment holding.
Held by Fragrance Global Pte Ltd						
Fragrance South Pacific Pty Ltd[2]	Australia	**100**	100	**100**	100	Investment holding.
Fragrance WA-Perth Pty Ltd[2]	Australia	**100**	100	**100**	100	Development, dealing and trading in properties.
Fragrance WA-Perth (Milligan) Pty Ltd[2]	Australia	**100**	100	**100**	100	Development, dealing and trading in properties.
Fragrance TAS-Hobart Pty Ltd[2]	Australia	**100**	100	**100**	100	Hotel owner and development in properties.

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11 SUBSIDIARIES (CONTINUED)

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

Name of subsidiaries	Country of incorporation and operation	Proportion of ownership interest 2020 %	Proportion of ownership interest 2019 %	Proportion of voting power held 2020 %	Proportion of voting power held 2019 %	Principal activities
Fragrance TAS-Hobart (Collins) Pty Ltd [2]	Australia	**100**	100	**100**	100	Development, dealing and trading in properties.
Fragrance TAS-Hobart (Elizabeth) Pty Ltd[2]	Australia	**100**	100	**100**	100	Development, dealing and trading in properties
Fragrance VIC-MEL (Collins) Pty Ltd[5]	Australia	–	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]	Australia	**100**	100	**100**	100	Hotel operations.
Fragrance TAS-Hobart (Sandy Bay) Pty Ltd[2]	Australia	**100**	100	**100**	100	Development, dealing and trading in properties.
Fragrance VIC-MEL Spencer Hotel Pty Ltd, (fka Fragrance HF Pty Ltd)[2]	Australia	**100**	100	**100**	100	Dormant.
Fragrance WA-Murray Hotel Pty Ltd[2]	Australia	**100**	100	**100**	100	Hotel operations.
Fragrance TAS-Devonport Pty Ltd[2]	Australia	**100**	100	**100**	100	Development, dealing and trading in properties.
<u>Held by Fragrance Great Britain Pte Ltd</u>						
Fragrance UK Investments Limited[3]	United Kingdom	**100**	100	**100**	100	Investment holding.
Fragrance UK-Blackpool Limited[3]	United Kingdom	**100**	100	**100**	100	Hotel operations.
Fragrance UK-Blackpool 2 Limited[3]	United Kingdom	**100**	100	**100**	100	Long term investment in hotel property.

11 SUBSIDIARIES (CONTINUED)

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

Name of subsidiaries	Country of incorporation and operation	Proportion of ownership interest 2020 %	2019 %	Proportion of voting power held 2020 %	2019 %	Principal activities
Fragrance UK-Blackpool 3 Limited[(3)]	United Kingdom	**100**	100	**100**	100	Long term investment in hotel property.
Fragrance UK-Harrogate Limited[(3)]	United Kingdom	**100**	100	**100**	100	Hotel operations/ Long term investment in hotel property.
Fragrance UK-Manchester Limited[(3)]	United Kingdom	**100**	100	**100**	100	Long term investment in hotel property.
Fragrance UK-Torquay Limited[(3)]	United Kingdom	**100**	100	**100**	100	Hotel owner/Long term investment in hotel property.
Fragrance UK-Torquay 2 Limited[(3)]	United Kingdom	**100**	100	**100**	100	Hotel owner/Long term investment in hotel property.
Fragrance UK- Paignton Limited[(3)]	United Kingdom	**100**	100	**100**	100	Hotel owner/Long term investment in hotel property.
Fragrance UK- Paignton 2 Limited[(3)]	United Kingdom	**100**	100	**100**	100	Hotel owner/Long term investment in hotel property.
Fragrance UK- Liverpool Limited[(3)]	United Kingdom	**100**	100	**100**	100	Hotel owner/Long term investment in hotel property.
Fragrance UK-Bath Limited [(3)]	United Kingdom	**100**	100	**100**	100	Hotel owner/Long term investment in hotel property.
Fragrance UK-Plymouth Limited[(3)]	United Kingdom	**100**	100	**100**	100	Long term investment in hotel property.

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11 SUBSIDIARIES (CONTINUED)

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

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

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

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

(4) Management estimates the fair value of the financial guarantees at 1% (2019: 1%) per annum of the loans guaranteed.

(5) Deregistered on August 23, 2020.

12 INVESTMENT IN JOINT OPERATIONS

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

Name of joint operations	Country of incorporation and operation	Proportion of ownership interest 2020 %	2019 %	Principal activities
Bayfront Ventures Pte Ltd[1]	Singapore	**50**	50	Development, dealing and trading in properties.
Bayfront Realty Pte Ltd[1]	Singapore	**50**	50	Development, dealing and trading in properties.
Held by Bayfront Ventures Pte Ltd				
City Gate Shopping Mall Management Pte Ltd[1]	Singapore	**50**	50	Property management.

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

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

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

13 INVESTMENT IN JOINT VENTURE

	Group		Company	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Cost of equity investment in joint venture	**75**	75	**75**	75
Additional capital contributions	–	1	–	1
Share of post-acquisition loss, net of dividend received	**(14)**	(9)	–	–
Disposed during the year	**(61)**	–	**(75)**	–
	–	67	–	76

In 2019, the group completed the restructuring exercise of AFC and ceased to hold a deemed interest in the shares of AFG via AFC (Note 8).

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

Name of joint venture	Country of incorporation and operation	Proportion of ownership interest 2020 %	2019 %	Principal activities
AF Corporation Pte Ltd[(1) (2)]	Singapore	–	50	Investment holding.

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

(2) Liquidated on October 20, 2020.

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

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

	Group 2019 $'000
Current assets	56
Non-current assets	–
Current liabilities	(45)
Non-current liabilities	–
Net assets	11

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13 INVESTMENT IN JOINT VENTURE (CONTINUED)

Information relating to the joint venture:

	Group 2019 $'000
Statement of financial position	
Cash and cash equivalents	56
Current financial liabilities (excluding trade and other payables and provision)	(3)
Non-current financial liabilities (excluding trade and other payables and provision)	–
Statement of comprehensive income	
Revenue	27,299
Profit for the year	19,149
Profit for the year:	
– attributable to owners of the company	14,740
– attributable to non-controlling interests	4,409
	19,149
Other comprehensive income:	
– attributable to owners of the company	8,190
– attributable to non-controlling interests	5,892
	14,082
Total comprehensive income:	
– attributable to owners of the company	22,930
– attributable to non-controlling interests	10,301
Total comprehensive income for the year	33,231
The above profit for the year included the following:	
Depreciation and amortisation	3,781
Interest income	522
Interest expense	(1,880)

In 2020, the joint venture has a loss, representing total comprehensive loss of $11,000 before liquidation on October 20, 2020.

13 INVESTMENT IN JOINT VENTURE (CONTINUED)

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

	Group 2019 $'000
Net assets of the joint venture	11
Proportion of the group's ownership interest in the joint venture	50%
	6
Excess of net assets acquired over consideration paid on additional investment of joint venture	61
	67
Carrying amount of the group's interest on the joint venture	67

14 INVESTMENT PROPERTIES

	Group 2020 $'000	Group 2019 $'000
At fair value:		
At January 1	**1,823,976**	1,578,208
Additions	**161,386**	156,088
Transferred (to) from property plant and equipment (Note 15)	**(88,656)**	17,619
Disposal of investment property	**–**	(28,800)
Change in fair value of investment properties (Note 27)	**14,285**	100,861
At December 31	**1,910,991**	1,823,976

The investment properties held by the group as at December 31, 2020 are as follows:

Location	Tenure	Description
62 and 64 Waterloo Street, Singapore	Freehold	Proposed hotel development
110 Lor 23 Geylang, Singapore	60 year leasehold (w.e.f. – 2012)	7 storey high-specification ramp-up B1 business space building with commercial facilities located at roof level.
#01-12, #02-02/03/04/05/ 09/10/11/12/13/15/16 at 218 Pasir Panjang Road, Singapore	Freehold	Retail units at first and second level within a 5-storey residential cum commercial development with attic.

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14 INVESTMENT PROPERTIES (CONTINUED)

The investment properties held by the group as at December 31, 2020 are as follows: (Continued)

Location	Tenure	Description
#01-09/13/14/15/21/22/23/25/26/28/33/37/39/40/41/42/43/44 at 275 Thomson Road, Singapore	Freehold	Retail units on first level within a 4-storey residential cum commercial development with carpark facility.
15 Hoe Chiang Road, Singapore[1]	Freehold	Proposed hotel development.
456 Alexandra Road, Singapore	Freehold	26-storey commercial building with a carpark podium.
500 New Punggol Road (fka 3 Punggol Point Road), Singapore	15 years leasehold (w.e.f – 2013)	2-storey food and beverage outlets.
#01-37 at 2 Jalan Lokam, Singapore	Freehold	Childcare centre on first level within a 5-storey residential cum commercial development with carpark facility.
Duke of Cornwell, Plymouth, United Kingdom[4]	Freehold	73 bedrooms hotel with restaurant and bar
Lyndene Hotel, 303-315 Promenade, Blackpool, United Kingdom[4]	Freehold	Detached hotel with 141 bedrooms, 2 large restaurants and two cabaret lounges.
The Townhouse Hotel, 101 Portland Street, Manchester, United Kingdom[4]	Freehold	Independent hotel with 85 bedrooms, a bar and restaurant and 8 meeting rooms.
St Chads Hotel 317-327 The Promenade Blackpool, Lancashire, United Kingdom[4]	Freehold	Hotel with restaurant and bar.

14 INVESTMENT PROPERTIES (CONTINUED)

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

Location	Tenure	Description
64 Waterloo Street, Singapore	Freehold	Proposed hotel development
110 Lor 23 Geylang, Singapore	60 year leasehold (w.e.f. – 2012)	7 storey high-specification ramp-up B1 business space building with facilities located at roof level.
#01-12, #02-02/03/04/05/09/10/11/12/13/15/16 at 218 Pasir Panjang Road, Singapore	Freehold	Retail units at first and second level within a 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, Singapore	Freehold	Retail units on first level within a 4-storey residential cum commercial development with carpark facility.
15 Hoe Chiang Road, Singapore[1]	Freehold	Proposed hotel development.
456 Alexandra Road, Singapore	Freehold	26-storey commercial building with a carpark podium.
500 New Punggol Road (fka 3 Punggol Point Road), Singapore	15 years leasehold (w.e.f. – 2013)	2-storey food and beverage outlets.
#01-37 at 2 Jalan Lokam, Singapore	Freehold	Supermarket on first level within a 5-storey residential cum commercial development with carpark facility.
The Palace Hotel, Babacombe Road, Torquay, United Kingdom[2]	Freehold	Proposed development of multi-storey hotel building.
Corbyn Head Hotel, Torbay Road, Livermead, Torquay, United Kingdom[2]	Freehold	Independent hotel with 45 bedrooms, bar and restaurant slated for redevelopment into a new hotel building.
Municipal Building, Dale Street, Liverpool, United Kingdom[2]	250 years-lease (w.e.f – 2018) with an option to purchase freehold tenure	Proposed refurbishment of existing building into a luxury hotel building.

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14 INVESTMENT PROPERTIES (CONTINUED)

The investment properties held by the group as at December 31, 2019 are as follows: (Continued)

Location	Tenure	Description
Park Hotel, Esplanade Road, Paignton, United Kingdom[(2)]	Freehold	Proposed development of multi-storey hotel building.
The Lighthouse, Esplanade Road, Paignton, Devon, United Kingdom[(2)]	Freehold	Proposed development of multi-storey hotel building.
The Crown Hotel, Montpellier Road, Harrogate, United Kingdom[(3)]	Freehold	Independent hotel with 115 bedrooms, a restaurant and 7 meeting and conference facilities.
Royal National Hospital Upper Borough Walls, Bath, United Kingdom[(2)]	Freehold	Proposed refurbishment of existing building into a luxury hotel building.
Duke of Cornwell, Plymouth, United Kingdom[(4)]	Freehold	73 bedrooms hotel with restaurant and bar
Lyndene Hotel, 303-315 Promenade, Blackpool, United Kingdom[(4)]	Freehold	Detached hotel with 141 bedrooms, 2 large restaurants and two cabaret lounges.
The Townhouse Hotel, 101 Portland Street, Manchester, United Kingdom[(4)]	Freehold	Independent hotel with 85 bedrooms, a bar and restaurant and 8 meeting rooms.
St Chads Hotel, 317-327 The Promenade Blackpool, Lancashire, United Kingdom[(4)]	Freehold	Hotel with restaurant and bar.

(1) 15 Hoe Chiang Road commenced demolition in 2020 for redevelopment plans as a multi-storey hotel building.

(2) In 2020, these investment properties under development were reclassified to property, plant and equipment (Note 15) as the group intends to operate these properties under the capacity of hotel owners upon completion.

(3) The Crown Hotel was transferred to property, plant and equipment (Note 15) on September 1, 2020 as the group operates this hotel as a hotel owner.

(4) These hotel properties were transferred to property, plant and equipment (Note 15) subsequent to reporting period as the group operates these hotels as a hotel owner (Note 38).

The group's effective stake in these investment properties at the beginning and end of the year is 100%.

14 INVESTMENT PROPERTIES (CONTINUED)

Fair value measurement of the group's investment properties

The fair values of the group's investment properties as at December 31, 2020 and 2019 were estimated by an independent professional valuer who has the appropriate qualifications and experience in the fair value measurement of the different types of properties in Singapore and the United Kingdom.

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

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

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

Description	Fair value as at 2020 $'000	Fair value as at 2019 $'000	Valuation technique(s)	Significant unobservable input(s)	Inputs 2020	Inputs 2019
Industrial building	**91,000**	92,000	Direct comparison method.	price per square meter[1]	**$5,767**	$5,830
			Investment method.	capitalisation rate[2]	**5%**	5%
Retail units in mixed development	**77,472**	79,270	Direct comparison method.	price per square meter[1]	**$19,254** **$31,516** **$58,601**	$19,562 $32,548 $59,989
Commercial buildings	**685,000**	1,365,914	Direct comparison method.	price per square meter[1]	**$24,369**	$25,161 to $28,879
			Investment method.	long-term net rental income margin[1]	**NA**	40% to 75%
Land and hotel buildings – United Kingdom and Singapore[3][4]	–	274,676	Direct comparison method.	value per room[1]	–	$29,477 to $280,895
			Investment method.	capitalisation rate[2]	–	6.80% to 8.25%

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14 INVESTMENT PROPERTIES (CONTINUED)

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

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

Description	Fair value as at 2020 $'000	Fair value as at 2019 $'000	Valuation technique(s)	Significant unobservable input(s)	Inputs 2020	Inputs 2019
Land and hotel buildings – United Kingdom[3]	**39,160**	–	Direct comparison method.	value per room[1]	**$21,756 to $241,479**	–
			Investment method.	capitalisation rate[2]	**7.00% to 10.00%**	–
Land and hotel buildings – Singapore[4]	**996,359**	–	Direct comparison method.	value per room[1]	**$593,810 to $842,627**	–
Building for food & beverage and retail	**22,000**	12,116	Direct comparison method.	price per square meter[1]	**$7,333**	$4,039
			Investment method.	long-term net rental income margin[1]	**95%**	79%
				capitalisation rate[2]	**6.00%**	5.75%
	1,910,991	1,823,976				

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

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

(3) Properties of $88,656,000 was transferred from Land and hotel buildings – United Kingdom and Singapore to property, plant and equipment (Note 15) during the year as explained in footnote (2) and (3) above under description of investment properties held by the group.

(4) Property of $686,969,000 commenced development and was transferred from Commercial buildings to Land and hotel buildings – Singapore during the year.

Rental income from the group's investment properties which are leased out under operating lease amounted to $19,307,000 (2019: $26,118,000). Direct operating expenses (including repairs and maintenance) relating to these properties amounted to $7,372,000 (2019: $12,018,000).

15 PROPERTY, PLANT AND EQUIPMENT

	Freehold land – Office & hotel $'000	Building – Office & hotel premises $'000	Motor vehicles $'000	Furniture, fixtures and fittings $'000	Office equipment $'000	Computer $'000	Renovation $'000	Construction – in-progress $'000	Total $'000
Group									
Cost:									
At December 31, 2018	27,446	71,200	73	1,579	192	664	236	–	101,390
Additions	–	46	–	22	29	12	29	–	138
Written off	–	–	–	(2)	–	(3)	–	–	(5)
Transferred from properties under/ held for development (Note 9)	17,159	110,737	–	–	–	–	–	–	127,896
Transferred to investment properties (Note 14)	–	(19,100)	–	–	–	–	–	–	(19,100)
Currency realignment	320	(1,626)	–	9	(2)	(8)	–	–	(1,307)
At December 31, 2019	44,925	161,257	73	1,608	219	665	265	–	209,012
Additions[1]	–	3,982	–	782	802	929	690	32,612	39,797
Written off	–	–	–	(12)	–	–	–	–	(12)
Disposal	–	–	–	(2)	–	(1)	–	–	(3)
Transferred from investment properties (Note 14)	12,211	–	–	–	–	–	–	76,445	88,656
Currency realignment	2,312	12,747	–	116	65	93	9	1,803	17,145
At December 31, 2020	59,448	177,986	73	2,492	1,086	1,686	964	110,860	354,595
Accumulated depreciation:									
At December 31, 2018	–	2,497	9	431	85	415	78	–	3,515
Depreciation	–	1,208	6	322	39	158	51	–	1,784
Written off	–	–	–	(2)	–	(3)	–	–	(5)
Transfer to investment properties (Note 14)	–	(1,481)	–	–	–	–	–	–	(1,481)
Currency realignment	–	(33)	–	5	(1)	(5)	–	–	(34)
At December 31, 2019	–	2,191	15	756	123	565	129	–	3,779
Depreciation	–	2,778	7	475	195	335	98	–	3,888
Written off	–	–	–	(6)	–	–	–	–	(6)
Disposal	–	–	–	(2)	–	(1)	–	–	(3)
Currency realignment	–	362	–	52	17	47	–	–	478
At December 31, 2020	–	5,331	22	1,275	335	946	227	–	8,136
Carrying amount:									
At December 31, 2020, at cost	59,448	172,655	51	1,217	751	740	737	110,860	346,459
At December 31, 2019, at cost	44,925	159,066	58	852	96	100	136	–	205,233

(1) During the year, additions of property, plant and equipment amounting $39,797,000 (2019: $138,000) include capitalised interest of $1,991,000 (2019: $Nil).

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15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The hotel properties transferred during year and classified under property, plant and equipment held by the group as at December 31, 2020 are as follows:

Location	Tenure	Description
The Crown Hotel, Montpellier Road, Harrogate, United Kingdom	Freehold	Independent hotel with 115 bedrooms a restaurant and 7 meeting and conference facilities.
The Palace Hotel, Babacombe Road, Torquay, United Kingdom	Freehold	Proposed development of multi-storey hotel building.
Corbyn Head Hotel, Torbay Road, Livermead, Torquay, United Kingdom	Freehold	Independent hotel with 45 bedrooms, bar and restaurant slated for redevelopment into a new hotel building.
Municipal Building, Dale Street, Liverpool, United Kingdom	250 years-lease (w.e.f – 2018) with an option to purchase freehold tenure	Proposed refurbishment of existing building into a luxury hotel building.
Park Hotel, Esplanade Road, Paignton, United Kingdom	Freehold	Proposed development of multi-storey hotel building.
The Lighthouse, Esplanade Road, Paignton, United Kingdom	Freehold	Proposed development of multi-storey hotel building.
Royal National Hospital, Upper Borough Walls, Bath, United Kingdom	Freehold	Proposed refurbishment of existing building into a luxury hotel building.

The hotel properties classified under property, plant and equipment held by the group as at December 31, 2019 are as follows:

Location	Tenure	Description
388 Murray Street, Perth, Australia	Freehold	Novotel Perth Murray Street Hotel (431 rooms)
173 Macquarie Street, Hobart, Tasmania, Australia	Freehold	ibis Styles Hobart Hotel (296 rooms)
North Promenade, Lancashire, Blackpool, United Kingdom	Freehold	The Imperial Hotel (180 rooms)

The group’s effective stake of all hotel properties at the beginning and end of the year is 100%.

16 TRADE AND OTHER PAYABLES

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Contract liabilities:				
– Progress billings on properties under development	**455**	1,001	**–**	–
Retention sums payable	**1,202**	1,244	**4**	849
Goods and services tax payable	**153**	2,417	**1**	2
Subsidiaries	**–**	–	**47,680**	11,676
Amounts due to non-controlling interests	**–**	920	**–**	–
Financial guarantee contracts	**–**	–	**5,994**	7,539
Deposits received	**7,607**	7,417	**105**	144
Accruals	**21,810**	17,058	**400**	394
Sundry creditors	**27,464**	17,847	**828**	102
Others	**946**	812	**12**	–
	59,637	48,716	**55,024**	20,706
Less: Non-current portion of financial guarantee contracts	**–**	–	**(3,245)**	(4,646)
	59,637	48,716	**51,779**	16,060

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

17 NOTES PAYABLE

	Group and Company	
	2020	2019
	$'000	$'000
Notes payable	**268,858**	277,408
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(268,858)**	(2,821)
Amount due for settlement after 12 months	**–**	274,587
Fair value as at end of reporting period	**261,970**	274,035

On August 23, 2017, the company issued GBP 45,000,000 of notes under a $1 billion multi-currency debt programme at a fixed coupon rate of 3.25% per annum, maturing on August 23, 2021. 95.4% of the notes payable is held by certain directors of the company.

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

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17 NOTES PAYABLE (CONTINUED)

On April 26, 2018, the company issued SGD 125,000,000 of notes under a $1 billion multi-currency debt programme at a fixed coupon rate of 6.125% per annum, maturing on April 26, 2021.

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

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

18 TERM LOANS

	Group		Company	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
<u>Secured – At amortised cost</u>				
Term loans	**1,661,857**	1,417,903	**22,623**	22,623
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(403,224)**	(172,362)	**(22,623)**	(22,623)
Amount due for settlement after 12 months	**1,258,633**	1,245,541	**–**	–

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

The term loans from banks and finance companies bear effective interest rates from 1.67% to 3.14% (2019: 2.34% to 3.97%) per annum for the group and at 2.39% (2019: 3.26%) per annum for the company. The variable interest rates are referenced to market benchmarks.

The term loans are secured against the properties of the group with carrying amounts of $2,966,567,000 (2019: $2,468,473,000) (Notes 9, 10, 14 and 15); and covered by corporate guarantees by the company and assignment of developer's rights and benefits in the sale and purchase agreements.

The group and the company are in compliance with financial covenants associated with external borrowings.

39% of the term loans that are due within the next 12 months are revolving loans with short term tenor of 1 to 6 months that management expects to be refinanced by the banks while 2% of the balance will be repaid in 2021. The remaining 59% of the balance pertains to construction loans or short-term borrowings secured by these development projects, and management is in the process of obtaining approval from relevant financial institutions for refinancing into term loans upon completion of development and sales settlement.

As these term loans are secured by the properties, and the loan-to-asset* ratio of the Group remained optimised at 56.0% (2019: 57.4%), management is of the opinion that the rollover of these loans upon their renewals should be attainable.

* Asset refers to properties pledged to relevant institutions.

18 TERM LOANS (CONTINUED)

Reconciliation of liabilities arising from financing activities

The table below details changes in the group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the group's consolidated statement of cash flows as cash flows from financing activities.

Group	Notes payable (Note 17) $'000	Term loans (Note 18) $'000	Total $'000
January 1, 2019	305,733	1,084,307	1,390,040
Financing cash flows[1]	(32,962)	334,631	301,669
Other changes[2]	4,637	(1,035)	3,602
December 31, 2019	277,408	1,417,903	1,695,311
Financing cash flows[1]	(6,000)	229,717	223,717
Other changes[2]	(2,550)	14,237	11,687
December 31, 2020	268,858	1,661,857	1,930,715

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

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

19 DERIVATIVE FINANCIAL INSTRUMENTS

	Group		Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Analysed as:				
Current				
Forward foreign exchange contracts	–	4,183	–	2,157

In 2020, the notional amount of the outstanding forward foreign exchange contracts was Nil (2019: AUD 331,162,000) and Nil (2019: GBP 9,500,000) for the group and Nil (2019: AUD 200,000,000) and Nil (2019: GBP 9,500,000) for the company.

The fair value gain on the contracts amounting to $6,636,000 (2019: fair value loss of $7,302,000) has been credited or charged to profit or loss in the year (Notes 27 and 28).

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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	Changes in value of properties held for sale prior to transfer to investment properties and accelerated tax depreciation $'000	Tax losses $'000	Total $'000
Group				
At January 1, 2019	5,383	5,217	(3,199)	7,401
Charge (Credit) to profit or loss for the year	(2,102)	160	5,643	3,701
Currency realignment	–	20	38	58
At December 31, 2019	3,281	5,397	2,482	11,160
Charge (Credit) to profit or loss for the year	(62)	2,398	78	2,414
Currency realignment	–	368	11	379
At December 31, 2020	3,219	8,163	2,571	13,953

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

	Group		Company	
	2020 $'000	**2019 $'000**	**2020 $'000**	**2019 $'000**
Deferred tax assets	**1,006**	235	**–**	–
Deferred tax liabilities	**(14,959)**	(11,395)	**(640)**	–
Deferred tax liabilities, net	**(13,953)**	(11,160)	**(640)**	–

21 SHARE CAPITAL

	Group and Company			
	2020	2019	2020	2019
	Number of ordinary shares ('000)		$'000	$'000
Issued and paid up:				
At beginning and end of the year	**6,720,000**	6,720,000	**150,000**	150,000

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

22 TREASURY SHARES

	Group and Company			
	2020	2019	2020	2019
	Number of ordinary shares ('000)		$'000	$'000
At beginning of the year	**6,400**	6,840	**(885)**	(945)
Award of performance shares	–	(440)	–	60
At end of the year	**6,400**	6,400	**(885)**	(885)

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

23 PERFORMANCE SHARE RESERVE

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

The company has a performance share plan for all employees of the company. The plan is administered by the Remuneration Committee, comprising of Mr Watt Kum Kuan, Ms Lim Wan Looi and Mr Teo Chang Kuang. Awards are given upon the employee achieving the specific performance targets during the vesting period. The awards are forfeited if the employee leaves the group before the awards vest. Mr Watt Kum Kuan had resigned as the Chairman of the Remuneration Committee with effect from December 31, 2020 and was replaced by Mr Tham Chee Soon with effect from January 1, 2021.

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

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24 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	
	2020	**2019**
	$'000	**$'000**
At January 1	**(73,896)**	(68,668)
Exchange differences on translation of foreign operations during the year, included in other comprehensive income	**42,311**	(7,433)
Effect of transfer of distribution-in-specie of a joint venture	**–**	2,205
At December 31	**(31,585)**	(73,896)

25 REVENUE

The group derives its revenue from the transfer of services over time and at a point in time in the following major revenue streams. This is consistent with the revenue information that is disclosed for each reportable segment under SFRS(I) 8 (see Note 34).

	Group	
	2020	**2019**
	$'000	**$'000**
Segment revenue		
Commercial investment recognised over time	**18,205**	21,767
Property development	**64,135**	7,506
– recognised over time for properties under development	**13,139**	732
– recognised over time for completed properties	**6,484**	6,774
– recognised at a point in time	**44,512**	–
Hotel operations recognised at a point in time	**27,863**	24,532
Hospitality investment recognised over time	**1,102**	4,351
	111,305	58,156

25 REVENUE (CONTINUED)

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

Commercial and hospitality investment revenue comprise of rental income earned from the investment properties (Note 14). As of December 31, 2020 and 2019, there were no performance obligations that were unsatisfied or partially satisfied, other than performance obligations to be rendered during the remaining period, which generally cover a period of a year. As the group has the right to bill the customers based on the length of stay of the customers, the group has applied the practical expedient not to disclose the related unsatisfied performance obligation.

Property development revenue comprises of (1) revenue recognised over time for the development properties in Singapore on a cost-to-cost method, based on the proportion of contracts costs performed to date relative to the estimated total contract costs, (2) revenue recognised at point in time for the development projects in Australia when the completed residential project is delivered to and accepted by the customers in accordance with the sales contract and (3) rental income earned from existing buildings on land in Australia, which have been acquired for development purposes (Note 9).

Since the commencement of launch, the group entered into contracts with customers for the sale of residential units of property developments in Singapore for a total consideration of $49,248,000 (2019: $9,638,000). The sale of a residential unit is identified as a single performance obligation that is satisfied over time. As of December 31, 2020, the aggregate amount of the transaction price allocated to the remaining performance obligation is $35,377,000 (2019: $8,906,000) and the group will recognise this revenue over time in accordance with the progress of the construction development. The property development projects are expected to be completed in 2022 and 2023.

26 INVESTMENT (LOSS) GAIN

	Group	
	2020	**2019**
	$'000	**$'000**
Gain on disposal of financial assets at FVTPL	**7**	167
Change in fair value of financial assets at FVTPL	**(892)**	52
	(885)	219

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

27 OTHER OPERATING INCOME

	Group	
	2020	**2019**
	$'000	**$'000**
Change in fair value of investment properties (Note 14)	**14,285**	100,861
Interest income	**234**	1,621
Gain on foreign exchange option premium	**1,229**	1,734
Gain on derivative financial instruments (Note 19)	**6,636**	–
Grant income[1]	**1,514**	–
Others	**1,271**	1,874
	25,169	106,090

(1) Relates to property tax rebate and cash grant received from the Singapore Government as part of the Government's relief measures to help businesses deal with the impact from COVID-19.

28 OTHER EXPENSES

	Group	
	2020	**2019**
	$'000	**$'000**
Loss on derivative financial instruments (Note 19)	**–**	7,302
Impairment loss on property held for sale (Note 10)	**423**	–
Loss on disposal of joint venture	**56**	–
Others	**36**	–
	515	7,302

29 FINANCE COSTS

	Group	
	2020	**2019**
	$'000	**$'000**
Interest expense on term loans	**20,542**	27,233
Interest expense on notes payable	**6,676**	4,316
	27,218	31,549

30 INCOME TAX EXPENSE

	Group	
	2020	**2019**
	$'000	**$'000**
Current tax	**279**	8,812
Deferred tax	**209**	1,187
Withholding tax	**3,477**	2,958
Overprovision in prior years – current tax	**(2,472)**	(7,321)
Underprovision in prior years – deferred tax	**2,205**	2,514
	3,698	8,150

The income tax varied from the amount of income tax expense determined by applying the Singapore income tax rate of 17% (2019: 17%) to profit before income tax as a result of the following differences:

	Group	
	2020	**2019**
	$'000	**$'000**
Profit before income tax	**4,874**	87,636
Income tax expense at the statutory rate	**829**	14,898
Effect of double taxation relief	**(3,477)**	(2,958)
Tax effect of items that are not taxable in determining taxable profit	**(2,428)**	(17,231)
Tax effect of items that are not deductible in determining taxable profit (joint operations)	–	8,724
Tax effect of items that are not deductible in determining taxable profit	**4,637**	5,147
Effects of different tax rates of subsidiaries operating in other jurisdictions	**(2,394)**	114
Effect of utilisation of deferred tax benefits previously not recognised	–	(81)
Effect of unutilised tax losses not recognised as deferred tax assets	**3,242**	1,408
Withholding tax	**3,477**	2,958
Overprovision in prior years – current and deferred tax	**(267)**	(4,807)
Others	**79**	(22)
	3,698	8,150

Subject to the agreement by the tax authorities, at the end of the reporting period, the group has unutilised tax losses of $16.1 million (2019: $7.5 million) available for offset against future profits. Deferred tax asset has not been recognised for certain companies within the group due to the unpredictability of future profit streams.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

31 PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	Group	
	2020	**2019**
	$'000	**$'000**
Audit fees for auditors of the company	**180**	180
Audit fees for other auditors	**106**	108
Non-audit fees for auditors of the company	**46**	75
Directors' fee	**195**	195
Cost of development properties recognised as expenses	**57,096**	4,877
Employee benefits expense:		
Staff costs	**4,893**	4,227
Directors' remuneration	**1,548**	1,662
Cost of defined contribution plans included in employee benefits expense	**436**	401

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	
	2020	**2019**
	$'000	**$'000**
Net profit attributable to equity holders of the group	**1,714**	79,852

	2020	**2019**
	Number of shares ('000)	
Weighted average number of ordinary shares for purposes of earnings per share	**6,713,600**	6,713,512

There are no dilutive ordinary shares for 2020 and 2019.

33 DIVIDENDS AND DISTRIBUTIONS

The group and company has paid and distributed the following dividend and distribution-in-specie on 17 March 2020:

Interim dividend

An interim one-tier tax exempt dividend of $0.0035 per ordinary share amounting to approximately $23,498,000 in respect of the financial year ended December 31, 2019 was paid to shareholders by the company.

Distribution-in-specie

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

No dividends and distributions were paid and distributed for the financial year ended December 31, 2020.

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 stated in the table below.

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

Business segments

The group has the following business segments:

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

Subsequent to the balance sheet date as disclosed in Note 38, the operator agreements for four tenanted hotels operated under the hospitality investment segment have been terminated and these four hotels will be owner-managed. These hotels will be transferred to property, plant and equipment at fair value and carried at cost subsequently. As such in 2021, Hospitality investment will be subsumed into Hotel operations.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

34 SEGMENT INFORMATION (CONTINUED)

Business segments (Continued)

Group	Commercial investment $'000	Property development $'000	Hotel operations $'000	Hospitality investment $'000	Total $'000
2020					
REVENUE	**18,205**	**64,135**	**27,863**	**1,102**	**111,305**
RESULT					
Segment result	**18,205**	**7,039**	**16,546**	**1,102**	**42,892**
Other operating income (loss)	**21,797**	**9,019**	**752**	**(6,399)**	**25,169**
Other expenses	**–**	**(1,400)**	**–**	**–**	**(1,400)**
Operating expenses	**(7,113)**	**(13,189)**	**(14,003)**	**(259)**	**(34,564)**
Finance costs	**(13,235)**	**(13,154)**	**(829)**	**–**	**(27,218)**
	19,654	**(11,685)**	**2,466**	**(5,556)**	**4,879**
Share of results of joint venture	**–**	**(5)**	**–**	**–**	**(5)**
Profit before income tax					**4,874**
Income tax					**(3,698)**
Profit after income tax					**1,176**

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

34 SEGMENT INFORMATION (CONTINUED)

Business segments (Continued)

Group	Commercial investment $'000	Property development $'000	Hotel operations $'000	Hospitality investment $'000	Total $'000
2020					
Segment assets	1,739,518	1,173,234	317,438	80,526	3,310,716
Segment liabilities	(1,197,665)	(804,266)	(10,671)	(1,201)	(2,013,803)
OTHER INFORMATION					
Fair value gain (loss) on investment properties	20,700	–	–	(6,415)	14,285
Addition of non-current assets	161,603	22	39,269	283	201,177
Depreciation expense	75	54	3,728	31	3,888
2019					
Segment assets	1,461,035	1,208,868	343,752	141,679	3,155,334
Segment liabilities	(897,308)	(750,037)	(4,330)	(112,325)	(1,764,000)
OTHER INFORMATION					
Fair value gain (loss) on investment properties	106,891	–	–	(6,030)	100,861
Addition of non-current assets	26	137,788	77	18,336	156,227
Depreciation expense	340	50	1,381	13	1,784

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

34 SEGMENT INFORMATION (CONTINUED)

Geographical information

Segment revenue and segment earnings before interest and taxation ("EBIT"): Segment revenue and segment EBIT are analysed based on the location of properties.

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

	Revenue		EBIT		Non-current assets	
	2020	2019	2020	2019	2020	2019
	$'000	$'000	$'000	$'000	$'000	$'000
Singapore	**37,237**	28,372	**41,646**	122,716	**1,873,354**	1,712,258
Australia	**68,690**	15,790	**3,830**	4,017	**197,805**	184,604
United Kingdom	**5,378**	13,994	**(13,384)**	(7,548)	**187,440**	161,205
Total	**111,305**	58,156	**32,092**	119,185	**2,258,599**	2,058,067

Information about major customers

There is no customer who accounts for 10% or more of the group's revenue in 2020 and 2019.

35 COMMITMENT

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Contracted construction costs of properties yet to be incurred and not provided for in the financial statements	**179,514**	311,713	–	73

36 OPERATING LEASE ARRANGEMENTS

The group as lessor

Operating leases, in which the group is the lessor, relate to investment properties owned by the group with lease terms of between 1 to 5 years (2019: 2 to 6 years). The lessee does not have an option to purchase the units within the investment properties at the end of the expiry of the lease period.

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

Maturity analysis of operating lease payments:

	Group	
	2020	**2019**
	$'000	**$'000**
Year 1	**20,837**	21,776
Year 2	**13,585**	15,129
Year 3	**4,516**	8,855
Year 4	**709**	1,307
Year 5	**146**	434
Year 6 and onwards	**–**	31
	39,793	47,532

During the year ended December 31, 2020, rental income earned by the group from operating leases of properties amounted to $20,233,000 (2019: $27,190,000).

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

37 STANDARDS ISSUED BUT NOT EFFECTIVE

At the date of authorisation of these financial statements, the following SFRS(I) pronouncements relevant to the group and the company were issued but not effective:

Description	Effective for annual periods beginning on or after
Amendments to SFRS(I) *9 Financial Instruments,* SFRS(I) *1-39 Financial Instruments: Recognition and Measurement,* SFRS(I) 7 *Financial Instruments: Disclosures,* SFRS(I) 4 *Insurance Contracts*, SFRS(I) 16 *Leases*: Interest Rate Benchmark Reform – Phase 2	1 January 2021
Amendments to SFRS(I) 1-16 Property, *Plant and Equipment*: Proceeds before Intended Use	1 January 2022
Annual Improvements to SFRS(I)s 2018-2020	1 January 2022
Amendments to SFRS(I) 1-1 *Presentation of Financial Statements:* Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to SFRS(I) 10 *Consolidated Financial Statements* and SFRS(I) 1-28 *Investments in Associates and Joint Ventures*: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Date to be determined

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

38 EVENTS AFTER THE REPORTING PERIOD

Completion of Premier Tower

Premier Tower – the group's development project in Melbourne, Australia received its practical completion certificate issued for 401 residential units located from level 1 to level 45 (Phase 1) in December 2020. Practical completion certificate for the remaining 395 residential units and the hotel (Phase 2) is expected to be issued in April 2021. Upon completion, the property will be reclassified from properties under development to property held for sale for residential units and property, plant and equipment for the hotel property respectively.

As of December 31, 2020, the group has a total contracted sale of SGD 476.5 million (AUD 468.2 million equivalent), representing 84.3% of the total residential units' sales value. The group has collected SGD 65.3 million (AUD 64.2 million) and recognised SGD 43.5 million (AUD 42.7 million equivalent) of cost of sales for the 88 units of settled sales up till February 28, 2021.

38 EVENTS AFTER THE REPORTING PERIOD (CONTINUED)

Sale of 2-6 Collins Street, Hobart, Australia

On January 11, 2021, the group completed the sale of a property located at 2-6 Collins Street, Hobart, Australia from the Property development segment to a third party for a consideration of SGD 8,555,000 (AUD 8,700,000 equivalent).

Incorporation of new subsidiary, Fragrance UK Investment Limited

The COVID-19 crisis has placed the operator of the four tenanted hotel investment properties in United Kingdom in financial distress and incapable to continue to operate the group's hotels properties. Subsequent to reporting period, the group has officially taken over these hotels for own operation.

A wholly owned subsidiary – Fragrance UK-Hotel Management Limited, held through Fragrance UK Investment Limited, was newly incorporated in United Kingdom on February 12, 2021, to take over the hotel operations of these 4 hotel properties.

SHAREHOLDING STATISTICS

As at 19 March 2021

SHAREHOLDERS' INFORMATION

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

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	10	0.35	267	0.00
100 – 1,000	50	1.74	34,586	0.00
1,001 – 10,000	491	17.10	3,706,548	0.06
10,001 – 1,000,000	2,235	77.85	235,929,734	3.51
1,000,001 AND ABOVE	85	2.96	6,473,928,865	96.43
TOTAL	**2,871**	**100.00**	**6,713,600,000**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	SHAREHOLDER'S NAME	NUMBER OF SHARES HELD	%
1	KOH WEE MENG	2,770,500,000	41.27
2	RAFFLES NOMINEES (PTE) LIMITED	1,314,076,400	19.57
3	LIM WAN LOOI	693,000,000	10.32
4	HONG LEONG FINANCE NOMINEES PTE LTD	353,622,400	5.27
5	DBS NOMINEES PTE LTD	339,601,799	5.06
6	SING INVESTMENTS & FINANCE NOMINEES (PTE) LTD	315,032,000	4.69
7	UNITED OVERSEAS BANK NOMINEES PTE LTD	121,684,200	1.81
8	CITIBANK NOMINEES SINGAPORE PTE LTD	77,163,667	1.15
9	TAN SU KIOK OR SIA LI WEI JOLIE (SHE LIWEI JOLIE)	51,122,000	0.76
10	MAYBANK KIM ENG SECURITIES PTE. LTD	50,283,653	0.75
11	JIMMY LEE PENG SIEW	49,512,000	0.74
12	PHILLIP SECURITIES PTE LTD	47,728,700	0.71
13	CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	43,461,446	0.65
14	UOB KAY HIAN PTE LTD	35,778,100	0.53
15	LEE AH POY	16,693,000	0.25
16	KOH KIAN SOO	13,870,000	0.21
17	HSBC (SINGAPORE) NOMINEES PTE LTD	8,960,000	0.13
18	OCBC NOMINEES SINGAPORE PTE LTD	8,941,500	0.13
19	LAI CHOOI FOONG	7,596,000	0.11
20	LIEW SHIAU WEI OR LIEW SHIAU MIN	7,192,000	0.11
	TOTAL	**6,325,818,865**	**94.22**

Substantial Shareholders

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

Notes:

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

(2) Of the 5,015,500,000 shares in which Koh Wee Meng has an interest, 2,245,000,000 shares are held through nominees accounts.

(3) Of the 735,000,000 shares in which Lim Wan Looi has an interest, 42,000,000 shares are held through a nominee account.

SHAREHOLDINGS HELD IN THE HANDS OF THE PUBLIC

Based on information available to the Company as at 19 March 2021, approximately 10.03% of the issued ordinary shares of the Company is held by the public and therefore, Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited is complied with.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Fragrance Group Limited will be convened and held by way of electronic means on 27 April 2021 at 9.00 a.m., to transact the following business:–

ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements for the financial year ended December 31, 2020 together with the Directors' Statement and the Report of the Auditors thereon. **[Resolution 1]**

2. To approve the proposed Directors' fees of S$195,000/- for the financial year ended December 31, 2020. [2019: S$195,000/-] **[Resolution 2]**

3. To re-elect the following Directors who retire pursuant to the Company's Constitution:–

   (a) Mr Koh Wee Meng {retiring pursuant to Regulation 89} **[Resolution 3]**

   (b) Mr Leow Chung Chong Yam Soon {retiring pursuant to Regulation 89} **[Resolution 4]**

   (c) Mr Tham Chee Soon {retiring pursuant to Regulation 88} **[Resolution 5]**

   [See Explanatory Notes on Ordinary Business (i)]

4. To re-appoint Messrs Deloitte & Touche LLP as the Company's Auditors and to authorise the Directors to fix their remuneration. **[Resolution 6]**

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 the following Ordinary Resolutions:–

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 capital of the Company ("Shares") (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 number of issued shares (excluding treasury shares and subsidiary holdings in each class 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 number of issued shares (excluding treasury shares and subsidiary holdings in each class 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 7]**

   [See Explanatory Notes on Special Business (i)]

By Order of the Board

KELOTH RAJ KUMAR (MR)
Company Secretary

Date: 5 April 2021

Explanatory Notes on Ordinary Business: -

(i) Ordinary Resolutions 3(a) and 3(b) are to re-elect Mr Koh Wee Meng and Mr Leow Chung Chong Yam Soon who will be retiring by rotation under Regulation 89 of the Constitution of the Company whereas Ordinary Resolution 3(c) is to re-elect Mr Tham Chee Soon who will be retiring under Regulation 88 of the Constitution of the Company.

Mr Koh Wee Meng is an Executive Chairman and Chief Executive Officer, who is a member of the Nominating Committee and he will continue in the said capacities upon re-election as a Director of the Company.

Mr Leow Chung Chong Yam Soon is a lead independent Director, who is the Chairman of the Audit Committee as well as a member of the Nominating Committee and he will continue in the said capacities upon re-election as a Director of the Company.

Mr Tham Chee Soon 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.

Detailed information on these Directors (including information as set out in Appendix 7.4.1 of the Listing Manual of the Singapore Exchange Securities Trading Limited) can be found under "Supplemental Information on Directors Seeking Re-election".

Explanatory Notes on Special Business: -

(i) In the proposed Resolution 7 above, the percentage of issued share capital is calculated based on the total number of issued shares excluding treasury shares and subsidiary holdings in each class 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 any convertible securities; (b) new shares arising from vesting of share awards date, provided the awards were granted in compliance with Part VIII of Chapter 8; and (c) any subsequent bonus issue, consolidation or subdivision of shares. The proposed Resolution 7, 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 of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied and revoked by the Company in a general meeting, whichever is earlier, 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 number of issued shares (excluding treasury shares and subsidiary holdings in each class 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 number of issued shares (excluding treasury shares and subsidiary holdings in each class of the Company).

Notes:–

1. The Annual General Meeting ("AGM") is being convened, and will be held, by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 (as amended from time to time).

2. Printed copies of this Notice will not be sent to members. Instead, this Notice of AGM will be sent to members by electronic means via publication on the SGX website at the URL https://www.sgx.com/securities/company-announcements.

3. Alternative arrangements relating to the (i) attendance at the AGM via electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast and/or live audio-only stream); (ii) submission of questions to the Chairman of the Meeting in advance of the AGM, addressing of substantial and relevant questions in advance of the AGM; and (iii) voting by appointing the Chairman of the Meeting as proxy at the AGM, are set out in the Company's announcement dated 5 April 2021 which has been uploaded together with the Notice of AGM on SGXNet on the same day.

   In particular, the AGM will be held by way of electronic means and a member will be able to watch the proceedings of the AGM through a live audio-visual webcast via mobile phone, tablet or computer or listen to these proceedings through a live audio-only stream via telephone. In order to do so, a member who wishes to watch the live audio-visual webcast or listen to the live audio-only stream must pre-register by 9.00 a.m. on 24 April 2021, at the URL https://online.meetings.vision/fragrancegl-agm-registration. Following authentication of status as members, authenticated members will receive email instructions on how to access the live audio-visual webcast and live audio-only stream of the proceedings of the AGM by 26 April 2021.

   A member who pre-registers to watch the live audio-visual webcast or listen to the live audio-only stream may also submit questions related to the resolutions to be tabled for approval at the AGM. To do so, all questions must be submitted by 9.00 a.m. on 24 April 2021:

   (a) via the pre-registration website at the URL https://online.meetings.vision/fragrancegl-agm-registration; or

   (b) in hard copy by sending personally or by post and lodging the same at the Registered Office of the Company at 456 Alexandra Road #26-01 Fragrance Empire Building Singapore 119962.

4. **Due to the current COVID-19 restriction orders in Singapore, a member will not be able to attend the Annual General Meeting in person.** If a member (whether individual or corporate) wishes to exercise his/her/its voting rights at the AGM, he/she/it must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM. The instrument appointing the Chairman of the Meeting as proxy has been uploaded together with this Notice of AGM made available for downloading from the SGX website at the URL https://www.sgx.com/securities/company-announcements.

   Where a member (whether individual or corporate) appoints the Chairman of the Meeting as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the form of proxy, failing which the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid.

NOTICE OF ANNUAL GENERAL MEETING

5. Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investors") (as may be applicable) who wish to appoint the Chairman of the Meeting as proxy should approach their respective CPF/SRS Approved Nominees (CPF Agent Banks or SRS Operators) to submit their votes by 5.00 p.m. on 15 April 2021, being at least seven (7) working days before the AGM.

6. The Chairman of the AGM, as a proxy need not be a Member of the Company.

   The instrument appointing the Chairman of the Meeting as proxy must be submitted to the Company in the following manner:

   (i) Submitted by post, be deposited at the Registered Office of the Company at 456 Alexandra Road #26-01 Fragrance Empire Building Singapore 119962,

   not less than 72 hours before the time set for the AGM.

   A member who wishes to submit an instrument of proxy can download a copy from the SGX website, and complete and sign the proxy form, before submitting it by post to the address provided above.

7. The Management and the Board of Directors of the Company will endeavour to address all substantial and relevant questions relating to the resolutions to be tabled for approval at the AGM as received from members either before or during the AGM through live audio-visual webcast and/or live audio-only stream.

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.

FRAGRANCE GROUP LIMITED

(Incorporated in the Republic of Singapore)

Company Registration No. 200006656M

IMPORTANT

Alternative Arrangements for Annual General Meeting

1. The Annual General Meeting is being convened, and will be held, by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Printed copies of the Notice of Annual General Meeting will not be sent to members. Instead, Notice will be sent to members by electronic means via publication on the SGX website at the URL https://www.sgx.com/securities/company-announcements.
2. Alternative arrangements relating to attendance at the Annual General Meeting via electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast or live audio-only stream), submission of questions to the Chairman of the Meeting in advance of the Annual General Meeting, addressing of substantial and relevant questions at the Annual General Meeting and voting by appointing the Chairman of the Meeting as proxy at the Annual General Meeting, are set out in the Company's announcement dated 5 April 2021 which has been uploaded together with the Notice of AGM on SGXNET on the same day. This announcement is made available on the SGX website at the URL https://www.sgx.com/securities/company-announcements.
3. **Due to the current COVID-19 restriction orders in Singapore, a member will not be able to attend the Annual General Meeting in person. If a member (whether individual or corporate) wishes to exercise his/her/its voting rights at the Annual General Meeting, he/she/it must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the Annual General Meeting.**
4. 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/SRS investors who wish to appoint the Chairman of the Meeting as proxy should approach their respective CPF/SRS Approved Nominees (CPF Agent Banks or SRS Operators) to submit their votes at least seven (7) working days before the Annual General Meeting.
5. Please read the notes to the proxy form.
6. By submitting an instrument appointing the Chairman of the Meeting as proxy, the 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 the chairman of the Annual General Meeting (the "AGM"), as *my/our proxy/proxies to attend and vote for *me/us on *my/our behalf at the AGM of the Company to be held by electronic means on 27 April 2021 at 9.00 a.m. and at any adjournment thereof.

*I/We direct *my/our *proxy/proxies to vote for or against, or abstain from voting the resolutions to be proposed at the AGM as indicated hereunder:–

No.	Resolution	For**	Against**	Abstain**
1.	To receive and adopt the Audited Financial Statements for the financial year ended December 31, 2020 together with the Directors' Statement and the Report of the Auditors thereon			
2.	To approve the proposed Directors' Fees of S$195,000/- for the financial year ended December 31, 2020 [2019: S$195,000/-]			
3.	To re-elect Mr Koh Wee Meng as a Director {retiring pursuant to Regulation 89}			
4.	To re-elect Mr Leow Chung Chong Yam Soon as a Director {retiring pursuant to Regulation 89}			
5.	To re-elect Mr Tham Chee Soon as a Director {retiring pursuant to Regulation 88}			
6.	To re-appoint Messrs Deloitte & Touche LLP as Auditors and to authorise the Directors to fix their remuneration			
7.	Authority to allot and issue shares up to 50% of issued share capital			

* *Delete accordingly*

** *If you wish to exercise all your votes "For" or "Against" on 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. If you mark "X" in the abstain box for a particular resolution, you are directing the Chairman of the Meeting not to vote on that resolution. In the absence of specific directions in respect of a resolution, the appointment of the Chairman of the Meeting as your proxy for that resolution will be treated as invalid.*

Signed this ________ day of ____________________ 2021

Total No. of Shares held (Note a):	

____

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

IMPORTANT: PLEASE READ NOTE OVERLEAF BEFORE COMPLETING THIS PROXY FORM

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) **Due to the current COVID-19 restriction orders in Singapore, a member will not be able to attend the Annual General Meeting ("AGM") in person.** If a member (whether individual or corporate) wishes to exercise his/her/its voting rights at the AGM, he/she/it must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM.

c) This proxy form may be downloaded from the SGX website at the URL https://www.sgx.com/securities/company-announcements. Where a member (whether individual or corporate) appoints the Chairman of the Meeting as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the form of proxy, failing which the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid.

d) Persons who hold Shares of the Company through relevant intermediaries (as defined in Section 181 of the Companies Act, Chapter 50 of Singapore), including CPF/SRS Investors who wish to appoint the Chairman of the Meeting as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes by 5.00 p.m. on 15 April 2021, being at least seven (7) working days before the AGM.

e) The Chairman of the AGM, as a proxy need not be a Member of the Company.

f) The instrument appointing the Chairman of the Meeting as 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.

g) Where an instrument appointing the Chairman of the Meeting as proxy 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.

h) This instrument appointing the Chairman of the Meeting as proxy, duly executed, together with the power of attorney (if any) under which it is signed or a certified copy thereof, must be submitted to the Company in the following manner:

   (i) Submitted by post, be deposited at the Registered Office of the Company at 456 Alexandra Road #26-01 Fragrance Empire Building Singapore 119962,

   not less than 72 hours before the time set for the AGM.

   A member who wishes to submit an instrument of proxy can download a copy from the SGX website, and complete and sign the proxy form, before submitting it by post to the address provided above.

i) 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 AGM.

FRAGRANCE GROUP LIMITED
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