

LETTER TO UNITHOLDERS

M&C Business Trust Management Limited

Company registration number: 200607118H
(Incorporated in the Republic of Singapore)

4 March 2021

To: Holders of Stapled Securities in CDL Hospitality Trusts

Dear Sir / Madam

AUDITED FINANCIAL STATEMENTS OF M&C BUSINESS TRUST MANAGEMENT LIMITED FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

We are pleased to enclose for your information a copy of the audited financial statements of M&C Business Trust Management Limited for the financial year ended 31 December 2020, pursuant to Section 78(1)(b) of the Business Trusts Act, Chapter 31A of Singapore.

Please note that the enclosed audited financial statements are not in respect of CDL Hospitality Business Trust, but in respect of M&C Business Trust Management Limited, which is the trustee-manager of CDL Hospitality Business Trust. The enclosed set of audited financial statements is independent of the financial statements of CDL Hospitality Trusts and does not have any impact on the distributable income of the holders of stapled securities in CDL Hospitality Trusts.

Please refer to the Annual Report 2020 for the audited financial statements of CDL Hospitality Business Trust for the financial year ended 31 December 2020.

For and on behalf of the Board of Directors
M&C Business Trust Management Limited

Vincent Yeo Wee Eng
Director

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**M&C BUSINESS TRUST
MANAGEMENT LIMITED**

Company registration number: 200607118H

Annual Report
Year ended 31 December 2020

DIRECTORS' STATEMENT

The Directors are pleased to present their statement to the member of the Company together with the audited financial statements for the financial year ended 31 December 2020.

In our opinion:

- (a) the financial statements set out on pages 7 to 20 are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2020 and the financial performance, changes in equity and cash flows of the Company for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "**Act**"), Singapore Financial Reporting Standards (International) and International Financial Reporting Standards; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

DIRECTORS

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

Chan Soon Hee, Eric
Vincent Yeo Wee Eng
Ronald Seah Lim Siang
Foo Say Mui (Bill)
Kenny Kim
Cheah Sui Ling

DIRECTORS' INTERESTS

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

DIRECTORS' STATEMENT

DIRECTORS' INTERESTS (CONT'D)

According to the register kept by the Company under Section 164 of the Act, particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and children below 18 years of age) in shares and/or share options in related corporations are as follows:

	Holdings in which the director, his spouse and children below 18 years of age have a direct interest	
	At beginning of the year	At end of the year
Related Corporation		
Hong Leong Finance Limited Ordinary Shares		
Vincent Yeo Wee Eng	100,000	100,000

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SHARE OPTIONS

During the financial year, there were:

- (i) no options granted by the Company to any person to take up unissued shares of the Company; and
- (ii) no shares issued by virtue of any exercise of option to take up unissued shares of the Company.

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

DIRECTORS' STATEMENT

AUDITORS

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

On behalf of the Board of Directors

Chan Soon Hee, Eric
Director

Vincent Yeo Wee Eng
Director

4 March 2021

INDEPENDENT AUDITORS' REPORT

MEMBER OF THE COMPANY M&C BUSINESS TRUST MANAGEMENT LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of M&C Business Trust Management Limited (the "**Company**"), which comprise the statement of financial position as at 31 December 2020, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 7 to 20.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "**Act**"), Singapore Financial Reporting Standards (International) ("**SFRS(I)s**") and International Financial Reporting Standards ("**IFRS**") so as to give a true and fair view of the financial position of the Company as at 31 December 2020 and of the financial performance, changes in equity and cash flows 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 'Auditors' responsibilities for the audit of the financial statements' section of our report. We are independent of the Company 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.

Other information

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

We have obtained all other information prior to the date of this auditors' report.

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, SFRS(I)s and IFRS, 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

INDEPENDENT AUDITORS' REPORT

Auditors' responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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 have been properly kept in accordance with the provisions of the Act.

KPMG LLP

*Public Accountants and
Chartered Accountants*

Singapore

4 March 2021

STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Note	2020 \$	2019 \$
Non-current assets			
Deferred tax assets		7,280	–
Current assets			
Trade and other receivables	4	485,029	345,285
Other investment	5	1,531,361	1,230,948
Cash at bank		816,376	663,084
		2,832,766	2,239,317
Total assets		2,840,046	2,239,317
Equity			
Share capital	6	2	2
Fair value reserve		(30,053)	102,639
Accumulated profits		2,557,191	1,890,567
Total equity		2,527,140	1,993,208
Non-current liabilities			
Deferred tax liabilities		–	20,319
Current liabilities			
Other payables	7	179,916	130,193
Current tax payable		132,990	95,597
		312,906	225,790
Total liabilities		312,906	246,109
Total equity and liabilities		2,840,046	2,239,317

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

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2020

	Note	2020 \$	2019 \$
Revenue	8	782,777	782,797
Professional fees		(60,472)	(48,351)
Other expenses		(5,832)	(5,290)
Finance income	9	56,716	48,057
Profit before tax		773,189	777,213
Tax expense	10	(106,565)	(91,183)
Profit for the year		666,624	686,030
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Net change in fair value of equity instruments at FVOCI		(160,291)	84,739
Tax on other comprehensive income		27,599	(15,725)
		(132,692)	69,014
Other comprehensive income for the year, net of tax		(132,692)	69,014
Total comprehensive income for the year		533,932	755,044

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

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2020

	Share capital \$	Fair value reserve \$	Accumulated profits \$	Total \$
At 1 January 2019	2	33,625	1,204,537	1,238,164
Total comprehensive income for the year:				
Profit for the year	–	–	686,030	686,030
Other comprehensive income:				
Net change in fair value of equity instruments at FVOCI	–	84,739	–	84,739
Tax on other comprehensive income	–	(15,725)	–	(15,725)
Total other comprehensive income	–	69,014	–	69,014
Total comprehensive income for the year	–	69,014	686,030	755,044
At 31 December 2019	2	102,639	1,890,567	1,993,208
At 1 January 2020	2	102,639	1,890,567	1,993,208
Total comprehensive income for the year:				
Profit for the year	–	–	666,624	666,624
Other comprehensive income:				
Net change in fair value of equity instruments at FVOCI	–	(160,291)	–	(160,291)
Tax on other comprehensive income	–	27,599	–	27,599
Total other comprehensive income	–	(132,692)	–	(132,692)
Total comprehensive income for the year	–	(132,692)	666,624	533,932
At 31 December 2020	2	(30,053)	2,557,191	2,527,140

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

STATEMENT OF CASH FLOWS

Year ended 31 December 2020

	Note	2020 \$	2019 \$
Cash flows from operating activities			
Profit before tax		773,189	777,213
Adjustment for:			
Distribution income	9	(53,267)	(46,563)
Management fee received/receivable in stapled securities		(447,300)	(447,313)
		272,622	283,337
Changes in:			
Trade and other receivables		(157,153)	(54,228)
Other payables		49,723	(15,292)
Cash generated from operations		165,192	213,817
Tax paid		(69,172)	(73,076)
Net cash from operating activities		96,020	140,741
Cash flows from investing activities			
Capital distribution received		4,005	8,312
Distribution income received		53,267	46,563
Net cash from investing activities		57,272	54,875
Net increase in cash at bank		153,292	195,616
Cash at bank at beginning of the year		663,084	467,468
Cash at bank at end of the year		816,376	663,084

Significant non-cash transaction

During the year, the Company received stapled securities in CDL Hospitality Trusts amounting to \$464,709 (2019: \$503,123) as settlement for the management fee earned.

NOTES TO THE FINANCIAL STATEMENTS

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 4 March 2021.

1 DOMICILE AND ACTIVITIES

M&C Business Trust Management Limited (the “**Company**”) is incorporated in the Republic of Singapore and has its registered office at 9 Raffles Place, #12-01 Republic Plaza, Singapore 048619.

The principal activities of the Company are those relating to the provision of property fund management services. The Company is the trustee-manager for CDL Hospitality Business Trust (“**HBT**”), a business trust which is part of CDL Hospitality Trusts (“**CDLHT**”), a stapled group comprising CDL Hospitality Real Estate Investment Trust, a real estate investment trust, and HBT. CDLHT is listed on Singapore Exchange Securities Trading Limited (“**SGX-ST**”).

The immediate holding company is M&C REIT Management Limited. The directors consider the ultimate holding company to be Hong Leong Investment Holdings Pte. Ltd. Both companies are incorporated in the Republic of Singapore.

2 BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (International) (“**SFRS(I)**”) and International Financial Reporting Standards (“**IFRS**”). SFRS(I), issued by the Accounting Standards Council (“**ASC**”), comprises standards and interpretations that are equivalent to IFRS as issued by the International Accounting Standards Board. All references to SFRS(I) and IFRS are subsequently referred to as SFRS(I) in these financial statements.

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis.

2.3 Functional and presentation currency

The financial statements are presented in Singapore dollars which is the Company’s functional currency.

2.4 Use of estimates and judgements

The preparation of financial statements in conformity with SFRS(I) requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

2.5 Changes in accounting policies

A number of new SFRS(I)s, amendments to and interpretations of SFRS(I) were effective for the annual period beginning on 1 January 2020. The application of these SFRS(I)s, amendments to standards and interpretations did not have a material effect on the Company’s financial statements.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied by the Company consistently to all periods presented in these financial statements.

3.1 Foreign currencies

Transactions in foreign currencies are translated into Singapore dollars at exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into Singapore dollars at exchange rate ruling at that date. Foreign exchange differences arising from translation are recognised in profit or loss.

3.2 Financial instruments

Recognition and initial measurement

Non-derivative financial assets and financial liabilities

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

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

Classification and subsequent measurement

Non-derivative financial assets

Non-derivative financial assets are classified as measured at: amortised cost; fair value through other comprehensive income ("FVOCI") – debt investment; FVOCI – equity investment; or FVTPL.

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

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Financial instruments (Cont'd)

Classification and subsequent measurement (Cont'd)

Non-derivative financial assets (Cont'd)

Equity investments at FVOCI

On initial recognition of an equity investment that is not held-for-trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income ("OCI"). This election is made on an investment-by-investment basis.

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Non-derivative financial liabilities

Non-derivative financial liabilities are classified into the other financial liabilities category. Such financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Derecognition

Financial assets

The Company derecognises a financial asset when:

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

Financial liabilities

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

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

Offsetting

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

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Impairment

Non-derivative financial assets

The Company recognises loss allowances for expected credit loss ("ECL") on financial assets measured at amortised cost.

Loss allowances of the Company are measured on either of the following bases:

- 12-month ECL: these are ECL that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECL: these are ECL that result from all possible default events over the expected life of a financial instrument.

Simplified approach

The Company applies the simplified approach to provide for ECL for all trade receivables. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECL.

General approach

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

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

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

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

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

The maximum period considered when estimating ECL is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

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

Credit-impaired financial assets

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

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Impairment (Cont'd)

Non-derivative financial assets (Cont'd)

Presentation of allowance for ECLs in the statement of financial position

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

Write-off

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

3.4 Revenue recognition

Management fee

Management fee is derived from the management of a business trust and is determined based on total gross assets under management and net property income of the business trust being managed. The fee is recognised when the service is rendered.

Trustee fee

Trustee fee is determined based on total deposited property of the business trust and is recognised when the service is rendered.

Acquisition fee

Acquisition fee relates to fees earned in relation to the acquisition or investment by the business trust managed by the Company. The fee is determined based on a percentage of the value of the asset or investment acquired and is recognised when the service has been rendered.

3.5 Finance income

Finance income comprises distribution income and net foreign currency gains that are recognised in profit or loss. Distribution income is recognised in profit or loss when the Company's right to receive payment is established.

Foreign currency gains and losses are reported on a net basis.

3.6 Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

The Company has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, are therefore accounted for them under SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets*.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Tax (cont'd)

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

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

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

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

3.7 New standards and interpretations not adopted

A number of new standards and amendments to standards are not yet effective and have not been applied in preparing these financial statements. The adoption of these new accounting standards, amendments to and interpretations to SFRS(I)s when they become effective are not expected to have any significant impact on the Company's financial statements.

4 TRADE AND OTHER RECEIVABLES

	2020 \$	2019 \$
Amounts due from related entities (trade)	481,874	342,610
Prepayment	3,155	2,675
	<u>485,029</u>	<u>345,285</u>

There is no allowance for doubtful debts on the amounts due from related entities as the ECL is negligible.

5 OTHER INVESTMENT

	2020 \$	2019 \$
Equity securities at FVOCI	<u>1,531,361</u>	<u>1,230,948</u>

The equity securities at FVOCI relate to stapled securities held in CDLHT which are received as settlement for management fee earned.

As at 31 December 2020, the Company has 1,215,366 (2019: 764,564) stapled securities with a fair value of \$1.26 (2019: \$1.61) per stapled security, which is determined by reference to quoted bid price at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

6 SHARE CAPITAL

	2020 Number of shares	2019 Number of shares
Fully paid ordinary shares, with no par value:		
At 1 January and 31 December	<u>2</u>	<u>2</u>

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

Capital management policy

The Company's primary objective when managing capital is to safeguard the Company's ability to continue as a going concern. As the Company is a wholly-owned subsidiary of M&C REIT Management Limited, the Company's sources of additional capital and policies for distribution of excess capital may also be affected by the capital management objectives of M&C REIT Management Limited.

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

The Company is not subject to externally imposed capital requirements.

7 OTHER PAYABLES

	2020 \$	2019 \$
Amount owing to immediate holding company (non-trade)	54,274	54,274
Accrued operating expenses	125,642	75,919
	<u>179,916</u>	<u>130,193</u>

The amount owing to immediate holding company is unsecured, interest-free and repayable on demand.

8 REVENUE

	2020 \$	2019 \$
Management fee	559,125	559,141
Trustee fee	223,652	223,656
	<u>782,777</u>	<u>782,797</u>

Revenue is derived from a related entity.

The Company generates fee income from providing property fund management services and it is recognised when services are provided. Payment is due on delivery of the services.

NOTES TO THE FINANCIAL STATEMENTS

9 FINANCE INCOME

	2020 \$	2019 \$
Distribution income from equity investments at FVOCI	53,267	46,563
Net foreign exchange gain	3,449	1,494
	<u>56,716</u>	<u>48,057</u>

10 TAX EXPENSE

	2020 \$	2019 \$
Current tax expense		
Current year	106,565	91,183
Reconciliation of effective tax rate		
Profit before tax	773,189	777,213
Tax calculated using Singapore tax rate of 17%	131,442	132,126
Tax incentives	–	(15,000)
Tax exempt income	(17,425)	(25,925)
Income not subject to tax	(7,452)	(18)
	<u>106,565</u>	<u>91,183</u>

11 FINANCIAL RISK MANAGEMENT

Risk management is integral to the whole business of the Company. The Company has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The management continually monitors the Company's risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

The Board of Directors oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

Exposure to credit and liquidity risks arises in the normal course of the Company's business. These risks are limited by the Company's financial management policies and practices described below.

Credit risk

At the reporting date, the amounts due from related entities represent a significant portion of the Company's financial assets. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

11 FINANCIAL RISK MANAGEMENT (CONT'D)

Liquidity risk

The Company's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer terms.

The total contractual undiscounted cash flows of the Company's non-derivative financial liabilities are the same as their carrying amounts and are due within one year.

Market risk

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

Equity price risk

The Company is exposed to equity price changes arising from its investment in quoted equity securities. These securities are quoted on the SGX-ST and are classified as equity instruments at FVOCI. The Company does not hedge against this risk exposure.

Sensitivity analysis

Changes in the underlying equity prices of the equity securities at the reporting date would increase/(decrease) equity (before any tax effects) by the amounts shown below. This analysis assumes that all other variables remain constant.

	Equity	
	2020	2019
	\$	\$
10% increase	153,136	123,095
10% decrease	(153,136)	(123,095)

Accounting classifications and fair values

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

Note	Carrying amount				Fair value			
	Amortised cost	FVOCI – equity instruments	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$	\$	\$	\$	\$
31 December 2020								
Financial assets measured at fair value								
Other investment	5	–	1,531,361	–	1,531,361	–	–	1,531,361
Financial assets not measured at fair value								
Trade and other receivables [^]	4	481,874	–	–	481,874			
Cash at bank		816,376	–	–	816,376			
		1,298,250	–	–	1,298,250			
Financial liabilities not measured at fair value								
Other payables	7	–	–	(179,916)	(179,916)			

[^] excluding prepayment

NOTES TO THE FINANCIAL STATEMENTS

11 FINANCIAL RISK MANAGEMENT (CONT'D)

Accounting classifications and fair values (Cont'd)

Note	Carrying amount				Fair value			
	Amortised cost	FVOCI - equity instruments	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$	\$	\$	\$	\$
31 December 2019								
Financial assets measured at fair value								
Other investment	5	–	1,230,948	–	1,230,948	–	–	1,230,948
Financial assets not measured at fair value								
Trade and other receivables [^]	4	342,610	–	–	342,610			
Cash at bank		663,084	–	–	663,084			
		<u>1,005,694</u>	<u>–</u>	<u>–</u>	<u>1,005,694</u>			
Financial liabilities not measured at fair value								
Other payables	7	–	–	(130,193)	(130,193)			

[^] excluding prepayment

12. RELATED PARTIES

In addition to the transactions disclosed elsewhere in the financial statements, there were the following significant related party transactions during the financial year:

Transactions with key management personnel

The Company's directors are employees of either the immediate holding company or a related corporation and no consideration is paid to these companies for the services rendered by the directors.

Other related party transactions

	2020	2019
	\$	\$
Secretarial fee paid/payable to a related corporation	30,796	34,704

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